NEWS **RELEASE**

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Wednesday, August 7, 2013

Old Mutual plc interim results for the half year ended 30 June 2013

Strong financial performance

- Adjusted operating profit up 14% to £801 million (H1 2012: £701 million*), up 1% as reported (H1 2012: £790 million)
- Strong net client cash flow across the Group: net inflows of £9.1 billion (H1 2012: £3.5 billion*)
- Funds under management up 9% to £289.3 billion (31 December 2012: £265.5 billion*)
- £460 million free surplus generated (H1 2012: £457 million)
- Earnings per share of 9.3p (H1 2012: 7.6p*)
- Interim dividend of 2.1p, up 20%

Strategic delivery

Good progress in emerging markets:

- South African Mass Foundation APE sales up 17%, adviser numbers up 13% since year end
- Significant developments in African strategy: footprint expanded in Ghana, Nigeria and Kenya
- Emerging Markets (ex-South Africa) gross sales up 49%
- Nedbank headline earnings up 13%

Strong growth in Wealth:

- Gross Wealth sales up 26% to £6.7 billion (H1 2012: £5.4 billion)
- Gross platform sales in Q2 of £1.3 billion (Q1: £0.9 billion), as market adapted to RDR
- Strengthened asset management capability in the UK

Sustained improvement in US Asset Management:

- NCCF at £6.9 billion ($10.6 billion), with positive flows into most affiliates

Julian Roberts, Group Chief Executive, commented:

"This has been another good six months for Old Mutual, with our Emerging Markets business in particular performing very well. Our US Asset Management business had a very strong half, substantially contributing to our positive net client cash flows which represented 7% of opening funds under management on an annualised basis.

"Additionally, we have taken significant steps in our plans to expand into the African markets that we have identified as key to our success, and we have continued to grow our Wealth business.

"We are working with our retail customers in South Africa to help them through a challenging economic environment. We are seeing improved conditions in the US and the UK, and sub-Saharan Africa continues to grow strongly. We are focused on delivering our strategy and maintaining our financial discipline. We are clear on our priorities and confident that we will continue to deliver sustainable value to our shareholders and customers."

Part 1 – 2013 Interim Review

Old Mutual plc interim results for the half year to 30 June 2013

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Notes to the Financial Summary on the front page of this announcement

* Figures stated on a constant currency basis

- Constant currency figures are calculated by translating local currency prior period figures at the prevailing exchange rates for the period under review.
- Core continuing operations exclude the results of the Nordic business disposed of during 2012 and the Bermuda business which is classified as non-core.
- Adjusted operating profit before tax and adjusted operating earnings per share are defined in the basis of preparation for the reconciliation of adjusted operating profit to profit after tax in Part 4 – Financial Information.
- Free surplus generated is the adjusted net worth of the operating business units not required to support capital requirements. The total surplus generated is presented for core continuing businesses only, with Nedbank's contribution equal to Old Mutual plc's share of its dividend.

Cautionary statement

This announcement contains forward-looking statements relating 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, global, and UK and South African domestic, 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, the future acquisitions or combinations within relevant industries, as well as the impact of tax and other legislation and 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 out in its 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 on the interim results and Q&A will be broadcast live at 9:00 am UK time (10:00 am 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 and quote the pass-code 50639431#:

UK/International	+44 20 3139 4830
US	+1 718 873 9077
South Africa	+27 21 672 4008

Playback (available for 14 days from Wednesday, 7 August 2013), using pass-code 640672#:

UK/International	+44 20 3426 2807

Copies of these 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 our website. This contains financial data for 2013 and 2012.

Sterling exchange rates

		H1 2013	H1 2012	Appreciation / (depreciation) of local currency
South African Rand	Average Rate	14.23	12.52	(14)%
	Closing Rate	15.08	12.84	(17)%
US Dollar	Average Rate	1.54	1.58	3%
	Closing Rate	1.52	1.57	3%

Group Review

Overview

Strong underlying profit growth...

Old Mutual maintained its strong operational performance in the first six months of 2013 recording adjusted operating profit (AOP) growth on an IFRS basis of 14%, in constant currency, to £801 million. On a reported currency basis, AOP was up 1% from £790 million in the first half of 2012. The Group's free surplus generation increased to £460 million, against £457 million for the first half of 2012.

Across the Group we recorded net client cash flow (NCCF) of £9.1 billion, up 160% on the comparative period, and our funds under management (FUM) stood at £289.3 billion, up 9% since 31 December 2012.

...in uncertain conditions

The macro-economic environment continued to be unpredictable and markets remained volatile. The prospect of the US Federal Reserve tapering quantitative easing had a significant effect on emerging market currencies, with the rand declining 16% against the dollar and 14% against sterling. Equity markets were higher than in the corresponding period of 2012 with the average value of the FTSE 100 in the period 12% higher than last year, and the JSE All-Share on average 19% higher.

While the forecast real GDP growth rate for South Africa in 2013 has been revised downward by the IMF to 2.0%, it remains ahead of much of the developed world. Sub-Saharan African GDP is forecast to grow by 5.1% this year in real terms, up from 4.9% last year.

Despite the external uncertainties, our businesses continued to perform strongly, demonstrating that we are focused on the right markets, and on the right segments of those markets.

However, Mutual & Federal, our Property & Casualty (P&C) business, produced a disappointing set of results, albeit in tough conditions. We have changed the management team and have taken steps to improve underwriting performance and business discipline. We expect that this will take some time to have a demonstrable effect.

Mutual & Federal remains integral to the successful delivery of our strategy in Africa. We continue to explore ways of ensuring that Old Mutual, Mutual & Federal and Nedbank work more closely together.

A financially strong and cash generative Group...

We have a strong balance sheet, with a low level of indebtedness. The Group has a track record of delivering strong underlying cash returns.

...which is resilient and focused on growth

Our business is focused on markets where growth is driven by long-term structural factors. Additionally, these are markets where we have a competitive advantage through our expertise, experience and product offering. As a result, despite the uncertain economic environment for many of our customers, we have continued to see retail savings grow. Whether in the emerging markets of Africa or the developed markets of Europe, our customers understand the imperative of saving and are increasingly trusting Old Mutual to be the custodian of their assets.

Delivering our strategy...

At our preliminary results for 2012, we outlined our four strategic priorities: expanding in the growth markets of South Africa; developing our African footprint; growing Old Mutual Wealth; and improving and growing the US Asset Management business. We have made good progress with these priorities, as well as focusing on operational delivery and efficiency. We have made good progress in expanding our footprint in Africa, with the Group having spent or committed R925 million in the first half of this year.

...with continued growth in the Emerging Markets...

Sub-Saharan Africa as a whole has continued to see strong growth in the first six months of the year and this has been reflected in another excellent period for our Emerging Markets business. We saw gross sales climb by 17% to R76 billion, NCCF improved by R3.2 billion to R11.1 billion and FUM increased to R765 billion, up 6%.

In South Africa, the Mass Foundation Cluster continued its growth path, with life APE sales up 17% on the comparative period, bolstered by an increase in the number of agents and a continued focus on our customer base. We now have more than 4,200 Mass Foundation agents in South Africa, up from 3,750 at the year end, with productivity remaining high. The increasing shift from life to non-life product sales in Retail Affluent was reflected in non-covered sales up 21% from H1 2012. Retail Affluent life sales were up 3% to R1.2 billion with protection sales more subdued. Within Retail Affluent, we have developed a tailored product range directed toward the wealth management market including custodial, advice and, in due course, stockbroking capability. Our Corporate business had a particularly good half, with sales up 56% to R677 million due to a number of large annuity deals.

The Rest of Africa has had an excellent first half of the year, with APE life sales up 23% to R368 million. Life sales benefited from a good performance and large deal in Namibia, favourable foreign exchange and good corporate deals in Zimbabwe, and the inclusion of Old Mutual Nigeria for the first time.

We have previously said that there are four territories in which we must have scale to build a successful African business: South Africa; Nigeria; Ghana; and Kenya. We have taken a number of significant steps to achieve this ambition, while remaining mindful of our strict capital allocation criteria.

Part 1 – 2013 Interim Review

We completed the acquisition of the Nigerian life business from Oceanic. It is now trading as Old Mutual Nigeria and we have more than 117,000 customers in the country. We are aiming to roll out a suite of retail mass market products in Nigeria in the second half of 2013. In Ghana, we have acquired a majority stake in Provident Life Assurance Company, subject to regulatory approvals.

In Kenya, we are in the process of acquiring a majority stake in Faulu Kenya, which we expect to complete before the end of the year. Faulu has around 400,000 customers in Kenya and an excellent distribution network with more than 100 “bricks and mortar” distribution outlets, plus a distribution agreement with the Kenyan Post Office. We will look to leverage off Faulu’s existing customer and distribution network to sell our retail insurance products. In addition, we have made significant strides in growing organically and now have approximately 400 agents in Kenya. In the first half of 2013, Old Mutual Kenya launched a personal pension plan aimed at providing Kenyans, of all income levels, access to affordable retirement savings, as well as an occupational umbrella pension scheme for small to medium-sized enterprises.

In Latin America & Asia, non-covered sales increased significantly, up 39% to R13.7 billion following the winning of an asset management mandate in Colombia and higher sales of retail investment products in Mexico. APE Life sales were up due to favourable exchange rates, strong sales of a new single premium investment product and the reclassification of Asian sales from non-covered to covered sales.

...a strong performance from Nedbank...

This has been another very good six months for Nedbank, with headline earnings up 13.3%. Non-interest revenue was up 15.4% on the comparative period with commission and fee income up 14%, insurance income up 15% and strong trading income. Net interest income grew 6.9% supported by growth in average interest-earning banking assets of 6.1%. Continued consumer stress and more conservative provisioning methodologies in personal loans led to impairments increasing to R3.3 billion (H1 2012: R2.7 billion) and the credit loss ratio (CLR) increasing to 1.31% (H1 2012: 1.11%). Nedbank has agreed to acquire 36.4% of the Mozambican bank, Banco Unico, subject to regulatory approval.

...but a challenging environment for Property & Casualty...

The tough operating environment for short term insurers continued into the first six months of 2013. While gross written premiums grew by 18% during the period, the underwriting margin of -2.7% (2012: 2.5%) was affected by the frequency and severity of claims, although this was partly mitigated by tight control of operating expenses.

Raimund Snyders was appointed as the new Chief Executive of Mutual & Federal on 10 June 2013 with a clear remit to improve the performance of the business. Raimund will report directly to Paul Hanratty, Group Operating Officer. During the six months, Mutual & Federal underwent an organisational restructure and is now aligned along three business segments: Personal; Commercial & Africa; and Corporate & Niche. The new structure will enable us to create greater focus and accountability within the business.

As we previously indicated, the Old Mutual and Mutual & Federal African businesses are co-ordinated by a single country head in each territory. The country head is responsible for driving growth across business lines. This process is proceeding well. The acquisition of the Nigerian P&C business from Ecobank is expected to complete in H2 2013.

... good progress in Wealth...

The Wealth business had a solid first six months of the year, improving markedly in the second quarter, with gross sales of £6.7 billion, up 26% on the comparative period, mainly due to improving sales in Old Mutual Global Investors (OMGI). FUM was up 9% to £75.2 billion due to positive NCCF and higher equity markets.

In the UK, we saw NCCF onto the platform up 8% to £1.3 billion, and gross sales of £2.3 billion, slightly ahead of the first half of 2012. Following the challenging start to the year, we have seen the UK financial services industry adapt to the introduction of the Retail Distribution Review (RDR) and we have seen a growing momentum in sales. We now have £25.0 billion of assets on the platform, assisted by strong markets.

The International business had a much improved six months, with NCCF of £254 million, up from £61 million in H1 2012, and gross sales of £931 million were up 20% on the prior period. The improvement was due to improved sales in all regions, with the exception of the UK which had a challenging first quarter due to the uncertainty created by the implementation of the RDR.

OMGI had a strong start to the year with £3.5 billion of gross sales. Gross platform sales into OMGI managed money increased to 15%, up from 12% in the comparative period. Increasing the amount of money that flows through our platform into funds run in-house is a critical part of Old Mutual Wealth reaching its £300 million AOP target in 2015. We have seen strong inflows into the Global Strategic Bond, UK Alpha, UK Select Equity and Global Equity Absolute Return funds. During the period we have strengthened the UK equity team, and will look to broaden our range of investment styles in the future. The anticipated outflows from the low margin Nordic business, following its sale in 2012, continued and reached £782 million at the end of the first half. We expect the final £500 million to £700 million of Nordic outflows over the next 12 months.

...and a sustained improvement in USAM...

US Asset Management has maintained its improvement with an excellent six months, recording NCCF of $10.6 billion with positive inflows into most of our affiliates. FUM for continuing operations now stands at $229.8 billion, up 10% at the end of 2012, due to the NCCF and market appreciation.

... a 20% increase in dividend is supported by our strong capital position...

In line with our dividend policy, the Board is declaring an interim ordinary dividend per share of 2.1 pence, this being 30% of the prior year's total dividend and a 20% increase on the 2012 interim dividend payment. Our capital position remains strong, with a Financial Groups Directive (FGD) surplus of £2.1 billion representing a coverage ratio of 160%.

...while playing our part in the societies where we operate

An important part of the success in our strategy to build out across Africa will be our ability to demonstrate that we are a responsible corporate citizen in the eyes of governments, regulators and, most importantly, our customers. We provide products that help address poverty, income inequality, social instability and health issues and we do this in a manner that is fair to our customers. We invest into education programmes, often in partnership with national governments, to highlight the risks of consumer debt and the benefits of savings.

We responsibly invest the premiums we collect and have a strong history of successfully investing these premiums in infrastructure projects including low-cost housing, public utilities, schools, agriculture and healthcare. As a result, we redeploy a portion of a nation's savings into enhancing the quality of its collective future. For example, in Zimbabwe, we have agreed to build a 3,000 home residential development in Harare. We are one of the largest investors in infrastructure in South Africa, and manage more than R10 billion of infrastructure assets.

We are confident in our future prospects

We aim to provide affordable financial services to our customers. We see risks to our customers from low savings rates and high levels of indebtedness but believe that education and financial planning can help. We are working with our retail customers in South Africa to help them through a challenging economic environment. We are seeing improved conditions in the US and the UK, and sub-Saharan Africa continues to grow strongly. We are focused on delivering our strategy and maintaining our financial discipline. We are clear on our priorities and confident that we will continue to deliver sustainable value to our shareholders and customers.

Part 1 – 2013 Interim Review

Group Financial Highlights

Group highlights[1]	H1 2013	H1 2012 (constant currency)	Change	H1 2012 (as reported)	Change
					£m
Adjusted operating profit (IFRS basis, pre-tax)	**801**	701	14%	790	1%
Adjusted operating earnings per share (IFRS basis)	**9.3p**	7.6p	22%	8.6p	8%
Group net margin[2]	**49bps**	48bps	1bps	52bps	(3)bps
Return on equity[3]	**13.7%**			13.0%	70bps
Net free surplus	**460**	422	9%	457	1%
Gross sales	**12,096**	9,940	22%	10,564	15%
Emerging Markets	**5,355**	4,584	17%	5,208	3%
Old Mutual Wealth [4]	**6,741**	5,356	26%	5,356	26%
Net client cash flow (£bn)	**9.1**	3.5		3.7	
Funds under management (£bn) [5]	**289.3**	265.5	9%	262.2	10%
Interim dividend for the year	**2.10p**			1.75p	0.35p

[1] The figures in the table are in respect of core continuing businesses only. The comparatives have been restated accordingly

[2] Ratio of AOP before tax on an annualised basis to average assets under management in the period

[3] ROE is calculated as core business IFRS AOP (post-tax) divided by average ordinary shareholders' equity (i.e. excluding the perpetual preferred callable securities)

[4] From Q2 2012 OMAM(UK) has been reported within Old Mutual Wealth rather than USAM. Comparatives have not been restated

[5] FUM movement compared to year end 31 December 2012

Adjusted operating profit (AOP) and net free surplus

Pre-tax AOP for H1 2013 was £801 million, an increase of 14% on a constant currency basis with growth in our life and savings and banking business in Africa and in Old Mutual Wealth and US Asset Management. AOP earnings per share were up 22% to 9.3p on a constant currency basis. The weakening in the rand to sterling average exchange rate reduced sterling earnings such that the profits increased on a reported basis by only 1%.

Net free surplus of £460 million was generated in the period representing 93% of AOP generated by the business units after tax and non-controlling interests. £201 million of cash was remitted by the operating units.

Group net margin

Constant currency Group net margin increased by 1 basis point from 48 to 49 basis points. The increase was due to higher net margins in Emerging Markets, USAM and Old Mutual Wealth, partially offset by lower net margins in Nedbank and Property & Casualty.

Return on equity

Core Group ROE was 13.7%, against a comparable H1 2012 ROE of 13.0% (restated following the adoption of the revised accounting standard, IAS 19 'Employee Benefits') with earnings growing faster than the growth in retained equity.

Gross sales

Gross sales for Emerging Markets grew 17% to £5,355 million. Sales growth in Latin America & Asia and Corporate in South Africa were particularly strong, with further support from Retail Affluent. Gross sales in Old Mutual Wealth were £6,741 million, led by UK Platform and OMGI inflows.

Net client cash flow

The Group had strong positive NCCF of £9.1 billion (H1 2012: £3.5 billion net inflow). USAM saw significant net client cash inflows of £6.9 billion (H1 2012: £1.4 billion), reflecting improved 3-year investment performance as well as positive market trends. Old Mutual Wealth NCCF was £0.8 billion; the positive net inflows reflecting the momentum in our proposition as we attract new customers and further enhance our asset management offerings. Emerging Markets NCCF improved from £0.5 billion to £0.8 billion as a result of strong flows from Latin America & Asia and the South African Corporate business.

Funds under management

FUM increased by 9% on a constant currency basis, with NCCF of £9.1 billion and positive market movements of approximately £18 billion. H1 2012 reported FUM includes affiliates of USAM and the Finnish business of Old Mutual Wealth which were sold in H2 2012.

FUM in Emerging Markets was up 6% to £50.7 billion and Old Mutual Wealth up by 9% to £75.2 billion. USAM FUM rose 10% to £151.3 billion on a comparable basis.

Equity markets finished strongly in H1 2013 despite a very volatile period in May and early June, with the FTSE 100, S&P 500, MSCI World and the JSE All-Share indices up by 5.4%, 12.6%, 7.1% and 0.8% respectively over the half year.

Impact of foreign exchange

The rand to sterling average exchange rate weakened by 14% during H1 2013, reducing sterling earnings from our South African businesses. The US dollar to sterling average rate strengthened by 3%, increasing sterling earnings from USAM. The half year rand closing rate was 10% lower than at 2012 year end and 17% lower than at H1 2012, which reduced closing sterling FUM.

Other economic impacts

South African long-term interest rates moved significantly during the course of H1 2013, with the 10-year government bond yield used as the Financial Soundness Valuation (FSV) rate decreasing during the first half to a low point of 6.4% and then rising with global macro condition changes to close at 7.8%, up on the 2012 year end level of 6.9%.

In order to manage the risk of a volatile FSV interest rate and its consequent impact on IFRS profits, Emerging Markets has a programme in place which largely hedged the risk of interest rate volatility and helped to reduce the negative impact from the further decline in the FSV rate in the first part of H1 2013. The hedge programme has been continued into H2 2013 but will be reviewed during the year given the change in economic conditions and the interest rate environment.

Interim dividend

The interim dividend of 2.1 pence, or its equivalent in local currency for those shareholders outside the UK, represents an increase of 20% on that of the prior year. A separate announcement on the key dividend dates is made with these interim results.

The dividend will be paid on 31 October 2013, one month earlier than in previous years and our current intention is to follow a similar timetable for the interim dividend in future.

Review of Operations

Emerging Markets

	2013	2012 (constant currency)	Change
Highlights			
AOP (£m)	**290**	257	13%
NCCF (£bn)	**0.8**	0.5	0.3
FUM (£bn) [1]	**50.7**	48.0	6%
Pre-tax Operating Margin [2]	**112bps**	106 bps	6bps

[1] Comparative as at December 2012

[2] Pre-tax Operating Margin is calculated as pre-tax AOP annualised divided by average FUM

AOP grew by 13%, benefiting from higher equity market levels, favourable investment variances, lower new business strain and the absence of the adverse impacts of falling interest rates and tax changes which were seen in the comparative period.

NCCF improved following good sales performances from both Latin America & Asia and the South African Corporate business. Unit trust sales were strong once again in Latin America. FUM rose due to NCCF and positive exchange rate movements as a result of the depreciation of the rand . At 30 June 2013, 22% of total Emerging Markets FUM originated from outside of South Africa (31 December 2012: 19%). Of the £0.8 billion NCCF, £0.45 billion of the flows were from outside South Africa (H1 2012: £0.11 billion out of £0.5 billion).

Pre-tax operating margin was 112bps.

Old Mutual Wealth

	2013	2012	Change
Highlights			
AOP (£m)	**108**	95	14%
NCCF (£bn)	**0.8**	0.8	-
FUM (£bn) [1]	**75.2**	69.2	9%
Pre-tax Operating Margin [2]	**36%**	32%	400bps

[1] Comparative as at December 2012

[2] Pre-tax Operating Margin is calculated as pre-tax AOP divided by Revenue

AOP grew by 14% with revenues rising due to higher asset management revenues being earned following an increase in the funds under management in the period. Adjusting for Finland, which was sold in H2 2012, AOP grew by 27%.

Net client cash flows were boosted by Q2 Platform sales, higher sales within International and very strong performance in Italy. FUM rose given strong markets and good NCCF in the period. Pre-tax operating margin reflected the reduced cost base and greater share of FUM being managed within our own asset management capability.

Nedbank

	2013	2012 (constant currency)	Change
AOP (£m)	**387**	357	8%
Net interest income (£m)	**724**	678	7%
Non-interest revenue (£m)	**670**	581	15%
Diluted Headline EPS	**58.4p**	51.9p	13%

AOP was up 8% to £387 million with Nedbank reporting that headline earnings grew 13.3% to £275 million (H1 2012: £243 million), driven by good revenue growth and disciplined expense management, countering the higher level of impairments.

Nedbank Group produced a solid set of results for the six months ended 30 June 2013. The results reflect the impact of a tougher-than-anticipated economic environment, offset by continued internal momentum in building the Nedbank franchise.

Diluted headline earnings per share increased 12.6% to 58.4p (H1 2012: 51.9p) and diluted basic earnings per share increased 11.5% to 58.3p (H1 2012: 52.3p).

Property & Casualty

	2013	2012 (constant currency)	Change
AOP (£m)	**10**	27	(63)%
Underwriting Result (£m)	**(8.3)**	6.4	(130)%
Gross written premiums (£m)	**383**	324	18%
Underwriting ratio	**(2.7)%**	2.5%	(520)bps

AOP fell by 63%, due to underwriting losses of £8.3 million. Underwriting losses were incurred in Personal (motor claims), Commercial (large fire and weather related claims) and iWyze direct. Profit from Credit Guarantee Insurance Corporation (CGIC) was adversely impacted by the prevailing economic conditions.

Significant change is being implemented by management to improve the underwriting ratio to more acceptable levels. Expense management has been successful in containing inflationary pressures. Premium growth was largely through new distribution initiatives. The deterioration in the underwriting ratio reflects the increase in claims costs in the period.

US Asset Management (continuing operations)[1]

	2013	2012 (constant currency)	Change
AOP (£m)	**54**	49	10%
NCCF (£bn)	**6.9**	2.3	4.6
FUM (£bn)[2]	**151.3**	137.4	10%
Pre-tax Operating Margin[3]	**33%**	33%	-

[1] Continuing operations exclude the financial impact of affiliates divested in 2012

[2] Comparative as at December 2012

[3] Pre-tax Operating Margin is calculated as pre-tax AOP before non-controlling interests divided by Total Revenue. Comparative operating margin has been restated following the adoption of IFRS 10 in respect of Heitman

AOP grew by 10% due to higher average FUM, positive markets and net positive flows.

Net client cash flows were positive for a further quarter across a broad spectrum of investment strategies. Funds under management were boosted by positive NCCF and rising equity markets despite weaker bond markets in the second quarter.

Operating margin on a continuing basis was consistent with prior year.

Part 2 – Financial Performance

Contents

AOP analysis

	£m	
	H1 2013	H1 2012
Core operations		
Emerging Markets	**290**	292
Old Mutual Wealth	**108**	95
Nedbank	**387**	405
Property & Casualty	**10**	31
USAM	**54**	42
	849	865
Finance costs	**(46)**	(75)
Long term investment return on excess assets	**25**	25
Net interest payable to non-core operations	**(6)**	(13)
Corporate costs	**(21)**	(25)
Other net expenses	**-**	13
Adjusted operating profit before tax	**801**	790
Tax on adjusted operating profit	**(207)**	(210)
Adjusted operating profit after tax	**594**	580
Non-controlling interests – ordinary shares	**(137)**	(135)
Non-controlling – preferred securities	**(9)**	(30)
Adjusted operating profit after tax attributable to ordinary equity holders of the parent	**448**	415
Adjusted weighted average number of shares (millions)	**4,835**	4,806
Adjusted operating earnings per share (pence)	**9.3**	8.6

Profits from core operations were similar to those of the prior year in reported currency terms. Both Emerging Markets and Nedbank profits grew in domestic currency terms, but those from Property & Casualty reduced due to increased underwriting losses. Finance costs fell due to lower levels of debt. Long term investment return on excess assets was flat reflecting the increase in underlying net assets but lower assumed rates of return.

Net interest payable to non-core operations reduced by 54% to £6 million (H1 2012: £13 million), due to lower prevailing rates on the loan notes to our Bermuda business.

Corporate costs were down 16% to £21 million (H1 2012: £25 million), due to our continuing efforts to simplify activity and timing of expenditure.

Total tax expense

The effective tax rate (ETR) on AOP decreased slightly from 27% in H1 2012 to 26% in H1 2013. As over 84% of the H1 2013 AOP tax charge relates to Emerging Markets and Nedbank, movements in these business units have a correspondingly large impact on the Group's ETR. The decrease in ETR was largely a result of the abolition of STC in 2012 and the reduction of group debt costs. This was partially offset by a reduction in low taxed profits due to lower fair value movements in Emerging Markets, a reduction in dividends received in Nedbank, and fewer non-taxable dividends allocated to the shareholder in Old Mutual Wealth.

Looking forward, and depending on market conditions and profit mix, we expect the ETR on AOP in future periods to range between 25% and 28%.

Income tax attributable to policyholder returns

In accordance with accounting guidance, the Group's IFRS tax charge includes tax on policyholder investment returns rather than being offset against the related income. The impact is to increase profit before tax by £71m in H1 2013 (H1 2012: £34 million), with a corresponding increase to the tax charge.

Part 2 – Financial Performance

Free surplus generation

Core continuing operations generated £460 million of free surplus (H1 2012: £457 million).

Covered business

Covered business contributed £253 million (H1 2012: £251 million), with lower new business strain and more positive economic variances largely offset by an increase in negative experience variances.

Non-covered business

Non-covered business generated £207 million (H1 2012: £206 million). Additional income earned in USAM was offset by lower income in the Property & Casualty business.

Cash and liquidity

	£m
Opening cash and liquid assets at holding company at 1 January 2013	**472**
Operational inflows	
Operational receipts	**70**
Dividends from South African operations	**131**
Total operational inflows	**201**
Operational outflows	
Interest paid	**(38)**
Group Head Office costs	**(21)**
Other flows	**(2)**
Ordinary cash dividends	**(238)**
Total operational outflows	**(299)**
Net capital flows	**(18)**
Closing cash and liquid assets at holding company at 30 June 2013	**356**

Operational cash inflows to holding company

Operational flows include payments made by the South African holding company to local shareholders, equivalent to £122 million. In addition, the holding company has received £69 million of flows from USAM. Receipts from Old Mutual Wealth are expected in the second half of the year.

Operational cash outflows and distributions by holding company

Interest paid represents the cash outflows relating to the holding company's debt instruments, and is approximately half of the full year expected payment.

Corporate costs of £21 million were lower than prior year. In addition, the company distributed £238 million of cash to shareholders over the first half of the year, representing the payment of the final 2012 dividend.

The Group is declaring an interim dividend of 2.1 pence per share, which will result in payments totalling circa £102 million on 31 October 2013.

Net capital flows

Gross capital flows were significantly below prior year as a result of the sale of the Nordic business unit for a sum of £2.1 billion in March 2012.

In June 2013, consideration of £44 million was received from Emerging Markets in respect of the transfer of the holding company's ownership share of the Chinese joint venture. These flows were offset by seed capital payments to Old Mutual Wealth and cash payments to Bermuda of £27 million in the first half of the year.

Whilst not included in the net capital flows for H1 2013, the holding company received a further £120 million for the transfer of ownership of the Colombian and Mexican entities to the South African holding company in July 2013 and the Group continues to progress towards the purchase of the Indian joint venture by Emerging Markets.

Liquidity

At 30 June 2013, the Group had available liquid assets and undrawn committed facilities of £1.6 billion (31 December 2012: £1.7 billion). At 31 July 2013 this had risen to £1.7 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.

Capital and leverage

Debt strategy, profile and maturities

The Group had gross IFRS debt of £1,520 million at end of June, and still expects to reduce Group debt by an additional £175 million over time.

In the longer term, the Group has further first calls on debt instruments amounting to £623 million in 2015 and £348 million in 2020. In addition the Group has £112 million of senior debt maturing in 2016. The £500 million Tier 2 bond issued in June 2011 matures in 2021.

In July 2013, the Group received approval from the Bermuda Monetary Authority for Old Mutual Bermuda to release $450 million of capital back to the holding company in the form of cancelled inter-company loan notes. This leaves circa $550 million outstanding.

We estimate that approximately $35 million of these remaining loan notes will need to be converted to cash during the next 18 months. The future level of capital required in Old Mutual Bermuda, on both an economic and a regulatory basis, will be influenced by the extent and nature of the run-off of its book and the amount of the investment hedge in place. If any cash surplus were to emerge, this would only be at the end of the 10 year guarantee period.

Financial Groups Directive results

The Group's regulatory capital surplus, calculated under the EU Financial Groups Directive (FGD), at 30 June 2013 was £2.1 billion and this represents a statutory cover of 160%. A 1% fall in the ZAR/GBP exchange rate results in a £18 million reduction in surplus. Given that the capital resources and the capital requirement both fluctuate with changes in exchange rates, the cover ratio remains broadly unaffected.

The Group's FGD surplus is calculated using the 'deduction and aggregation' method, which determines the Group's capital resources less the Group's capital resources requirement. Group capital resources is the sum of all the business units' net capital resources, calculated as each business unit's stand-alone capital resources less the book value of the Group's investment; the Group capital resources requirement is the sum of all the business units' capital requirements. The contribution made by each business unit to the Group's regulatory surplus is different from the locally reported surplus as the latter is determined without the deduction for the book value of the Group's investment. Thus, although all the Group's major business units have robust local solvency surpluses, not all make a positive contribution to the Group's FGD position. The Group regulatory capital was calculated in line with the PRA's prudential guidelines.

	30-Jun-13		30-Jun-12	
Regulatory capital	**£m**	**%**	£m	%
Ordinary Equity	**5,011**	**90%**	5,024	87%
Other Tier 1 Equity	**533**	**10%**	588	10%
Tier 1 Capital	**5,544**	**100%**	5,612	97%
Tier 2	**1,271**	**23%**	1,885	33%
Deductions from total capital	**(1,266)**	**(23)%**	(1,723)	(30)%
Total capital resources	**5,549**	**100%**	5,774	100%
Total capital requirements	**3,477**		3,429	
Group FGD surplus	**2,072**		2,345	

Part 2 – Financial Performance

Business local statutory capital cover

The Group's subsidiary businesses continue to have strong local statutory capital cover.

	30-Jun-13	30-Jun-12
Old Mutual Life Assurance Company (South Africa)	**3.8x**	3.6x
Mutual & Federal [1]	**1.7x**	1.5x
UK	**2.7x**	2.9x
Nedbank [2, 3]	**Common equity Tier 1: 11.8%**	Common equity Tier 1: 10.6%
	Tier 1: 13.0%	Tier 1: 12.1%
	Total: 14.8%	Total: 14.4%
Bermuda [4]	**1.6x**	1.3x

[1] Local statutory cover is based on interim Solvency Assessment and Management (SAM) framework for non-life insurers, implemented on 1 January 2012

[2] This includes unappropriated profits

[3] 2012 Nedbank capital ratios are calculated on a Basel II.5 basis, while 2013 ratios are on a Basel III basis

[4] Based on Bermuda's enhanced solvency capital regulatory regime

Economic capital

We continue to manage our business and monitor solvency internally on an economic capital at risk basis, which expresses solvency at a 99.93% confidence level. We continue to be comfortably solvent on this basis with a solvency ratio of over 160%.

We intend to make detailed disclosures of our economic capital position in respect of 2013 during the first half of 2014. Early in 2013 we formally withdrew from the internal model application process both in respect of Solvency II in the UK and its South African equivalent, SAM, as a result of delays in Solvency II implementation and the simplification of the overall Old Mutual Group's structure.

Group and subsidiary ROE

ROE	**H1 2013**	H1 2012
Emerging Markets [1]	**24.0%**	22.7%
Old Mutual Wealth [2]	**15.3%**	13.7%
Nedbank (excluding goodwill)	**16.1%**	15.8%
Property & Casualty [3]	**4.1%**	12.0%
USAM [3]	**15.1%**	12.2%
Total Group ROE [4]	**13.7%**	13.0%

[1] OMSA, ROA and Asia calculated as return on allocated capital; Latin America calculated as return on average equity

[2] IFRS AOP (post tax) divided by average shareholders' equity, excluding goodwill, PVIF and other acquired intangibles

[3] IFRS AOP (post tax and NCI) divided by average shareholders' equity

[4] Core business IFRS AOP (post tax and NCI) divided by average ordinary shareholders' equity; H1 2012 restated following the adoption of the revised IAS 19 'Employee Benefits'

Emerging Markets ROE was at 24.0%, with increased post-tax profits partly offset by an increased allocated capital base, supporting our growth and expansion plans.

