

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

For the year ended 31 December 2013

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1. Introduction

For the year ended 31 December 2013, 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 unaudited additional information for the year ended 31 December 2012.

This information is not subject to audit.

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

The following section provides additional information to the 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.

£m

Core covered business	Year ended 31 December 2013					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	698	1,606	2,304	3,456	5,760	527	1,682	2,209	3,509	5,718
New business value	(261)	148	(113)	325	212	(293)	163	(130)	327	197
Expected existing business contribution (reference rate)	23	50	73	126	199	20	70	90	149	239
Expected existing business contribution (in excess of reference rate)	6	10	16	38	54	3	11	14	41	55
Transfers from VIF and required capital to free surplus	666	(170)	496	(496)	-	730	(190)	540	(540)	-
Experience variances	(79)	38	(41)	14	(27)	(91)	17	(74)	26	(48)
Assumption changes	6	(5)	1	(39)	(38)	18	(7)	11	(6)	5
Other operating variance	(26)	5	(21)	72	51	(7)	3	(4)	(108)	(112)
Operating MCEV earnings	335	76	411	40	451	380	67	447	(111)	336
Economic variances	177	21	198	157	355	127	3	130	273	403
Other non-operating variance	(28)	4	(24)	(30)	(54)	(14)	(12)	(26)	(3)	(29)
Total MCEV earnings	484	101	585	167	752	493	58	551	159	710
Closing adjustments	(425)	(268)	(693)	(317)	(1,010)	(322)	(134)	(456)	(212)	(668)
Capital and dividend flows	(307)	7	(300)	-	(300)	(313)	(3)	(316)	(5)	(321)
Foreign exchange variance	(108)	(275)	(383)	(318)	(701)	(48)	(131)	(179)	(143)	(322)
MCEV of acquired/sold business	15	-	15	-	15	39	-	39	(64)	(25)
Other ¹	(25)	-	(25)	1	(24)	-	-	-	-	-
Closing MCEV	757	1,439	2,196	3,306	5,502	698	1,606	2,304	3,456	5,760
Return on MCEV (RoEV)² per annum					7.8%					5.9%

¹Other includes an adjustment in Emerging Markets for the inclusion of certain African entities (Zimbabwe, Kenya, Malawi, Swaziland and Nigeria) on an MCEV basis and an adjustment to allow for non-controlling interests in Zimbabwe.

²Return on MCEV is calculated as the operating MCEV earnings after tax divided by opening MCEV in sterling.

£m

	31 December 2013			31 December 2012		
	Adjusted net worth	Value of in-force	MCEV	Adjusted net worth	Value of in-force	MCEV
Experience variances	(41)	14	(27)	(74)	26	(48)
Persistence	(13)	15	2	(7)	29	22
Risk	38	5	43	52	-	52
Expenses	(24)	1	(23)	(50)	12	(38)
Development costs	(51)	1	(50)	(43)	(1)	(44)
Other	9	(8)	1	(26)	(14)	(40)
Assumption changes	1	(39)	(38)	11	(6)	5
Persistence	(16)	(3)	(19)	(7)	(25)	(32)
Risk	5	-	5	13	37	50
Expenses	18	(12)	6	12	(8)	4
Development costs	-	(18)	(18)	-	(15)	(15)
Other	(6)	(6)	(12)	(7)	5	(2)

£m

	Year ended 31 December 2014				
	Free surplus	Required capital	Adjusted net worth	Value of in-force	MCEV
Expected existing business contribution (reference rate)	30	61	91	144	235
Expected existing business contribution (in excess of reference rate)	5	10	15	43	58

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Emerging Markets ¹	Year ended 31 December 2013					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	526	1,312	1,838	1,478	3,316	405	1,368	1,773	1,399	3,172
New business value	(156)	121	(35)	171	136	(159)	140	(19)	154	135
Expected existing business contribution (reference rate)	20	49	69	100	169	17	67	84	109	193
Expected existing business contribution (in excess of reference rate)	4	10	14	16	30	2	11	13	19	32
Transfers from VIF and required capital to free surplus	319	(130)	189	(189)	-	373	(153)	220	(220)	-
Experience variances	(7)	7	-	1	1	(36)	10	(26)	(3)	(29)
Assumption changes	10	(3)	7	(19)	(12)	21	(3)	18	16	34
Other operating variance	(20)	2	(18)	22	4	12	-	12	(49)	(37)
Operating MCEV earnings	170	56	226	102	328	230	72	302	26	328
Economic variances	139	15	154	87	241	86	(2)	84	197	281
Other non-operating variance	1	-	1	(9)	(8)	(20)	-	(20)	(6)	(26)
Total MCEV earnings	310	71	381	180	561	296	70	366	217	583
Closing adjustments	(328)	(270)	(598)	(326)	(924)	(175)	(126)	(301)	(138)	(439)
Capital and dividend flows	(194)	7	(187)	-	(187)	(128)	1	(127)	(5)	(132)
Foreign exchange variance	(109)	(277)	(386)	(327)	(713)	(47)	(127)	(174)	(133)	(307)
Other ²	(25)	-	(25)	1	(24)	-	-	-	-	-
Closing MCEV	508	1,113	1,621	1,332	2,953	526	1,312	1,838	1,478	3,316
Return on MCEV (RoEV)³ per annum					11.0%					10.7%

