

Index to unaudited additional information to Notes to the MCEV Basis Supplementary Information

For the Year ended 31 December 2012

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1. Introduction

For December 2012 reporting, further information, including additional segmental analysis has been included to support the Market Consistent Embedded Value (MCEV) basis supplementary information. This information was previously included as part of the audited MCEV statements for the year ended 31 December 2011.

This information is not subject to audit.

2. Segmental analysis of covered business MCEV earnings (after tax)

The following section provides additional information to Analysis of covered business MCEV earnings (after tax) in the published MCEV statements. Additional information is provided for the core covered business; non-core covered business and discontinued covered business.

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The Core covered business consists of Emerging Markets and Old Mutual Wealth.

Core covered business	31 December 2012					31 December 2011				
	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	522	1,682	2,204	3,509	5,713	390	1,838	2,228	3,685	5,913
New business value	(293)	163	(130)	327	197	(390)	179	(211)	388	177
Expected existing business contribution (reference rate)	20	70	90	149	239	14	60	74	137	211
Expected existing business contribution (in excess of reference rate)	3	11	14	41	55	7	10	17	40	57
Transfers from VIF and required capital to free surplus	730	(190)	540	(540)	-	748	(179)	569	(569)	-
Experience variances	(91)	17	(74)	26	(48)	(5)	32	27	103	130
Assumption changes	18	(7)	11	(6)	5	9	4	13	27	40
Other operating variance	(7)	3	(4)	(108)	(112)	33	(28)	5	(68)	(63)
Operating MCEV earnings	380	67	447	(111)	336	416	78	494	58	552
Economic variances	127	3	130	273	403	23	(6)	17	(24)	(7)
Other non-operating variance	(14)	(12)	(26)	(3)	(29)	(7)	-	(7)	96	89
Total MCEV earnings	493	58	551	159	710	432	72	504	130	634
Closing adjustments	(337)	(134)	(471)	(212)	(683)	(300)	(228)	(528)	(306)	(834)
Capital and dividend flows	(328)	(3)	(331)	(5)	(336)	(232)	55	(177)	-	(177)
Foreign exchange variance	(48)	(131)	(179)	(143)	(322)	(68)	(283)	(351)	(306)	(657)
MCEV of acquired/sold business	39	-	39	(64)	(25)	-	-	-	-	-
Closing MCEV	678	1,606	2,284	3,456	5,740	522	1,682	2,204	3,509	5,713
Return on MCEV (RoEV)% per annum					5.9%					9.3%

Return on MCEV is calculated as the operating MCEV earnings after tax divided by opening MCEV in sterling.

	31 December 2012			31 December 2011		
	Adjusted net worth	Value of in-force	MCEV	Adjusted net worth	Value of in-force	MCEV
Experience variances	(74)	26	(48)	27	103	130
Persistence	(7)	29	22	9	70	79
Risk	52	-	52	43	3	46
Expenses	(93)	11	(82)	(37)	13	(24)
Other	(26)	(14)	(40)	12	17	29
Assumption changes	11	(6)	5	13	27	40
Persistence	(7)	(25)	(32)	7	40	47
Risk	13	37	50	-	8	8
Expenses	12	(23)	(11)	(3)	(77)	(80)
Other	(7)	5	(2)	9	56	65

	Year ended 31 December 2013				
	Free surplus	Required capital	Adjusted net worth	Value of in-force	MCEV
Expected existing business contribution (reference rate)	16	54	70	139	209
Expected existing business contribution (in excess of reference rate)	5	16	21	44	65