Nedbank ROE (excluding goodwill) improved largely due to an increased return on assets and 13% increase in headline earnings.

Old Mutual Wealth ROE improved to 15.3% due to higher asset management profits and fees given the increase in FUM.

USAM ROE was higher due to improved operating earnings and reduced costs following the 2012 divestitures.

The fall in Property & Casualty ROE was as a result of the underwriting losses incurred.

The movement in Group ROE reflects the growth in profits in the period and the timing of dividend payments on the equity base.

Non-core business unit – Bermuda

The IFRS post-tax profit for the period was £2 million (H1 2012: £48 million profit), driven primarily by the reduction in Universal Guaranteed Minimum Accumulation Benefits (GMAB) reserves and a realised gain on the fixed income portfolio offset by lower revenues on the reduced investment portfolio.

At 30 June 2013, 98% of the Universal Guarantee Option (UGO) GMAB contracts by guarantee amount had passed their five-year anniversary top-up date. The cumulative cash cost of fifth anniversary top-ups paid was £344 million ($523 million) with £64 million ($98 million) paid in H1 2013. The estimated outstanding cash cost of fifth anniversary top-ups was less than £1 million at H1 2013.

We experienced significantly higher than assumed surrender rates for the six months to 30 June 2013. At 30 June 2013, around 79% of non-Hong Kong UGO policies and around 63% of Hong Kong policies had been surrendered on or after the fifth anniversary date. The UGO GMAB guarantee reserve at 30 June 2013 was £84 million ($128 million) compared to the reserve at H1 2012 of £543 million ($851 million). During Q2 2013, the HAV (highest anniversary value risk) was hedged.

Given the reduction in size of the remaining book, the valuation basis in the current period has been simplified from a full MCEV calculation to an adjusted IFRS basis, which uses the IFRS net asset value.

Further information on Bermuda is included in Part 3 - Detailed Business Review.

Non-controlling interests

Non-controlling interests' share of adjusted operating profit after tax for H1 2013 was £146 million (H1 2012: £165 million). In respect of ordinary shares the movement was flat, mainly reflecting non-controlling interests' share of Nedbank's profit, partially offset by their share of unrealised losses generated on the translation of Nedbank. The reduction on preferred securities was due to the repayment of Group debt instruments during H2 2012.

Risk management

Risk allocation and Solvency II

Despite withdrawing from the internal model application process, this model will continue to support the setting of our integrated risk and business strategy and forms the basis of our capital risk appetite and limit-setting framework. It is a useful management tool, allowing us to better understand the potential impact of strategic decisions and possible future developments (both internally and externally) on our economic capital position.

We continue to refine and embed our internal model, focusing on our own internal requirements.

Risks and uncertainties

A number of potential risks and uncertainties could have a material impact on Group performance and cause actual results to differ materially from expected and historical results.

The Group's overall risk profile and capital position remains stable despite difficult economic conditions and weakened global recovery. With this stable position, we have strategically positioned ourselves for growth, mainly through Old Mutual Wealth and expansion in Africa. In the short-term we expect operational and execution risk to increase, and have accepted these risks and are actively managing them.

The most significant external risks to earnings relate to the concentration of businesses in South Africa and the translation of earnings from rand to sterling. The rand is susceptible to changing in-country fundamentals and movements in the global economy, and is also highly geared towards foreign investment sentiment. During the first half of 2013, rand volatility increased and the rand depreciated against sterling. Current levels may have some allowance for further short-term volatility priced in, but we continue to monitor and manage the risk. Scenario testing involving a severe fall in the rand shows that we remain comfortable that the Group has sufficient capital and liquidity headroom to withstand such events.

The increased pressure on South African consumers due to a tough economic environment poses some risk to all our businesses in South Africa. Exposure to credit risk has increased slightly, but remains within appetite. The risk is being monitored and managed and the rise in unsecured lending during H1 2013 has reduced compared to that of H1 2012, reflecting continued controlled growth in Nedbank and Old Mutual Finance.

In South Africa, the values of certain life insurance liabilities are sensitive to movements in long-term interest rates, which have been volatile over the first half of 2013. This hedge programme implemented in 2012 has been rolled forward into 2013.

Old Mutual Bermuda risk exposure has reduced significantly, and represents less than 3% of the Group Economic Capital at Risk.

The current regulatory environment is continuously evolving in all markets where we operate. Regulators across the globe continue to focus on the treatment of customers and both principles and appropriate regulation in this area are evolving. This will result in further changes to our products and how we disclose them.

The UK has already implemented twin peaks regulations, and we are already seeing increased focus from regulators following the move. In South Africa twin peaks regulations are expected to be in place by 2014, and there is a move towards Group supervision. We are evolving our risk management and governance structures and processes to support this. Although we are not a global systemically important financial institution, we are domestically important in South Africa.

The Board believes that the Group has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis for preparing accounts.

Part 2 – Financial Performance

FINANCIAL APPENDIX

Supplementary financial information (data tables)

Summarised financial information (as reported)	H1 2013	H1 2012	% change
			£m
IFRS results			
Basic earnings per share [1]	**8.9p**	19.2p	(54)%
IFRS profit after tax attributable to equity holders of the parent [2]	**414**	930	(55)%
MCEV results [3]			
Adjusted Group MCEV (£bn) [4]	**10.3**	10.8	(5)%
Adjusted Group MCEV per share [4]	**209.7p**	220.5p	(5)%
Adjusted operating Group MCEV earnings (post-tax and non-controlling interests)	**379**	417	(9)%
Adjusted operating Group MCEV earnings per share	**7.8p**	8.0p	(3)%
Return on Group MCEV	**8.4%**	9.0%	

[1] Basic earnings per share in 2012 included 12.5p in respect of profit from discontinued operations following the sale of Nordic

[2] The comparative period has been restated as required following the adoption of the revised IAS 19 'Employee Benefits'

[3] Includes Nordic

[4] Comparatives as at 31 December 2012

Group return on equity (as reported)[1]	H1 2013	H1 2012
		£m
AOP including accrued hybrid dividends – core operations [2]	**448**	415
Opening shareholders' equity excluding hybrid capital – core operations [2]	**6,566**	5,835
Half-year shareholders' equity excluding hybrid capital – core operations [2]	**6,480**	6,980
Closing shareholders' equity excluding hybrid capital – core operations	**-**	-
Average shareholders' equity – core operations	**6,523**	6,408
Return on average equity [2]	**13.7%**	13.0%

[1] ROE is calculated as core business IFRS AOP (post-tax) divided by average ordinary shareholders' equity (i.e. excluding the perpetual preferred callable securities)

[2] The comparative shareholders' equity figures have been restated as required following the adoption of the revised IAS 19 'Employee Benefits'

Group debt summary	H1 2013	H1 2012
		£m
Senior gearing (net of holding company cash)	**(2.0)%**	(7.5)%
Total gearing (net of holding company cash)	**9.7%**	8.1%
Book value of debt - MCEV basis	**1,569**	2,459
Book value of debt - IFRS basis	**1,520**	2,400
Total interest cover[1]	**14.4 times**	7.5 times
Hard interest cover[1]	**3.6 times**	1.7 times

[1] Total interest cover and hard interest cover ratios exclude Nordic profits in the prior period

Summary MCEV results

Adjusted Group MCEV per share

The adjusted Group MCEV per share decreased by 5% or 10.8p to 209.7p over the six months to 30 June 2013, with 4,896 million shares in issue (December 2012: 4,893 million shares). The adjusted operating MCEV earnings of 7.8p were offset by non-operating losses and other movements of 18.6p.

The non-operating losses and other movements are primarily due to the 6.6% decrease in the Nedbank market value since December 2012, foreign exchange losses and higher dividends paid in the period.

		p
Adjusted Group MCEV per ordinary share at 31 December 2012 [1 2]		**220.5**
Covered business	3.8	
Non-covered business	4.0	
Adjusted operating Group MCEV earnings per ordinary share [1]		**7.8**
Economic variances and other earnings	3.4	
Foreign exchange and other movements	(7.3)	
Dividends paid to ordinary and preferred shareholders	(5.4)	
Nedbank market value adjustment	(8.2)	
BEE and ESOP adjustments	(0.7)	
Mark to market of debt	(0.2)	
Nordic divestment costs	(0.2)	
Non-operating MCEV earnings and other movements		**(18.6)**
Adjusted Group MCEV per ordinary share at 30 June 2013[1]		**209.7**

[1] The weighted average number of shares used to calculate adjusted Group MCEV per share and adjusted operating Group MCEV earnings per share does not include preference shares

[2] The December 2012 Adjusted Group MCEV per share has been restated to reflect the changes in accounting policies

Adjusted operating Group MCEV earnings from Emerging Markets benefited from strong VNB. Negative experience variances reflecting tax, business development costs and poorer persistency were only partially offset by good mortality experience. In Old Mutual Wealth, improved sales across International regions and increased new business margins were offset by additional development expenditure.

Statutory results

Reconciliation of Group AOP and IFRS profits

		H1 2013		H1 2012[1]
				£m
Adjusted operating profit		**801**		790
Adjusting items		**(69)**		(149)
Non-core operations (including Bermuda)		**2**		53
Profit before tax (net of policyholder tax)		**734**		694
Income tax attributable to policyholder returns		**71**		34
Profit before tax		**805**		728
Total tax expense		**(250)**		(241)
Profit from continuing operations after tax		**555**		487
Profit from discontinued operations after tax		**(8)**		595
Profit after tax for the financial year		**547**		1,082
Other comprehensive income		**(356)**		(418)
Total comprehensive income		**191**		664
Attributable to				
Equity holders of the parent		**192**		543
Non-controlling interests				
Ordinary shares	**(10)**		91	
Preferred securities	**9**		30	
Total non-controlling interests		**(1)**		121
Total comprehensive income		**191**		664

[1] The comparative period has been restated for the impact of changes in accounting policies

Part 3 – Detailed Business Review

Contents

Emerging Markets

	H1 2013	H1 2012	% Change
			Rm
AOP (IFRS basis, pre-tax)	**4,115**	3,661	12%
NCCF (Rbn)	**11.1**	7.9	41%
FUM (Rbn) [1]	**764.8**	724.6	6%

	H1 2013	H1 2012	% Change
			£m
AOP (IFRS basis, pre-tax)	**290**	292	(1)%
NCCF (£bn)	**0.8**	0.6	33%
FUM (£bn) [1]	**50.7**	52.6	(4)%

[1] Comparative information for FUM is presented as at 31 December 2012

Overview and operating environment

Emerging Markets has performed well despite the South African economic slowdown in the first half of the year, with continued good sales performance across most lines of business and important steps taken in increasing the size of the operational footprint outside South Africa.

In South Africa, Corporate secured a R2.7 billion CPI-linked annuity sale in May 2013, the largest it has yet written. The XtraMAX single premium savings proposition from Retail Affluent was launched in May 2013 with encouraging early sales volumes.

Whilst we see some signs of consumer strain and increased debt burden in South Africa, impacts on persistency are being carefully managed through enhanced new business submission standards and retention initiatives.

Business developments

A series of acquisitions were announced in the first half of 2013 which are expanding our footprint in Africa:

- Nigeria - we completed the acquisition of Oceanic Life insurance company from Ecobank in February 2013, and the company is now trading as Old Mutual. We have rolled out our credit life and group life products and will be implementing our governance, risk and control systems as part of the integration programme.
- Kenya - we have entered into a partnership with Faulu Kenya through the acquisition of a controlling stake in their business which provides a broad range of financial services products. This transaction is subject to regulatory approval and other conditions precedent and is expected to be completed before the end of 2013. Faulu has a wide distribution network across Kenya with over 100 outlets and more than 400,000 customers. It serves a similar customer base to our Mass Foundation business in South Africa.
- Ghana - we have purchased the fifth largest insurance company in Ghana, Provident Life Assurance, subject to regulatory approval.

We expanded our wealth offering for Retail Affluent in South Africa which included the acquisition of Fairheads, an independent fiduciary service provider. As part of our strategy to enhance our digital offering for our customers, we acquired 22seven, an online personal financial management service, in January 2013.

In Latin America, the purchase of AIVA was concluded in January 2013 and we have started working with AIVA to build our broker channel in Mexico.

In China, our joint venture has diversified its bank channel presence, growing from 1,000 approved outlets at the beginning of the year to 1,485 at the end of June 2013, which supported strong sales growth in H1 2013.

New products launched in India include Group savings plans (Gratuity Plan and Leave encashment plan).

Part 3 – Detailed Business Review

IFRS AOP results

AOP increased by 12% from R3,661 million to R4,115 million, with strong growth in profits for Mass Foundation (up 50% to R783 million) and Latin America & Asia (up 115% to R170 million).

South African AOP benefited from the positive impact of higher equity market levels, favourable investment variances mainly from Retail Affluent annuity portfolios and lower new business strain as a result of a more profitable mix of new business written. The marked adverse impact of interest rate and tax changes on our 2012 South African retail business profits did not re-occur. Interest rate exposures were largely hedged in 2013 resulting in a neutral overall valuation interest rate impact on profits from the South African retail businesses for the period. Corporate profits declined by 5% mainly due to higher new business strain from inflation-linked annuity deals.

OMIGSA's profit performance was down 4% as a result of the release of incentive accruals in H1 2012, lower associate income and restructuring costs incurred in the properties business in the current period, partly offset by higher OMSFIN mark-to-market gains and higher performance and base fees.

AOP from Latin America & Asia increased by 115% as a result of the rand depreciation and a reallocation of expenses to central overheads.

The growth in Rest of Africa operating profits was mainly due to favourable exchange rate impacts and 2012 indigenisation costs in Zimbabwe not being repeated in 2013, although there were increased provisions for non-performing CABS loans in Zimbabwe and increased spend relating to the African expansion strategy.

Net client cash flow

NCCF improved by R3.2 billion to R11.1 billion, mainly driven by annuity deals secured by Corporate and improved flows in Latin America & Asia as a result of new asset management mandates in Colombia, good sales in retail investment products in Mexico and higher bank channel sales of Universal Life in China. Reduced NCCF in OMIGSA was primarily due to two significant inflows in the Dibanisa boutique in H1 2012 which were not repeated in the current year.

Of the R11.1 billion NCCF, R6.4 billion of the flows were from Rest of Africa and Latin America & Asia (H1 2012: R3.0 billion out of R7.9 billion).

Funds under management

FUM increased by 6% from December 2012 to R765 billion, mainly due to the increased NCCF and exchange rate impacts. Equity markets ended the half year marginally up in South Africa (JSE All-Share Index up 0.8% since December 2012), although they continued to be volatile. At 30 June 2013, 22% of total Emerging Markets FUM originated from outside of South Africa with this contribution growing from 19% at 31 December 2012.

Gross sales

Gross sales grew 17% to R76 billion, with our savings sales mix continuing to highlight the growing shift in South Africa from traditional life products to investment products including unit trusts. For the first half of the year, 29% of gross sales came from outside South Africa (H1 2012: 23%).

Non-covered sales

Non-covered sales increased by 7% from R48.2 billion to R51.6 billion, with growth of 36% in unit trust sales and a 18% decline in other non-covered sales. Excluding the impact of the reclassification of the Asia sales from non-covered to covered in 2013, the increase in non-covered sales was 9%. The strong increase in unit trust sales was largely due to the winning of asset management mandates in Colombia and higher sales of retail investment products in Mexico. In South Africa, strong sales were delivered by Retail Affluent. Rest of Africa benefited from higher sales in Zimbabwe, Kenya and Namibia.

Other non-covered sales decreased mainly due to the significant Dibanisa sales in the comparative period. This was partially offset by higher flows into the Futuregrowth and Alternatives boutiques.

Covered sales

Life APE sales increased by 29% from R3,178 million to R4,093 million. Excluding the reclassification of Asia sales, APE sales increased by 18%, driven by strong growth in Mass Foundation (up 17%), Corporate (up 56%) and Rest of Africa (up 23%).

South African single premium sales increased by 53%, mainly due to large annuity deals in Corporate. Retail Affluent sales are 8% above H1 2012 primarily due to improved sales of Max savings (bolstered by strong sales of the new XtraMAX product) and Living Annuities. Fixed Bond sales were lower as a result of continued conservative interest rates offered, although sales improved following a general increase in bond yields and a rate enhancement in May 2013.

South African regular premium sales increased by 5% with continued momentum in Mass Foundation delivering growth of 17% primarily as a result of a larger sales force. OMF Credit Life sales are broadly in line with H1 2012 given marginal new loan growth. Protection products accounted for 54% of Mass Foundation sales in the period. Retail Affluent sales are flat with Greenlight continuing to be negatively affected by highly competitive pricing in the broker market and saving sales reflecting the industry shift from traditional life to investment products. Corporate risk sales are well below the comparative period when they were boosted by two large deals. Umbrella savings sales improved in 2013.

Rest of Africa sales benefited from a good performance and large deal in Namibia, favourable currency movements and good corporate deals in Zimbabwe, as well as the first time inclusion of sales from Nigeria following the completion of the acquisition of Oceanic Life in February 2013.

Sales in Latin America & Asia increased significantly with growth in Mexico of 39%, albeit off a low base, due to favourable exchange rate movements and strong sales of the new single premium investment product.

Asian sales were reclassified for the first time in H1 2013. As a result of strong single premium sales in China, we are now ranked fifth in the JV league tables in terms of total premiums.

Old Mutual Finance

2013 loans advanced reflect our continued conservative approach to lending, following evidence of elevated client debt levels. Impairments rose marginally from 15.0% in H1 2012 to 15.2% in H1 2013. Collections improved and our strengthened credit scoring introduced in May 2012 has resulted in improved credit performance.

Value of new business and margins

Value of new business (VNB) improved strongly by 49% to R982 million with a strong increase in the APE margin from 22% to 28%. The improvement in margin is mainly attributable to higher sales volumes (in particular from the growth in sales in Mass Foundation) and the favourable changes in operating and economic assumptions at December 2012, partly offset by a less profitable product mix in Corporate.

Embedded value

Operating MCEV earnings (post-tax) increased by 11% to R2,011 million. The main contributor to the improved earnings was higher VNB. Other operating variances relating to management actions, corrections and methodology changes in 2013 were less negative compared to 2012.

In the period, operating experience variances were negative as a result of tax, business development costs incurred, particularly in Africa, and negative persistency experience mainly due to one large termination and the transfer of a large customised annuity scheme in Corporate, as well as slightly lower retention in Mass Foundation.

Return on Embedded Value (RoEV) declined from 10.1% to 9.1% mainly due to operating experience variances being negative in the period and lower expected returns, partly offset by higher VNB.

Total MCEV growth from December 2012 to June 2013 of 7% to R48.9 billion benefited from good investment variances.

Outlook

Prospects for the broad economic outlook for Africa remain largely positive, although there is a risk of weaker growth particularly in South Africa if global conditions and the socio-political environment deteriorate.

Long-term growth expectations for the mass market in South Africa remain attractive due to demographic shifts, and we will continue to focus on our core customer base in that market.

We are in the process of identifying further suitable targets for acquisition or partnership which will further support our growth in Rest of Africa.

The integration of Old Mutual and M&F in the Rest of Africa has been agreed and is being implemented. This will be the first step in the closer integration of the whole of Property & Casualty into the Emerging Markets business.

Part 3 – Detailed Business Review

Emerging Markets data tables (Rand)

Adjusted operating profit

			Rm
	H1 2013	H1 2012	% change
Retail Affluent	**1,528**	1,349	13%
Mass Foundation [1]	**783**	522	50%
Corporate	**563**	591	(5)%
Rest of Africa	**248**	226	10%
Latin America & Asia [2]	**170**	79	115%
LTIR	**783**	784	0%
Life and Savings	**4,075**	3,551	15%
OMIGSA	**477**	498	(4)%
Central expenses and administration	**(437)**	(388)	(13)%
Total Emerging Markets	**4,115**	3,661	12%

[1] All Property & Casualty activities are now reported as a separate segment, therefore iWyze results are excluded from Mass Foundation. Comparatives have been restated

[2] Latin America & Asia comparatives previously included costs related to central expenses and administration. Comparatives have not been restated

Gross sales and funds under management [1]

						Rbn
	1-Jan-13	**Gross sales [2]**	**Redemptions**	**Net flows**	**Market and other movements**	**30-Jun-13**
Retail Affluent	121.2	26.6	(25.2)	1.4	9.7	132.3
Mass Foundation	0.0	3.7	(1.7)	2.0	(2.0)	0.0
Corporate	1.3	10.0	(10.2)	(0.2)	0.2	1.3
OMIGSA	463.3	13.8	(12.3)	1.5	4.2	469.0
Total South Africa	**585.8**	**54.1**	**(49.4)**	**4.7**	**12.1**	**602.6**
Rest of Africa	**38.3**	**5.5**	**(4.1)**	**1.4**	**7.5**	**47.2**
Latin America & Asia	**100.5**	**16.6**	**(11.6)**	**5.0**	**9.5**	**115.0**
Total Emerging Markets	**724.6**	**76.2**	**(65.1)**	**11.1**	**29.1**	**764.8**

[1] FUM shown on an end manager basis

[2] Gross sales are cash inflows for the period and thus include prior period recurring premium flows

Gross sales [1]

			Rm
	H1 2013	H1 2012	% change
Retail Affluent	**26,615**	22,456	19%
Mass Foundation	**3,696**	3,230	14%
Corporate	**9,990**	6,309	58%
OMIGSA	**13,790**	18,392	(25)%
Total South Africa	**54,091**	50,387	7%
Rest of Africa	**5,460**	4,757	15%
Latin America & Asia	**16,635**	10,079	65%
Total Emerging Markets	**76,186**	65,223	17%

[1] Gross sales are cash inflows for the period and thus include prior period recurring premium flows.

Non-covered sales

	Unit trust / mutual fund sales			Other non-covered sales			Total non-covered sales		Rm
	H1 2013	H1 2012	%	**H1 2013**	H1 2012	%	**H1 2013**	H1 2012	%
South Africa	**14,709**	11,675	26%	**19,958**	23,285	(14)%	**34,667**	34,960	(1)%
Rest of Africa [1]	**2,438**	2,082	17%	**875**	1,355	(35)%	**3,313**	3,437	(4)%
Latin America & Asia [2]	**13,653**	8,937	53%	**0**	880	(100)%	**13,653**	9,817	39%
Total Emerging Markets	**30,800**	22,694	36%	**20,833**	25,520	(18)%	**51,633**	48,214	7%

[1] Exclusion of R1.1 billion reclassification of client broker account flows in Kenya (execution mandate only) in the current year. Comparatives have not been restated

[2] From Q1 2013, sales by the India and China businesses have been disclosed as covered rather than non-covered business. Comparatives have not been restated

Covered sales (APE)

	Single premium APE			Regular premium APE			Total APE		Rm
By Cluster:	**H1 2013**	H1 2012	%	**H1 2013**	H1 2012	%	**H1 2013**	H1 2012	%
South Africa									
Retail Affluent	**520**	483	8%	**722**	725	0%	**1,242**	1,208	3%
Mass Foundation	**1**	1	0%	**1,358**	1,165	17%	**1,359**	1,166	17%
Corporate	**527**	203	160%	**150**	232	(35%)	**677**	435	56%
Total South Africa	**1,048**	687	53%	**2,230**	2,122	5%	**3,278**	2,809	17%
Rest of Africa	**90**	65	38%	**278**	235	18%	**368**	300	23%
Latin America & Asia [1]	**213**	11	1 836%	**234**	58	303%	**447**	69	548%
Total Emerging Markets	**1,351**	763	77%	**2,742**	2,415	14%	**4,093**	3,178	29%

	Single premium APE			Regular premium APE			Total APE		Rm
By product:	**H1 2013**	H1 2012	%	**H1 2013**	H1 2012	%	**H1 2013**	H1 2012	%
Emerging Markets									
Savings	**846**	583	45%	**1,397**	1,118	25%	**2,243**	1,701	32%
Protection [2]	**2**	13	(85%)	**1,345**	1,297	4%	**1,347**	1,310	3%
Annuity	**503**	167	201%	**-**	-	N/A	**503**	167	201%
Total Emerging Markets	**1,351**	763	77%	**2,742**	2,415	14%	**4,093**	3,178	29%

[1] Latin America & Asia represents Mexico, India and China. From Q1 2013, sales by the India and China businesses have been disclosed as covered rather than non-covered business. Comparatives have not been restated

[2] OMF Credit life sales are included within protection sales (R102 million H1 2013 and R100 million in H1 2012)

Part 3 – Detailed Business Review

Old Mutual Finance

			Rm
	H1 2013	**H1 2012**	% change
Lending book (gross)	**7,340**	6,331	16%
Sales: loans advanced	**3,056**	2,974	3%
NPAT/average lending book [1]	**2.6%**	3.3%	(70)bps
Loan approval rate	**33.6%**	32.6%	100bps
Impairments: average lending book	**15.2%**	15.0%	20bps
Return on equity	**25.8%**	31.9%	(610)bps
Branches	**213**	181	18%
Staff	**1,948**	1,612	21%

[1] Net profit after tax (NPAT)/average lending book is stated after capital charges

Old Mutual Wealth

			£m
	H1 2013	H1 2012 [2]	% Change
AOP (IFRS basis, pre-tax)	**108**	95	14%
NCCF (£bn)	**0.8**	0.8	-
FUM (£bn) [1]	**75.2**	69.2	9%

[1] Comparative information for FUM is presented as at 31 December 2012

[2] Finland was sold during H2 2012. This accounted for AOP of £10m, NCCF of £21m and FUM of £1.1bn for H1 2012. Comparatives have not been restated

Overview and operating environment

The business has performed well with important progress made against the targets set out in 2012. As part of the strategy to become a modern, integrated wealth and asset management business, we have taken steps to extend our asset management capabilities and develop new products and implement the necessary changes relating to RDR in the UK. We believe that we have maintained a leadership position in the UK platform market. Our investment performance in the UK has been excellent as our proposition has gained traction, with flows improving markedly and an increased proportion of new flows generating asset management revenues. In our cross-border markets, the management actions taken in 2012 to enhance distribution relationships and develop products have continued to lead to improved sales.

Business developments

In 2012 we highlighted the key areas of focus for the business over the next three years. During the first half of the year we have made good progress:

- **Build out our asset management business**: the actions taken to reposition the business following the merger of Skandia Investment Group and Old Mutual Asset Managers (UK) continues to improve performance and the business is now running at an operating margin of 17% (December 2012: 5%). The Old Mutual Global Investors (OMGI) brand was successfully launched in the first half of the year and sales have developed well with independent reports highlighting OMGI as one of the top asset management firms in terms of sales in Q1 2013. The proportion of inflows onto our UK platform to be managed by OMGI has increased as the Old Mutual Wealth and OMGI teams work closely together. OMGI was the best performing fund manager on our UK Platform in Q2 when measured by net client cash flow. In Q1, we announced the hiring of Richard Buxton and his team to further strengthen our UK equities capability and we are already seeing good flows of new business as a consequence.

- **Widen our proposition**: on our savings products, we have already transferred approximately £900 million in AUM into our Select fund range, which is likely to attract further assets when our marketing campaign is launched in the first quarter of 2014. We re-entered the protection market towards the end of 2012 with our revitalised Skandia Protect product. In May 2013, we launched a critical illness offering, with our product being regarded as one of the best in the market due to the extent of the risk events covered by the policy.

- **Improve efficiency**: our new organisational structure was implemented at the end of 2012 as we moved to become one integrated wealth business. This restructuring is now complete and well embedded.

- **Manage our heritage books for value**: our Manage for Value portfolio is tracking well against our targets following the actions taken to restructure these operations. Persistency experience on our closed books in Germany, Austria, Switzerland and the UK is in line with our expectations, while profitability levels have improved in our open books (France, Italy and Poland) as our efficiency programme takes effect.

IFRS AOP results

Old Mutual Wealth AOP increased by 14% to £108 million (H1 2012: £95 million) as a result of increased average FUM in the period. The comparable period included £10 million of profits from the Finnish business, which was sold in H2 2012. Excluding Finland, AOP grew by 27%. Overall operating margin increased from 32% to 36%, mainly as a result of efficiencies following last year's restructuring. The operating margin was also improved by the greater share of FUM being managed within our own asset management capability.

UK Platform profits increased as a result of operational leverage from the higher FUM.

Underlying International cross-border profit growth excluding Finland was 19% as profits benefited from operational leverage, cost efficiency and from the improved sales performance as a consequence of the new product innovation and distribution developments made last year.

OMGI fees and profits grew as a result of merger synergies, higher FUM levels and the migration of assets into our Select fund range.

Part 3 – Detailed Business Review

The Old Mutual Wealth Europe open book profits grew strongly on higher FUM in Italy and a significantly reduced expense base in France.

Net client cash flow (NCCF)

NCCF of £0.8 billion was flat on prior period (H1 2012: £0.8 billion) with improved sales in the UK Platform, International cross-border and Italian businesses being offset by £0.8 billion of post-Nordic sale net outflows in OMGI.

UK Platform NCCF was £1.3 billion (H1 2012: £1.2 billion), following a strong second quarter after challenging market conditions in the early part of the year due to the practicalities of implementation of the RDR regulations.

International cross-border NCCF of £254 million was significantly up on the prior period (H1 2012: £61 million) reflecting improved sales across most regions, especially South Africa and Hong Kong, as the actions taken in 2012 continued to result in improved business performance.

OMGI continued to produce strong underlying NCCF from UK third party sales, reflecting the reorganisation and recent hires within the UK equities teams as well as increased sales through our retail platform in the UK. Net outflows from the lower margin Nordic business following the divestment of Nordic in 2012 were £0.8 billion for the year to date, and we expect the final £0.5 billion to £0.7 billion to flow out in the next 12 months.

Significantly improved sales in Italy and France saw NCCF for the European open books increase to £364 million (H1 2012: £133 million).

Gross outflows on the closed UK Heritage book were broadly flat on H1 2012, and persistency levels remain in line with our expectations.

Funds under management

FUM increased 9% to £75.2 billion, with positive NCCF and higher equity markets contributing to the increase. UK assets excluding OMGI were £40.6 billion (31 December 2012: £36.7 billion) with UK Platform assets at £25.0 billion, 11% higher than the 31 December 2012 level.

Investment performance in OMGI remains strong with 49% of OMGI on and off-shore Open Ended Investment Company (OEIC) funds in the 1st quartile over three years, and 69% of total funds above the median.

Gross sales

Gross sales increased to £6,741 million, 26% higher than the prior period (H1 2012: £5,356 million), with strong performance in the UK and International businesses as well as in Italy.

UK Platform sales increased by 4% to £2,277 million (H1 2012: £2,192 million). Following the challenging start to the year, momentum has developed in the latter months, with Q2 sales exceeding Q1 by 40%. The improved performance reflects increasing traction of the Old Mutual Wealth offering in the market.

International cross-border gross sales of £931 million were 20% up on prior period (H1 2012: £775 million), due to Hong Kong sales continuing to benefit from the success of our Portfolio Bond, good sales through AIVA in Latin America and improved sales and distribution effectiveness in South Africa.

OMGI sales were strong from both the Wealth platform and from third party sources, at £3,510 million. These were supported by brand marketing activities, key desk hires in the UK equity team, strong fund performance and a more effective UK distribution structure.

Within the Heritage business, sales of £371 million (H1 2012: £463 million) reflect its closure to new business.

In the open Manage for Value portfolios we experienced good sales in Italy (up 55% to £625 million) and in France (up 23% to £142 million). In Italy, there were increased sales through both new and established distribution relationships, while France continues to benefit from favourable changes to tax legislation and the confidence that has returned to the market in H1 2013.

Around £900 million of FUM from our UK business was transferred to OMGI as the underlying fund manager. Further transfers are expected in the second half of 2013.

Life and Embedded value summary

Gross single premium covered business sales on the UK Platform recovered in Q2 2013, with the highest level of sales since Q1 2011. Platform sales accounted for £115 million of the £318 million total Old Mutual Wealth sales on an APE basis.

In the International market, sales increased by 18% to £99 million on an APE basis.

Sales in open Manage for Value portfolios increased by 30% to £79 million, reflecting the good performance in Italy and France.

Value of new business grew substantially from the recovery in higher margin international sales. Experience variances were £(22) million and represent development spend in accordance with our change in methodology in 2012. As a consequence, Return on Embedded Value (RoEV) decreased to 3.4%.

The growth in MCEV during the period of 6% was largely due to the value of new business written and economic and foreign exchange variances.

Outlook

Positive equity market conditions and wide-ranging developments in our offering position the business well for the future and for achieving our 2015 targets. We expect that our actions will result in further operating improvements over the coming months.

The cost base for OMGI in the second half of the year will reflect the increase in new team hires to further grow the business which will have the consequence of reducing profit run-rate and operating margin in the short-term.

We continue to explore opportunities to invest in high quality teams where investment strategies complement the Old Mutual Wealth offering.