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

²Other relates to the impact of including certain African entities (Zimbabwe, Kenya, Malawi, Swaziland and Nigeria) on an MCEV basis and an adjustment to allow for non-controlling interests in Zimbabwe.

³Return on MCEV is calculated as the operating MCEV earnings after tax divided by opening MCEV in rand. For 2013, the opening MCEV used in the calculation has been adjusted to include the African entities and non-controlling interests in Zimbabwe as noted above.

	Year ended 31 December 2013			Year ended 31 December 2012		
	Adjusted net worth	Value of in-force	MCEV	Adjusted net worth	Value of in-force	MCEV
Experience variances	-	1	1	(26)	(3)	(29)
Persistence	(6)	(3)	(9)	(5)	4	(1)
Risk	34	6	40	46	-	46
Expenses	(16)	(1)	(17)	(21)	5	(16)
Development costs	(17)	1	(16)	(24)	(1)	(25)
Other	5	(2)	3	(22)	(11)	(33)
Assumption changes	7	(19)	(12)	18	16	34
Persistence	(16)	(9)	(25)	(7)	1	(6)
Risk	5	(2)	3	13	36	49
Expenses	18	7	25	12	(6)	6
Development costs	-	(15)	(15)	-	(15)	(15)
Other	-	-	-	-	-	-

	Year ended 31 December 2014				
	Free surplus	Required capital	Adjusted net worth	Value of in-force	MCEV
Expected existing business contribution (reference rate)	29	61	90	119	209
Expected existing business contribution (in excess of reference rate)	3	11	14	20	34

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Old Mutual Wealth	Year ended 31 December 2013					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	172	294	466	1,978	2,444	122	314	436	2,110	2,546
New business value	(105)	27	(78)	154	76	(134)	23	(111)	173	62
Expected existing business contribution (reference rate)	3	1	4	26	30	3	3	6	40	46
Expected existing business contribution (in excess of reference rate)	2	-	2	22	24	1	-	1	22	23
Transfers from VIF and required capital to free surplus	347	(40)	307	(307)	-	357	(37)	320	(320)	-
Experience variances	(72)	31	(41)	13	(28)	(55)	7	(48)	29	(19)
Assumption changes	(4)	(2)	(6)	(20)	(26)	(3)	(4)	(7)	(22)	(29)
Other operating variance	(6)	3	(3)	50	47	(19)	3	(16)	(59)	(75)
Operating MCEV earnings	165	20	185	(62)	123	150	(5)	145	(137)	8
Economic variances	38	6	44	70	114	41	5	46	76	122
Other non-operating variance	(29)	4	(25)	(21)	(46)	6	(12)	(6)	3	(3)
Total MCEV earnings	174	30	204	(13)	191	197	(12)	185	(58)	127
Closing adjustments	(97)	2	(95)	9	(86)	(147)	(8)	(155)	(74)	(229)
Capital and dividend flows	(113)	-	(113)	-	(113)	(185)	(4)	(189)	-	(189)
Foreign exchange variance	1	2	3	9	12	(1)	(4)	(5)	(10)	(15)
MCEV of acquired/sold business	15	-	15	-	15	39	-	39	(64)	(25)
Other	-	-	-	-	-	-	-	-	-	-
Closing MCEV	249	326	575	1,974	2,549	172	294	466	1,978	2,444
Return on MCEV (RoEV)¹ per annum					5.0%					0.3%

¹Return on MCEV is calculated as the operating MCEV earnings after tax divided by opening MCEV in sterling.