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Emerging Markets ¹	Year ended 31 December 2012					Year ended 31 December 2011					£m
	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	400	1,368	1,768	1,399	3,167	306	1,498	1,804	1,509	3,313
New business value	(159)	140	(19)	154	135	(189)	155	(34)	133	99	
Expected existing business contribution (reference rate)	17	67	84	109	193	11	58	69	105	174	
Expected existing business contribution (in excess of reference rate)	2	11	13	19	32	2	10	12	18	30	
Transfers from VIF and required capital to free surplus	373	(153)	220	(220)	-	359	(150)	209	(209)	-	
Experience variances	(36)	10	(26)	(3)	(29)	28	24	52	50	102	
Assumption changes	21	(3)	18	16	34	1	4	5	1	6	
Other operating variance	12	-	12	(49)	(37)	(7)	(11)	(18)	(44)	(62)	
Operating MCEV earnings	230	72	302	26	328	205	90	295	54	349	
Economic variances	86	(2)	84	197	281	1	8	9	23	32	
Other non-operating variance	(20)	-	(20)	(6)	(26)	(7)	-	(7)	100	93	
Total MCEV earnings	296	70	366	217	583	199	98	297	177	474	
Closing adjustments	(190)	(126)	(316)	(138)	(454)	(105)	(228)	(333)	(287)	(620)	
Capital and dividend flows	(143)	1	(142)	(5)	(147)	(39)	51	12	-	12	
Foreign exchange variance	(47)	(127)	(174)	(133)	(307)	(66)	(279)	(345)	(287)	(632)	
Closing MCEV	506	1,312	1,818	1,478	3,296	400	1,368	1,768	1,399	3,167	
Return on MCEV (RoEV)% per annum					10.7%					11.9%	

Return on MCEV is calculated as the operating MCEV earnings after tax divided by opening MCEV in rand.

	Year ended 31 December 2012			Year ended 31 December 2011			£m
	Adjusted net worth	Value of in-force	MCEV	Adjusted net worth	Value of in-force	MCEV	
	Experience variances	(26)	(3)	(29)	52	50	102
Persistency	(5)	4	(1)	25	31	56	
Risk	46	-	46	39	(1)	38	
Expenses	(45)	4	(41)	(17)	8	(9)	
Other	(22)	(11)	(33)	5	12	17	
Assumption changes	18	16	34	5	1	6	
Persistency	(7)	1	(6)	7	48	55	
Risk	13	36	49	-	-	-	
Expenses	12	(21)	(9)	(2)	(47)	(49)	
Other	-	-	-	-	-	-	

	Year ended 31 December 2013					£m
	Free surplus	Required capital	Adjusted net worth	Value of in-force	MCEV	
Expected existing business contribution (reference rate)	15	53	68	113	181	
Expected existing business contribution (in excess of reference rate)	4	16	20	20	40	

¹ The MCEV for Emerging Markets is presented after the adjustment for market value of life fund investments in Group equity and debt instruments.

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Old Mutual Wealth

	Year ended 31 December 2012					Year ended 31 December 2011				
	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	122	314	436	2,110	2,546	84	340	424	2,176	2,600
New business value	(134)	23	(111)	173	62	(201)	24	(177)	255	78
Expected existing business contribution (reference rate)	3	3	6	40	46	3	2	5	32	37
Expected existing business contribution (in excess of reference rate)	1	-	1	22	23	5	-	5	22	27
Transfers from VIF and required capital to free surplus	357	(37)	320	(320)	-	389	(29)	360	(360)	-
Experience variances	(55)	7	(48)	29	(19)	(33)	8	(25)	53	28
Assumption changes	(3)	(4)	(7)	(22)	(29)	8	-	8	26	34
Other operating variance	(19)	3	(16)	(59)	(75)	40	(17)	23	(24)	(1)
Operating MCEV earnings	150	(5)	145	(137)	8	211	(12)	199	4	203
Economic variances	41	5	46	76	122	22	(14)	8	(47)	(39)
Other non-operating variance	6	(12)	(6)	3	(3)	-	-	-	(4)	(4)
Total MCEV earnings	197	(12)	185	(58)	127	233	(26)	207	(47)	160
Closing adjustments	(147)	(8)	(155)	(74)	(229)	(195)	-	(195)	(19)	(214)
Capital and dividend flows	(185)	(4)	(189)	-	(189)	(193)	4	(189)	-	(189)
Foreign exchange variance	(1)	(4)	(5)	(10)	(15)	(2)	(4)	(6)	(19)	(25)
MCEV of acquired/sold business	39	-	39	(64)	(25)	-	-	-	-	-
Closing MCEV	172	294	466	1,978	2,444	122	314	436	2,110	2,546
Return on MCEV (RoEV)% per annum					0.3%					7.8%

Return on MCEV is calculated as the operating MCEV earnings after tax divided by opening MCEV in sterling.