Part 3 – Detailed Business Review

Old Mutual Wealth data tables (Sterling)

Adjusted operating profit

			£m
	H1 2013	H1 2012	% Change
Invest & Grow markets			
UK Platform	**2**	(1)	300%
UK Other [1]	**3**	4	(25)%
International [2]	**31**	36	(14)%
Old Mutual Global Investors [3]	**8**	3	167%
Total Invest & Grow	**44**	42	5%
Manage for Value markets			
Old Mutual Wealth Europe - open book [4]	**11**	1	n/a
Heritage business [5]	**53**	52	2%
Total Manage for Value	**64**	53	21%
AOP (IFRS basis, pre-tax)	**108**	95	14%

[1] Includes Protection, Series 6 pensions, and UK Institutional business

[2] Comparative includes Finland, which was sold in H2 2012 and contributed £10 million of AOP in H1 2012

[3] OMAM (UK) profits were recorded in USAM up until its transfer to OMGI in Q2 2012

[4] Includes business written in France, Italy and Poland

[5] Includes UK Heritage and Old Mutual Wealth Europe closed book (Germany, Austria, Switzerland and Liechtenstein)

Gross sales and funds under management

						£bn
	1-Jan-13	**Gross sales**	**Redemptions**	**Net flows**	**Market and other movements**	**30-Jun-13**
Invest & Grow markets						
UK Platform	22.6	2.3	(1.0)	1.3	1.1	25.0
UK Other [1]	4.7	0.4	(0.4)	-	0.5	5.2
International	13.9	0.9	(0.6)	0.3	0.5	14.7
Old Mutual Global Investors	13.8	3.5	(3.3)	0.2	0.8	14.8
Total Invest & Grow	**55.0**	**7.1**	**(5.3)**	**1.8**	**2.9**	**59.7**
Manage for Value markets						
Old Mutual Wealth Europe - open book [2]	5.9	0.8	(0.4)	0.4	0.1	6.4
Heritage business [3]	14.3	0.4	(1.1)	(0.7)	2.0	15.6
Total Manage for Value	**20.2**	**1.2**	**(1.5)**	**(0.3)**	**2.1**	**22.0**
Elimination of intra-Group assets [4]	(6.0)	(1.6)	0.9	(0.7)	0.2	(6.5)
Total Old Mutual Wealth	**69.2**	**6.7**	**(5.9)**	**0.8**	**5.2**	**75.2**

[1] Includes Protection, Series 6 pensions, and UK Institutional business

[2] Includes business written in France, Italy and Poland

[3] Includes UK Heritage and Old Mutual Wealth Europe closed book (Germany, Austria, Switzerland and Liechtenstein)

[4] Assets and flows managed by OMGI on behalf of other Old Mutual Wealth businesses

Gross sales

	H1 2013	H1 2012	% Change
			£m
Invest & Grow markets			
UK Platform	**2,277**	2,192	4%
UK Other [1]	**436**	454	(4)%
International	**931**	775	20%
Old Mutual Global Investors [2]	**3,510**	1,808	94%
Total Invest & Grow	**7,154**	5,229	37%
Manage for Value markets			
Old Mutual Wealth Europe - open book [3]	**805**	555	45%
Heritage business [4]	**371**	463	(20)%
Total Manage for Value	**1,176**	1,018	16%
Elimination of intra-Group assets [5]	**(1,589)**	(891)	78%
Total Old Mutual Wealth	**6,741**	5,356	26%

[1] Includes Protection, Series 6 pensions, and UK Institutional business

[2] OMAM(UK) sales were recorded in USAM until its transfer to OMGI in Q2 2012

[3] Includes business written in France, Italy and Poland

[4] Includes UK Heritage and Old Mutual Wealth Europe closed book (Germany, Austria, Switzerland and Liechtenstein)

[5] Assets and flows managed by OMGI on behalf of other Old Mutual Wealth businesses

Non-covered sales

	H1 2013	H1 2012	% Change
			£m
Invest & Grow markets			
UK Platform	**1,237**	1,138	9%
UK Other [1]	**315**	322	(2)%
Old Mutual Global Investors [2]	**3,510**	1,808	94%
Total Invest & Grow	**5,062**	3,268	55%
Manage for Value markets			
Old Mutual Wealth Europe – open book [3]	**26**	13	100%
Heritage business [4]	**4**	6	(34)%
Total Manage for Value	**30**	19	58%
Elimination of intra-Group assets [5]	**(1,589)**	(891)	78%
Total Old Mutual Wealth	**3,503**	2,396	46%

[1] Includes Protection, Series 6 pensions, and UK Institutional business

[2] OMAM(UK) sales were recorded in USAM until its transfer to OMGI in Q2 2012

[3] Includes business written in France, Italy and Poland

[4] Includes UK Heritage and Old Mutual Wealth Europe closed book (Germany, Austria, Switzerland and Liechtenstein)

[5] Assets and flows managed by OMGI on behalf of other Old Mutual Wealth businesses

Covered sales

£m

	Gross single premium			APE regular premium			Total APE		
	H1 2013	H1 2012	%	**H1 2013**	H1 2012	%	**H1 2013**	H1 2012	%
Invest & Grow markets									
UK Platform	**985**	1,007	(2)%	**17**	18	(6)%	**115**	118	(3)%
UK Other [1]	**34**	64	(47)%	**12**	12	-	**15**	19	(21)%
International [2]	**832**	621	34%	**15**	22	(32)%	**99**	84	18%
Total Invest & Grow	**1,851**	1,692	9%	**44**	52	(15)%	**229**	221	4%
Manage for Value markets									
Old Mutual Wealth Europe – open book [3]	**730**	489	49%	**6**	12	(50)%	**79**	61	30%
Heritage business [4]	**21**	62	(66)%	**8**	19	(58)%	**10**	25	(60)%
Total Manage for Value	**751**	551	36%	**14**	31	(55)%	**89**	86	3%
Total Old Mutual Wealth	**2,602**	2,243	16%	**58**	83	(30)%	**318**	307	4%

[1] Includes Protection, Series 6 pensions, and UK Institutional business

[2] Comparative includes Finland, which was sold in H2 2012

[3] Includes business written in France, Italy and Poland

[4] Includes UK Heritage and Old Mutual Wealth Europe closed book (Germany, Austria, Switzerland and Liechtenstein)

Nedbank

Highlights	H1 2013	H1 2012	% change
			Rm
AOP (IFRS basis, pre-tax)	**5,489**	5,073	8%
Headline earnings [1]	**3,914**	3,454	13%
Net interest income [1]	**10,309**	9,642	7%
Non-interest revenue [1]	**9,535**	8,265	15%
Net interest margin [1]	**3.58%**	3.54%	
Credit loss ratio [1]	**1.31%**	1.11%	
Cost to income ratio [1]	**54.2%**	55.6%	
Return on Equity [1]	**14.6%**	14.2%	
Return on Equity (excluding goodwill) [1]	**16.1%**	15.8%	
Common equity Tier 1 ratio [2]	**11.8%**	11.6%	

[1] As reported by Nedbank in its report to shareholders for six months ended 30 June 2013 and 30 June 2012

[2] Comparative is at 31 December 2012 and calculated by Nedbank on a Basel III basis

The full text of Nedbank's results for the year ended 30 June 2013, released on 6 August 2013, can be accessed on our website http://www.oldmutual.com/ir/pressReleases/index.jsp. The following is an edited extract:

Nedbank Group generated economic profit (EP) of R749 million, up 28.7% (H1 2012: R582 million). The return on average ordinary shareholders' equity (ROE) excluding goodwill increased to 16.1% (H1 2012: 15.8%) and ROE to 14.6% (H1 2012: 14.2%), benefiting from an increased return on assets (ROA) ratio of 1.15% (H1 2012: 1.07%).

Nedbank Group is well capitalised, with the Basel III common equity tier 1 ratio at 11.8% (December 2012: Basel III pro-forma ratio 11.6%). Funding and liquidity levels remained sound with the surplus liquidity buffer at R25.0 billion (December 2012: R24.4 billion), while the average long-term funding ratio increased to 28.0% (December 2012: 26.0%).

The net asset value per share continued to increase, growing 7.9% (annualised) to 12,180 cents from 11,721 cents in December 2012.

Financial performance

Net interest income

Net interest income grew 6.9% to R10,309 million (H1 2012: R9,642 million), supported by growth in average interest-earning banking assets of 6.1%.

The net interest margin (NIM) of 3.58% increased from the comparative period (H1 2012: 3.54%) and the prior year (December 2012: 3.53%). Margin gains were underpinned by advances and deposit mix changes, risk-adjusted pricing of new advances and back-book advances runoff.

Impairments

Impairments increased to R3,325 million (H1: R2,702 million) and the credit loss ratio (CLR) to 1.31% (H1 2012: 1.11%).

The CLR is comprised of a specific charge of 1.24% and a portfolio charge of 0.07% (H1 2012: specific: 1.00% and portfolio: 0.11%).

CLR analysis	H1 2013	FY 2012	H1 2012
			(%)
Specific impairments	**1.24**	0.91	1.00
Portfolio impairments	**0.07**	0.14	0.11
Total CLR	**1.31**	1.05	1.11

Total group defaulted advances decreased year -on -year to R20,176 million (H1 2012: R21,838 million) from continuing improvements in the residential and commercial mortgage books. Defaulted advances were up 9.4% (annualised) on the 2012 year-end (December 2012: R19,273 million) from increases in personal loans and in the wholesale businesses.

The coverage ratio for total and specific impairments increased to 58.8% (H1 2012: 52.9%) and 40.9% (H1 2012: 39.0%) respectively. Portfolio coverage on the performing book continued to strengthen to 0.7% (H1 2012: 0.6%).

Our collections processes generated post write-off recoveries of R412 million (H1 2012: R428 million), reflecting the prudent approach of cash accounting the recoveries on the written-off book. This includes personal-loan recoveries of R130 million (H1 2012: R114 million).

Non-interest revenue

Non-interest revenue (NIR) increased by 15.4% to R9,535 million (H1 2012: R8,265 million), due to the following:

- Commission and fee income of R6,771 million was up 14.2% (H1 2012: R5,928 million), driven by strong client gains, improved cross-sell, good volumes and higher levels of client activity;
- Insurance income of R950 million increased 15.4% (H1 2012: R823 million), benefiting from growth in personal loan volumes offset by the base effect of the benign short-term claims experienced in H1 2012;
- Trading income increased to a robust R1,272 million (H1 2012: R1,252 million) from a high 2012 base as a result of continuing strong performance within the fixed-income, commodities, credit and currencies and forex environments;
- Private equity generated income of R63 million (H1 2012: R139 million); and
- Fair-value gains of R94 million (H1 2012: R125 million loss) were recognised mainly as a result of basis risk on centrally hedged banking book positions and accounting mismatches in hedged fixed-rate advances portfolios as market yields increased. This positive fair value gain follows a period of cumulative fair-value losses of R583 million since 2010. NIR, excluding fair-value gains, was up 12.5%.

The strong uplift from NIR resulted in the NIR-to-expense ratio increasing to 88.7% (H1 2012: 83.0%) and for the first time Nedbank achieved its medium- to long-term target of more than 85%. The strength of the Nedbank franchise is reflected in the sustained growth in NIR, increasing 15.4% (15.7% excluding fair value adjustments) on a compound basis since June 2009.

Expenses

Disciplined cost management resulted in expenses growing at 8.0% to R10,750 million (H1 2012: R9,957 million, restated by R18 million to reflect the adoption of IAS 19 Employee Benefits (2011)).

Growth in expenses was primarily driven by:

- Staff-related costs increasing 8.6%, comprising remuneration cost growth of 8.0% following inflation-related annual increases averaging 6.5% and 0.7% growth in predominantly frontline headcount; and
- Marketing and computer processing cost growing 15.6% and 7.4% respectively, consistent with the group's focus on revenue-generating business activities and building the franchise.

Taxation

The base effect of capital gains tax and secondary tax on companies in June 2012, combined with lower levels of dividend income, resulted in an effective tax rate of 25.9% (H1 2012: 27.9%).

Statement of financial position

Capital

Strong balance sheet management resulted in all capital adequacy ratios remaining well above the Basel III minimum regulatory capital requirements and well within the group's new Basel III internal target ranges.

				(%)
	30-Jun-13 ratio (Basel III)	31-Dec-12 ratio (Basel III)	30-Jun-12 ratio (Basel II.5)	Internal target range (Basel III)
Common equity Tier 1 ratio	**11.8**	11.6	10.6	10.5 to 12.5
Tier 1 ratio	**13.0**	13.1	12.1	11.5 to 13.0
Total capital ratio	**14.8**	15.1	14.4	14.0 to 15.0

The group's capital ratios are expected to be maintained at these strong levels in 2013 through projected earnings growth and the portfolio tilt strategy, offset by risk-weighted asset growth.

A total of R1.8 billion of new-style, fully loss-absorbent, Basel III-compliant, Tier 2 subordinated-debt capital was successfully issued during July 2013 to replace the R1.8 billion, Basel II Tier 2 capital that matures in September 2013.

Further detail on risk and capital management will be available in the Risk and balance sheet management review section of the group's analyst booklet and the Pillar 3 Report to be published on the website at www.nedbankgroup.co.za in September 2013.

Funding and liquidity

Nedbank Group remains well-funded, with a strong liquidity position that is underpinned by a well-diversified and lengthened funding profile, a surplus liquid asset buffer of R25.0 billion in anticipation of the Basel III liquidity coverage ratio (LCR), a strong loan-to-deposit ratio and low reliance on interbank and foreign currency funding. The average long-term funding ratio for the second-quarter of 28.0% (December 2012: 26.0%) was supported by the growth in the Retail Savings Bond to R7.7 billion.

Loans and advances

Loans and advances grew 11.5% (annualised) to R557.4 billion (December 2012: R527.2 billion), underpinned by gross new-advances payouts increasing 20.3% to R83 billion (H1 2012: R69 billion). Retail banking advances grew by a modest 2.5% (annualised), reflecting the difficult consumer environment, selective origination in higher-risk asset categories in line with our portfolio tilt strategy, roll-off of the home loans back-book and early repayments.

Deposits

Deposits grew 10.2% (annualised) to R578.8 billion (December 2012: R550.9 billion) and the loan-to-deposit ratio increased slightly to 96.3% (H1 2012: 95.7%).

The growth in call and term deposits of 13.8%, fixed deposits of 13.6% and cash management deposits of 2.8% demonstrates the strong focus on portfolio tilt and attracting retail and corporate funding through competitive and innovative liability products.

Current and savings accounts increased by 2.3% and 27.5% respectively, with good contributions from Retail, Business Banking and Wealth. Continuing improvements in the funding profile ensured that Nedbank continued to hold a higher proportion of household deposits relative to the size of its current retail transactional banking franchise.

Economic outlook

Globally, economic growth is expected to be slightly firmer in the remainder of 2013. However, downside risk remains high, particularly in some key emerging markets, including China, where concerns of a credit crisis and economic slowdown have moderated growth momentum.

South Africa's GDP is forecast to grow by 2.0% in 2013 and 3.2% in 2014. The weakening rand will provide limited benefit to export growth in light of the low productivity, soft commodity prices and infrastructural constraints, but will add to inflationary pressures. Overall, given the outlook of lower growth, interest rates are anticipated to remain unchanged until possibly the second half of 2014.

Household credit demand, including residential mortgages, is likely to remain muted, albeit with pockets of growth in areas such as instalment sales and leasing finance. Growth in unsecured loans will continue to slowdown as consumer stress increases and lending risk appetite diminishes.

Infrastructure spending by the public sector is anticipated to increase, but corporate credit demand is expected to remain subdued, with increasing competition for fewer deals.

Prospects

Financial performance for the full year as set out below is currently anticipated to remain broadly in line with the guidance communicated in Nedbank's 2012 annual results, with the exception of the CLR which is now expected to be below the 1.31% in H1 2013, but above 1.00%:

- Advances to grow at mid to upper single digits.
- NIM to remain at levels similar to 2012.
- The CLR to improve from the June 2013 level, but remain above the top end of the group's through-the-cycle target range of 60 to 100 bps.
- NIR (excluding fair-value adjustments) to grow at low double digits and allow the group to meet the medium-to-long-term NIR-to-expenses target of more than 85%.
- Expenses to increase by mid to upper single digits.

Part 3 – Detailed Business Review

Nedbank data tables (Rand)

Cluster Performance

	Headline earnings (Rm)			ROE	
	H1 2013	H1 2012	% change	**H1 2013**	H1 2012
Nedbank Capital	**801**	685	16.9%	**28.4%**	24.1%
Nedbank Corporate [1]	**1,069**	864	23.7%	**25.9%**	22.2%
Nedbank Business Banking	**349**	433	(19.4) %	**15.2%**	20.5%
Nedbank Retail	**1,054**	1,194	(11.7) %	**10.0%**	11.8%
Nedbank Wealth	**421**	357	17.8%	**35.9%**	29.3%
Operating units	**3,694**	3,533	4.6%	**17.6%**	17.5%
Centre including Rest of Africa [1]	**220**	(79)	>100.0%		
Total (including goodwill)	**3,914**	3,454	13.3%	**14.6%**	14.2%

[1] June 2012 restated by R13m to reflect the adoption of IAS 19 Employee Benefits (2011)

Detailed segmental information is available in the results booklet and on Nedbank's website at www.nedbankgroup.co.za under the 'Financial information' section.

					(%)
Credit loss ratio	% banking advances	**H1 2013**	H1 2012	FY 2012	Through-the-cycle target ranges
Nedbank Capital	11.3%	**0.77**	1.41	1.06	0.10 – 0.55
Nedbank Corporate [1]	32.1%	**0.30**	0.30	0.24	0.20 – 0.35
Nedbank Business Banking	11.9%	**1.02**	0.41	0.34	0.55 – 0.75
Nedbank Retail	38.2%	**2.56**	2.00	2.01	1.50 – 2.20
Nedbank Wealth	3.8%	**0.24**	0.46	0.61	0.20 – 0.40
Total		**1.31**	1.11	1.05	0.60 – 1.00

[1] The Rest of Africa Division was previously reported in Nedbank Corporate and is now reported at the centre

Loans and advances by cluster at year-end are as follows:

			Rm
	30-Jun-12	31-Dec-12	% change (annualised)
Banking activity	**59,897**	52,732	27.4%
Trading activity	**37,264**	29,762	50.8%
Nedbank Capital	**97,161**	82,494	35.9%
Nedbank Corporate	**169,066**	162,730	7.9%
Nedbank Business Banking	**62,627**	60,115	8.4%
Nedbank Retail	**193,027**	190,647	2.5%
Nedbank Wealth	**22,138**	19,864	23.1%
Centre including Rest of Africa	**13,330**	11.316	35.6%
Total	**557,349**	527,166	11.5%

Property & Casualty

Highlights	H1 2013	H1 2012 [1]	% Change
			Rm
Underwriting margin	**(2.7)%**	2.5%	
Underwriting result	**(118)**	91	(230)%
Long-term investment return (LTIR)	**237**	300	(21)%
Non-operational cost	**(8)**	(5)	
Income from associate (Zimbabwe)	**23**	0	
AOP (IFRS basis, pre-tax)	**135**	386	(65)%
Gross written premiums	**5,442**	4,607	18%
Net earned premiums	**4,359**	3,710	17%
Claims ratio	**73.9%**	67.2%	
Combined ratio	**102.7%**	97.5%	
International Solvency ratio	**56.3%**	65.3%	
Return on equity	**4.1%**	12.0%	

[1] Comparatives have been restated to reflect 100% of the iWyze result

Overview and operating environment

The underwriting loss of R118 million reflects the continuing unfavourable underwriting experience for our business. Claims inflation has led to underwriting losses in our personal lines business in particular and this has been exacerbated by a weakening rand on the motor book claim costs. Selective pricing action on poorly performing lines of business is in progress and will continue in the 2013 renewal season and beyond. Expense control remains an important continuing focus.

All of the Group's Property and Casualty activities are now reported as a single segment, including 100% of the iWyze result and all the activities in Africa.

During the period we have restructured the business along customer lines to enable closer cooperation with other Group companies.

iWyze, our direct insurance joint venture with the Old Mutual Mass Foundation distribution team, has delivered strong premium growth at a lower combined ratio compared to the prior period. At the end of June 2013, there were over 46,000 active policies. The claims loss ratio at end June 2013 was 93.9% (June 2012: 101.5%). Service levels are expected to become more efficient. The business remains well capitalised with a 56% international solvency ratio (the ratio of net assets to net premiums) and we continue to explore mechanisms to structure our balance sheet efficiently.

Business developments

The new organisational structure consists of three business segments; Personal, Commercial & Africa and Corporate & Niche. The new structure will enable us to create greater operational focus and accountability within the business. New management for the Commercial & Africa and Corporate & Niche segments has been appointed, whilst the appointment for the Personal segment is imminent.

We are currently awaiting regulatory approval from the South African Financial Services Board and the Securities & Exchange Commission in Nigeria for our acquisition of Oceanic's Nigerian general insurance business from Ecobank.

Underwriting and IFRS AOP results

The underwriting margin of (2.7)% (2012: 2.5%) reflected increased claims frequency and severity, with some exceptional losses as a result of weather and fire damage. Operating expenses continued to be actively managed. AOP was 65% down due to a decrease in the underwriting result and a decrease in the LTIR rate due to the lower prescribed rate applied in 2013. ROE decreased from 12.0% to 4.1% reflecting the reduction in underwriting profit.

Gross written premiums (GWP) grew 18% to R5,442 million (2012: R4,607 million). The major contributors to the increase in GWP were our recently formed Inwards Reinsurance business, Commercial schemes and Underwriting Management Agencies (UMAs), and Personal lines across all channels. The mix of business written was 28% from Personal, 34% from Commercial, 7% from Africa, 24% from Corporate & Niche and 7% from CGIC.

The product offerings from Personal and Commercial & Africa consist of a comprehensive set of general insurance lines, predominantly motor and property cover, whilst the Corporate & Niche segment offers general Corporate cover, as well as engineering, marine and other specialist lines.

The claims ratio in H1 2013 increased to 73.9% (2012: 67.2%). Claims were elevated in property and in motor across both Personal and Commercial lines, as well as severe drought conditions which affected the Agriculture business.

The expense ratio improved from 14.8% to 12.5%, as we continued to derive benefits from our continuing restructuring initiatives. Expenses reduced by 1% which was well below inflation.

The Credit Guarantee operation generated good premium growth; however the challenging economic conditions have had a negative impact on its claims ratio, resulting in a lower underwriting result compared with the prior period.

Our businesses in Namibia and Botswana achieved strong premium growth, but suffered from an increased claims ratio. Our investment in Zimbabwe generated a strong performance during the period.

Outlook

The combination of a significant number of catastrophe claims in late 2012 and the continued high incidence of large claims in early 2013 provides the market conditions for a likely hardening of rates in the 2013/14 underwriting year. Additional market capacity has however been evident in selected lines. Improved management information will allow us to further implement selective strengthening of our underwriting discipline. We will continue to focus on profitable business with premium growth more likely to come from increased contributions from alternative channels. We will improve underwriting performance through continued cost containment and a more efficient supply chain management strategy to reduce average claims costs.

Increased connectivity with other Group companies will further allow for operational improvements and taking advantage of opportunities in the Rest of Africa. We will continue to grow the affinity channels in iWyze, which will help to create scale.

A number of initiatives are currently under way to improve the operational efficiency within the business.

Our continuing focus on improving service levels and developing new products will support our customer retention and growth objectives. Product development will centre around designing products for niche markets and refining our existing products for new customer segments.

US Asset Management

					$m
Highlights [1]	**H1 2013**	H1 2012 Continuing	% Change	H1 2012 Reported	% Change
AOP (IFRS basis, pre-tax)	**84**	76	11%	66	27%
Operating margin, before non-controlling interests [2]	**33%**	33%		25%	
Operating margin, after non-controlling interests [2]	**29%**	29%		23%	
Net client cash flow ($bn)	**10.6**	3.6	194%	2.3	361%
Funds under management ($bn) [3]	**229.8**	208.6	10%	208.6	10%

[1] Continuing operations exclude the financial impact of affiliates divested in 2012

[2] Comparative operating margin has been restated following the adoption of IFRS 10 in respect of Heitman

[3] Comparative information for FUM is presented as at 31 December 2012

Overview

Despite volatile markets in the second quarter, business performance was strong, largely due to positive markets and client cash flows in the first half of 2013, combined with the impact of reduced costs resulting from the divestiture activity undertaken in the second half of 2012. IFRS AOP of $84 million was up 27% on the H1 2012 reported result.

Continued strong long-term investment performance and improved distribution resulted in net client cash inflows increasing to $10.6 billion (H1 2012: $2.3 billion inflow on a reported basis).

Business developments

In April 2013, Old Mutual Asset Management Trust Company was closed and USAM outsourced its continuing corporate trustee activities to more efficiently support our affiliates' private fund and collective vehicle offerings in the future.

IFRS AOP results and operating margin

IFRS AOP on a continuing basis was up 11% to $84 million (H1 2012: $76 million) due to higher average FUM, benefiting from positive markets and net client cash inflows.

Management fees from continuing operations for the period of $278 million were 14% up (H1 2012: $243 million), and performance and transaction fees were up $5 million to $8 million (H1 2012 and H1 2013 performance and transaction fees exclude Heitman).

AOP operating margin from continuing operations remained relatively consistent with the prior year at 33% before non-controlling interests and 29% after non-controlling interests.

On a reported basis, operating margin before non-controlling interests improved 800 basis points over the first half of 2012, driven by increases in performance fees and the divestiture activity undertaken. Reported operating margin after non-controlling interests rose 600 basis points. Going forward, USAM will target an operating margin of at least 30% before non-controlling interests.

Investment performance for continuing operations

Over the one-, three- and five-year periods ended 30 June 2013, 54%, 95% and 76% of assets outperformed benchmarks, compared to 65%, 65% and 74% at 31 March 2013 and 62%, 66% and 76% at 31 December 2012. The improvement in three year performance from 31 March 2013 is driven by one value equity product outperforming its respective benchmark.

Investment performance over the one-, three- and five-year periods continues to be key to generating future positive cash flows.

Funds under management and net client cash flows

	Continuing operations		Disposed of or transferred affiliates		Total	
$bn	**H1 2013**	H1 2012	**H1 2013**	H1 2012	**H1 2013**	H1 2012
Opening FUM	**208.6**	183.3	**-**	48.2	**208.6**	231.5
Gross inflows	**22.5**	14.5	**-**	2.5	**22.5**	17.0
Gross outflows	**(11.3)**	(10.3)	**-**	(3.8)	**(11.3)**	(14.1)
Total client driven net flows	**11.2**	4.2	**-**	(1.3)	**11.2**	2.9
Hard asset disposals [1]	**(0.6)**	(0.6)	**-**	-	**(0.6)**	(0.6)
Net client cash flow	**10.6**	3.6	**-**	(1.3)	**10.6**	2.3
Disposals	**-**	-	**-**	(30.8)	**-**	(30.8)
Transferred to Old Mutual Wealth	**-**	-	**-**	(6.2)	**-**	(6.2)
Market and other	**10.6**	9.8	**-**	1.4	**10.6**	11.2
Closing FUM	**229.8**	196.7	**-**	11.3	**229.8**	208.0

[1] Hard asset disposals constitute forestry, property and similar assets, which were sold and proceeds passed to client beneficiaries

FUM increased 10% to $229.8 billion (31 December 2012: $208.6 billion) driven by $10.6 billion of market appreciation and $10.6 billion of net client cash inflows.

FUM consists primarily of long-term investment products diversified across equities ($134.3 billion, 58.4%), fixed income ($63.9 billion, 27.8%) and alternative investments ($31.6 billion, 13.8%).

Net client cash inflows totalled $10.6 billion for the period (H1 2012 continuing operations: $3.6 billion net inflow, H1 2012 reported results: $2.3 billion net inflow), representing 5.1% of beginning AUM. Net inflows were highly diversified, with six out of nine affiliates reporting positive or flat flows.

Net client cash inflows during the period are expected to result in a $24.9 million positive impact to annualised revenue.

Gross inflows totalled $22.5 billion (H1 2012 continuing operations: $14.5 billion, H1 2012 reported results: $17.0 billion), largely through sales in global fixed income, international equities, dividend focus equities, emerging markets, and domestic real estate products. $8.8 billion of gross inflows came from new client accounts.

Gross outflows totalled $11.9 billion (H1 2012 continuing operations: $10.9 billion, H1 2012 reported results: $14.7 billion), concentrated in US value equities, along with international equities. Gross outflows of $0.6 billion relate to investment driven hard asset disposals by Heitman, USAM's real estate manager.

Non-US clients currently account for 36% of FUM (31 December 2012: 35%). International equity, emerging markets, global equity, global fixed income and currency products account for 51% of the FUM (31 December 2012: 52%).

Outlook

USAM's focus continues to be on generating growth in the portfolio, primarily through organic growth of its affiliates, collaborative growth generated through new product and channel initiatives and seed capital, and complementary global distribution. We will also consider selective non-organic growth opportunities which are additive to the portfolio and increase shareholder value.

Following the completion of the affiliate portfolio repositioning and assuming continued strong markets, we expect continuing positive net client cash flows for the remainder of 2013 and achievement of an operating margin of greater than 30%, before non-controlling interests.

We are committed to increasing penetration in markets outside of the US and building complementary institutional distribution capabilities globally.

Non-core business – Bermuda

Overview and operating environment

Bermuda remains a non-core business. Its results are excluded from the Group's IFRS AOP, except for the interest expense charged to AOP relating to the internal loans from Bermuda to Group Head Office.

Bermuda has continued to implement its run-off strategy of risk reduction while managing for value. Contracts containing the Universal Guarantee Option (UGO) Guaranteed Minimum Accumulation Benefit (GMAB) experienced higher than assumed surrender rates during the period. At 30 June 2013, 98% of contracts by value had passed their fifth anniversary date. The total cash cost of the top-ups made to contracts reaching their anniversary by 30 June 2013 was $523 million, significantly lower than the 31 December 2011 projection of $689 million, mainly as a result of favourable equity market movements. The option-based hedging programme, implemented in March 2012 to protect against the risk of further market declines over the 5-year top-up period, has operated as intended.

In July 2013, the Bermuda Monetary Authority (BMA) agreed to the cancellation of $450 million of inter-company loan notes, reflecting the reduction in size of the remaining liabilities, risk management strategy and de-risking actions taken.

Business developments

Market conditions and the profile of the Hong Kong policies of the UGO GMAB book have provided the opportunity to reduce risk in this book by implementing a structured derivative to offset the Highest Anniversary Value (HAV) exposure.

Key Metrics and Outcomes

IFRS results

The IFRS post-tax profit for the period was $3 million (H1 2012: $76 million profit), with the decrease due to reduced revenue in 2013 attributable to the run-off of the book and on the cost associated with the HAV Options, only partially offset by realised gains on the bond portfolio, the release of reserves and the positive performance of the dynamic hedge. Prior year profit included realised gains on the Put Options.

Total insurance liabilities

Of half-year insurance liabilities totaling $1,809 million (H1 2012: $4,138 million):

- $1,379 million (H1 2012: $2,761 million) were held in a separate account relating to variable annuity investments, of which $1,164 million related to GMAB policies (H1 2012: $2,495 million).
- $138 million (H1 2012: $871 million) related to the variable annuity guarantee reserve on the GMAB policies. Within this, the 2013 half-year UGO GMAB reserve was $128 million (H1 2012: $851 million). The decrease was mainly due to improved overall equity market performance and a high level of UGO GMAB surrenders during the half year.
- $292 million (H1 2012: $506 million) related to other policyholder liabilities. These included deferred and fixed indexed annuity business as well as variable annuity fixed credited interest investments.

Reserve development

The UGO GMAB reserve relates to the full remaining period of the relevant policies, including the five-year anniversary value of 105% of total premiums on contracts yet to reach that anniversary; the 10-year 120% top-up of total premiums; and any contracts with a HAV feature.

The table below shows the level of guarantee reserves and, in respect of the UGO GMAB fifth-anniversary guarantees, the cumulative top-ups paid and the estimated top-up payments remaining based on equity market levels on the calculation date:

$m

Calculation date	Guarantee reserves for UGO GMAB	Actual cumulative top-ups paid [1] [2]	Estimated remaining top-up payment [1] [2]	Total estimated cash cost [1] [2]
30-Jun-11	620	-	346	346
30-Jun-12	851	101	559	660
30-Jun-13	128	523	1	524

[1] To meet UGO GMAB fifth anniversary payments

[2] Estimated cash cost before gains on hedge options

Surrender development

The development of the Bermuda policyholder account values is shown below:

			$m
Period	**30-Jun-13**	31-Dec-12	% Change
Account Value: GMAB	**1,164**	1,856	(37)%
Account Value: Non-GMAB	**507**	679	(25)%
Total Account Value	**1,671**	2,535	(34)%

There were $895 million of surrenders across the full Bermuda book (H1 2012: $648 million), amounting to 35% of the total 31 December 2012 account value. The increase in 2013 is primarily attributable to the higher surrender rates experienced throughout the fifth year anniversary top-up period for the UGO GMAB policies, and the concentration of the UGO GMAB anniversary dates for the Hong Kong policies being higher in H1 2013 than in H1 2012.

A total of 5,914 UGO GMAB contracts were surrendered (H1 2012: 2,039 contracts), amounting to approximately 35% of total UGO GMAB in-force contracts at 31 December 2012. 27,250 UGO GMAB contracts had reached their fifth anniversary as at 30 June 2013, of which 16,236 surrendered after top-up, with 267 policies still to reach their 5-year anniversary date (the last anniversary date for the non-Hong Kong book is 29 August 2013, with the last Hong Kong policy topped up on 4 June 2013).

Our reserving assumed that surrender rates for contracts that have just received a five-year anniversary top-up would be around 78% for the non-Hong Kong book and 58% for the Hong Kong book. Actual experience has been slightly higher for the business on an overall basis, with around 79% surrenders by guarantee amount for the non-Hong Kong book and 63% for the Hong Kong book as at 30 June 2013. Past the 5-year anniversary, lapse assumptions revert to a much lower long-term expectation of 5% per annum for the Hong Kong UGO and 13% per annum for the non-Hong Kong UGO book.

Highest Anniversary Value

On an account value basis, at 30 June 2013, circa 90% of the UGO GMAB book on a policy count and guarantee amount basis had a HAV feature, which gives customers a 10-year guarantee value based on the highest policy value at any anniversary date. As at 30 June 2013, circa 5% (account value $70 million) of the total UGO GMAB book had a 10-year guarantee above 120%.

The Hong Kong policies constitute over 90% of the remaining UGO GMAB book on a HAV spread liability basis. It was not considered economical to purchase a hedge for the non-Hong Kong UGO GMAB HAV exposure at this juncture. A further 5-year hedge was purchased in Q2 2013 for the 10-year risk associated with the HAV feature of the Hong Kong policies which could potentially arise in 2017-2018.

This hedge (HAV Options) will provide protection against markets rising above the 120% guarantee and subsequently falling, and thus are expected to reduce future volatility of earnings and capital requirements emanating from the HAV.