	Year ended 31 December 2013			Year ended 31 December 2012		
	Adjusted net worth	Value of in-force	MCEV	Adjusted net worth	Value of in-force	MCEV
Experience variances	(41)	13	(28)	(48)	29	(19)
Persistency	(7)	18	11	(2)	25	23
Risk	4	(1)	3	6	-	6
Expenses	(8)	2	(6)	(29)	7	(22)
Development costs	(34)	-	(34)	(19)	-	(19)
Other	4	(6)	(2)	(4)	(3)	(7)
Assumption changes	(6)	(20)	(26)	(7)	(22)	(29)
Persistency	-	6	6	-	(26)	(26)
Risk	-	2	2	-	1	1
Expenses	-	(19)	(19)	-	(2)	(2)
Development costs	-	(3)	(3)	-	-	-
Other	(6)	(6)	(12)	(7)	5	(2)

	Year ended 31 December 2014				
	Free surplus	Required capital	Adjusted net worth	Value of in-force	MCEV
Expected existing business contribution (reference rate)	1	-	1	25	26
Expected existing business contribution (in excess of reference rate)	2	(1)	1	23	24

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Non-core covered business

Old Mutual Bermuda

	Year ended 31 December 2013					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	247	433	680	(55)	625	-	187	187	(121)	66
New business value	-	-	-	-	-	-	-	-	-	-
Expected existing business contribution (reference rate)	-	-	-	-	-	-	1	1	7	8
Expected existing business contribution (in excess of reference rate)	-	-	-	-	-	-	18	18	8	26
Transfers from VIF and required capital to free surplus	-	-	-	-	-	(35)	(26)	(61)	61	-
Experience variances	32	-	32	-	32	59	-	59	(20)	39
Assumption changes	-	-	-	-	-	16	-	16	13	29
Other operating variance	-	-	-	-	-	(19)	15	(4)	1	(3)
Operating MCEV earnings	32	-	32	-	32	21	8	29	70	99
Economic variances	20	-	20	-	20	131	-	131	(14)	117
Other non-operating variance	182	(182)	-	-	-	(252)	252	-	-	-
Total MCEV earnings	234	(182)	52	-	52	(100)	260	160	56	216
Closing adjustments	(368)	1	(367)	55	(312)	347	(14)	333	10	343
Capital and dividend flows	(351)	-	(351)	-	(351)	354	-	354	6	360
Foreign exchange variance	3	1	4	(2)	2	(7)	(14)	(21)	4	(17)
MCEV of acquired/sold business	-	-	-	-	-	-	-	-	-	-
Other ¹	(20)	-	(20)	57	37	-	-	-	-	-
Closing MCEV	113	252	365	-	365	247	433	680	(55)	625
Return on MCEV (RoEV)² per annum					4.9%					154.0%

¹Other represents the change in valuation basis for Old Mutual Bermuda

²Return on MCEV is calculated as the operating MCEV earnings after tax divided by opening MCEV in dollars.

	Year ended 31 December 2013			Year ended 31 December 2012		
	Adjusted net worth	Value of in-force	MCEV	Adjusted net worth	Value of in-force	MCEV
Experience Variances	32	-	32	59	(20)	39
Persistency	-	-	-	58	(19)	39
Risk	-	-	-	-	-	-
Expenses	-	-	-	2	-	2
Development costs	-	-	-	-	-	-
Other	32	-	32	(1)	(1)	(2)
Assumption Changes	-	-	-	16	13	29
Persistency	-	-	-	19	-	19
Risk	-	-	-	-	-	-
Expenses	-	-	-	-	20	20
Development costs	-	-	-	-	-	-
Other	-	-	-	(3)	(7)	(10)

	Year ended 31 December 2014				
	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)	-	-	-	-	-

Unaudited additional information to Notes to the MCEV Basis Supplementary Information

For the year ended 31 December 2013

3. Drivers of New Business Value

The following section provides additional information on the 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
Year ended 31 December 2013				
Margin at the end of comparative financial year	2.3	2.3	4.1	1.2
Change in volume	0.3	0.3	0.1	0.3
Change in country and product mix	(0.1)	(0.1)	-	(0.1)
Change in operating assumptions	(0.1)	(0.1)	(0.2)	-
Change in economic assumptions	0.1	0.1	0.1	-
Change in non-operating assumptions	-	-	(0.1)	-
Margin at the end of the financial year	2.4	2.4	4.0	1.4

	%			
	Total covered business	Core covered business	Emerging Markets	Old Mutual Wealth
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	0.2	0.5	-
Change in operating assumptions	-	-	-	(0.1)
Change in economic assumptions	0.1	0.1	0.2	0.1
Change in non-operating assumptions	-	-	-	-
Margin at the end of the financial year	2.3	2.3	4.1	1.2

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

Commentary for the year ended 31 December 2013

For Emerging Markets, the decrease in new business margins compared to December 2012 is mainly due to the adverse impact of persistency assumption changes in Mass Foundation Cluster and a significant expense allocation change in Mexico. Volumes have improved due to significant growth in the Mass Foundation Cluster and Retail Affluent businesses and favourable changes in economic assumptions at December 2012, since VNB in 2013 is calculated using December 2012 economic assumptions.