	Year ended 31 December 2012			Year ended 31 December 2011		
	Adjusted net worth	Value of in-force	MCEV	Adjusted net worth	Value of in-force	MCEV
Experience variances	(48)	29	(19)	(25)	53	28
Persistency	(2)	25	23	(16)	39	23
Risk	6	-	6	4	4	8
Expenses	(48)	7	(41)	(20)	5	(15)
Other	(4)	(3)	(7)	7	5	12
Assumption changes	(7)	(22)	(29)	8	26	34
Persistency	-	(26)	(26)	-	(8)	(8)
Risk	-	1	1	-	8	8
Expenses	-	(2)	(2)	(1)	(30)	(31)
Other	(7)	5	(2)	9	56	65

	Year ended 31 December 2013				
	Free surplus	Required capital	Adjusted net worth	Value of in-force	MCEV
Expected existing business contribution (reference rate)	1	1	2	26	28
Expected existing business contribution (in excess of reference rate)	1	-	1	24	25

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Bermuda	Year ended 31 December 2012					Year ended 31 December 2011					£m
	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	-	187	187	(121)	66	-	403	403	(116)	287
New business value	-	-	-	-	-	-	-	-	-	-	
Expected existing business contribution (reference rate)	-	1	1	7	8	-	2	2	6	8	
Expected existing business contribution (in excess of reference rate)	-	18	18	8	26	-	24	24	14	38	
Transfers from VIF and required capital to free surplus	(35)	(26)	(61)	61	-	66	(57)	9	(9)	-	
Experience variances	59	-	59	(20)	39	16	(1)	15	9	24	
Assumption changes	16	-	16	13	29	14	-	14	(22)	(8)	
Other operating variance	(19)	15	(4)	1	(3)	155	(177)	(22)	7	(15)	
Operating MCEV earnings	21	8	29	70	99	251	(209)	42	5	47	
Economic variances	131	-	131	(14)	117	(251)	-	(251)	(10)	(261)	
Other non-operating variance	(252)	252	-	-	-	-	-	-	-	-	
Total MCEV earnings	(100)	260	160	56	216	-	(209)	(209)	(5)	(214)	
Closing adjustments	347	(14)	333	10	343	-	(7)	(7)	-	(7)	
Capital and dividend flows	354	-	354	6	360	-	-	-	-	-	
Foreign exchange variance	(7)	(14)	(21)	4	(17)	-	(7)	(7)	-	(7)	
Closing MCEV	247	433	680	(55)	625	-	187	187	(121)	66	
Return on MCEV (RoEV)% per annum					154.0%					17.0%	

Return on MCEV is calculated as the operating MCEV earnings after tax divided by opening MCEV in dollars.

	Year ended 31 December 2012			Year ended 31 December 2011			£m
	Adjusted net worth	Value of in-force	MCEV	Adjusted net worth	Value of in-force	MCEV	
	Experience Variances	59	(20)	39	15	9	24
Persistency	58	(19)	39	14	8	22	
Risk	-	-	-	-	-	-	
Expenses	2	-	2	3	-	3	
Other	(1)	(1)	(2)	(2)	1	(1)	
Assumption Changes	16	13	29	14	(22)	(8)	
Persistency	19	-	19	14	6	20	
Risk	-	-	-	-	-	-	
Expenses	-	20	20	(4)	(22)	(26)	
Other	(3)	(7)	(10)	4	(6)	(2)	

	Year ended 31 December 2013					£m
	Free surplus	Required capital	Adjusted net worth	Value of in-force	MCEV	
Expected existing business contribution (reference rate)	1	1	2	4	6	
Expected existing business contribution (in excess of reference rate)	-	9	9	1	10	

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Nordic	Year ended 31 December 2012					Year ended 31 December 2011				
	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	158	127	285	1,148	1,433	51	135	186	1,318	1,504
New business value	-	-	-	-	-	(54)	8	(46)	102	56
Expected existing business contribution (reference rate)	-	-	-	-	-	3	3	6	36	42
Expected existing business contribution (in excess of reference rate)	-	-	-	-	-	-	-	-	33	33
Transfers from VIF and required capital to free surplus	-	-	-	-	-	129	-	129	(129)	-
Experience variances	18	-	18	-	18	(1)	(1)	(2)	(1)	(3)
Assumption changes	-	-	-	-	-	-	-	-	(4)	(4)
Other operating variance	-	-	-	-	-	-	-	-	4	4
Operating MCEV earnings	18	-	18	-	18	77	10	87	41	128
Economic variances	-	-	-	-	-	7	(16)	(9)	(180)	(189)
Other non-operating variance	(18)	-	(18)	-	(18)	39	1	40	(3)	37
Total MCEV earnings	-	-	-	-	-	123	(5)	118	(142)	(24)
Closing adjustments	(158)	(127)	(285)	(1,148)	(1,433)	(16)	(3)	(19)	(28)	(47)
Capital and dividend flows	-	-	-	-	-	(11)	-	(11)	-	(11)
Foreign exchange variance	1	-	1	-	1	(5)	(3)	(8)	(28)	(36)
MCEV of sold business	(159)	(127)	(286)	(1,148)	(1,434)	-	-	-	-	-
Closing MCEV	-	-	-	-	-	158	127	285	1,148	1,433
Return on MCEV (RoEV)% per annum					1.3%					8.5%