The risks below the 120% guarantee are currently still being managed by the dynamic hedge programme at a 45% hedge ratio at 30 June 2013.

Risk management and investment portfolio update

The fixed income portfolio has been liquidated except for a residual amount of less liquid holdings. The balance is $8 million at 30 June 2013 (31 December 2012: $195 million). This liquidation was undertaken during Q2 2013 to realise gains at prevailing favourable market conditions. The cash realised will be used to meet future fixed surrender activity and withdrawals.

Treasury management of Bermuda assets

The Bermuda business assets backing the liabilities include:

			$m
	30-Jun-13	31-Dec-12	% change
Cash and other liquid assets	**200**	268	(25)%
Treasury Portfolio	**63**	62	2%
Fixed Income general account portfolio	**8**	195	(96)%
Collateral for hedge assets & FV of equity options	**32**	52	(38)%
Inter-company loan notes	**1,009**	1,032	(2)%
Investment in affiliated subsidiary (Group seed investments)	**260**	260	-
Separate Account assets	**1,379**	2,119	(35)%
Other assets	**36**	58	(38)%
Total Assets	**2,987**	4,046	(26)%

The realised gain on the fixed income portfolio was $13 million (H1 2012: $9 million) and the net unrealised position was a gain of $1 million (H1 2012: $29 million).

Collateral posted for the hedge assets will adjust as the liabilities develop and could be released as the business evolves. The inter-company loan notes are structured in tranches allowing capital and treasury management flexibility, if and when cash is required from this source. This is likely to occur as the investment portfolio is liquidated to fund surrenders and operating costs.

Capital and surplus

Statutory capital increased slightly to $1,108 million at 30 June 2013 (31 December 2012: $1,105 million), reflecting the marginal profitability for the first half of the year. Capital allocated to the business on a local level takes into account the inter-company loan notes from the business to the Group.

In light of the reduction in size of the remaining liabilities, risk management strategy and de-risking actions taken, the BMA has approved a $450 million statutory capital reduction via the cancellation of inter-company loan notes. The capital and liquidity needs of the business will be kept under review as the run-off continues.

Strategy and outlook

Old Mutual Bermuda will continue to implement its run-off strategy of reducing risk while managing for value, with liability management, fund management and de-risking initiatives designed to accelerate the run-off during the remainder of 2013.

Index to the financial information
For the six months ended 30 June 2013

Statement of directors' responsibilities in respect of the interim financial statements

For the six months ended 30 June 2013

We confirm that to the best of our knowledge:

- The Group interim financial statements contained herein are presented in accordance with the requirements of IAS 34 'Interim Financial Reporting' and are in compliance with International Financial Reporting Standards (IFRS) as adopted by the EU.

- The MCEV supplementary information has been prepared in accordance with 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') and the basis of preparation as set out on page 98.

- 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 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
7 August 2013

Philip Broadley
Group Finance Director
7 August 2013

Interim review report to the members of Old Mutual plc

For the six months ended 30 June 2013

Introduction

We have been engaged by the Company to review the condensed set of financial statements in the interim financial report for the six months ended 30 June 2013 which comprise the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Financial Position, the Consolidated Statement of Changes in Equity, the Consolidated Statement of Cash Flows and the related notes, set out on pages 58 to 91, which include the Reconciliation of Adjusted Operating Profit to Profit after Tax.

We have also been engaged by the Company to review the Market Consistent Embedded Value (MCEV) basis supplementary information (the supplementary information), set out on pages 92 to 116, for the six months ended 30 June 2013.

We have read the other information contained in the interim 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 Conduct Authority (the UK FCA) 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 interim 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 FCA. The directors have accepted responsibility for preparing the supplementary information contained in the interim 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 Group interim financial statements contained herein are presented in accordance with the requirements of IAS 34 'Interim Financial Reporting' and are in compliance with IFRS 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. 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 interim 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 interim financial report for the six months ended 30 June 2013 is not prepared, in all material respects, in accordance with IAS 34 as adopted by the EU and the DTR of the UK FCA.

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 2013 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.

Philip Smart (Senior Statutory Auditor)
for and on behalf of KPMG Audit Plc, Statutory Auditor
Chartered Accountants
15 Canada Square
London E14 5GL
7 August 2013

Consolidated income statement

For the six months ended 30 June 2013

£m

	Notes	**Six months ended 30 June 2013**	Six months ended 30 June 2012 Restated[1]	Year ended 31 December 2012 Restated[1]
Revenue				
Gross earned premiums	B2	**1,995**	1,774	3,725
Outward reinsurance		**(162)**	(155)	(322)
Net earned premiums		**1,833**	1,619	3,403
Investment return (non-banking)		**4,489**	3,479	9,880
Banking interest and similar income		**1,573**	1,780	3,431
Banking trading, investment and similar income		**110**	107	214
Fee and commission income, and income from service activities		**1,576**	1,482	3,039
Other income		**60**	70	125
Total revenue		**9,641**	8,537	20,092
Expenses				
Claims and benefits (including change in insurance contract provisions)		**(2,295)**	(2,326)	(5,612)
Reinsurance recoveries		**118**	125	221
Net claims and benefits incurred		**(2,177)**	(2,201)	(5,391)
Change in investment contract liabilities		**(3,000)**	(1,840)	(5,361)
Losses on loans and advances		**(234)**	(216)	(400)
Finance costs		**(23)**	(90)	(214)
Banking interest payable and similar expenses		**(832)**	(997)	(1,887)
Fee and commission expenses, and other acquisition costs		**(538)**	(509)	(1,064)
Change in third-party interest in consolidated funds		**(271)**	(171)	(651)
Other operating and administrative expenses		**(1,770)**	(1,819)	(3,715)
Total expenses		**(8,845)**	(7,843)	(18,683)
Share of associated undertakings' and joint ventures' profit after tax		**10**	14	32
(Loss)/profit on disposal of subsidiaries, associated undertakings and strategic investments	C1(c)	**(1)**	20	(56)
Profit before tax		**805**	728	1,385
Income tax expense	D1	**(250)**	(241)	(471)
Profit from continuing operations after tax		**555**	487	914
Discontinued operations				
(Loss)/profit from discontinued operations after tax	G1	**(8)**	595	564
Profit after tax for the financial period		**547**	1,082	1,478
Attributable to				
Equity holders of the parent		**414**	930	1,172
Non-controlling interests				
Ordinary shares		**124**	122	256
Preferred securities		**9**	30	50
Profit after tax for the financial period		**547**	1,082	1,478
Earnings per share				
Basic earnings per share based on profit from continuing operations (pence)		**9.1**	6.7	12.6
Basic earnings per share based on (loss)/profit from discontinued operations (pence)		**(0.2)**	12.5	12.3
Basic earnings per ordinary share (pence)	C2(a)	**8.9**	19.2	24.9
Diluted earnings per share based on profit from continuing operations (pence)		**8.5**	6.2	11.6
Diluted earnings per share based on (loss)/profit from discontinued operations (pence)		**(0.2)**	11.5	11.5
Diluted earnings per ordinary share (pence)	C2(a)	**8.3**	17.7	23.1
Weighted average number of ordinary shares (millions)	C2(a)	**4,436**	4,759	4,587

[1] Prior periods have been restated for the impact of changes in accounting policies. Refer to note A1 for further details.

Consolidated statement of comprehensive income

For the six months ended 30 June 2013

	Notes	Six months ended 30 June 2013	Six months ended 30 June 2012 Restated[1]	Year ended 31 December 2012 Restated[1]
				£m
Profit after tax for the financial period		**547**	1,082	1,478
Other comprehensive income for the financial period				
Items that will not be reclassified subsequently to profit or loss				
Fair value gains/(losses)				
Property revaluation		**(3)**	(1)	20
Actuarial gains on defined benefit plans		**2**	4	8
Income tax on items that will not be reclassified subsequently to profit or loss	D1(c)	**4**	3	6
		3	6	34
Items that may be reclassified subsequently to profit and loss				
Fair value gains				
Net investment hedge		**9**	123	160
Available-for-sale investments				
Fair value (losses)/gains		**(7)**	10	30
Recycled to the income statement		**(8)**	(6)	(21)
Shadow accounting		**-**	1	6
Currency translation differences on translating foreign operations		**(346)**	(203)	(641)
Other movements		**(8)**	(1)	(46)
Income tax on items that may be reclassified subsequently to profit and loss	D1(c)	**1**	-	(5)
		(359)	(76)	(517)
Total other comprehensive income for the financial period from continuing operations		**(356)**	(70)	(483)
Total other comprehensive income for the financial period from discontinued operations[2]		**-**	(348)	(348)
Total other comprehensive income for the financial period		**(356)**	(418)	(831)
Total comprehensive income for the financial period		**191**	664	647
Attributable to				
Equity holders of the parent		**192**	543	471
Non-controlling interests				
Ordinary shares		**(10)**	91	126
Preferred securities		**9**	30	50
Total comprehensive income for the financial period		**191**	664	647

[1] Prior periods have been restated for the impact of changes in accounting policies. Refer to note A1 for further details.

[2] Total other comprehensive income for the financial period from discontinued operations for the six months ended 30 June 2012 and the year ended 31 December 2012 includes £350 million cumulative foreign exchange translation gains, previously included in foreign currency translation reserves, that were realised on the disposal of Nordic.

Reconciliation of adjusted operating profit to profit after tax

For the six months ended 30 June 2013

	Notes	**Six months ended 30 June 2013**	Six months ended 30 June 2012 Restated[1]	Year ended 31 December 2012 Restated[1]
				£m
Core operations				
Emerging Markets	B3	**290**	292	611
Old Mutual Wealth	B3	**108**	95	195
Property & Casualty	B3	**10**	31	37
Nedbank	B3	**387**	405	825
USAM	B3	**54**	42	91
		849	865	1,759
Finance costs		**(46)**	(75)	(130)
Long-term investment return on excess assets		**25**	25	54
Net interest payable to non-core operations		**(6)**	(13)	(18)
Corporate costs		**(21)**	(25)	(53)
Other net expenses		**-**	13	-
Adjusted operating profit before tax		**801**	790	1,612
Adjusting items	C1(a)	**(69)**	(149)	(467)
Non-core operations	B3	**2**	53	165
Profit before tax (net of policyholder tax)		**734**	694	1,310
Income tax attributable to policyholder returns	B3	**71**	34	75
Profit before tax		**805**	728	1,385
Total tax expense	D1(a)	**(250)**	(241)	(471)
Profit from continuing operations after tax		**555**	487	914
(Loss)/profit from discontinued operations after tax	G1(a)	**(8)**	595	564
Profit after tax for the financial period		**547**	1,082	1,478

Adjusted operating profit after tax attributable to ordinary equity holders of the parent

	Notes	**Six months ended 30 June 2013**	Six months ended 30 June 2012 Restated[1]	Year ended 31 December 2012 Restated[1]
				£m
Adjusted operating profit before tax		**801**	790	1,612
Tax on adjusted operating profit	D1(d)	**(207)**	(210)	(440)
Adjusted operating profit after tax		**594**	580	1,172
Non-controlling interests – ordinary shares		**(137)**	(135)	(281)
Non-controlling interests – preferred securities		**(9)**	(30)	(50)
Adjusted operating profit after tax attributable to ordinary equity holders of the parent		**448**	415	841
Adjusted weighted average number of shares (millions)	C2(b)	**4,835**	4,806	4,818
Adjusted operating earnings per share (pence)	C2(b)	**9.3**	8.6	17.5

[1] Prior periods have been restated for the impact of changes in accounting policies. Refer to note A1 for further details.

Basis of preparation of adjusted operating profit

Adjusted operating profit (AOP) reflects the directors' view of the underlying long-term performance of the Group. AOP is a measure of profitability which adjusts the standard IFRS profit measures for the specific items detailed in note C1 and, as such, it is a non-GAAP measure. This reconciliation explains the differences between adjusted operating profit and profit after tax as reported under IFRS.

For core life assurance and general insurance businesses, AOP 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 all core businesses, AOP excludes goodwill impairment, the impact of acquisition accounting, revaluations of put options related to long-term incentive schemes, profit/(loss) on acquisition/disposal of subsidiaries, associated undertakings and strategic investments and fair value profits/(losses) on certain Group debt movements but includes dividends declared to holders of perpetual preferred callable securities. Old Mutual Bermuda and Nordic are treated as non-core operations in the AOP disclosure. Non-core operations are not included in AOP. Nordic is also disclosed as discontinued operations for IFRS reporting. Refer to note B1 for further information on the basis of segmentation.

Adjusted operating earnings per share is calculated on the same basis as AOP. It is stated after tax attributable to AOP 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.

For the six months ended 30 June 2012 and the year ended 31 December 2012, the weighted average number of shares used in the calculation of basic and diluted earnings per share was adjusted for the seven-for-eight share consolidation that was affected on 23 April 2012. For adjusted operating earnings per share, the adjustment of the weighted average number of shares has been made effective from 1 January 2012. This adjustment had the effect of presenting adjusted earnings per share on a more consistent basis, but resulted in a difference between the adjusted weighted average number of shares for IFRS and AOP for the comparative periods.

Consolidated statement of financial position

At 30 June 2013

	Notes	**At 30 June 2013**	At 30 June 2012 Restated[1]	At 31 December 2012 Restated[1]
				£m
Assets				
Goodwill and other intangible assets		**3,056**	3,252	3,056
Mandatory reserve deposits with central banks		**760**	964	921
Property, plant and equipment		**794**	924	847
Investment property		**1,911**	2,049	1,947
Deferred tax assets		**334**	317	345
Investments in associated undertakings and joint ventures		**130**	142	152
Deferred acquisition costs		**1,264**	1,324	1,288
Reinsurers' share of policyholder liabilities		**1,629**	1,204	1,406
Loans and advances		**37,240**	40,624	38,495
Investments and securities		**89,093**	84,833	88,513
Current tax receivable		**109**	183	103
Trade, other receivables and other assets		**2,955**	3,552	2,930
Derivative financial instruments		**1,417**	2,210	1,780
Cash and cash equivalents		**5,035**	5,282	5,061
Non-current assets held for sale		**5**	1,178	42
Total assets		**145,732**	148,038	146,886
Liabilities				
Long-term business policyholder liabilities		**81,443**	77,583	80,188
General insurance liabilities		**350**	343	346
Third-party interests in consolidated funds		**5,479**	5,390	6,116
Borrowed funds	E2	**2,563**	3,536	3,050
Provisions		**252**	294	281
Deferred revenue		**664**	694	689
Deferred tax liabilities		**435**	457	404
Current tax payable		**250**	226	287
Trade, other payables and other liabilities		**5,031**	4,496	4,848
Amounts owed to bank depositors		**38,009**	41,671	39,499
Derivative financial instruments		**1,623**	1,863	1,402
Non-current liabilities held for sale		**-**	1,132	3
Total liabilities		**136,099**	137,685	137,113
Net assets		**9,633**	10,353	9,773
Shareholders' equity				
Equity attributable to equity holders of the parent		**7,729**	7,947	7,816
Non-controlling interests				
Ordinary shares		**1,632**	1,688	1,684
Preferred securities		**272**	718	273
Total non-controlling interests		**1,904**	2,406	1,957
Total equity		**9,633**	10,353	9,773

[1] Prior periods have been restated for the impact of changes in accounting policies. Refer to note A1 for further details.

Consolidated statement of cash flows

For the six months ended 30 June 2013

			£m
	Six months ended 30 June 2013	Six months ended 30 June 2012 Restated[1]	Year ended 31 December 2012 Restated[1]
Cash flows from operating activities			
Profit before tax	**805**	728	1,385
Non-cash movements in profit before tax	**620**	(271)	249
Changes in working capital	**228**	254	1,046
Taxation paid	**(225)**	(269)	(295)
Net cash inflow from operating activities	**1,428**	442	2,385
Cash flows from investing activities			
Net acquisitions of financial investments	**(590)**	(574)	(1,449)
Acquisition of investment properties	**(7)**	(21)	(55)
Proceeds from disposal of investment properties	**9**	17	67
Acquisition of property, plant and equipment	**(50)**	(56)	(120)
Proceeds from disposal of property, plant and equipment	**6**	1	7
Acquisition of intangible assets	**(31)**	(27)	(72)
Acquisition of interests in subsidiaries, associated undertakings and strategic investments	**(31)**	(4)	(23)
Disposal of interests in subsidiaries, associated undertakings and strategic investments	**12**	1,772	1,883
Net cash (outflow)/inflow from investing activities	**(682)**	1,108	238
Cash flows from financing activities			
Dividends paid to			
Ordinary equity holders of the Company	**(238)**	(1,093)	(1,172)
Non-controlling interests and preferred security interests	**(95)**	(118)	(211)
Dividends received from associated undertakings	**12**	-	-
Interest paid (excluding banking interest paid)	**(26)**	(52)	(85)
Proceeds from issue of ordinary shares (including by subsidiaries to non-controlling interests)	**9**	-	35
Net (acquisition)/disposal of treasury shares	**(29)**	(2)	19
Issue of subordinated and other debt	**-**	137	290
Subordinated and other debt repaid	**(262)**	(245)	(1,293)
Net cash outflow from financing activities	**(629)**	(1,373)	(2,417)
Net increase in cash and cash equivalents	**117**	177	206
Net decrease in cash and cash equivalents - discontinued operations	**-**	(129)	(129)
Effects of exchange rate changes on cash and cash equivalents	**(304)**	(86)	(380)
Cash and cash equivalents at beginning of the year	**5,982**	6,285	6,285
Cash and cash equivalents at end of the year	**5,795**	6,247	5,982
Consisting of			
Cash and cash equivalents in the statement of financial position	**5,035**	5,282	5,061
Mandatory reserve deposits with central banks	**760**	964	921
Cash and cash equivalents included in assets held for sale	**-**	1	-
Total	**5,795**	6,247	5,982

[1] Prior periods have been restated for the impact of changes in accounting policies. Refer to note A1 for further details.

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 of £760 million (30 June 2012: £964 million; 31 December 2012: £921 million) and cash and cash equivalents subject to consolidation of funds of £1,757 million (30 June 2012: £1,778 million; 31 December 2012: £1,893 million), 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.

Consolidated statement of changes in equity

For the six months ended 30 June 2013

Six months ended 30 June 2013	Notes	Millions Number of shares issued and fully paid	Share capital	Share premium	Merger reserve	Available-for-sale reserve
Shareholders' equity at beginning of the period		**4,892**	**559**	**835**	**1,717**	**65**
Impact of changes in accounting policies (note A1)		-	-	-	-	-
Restated shareholders' equity at beginning of the period		**4,892**	**559**	**835**	**1,717**	**65**
Profit after tax for the financial period		-	-	-	-	-
Other comprehensive income						
Items that will not be reclassified subsequently to profit or loss						
Fair value gains/(losses)						
Property revaluation		-	-	-	-	-
Actuarial gains on defined benefit plans		-	-	-	-	-
Income tax on items that will not be reclassified subsequently to profit or loss		-	-	-	-	-
		-	-	-	-	-
Items that may be reclassified subsequently to profit or loss						
Fair value gains/(losses)						
Net investment hedge		-	-	-	-	-
Available-for-sale investments						
Fair value losses		-	-	-	-	(7)
Recycled to the income statement		-	-	-	-	(8)
Currency translation differences on translating foreign operations		-	-	-	-	-
Other movements		-	-	-	-	-
Income tax on items that may be reclassified subsequently to profit or loss	D1(c)	-	-	-	-	1
Total comprehensive income for the financial period		-	-	-	-	**(14)**
Dividends for the year	C3	-	-	-	-	-
Other movements in share capital and share-based payment reserve		4	-	8	-	-
Change in participation in subsidiaries		-	-	-	-	-
Transactions with shareholders		**4**	-	**8**	-	-
Shareholders' equity at end of the period		**4,896**	**559**	**843**	**1,717**	**51**

£m

Property revaluation reserve	Share-based payments reserve	Other reserves	Foreign currency translation reserve	Retained earnings	Perpetual preferred callable securities	Attributable to equity holders of the parent	Total non-controlling interests	Total equity
144	268	33	(378)	3,908	682	7,833	1,965	9,798
-	-	-	-	(17)	-	(17)	(8)	(25)
144	268	33	(378)	3,891	682	7,816	1,957	9,773
-	-	-	-	397	17	414	133	547
(3)	-	-	-	-	-	(3)	-	(3)
-	-	-	-	2	-	2	-	2
-	-	-	-	(1)	5	4	-	4
(3)	-	-	-	1	5	3	-	3
-	-	-	9	-	-	9	-	9
-	-	-	-	-	-	(7)	-	(7)
-	-	-	-	-	-	(8)	-	(8)
-	-	-	(221)	-	-	(221)	(125)	(346)
-	(10)	1	-	10	-	1	(9)	(8)
-	-	-	-	-	-	1	-	1
(3)	(10)	1	(212)	408	22	192	(1)	191
-	-	-	-	(238)	(22)	(260)	(73)	(333)
-	2	-	-	(29)	-	(19)	(3)	(22)
-	-	-	-	-	-	-	24	24
-	2	-	-	(267)	(22)	(279)	(52)	(331)
141	260	34	(590)	4,032	682	7,729	1,904	9,633

Consolidated statement of changes in equity

For the six months ended 30 June 2013

Six months ended 30 June 2012 Restated[1]	Notes	Millions Number of shares issued and fully paid	Share capital	Share premium	Merger reserve	Available-for-sale reserve
Shareholders' equity at beginning of the period		5,801	580	805	2,532	53
Impact of changes in accounting policies (note A1)		-	-	-	-	-
Restated shareholders' equity at beginning of the period		5,801	580	805	2,532	53
Profit after tax for the financial period		-	-	-	-	-
Other comprehensive income						
Items that will not be reclassified subsequently to profit or loss						
Fair value gains/(losses)						
Property revaluation		-	-	-	-	-
Actuarial gains on defined benefit plans		-	-	-	-	-
Income tax on items that will not be reclassified subsequently to profit or loss		-	-	-	-	-
		-	-	-	-	-
Items that may be reclassified subsequently to profit or loss						
Fair value gains/(losses)						
Net investment hedge		-	-	-	-	-
Available-for-sale investments						
Fair value gains		-	-	-	-	14
Recycled to the income statement		-	-	-	-	(6)
Exchange differences recycled to the income statement		-	-	-	-	-
Shadow accounting		-	-	-	-	1
Currency translation differences on translating foreign operations		-	-	-	-	-
Other movements		-	-	-	-	-
Income tax on items that may be reclassified subsequently to profit or loss	D1(c)	-	-	-	-	(1)
Total comprehensive income for the financial period		-	-	-	-	8
Dividends	C3	-	-	-	-	-
Other movements in share capital and payment reserve		22	2	23	-	-
Cancellation of treasury shares		(239)	(24)	-	-	-
Share consolidation		(697)	-	-	-	-
Merger reserve realised in the period		-	-	-	(815)	-
Change in participation in subsidiaries		-	-	-	-	-
Transactions with shareholders		(914)	(22)	23	(815)	-
Shareholders' equity at end of the period		4,887	558	828	1,717	61

[1] Prior periods have been restated for the impact of changes in accounting policies. Refer to note A1 for further details.

£m

Property revaluation reserve	Share-based payments reserve	Other reserves	Foreign currency translation reserve	Retained earnings	Perpetual preferred callable securities	Attributable to equity holders of the parent	Total non-controlling interests	Total equity
124	230	5	301	3,170	688	8,488	2,370	10,858
-	-	-	-	(20)	-	(20)	-	(20)
124	230	5	301	3,150	688	8,468	2,370	10,838
-	-	-	-	913	17	930	152	1,082
(1)	-	-	-	-	-	(1)	-	(1)
-	-	-	-	4	-	4	-	4
-	-	-	-	(2)	5	3	-	3
(1)	-	-	-	2	5	6	-	6
-	-	-	123	-	-	123	-	123
-	-	-	-	-	-	14	-	14
-	-	-	-	-	-	(6)	-	(6)
-	-	-	(350)	-	-	(350)	-	(350)
-	-	-	-	-	-	1	-	1
-	-	-	(165)	1	-	(164)	(36)	(200)
1	15	-	(8)	(13)	-	(5)	1	(4)
-	-	-	-	-	-	(1)	-	(1)
-	15	-	(400)	903	22	548	117	665
-	-	-	-	(1,093)	(22)	(1,115)	(96)	(1,211)
-	23	-	-	(2)	-	46	8	54
-	-	-	-	24	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	815	-	-	-	-
-	-	-	-	-	-	-	7	7
-	23	-	-	(256)	(22)	(1,069)	(81)	(1,150)
124	268	5	(99)	3,797	688	7,947	2,406	10,353

Consolidated statement of changes in equity

For the six months ended 30 June 2013

Year ended 31 December 2012 Restated[1]	Notes	Millions Number of shares issued and fully paid	Share capital	Share premium	Merger reserve	Available-for-sale reserve
Shareholders' equity at beginning of the period		5,801	580	805	2,532	53
Impact of changes in accounting policies (note A1)		-	-	-	-	-
Restated shareholders' equity at beginning of the period		5,801	580	805	2,532	53
Profit after tax for the financial year		-	-	-	-	-
Other comprehensive income						
Items that will not be reclassified subsequently to profit and loss						
Fair value gains						
Property revaluation		-	-	-	-	-
Actuarial gain on defined benefit plans		-	-	-	-	-
Income tax on items that will not be reclassified subsequently to profit or loss		-	-	-	-	-
		-	-	-	-	-
Items that may be reclassified subsequently to profit or loss						
Fair value gains/(losses)						
Net investment hedge		-	-	-	-	-
Available-for-sale investments						
Fair value gains		-	-	-	-	33
Recycled to the income statement		-	-	-	-	(21)
Exchange differences recycled to the income statement		-	-	-	-	-
Shadow accounting		-	-	-	-	6
Currency translation differences on translating foreign operations		-	-	-	-	-
Other movements		-	-	-	-	-
Income tax on items that may be reclassified subsequently to profit or loss	D1(c)	-	-	-	-	(6)
Total comprehensive income for the financial year		-	-	-	-	12
Dividends for the year	C3	-	-	-	-	-
Other movements in share capital and share-based payment reserve		27	3	30	-	-
Cancellation of treasury shares		(239)	(24)	-	-	-
Share consolidation		(697)	-	-	-	-
Preferred securities purchased		-	-	-	-	-
Merger reserve realised in the year		-	-	-	(815)	-
Change in participation in subsidiaries		-	-	-	-	-
Transactions with shareholders		(909)	(21)	30	(815)	-
Shareholders' equity at end of the year		4,892	559	835	1,717	65

[1] Prior periods have been restated for the impact of changes in accounting policies. Refer to note A1 for further details.

£m

Property revaluation reserve	Share-based payments reserve	Other reserves	Foreign currency translation reserve	Retained earnings	Perpetual preferred callable securities	Attributable to equity holders of the parent	Total non-controlling interests	Total equity
124	230	5	301	3,170	688	8,488	2,370	10,858
-	-	-	-	(20)	-	(20)	-	(20)
124	230	5	301	3,150	688	8,468	2,370	10,838
-	-	-	-	1,140	32	1,172	306	1,478
19	-	-	-	-	-	19	1	20
-	-	-	-	8	-	8	-	8
-	-	-	-	(4)	10	6	-	6
19	-	-	-	4	10	33	1	34
-	-	-	160	-	-	160	-	160
-	-	-	-	-	-	33	1	34
-	-	-	-	-	-	(21)	-	(21)
-	-	-	(350)	-	-	(350)	-	(350)
-	-	-	-	-	-	6	-	6
-	-	-	(489)	-	-	(489)	(150)	(639)
1	(24)	4	-	(40)	-	(59)	10	(49)
-	-	-	-	-	-	(6)	-	(6)
20	(24)	4	(679)	1,104	42	479	168	647
-	-	-	-	(1,172)	(42)	(1,214)	(169)	(1,383)
-	62	-	-	7	-	102	13	115
-	-	24	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	(13)	(6)	(19)	(445)	(464)
-	-	-	-	815	-	-	-	-
-	-	-	-	-	-	-	20	20
-	62	24	-	(363)	(48)	(1,131)	(581)	(1,712)
144	268	33	(378)	3,891	682	7,816	1,957	9,773

Notes to the consolidated financial statements

For the six months ended 30 June 2013

A: Significant accounting policies

A1: Basis of preparation

The Group interim financial statements contained herein are presented in accordance with the requirements of IAS 34 'Interim Financial Reporting' and are in compliance with International Financial Reporting Standards (IFRS) adopted by the EU. The Group's results for the six months ended 30 June 2013 and the financial position at that date have been prepared using accounting policies consistent with those applied in the preparation of the Group's 2012 Annual Report and Accounts, except for the adoption of new standards and interpretations effective for the period commencing 1 January 2013. The financial information has been restated where required.

The Group interim financial statements have been prepared on the going concern basis, which the directors believe appropriate. Part 2 of the Interim Review document includes more details on the financial performance of the business. It also sets out further details about risks and uncertainties and discloses how the Group actively manages these risks, the impact to the Group of regulatory changes and an overview of the Group's capital and liquidity position.

The comparative figures for the financial year ended 31 December 2012 represent the consolidated performance of the Group. They are not the Company's statutory accounts for that financial year. Those accounts have been reported on by the Company's auditor and delivered to the Registrar of Companies. The report of the auditor 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.

Translation of foreign operations

The assets and liabilities of foreign operations are translated from their respective functional currencies into the Group's presentation currency using the period end exchange rates, and their income and expenses using the average exchange rates. Other than in respect of cumulative translation gains and losses up to 1 January 2004, cumulative unrealised gains or losses resulting from translation of functional currencies to the presentation currency are included as a separate component of shareholders' equity. To the extent that these gains and losses are effectively hedged, the cumulative effect of such gains and losses arising on the hedging instruments are also included in that component of shareholders' equity. Upon the disposal of subsidiaries the cumulative amount of exchange differences deferred in shareholders' equity, net of attributable amounts in relation to net investments, is recognised in the income statement.

The principal exchange rates used to translate the operating results, assets and liabilities of key foreign business segments to pounds sterling are:

	Six months ended 30 June 2013		Six months ended 30 June 2012		Year ended 31 December 2012	
	Income Statement (average rate)	**Statement of financial position (closing rate)**	Income Statement (average rate)	Statement of financial position (closing rate)	Income statement (average rate)	Statement of financial position (closing rate)
Rand	**14.2269**	**15.0827**	12.5247	12.8401	13.0123	13.7696
US dollars	**1.5448**	**1.5185**	1.5769	1.5682	1.5850	1.6242
Euro	**1.1763**	**1.1676**	1.2154	1.2396	1.2326	1.2307

New standards, interpretations and amendments adopted by the Group affecting the financial statements for the period ended 30 June 2013

Several new accounting standards are applicable to the Group for the year ending 31 December 2013, and where required those standards have been applied in preparing the financial statements for the six months ended 30 June 2013, with restatement of the comparative information for the six months ended 30 June 2012 and the year ended 31 December 2012 as required. The standards that were relevant in the six months ended 30 June 2013 and have required restatement include amendments to IAS 1 'Presentation of Financial Statements', IAS 19 (Revised 2011) 'Employee Benefits', IFRS 10 'Consolidated Financial Statements' and IFRS 11 'Joint Arrangements'.

Several other new standards and amendments apply for the first time in 2013. However, they do not impact the interim consolidated financial statements of the Group and they are also not expected to have a material impact on future reporting periods as they are disclosure standards. These include IFRS 7 'Financial Instruments: Disclosures (Amended 2011), IFRS 12 'Disclosure of Interest in Other Entities' and IFRS 13 'Fair Value Measurement'.

The following standards were adopted by the Group and had an impact on the interim financial statements:

Amendments to IAS 1 'Presentation of Items of Other Comprehensive Income'

The amendments to IAS 1 require that an entity present separately the items of other comprehensive income (OCI) that may be reclassified to profit or loss in the future, from those that will never be reclassified to profit or loss. The amendment affected presentation only and had no impact on the shareholders' equity or profit.

IAS 19 'Employee Benefits' (Revised 2011)
The Group has adopted IAS 19 'Employee Benefits' (Revised 2011) with a date of initial application of 1 January 2013.

The key amendments are:

- The corridor method has been removed and all actuarial gains and losses are required to be recognised in OCI rather than in profit or loss Expected returns on plan assets are no longer recognised in profit or loss. Instead, interest is recognised on the net defined benefit liability or asset in profit or loss, calculated using the discount rate used to measure the defined benefit obligation.
- Past service costs arising from plan amendments or curtailment are now recognised in profit or loss at the earlier of when the amendment occurs or when the related restructuring or termination cost are recognised. The option to amortise such cost over future years has also been eliminated.
- Administration costs, other than costs of managing plan assets, are recognised in the profit and loss when the service is provided.

The change in accounting policy has been applied retrospectively and as a result, the comparative information for the six months ended 30 June 2012 and the year ended 31 December 2012 have been restated accordingly.

The major impact of the adoption of the standard was an increase in operating and administrative expenses and a net increase in other comprehensive income. The overall impact on the Group was a decrease in equity, an increase in the assets and an increase in the liabilities of the Group. The standard affects the accounting for certain defined pension schemes in Emerging Markets, Nedbank and Old Mutual plc.

The transitional adjustment, applied to the opening statement of financial position, as at 1 January 2013, had an effect of decreasing equity by £17 million, increasing total assets by £5 million and increasing total liabilities by £22 million.

IFRS 10 'Consolidated Financial Statements' and IAS 27 'Separate Financial Statements'
The Group has early adopted IFRS 10 'Consolidated Financial Statements' with a date of initial application of 1 January 2013.

IFRS 10 introduces a single control model that applies to all entities, including special purpose entities. IFRS 10 replaces the parts of IAS 27 'Consolidated and Separate Financial Statements' that dealt with consolidated financial statements and SIC-12 'Consolidation – Special Purpose Entities'. IFRS 10 changes the definition of control such that an investor controls an investee when it has power over the investee, when it is exposed, or has rights, to variable returns from its involvement with the investee and when it has the ability to use its power over the investee to affect those returns. To meet the definition of control in IFRS 10, all three of these criteria must be met.