For Old Mutual Wealth, the increase in new business margins compared to December 2012 is mainly due to lower acquisition expenses in 2013 compared to 2012 resulting from cost reduction initiatives implemented at the end of 2012. These impacts are attributed to the 'change in volume' impact in the table above. This is partly offset by changes to product mix reflecting UK and International customers switching to lower margin products.

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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 2013 and the value of the new business for the year ended 31 December 2013 to the following:

- **Economic assumptions 100 bps increase/decrease:** Increasing/decreasing all pre-tax investment and economic assumptions (projected investment returns and inflation) by 100 bps, with credited rates and discount rates changing commensurately.
- **Equity/property market value 10% increase/decrease:** Equity and property market value increasing/ decreasing by 10%, with all pre-tax investment and economic assumptions unchanged.
- **10 bps 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.
- **50bps contraction on corporate bond spreads.**
- **25% increase in equity/property and swaption implied volatilities:** 25% multiplicative increase in implied volatilities.
- **10% decrease in discontinuance rates/10% decrease in maintenance expense:** Maintenance expense levels decreasing by 10%, with no corresponding decrease in policy charges
- **5% decrease in mortality/morbidity rates:** Mortality and morbidity assumptions for assurances decreasing by 5%, with no corresponding decrease in policy charges
- **5% decrease in annuitant mortality assumption:** Mortality assumption for annuities decreasing by 5%, with no corresponding increase in policy charges
- **VNB 10% increase in acquisition expenses:** For value of new business, acquisition expenses other than commission and commission related expenses increasing by 10%, with no corresponding increase in policy charges
- **VNB on closing economic assumptions:** Value of new business calculated on economic assumptions at the end of reporting period
- **Minimum capital requirement:** Required capital equal to the minimum statutory requirement
- **NHR capital diversification:** Residual non-hedgeable risk capital reduced to incorporate diversification benefits between hedgeable and non-hedgeable risks for covered business.
- **99.93% confidence level NHR capital:** Economic capital for residual non-hedgeable risks calculated assuming a 99.93% confidence level.

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 31 December 2013	Total covered business	Core covered business	Emerging Markets	Old Mutual Wealth	Non-core covered business
Central assumptions	5,867	5,502	2,953	2,549	365
MCEV given changes in:					
Economic assumption 100bps increase	5,739	5,363	2,911	2,452	377
Economic assumption 100bps decrease	5,990	5,634	2,984	2,650	356
Equity/property market value 10% increase	6,030	5,650	3,045	2,604	381
Equity/property market value 10% decrease	5,629	5,282	2,860	2,422	347
10bps increase of liquidity spreads	5,873	5,508	2,959	2,549	365
50bps contraction on corporate bond spreads	5,879	5,514	2,965	2,549	365
25% increase in equity/property implied volatilities	5,790	5,432	2,884	2,548	358
25% increase in swaption implied volatilities	5,854	5,489	2,940	2,549	365
10% decrease in discontinuance rates	6,031	5,669	3,016	2,653	362
10% decrease in maintenance expense	6,043	5,678	3,061	2,617	365
5% decrease in mortality/morbidity rates	5,976	5,611	3,047	2,564	365
5% decrease in annuitant mortality assumption	5,863	5,498	2,949	2,549	365
Minimum capital requirement	5,920	5,555	3,005	2,550	365
NHR capital diversification	5,893	5,528	2,969	2,559	365
99.93% confidence level NHR capital	5,822	5,457	2,927	2,530	365

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Sensitivity tests: Value of in-force business