Return on MCEV for total covered business is calculated as the operating MCEV earnings after tax divided by opening MCEV in krona.

	Year ended 31 December 2012			Year ended 31 December 2011		
	Adjusted net worth	Value of in-force	MCEV	Adjusted net worth	Value of in-force	MCEV
Experience Variances	18	-	18	(2)	(1)	(3)
Persistency	-	-	-	(3)	6	3
Risk	-	-	-	-	1	1
Expenses	-	-	-	(10)	-	(10)
Other	18	-	18	11	(8)	3
Assumption Changes	-	-	-	-	(4)	(4)
Persistency	-	-	-	-	(6)	(6)
Risk	-	-	-	-	-	-
Expenses	-	-	-	-	-	-
Other	-	-	-	-	2	2

	Year ended 31 December 2013				
	Free surplus	Required capital	Adjusted net worth	Value of in-force	MCEV
Expected existing business contribution (reference rate)	-	-	-	-	-
Expected existing business contribution (in excess of reference rate)	-	-	-	-	-

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US Life	Year ended 31 December 2012					Year ended 31 December 2011					£m
	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	-	-	-	-	-	66	468	534	(723)	(189)	
New business value	-	-	-	-	-	-	-	-	-	-	
Expected existing business contribution (reference rate)	-	-	-	-	-	-	-	-	-	-	
Expected existing business contribution (in excess of reference rate)	-	-	-	-	-	-	-	-	-	-	
Transfers from VIF and required capital to free surplus	-	-	-	-	-	-	-	-	-	-	
Experience variances	-	-	-	-	-	-	-	-	-	-	
Assumption changes	-	-	-	-	-	-	-	-	-	-	
Other operating variance	-	-	-	-	-	-	-	-	-	-	
Operating MCEV earnings	-	-	-	-	-	-	-	-	-	-	
Economic variances	-	-	-	-	-	-	-	-	-	-	
Other non-operating variance	-	-	-	-	-	-	-	-	-	-	
Total MCEV earnings	-	-	-	-	-	-	-	-	-	-	
Closing adjustments	-	-	-	-	-	(66)	(468)	(534)	723	189	
Capital and dividend flows	-	-	-	-	-	-	-	-	-	-	
Foreign exchange variance	-	-	-	-	-	(2)	(19)	(21)	28	7	
MCEV of acquired/sold business	-	-	-	-	-	(64)	(449)	(513)	695	182	
Closing MCEV	-	-	-	-	-	-	-	-	-	-	
Return on MCEV (RoEV)% per annum					0.0%					0.0%	

Return on MCEV is calculated as the operating MCEV earnings after tax divided by opening MCEV in Dollars.

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3. Drivers of New Business Value (PVNBP margins)

The following section provides additional information on Other key performance information as disclosed in the published MCEV statements.

Drivers of new business value for covered business (PVNBP margin)¹

	%				
	Total covered business	Core covered business	Emerging Markets	Old Mutual Wealth	Discontinued covered business
Year ended 31 December 2012					
Margin at the end of comparative financial year	1.9	1.9	3.0	1.3	-
Change in volume	0.2	0.2	0.4	(0.1)	-
Change in country and product mix	0.1	0.1	0.5	-	-
Change in operating assumptions	-	-	-	(0.1)	-
Change in economic assumptions	0.1	0.1	0.2	0.1	-
Change in tax/regulation	-	-	-	-	-
Margin at the end of the financial year	2.3	2.3	4.1	1.2	-