The implementation of this standard did not have a significant financial impact on the Group's assessment of its interests in investment funds, but it did increase the number of investment funds consolidated. The principal effect was a gross up of the consolidated statement of financial position for the difference between the value of the newly consolidated assets and liabilities and the carrying value of the Group's interest, and the equal and opposite liability for the interests of external parties in these investment funds.

The transitional adjustment, applied to the opening statement of financial position, as at 1 January 2013 had an effect of decreasing non-controlling interest attributable to ordinary shareholders by £8 million, increasing total assets by £3,384 million and increasing total liabilities by £3,392 million.

The Group has only considered the consolidation suite of standards for interests that existed at 1 January 2013. The change in accounting policy has been applied retrospectively and as a result, the comparative information for the six months ended 30 June 2012 and the year ended 31 December 2012 have been restated accordingly.

The following standard was adopted by the Group but had no material impact on the interim financial statements:

IFRS 11 'Joint Arrangements' and IAS 28 'Investment in Associates and Joint Ventures'
The Group has early adopted IFRS 11 'Joint Arrangements' with a date of initial application of 1 January 2013.

IFRS 11 replaces IAS 31 'Interests in Joint Ventures' and SIC-13 'Jointly-controlled entities' and removes the option to account for joint arrangements using proportionate consolidation. Jointly-controlled entities that meet the definition of a joint arrangement under IFRS 11 must now be accounted for using the equity method.

Notes to the consolidated financial statements

For the six months ended 30 June 2013

A: Significant accounting policies continued

A1: Basis of preparation continued

Effect of the adoption of IAS 19 (Revised) and IFRS 10

The following tables summarise the impact of the restatements in the financial statements and the line items affected:

Six months ended 30 June 2012	As previously reported	Adjustments for adoption of IAS 19	Adjustments for adoption of IFRS 10	As restated £m
Consolidated income statement				
Profit after tax from continuing operations	492	(1)	(4)	487
Profit after tax for the financial period	1,087	(1)	(4)	1,082
Non-controlling interests - ordinary shares	156	-	(4)	152
Consolidated statement of comprehensive income				
Total other comprehensive income for the financial period	(420)	2	-	(418)
Total comprehensive income for the financial period	667	1	(4)	664
Reconciliation of adjusted operating profit to profit after tax				
Adjusting items	(145)	-	(4)	(149)
Adjusted operating profit after tax attributable to equity holders of the parent	416	(1)	-	415
Consolidated statement of financial position				
Total Assets	145,156	4	2,878	148,038
Total Liabilities	134,781	22	2,882	137,685
Equity attributable to ordinary shareholders of the parent	7,965	(18)	-	7,947
Non-controlling interests - ordinary shares	2,410	-	(4)	2,406
Consolidated statement of cash flows				
Cash and cash equivalents at beginning of the year	5,055	-	1,230	6,285
Cash and cash equivalents at end of the year	5,053	-	1,194	6,247
Cash and cash equivalents in the statement of financial position	4,088	-	1,194	5,282

Year ended 31 December 2012	As previously reported	Adjustments for adoption of IAS 19	Adjustments for adoption IFRS 10	As restated £m
Consolidated income statement				
Profit after tax from continuing operations	923	(1)	(8)	914
Profit after tax for the financial year	1,487	(1)	(8)	1,478
Non-controlling interests - ordinary shares	314	-	(8)	306
Consolidated statement of comprehensive income				
Total other comprehensive income for the financial period	(835)	4	-	(831)
Total comprehensive income for the financial period	652	3	(8)	647
Reconciliation of adjusted operating profit to profit after tax				
Adjusting items	(459)	-	(8)	(467)
Adjusted operating profit after tax attributable to equity holders of the parent	842	(1)	-	841
Consolidated statement of financial position				
Total Assets	143,497	5	3,384	146,886
Total Liabilities	133,699	22	3,392	137,113
Equity attributable to ordinary shareholders of the parent	7,833	(17)	-	7,816
Non-controlling interests - ordinary shares	1,965	-	(8)	1,957
Consolidated statement of cash flows				
Cash and cash equivalents at beginning of the year	5,055	-	1,230	6,285
Cash and cash equivalents at end of the year	4,784	-	1,198	5,982
Cash and cash equivalents in the statement of financial position	3,863	-	1,198	5,061

Refer to note C2 for the effect on basic and diluted earnings per share

New standards, interpretations and amendments adopted by the Group not affecting the financial statements for the period ended 30 June 2013

The following standards had no financial impact on the interim result of the Group due to the nature of the standards, and will be disclosed in the year end financial statements:

IFRS 7 'Financial Instruments: Disclosures' (effective 1 January 2013)

The amendment to IFRS 7 requires that an entity disclose additional information for financial instruments that are subject to master netting or other similar agreements.

IFRS 12 'Disclosure of Interests in Other Entities'

IFRS 12 sets out the requirements for disclosures relating to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. The standard disclosures include all of the disclosures that were previously part of IAS 27 'Consolidated and Separate Financial Statements', IAS 28 'Investment in Associates and Joint Ventures' and IAS 31 'Interests in Joint Ventures'.

IFRS 13 'Fair Value Measurement'

IFRS 13 replaces existing guidance on fair value measurement in different IFRS with a single definition of fair value, a framework for measuring fair values and disclosures about fair value measurements. The Group has applied fair value measurements on a consistent basis across all reporting periods and, as a result, the implementation of IFRS 13 did not materially impact the fair value measurements carried out by the Group.

All of the disclosure requirements will be included in the year end financial statements. Only the disclosures required by IAS 34 'Interim Financial Reporting' have been included in the interim financial statements.

The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

A detailed list of the Group's accounting policies can be found at www.oldmutual.com. The contents of the website are not subject to external audit.

A2: Significant corporate activity and business changes during the period

Acquisition of Oceanic's Nigerian general insurance business

On 22 February 2012, the Group announced that it has made an offer to acquire the majority stake in Oceanic Life, the life assurance operations of the former Oceanic Bank in Nigeria which was acquired by Ecobank Transitional Incorporated. The Group consolidated the financial results of Oceanic for the six months ended 30 June 2013 from 1 January 2013.

Acquisition of AIVA Business Platforms (AIVA)

On 19 November 2012, the Group announced that it has acquired the majority stake in AIVA, a business platform and distribution business based in Uruguay and spanning the Latin American region. All the relevant regulatory approvals where received and the Group consolidated the financial results of AIVA for the six months ended 30 June 2013 from 2 January 2013.

Acquisition of Provident Life Assurance Company Limited (Provident)

On 3 June 2013, the Group announced that it will expand its African presence through the acquisition of a majority stake in Provident, the fifth largest life company in Ghana. The transaction is conditional on relevant regulatory approvals and is expected to complete by the end of 2013.

Acquisition of Banco Unico

On 3 May 2013, the Group announced that Nedbank has entered into an agreement for a stepped acquisition of Banco Unico, located in Mozambique. The transaction is not yet effective as all the conditions precedent has not been met. It is expected to be complete by the end of 2013 and will be accounted for on completion.

Notes to the consolidated financial statements

For the year ended 30 June 2013

A: Significant accounting policies continued

A3: Critical accounting estimates and judgements

In the preparation of these interim financial statements, the Group is required to make estimates and judgements that affect items reported in the consolidated income statement, statement of financial position, and other primary statements and related supporting notes.

Critical accounting estimates and judgements are those which involve the most complex or subjective judgements or assessments. Where applicable, the Group applies estimation and assumption setting techniques that are aligned with relevant actuarial and accounting guidance based on knowledge of the current situation and require assumptions and predictions of future events and actions.

The only change to the critical accounting estimates and judgements that the Group applied during the six months ended 30 June 2013 has been in respect of consolidation of certain entities in accordance with the requirements of IFRS 10.

The Group acts as a fund manager to a number of investment funds. In determining whether the Group controls such a fund, it will focus on an assessment of the aggregate economic interests of the Group (comprising any carried interests and expected management fees) and the investor's rights to remove the fund manager. The Group assesses, on an annual basis, such interests to determine if the fund will be consolidated.

B: Segment information

B1: Basis of segmentation

The Group's segmental results are analysed and reported on a basis consistent with the way that management and the Board of directors assesses performance and allocates resources. Information is presented to the Board on a consolidated basis in pounds sterling (the presentational currency) and in the functional currency of each business.

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 net client cash flows and funds under management.

A reconciliation between the segment revenues and expenses and the Group's revenues and expenses is shown in note B3. Consistent with internal reporting, assets, liabilities, revenues and expenses that are not directly attributable to a particular segment are allocated between segments where appropriate and where there is a reasonable basis for doing so. The Group accounts for inter-segment revenues and transfers as if the transactions were with third parties at current market prices. Given the nature of the operations, there are no major customers within any of the segments.

The revenues generated in each reported segment can be seen in the analysis of profits and losses in note B3. The segmental information in notes B3 and B4, reflects the adjusted and IFRS measures of profit and loss and the assets and liabilities for each operating segment as provided to management and the Board of directors. There are no differences between the measurement of the assets and liabilities reflected in the primary statements and that reported for the segments.

There are four principal business activities from which the Group generates revenues. These are life assurance (premium income), asset management business (fee and commission income), banking (banking interest receivable) and general insurance (premium income). The lines of business from which each operating segment derives its revenues are as follows:

Core operations

Emerging Markets – life assurance and asset management
Old Mutual Wealth – life assurance and asset management
Property & Casualty – general insurance
Nedbank – banking and asset management
US Asset Management – asset management

Non-core operations

Old Mutual Bermuda – life assurance

Segment presentation

In the short-term insurance review section of the 2012 Annual Report and Accounts, it was announced that, in future, all of the Group's Property and Casualty activities would be reported as a single segment. Consequently, the M&F segment has been renamed as Property & Casualty. This will now include M&F, 100% of iWyze, previously reported as a 50% joint venture between Emerging Markets and M&F, and the general insurance businesses in Namibia and Botswana. The name change has been applied to all reporting periods. Comparative information for the six months ended 30 June 2012 and the year ended 31 December 2012 have been restated accordingly.

In addition to the above, the Long-term Savings segment has been removed from the adjusted operating profit statement – segment information and the statement of financial position - segment information as previously reflected in notes B3 and B4. This segment was merely a sub total of the Emerging Markets and Old Mutual Wealth Segments. This presentational change has been applied to all reporting periods.

The reported segments are now Emerging Markets, Old Mutual Wealth, Property & Casualty, Nedbank and US Asset Management. The Other segment includes Group head office. Old Mutual Bermuda is the principal component of the non-core operations. For all reporting periods, Old Mutual Bermuda has been classified as a continuing operation in the IFRS income statement, but as non-core in determining the Group's adjusted operating profit.

The Group continues to incur costs related to the sale of its Nordic business in 2012. These costs relate to the transition of IT and other support services that were previously provided by the disposed business to the wider Group, back to the Group. These costs are included in the expenses related to the discontinued operations in the interim financial statements for the six months ended 30 June 2013. Further information on the results of discontinued operations is provided in note G1.

In the comparative periods, Nordic has been classified as a discontinued operation in the IFRS consolidated income statement and its results as non-core in determining the Group's adjusted operating profit.

All other businesses have been classified as continuing operations for all reporting periods.

B2: Gross earned premiums and deposits to investment contracts

£m

Six months ended 30 June 2013	**Emerging Markets**	**Old Mutual Wealth**	**Property & Casualty**	**Total**
Life assurance – insurance contracts	**967**	**175**	**-**	**1,142**
Life assurance – investment contracts with discretionary participation features	**476**	**-**	**-**	**476**
General insurance	**-**	**-**	**377**	**377**
Gross earned premiums	**1,443**	**175**	**377**	**1,995**

£m

Six months ended 30 June 2012	Emerging Markets	Old Mutual Wealth	Property & Casualty	Total
Life assurance – insurance contracts	768	177	-	945
Life assurance – investment contracts with discretionary participation features	470	-	-	470
General insurance	-	-	359	359
Gross earned premiums	1,238	177	359	1,774

£m

Year ended 31 December 2012	Emerging Markets	Old Mutual Wealth	Property & Casualty	Total
Life assurance – insurance contracts	1,673	362	-	2,035
Life assurance – investment contracts with discretionary participation features	970	-	-	970
General insurance	-	-	720	720
Gross earned premiums	2,643	362	720	3,725

Notes to the consolidated financial statements

For the six months ended 30 June 2013

B: Segment information continued

B3: Adjusted operating profit statement - segment information for the six months ended 30 June 2013

		Emerging Markets	Old Mutual Wealth	Property & Casualty
Revenue				
Gross earned premiums	B2	1,443	175	377
Outward reinsurance		(41)	(43)	(78)
Net earned premiums		1,402	132	299
Investment return (non-banking)		1,974	2,195	17
Banking interest and similar income		-	-	-
Banking trading, investment and similar income		-	-	-
Fee and commission income, and income from service activities		262	608	14
Other income		23	13	-
Inter-segment revenues		30	-	8
Total revenues		3,691	2,948	338
Expenses				
Claims and benefits (including change in insurance contract provisions)		(1,886)	(148)	(282)
Reinsurance recoveries		32	25	61
Net claims and benefits incurred		(1,854)	(123)	(221)
Change in investment contract liabilities		(888)	(2,112)	-
Losses on loans and advances		-	-	-
Finance costs (including interest and similar expenses)		-	-	-
Banking interest payable and similar expenses		-	-	-
Fee and commission expenses, and other acquisition costs		(117)	(340)	(59)
Other expenses		(524)	(205)	(39)
Change in third-party interest in consolidated funds		-	-	-
Income tax attributable to policyholder returns		(22)	(49)	-
Inter-segment expenses		(1)	(11)	(11)
Total expenses		(3,406)	(2,840)	(330)
Share of associated undertakings' and joint ventures' profit after tax		5	-	2
Loss on disposal of subsidiaries, associated undertakings and strategic investments	C1(c)	-	-	-
Adjusted operating profit/(loss) before tax and non-controlling interests		290	108	10
Income tax expense	D1	(76)	(20)	(2)
Non-controlling interests		(9)	-	(3)
Adjusted operating profit/(loss) after tax and non-controlling interests		205	88	5
Adjusting items net of tax and non-controlling interests	C1(a)	-	(54)	(4)
Profit/(loss) after tax from continuing operations		205	34	1
Loss from discontinued operations after tax	G1	-	-	-
Profit/(loss) after tax attributable to equity holders of the parent		205	34	1

[1] Non-core operations relates to Old Mutual Bermuda. Old Mutual Bermuda profit after tax for the six months ended 30 June 2013 was £2 million. Non-core operations also includes £8 million of divestment cost which relates to the Nordic business sold in 2012. Further information on discontinued operations is provided in note G1.

£m

Nedbank	USAM	Other	Consolidation adjustments	Adjusted operating profit	Adjusting items (note C1)	Discontinued and non-core operations[1]	IFRS Income statement
-	-	-	-	1,995	-	-	1,995
-	-	-	-	(162)	-	-	(162)
-	-	-	-	1,833	-	-	1,833
-	-	34	304	4,524	(17)	(18)	4,489
1,573	-	-	-	1,573	-	-	1,573
110	-	-	-	110	-	-	110
537	185	-	4	1,610	(34)	-	1,576
18	2	-	-	56	-	4	60
7	-	5	(56)	(6)	-	6	-
2,245	187	39	252	9,700	(51)	(8)	9,641
-	-	-	-	(2,316)	-	21	(2,295)
-	-	-	-	118	-	-	118
-	-	-	-	(2,198)	-	21	(2,177)
-	-	-	-	(3,000)	-	-	(3,000)
(234)	-	-	-	(234)	-	-	(234)
-	-	(46)	-	(46)	23	-	(23)
(832)	-	-	-	(832)	-	-	(832)
(25)	(2)	-	(32)	(575)	40	(3)	(538)
(740)	(134)	(35)	(5)	(1,682)	(80)	(8)	(1,770)
-	-	-	(271)	(271)	-	-	(271)
-	-	-	-	(71)	71	-	-
(27)	-	(6)	56	-	-	-	-
(1,858)	(136)	(87)	(252)	(8,909)	54	10	(8,845)
-	3	-	-	10	-	-	10
-	-	-	-	-	(1)	-	(1)
387	54	(48)	-	801	2	2	805
(100)	(13)	4	-	(207)	(43)	-	(250)
(134)	-	-	-	(146)	13	-	(133)
153	41	(44)	-	448	(28)	2	422
4	(9)	35	-	(28)	28	-	-
157	32	(9)	-	420	-	2	422
-	-	-	-	-	-	(8)	(8)
157	32	(9)	-	420	-	(6)	414

Notes to the consolidated financial statements

For the six months ended 30 June 2013

B: Segment information continued

B3: Adjusted operating profit statement - segment information for the six months ended 30 June 2012 Restated[1]

		Emerging Markets	Old Mutual Wealth	Property & Casualty
Revenue				
Gross earned premiums	B2	1,238	177	359
Outward reinsurance		(41)	(43)	(71)
Net earned premiums		1,197	134	288
Investment return (non-banking)		2,017	1,246	23
Banking interest and similar income		-	-	-
Banking trading, investment and similar income		-	-	-
Fee and commission income, and income from service activities		201	597	12
Other income		35	14	-
Inter-segment revenues		33	2	8
Total revenues		3,483	1,993	331
Expenses				
Claims and benefits (including change in insurance contract provisions)		(1,958)	(174)	(235)
Reinsurance recoveries		49	34	42
Net claims and benefits incurred		(1,909)	(140)	(193)
Change in investment contract liabilities		(663)	(1,177)	-
Losses on loans and advances		-	-	-
Finance costs (including interest and similar expenses)		-	-	-
Banking interest payable and similar expenses		-	-	-
Fee and commission expenses, and other acquisition costs		(111)	(335)	(53)
Other expenses		(494)	(216)	(44)
Change in third-party interest in consolidated funds		-	-	-
Income tax attributable to policyholder returns		(23)	(11)	-
Inter-segment expenses		-	(19)	(10)
Total expenses		(3,200)	(1,898)	(300)
Share of associated undertakings' and joint ventures' profit after tax		9	-	-
Profit on disposal of subsidiaries, associated undertakings and strategic investments	C1(c)	-	-	-
Adjusted operating profit/(loss) before tax and non-controlling interests		292	95	31
Income tax expense	D1	(70)	(13)	(9)
Non-controlling interests		(3)	-	(4)
Adjusted operating profit/(loss) after tax and non-controlling interests		219	82	18
Adjusting items net of tax and non-controlling interests	C1(a)	(72)	(54)	(6)
Profit/(loss) after tax from continuing operations		147	28	12
Profit from discontinued operations after tax	G1	-	-	-
Profit/(loss) after tax attributable to equity holders of the parent		147	28	12

[1] Prior periods have been restated for the impact of changes in accounting policies. Refer to note A1 for further details.

[2] Non-core operations principally relates to Old Mutual Bermuda. Old Mutual Bermuda profit after tax for the year ended 31 December 2012 was £49 million. It also includes £4 million of inter-segment revenue, and the after tax results of the Group's discontinued operations. Further information on discontinued operations is provided in note G1.

£m

	Nedbank	USAM	Other	Consolidation adjustments	Adjusted operating profit	Adjusting items (note C1)	Discontinued and non-core operations[2]	IFRS Income statement
	-	-	-	-	1,774	-	-	1,774
	-	-	-	-	(155)	-	-	(155)
	-	-	-	-	1,619	-	-	1,619
	-	1	53	206	3,546	(86)	19	3,479
	1,780	-	-	-	1,780	-	-	1,780
	107	-	-	-	107	-	-	107
	533	178	-	-	1,521	(39)	-	1,482
	13	-	-	-	62	-	8	70
	14	-	7	(81)	(17)	-	17	-
	2,447	179	60	125	8,618	(125)	44	8,537
	-	-	-	-	(2,367)	-	41	(2,326)
	-	-	-	-	125	-	-	125
	-	-	-	-	(2,242)	-	41	(2,201)
	-	-	-	-	(1,840)	-	-	(1,840)
	(216)	-	-	-	(216)	-	-	(216)
	-	-	(75)	-	(75)	(15)	-	(90)
	(997)	-	-	-	(997)	-	-	(997)
	-	(2)	-	(30)	(531)	45	(23)	(509)
	(801)	(140)	(36)	(5)	(1,736)	(74)	(9)	(1,819)
	-	-	-	(171)	(171)	-	-	(171)
	-	-	-	-	(34)	34	-	-
	(28)	-	(24)	81	-	-	-	-
	(2,042)	(142)	(135)	(125)	(7,842)	(10)	9	(7,843)
	-	5	-	-	14	-	-	14
	-	-	-	-	-	20	-	20
	405	42	(75)	-	790	(115)	53	728
	(113)	(6)	1	-	(210)	(31)	-	(241)
	(139)	-	(19)	-	(165)	13	-	(152)
	153	36	(93)	-	415	(133)	53	335
	8	5	(14)	-	(133)	133	-	-
	161	41	(107)	-	282	-	53	335
	-	-	-	-	-	-	595	595
	161	41	(107)	-	282	-	648	930

Notes to the consolidated financial statements

For the six months ended 30 June 2013

B: Segment information continued

B3: Adjusted operating profit statement - segment information for the year ended 31 December 2012 Restated[1]

		Emerging Markets	Old Mutual Wealth	Property & Casualty
Revenue				
Gross earned premiums	B2	2,643	362	720
Outward reinsurance		(82)	(87)	(153)
Net earned premiums		2,561	275	567
Investment return (non-banking)		5,288	3,806	44
Banking interest and similar income		-	-	-
Banking trading, investment and similar income		-	-	-
Fee and commission income, and income from service activities		440	1,199	26
Other income		61	26	1
Inter-segment revenues		83	3	18
Total revenues		8,433	5,309	656
Expenses				
Claims and benefits (including change in insurance contract provisions)		(4,813)	(387)	(485)
Reinsurance recoveries		89	59	73
Net claims and benefits incurred		(4,724)	(328)	(412)
Change in investment contract liabilities		(1,756)	(3,605)	-
Losses on loans and advances		-	-	-
Finance costs (including interest and similar expenses)		-	-	-
Banking interest payable and similar expenses		-	-	-
Fee and commission expenses, and other acquisition costs		(227)	(677)	(113)
Other expenses		(1,066)	(446)	(82)
Change in third-party interest in consolidated funds		-	-	-
Income tax attributable to policyholder returns		(49)	(26)	-
Inter-segment expenses		(20)	(32)	(14)
Total expenses		(7,842)	(5,114)	(621)
Share of associated undertakings' and joint ventures' profit after tax		20	-	2
Loss on disposal of subsidiaries, associated undertakings and strategic investments	C1(c)	-	-	-
Adjusted operating profit/(loss) before tax and non-controlling interests		611	195	37
Income tax expense	D1	(164)	(43)	(9)
Non-controlling interests		(9)	-	(8)
Adjusted operating profit/(loss) after tax and non-controlling interests		438	152	20
Adjusting items net of tax and non-controlling interests	C1(a)	(153)	(134)	(15)
Profit/(loss) after tax from continuing operations		285	18	5
Profit from discontinued operations after tax	G1	-	-	-
Profit/(loss) after tax attributable to equity holders of the parent		285	18	5

[1] Prior periods have been restated for the impact of changes in accounting policies. Refer to note A1 for further details.

[2] Non-core operations principally relates to Old Mutual Bermuda. Old Mutual Bermuda profit after tax for the year ended 31 December 2012 was £161 million. It also includes £4 million of inter-segment revenue, and the after tax results of the Group's discontinued operations. Further information on discontinued operations is provided in note G1.

£m

Nedbank	USAM	Other	Consolidation adjustments	Adjusted operating profit	Adjusting items (note C1)	Discontinued and non-core operations[2]	IFRS Income statement
-	-	-	-	3,725	-	-	3,725
-	-	-	-	(322)	-	-	(322)
-	-	-	-	3,403	-	-	3,403
-	1	75	722	9,936	(191)	135	9,880
3,431	-	-	-	3,431	-	-	3,431
214	-	-	-	214	-	-	214
1,084	360	-	6	3,115	(76)	-	3,039
23	1	-	(1)	111	-	14	125
21	-	7	(156)	(24)	-	24	-
4,773	362	82	571	20,186	(267)	173	20,092
-	-	-	-	(5,685)	-	73	(5,612)
-	-	-	-	221	-	-	221
-	-	-	-	(5,464)	-	73	(5,391)
-	-	-	-	(5,361)	-	-	(5,361)
(400)	-	-	-	(400)	-	-	(400)
-	-	(130)	-	(130)	(84)	-	(214)
(1,886)	-	-	-	(1,886)	(1)	-	(1,887)
-	(5)	-	(67)	(1,089)	88	(63)	(1,064)
(1,604)	(276)	(67)	(9)	(3,550)	(147)	(18)	(3,715)
-	-	-	(651)	(651)	-	-	(651)
-	-	-	-	(75)	75	-	-
(58)	-	(32)	156	-	-	-	-
(3,948)	(281)	(229)	(571)	(18,606)	(69)	(8)	(18,683)
-	10	-	-	32	-	-	32
-	-	-	-	-	(56)	-	(56)
825	91	(147)	-	1,612	(392)	165	1,385
(221)	(15)	12	-	(440)	(31)	-	(471)
(287)	-	(27)	-	(331)	25	-	(306)
317	76	(162)	-	841	(398)	165	608
16	(10)	(102)	-	(398)	398	-	-
333	66	(264)	-	443	-	165	608
-	-	-	-	-	-	564	564
333	66	(264)	-	443	-	729	1,172

Notes to the consolidated financial statements

For the six months ended 30 June 2013

B: Segment information continued

B4: Statement of financial position – segment information at 30 June 2013

	Notes	Emerging Markets	Old Mutual Wealth	Property & Casualty
Assets				
Goodwill and other intangible assets		121	1,556	13
Mandatory reserve deposits with central banks		-	-	-
Property, plant and equipment		323	13	21
Investment property		1,555	-	-
Deferred tax assets		83	32	13
Investments in associated undertakings and joint ventures		63	-	2
Deferred acquisition costs		94	1,145	16
Reinsurers' share of policyholder liabilities		53	1,459	105
Loans and advances		240	188	-
Investments and securities		30,260	48,306	330
Current tax receivable		10	64	5
Trade, other receivables and other assets		687	480	107
Derivative financial instruments		358	-	-
Cash and cash equivalents		915	633	123
Non-current assets held for sale		-	4	-
Inter-segment assets		456	75	23
Total assets		35,218	53,955	758
Liabilities				
Life assurance policyholder liabilities		29,826	49,520	-
General insurance liabilities		-	-	350
Third-party interests in consolidated funds		-	-	-
Borrowed funds	E2	199	-	-
Provisions		99	51	26
Deferred revenue		9	646	8
Deferred tax liabilities		135	234	22
Current tax payable		161	40	-
Trade, other payables and other liabilities		2,348	764	121
Amounts owed to bank depositors		83	-	-
Derivative financial instruments		401	-	-
Non-current liabilities held for sale		-	-	-
Inter-segment liabilities		244	631	-
Total liabilities		33,505	51,886	527
Net assets		1,713	2,069	231
Equity				
Equity attributable to equity holders of the parent		1,683	2,069	209
Non-controlling interests		30	-	22
Ordinary shares		30	-	22
Preferred securities		-	-	-
Total equity		1,713	2,069	231

£m

	Nedbank	USAM	Other	Consolidation adjustments	Non-core operations	Total
	494	872	-	-	-	3,056
	760	-	-	-	-	760
	424	12	1	-	-	794
	14	-	-	342	-	1,911
	21	181	2	-	2	334
	35	13	17	-	-	130
	-	9	-	-	-	1,264
	12	-	-	-	-	1,629
	36,812	-	-	-	-	37,240
	5,839	36	426	3,323	573	89,093
	30	-	-	-	-	109
	623	103	37	501	417	2,955
	862	-	56	133	8	1,417
	1,113	104	259	1,757	131	5,035
	1	-	-	-	-	5
	142	22	1,390	(2,772)	664	-
	47,182	1,352	2,188	3,284	1,795	145,732
	906	-	-	-	1,191	81,443
	-	-	-	-	-	350
	-	-	-	5,479	-	5,479
	1,726	11	627	-	-	2,563
	39	3	34	-	-	252
	1	-	-	-	-	664
	28	-	16	-	-	435
	8	2	39	-	-	250
	1,016	203	71	472	36	5,031
	37,926	-	-	-	-	38,009
	1,112	-	4	105	1	1,623
	-	-	-	-	-	-
	451	548	898	(2,772)	-	-
	43,213	767	1,689	3,284	1,228	136,099
	3,969	585	499	-	567	9,633
	2,140	562	499	-	567	7,729
	1,829	23	-	-	-	1,904
	1,557	23	-	-	-	1,632
	272	-	-	-	-	272
	3,969	585	499	-	567	9,633

Notes to the consolidated financial statements

For the six months ended 30 June 2013

B: Segment information continued

B4: Statement of financial position – segment information at 30 June 2012 Restated[1]

	Notes	Emerging Markets	Old Mutual Wealth	Property & Casualty
Assets				
Goodwill and other intangible assets		105	1,673	21
Mandatory reserve deposits with central banks		-	-	-
Property, plant and equipment		390	14	22
Investment property		1,599	-	-
Deferred tax assets		74	63	13
Investments in associated undertakings and joint ventures		48	-	1
Deferred acquisition costs		111	1,160	15
Reinsurers' share of policyholder liabilities		52	1,028	108
Loans and advances		401	194	1
Investments and securities		30,412	42,427	429
Current tax receivable		21	84	2
Trade, other receivables and other assets		751	332	82
Derivative financial instruments		443	-	-
Cash and cash equivalents		516	553	109
Non-current assets held for sale		-	1,176	-
Inter-segment assets		432	116	21
Total assets		35,355	48,820	824
Liabilities				
Life assurance policyholder liabilities		30,747	43,310	-
General insurance liabilities		-	-	343
Third-party interests in consolidated funds		-	-	-
Borrowed funds	E2	234	-	-
Provisions		125	45	28
Deferred revenue		13	672	8
Deferred tax liabilities		163	195	15
Current tax payable		144	35	-
Trade, other payables and other liabilities		1,757	643	113
Amounts owed to bank depositors		93	-	-
Derivative financial instruments		306	(4)	-
Non-current liabilities held for sale		-	1,132	-
Inter-segment liabilities		73	460	2
Total liabilities		33,655	46,488	509
Net assets		1,700	2,332	315
Equity				
Equity attributable to equity holders of the parent		1,700	2,332	294
Non-controlling interests		-	-	21
Ordinary shares		-	-	21
Preferred securities		-	-	-
Total equity		1,700	2,332	315

[1] Prior periods have been restated for the impact of changes in accounting policies. Refer to note A1 for further details.

£m

Nedbank	USAM	Other	Consolidation adjustments	Non-core operations	Total
548	891	14	-	-	3,252
964	-	-	-	-	964
487	10	1	-	-	924
48	-	-	402	-	2,049
25	139	2	-	1	317
51	15	27	-	-	142
-	7	-	-	31	1,324
16	-	-	-	-	1,204
40,028	-	-	-	-	40,624
6,589	42	430	3,091	1,413	84,833
76	-	-	-	-	183
902	101	45	564	775	3,552
1,137	-	96	404	130	2,210
922	98	1,208	1,778	98	5,282
2	-	-	-	-	1,178
166	21	1,093	(2,379)	530	-
51,961	1,324	2,916	3,860	2,978	148,038
887	-	-	-	2,639	77,583
-	-	-	-	-	343
-	-	-	5,390	-	5,390
2,281	11	1,010	-	-	3,536
33	2	61	-	-	294
1	-	-	-	-	694
61	-	23	-	-	457
4	1	42	-	-	226
1,213	157	77	477	59	4,496
41,578	-	-	-	-	41,671
1,189	-	-	372	-	1,863
-	-	-	-	-	1,132
441	566	836	(2,379)	1	-
47,688	737	2,049	3,860	2,699	137,685
4,273	587	867	-	279	10,353
2,358	563	421	-	279	7,947
1,915	24	446	-	-	2,406
1,643	24	-	-	-	1,688
272	-	446	-	-	718
4,273	587	867	-	279	10,353

Notes to the consolidated financial statements

For the six months ended 30 June 2013

B: Segment information continued

B4: Statement of financial position – segment information at 31 December 2012 Restated[1]

	Notes	Emerging Markets	Old Mutual Wealth	Property & Casualty
Assets				
Goodwill and other intangible assets		98	1,594	14
Mandatory reserve deposits with central banks		-	-	-
Property, plant and equipment		336	13	20
Investment property		1,588	-	-
Deferred tax assets		82	44	20
Investments in associated undertakings and joint ventures		57	-	2
Deferred acquisition costs		103	1,159	18
Reinsurers' share of policyholder liabilities		55	1,236	100
Loans and advances		142	180	-
Investments and securities		31,157	45,402	397
Current tax receivable		16	64	5
Trade, other receivables and other assets		697	333	92
Derivative financial instruments		612	-	-
Cash and cash equivalents		816	576	109
Non-current assets held for sale		-	5	-
Inter-segment assets		562	101	43
Total assets		36,321	50,707	820
Liabilities				
Life assurance policyholder liabilities		31,124	46,455	-
General insurance liabilities		-	-	346
Third-party interests in consolidated funds		-	-	-
Borrowed funds	E2	218	-	-
Provisions		120	54	30
Deferred revenue		11	667	10
Deferred tax liabilities		130	189	21
Current tax payable		198	39	-
Trade, other payables and other liabilities		2,221	669	127
Amounts owed to bank depositors		86	-	-
Derivative financial instruments		377	-	-
Non-current liabilities held for sale		-	-	-
Inter-segment liabilities		216	587	2
Total liabilities		34,701	48,660	536
Net assets		1,620	2,047	284
Equity				
Equity attributable to equity holders of the parent		1,606	2,047	261
Non-controlling interests		14	-	23
Ordinary shares		14	-	23
Preferred securities		-	-	-
Total equity		1,620	2,047	284

[1] Prior periods have been restated for the impact of changes in accounting policies. Refer to note A1 for further details.

					£m
Nedbank	USAM	Other	Consolidation adjustments	Non-core operations	Total
534	816	-	-	-	3,056
921	-	-	-	-	921
465	12	1	-	-	847
15	-	-	344	-	1,947
34	162	2	-	1	345
49	18	26	-	-	152
-	8	-	-	-	1,288
15	-	-	-	-	1,406
38,173	-	-	-	-	38,495
6,303	37	368	3,897	952	88,513
18	-	-	-	-	103
674	105	62	372	595	2,930
1,003	-	97	50	18	1,780
1,049	115	379	1,892	125	5,061
37	-	-	-	-	42
111	21	1,366	(2,877)	673	-
49,401	1,294	2,301	3,678	2,364	146,886
907	-	-	-	1,702	80,188
-	-	-	-	-	346
-	-	-	6,116	-	6,116
2,163	10	659	-	-	3,050
36	1	40	-	-	281
1	-	-	-	-	689
40	-	24	-	-	404
9	6	34	-	1	287
1,076	193	70	400	92	4,848
39,413	-	-	-	-	39,499
977	-	8	39	1	1,402
3	-	-	-	-	3
596	554	922	(2,877)	-	-
45,221	764	1,757	3,678	1,796	137,113
4,180	530	544	-	568	9,773
2,283	507	544	-	568	7,816
1,897	23	-	-	-	1,957
1,624	23	-	-	-	1,684
273	-	-	-	-	273
4,180	530	544	-	568	9,773

Notes to the consolidated financial statements

For the six months ended 30 June 2013

C: Other key performance information

C1: Operating profit adjusting items

(a) Summary of adjusting items for determination of AOP

In determining the adjusted operating profit of the Group for core operations, 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.

	Notes	**Six months ended 30 June 2013**	Six months ended 30 June 2012	Year ended 31 December 2012
				£m
Income/(expense)				
Goodwill impairment and impact of acquisition accounting	C1(b)	**(57)**	(64)	(123)
(Loss)/profit on disposal of subsidiaries, associated undertakings and strategic investments	C1(c)	**(1)**	20	(56)
Short-term fluctuations in investment return	C1(d)	**16**	(49)	(78)
Investment return adjustment for Group equity and debt instruments held in life funds	C1(e)	**(33)**	(37)	(113)
Dividends declared to holders of perpetual preferred callable securities	C1(f)	**22**	22	42
US Asset Management equity plans	C1(g)	**(17)**	(4)	(13)
Credit-related fair value losses on Group debt instruments	C1(h)	**1**	(37)	(126)
Total adjusting items		**(69)**	(149)	(467)
Tax on adjusting items		**28**	3	44
Non-controlling interest in adjusting items		**13**	13	25
Total adjusting items after tax and non-controlling interests		**(28)**	(133)	(398)

(b) Goodwill impairment and impact of acquisition accounting

When applying acquisition accounting, deferred acquisition costs and deferred revenues existing at the point of acquisition are not recognised under IFRS. 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 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 and the movements in certain acquisition date provisions. The effect of these adjustments to determine adjusted operating profit are summarised below:

Six months ended 30 June 2013	**Emerging Markets**	**Old Mutual Wealth**	**USAM**	**Total**
				£m
Amortisation of acquired PVIF	**-**	**(38)**	**-**	**(38)**
Amortisation of acquired deferred costs and revenue	**-**	**6**	**-**	**6**
Amortisation of other acquired intangible assets	**(1)**	**(23)**	**-**	**(24)**
Goodwill impairment	**(1)**	**-**	**-**	**(1)**
	(2)	**(55)**	**-**	**(57)**

Six months ended 30 June 2012	Emerging Markets	Old Mutual Wealth	USAM	Total
				£m
Amortisation of acquired PVIF	-	(43)	-	(43)
Amortisation of acquired deferred costs and revenue	-	6	-	6
Amortisation of other acquired intangible assets	(1)	(25)	(1)	(27)
	(1)	(62)	(1)	(64)

Year ended 31 December 2012	Emerging Markets	Old Mutual Wealth	USAM	Total
				£m
Amortisation of acquired PVIF	-	(84)	-	(84)
Amortisation of acquired deferred costs and revenue	-	12	-	12
Amortisation of other acquired intangible assets	(2)	(48)	(1)	(51)
	(2)	(120)	(1)	(123)

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

(Loss)/profit on disposal of subsidiaries, associated undertakings and strategic investments is analysed below:

			£m
	Six months ended 30 June 2013	Six months ended 30 June 2012	Year ended 31 December 2012
USAM	**(1)**	20	(16)
Emerging Markets	**-**	-	(15)
Old Mutual Wealth	**-**	-	(25)
(Loss)/profit on disposal of subsidiaries, associated undertakings and strategic investments	**(1)**	20	(56)

On 2 January 2013, USAM completed the previously announced transactions to sell five of its affiliates. For the six months ended 30 June 2013, a loss of £1 million was recognised in relation to these transactions.

On 13 April 2012, USAM disposed of Old Mutual Capital, Inc, a subsidiary, at a profit of £12 million. On 15 May 2012, USAM disposed of Dwight Asset Management Company LLC, a fixed income affiliate, at a profit of £7 million. On 11 October 2012, the Group announced that it had finalised agreements to sell five USAM affiliates at a loss of £32 million. A £3 million loss was also recognised during the year ended 31 December 2012 in relation to disposals of other USAM subsidiaries in previous periods.

On 20 November 2012, the Emerging Markets segment recognised a profit of £3 million on the acquisition of a strategic investment Curo Fund Services (Pty) Ltd.

During the year ended 31 December 2012, the Group incurred expenses of £18 million as initial costs regarding Zimbabwean Indigenisation and Economic Empowerment Schemes. These costs are directly related to the acquisition of the Zimbabwean business.

On 31 August 2012, Old Mutual Wealth completed the sale of its Finnish branch at a loss of £27 million. A profit of £2 million was recognised on the sale of Skandia Services AG (Switzerland) on 30 June 2012.

(d) Short-term fluctuations in investment return

Profit before tax, as disclosed in the consolidated IFRS income statement, 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 is referred to as the short-term fluctuation in investment return.

Long-term rates of return are based on achieved 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. The underlying rates are principally derived with reference to 10-year government bond rates, cash and money market rates and an explicit equity risk premium for South African businesses. The rates set out below reflect the proposed weighting of investments in underlying cash, money market and equity assets. Long-term rates of return are reviewed frequently by the Board, usually annually, for appropriateness. The review of the long-term rates of return seeks to ensure that the 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 Old Mutual Wealth, the return is applied to average investible assets. For Property & Casualty, the return is an average value of investible assets supporting shareholders' funds and insurance liabilities, adjusted for net fund flows.

			%
Long-term investment rates	**Six months ended 30 June 2013**	Six months ended 30 June 2012	Year ended 31 December 2012
Emerging Markets	**8.0**	9.0	9.0
Old Mutual Wealth	**1.0**	1.5	1.5
Property & Casualty	**7.4**	8.6	8.6

Notes to the consolidated financial statements

For the six months ended 30 June 2013

C: Other key performance information continued

C1: Operating profit adjusting items continued

(d) Short-term fluctuations in investment return continued

Analysis of short-term fluctuations in investment return

Six months ended 30 June 2013	**Emerging Markets**	**Old Mutual Wealth[1]**	**Property & Casualty**	**Other**	**Total**
					£m
Actual shareholder investment return	**88**	**24**	**12**	**18**	**142**
Less: Long-term investment return	**55**	**29**	**17**	**25**	**126**
Short-term fluctuations in investment return	**33**	**(5)**	**(5)**	**(7)**	**16**

Six months ended 30 June 2012	Emerging Markets	Old Mutual Wealth[1]	Property & Casualty	Other	Total
					£m
Actual shareholder investment return	19	19	18	25	81
Less: Long-term investment return	63	18	24	25	130
Short-term fluctuations in investment return	(44)	1	(6)	-	(49)

Year ended 31 December 2012	Emerging Markets	Old Mutual Wealth[1]	Property & Casualty	Other	Total
					£m
Actual shareholder investment return	81	65	34	34	214
Less: Long-term investment return	124	67	47	54	292
Short-term fluctuations in investment return	(43)	(2)	(13)	(20)	(78)

[1] Old Mutual Wealth long-term investment return includes £26 million (six months ended 30 June 2012: £14 million; year ended 31 December 2012: £59 million) in respect of income tax attributable to policyholder returns.

(e) Investment return adjustment for Group equity and debt instruments held in policyholder 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 issued by Nedbank. These investment returns are eliminated within the consolidated income statement in arriving at profit before tax in the IFRS income statement, but are included in adjusted operating profit. During the six months ended 30 June 2013, the investment return adjustment increased adjusted operating profit by £33 million (six months ended 30 June 2012: increase of £37 million; year ended 31 December 2012: increase of £113 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 2013 (six months ended 30 June 2012: £22 million; year ended 31 December 2012: £42 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 distribution is recognised directly in equity.

(g) US Asset Management equity plans

US Asset Management has a number of long-term incentive arrangements with senior employees in its asset management affiliates.

The Group has issued put options in equities in the affiliates to senior employees as part of its US affiliate incentive schemes. The impact of revaluing these instruments is recognised in accordance with IFRS, but excluded from adjusted operating profit. At 30 June 2013, these instruments were revalued, the impact of which was a profit of £17 million (six months ended 30 June 2012: profit of £4 million; year ended 31 December 2012: profit of £13 million).

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

The widening of credit spread for the Group debt instruments causes the market value of debt to decrease. This results in gains being recognised in the Group consolidated income statement, compared with losses if the credit spread narrows and the market value of debt instruments rises. This resulted in net gains of £1 million for the six months ended 30 June 2013 (£37 million loss for the six months ended 30 June 2012; £55 million loss for the year ended 31 December 2012).

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.

On 1 August 2012, the Group redeemed £388 million of the £500 million senior bond due in 2016 at a cash consideration of £459 million. The £71 million excess over the nominal value reflected the market value of the instrument prior to expiration.

C2: 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 year excluding own shares held in policyholder funds, ESOP trusts, Black Economic Empowerment trusts and other related undertakings.

			£m
	Six months ended 30 June 2013	Six months ended 30 June 2012 Restated[1]	Year ended 31 December 2012 Restated[1]
Profit for the financial period attributable to equity holders of the parent from continuing operations	**422**	335	608
(Loss)/profit for the financial period attributable to equity holders of the parent from discontinued operations	**(8)**	595	564
Profit for the financial period attributable to equity holders of the parent	**414**	930	1,172
Dividends paid to holders of perpetual preferred callable securities	**(17)**	(17)	(32)
Profit attributable to ordinary equity holders	**397**	913	1,140

[1] Prior periods have been restated for the impact of changes in accounting policies. Refer to note A1 for further details.

Total dividends paid to holders of perpetual preferred callable securities of £17 million for the six months ended 30 June 2013 (six months ended 30 June 2012: £17 million; year ended 31 December 2012: £32 million) are stated net of tax credits of £5 million (six months ended 30 June 2012: £5 million; year ended 31 December 2012: £10 million).

			Millions
	Six months ended 30 June 2013	Six months ended 30 June 2012	Year ended 31 December 2012
Weighted average number of ordinary shares in issue	**4,894**	5,303	5,096
Shares held in charitable foundations	**(6)**	(6)	(6)
Shares held in ESOP trusts	**(53)**	(66)	(61)
Adjusted weighted average number of ordinary shares	**4,835**	5,231	5,029
Shares held in life funds	**(160)**	(193)	(181)
Shares held in Black Economic Empowerment trusts	**(239)**	(279)	(261)
Weighted average number of ordinary shares	**4,436**	4,759	4,587
Basic earnings per ordinary share (pence)[1]	**8.9**	19.2	24.9

[1] Restatement for the impact of changes in policies did not result in changes to basic earnings per share for the six months ended 30 June 2012 and the year ended 31 December 2012.

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.

	Six months ended 30 June 2013	Six months ended 30 June 2012 Restated[1]	Year ended 31 December 2012 Restated[1]
Profit attributable to ordinary equity holders (£m)	**397**	913	1,140
Dilution effect on profit relating to share options issued by subsidiaries (£m)	**(4)**	(4)	(10)
Diluted profit attributable to ordinary equity holders (£m)	**393**	909	1,130
Weighted average number of ordinary shares (millions)	**4,436**	4,759	4,587
Adjustments for share options held by ESOP trusts (millions)	**46**	106	53
Adjustments for shares held in Black Economic Empowerment trusts (millions)	**239**	279	261
	4,721	5,144	4,901
Diluted earnings per ordinary share (pence)[2]	**8.3**	17.7	23.1

[1] Prior periods have been restated for the impact of changes in accounting policies. Refer to note A1 for further details.

[2] Restatement for the impact of changes in policies did not result in changes to diluted earnings per share for the six months ended 30 June 2012 and the year ended 31 December 2012.

Notes to the consolidated financial statements

For the six months ended 30 June 2013

C: Other key performance information continued

C2: Earnings per share continued

(b) Adjusted operating earnings per ordinary share

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

			£m
	Six months ended 30 June 2013	Six months ended 30 June 2012 Restated[1]	Year ended 31 December 2012 Restated[1]
Profit for the financial period attributable to equity holders of the parent	**414**	930	1,172
Adjusting items	**69**	149	467
Tax on adjusting items	**(28)**	(3)	(44)
Non-core operations	**(2)**	(53)	(165)
Profit from discontinued operations	**8**	(595)	(564)
Non-controlling interest on adjusting items	**(13)**	(13)	(25)
Adjusted operating profit after tax attributable to ordinary equity holders	**448**	415	841
Adjusted weighted average number of ordinary shares (millions)[2]	**4,835**	4,806	4,818
Adjusted operating earnings per ordinary share (pence)	**9.3**	8.6	17.5

[1] Prior periods have been restated for the impact of changes in accounting policies. Refer to note A1 for further details.

[2] For the six months ended 30 June 2012 and the year ended 31 December 2012, the weighted average number of shares used in the calculation of basic and diluted earnings per share was adjusted for the seven-for-eight share consolidation that was affected on 23 April 2012. For adjusted operating earnings per share, the adjustment of the weighted average number of shares has been made effective from 1 January 2012. This adjustment had the effect of presenting adjusted earnings per share on a more consistent basis, but resulted in a difference between the adjusted weighted average number of shares for IFRS and AOP for the comparative periods.

(c) Headline earnings per share

The Group is required to calculate a 'headline earnings per share' (HEPS) in accordance with the JSE Limited (JSE) Listing Requirements, determined by reference to the South African Institute of Chartered Accountants' circular 3/2009 '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 IFRS, but it is a commonly used measure of earnings in South Africa.

						£m
	Six months ended 30 June 2013		Six months ended 30 June 2012 Restated[1]		Year ended 31 December 2012 Restated[1]	
	Gross	**Net**	Gross	Net	Gross	Net
Profit for the financial period attributable to equity holders of the parent	**414**	**414**	930	930	1,172	1,172
Dividends declared to holders of perpetual preferred callable securities	**(17)**	**(17)**	(17)	(17)	(32)	(32)
Profit attributable to ordinary equity holders	**397**	**397**	913	913	1,140	1,140
Adjustments:						
Impairments of goodwill and intangible assets	**1**	**1**	-	-	-	-
Loss/(profit) on disposal of subsidiaries, associated undertakings and strategic investments	**1**	**(14)**	(262)	(256)	(183)	(173)
Realised gains (net of impairments) on available-for-sale financial assets	**(8)**	**(8)**	(6)	(6)	(21)	(21)
Exchange differences realised on disposal	**-**	**-**	(350)	(350)	(350)	(350)
Headline earnings	**391**	**376**	295	301	586	596
Weighted average number of ordinary shares	**4,436**	**4,436**	4,759	4,759	4,587	4,587
Diluted weighted average number of ordinary shares	**4,721**	**4,721**	5,144	5,144	4,901	4,901
Headline earnings per share (pence)	**8.8**	**8.5**	6.2	6.3	12.8	13.0
Diluted headline earnings per share (pence)	**8.3**	**8.0**	5.7	5.9	12.0	12.2

[1] Prior periods have been restated for the impact of changes in accounting policies. Refer to note A1 for further details.

C3: Dividends

			£m
	Six months ended 30 June 2013	Six months ended 30 June 2012	Year ended 31 December 2012
2011 Final dividend paid - 3.5p per 10p share	**-**	178	178
Special dividend - 18.0p per 10p share	**-**	915	915
2012 Interim dividend paid – 1.75p per 11 3/7p share	**-**	-	79
2012 Final dividend paid – 5.25p per 11 3/7p share	**238**	-	-
Dividends to ordinary equity holders	**238**	1,093	1,172
Dividends declared to holders of perpetual preferred callable securities	**22**	22	42
Dividend payments for the period	**260**	1,115	1,214

Final and interim dividends paid to ordinary equity holders are calculated using the number of shares in issue at the record date less treasury shares held in ESOP trusts, life funds of Group entities, 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.

An interim dividend of 2.1 pence (or its equivalent in other applicable currencies) per ordinary share in the Company has been recommended by the directors. The interim dividend will be paid on 31 October 2013 to shareholders on the register at the close of business on 27 September 2013. The dividend will absorb an estimated £93 million of shareholders' funds. The Company is not planning to offer a scrip dividend alternative.

In March 2013, £22 million was declared and paid to holders of perpetual preferred callable securities (March 2012: £22 million; November 2012: £20 million).

D: Other income statement notes

D1: Income tax expense

(a) Analysis of total income tax expense

			£m
	Six months ended 30 June 2013	Six months ended 30 June 2012 Restated[1]	Year ended 31 December 2012 Restated[1]
Current tax			
United Kingdom	**9**	6	18
Overseas tax			
- Africa	**198**	208	512
- United States	**-**	-	4
- Europe	**10**	8	30
Secondary tax on companies (STC)	**-**	20	23
Adjustment to current tax in respect of prior years	**(19)**	2	5
Total current tax	**198**	244	592
Deferred tax			
Origination and reversal of temporary differences	**40**	(3)	(121)
Changes in tax rates/bases	**-**	-	2
Recognition of deferred tax assets	**-**	-	(2)
Adjustments to deferred tax in respect of prior years	**12**	-	-
Total deferred tax	**52**	(3)	(121)
Total income tax expense	**250**	241	471

[1] Prior periods have been restated for the impact of changes in accounting policies. Refer to note A1 for further details.

Notes to the consolidated financial statements

For the six months ended 30 June 2013

D: Other income statement notes continued

D1: Income tax expense continued

(b) Reconciliation of total income tax expense

			£m
	Six months ended 30 June 2013	Six months ended 30 June 2012 Restated[1]	Year ended 31 December 2012 Restated[1]
Profit before tax	**805**	728	1,385
Tax at UK standard rate of 23.25% (2012: 24.5%)	**187**	178	339
Different tax rate or basis on overseas operations	**33**	27	19
Untaxed and low taxed income	**(31)**	(45)	(57)
Disallowable expenses	**(4)**	11	48
Net movement on deferred tax assets not recognised	**13**	22	48
Effect on deferred tax of changes in tax rates	**-**	2	2
STC	**-**	18	20
Income tax attributable to policyholder returns	**49**	28	59
Other	**3**	-	(7)
Total income tax expense	**250**	241	471

[1] Prior periods have been restated for the impact of changes in accounting policies. Refer to note A1 for further details.

(c) Income tax relating to components of other comprehensive income

			£m
	Six months ended 30 June 2013	Six months ended 30 June 2012 Restated[1]	Year ended 31 December 2012 Restated[1]
Preferred perpetual callable securities	**(5)**	(5)	(10)
Actuarial gains on defined benefit plans	**1**	2	4
Income tax on items that will not be reclassified subsequently to profit or loss	**(4)**	(3)	(6)
Income tax on items that may be reclassified subsequently to profit or loss	**(1)**	-	5
Income tax credit – continuing operations	**(5)**	(3)	(1)
Income tax expense on fair value movements – discontinued operations	**-**	1	1
Income tax credit relating to components of other comprehensive income	**(5)**	(2)	-

[1] Prior periods have been restated for the impact of changes in accounting policies. Refer to note A1 for further details.

(d) Reconciliation of income tax expense in the IFRS income statement to income tax on adjusted operating profit

			£m
	Six months ended 30 June 2013	Six months ended 30 June 2012 Restated[1]	Year ended 31 December 2012 Restated[1]
Income tax expense	**250**	241	471
Goodwill impairment and impact of acquisition accounting	**6**	13	51
Profit on disposal of subsidiaries, associates and strategic investments	**15**	(8)	(10)
Short-term fluctuations in investment return	**3**	7	7
Income tax attributable to policyholders returns	**(71)**	(34)	(75)
Tax on dividends declared to holders of perpetual preferred callable securities recognised in equity	**(5)**	(5)	(10)
US Asset Management equity plans	**9**	(2)	6
Tax on dividends received in trusts	**-**	(2)	-
Income tax on adjusted operating profit	**207**	210	440

[1] Prior periods have been restated for the impact of changes in accounting policies. Refer to note A1 for further details.

E: Financial assets and liabilities

E1: Group statement of financial position

The Group is exposed to financial risk through its financial assets (investments and loans), financial liabilities (investment contracts, customer deposits and borrowings), reinsurance assets and insurance liabilities. The key focus of financial risk management for the Group is ensuring that the proceeds from its financial assets are sufficient to fund the obligations arising from its insurance and banking operations. The most important components of financial risk are credit risk, market risk (arising from changes in equity, and bond prices, interest and foreign exchange rates), and liquidity risk.

Categories of financial instruments

The analysis of assets and liabilities into their categories as defined in IAS 39 'Financial Instruments: Recognition and Measurement' is set out in the following table. Assets and liabilities of a non-financial nature, or financial assets and liabilities that are specifically excluded from the scope of IAS 39, are reflected in the non-financial assets and liabilities category.

£m

		Fair value through income statement						
At 30 June 2013	**Total**	**Held-for-trading**	**Designated**	**Available-for-sale financial assets**	**Held-to-maturity investments**	**Loans and receivables**	**Financial liabilities amortised cost**	**Non-financial assets and liabilities**
Assets								
Mandatory reserve deposits with central banks	**760**	**-**	**-**	**-**	**-**	**760**	**-**	**-**
Reinsurers' share of policyholder liabilities	**1,629**	**-**	**1,386**	**-**	**-**	**19**	**-**	**224**
Loans and advances	**37,240**	**2,467**	**3,778**	**2**	**-**	**30,993**	**-**	**-**
Investments and securities	**89,093**	**1,237**	**85,115**	**811**	**1,550**	**380**	**-**	**-**
Trade, other receivables and other assets	**2,955**	**176**	**393**	**-**	**-**	**1,882**	**-**	**504**
Derivative financial instruments	**1,417**	**1,417**	**-**	**-**	**-**	**-**	**-**	**-**
Cash and cash equivalents	**5,035**	**-**	**-**	**-**	**-**	**5,035**	**-**	**-**
Total financial assets	**138,129**	**5,297**	**90,672**	**813**	**1,550**	**39,069**	**-**	**728**
Total non-financial assets	**7,603**	**-**	**-**	**-**	**-**	**-**	**-**	**7,603**
Total assets	**145,732**	**5,297**	**90,672**	**813**	**1,550**	**39,069**	**-**	**8,331**
Liabilities								
Life assurance policyholder liabilities	**81,443**	**-**	**61,876**	**-**	**-**	**209**	**-**	**19,358**
Third-party interest in consolidation of funds	**5,479**	**-**	**5,479**	**-**	**-**	**-**	**-**	**-**
Borrowed funds	**2,563**	**-**	**880**	**-**	**-**	**-**	**1,683**	**-**
Trade, other payables and other liabilities	**5,031**	**416**	**472**	**-**	**-**	**211**	**2,778**	**1,154**
Amounts owed to bank depositors	**38,009**	**3,661**	**5,032**	**-**	**-**	**-**	**29,316**	**-**
Derivative financial instruments	**1,623**	**1,623**	**-**	**-**	**-**	**-**	**-**	**-**
Total financial liabilities	**134,148**	**5,700**	**73,739**	**-**	**-**	**420**	**33,777**	**20,512**
Total non-financial liabilities	**1,951**	**-**	**-**	**-**	**-**	**-**	**-**	**1,951**
Total liabilities	**136,099**	**5,700**	**73,739**	**-**	**-**	**420**	**33,777**	**22,463**

E: Financial assets and liabilities continued

E1: Group statement of financial position continued

Fair value hierarchy

The table below analyses the financial assets and liabilities according to fair value hierarchy:

				£m
At 30 June 2013	**Total**	**Level 1**	**Level 2**	**Level 3**
Financial assets measured at fair value				
Held-for-trading (fair value through income statement)	**5,297**	**474**	**4,811**	**12**
Loans and advances	**2,467**	**-**	**2,467**	**-**
Investments and securities	**1,237**	**294**	**936**	**7**
Other financial assets	**176**	**176**	**-**	**-**
Derivative financial instruments – assets	**1,417**	**4**	**1,408**	**5**
Designated (fair value through income statement)	**90,672**	**72,482**	**16,966**	**1,224**
Reinsurers' share of policyholder liabilities	**1,386**	**1,386**	**-**	**-**
Loans and advances	**3,778**	**2**	**3,772**	**4**
Investments and securities	**85,115**	**70,703**	**13,192**	**1,220**
Other financial assets	**393**	**391**	**2**	**-**
Available-for-sale financial assets	**813**	**371**	**439**	**3**
Loans and advances	**2**	**2**	**-**	**-**
Investments and securities	**811**	**369**	**439**	**3**
Total assets measured at fair value	**96,782**	**73,327**	**22,216**	**1,239**
Financial liabilities measured at fair value				
Held-for-trading (fair value through income statement)	**5,700**	**412**	**5,288**	**-**
Other liabilities	**416**	**408**	**8**	**-**
Amounts owed to bank depositors	**3,661**	**-**	**3,661**	**-**
Derivative financial instruments – liabilities	**1,623**	**4**	**1,619**	**-**
Designated (fair value through income statement)	**73,739**	**44,675**	**28,529**	**535**
Life assurance policyholder liabilities	**61,876**	**43,806**	**17,535**	**535**
Third-party interests in consolidated funds	**5,479**	**-**	**5,479**	**-**
Borrowed funds	**880**	**865**	**15**	**-**
Other liabilities	**472**	**4**	**468**	**-**
Amounts owed to bank depositors	**5,032**	**-**	**5,032**	**-**
Total liabilities measured at fair value	**79,439**	**45,087**	**33,817**	**535**

				£m
At 31 December 2012	**Total**	**Level 1**	**Level 2**	**Level 3**
Financial assets measured at fair value				
Held-for-trading (fair value through income statement)	5,459	639	4,816	4
Designated (fair value through income statement)	87,813	68,059	18,694	1,060
Available-for-sale financial assets	902	335	565	2
Total assets measured at fair value	94,174	69,033	24,075	1,066
Financial liabilities measured at fair value				
Held-for-trading (fair value through income statement)	5,925	462	5,463	-
Designated (fair value through income statement)	68,895	42,788	25,627	480
Total liabilities measured at fair value	74,820	43,250	31,090	480

The best evidence of fair value is a quoted price in an active market. In the event that the market for a financial asset or liability is not active, or quoted prices cannot be obtained without undue effort, another valuation technique is used.

The judgement as to whether a market is active may include, for example, consideration of factors such as the magnitude and frequency of trading activity, the availability of prices and the size of bid/offer spreads. In inactive markets, obtaining assurance that the transaction price provides evidence of fair value or determining the adjustments to transaction prices that are necessary to measure the fair value of the asset or liability requires additional work during the valuation process.

The majority of valuation techniques employ only observable data and so the reliability of the fair value measurement is high. However, certain financial assets and liabilities are valued on the basis of valuation techniques that feature one or more significant inputs that are unobservable and, for them, the derivation of fair value is more judgemental. A financial asset or liability in its entirety is classified as valued using significant unobservable inputs if a significant proportion of that asset or liability's carrying amount is driven by unobservable inputs. In this context, 'unobservable' means that there is little or no current market data available for which to determine the price at which an arm's length transaction would be likely to occur. It generally does not mean that there is no market data available at all upon which to base a determination of fair value. Furthermore, in some cases the majority of the fair value derived from a valuation technique with significant unobservable data may be attributable to observable inputs. Consequently, the effect of uncertainty in determining unobservable inputs will generally be restricted to uncertainty about the overall fair value of the asset or liability being measured. Details of the Group's valuation techniques can be found in Note E1(p) of the Annual Report. There have been no significant changes to the valuation techniques applied.

The transfers into Level 3 largely relate to instances where inputs to the valuation for certain financial assets and liabilities obtained from pricing service providers are no longer observable. There were no significant transfers between Level 1 and Level 2 during the year.

The table below shows the movement in Level 3 assets measured at fair value:

£m

Six months ended 30 June 2013	Held-for-trading - Investments and securities	Held-for-trading - Derivatives	Designated fair value through income statement - Loans and advances	Designated fair value through income statement - Investments and securities	Available-for-sale - Investments and securities	Total
Level 3 financial assets						
At beginning of the year	**4**	**-**	**9**	**1,051**	**2**	**1,066**
Total net gains/(losses) recognised in the income statement for the period	**4**	**-**	**(5)**	**54**	**-**	**53**
Total gains recognised in other comprehensive income	**-**	**-**	**-**	**1**	**-**	**1**
Purchases and issues	**-**	**5**	**-**	**24**	**-**	**29**
Sales and settlements	**(1)**	**-**	**-**	**(21)**	**-**	**(22)**
Transfers in	**-**	**-**	**-**	**151**	**1**	**152**
Transfers out	**-**	**-**	**-**	**-**	**-**	**-**
Foreign exchange and other	**-**	**-**	**-**	**(40)**	**-**	**(40)**
Total level 3 financial assets	**7**	**5**	**4**	**1,220**	**3**	**1,239**
Gains relating to assets held at 30 June 2013 recognised in:						
- income statement	**-**	**-**	**-**	**52**	**-**	**52**
- other comprehensive income	**-**	**-**	**-**	**-**	**-**	**-**

Notes to the consolidated financial statements

For the six months ended 30 June 2013

E: Financial assets and liabilities continued

E1: Group statement of financial position continued

Fair value hierarchy continued

The table below shows the movement in Level 3 liabilities measured at fair value:

	£m
Six months ended 30 June 2013	**Designated fair value through income statement - Life assurance policyholder liabilities (investment contracts)**
Level 3 financial liabilities	
At beginning of the year	**480**
Total net losses recognised in the income statement for the period	**72**
Purchases and issues	**1**
Sales and settlements	**(104)**
Transfers in	**77**
Foreign exchange and other	**9**
Total level 3 financial liabilities	**535**
Losses relating to liabilities held at 30 June 2013 recognised in:	
- income statement	**74**
- other comprehensive income	**-**

Effect of changes in significant unobservable assumptions to reasonable possible alternatives

Favourable and unfavourable changes are determined on the basis of changes in the value of the financial asset or liability as a result of varying the levels of the unobservable parameter using statistical techniques. When parameters are not amenable to statistical analysis, quantification of uncertainty is judgemental.

When the fair value of a financial asset or liability is affected by more than one unobservable assumption, the figures shown reflect the most favourable or most unfavourable change from varying the assumptions individually.

In respect of private equity investments, the valuations are assessed on an asset-by-asset basis using a valuation methodology appropriate to the specific investment, in line with industry guidelines. In many of the methodologies, the principal assumption is the valuation multiple to be applied to the main financial indicators including, for example, multiples for comparable listed companies and discounts for marketability.

For asset-backed securities whose prices are unobservable, models are used to generate the expected value of the asset, incorporating benchmark information on factors such as prepayment patterns, default rates, loss severities and the historical performance of the underlying assets. The models used are calibrated by using securities for which external market information is available.

For structured notes and other derivatives, principal assumptions concern the future volatility of asset values and the future correlation between asset values. These principle assumptions include credit volatilities and correlations used in the valuation of the structured credit derivatives. For such unobservable assumptions, estimates are based on available market data, which may include the use of a proxy method to derive a volatility or correlation from comparable assets for which market data is more readily available, and examination of historical levels.

Alternative assumptions

Accounting standards require consideration of the effect of reasonable possible alternative assumptions on the fair value of Level 3 financial assets and liabilities.

Alternative assumptions are assessed in terms of possible favourable and unfavourable changes in the key market inputs for the major types of Level 3 financial assets and liabilities, ranging from, for example, a 10% change in the price earnings multiple for equity securities, to a 25% change in the discount rates applied to debt securities and volatility assumptions in derivative contracts. Changes in business risk inputs such as lapses and non-performance risk were also considered.

The table below shows the income statement effect of reasonable possible alternative assumptions on the fair value of Level 3 financial assets and liabilities:

		£m
	Reflected in income statement	
Six months ended 30 June 2013	Favourable changes	Unfavourable changes
Level 3 financial assets		
Designated (fair value through income statement)	**123**	**120**
Loans and advances	**1**	**1**
Investments and securities	**122**	**119**
Total Level 3 financial assets	**123**	**120**
Level 3 financial liabilities		
Designated (fair value through income statement)	**20**	**48**
Life assurance policyholder liabilities (investment contracts)	**20**	**48**
Total Level 3 financial liabilities	**20**	**48**

The impact of reasonable possible alternative assumptions on other comprehensive income was £nil in all periods.