	%				
	Total covered business	Core covered business	Emerging Markets	Old Mutual Wealth	Discontinued covered business
Year ended 31 December 2011					
Margin at the end of comparative financial year	1.8	1.6	2.6	1.1	3.7
Change in volume	0.2	0.1	0.3	-	0.1
Change in country and product mix	(0.2)	(0.2)	(0.6)	(0.1)	0.4
Change in operating assumptions	0.2	0.2	0.4	0.1	(0.1)
Change in economic assumptions	0.2	0.2	0.4	0.1	0.1
Change in tax/regulation	-	-	(0.1)	0.1	-
Margin at the end of the financial year	2.2	1.9	3.0	1.3	4.2

¹ The PVNBP margin changes are calculated in the business unit reporting currency.

The value of new business has increased for all business units during 2012 relative to 2011, with the PVNBP margin also displaying positive trends across all business units.

For Emerging Markets the increase in new business margins is mainly a result of increased volumes and a more beneficial business mix. Volumes have improved due to significant growth in the Mass Foundation Cluster business and Corporate Segment with-profit annuities. The mix of business has improved due to a shift in sales towards higher margin protection products and with-profit annuities.

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4. Segmental MCEV sensitivity information

The tables below show the sensitivity of the MCEV, value of in-force business at 31 December 2012 and the value of the new business for the year ended 31 December 2012 to the following:

	Total covered business	Core covered business	Emerging Markets	Old Mutual Wealth	Non-core covered business
At 31 December 2012					
Central assumptions	6,365	5,740	3,296	2,444	625
MCEV given changes in:					
Economic assumption 100 bps increase	6,253	5,609	3,231	2,378	644
Economic assumption 100 bps decrease	6,471	5,862	3,351	2,511	609
Equity/property market value 10% increase	6,647	5,992	3,402	2,590	655
Equity/property market value 10% decrease	6,169	5,564	3,196	2,368	605
10bps increase of liquidity spreads	6,374	5,749	3,305	2,444	625
50bps contraction on corporate bond spreads	6,380	5,754	3,310	2,444	626
25% increase in equity/property implied volatilities	6,311	5,697	3,254	2,443	614
25% increase in swaption implied volatilities	6,353	5,729	3,287	2,442	624
10% decrease in discontinuance rates	6,519	5,908	3,357	2,551	611
10% decrease in maintenance expense	6,580	5,947	3,436	2,511	633
5% decrease in mortality/morbidity rates	6,495	5,870	3,413	2,457	625
5% decrease in annuitant mortality assumption	6,358	5,733	3,289	2,444	625
Minimum capital requirement	6,421	5,795	3,351	2,444	626
NHR capital diversification	6,408	5,781	3,325	2,456	627
99.93% confidence level NHR capital	6,306	5,682	3,263	2,419	624

Sensitivity tests: Value of in-force business

	Total covered business	Core covered business	Emerging Markets	Old Mutual Wealth	Non-core covered business
At 31 December 2012					
Central assumptions	3,401	3,456	1,478	1,978	(55)
Value of in-force business given changes in:					
Economic assumption 100 bps increase	3,285	3,339	1,411	1,928	(54)
Economic assumption 100 bps decrease	3,505	3,560	1,535	2,025	(55)
Equity/property market value 10% increase	3,632	3,677	1,553	2,124	(45)
Equity/property market value 10% decrease	3,248	3,312	1,409	1,903	(64)
10bps increase of liquidity spreads	3,410	3,465	1,487	1,978	(55)
50bps contraction on corporate bond spreads	3,402	3,456	1,478	1,978	(54)
25% increase in equity/property implied volatilities	3,358	3,413	1,436	1,977	(55)
25% increase in swaption implied volatilities	3,389	3,445	1,469	1,976	(56)
10% decrease in discontinuance rates	3,568	3,624	1,539	2,085	(56)
10% decrease in maintenance expense	3,616	3,663	1,618	2,045	(47)
5% decrease in mortality/morbidity rates	3,531	3,586	1,595	1,991	(55)
5% decrease in annuitant mortality assumption	3,394	3,449	1,471	1,978	(55)
Minimum capital requirement	3,457	3,511	1,533	1,978	(54)
NHR capital diversification	3,444	3,497	1,507	1,990	(53)
99.93% confidence level NHR capital	3,342	3,398	1,445	1,953	(56)

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Sensitivity tests: Value of new business

	£m			
At 31 December 2012	Total covered business	Core covered business	Emerging Markets	Old Mutual Wealth
Central assumptions	197	197	135	62
Value of new business given changes in:				
Economic assumption 100 bps increase	180	180	125	55
Economic assumption 100 bps decrease	215	215	145	70
Equity/property market value 10% increase	206	206	135	71
Equity/property market value 10% decrease	192	192	135	57
10bps increase of liquidity spreads	198	198	136	62
50bps contraction on corporate bond spreads	197	197	135	62
25% increase in equity/property implied volatilities	197	197	135	62
25% increase in swaption implied volatilities	197	197	135	62
10% decrease in discontinuance rates	237	237	165	72
10% decrease in maintenance expense	216	216	148	68
5% decrease in mortality/morbidity rates	214	214	151	63
5% decrease in annuitant mortality assumption	197	197	135	62
VNB 10% increase in acquisition expenses	180	180	125	55
VNB on closing economic assumptions	205	205	143	62
Minimum capital requirement	202	202	140	62
NHR capital diversification	201	201	138	63
99.93% confidence level NHR capital	192	192	132	60

Unaudited additional information to Notes to the MCEV Basis Supplementary Information

For the year ended 31 December 2012

5. MCEV Methodology

The following section provides additional information to the Methodology section in the published MCEV statements.

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

Capital held in respect of non-hedgeable risks

	£m	
	At 31 December 2012	At 31 December 2011
Emerging Markets	892	808
Old Mutual Wealth	798	831
Bermuda	210	335
Nordic	n/a	290
Total	1,900	2,264

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 table below shows the comparison of debt on an IFRS and MCEV basis.

		£m			
		At 31 December 2012		At 31 December 2011	
	Notes to the Consolidated Financial Statements	Book value	MCEV	Book value	MCEV
Debt securities					
£348 million perpetual preferred callable securities ¹	E9	348	310	350	263
€495 million perpetual preferred callable securities ¹	E9	334	376	338	342
US\$750 million cumulative preference securities	E9	-	-	458	465
R3.0 billion repayable 27 October 2015 (8.9%)	E9 (e)	218	233	239	249
€2 million fixed rate note repayable December 2013		-	-	2	2
US\$16 million secured senior debt repayable August 2014 (5.23%) ²	E9 (b)	10	10	11	11
€200 million (2010: €750 million) (4.5% to January 2012 and 6 month EURIBOR plus 0.96% thereafter) ³	E9 (b)	-	-	166	166
£500 million repayable 3 June 2021 (8.0%) ⁴	E9 (e)	547	547	471	471
£112 million euro bond repayable October 2016 (7.125%) ³	E9 (b)	113	131	504	546
Value of debt		1,570	1,607	2,539	2,515

¹ In December 2012, €5 million of the €500 million perpetual preferred callable securities were acquired and on 5 December 2012, £2 million of the £350 million preferred securities were acquired, both via open market repurchase.

² On 1 December 2012 \$0.5m of the \$16.5m senior bond was repaid.

³ The principal and coupon on the bond were swapped at issue equally into Sterling and US dollars with the coupons of six month GBP LIBOR plus 0.34% and six month USD LIBOR plus 0.31% respectively. During 2011 a €550 million partial repayment, together with settlements of associated currency swaps, was made. On 18 January 2012 the remaining €200 million was repaid on the first call date.

⁴ The principal and coupon on the bond were initially swapped into floating rate Swedish Kroner, at three month STIBOR plus 5.46%. Following the Nordic sale, £375 million of the coupon is now swapped into floating rate sterling at six month GBP LIBOR plus 4.15% and £125 million of principal and coupon is swapped into US dollars at six month USD LIBOR plus 5.49%.

⁵ This differs from the value in the Borrowed Funds note E9 by accrued interest at the end of the year, which is included within the book value of the debt in determining the MCEV market value uplift to maintain consistency and comparability with the market value. On 1 August 2012 £388 million of the £500 million senior debt was redeemed via open market tender.

Unaudited additional information to Notes to the MCEV Basis Supplementary Information

For the year ended 31 December 2012

6. MCEV Assumptions

The following section provides additional information to the Methodology section in the published MCEV statements.