Notes to the consolidated financial statements

For the six months ended 30 June 2013

E: Financial assets and liabilities

E2: Borrowed funds

£m

	Notes	Group excluding Nedbank	Nedbank	At 30 June 2013 Group	Group excluding Nedbank	Nedbank	At 30 June 2012 Group
Senior debt securities and term loans		**123**	**994**	**1,117**	507	1,427	1,934
Floating rate notes	E2(a)	**-**	**525**	**525**	-	926	926
Fixed rate notes	E2(b)	**123**	**469**	**592**	507	501	1,008
Mortgage-backed securities	E2(d)	**-**	**114**	**114**	-	70	70
Subordinated debt securities (net of Group holdings)	E2(e)	**714**	**618**	**1,332**	747	785	1,532
Borrowed funds		**837**	**1,726**	**2,563**	1,254	2,282	3,536
Other Group instruments treated as equity for accounting purposes							
US$750 million cumulative preference securities		**-**			458		
€495 million perpetual preferred callable securities		**334**			338		
£348 million perpetual preferred callable securities		**348**			350		
Total: Book value		**1,519**			2,400		
Nominal value of the above		**1,594**			2,476		

£m

	Notes	Group excluding Nedbank	Nedbank	At 31 December 2012 Group
Senior debt securities and term loans		122	1,363	1,485
Floating rate notes	E2(a)	-	849	849
Fixed rate notes	E2(b)	122	514	636
Mortgage-backed securities	E2(d)	-	131	131
Subordinated debt securities (net of Group holdings)	E2(e)	765	669	1,434
Borrowed funds		887	2,163	3,050
Other Group instruments treated as equity for accounting purposes				
US$750 million cumulative preference securities		-		
€495 million perpetual preferred callable securities		334		
£348 million perpetual preferred callable securities		348		
Total: Book value		1,569		
Nominal value of the above		1,590		

Senior notes

(a) Floating rate notes

	Maturity date	At 30 June 2013	At 30 June 2012	£m At 31 December 2012
Nedbank - Floating rate unsecured senior debt				
R98 million at inflation linked (3.80% real yield)	Repaid	**-**	9	8
R1,750 million at inflation linked (3.90% real yield)	Repaid	**-**	158	151
R1,690 million at JIBAR + 1.50%	Repaid	**-**	81	-
R1,552 million at JIBAR + 1.48%	Repaid	**-**	123	114
R988 million at JIBAR + 1.05%	March 2014	**64**	75	71
R500 million at JIBAR + 1.00%	April 2014	**30**	39	33
R1,075 million at JIBAR + 0.94%	October 2014	**72**	85	79
R1,297 million at JIBAR + 1.00%	February 2015	**87**	102	95
R1,027 million at JIBAR + 1.75%	April 2015	**69**	81	76
R250 million at JIBAR + 1.00%	August 2015	**17**	-	18
R1,044 million at JIBAR + 2.20%	September 2015	**70**	82	76
R677 million at JIBAR + 1.25%	March 2016	**45**	53	49
R405 million at JIBAR + 1.30%	February 2017	**27**	32	30
R786 million at JIBAR + 1.31%	August 2017	**39**	-	43
R80 million at JIBAR + 2.15%	April 2020	**5**	6	6
Total floating rate notes		**525**	926	849

All floating rate notes are non-qualifying for the purposes of regulatory tiers of capital.

(b) Fixed rate notes

	Maturity date	At 30 June 2013	At 30 June 2012	£m At 31 December 2012
Nedbank - Fixed rate unsecured senior debt				
R450 million at 8.39%	March 2014	**30**	36	33
R478 million at 9.68%	April 2015	**32**	38	35
R3,244 million at 10.55%	September 2015	**222**	260	242
R1,137 million at 9.36%	March 2016	**77**	91	85
R1,273 million at 11.39%	September 2019	**93**	61	102
R660 million at zero coupon	October 2024	**15**	15	17
		469	501	514
Group excluding Nedbank				
£112 million eurobond at 7.125%	October 2016	**112**	496	112
US$16 million secured senior debt at 5.23%	August 2014	**11**	11	10
		123	507	122
Total fixed rate notes		**592**	1,008	636

All fixed rate notes are non-qualifying for the purposes of regulatory tiers of capital.

(c) Revolving credit facilities and irrevocable letters of credit

The Group has access to a £1,200 million five-year multi-currency revolving credit facility (agreed in April 2011). At 30 June 2013, 30 June 2012 and 31 December 2012, none of this facility was drawn down and there were no irrevocable letters of credit in issue against this facility.

Notes to the consolidated financial statements

For the six months ended 30 June 2013

E: Financial assets and liabilities continued

E2: Borrowed funds continued

(d) Mortgage-backed securities - Nedbank

£m

	Tier	Maturity date	**At 30 June 2013**	At 30 June 2012	At 31 December 2012
Nedbank					
R1.4 billion (class A2A) at 11.817%	Tier 2	Repaid	**-**	60	-
R98 million (class B note) at 12.067%	Tier 2	Repaid	**-**	6	-
R76 million (class C note) at 13.317%	Tier 2	Repaid	**-**	4	-
R480 million (class A1) at JIBAR + 1.10%	Tier 2	25 October 2039	**24**	-	32
R336 million (class A2) at JIBAR + 1.25%	Tier 2	25 October 2039	**23**	-	25
R900 million (class A3) at JIBAR + 1.54%	Tier 2	25 October 2039	**60**	-	66
R110 million (class B) at JIBAR + 1.90%	Tier 2	25 October 2039	**7**	-	8
Total mortgage-backed securities			**114**	70	131

(e) Subordinated debt securities (net of Group holdings)

£m

	Tier	First call date	Maturity date	**At 30 June 2013**	At 30 June 2012	At 31 December 2012
Nedbank						
R500 million at 3 month JIBAR + 0.45%	Tier 2	Repaid	Repaid	**-**	39	-
R500 million at 3 month JIBAR + 0.70%	Tier 2	Repaid	Repaid	**-**	39	-
R120 million at 10.38%	Tier 2	Repaid	Repaid	**-**	10	-
R300 million at 3 month JIBAR + 2.50%	Tier 2	December 2013	December 2013	**10**	12	11
R1.8 billion at 9.84%	Tier 2	September 2013	September 2018	**124**	150	137
R1,265 million at JIBAR + 4.75%	Non-core Tier 1	November 2018	November 2018	**85**	100	93
R487 million at 15.05%	Non-core Tier 1	November 2018	November 2018	**37**	43	43
R1.7 billion at 8.90%	Tier 2	February 2014	February 2019	**118**	143	132
R1.0 billion at 10.54%	Tier 2	September 2015	September 2020	**72**	86	81
R2.0 billion at JIBAR + 0.47%	Tier 2	July 2017	July 2022	**134**	157	146
US$100 million at 3 month USD LIBOR	Tier 2 Secondary	March 2017	March 2022	**66**	64	62
				646	843	705
Less: banking subordinated debt securities held by other Group companies				**(28)**	(58)	(36)
Banking subordinated securities (net of Group holdings)				**618**	785	669
Group excluding Nedbank						
R3.0 billion at 8.92% to October 2015, 3 month JIBAR + 1.59% thereafter)	Lower Tier 2	October 2015	October 2020	**199**	234	218
£500 million at 8.00%	Lower Tier 2	-	June 2021	**515**	513	547
				714	747	765
Total subordinated debt securities				**1,332**	1,532	1,434

F: Other Notes

F1: Events after the reporting date

Acquisition of Faulu Kenya DTM LTD (Faulu)

On 3 July 2013, the Group announced that it is to enter into a strategic partnership with Faulu through the acquisition of a controlling stake in the business. The transaction is conditional on the relevant regulatory approvals being obtained and is expected to complete by the end of 2013.

Acquisition of SELAH (Skandia Europe & Latin America Holdings) by Old Mutual South Africa (OMSA) from Old Mutual plc (parent company).

The Financial Services Board has provisionally given approval for the acquisition of SELAH by OMSA from Old Mutual plc and the transaction was completed on 12 July 2013. This resulted in increasing the cash holdings of the parent company by £120 million.

Repatriation of Old Mutual Bermuda capital

In July 2013, Old Mutual Bermuda received formal written approval from the Bermuda Monitory Authority (BMA) to repatriate $450 million via cancellation of OM Group (UK) Limited Loan Notes.

New debt issued by Nedbank

In July 2013, Nedbank successfully issued a total of R1.8 billion new-style, fully loss-absorbent, Basel III compliant, tier 2 subordinated-debt capital to replace the £119 million debt that matures in September 2013. Furthermore, R3.2 billion of three-year senior unsecured debt was also issued.

G: Discontinued operations and disposal groups held for sale

G1: Discontinued operations

Discontinued operations relate to the results of the Group's Swedish, Danish and Norwegian life businesses, collectively Nordic. The disposal of Nordic was completed on 21 March 2012 following shareholder and regulatory approval and was reported up until that date. The Group continues to incur costs that are directly related to the sale of Nordic. These costs relate to the transition of IT and other services, previously provided by Nordic to the wider Group, back to the Group. These costs are included in the expenses related to the discontinued operations.

(a) Income statement from discontinued operations (Nordic)

			£m
	Six months ended 30 June 2013	Six months ended 30 June 2012	Year ended 31 December 2012
Revenue	**-**	842	842
Expenses	**(9)**	(831)	(866)
(Loss)/profit before tax from discontinued operations	**(9)**	11	(24)
Profit on disposal	**-**	242	239
Realised available-for-sale investment gains and exchange differences on disposal	**-**	350	350
(Loss)/profit before tax	**(9)**	603	565
Income tax credit/(charge)	**1**	(8)	(1)
(Loss)/profit from discontinued operations after tax	**(8)**	595	564

G2: Contingent liabilities in respect of the disposal of US Life

Following its disposal in April 2011 of US Life to the Harbinger group (Harbinger), the Group has retained certain residual commitments and contingent liabilities relating to that business. These arise from sale warranties and indemnities that are typical in transactions of this nature, including in respect of certain litigation (including class actions) and regulatory enforcement actions arising from events that occurred before completion of the sale. The residual commitments are in effect for varying periods of time.

The sale agreement contemplated that Harbinger would establish certain internal reinsurance arrangements after completion, which were subject to regulatory approval. If such regulatory approval was not forthcoming, there was potential for a reduction in the purchase price of US Life of up to a maximum of US$50 million. In July 2012, Harbinger filed a lawsuit against the Group, claiming payment of a purchase price adjustment of US$50 million. The Group has filed its defence and is vigorously defending this claim. In view of the ongoing uncertainty and the Group's current assessment of this claim, the Group has not raised a provision against this exposure.

Adjusted Group MCEV by line of business

At 30 June 2013

	Notes	At 30 June 2013 £m	At 30 June 2012 £m	At 31 December 2012 £m
MCEV of the core covered business (Emerging Markets)	B3	**3,245**	3,345	3,316
Adjusted net worth[1]		**1,868**	1,905	1,838
Value of in-force business		**1,377**	1,440	1,478
MCEV of the core covered business (Old Mutual Wealth)	B3	**2,599**	2,544	2,444
Adjusted net worth[1]		**619**	477	466
Value of in-force business		**1,980**	2,067	1,978
MCEV of the non-core covered business (Old Mutual Bermuda)[2]	B3	**713**	141	625
Adjusted net worth		**713**	232	680
Value of in-force business		**-**	(91)	(55)
Adjusted net worth of asset management and other business		**1,827**	1,847	1,772
Emerging Markets		**456**	460	444
Old Mutual Wealth		**218**	215	225
US Asset Management		**1,153**	1,172	1,103
Value of the banking business		**3,054**	3,517	3,574
Nedbank (market value)		**2,997**	3,481	3,527
Emerging Markets (adjusted net worth)		**57**	36	47
Value of the general insurance business				
Property & Casualty (adjusted net worth)		**209**	292	261
Net other business[3]		**(152)**	1,059	34
Adjustment for present value of Black Economic Empowerment scheme deferred consideration		**219**	273	245
Adjustment for value of own shares in ESOP schemes[4]		**120**	106	126
Market value of perpetual preferred securities[5]		**-**	(481)	-
Market value of perpetual preferred callable securities		**(708)**	(637)	(686)
Market value of subordinated debt		**(861)**	(1,341)	(921)
Adjusted Group MCEV		**10,265**	10,665	10,790
Adjusted Group MCEV per share (pence)		**209.7**	218.2	220.5
Number of shares in issue at the end of the financial period less treasury shares – millions		**4,896**	4,887	4,893

[1] Adjusted net worth is after the elimination of inter-company loans.

[2] The valuation basis for Old Mutual Bermuda has been simplified from a full bottom-up MCEV calculation to an adjusted IFRS basis. The revised approach uses the IFRS net asset value calculated in accordance with the primary financial statements, with variable annuity guarantee liabilities restated to reflect a best estimate valuation consistent with MCEV principles.

[3] Includes any other business that is not included within the main lines of business, largely Old Mutual parent company IFRS equity net of Group adjustments, consolidation adjustments in respect of inter-company transactions and debt and Old Mutual Bermuda asset management. Old Mutual Bermuda asset management was liquidated during the current period.

[4] Includes adjustment for value of excess own shares in employee share scheme trusts.

[5] On 24 September 2012, the Group repaid the US$750 million cumulative preference securities at their nominal value.

Adjusted operating Group MCEV statement of earnings

For the six months ended 30 June 2013

	Notes	**Six months ended 30 June 2013**	Six months ended 30 June 2012	Year ended 31 December 2012
				£m
Emerging Markets		**269**	279	619
Covered business	B2	**190**	198	459
Asset management		**72**	75	145
Banking		**7**	6	15
Old Mutual Wealth		**55**	66	(19)
Covered business	B2	**47**	66	(5)
Asset management		**8**	-	(14)
Nedbank				
Banking		**387**	405	825
Property & Casualty				
General insurance		**10**	31	37
US Asset Management				
Asset management		**54**	42	91
Other operating segments				
Finance costs[1]		**(52)**	(88)	(148)
Corporate costs[2]		**(15)**	(18)	(39)
Other net (expenses)/income[3]		**(2)**	13	(14)
Adjusted operating Group MCEV earnings before tax from core operations		**706**	730	1,352

[1] This includes interest payable from Old Mutual plc to non-core operations of £6 million for six months ended 30 June 2013 (June 2012: £13 million; December 2012: £18 million).

[2] Central costs of £6 million are allocated to the covered business and provisioned in the VIF (June 2012: £7 million; December 2012: £14 million). Hence net corporate costs under MCEV of £15 million (June 2012: £18 million; December 2012: £39 million) differ from the IFRS amount of £21 million (June 2012: £25 million; December 2012: £53 million).

[3] Other net expenses exclude capital gains on seed capital in the US asset management business of £2 million (June 2012: £0 million; December 2012: £14 million).

Significant corporate activities and the restatement of comparative information

Old Mutual Bermuda valuation basis change

For the current period, the valuation basis for Old Mutual Bermuda has been simplified from a full bottom-up MCEV calculation to an adjusted IFRS basis. The revised approach uses the IFRS net asset value calculated in accordance with the primary financial statements, with variable annuity guarantee liabilities restated to reflect a best estimate valuation consistent with MCEV principles.

The main effect of this change is the removal of items previously included in the value of in-force business, apart from expected variable annuity guarantee losses, which are now included in ANW. Items no longer included in the MCEV calculation as a result of not calculating the value of in-force business include the cost of non-hedgeable risk, future annuity contract fee income, and future expenses.

This simplification is part of the consolidation of reporting processes for Old Mutual Bermuda following a significant run-off of the book (surrenders of variable annuities post five-year top-up points) and management actions taken to de-risk the business. As a result, Old Mutual Bermuda's value-in-force has become less significant to the Group from a valuation and risk perspective. Earnings calculated on the adjusted IFRS basis are similar to bottom-up calculated MCEV earnings.

Comparative information has not been restated to reflect the valuation basis change.

As a result of this change a simplified analysis of earnings approach has been adopted, with economic gains and losses related to variable annuity guarantee reserves recorded in economic variances.

Old Mutual Bermuda capital resources and requirements

In July 2012 it was agreed with the Bermuda Monetary Authority (BMA) that the Old Mutual Bermuda business should hold a capital requirement of $703 million, comparable to those expected to be required under Solvency II as at December 2011, as calculated by the Group's existing internal capital model. In order to address the increased capital requirements, an injection of £352 million into Old Mutual Bermuda was made on 23 July 2012. The capital requirement is held at a fixed amount between statutory filing dates and the July 2012 requirement has therefore been kept constant for June 2013. In July 2013, the BMA formally approved that Old Mutual Bermuda can proceed with the repatriation of £296 million of capital resources through the cancellation of OM Group (UK) Limited loan notes. This has not been reflected in the June 2013 position.

Restatement of comparative information

- IAS 19 (Employee Benefits) and IFRS 10 (Consolidated Financial Statements) restatements

The Group adopted IAS 19 (Employee Benefits) and IFRS 10 (Consolidated Financial Statements) with a date of initial application of 1 January 2013.

The change in accounting policies has been applied retrospectively and as a result, the comparative information for the six months ended 30 June 2012 and the year ended 31 December 2012 have been restated accordingly.

- US Asset Management seed capital gains

The US asset management seed capital has been consolidated into Old Mutual Bermuda for MCEV reporting purposes following the transfer of ownership in July 2012. Seed capital gains of £2 million (December 2012: £14 million) are recorded in economic variances in MCEV reporting and are therefore excluded from operating MCEV earnings. The December 2012 operating MCEV earnings have been restated to reflect this treatment. This differs from the approach for IFRS reporting where seed capital gains are included in adjusted operating earnings.

Adjusted operating Group MCEV earnings per share

For the six months ended 30 June 2013

£m

Six months ended 30 June 2013	Notes	Core continuing operations	Non-core continuing operations	Discontinued operations	Total
Adjusted operating Group MCEV earnings before tax		**706**	**1**	**-**	**707**
Covered business	B2	**237**	**1**	**-**	**238**
Other business		**469**	**-**	**-**	**469**
Tax on adjusted operating Group MCEV earnings		**(186)**	**-**	**-**	**(186)**
Covered business	B2	**(56)**	**-**	**-**	**(56)**
Other business		**(130)**	**-**	**-**	**(130)**
Adjusted operating Group MCEV earnings after tax		**520**	**1**	**-**	**521**
Non-controlling interests					
Ordinary shares		**(133)**	**-**	**-**	**(133)**
Preferred securities		**(9)**	**-**	**-**	**(9)**
Adjusted operating MCEV earnings after tax attributable to equity holders		**378**	**1**	**-**	**379**
Adjusted operating Group MCEV earnings per share[1]		**7.8**	**-**	**-**	**7.8**
Adjusted weighted average number of shares – millions					**4,835**

£m

Six months ended 30 June 2012	Notes	Core continuing operations	Non-core continuing operations	Discontinued operations	Total
Adjusted operating Group MCEV earnings before tax		730	23	28	781
Covered business	B2	264	23	18	305
Other business		466	-	10	476
Tax on adjusted operating Group MCEV earnings		(197)	-	(3)	(200)
Covered business	B2	(60)	-	-	(60)
Other business		(137)	-	(3)	(140)
Adjusted operating Group MCEV earnings after tax		533	23	25	581
Non-controlling interests					
Ordinary shares		(134)	-	-	(134)
Preferred securities		(30)	-	-	(30)
Adjusted operating MCEV earnings after tax attributable to equity holders		369	23	25	417
Adjusted operating Group MCEV earnings per share[1]		7.1	0.4	0.5	8.0
Adjusted weighted average number of shares – millions					5,231

£m

Year ended 31 December 2012	Notes	Core continuing operations	Non-core continuing operations	Discontinued operations	Total
Adjusted operating Group MCEV earnings before tax		1,352	99	28	1,479
Covered business	B2	454	99	18	571
Other business		898	-	10	908
Tax on adjusted operating Group MCEV earnings		(373)	-	(3)	(376)
Covered business	B2	(118)	-	-	(118)
Other business		(255)	-	(3)	(258)
Adjusted operating Group MCEV earnings after tax		979	99	25	1,103
Non-controlling interests					
Ordinary shares		(277)	-	-	(277)
Preferred securities		(50)	-	-	(50)
Adjusted operating MCEV earnings after tax attributable to equity holders		652	99	25	776
Adjusted operating Group MCEV earnings per share[1]		12.9	2.0	0.5	15.4
Adjusted weighted average number of shares – millions					5,029

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

Group market consistent embedded value statement of earnings

For the six months ended 30 June 2013

	Notes	**Six months ended 30 June 2013**	Six months ended 30 June 2012	Year ended 31 December 2012
				£m
Adjusted operating Group MCEV earnings before tax from core operations		**706**	730	1,352
Adjusted operating Group MCEV earnings before tax from OM Bermuda non-core operations		**1**	23	99
Adjusted operating Group MCEV earnings before tax from continuing operations[1]		**707**	753	1,451
Adjusting items from continuing operations	C2	**177**	171	492
Total Group MCEV earnings before tax from continuing operations		**884**	924	1,943
Income tax attributable to shareholders		**(203)**	(212)	(490)
Total Group MCEV earnings after tax from continuing operations		**681**	712	1,453
Total Group MCEV earnings after tax from discontinued operations		**(8)**	600	600
Total Group MCEV earnings after tax for the financial period		**673**	1,312	2,053
Total Group MCEV earnings for the financial period attributable to:				
Equity holders of the parent		**541**	1,159	1,747
Non-controlling interests				
Ordinary shares		**123**	123	256
Preferred securities		**9**	30	50
Total Group MCEV earnings after tax for the financial period		**673**	1,312	2,053
Basic total Group MCEV earnings per ordinary share (pence)		**11.8**	23.4	36.6
Weighted average number of shares – millions		**4,596**	4,952	4,768

[1] For long-term business and general insurance businesses, adjusted operating Group MCEV earnings are based on long-term and short-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, option revaluations related to long-term incentive schemes, the impact of closure of unclaimed shares trusts, profit/(loss) on acquisition/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 instruments.

Reconciliation of movements in Group and Adjusted Group MCEV (after tax)

£m

	Notes	**Six months ended 30 June 2013**			Six months ended 30 June 2012		
		Covered business MCEV	**Non-covered business IFRS**	**Total Group MCEV**	Covered business MCEV	Non-covered business IFRS	Total Group MCEV
Opening Group MCEV		**6,385**	**2,790**	**9,175**	7,217	2,491	9,708
Adjusted operating MCEV earnings	B4	**182**	**197**	**379**	245	172	417
Non-operating MCEV earnings		**141**	**21**	**162**	164	578	742
Total Group MCEV earnings		**323**	**218**	**541**	409	750	1,159
Other movements in IFRS net equity	C3	**(151)**	**(476)**	**(627)**	(1,596)	(116)	(1,712)
Closing Group MCEV		**6,557**	**2,532**	**9,089**	6,030	3,125	9,155
Adjustments to bring Group investments to market value	B1	**-**	**1,176**	**1,176**	-	1,510	1,510
Adjusted Group MCEV		**6,557**	**3,708**	**10,265**	6,030	4,635	10,665

£m

	Notes	Year ended 31 December 2012		
		Covered business MCEV	Non-covered business IFRS	Total Group MCEV
Opening Group MCEV		7,217	2,491	9,708
Adjusted operating MCEV earnings	B4	453	323	776
Non-operating MCEV earnings		473	498	971
Total Group MCEV earnings		926	821	1,747
Other movements in IFRS net equity	C3	(1,758)	(522)	(2,280)
Closing Group MCEV		6,385	2,790	9,175
Adjustments to bring Group investments to market value	B1	-	1,615	1,615
Adjusted Group MCEV		6,385	4,405	10,790

Notes to the MCEV basis supplementary information

For the six months ended 30 June 2013

A: MCEV policies

A1: Basis of preparation

The Market Consistent Embedded Value methodology (referred to herein and in the supplementary statements on pages 92 to 116 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 Principles have been materially complied with in the preparation of MCEV information for Emerging Markets and Old Mutual Wealth businesses at 30 June 2013. As a result of the consolidation of reporting processes for Old Mutual Bermuda, MCEV information has been prepared using IFRS results prepared in accordance with the primary financial statements, apart from variable annuity guarantee liabilities, which have been restated to reflect a best estimate valuation consistent with the MCEV Principles. The detailed methodology and assumptions made in presenting this supplementary information 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

(a) 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 (i.e. the level of solvency capital which the local regulators require)
- Capital required by rating agencies 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 a basis consistent with a 99.93% confidence level over a one-year time horizon.

For Emerging Markets and Old Mutual Wealth, capital determined with reference to internal management objectives is the most onerous and is the capital measure used. For Old Mutual Bermuda regulatory required capital is the most onerous capital measure.

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

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

		At 30 June 2013			At 30 June 2012			At 31 December 2012		
	Notes	**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	B3	**1,261**	**869**	**1.5**	1,371	1,019	1.3	1,312	923	1.4
Old Mutual Wealth[1]	B3	**306**	**221**	**1.4**	310	232	1.3	294	212	1.4
Old Mutual Bermuda[2]	B3	**463**	**463**	**1.0**	232	136	1.7	433	433	1.0
Total		**2,030**	**1,553**	**1.3**	1,913	1,387	1.4	2,039	1,568	1.3

£m

[1] Local regulators within many of the Old Mutual Wealth 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.

[2] In July 2012 it was agreed with the Bermuda Monetary Agency (BMA) that the Old Mutual Bermuda business should hold a capital requirement of $703 million, comparable to those expected to be required under Solvency II at 31 December 2011, as calculated by the Group's existing internal capital model. The dollar denominated capital requirement is held at a fixed amount between statutory filing dates and the July 2012 requirement has therefore been kept constant for June 2013. Foreign exchange fluctuations are reflected in the amounts above.

(b) Cost of residual non-hedgeable risks

The cost of residual non-hedgeable risks (CNHR) is calculated using a cost of capital approach, i.e. 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 cost of capital charge therefore represents the return above the risk free reference rates that the market is deemed to demand for providing this capital.

The residual non-hedgeable risk capital measure is determined using an internal capital model based on appropriate shock scenarios consistent with a 99.5% confidence level over a one-year time horizon, using the same approach when calculating economic capital at a 99.93% confidence level. The internal capital model makes allowance for certain management actions, such as reductions in bonus rates, where deemed appropriate. The residual non-hedgeable risk capital makes an allowance for non-linearities between financial and non-hedgeable risks.

The following allowance is made for diversification benefits in determining the residual non-hedgeable risk capital at a business unit level:

- Diversification benefits within the non-hedgeable risks of the covered business are allowed for
- No allowance is made for diversification benefits between hedgeable and non-hedgeable risks of the covered business
- No allowance is made for diversification benefits between covered and non-covered business

A cost of capital charge of 2.0% has been applied to residual symmetric and asymmetric non-hedgeable capital at a business unit level over the life of the contracts. This rate is derived by considering a market based view of required return on equity for the covered business, and then deducting risk-free investment returns, frictional costs and an allowance for franchise value. This translates into an equivalent cost of capital rate of approximately 2.4% being applied to the Group diversified capital required in respect of such non-hedgeable risks.

(c) Taxation

In valuing shareholders' cash flows, allowance is made in the cash flow projections for taxes in the relevant jurisdiction affecting the covered business. Tax assumptions are based on best estimate assumptions, applying current local corporate tax legislation and practice together with known future changes and taking credit for any deferred tax assets.

The value of deferred tax assets is partly recognised in the MCEV. Typically those tax assets are expected to be utilised in future by being offset against expected tax liabilities that are generated on expected profits emerging from in-force business. MCEV may therefore understate the true economic value of such deferred tax assets because it does not allow for future new business sales which could affect the utilisation of such assets.

South Africa

In October 2012, tax relief in respect of sales, administration and indirect expenses attributable to taxable income in the individual and company policyholder funds was announced (effective from 1 January 2013).

This has not been included in the June 2013 assumptions.

United Kingdom

The Emergency Budget that was held in June 2010 set in motion a series of reductions to the UK's mainstream corporation tax rate. The impact of the corporation tax rate reducing from 23% down to 21%, applicable from April 2014, is included in the June 2013 results. The impact of the further announced reduction to 20%, applicable from April 2015, is expected to be £4 million.

(d) Value of debt

Senior and subordinated debt securities are marked to market value (for IFRS reporting, debt is valued at either book value or fair value).

The IFRS value of total debt is £1,520 million (June 2012: £2,408 million; December 2012: £1,570 million) and MCEV value is £1,569 million (June 2012: £2,459 million; December 2012: £1,607 million). $750 million perpetual preferred securities were repaid in 2012.

Where either the principal or the coupon of the debt security has been swapped into an alternate currency, the mark to market value of these derivative instruments of £56 million (June 2012: £79 million; December 2012: £96 million) has not been included in the value of debt; however, it is included in the Net other business value of £(152) million (June 2012: £1,059 million; December 2012: £34 million) (Adjusted Group MCEV by line of business). Further information relating to the debt securities can be found in Note E2 in the Notes to the Consolidated Financial Statements.

A3: Assumptions

Non-economic assumptions

The appropriate non-economic projection assumptions for future experience (e.g. mortality, persistency and expenses) are determined using best estimate assumptions of each component of future cash flows, are specific to the entity concerned and have regard to past, current and expected future experience where sufficient evidence exists (e.g. longevity improvements and AIDS-related claims) as derived from both entity-specific and industry data where deemed appropriate. Material assumptions are actively reviewed by means of detailed experience investigations and updated, as deemed appropriate, at least annually.

These assumptions are based on the covered business being part of a going concern, although favourable changes in maintenance expenses such as productivity improvements are generally not included beyond what has been achieved by the end of the reporting period, apart from certain development expenses (described below). Expense assumptions for run-off businesses consider cost reductions in future in line with management actions that would be taken as in-force volumes decrease.

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

- All expected maintenance expense overruns affecting the covered business are allowed for in the calculations
- The MCEV makes provision for future development costs and one-off expenses relating to covered business that are known with sufficient certainty, based on three year business plans. The provision is reduced to the extent that projects have associated benefits that are directly quantifiable and are considered to emerge within a reasonable timeframe (e.g. over the business plan period)
- Unallocated Group holding company expenses have been included to the extent that they are allocated to the covered business. The table below shows the future expenses attributable to the long-term business. The allocation of these expenses is based on the proportion that the management expenses incurred by the covered businesses bears to the total management expenses incurred by the Group

In line with legislation in Germany, a specified proportion of miscellaneous profits is shared with policyholders. The revenue on in-force business can be reduced by various expense items incurred in any year. As such, in the 30 June 2012 VIF calculation, Skandia Leben (Germany) made allowance for the acquisition expenses in relation to the new business written over the next three years when setting the best estimate assumptions for the profit to be shared with policyholders in future years. As the business has been placed in run-off during 2012, acquisition expenses have not been incorporated into profit sharing assumptions as at 31 December 2012 and 30 June 2013.

Proportion of Group holding company expenses attributable to long-term business %

	At 30 June 2013	At 30 June 2012	At 31 December 2012
Emerging Markets	**17**	18	18
Old Mutual Wealth	**8**	9	9
Old Mutual Bermuda[1]	**n/a**	n/a	n/a
Total	**25**	27	27

[1] Based on materiality, no Group holding expenses are allocated to Old Mutual Bermuda. Holding company expenses are not valued according to the adjusted IFRS earnings approach at June 2013.

Economic assumptions

(a) Risk free reference rates and inflation

The risk free reference rates, reinvestment rates and discount rates are determined with reference to the swap yield curve appropriate to the currency of the cash flows. For Europe the swap yield curve is obtained from Bloomberg. For Old Mutual Bermuda the swap yield curve is sourced from a third party market consistent asset model that is used to generate the economic scenarios that are required to value the time value of financial options and guarantees. For Emerging Markets the swap yield curve is sourced internally (using market data provided by the Bond Exchange of South Africa) and is checked for reasonability relative to the Bloomberg swap yield curve.

At 30 June 2013, no adjustments are made to swap yields to allow for liquidity premiums or credit risk premiums, apart from a liquidity premium adjustment to OMLAC(SA)'s Immediate Annuity business and Fixed Bond business. A liquidity premium adjustment is applied to OMLAC(SA)'s Fixed Bond business as OMLAC(SA) holds a portfolio of non-government bonds which have a market yield in excess of the risk free rate and the duration of the asset portfolio and the liability duration are a good match (meaning the asset portfolio is held to maturity). Cash flows on this product are also predictable and the company has adequate liquidity to withstand a substantial increase in lapses at all durations without having to sell bonds which further strengthens the case for applying a liquidity premium.

It is the directors' view that a proportion of non-government bond spreads at 30 June 2013 is attributable to a liquidity premium rather than only to credit and default allowances and that returns in excess of swap rates can be achieved, rather than entire spreads being lost to worsening default experience. For OMLAC(SA)'s Immediate Annuity business the currency, credit quality and duration of the actual bond portfolios were considered and adjusted risk free reference rates were derived at 30 June 2013 by adding 50bps of liquidity premium for this business (June 2012: 50bps; December 2012: 50bps) to the swap rates used for setting investment return and discounting assumptions. For OMLAC(SA)'s Fixed Bond products 45bps of liquidity premium was added to the swap rates (June 2012: 55bps; December 2012: 45bps). These adjustments reflect the liquidity premium component in non-government bond spreads over swap rates that is expected to be earned on the portfolios. In deriving the liquidity premia at 30 June 2013, we compared the yields of similar durations on South African government bonds and bonds issues by state-owned enterprises.

The risk free reference spot yields (excluding any applicable liquidity adjustments) 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.

Expense inflation rates have been derived by comparing real rates of return against nominal risk free rates for each territory, with adjustments for higher business unit specific inflation where applicable.

Risk free reference spot yields (excluding any applicable liquidity adjustments)

				%
	GBP	**EUR**	**USD**	**ZAR**
At 30 June 2013				
1 year	0.7	0.4	0.4	5.7
5 years	1.6	1.2	1.6	7.5
10 years	2.6	2.1	2.8	8.5
20 years	3.4	2.6	3.6	9.0
At 30 June 2012				
1 year	1.0	0.9	0.5	5.5
5 years	1.4	1.3	1.0	6.5
10 years	2.2	2.0	1.8	7.6
20 years	3.0	2.4	2.5	7.8
At 31 December 2012				
1 year	0.7	0.3	0.3	5.1
5 years	1.0	0.8	0.9	6.0
10 years	1.9	1.6	1.9	7.1
20 years	2.9	2.2	2.8	7.5

(b) Volatilities and correlations

Where cash flows contain financial options and guarantees that do not move linearly with market movements, asset cash flows are projected and all cash flows are discounted using risk-neutral stochastic models. These models project the assets and liabilities using a distribution of asset returns where all asset types, on average, earn the same risk free reference rates.