Expense inflation

	GBP	EUR	USD	ZAR	SEK	%
At 31 December 2012						
1 year	3.3	2.5	3.0	6.0	-	-
5 years	3.4	2.5	3.0	6.3	-	-
10 years	3.7	2.5	3.0	7.3	-	-
20 years	4.1	2.5	3.0	7.5	-	-
At 31 December 2011						
1 year	3.0	2.5	3.0	6.1	1.3	1.3
5 years	3.4	2.5	3.0	7.0	2.2	2.2
10 years	3.8	2.5	3.0	7.7	2.5	2.5
20 years	4.3	2.5	3.0	7.5	2.6	2.6

Unaudited additional information to Notes to the MCEV Basis Supplementary Information

For the year ended 31 December 2012

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

ZAR volatilities¹

Option term					%
	1 year swap	5 year swap	10 year swap	20 year swap	Equity (total return index) ²
At 31 December 2012					
1 year	32.8	26.5	23.0	22.2	18.0
5 years	22.9	21.0	20.6	21.5	26.7
10 years	20.1	20.5	21.7	22.7	26.5
20 years	24.5	24.7	26.0	25.6	28.9
At 31 December 2011					
1 year	30.6	25.0	23.1	23.3	26.2
5 years	21.9	21.5	22.4	23.0	28.4
10 years	22.9	23.8	24.0	23.5	26.8
20 years	25.8	25.7	25.1	23.7	29.0

¹ Due to limited liquidity in the ZAR swaption market, the market consistent asset model has been calibrated by extrapolating swaption and equity implied volatility data beyond a term of one year and 5 years respectively for assumptions at 31 December 2012 and 31 December 2011.

² December 2011 Equity implied volatilities were restated for comparability following ESG enhancements.

USD volatilities

Option term					%
	1 year swap	5 year swap	10 year swap	20 year swap	
At 31 December 2012					
1 year	60.0	41.9	27.4	21.8	
5 years	46.9	32.8	25.7	22.0	
10 years	36.2	27.9	24.1	20.9	
20 years	29.5	24.9	21.7	20.6	
At 31 December 2011					
1 year	71.8	49.1	45.1	41.8	
5 years	42.1	36.8	34.6	33.8	
10 years	32.7	31.2	31.1	29.9	
20 years	29.8	29.3	27.9	27.5	

International equity volatilities (applicable to Bermuda)¹

Option term										%
	SPX	EWZ	TPX	HSCEI	TWY	KOSP12	NIFTY	SX5E	UKX	
At 31 December 2012										
1 year	20.5	25.6	28.5	24.8	19.2	21.0	16.2	22.0	18.7	
5 years	23.9	26.5	30.4	26.8	21.7	22.5	22.3	23.3	22.6	
10 years	23.9	26.5	30.4	26.8	21.7	22.5	22.3	23.3	22.6	
At 31 December 2011										
1 year	25.0	35.9	26.7	31.5	26.1	25.1	25.6	27.2	23.9	
5 years	27.8	34.8	28.0	32.3	25.0	24.6	25.2	25.3	25.0	
10 years	27.8	34.8	28.0	32.3	25.0	24.6	25.2	25.3	25.0	

Unaudited additional information to Notes to the MCEV Basis Supplementary Information

For the year ended 31 December 2012

International equity volatilities (applicable to Bermuda)¹

Option term	%			
	EEM	USAgg	EUAgg	APAgg
At 31 December 2012				
1 year	24.2	6.3	14.3	12.8
5 years	25.3	6.3	14.3	12.8
10 years	25.3	6.3	14.3	12.8
At 31 December 2011				
1 year	33.9	5.5	13.0	12.3
5 years	33.0	5.5	13.0	12.3
10 years	33.0	5.5	13.0	12.3

¹ Long-term option implied volatility has been calibrated assuming a flat volatility term structure beyond 5 years due to limited data availability for some indices. The assumptions are shown as the annualised volatilities applicable over the entire option term specified, consistent with the disclosure of volatilities for other regions. These volatilities, as represented by their Bloomberg codes, refer to the price indices.

(e) Tax

The weighted average effective tax rates that apply to the cash flow projections at 31 December 2012 are set out below:

Weighted average effective tax rates	%	
	At 31 December 2012	At 31 December 2011
OMLAC(SA)	28	28
Namibia	-	-
Old Mutual Wealth	14	13
Bermuda	-	-
Nordic	n/a	4