Apart from the risk free reference yields specified above, other key economic assumptions for the calibration of economic scenarios include the implied volatilities for each asset class and correlations of investment returns between different asset classes. For Old Mutual Bermuda, implied volatilities and correlations are determined for each global equity and bond index modelled.

The volatility assumptions for the calibration of economic scenarios that are used in the stochastic models are, where possible, based on those implied from appropriate derivative prices (such as equity options or swaptions in respect of guarantees that are dependent on changes in equity markets and interest rates respectively) as observed on the valuation date. However, historic implied and historic observed volatilities of the underlying instruments and expert opinion are considered where there are concerns over the depth or liquidity of the market. Where strict adherence to the above is not possible, for example where markets only exist at short durations such as the swaption market in South Africa, interpolation or extrapolation techniques, and where appropriate, historical data are used to derive volatility assumptions for the full term structure of the liabilities. Correlation assumptions between asset classes that are used in stochastic models are based on an assessment of historic relationships. Where historic data is used in setting volatility or correlation assumptions, a suitable time period is considered for analysing historic data including consideration of the appropriateness of historical data where economic conditions were materially different to current conditions.

Notes to the MCEV basis supplementary information

For the six months ended 30 June 2013

(c) Exchange rates

All MCEV figures are calculated in local currency and translated to GBP using the appropriate exchange rates as detailed in Note A1 of the Consolidated Financial Statements.

(d) Expected asset returns in excess of the risk free reference rates

The expected asset returns in excess of the risk free reference rates have no bearing on the calculated MCEV other than the calculation of the expected existing business contribution in the analysis of MCEV earnings. Real-world economic assumptions are determined with reference to one-year forward risk free reference rates applicable to the currency of the liabilities at the start of the reporting period. All other economic assumptions, for example future bonus rates, are set at levels consistent with the real-world investment return assumptions.

Equity and property risk premiums incorporate both historical relationships and the directors' view of future projected returns in each region over the analysis period. Pre-tax real-world economic assumptions are determined as follows:

- The equity risk premium is 3.7% for Africa and 3% for Europe
- The cash return equals the one year risk free reference rate for all regions
- The property risk premium is 1.5% in Africa and 2% in Europe
- Returns on corporate bonds reference actual yields from assets held
- No risk premium is assumed for Old Mutual Bermuda's Variable Annuity policyholder asset portfolios.

According to the simplified analysis of earnings approach, earnings for the Old Mutual Bermuda business no longer reflect an expected return component.

B: Segment information

B1: Components of Group MCEV and Adjusted Group MCEV

	Notes	At 30 June 2013	At 30 June 2012	At 31 December 2012
				£m
Adjusted net worth attributable to ordinary equity holders of the parent		**5,732**	5,739	5,774
Equity		**7,729**	7,947	7,816
Adjustment to IFRS net asset value	C4	**(1,315)**	(1,520)	(1,360)
Adjustment to remove perpetual preferred callable securities		**(682)**	(688)	(682)
Value of in-force business	B3	**3,357**	3,416	3,401
Present value of future profits		**3,842**	4,042	3,946
Additional time value of financial options and guarantees		**(13)**	(100)	(53)
Frictional costs		**(223)**	(245)	(221)
Cost of residual non-hedgeable risks		**(249)**	(281)	(271)
Group MCEV		**9,089**	9,155	9,175
Adjustments to bring Group investments to market value				
Adjustment to bring listed subsidiary (Nedbank) to market value		**886**	1,182	1,281
Adjustment for value of own shares in ESOP schemes[1]		**120**	106	126
Adjustment for present value of Black Economic Empowerment scheme deferred consideration		**219**	273	245
Adjustment to bring external debt to market value		**(49)**	(51)	(37)
Adjusted Group MCEV		**10,265**	10,665	10,790
Group MCEV value per share (pence)		**185.6**	187.3	187.5
Adjusted Group MCEV per share (pence)		**209.7**	218.2	220.5
Number of shares in issue at the end of the financial period less treasury shares – millions		**4,896**	4,887	4,893
Return on Group MCEV (ROEV) per annum from core operations		**8.4%**	8.0%	6.7%
Return on Group MCEV (ROEV) per annum from continuing non-core operations		**0.0%**	0.5%	1.0%
Return on Group MCEV (ROEV) per annum from discontinued operations		**0.0%**	0.5%	0.3%
Return on Group MCEV (ROEV[2]) per annum		**8.4%**	9.0%	8.0%

[1] Includes adjustment for value of excess own shares in employee share scheme trusts. The movement in value between 31 December 2012 and 30 June 2013 is the net effect of the increase in the Old Mutual plc share price, the reduction in excess own shares following employee share grants during the period 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.

[2] The ROEV is calculated as the adjusted operating Group MCEV earnings after tax and non-controlling interests of £379 million (June 2012: £417 million, December 2012: £776 million) divided by the opening Group MCEV.

Notes to the MCEV basis supplementary information

For the six months ended 30 June 2013

B: Segment information continued

B2: Adjusted operating MCEV earnings for the covered business

Six months ended 30 June 2013	**Total covered business**	**Core covered business**	**Emerging Markets**	**Old Mutual Wealth**	**Non-core covered business**	**Discontinued covered business**
						£m
Adjusted operating Group MCEV earnings before tax	**238**	**237**	**190**	**47**	**1**	**-**
Tax on adjusted operating Group MCEV earnings	**(56)**	**(56)**	**(49)**	**(7)**	**-**	**-**
Adjusted operating Group MCEV earnings after tax	**182**	**181**	**141**	**40**	**1**	**-**

Six months ended 30 June 2012	Total covered business	Core covered business	Emerging Markets	Old Mutual Wealth	Non-core covered business	Discontinued covered business
						£m
Adjusted operating Group MCEV earnings before tax	305	264	198	66	23	18
Tax on adjusted operating Group MCEV earnings	(60)	(60)	(54)	(6)	-	-
Adjusted operating Group MCEV earnings after tax	245	204	144	60	23	18

Year ended 31 December 2012	Total covered business	Core covered business	Emerging Markets	Old Mutual Wealth	Non-core covered business	Discontinued covered business
						£m
Adjusted operating Group MCEV earnings before tax	571	454	459	(5)	99	18
Tax on adjusted operating Group MCEV earnings	(118)	(118)	(131)	13	-	-
Adjusted operating Group MCEV earnings after tax	453	336	328	8	99	18

B3: Components of MCEV of the covered business

£m

At 30 June 2013	Total covered business	Core covered business	Emerging Markets[1]	Old Mutual Wealth	Non-core covered business[2]
Adjusted net worth	**3,200**	**2,487**	**1,868**	**619**	**713**
Free surplus	**1,170**	**920**	**607**	**313**	**250**
Required capital	**2,030**	**1,567**	**1,261**	**306**	**463**
Value of in-force	**3,357**	**3,357**	**1,377**	**1,980**	**-**
Present value of future profits	**3,843**	**3,843**	**1,712**	**2,131**	**-**
Additional time value of financial options and guarantees	**(13)**	**(13)**	**-**	**(13)**	**-**
Frictional costs	**(223)**	**(223)**	**(207)**	**(16)**	**-**
Cost of residual non-hedgeable risks	**(250)**	**(250)**	**(128)**	**(122)**	**-**
MCEV	**6,557**	**5,844**	**3,245**	**2,599**	**713**

£m

At 30 June 2012	Total covered business	Core covered business	Emerging Markets[1]	Old Mutual Wealth	Non-core covered business
Adjusted net worth	2,614	2,382	1,905	477	232
Free surplus	701	701	534	167	-
Required capital	1,913	1,681	1,371	310	232
Value of in-force	3,416	3,507	1,440	2,067	(91)
Present value of future profits	4,042	4,020	1,799	2,221	22
Additional time value of financial options and guarantees	(100)	(15)	-	(15)	(85)
Frictional costs	(245)	(243)	(227)	(16)	(2)
Cost of residual non-hedgeable risks	(281)	(255)	(132)	(123)	(26)
MCEV	6,030	5,889	3,345	2,544	141

£m

At 31 December 2012	Total covered business	Core covered business	Emerging Markets[1]	Old Mutual Wealth	Non-core covered business
Adjusted net worth	2,984	2,304	1,838	466	680
Free surplus	945	698	526	172	247
Required capital	2,039	1,606	1,312	294	433
Value of in-force	3,401	3,456	1,478	1,978	(55)
Present value of future profits	3,946	3,950	1,828	2,122	(4)
Additional time value of financial options and guarantees	(53)	(14)	-	(14)	(39)
Frictional costs	(221)	(220)	(207)	(13)	(1)
Cost of residual non-hedgeable risks	(271)	(260)	(143)	(117)	(11)
MCEV	6,385	5,760	3,316	2,444	625

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

[2] For the current period, the valuation basis for Old Mutual Bermuda has been simplified from a full bottom-up MCEV calculation to an adjusted IFRS basis and the valuation therefore does not include a value of in-force component.

Notes to the MCEV basis supplementary information

For the six months ended 30 June 2013

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

Total covered business	Six months ended 30 June 2013				
	Free surplus	Required capital	Adjusted net worth	Value of in-force	MCEV
Opening MCEV	**945**	**2,039**	**2,984**	**3,401**	**6,385**
New business value	**(132)**	**84**	**(48)**	**156**	**108**
Expected existing business contribution (reference rate)	**15**	**27**	**42**	**64**	**106**
Expected existing business contribution (in excess of reference rate)	**3**	**5**	**8**	**19**	**27**
Transfers from VIF and required capital to free surplus	**360**	**(97)**	**263**	**(263)**	**-**
Experience variances	**(54)**	**20**	**(34)**	**(12)**	**(46)**
Assumption changes	**4**	**-**	**4**	**(4)**	**-**
Other operating variance	**(19)**	**7**	**(12)**	**(1)**	**(13)**
Operating MCEV earnings	**177**	**46**	**223**	**(41)**	**182**
Economic variances	**87**	**11**	**98**	**40**	**138**
Other non-operating variance	**(4)**	**-**	**(4)**	**7**	**3**
Total MCEV earnings	**260**	**57**	**317**	**6**	**323**
Closing adjustments	**(35)**	**(66)**	**(101)**	**(50)**	**(151)**
Capital and dividend flows	**(11)**	**7**	**(4)**	**-**	**(4)**
Foreign exchange variance	**(16)**	**(73)**	**(89)**	**(108)**	**(197)**
MCEV of sold business	**15**	**-**	**15**	**-**	**15**
Old Mutual Bermuda change in valuation basis	**(23)**	**-**	**(23)**	**58**	**35**
Closing MCEV	**1,170**	**2,030**	**3,200**	**3,357**	**6,557**
Return on MCEV (RoEV)% per annum					**5.9%**

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

Total covered business	Six months ended 30 June 2012					Year ended 31 December 2012				
	Free surplus	Required capital	Adjusted net worth	Value of in-force	MCEV	Free surplus	Required capital	Adjusted net worth	Value of in-force	MCEV
Opening MCEV	685	1,996	2,681	4,536	7,217	685	1,996	2,681	4,536	7,217
New business value	(154)	74	(80)	154	74	(293)	163	(130)	327	197
Expected existing business contribution (reference rate)	11	36	47	79	126	20	71	91	156	247
Expected existing business contribution (in excess of reference rate)	2	18	20	24	44	3	29	32	49	81
Transfers from VIF and required capital to free surplus	379	(113)	266	(266)	-	695	(216)	479	(479)	-
Experience variances	8	17	25	13	38	(14)	17	3	6	9
Assumption changes	(5)	-	(5)	-	(5)	34	(7)	27	7	34
Other operating variance	(44)	48	4	(36)	(32)	(26)	18	(8)	(107)	(115)
Operating MCEV earnings	197	80	277	(32)	245	419	75	494	(41)	453
Economic variances	86	5	91	108	199	258	3	261	259	520
Other non-operating variance	(32)	-	(32)	(3)	(35)	(284)	240	(44)	(3)	(47)
Total MCEV earnings	251	85	336	73	409	393	318	711	215	926
Closing adjustments	(235)	(168)	(403)	(1,193)	(1,596)	(133)	(275)	(408)	(1,350)	(1,758)
Capital and dividend flows	(61)	(1)	(62)	-	(62)	41	(3)	38	1	39
Foreign exchange variance	(15)	(40)	(55)	(45)	(100)	(54)	(145)	(199)	(139)	(338)
MCEV of acquired/sold business	(159)	(127)	(286)	(1,148)	(1,434)	(120)	(127)	(247)	(1,212)	(1,459)
Closing MCEV	701	1,913	2,614	3,416	6,030	945	2,039	2,984	3,401	6,385
Return on MCEV (RoEV)% per annum					7.3%					6.3%

Notes to the MCEV basis supplementary information

For the six months ended 30 June 2013

B5: Analysis per business unit

£m

	Six months ended 30 June 2013					
	Total covered business	Core covered business	Emerging Markets	Old Mutual Wealth	Non-core covered business[1]	Discontinued covered business
Opening MCEV	6,385	5,760	3,316	2,444	625	-
New business value	108	108	69	39	-	-
Expected existing business contribution (reference rate)	106	106	91	15	-	-
Expected existing business contribution (in excess of reference rate)	27	27	15	12	-	-
Experience variances	(46)	(47)	(25)	(22)	1	-
Assumption changes	-	-	-	-	-	-
Other operating variance	(13)	(13)	(9)	(4)	-	-
Operating MCEV earnings	182	181	141	40	1	-
Economic variances	138	130	78	52	8	-
Other non-operating variance	3	3	(1)	4	-	-
Total MCEV earnings	323	314	218	96	9	-
Closing adjustments	(151)	(230)	(289)	59	79	-
Capital and dividend flows	(4)	(4)	(18)	14	-	-
Foreign exchange variance	(197)	(241)	(271)	30	44	-
MCEV of acquired/sold business	15	15	-	15	-	-
Bermuda change in valuation basis	35	-	-	-	35	-
Closing MCEV	6,557	5,844	3,245	2,599	713	-
Return on MCEV (RoEV)% per annum	5.9%	6.5%	9.1%	3.4%	0.4%	-

Return on MCEV is calculated as the annualised operating MCEV earnings after tax divided by opening MCEV. The operating assumption changes and other operating variances are not annualised. This is calculated in local currency, apart from total covered and core covered business, which are calculated in sterling.

Transfers from VIF and required capital to free surplus

£m

Six months ended 30 June 2013	Total covered business	Core covered business	Emerging Markets	Old Mutual Wealth	Non-core covered business[1]	Discontinued covered business
Transfer from value of in-force	(263)	(263)	(108)	(155)	-	-
Transfer from required capital	(97)	(97)	(74)	(23)	-	-
Transfer to free surplus	360	360	182	178	-	-

[1] A simplified analysis of earnings approach has been adopted for Old Mutual Bermuda according to the new adjusted IFRS valuation approach.

B5: Analysis per business unit

£m

	Six months ended 30 June 2012					
	Total covered business	Core covered business	Emerging Markets	Old Mutual Wealth	Non-core covered business	Discontinued covered business
Opening MCEV	7,217	5,718	3,172	2,546	66	1,433
New business value	74	74	52	22	-	-
Expected existing business contribution (reference rate)	126	122	99	23	4	-
Expected existing business contribution (in excess of reference rate)	44	27	15	12	17	-
Experience variances	38	13	13	-	7	18
Assumption changes	(5)	-	-	-	(5)	-
Other operating variance	(32)	(32)	(35)	3	-	-
Operating MCEV earnings	245	204	144	60	23	18
Economic variances	199	146	121	25	53	-
Other non-operating variance	(35)	(17)	(21)	4	-	(18)
Total MCEV earnings	409	333	244	89	76	-
Closing adjustments	(1,596)	(162)	(71)	(91)	(1)	(1,433)
Capital and dividend flows	(62)	(62)	8	(70)	-	-
Foreign exchange variance	(100)	(100)	(79)	(21)	(1)	1
MCEV of acquired/sold business	(1,434)	-	-	-	-	(1,434)
Closing MCEV	6,030	5,889	3,345	2,544	141	-
Return on MCEV (RoEV)% per annum	7.3%	7.7%	10.1%	4.6%	76.5%	2.6%

Return on MCEV is calculated as the annualised operating MCEV earnings after tax divided by opening MCEV. The operating assumption changes and other operating variances are not annualised. This is calculated in local currency, apart from total covered and core covered business, which are calculated in sterling. Discontinued covered business relates to Nordic.

Transfers from VIF and required capital to free surplus

£m

Six months ended 30 June 2012	Total covered business	Core covered business	Emerging Markets	Old Mutual Wealth	Non-core covered business	Discontinued covered business
Transfer from value of in-force	(266)	(289)	(120)	(169)	23	-
Transfer from required capital	(113)	(97)	(76)	(21)	(16)	-
Transfer to free surplus	379	386	196	190	(7)	-

Notes to the MCEV basis supplementary information

For the six months ended 30 June 2013

B5: Analysis per business unit

£m

	Year ended 31 December 2012					
	Total covered business	Core covered business	Emerging Markets	Old Mutual Wealth	Non-core covered business	Discontinued covered business
Opening MCEV	7,217	5,718	3,172	2,546	66	1,433
New business value	197	197	135	62	-	-
Expected existing business contribution (reference rate)	247	239	193	46	8	-
Expected existing business contribution (in excess of reference rate)	81	55	32	23	26	-
Experience variances	9	(48)	(29)	(19)	39	18
Assumption changes	34	5	34	(29)	29	-
Other operating variance	(115)	(112)	(37)	(75)	(3)	
Operating MCEV earnings	453	336	328	8	99	18
Economic variances	520	403	281	122	117	-
Other non-operating variance	(47)	(29)	(26)	(3)	-	(18)
Total MCEV earnings	926	710	583	127	216	-
Closing adjustments	(1,758)	(668)	(439)	(229)	343	(1,433)
Capital and dividend flows	39	(321)	(132)	(189)	360	-
Foreign exchange variance	(338)	(322)	(307)	(15)	(17)	1
MCEV of acquired/sold business	(1,459)	(25)	-	(25)	-	(1,434)
Closing MCEV	6,385	5,760	3,316	2,444	625	-
Return on MCEV (RoEV)% per annum	6.3%	5.9%	10.7%	0.3%	154.0%	1.3%

Return on MCEV is calculated as the annualised operating MCEV earnings after tax divided by opening MCEV. The operating assumption changes and other operating variances are not annualised. This is calculated in local currency, apart from total covered and core covered business, which are calculated in sterling. Discontinued covered business relates to Nordic.

Transfers from VIF and required capital to free surplus

£m

Year ended 31 December 2012	Total covered business	Core covered business	Emerging Markets	Old Mutual Wealth	Non-core covered business	Discontinued covered business
Transfer from value of in-force	(479)	(540)	(220)	(320)	61	-
Transfer from required capital	(216)	(190)	(153)	(37)	(26)	-
Transfer to free surplus	695	730	373	357	(35)	-

Results highlights

Core covered business

- Strong value of new business growth in both Old Mutual Wealth and Emerging Markets businesses due to higher aggregate sales volumes and higher margins.
- Experience variances include adverse variances of £29 million due to development spend and one-off costs. Experience variances improve to £(18) million if these costs are excluded.
- Favourable market performance led to positive economic variances, partially offset by the effect of higher yields on the value of in-force business.
- The 10% depreciation of the rand against sterling over H1 2013 has led to reduced earnings from Emerging Markets in sterling and foreign exchange translation losses in MCEV closing adjustments.

New business

Emerging Markets: VNB increased by 49% compared to H1 2012 (in rand) mainly due to higher sales volumes in Mass Foundation Cluster and Corporate Segment, and higher margins as a result of favourable assumption changes implemented at the end of 2012.

Old Mutual Wealth: VNB increased by 77% compared to H1 2012, with the improvement in new business margins mainly due to less development expenses allocated to new business in H1 2013 compared to H1 2012 (circa £9 million) and general expense savings resulting from the cost reduction initiatives at the end of 2012. Old Mutual Wealth also experienced higher sales in H1 2013, with improved sales in the International business across all regions apart from the UK. Sales on the Platform are slightly lower following the impact of uncertainty around new regulations on distribution in the UK, although sales increased favourably in Q2 2013.

Expected existing business contribution

The reduction in the expected existing business contribution for core covered business is a result of lower anticipated investment returns based on lower opening yields at the start of 2013 compared to the start of 2012.

Experience variances

Emerging Markets: Positive risk experience on protection business is offset by the negative impact of one-off transfers out of Corporate Segment customised annuity business of £(8) million and worsening persistency experience in Mass Foundation Cluster. Experience losses include development expenditure of £7 million incurred across the Emerging Markets operations.

Old Mutual Wealth: Experience variances were broadly neutral after allowing for development expenditure of £16 million and one-off costs of £6 million.

Other operating variances

Variances include the impact of increased capital requirements on the cost of non-hedgeable risk, as well as the impact of discretionary cover increases on Mass Foundation cluster products.

Economic variances

Emerging Markets: Favourable economic variances are mainly due to favourable investment performance on policyholder funds and on shareholder funds in Zimbabwe, partially offset by the adverse impact of higher yields on the value of in-force business.

Old Mutual Wealth: Favourable economic variances were mainly due to investment gains on policyholder funds, partially offset by the adverse impact of higher yields on the value of in-force business.

Non-core covered (Old Mutual Bermuda): Favourable economic variances are mainly due to positive variable annuity guarantee performance (net of experience on hedge portfolio) and current year unrealised gains associated with capital seed investments.

Closing adjustments

Emerging Markets: The negative foreign exchange variance reflects the 10% depreciation of the rand over the period (ZAR/GBP exchange rate increased from 13.77 at 31 December 2012 to 15.08 at 30 June 2013).

Old Mutual Wealth: Closing adjustments include the impact of the release of a tax provision related to the sale of the Finnish business as well as a positive foreign exchange variance from the appreciation of the euro against sterling.

Non-core covered (Old Mutual Bermuda): Closing adjustments include the valuation basis restatement from a bottom-up MCEV calculation basis to an adjusted IFRS basis and a positive foreign exchange variance from the appreciation of the US dollar against sterling.

Notes to the MCEV basis supplementary information

For the six months ended 30 June 2013

C: Other key performance information

C1: 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. Old Mutual Bermuda is excluded from the tables below as it is closed to new business.

Six months ended 30 June 2013 £m

	Annualised recurring premiums	**Single premiums**	**PVNBP**	**PVNBP capitalisation factors[1]**	**APE**	**VNB**	**PVNBP margin**	**APE margin**
Core covered business	**229**	**3,400**	**4,647**	**5.4**	**569**	**108**	**2.3%**	**19%**
Emerging Markets	**171**	**798**	**1,755**	**5.6**	**251**	**69**	**3.9%**	**28%**
Old Mutual Wealth	**58**	**2,602**	**2,892**	**5.0**	**318**	**39**	**1.4%**	**12%**
Total covered business	**229**	**3,400**	**4,647**	**5.4**	**569**	**108**	**2.3%**	**19%**

Six months ended 30 June 2012 £m

	Annualised recurring premiums	Single premiums	PVNBP	PVNBP capitalisation factors[1]	APE	VNB	PVNBP margin	APE margin
Core covered business	259	2,836	4,122	5.0	542	74	1.8%	14%
Emerging Markets	177	593	1,498	5.1	235	52	3.5%	22%
Old Mutual Wealth	82	2,243	2,624	4.6	307	22	0.8%	7%
Total covered business	259	2,836	4,122	5.0	542	74	1.8%	14%

Year ended 31 December 2012 £m

	Annualised recurring premiums	Single premiums	PVNBP	PVNBP capitalisation factors[1]	APE	VNB	PVNBP margin	APE margin
Core covered business	517	5,953	8,665	5.2	1,112	197	2.3%	18%
Emerging Markets	370	1,321	3,331	5.4	502	135	4.1%	27%
Old Mutual Wealth	147	4,632	5,334	4.8	610	62	1.2%	10%
Total covered business	517	5,953	8,665	5.2	1,112	197	2.3%	18%

[1] The PVNBP capitalisation factors are calculated as follows: (PVNBP – single premiums)/annualised recurring premiums.

The VNB for Old Mutual Wealth in June 2013 has been calculated after the reallocation of certain development costs from acquisition expenses to expense variances. The June 2012 VNB number has not been restated to reflect this treatment.

Additional new business written in the Group:

The value of new individual unit trust linked retirement annuities and pension fund asset management business written by the Emerging Markets long-term business of £523 million (June 2012: £518 million; December 2012: £1,093 million) is excluded from VNB above as the profits in 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 Old Mutual Wealth of £315 million (June 2012: £322 million; December 2012: £736 million) is excluded as this is more appropriately classified as unit trust business.

New business single premiums of £25 million (June 2012: £16 million; December 2012: £37 million), annualised recurring premiums of £10 million (June 2012: £9 million; December 2012: £17 million), and APE of £12 million (June 2012: £11 million; December 2012: £21 million), in respect of the life business in Kenya, Malawi, Nigeria, Swaziland, and Zimbabwe have been excluded from the above tables, as no value of new business and PVNBP calculations have been performed for these businesses.

At 30 June 2012, new business recurring premiums of £8 million in relation to credit life sales in Emerging Markets were excluded in APE figures and annualised recurring premium. These have been included in June 2013 and December 2012 along with the VNB and PVNBP.

Additionally, new business single premiums of £127 million, annualised recurring premiums of £12 million, and APE of £25 million, in respect of the life business in India and China have been excluded from the above tables, as no value of new business and PVNBP calculations have been performed for these businesses at June 2013.

C2: Adjustments applied in determining total Group MCEV earnings before tax

£m

	Six months ended 30 June 2013			Six months ended 30 June 2012		
	Covered business MCEV	**Non-covered business IFRS**	**Total Group MCEV**	Covered business MCEV	Non-covered business IFRS	Total Group MCEV
Income/(expense)						
Goodwill impairment and amortisation of non-covered business acquired intangible assets and impact of acquisition accounting	**-**	**(2)**	**(2)**	-	(5)	(5)
Economic variances	**186**	**(6)**	**180**	214	(5)	209
Other non-operating variances	**(6)**	**-**	**(6)**	(54)	-	(54)
Acquired/divested business	**-**	**(1)**	**(1)**	-	20	20
Other Group adjustments related to Nordic disposal	**(9)**	**-**	**(9)**	-	392	392
Adjusted Group MCEV uplift from sale of Nordic	**-**	**-**	**-**	-	202	202
Dividends declared to holders of perpetual preferred callable securities	**-**	**22**	**22**	-	21	21
Adjusting items relating to US Asset Management equity plans and non-controlling interests	**-**	**(17)**	**(17)**	-	(4)	(4)
Fair value (losses)/gains on Group debt instruments	**-**	**1**	**1**	-	(36)	(36)
Adjusting items	**171**	**(3)**	**168**	160	585	745
Adjusting items from continuing operations	**171**	**6**	**177**	178	(7)	171
Adjusting items from discontinued operations	**-**	**(9)**	**(9)**	(18)	592	574
Total MCEV adjusting items	**171**	**(3)**	**168**	160	585	745

£m

	Year ended 31 December 2012		
	Covered business MCEV	Non-covered business IFRS	Total Group MCEV
Income/(expense)			
Goodwill impairment and amortisation of non-covered business acquired intangible assets and impact of acquisition accounting	-	(7)	(7)
Economic variances	657	(11)	646
Other non-operating variances	(56)	-	(56)
Acquired/divested business	-	(12)	(12)
Other Group adjustments related to Nordic disposal	(14)	414	400
Adjusted Group MCEV uplift from sale of Nordic	-	201	201
Dividends declared to holders of perpetual preferred callable securities	-	42	42
Premium paid on early repayment of senior debt	-	(71)	(71)
Adjusting items relating to US Asset Management equity plans and non-controlling interests	-	(13)	(13)
Fair value gains on Group debt instruments	-	(57)	(57)
Adjusting items	587	486	1,073
Adjusting items from continuing operations	605	(113)	492
Adjusting items from discontinued operations	(18)	599	581
Total MCEV adjusting items	587	486	1,073

Notes to the MCEV basis supplementary information

For the six months ended 30 June 2013

C3: Other movements in IFRS net equity impacting Group MCEV

£m

	Six months ended 30 June 2013			Six months ended 30 June 2012		
	Covered business MCEV	**Non-covered business IFRS**	**Total Group MCEV**	Covered business MCEV	Non-covered business IFRS	Total Group MCEV
Fair value movements	**-**	**(1)**	**(1)**	-	(347)	(347)
Net investment hedge	**-**	**9**	**9**	-	123	123
Currency translation differences/exchange differences on translating foreign operations	**(197)**	**(199)**	**(396)**	(100)	(326)	(426)
Aggregate tax effects of items taken directly to or transferred from equity	**-**	**5**	**5**	-	4	4
Other movements[1]	**15**	**(15)**	**-**	(1,425)	1,428	3
Net income recognised directly into equity	**(182)**	**(201)**	**(383)**	(1,525)	882	(643)
Capital and dividend flows for the year	**(4)**	**(256)**	**(260)**	(71)	(1,044)	(1,115)
Old Mutual Bermuda valuation change basis	**35**	**-**	**35**	-	-	-
Net purchase of treasury shares	**-**	**(29)**	**(29)**	-	(2)	(2)
Other shares issued	**-**	**8**	**8**	-	25	25
Change in share based payment reserve	**-**	**2**	**2**	-	23	23
Other movements in net equity	**(151)**	**(476)**	**(627)**	(1,596)	(116)	(1,712)

£m

	Year ended 31 December 2012		
	Covered business MCEV	Non-covered business IFRS	Total Group MCEV
Fair value movements	-	(328)	(328)
Net investment hedge	-	160	160
Currency translation differences/exchange differences on translating foreign operations	(338)	(677)	(1,015)
Aggregate tax effects of items taken directly to or transferred from equity	-	9	9
Other movements[1]	(1,444)	1,449	5
Net income recognised directly into equity	(1,782)	613	(1,169)
Capital and dividend flows for the year	24	(1,238)	(1,214)
Net purchase of treasury shares	-	8	8
Other shares issued	-	33	33
Change in share based payment reserve	-	62	62
Other movements in net equity	(1,758)	(522)	(2,280)

[1] The June 2013 and December 2012 amounts include the sale of the Finnish branch in Old Mutual Wealth. The December 2012 and June 2012 amounts include the impact of the IAS 19 restatement and the transfer of the Nordic covered MCEV balance on disposal.

C4: 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.

At 30 June 2013	**Total covered business**	**Core covered business**	**Emerging Markets**	**Old Mutual Wealth**	**Non-core covered business**
					£m
IFRS net asset value[1]	**4,487**	**3,737**	**1,353**	**2,384**	**750**
Adjustment to include long-term business on a statutory solvency basis	**(841)**	**(841)**	**165**	**(1,006)**	**-**
Inclusion of Group equity and debt instruments held in life funds[2]	**366**	**366**	**358**	**8**	**-**
Goodwill	**(775)**	**(775)**	**(8)**	**(767)**	**-**
Old Mutual Bermuda guarantee cost valuation change[3]	**(37)**	**-**	**-**	**-**	**(37)**
Adjusted net worth attributable to ordinary equity holders of the parent	**3,200**	**2,487**	**1,868**	**619**	**713**

At 30 June 2012	Total covered business	Core covered business	Emerging Markets	Old Mutual Wealth	Non-core covered business
					£m
IFRS net asset value[1]	4,076	3,827	1,369	2,458	249
Adjustment to include long-term business on a statutory solvency basis	(1,024)	(1,007)	187	(1,194)	(17)
Inclusion of Group equity and debt instruments held in life funds[2]	353	353	356	(3)	-
Goodwill	(791)	(791)	(7)	(784)	-
Adjusted net worth attributable to ordinary equity holders of the parent	2,614	2,382	1,905	477	232

At 31 December 2012	Total covered business	Core covered business	Emerging Markets	Old Mutual Wealth	Non-core covered business
					£m
IFRS net asset value[1]	4,308	3,600	1,295	2,305	708
Adjustment to include long-term business on a statutory solvency basis	(926)	(898)	187	(1,085)	(28)
Inclusion of Group equity and debt instruments held in life funds[2]	367	367	364	3	-
Goodwill	(765)	(765)	(8)	(757)	-
Adjusted net worth attributable to ordinary equity holders of the parent	2,984	2,304	1,838	466	680

[1] IFRS net asset value is after elimination of inter-company loans.

[2] A further £(28) million (June 2012: £(58) million; December 2012: £(36) million) relates to the non-covered business. This brings the total adjustment to IFRS net asset value to £1,315 million (June 2012: £1,520 million; December 2012: £1,360million).

[3] Variable annuity guarantee liabilities are restated from an IFRS basis to reflect a best estimate valuation consistent with MCEV principles.

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 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 with the exception of the Old Mutual Bermuda business where DAC is an admissible asset under local statutory basis.
- 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. For Old Mutual Bermuda business, VIF reflects the impact of amortising DAC allowed under the ANW at 31 December 2011. DAC has been completely written off at 31 December 2012.

Notes to the MCEV basis supplementary information

For the six months ended 30 June 2013

D1: Sensitivity tests

The table below shows the sensitivity of the MCEV, value of in-force business at 30 June 2013 and the value of new business for the six months ended 30 June 2013 to the following:

- **Economic assumptions 100bps increase/ decrease:** Increasing/ decreasing all pre-tax investment and economic assumptions (projected investment returns and inflation) by 100bps, with credited rates and discount rates changing commensurately.
- **10bps increase of liquidity spreads:** 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.

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.

Sensitivity tests: MCEV

£m

	At 30 June 2013		
	MCEV	Value of in-force business	Value of new business
Central assumptions	**6,557**	**3,357**	**108**
MCEV, VIF & VNB given changes in:			
Economic assumption 100bps increase	**6,437**	**3,240**	**98**
Economic assumption 100bps decrease	**6,673**	**3,463**	**117**
10bps increase of liquidity spreads	**6,564**	**3,364**	**108**