£m

At 31 December 2013	Total covered business	Core covered business	Emerging Markets	Old Mutual Wealth
Central assumptions	3,306	3,306	1,332	1,974
Value of in-force business given changes in:				
Economic assumption 100bps increase	3,188	3,188	1,289	1,898
Economic assumption 100bps decrease	3,412	3,412	1,364	2,048
Equity/property market value 10% increase	3,418	3,418	1,389	2,029
Equity/property market value 10% decrease	3,122	3,122	1,274	1,848
10bps increase of liquidity spreads	3,312	3,312	1,338	1,974
50bps contraction on corporate bond spreads	3,306	3,306	1,332	1,974
25% increase in equity/property implied volatilities	3,236	3,236	1,263	1,973
25% increase in swaption implied volatilities	3,293	3,293	1,319	1,974
10% decrease in discontinuance rates	3,473	3,473	1,395	2,078
10% decrease in maintenance expense	3,482	3,482	1,440	2,042
5% decrease in mortality/morbidity rates	3,415	3,415	1,426	1,989
5% decrease in annuitant mortality assumption	3,302	3,302	1,328	1,974
Minimum capital requirement	3,359	3,359	1,384	1,975
NHR capital diversification	3,332	3,332	1,348	1,984
99.93% confidence level NHR capital	3,261	3,261	1,306	1,955

Sensitivity tests: Value of new business

£m

At 31 December 2013	Total covered business	Core covered business	Emerging Markets	Old Mutual Wealth
Central assumptions	212	212	136	76
Value of new business given changes in:				
Economic assumption 100bps increase	199	199	131	68
Economic assumption 100bps decrease	222	222	139	84
Equity/property market value 10% increase	219	219	136	83
Equity/property market value 10% decrease	206	206	136	70
10bps increase of liquidity spreads	213	213	137	76
50bps contraction on corporate bond spreads	212	212	136	76
25% increase in equity/property implied volatilities	212	212	136	76
25% increase in swaption implied volatilities	212	212	136	76
10% decrease in discontinuance rates	251	251	166	85
10% decrease in maintenance expense	229	229	147	82
5% decrease in mortality/morbidity rates	227	227	150	77
5% decrease in annuitant mortality assumption	211	211	135	76
VNB 10% increase in acquisition expenses	197	197	127	70
VNB on closing economic assumptions	206	206	134	72
Minimum capital requirement	217	217	141	76
NHR capital diversification	215	215	138	77
99.93% confidence level NHR capital	207	207	133	74

¹ 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.

Unaudited additional information to Notes to the MCEV Basis Supplementary Information

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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 2013	At 31 December 2012
Emerging Markets	806	892
Old Mutual Wealth	834	820
Old Mutual Bermuda ¹	n/a	210
Total	1,640	1,922

¹The 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 non-hedgeable risk component.

The table below shows the value of debt securities included in IFRS results at book value and in MCEV.

Debt securities	Notes to the Consolidated Financial Statements	£m			
		At 31 December 2013		At 31 December 2012	
		Book value	MCEV	Book value	MCEV
£273 million perpetual preferred callable securities ¹	E1	273	265	348	310
€374 million perpetual preferred callable securities ¹	E1	253	317	334	376
R3 billion repayable 27 October 2015 (8.9%)	E1 (e)	172	180	218	233
US\$2 million secured senior debt repayable August 2014 (5.23%) ²	E1 (b)	1	1	10	10
£500 million repayable 3 June 2021 (8.0%)	E1 (e)	531	531	547	547
£112 million euro bond repayable October 2016 (7.125%) ³	E1 (b)	115	126	113	131
Value of debt		1,345	1,420	1,570	1,607

¹On 19 November 2013, £75 million of the £348 million perpetual preferred callable securities and €121 million of the €495 million perpetual preferred callable securities were repurchased via a Modified Dutch Auction tender.

²\$14 million of the \$16 million senior bond was repaid during 2013, with a repayment of \$12 million on 1 November 2013 and \$2 million on 15 December 2013.

³This differs from the value in the Borrowed Funds note E1 (b) by the accrued interest during the period, 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.

6. MCEV Assumptions

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

Expense inflation

	%			
	GBP	EUR ¹	USD ²	ZAR
At 31 December 2013				
1 year	3.8	1.5	n/a	6.8
5 years	4.3	1.5	n/a	7.6
10 years	4.8	1.5	n/a	8.3
20 years	4.9	1.5	n/a	8.9
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

¹The reduction in expense inflation assumptions for Europe in 2013 reflects the revised future unit cost expectations following the restructuring of European businesses.

²USD expense inflation rates are no longer applicable to Old Mutual Bermuda modelling methodology given the simplified modelling approach adopted in 2013.

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 2013					
1 year	31.7	26.2	23.8	22.2	20.7
5 years	23.6	22.6	21.0	21.4	26.2
10 years	21.3	20.1	21.0	21.5	29.0
20 years	24.6	25.0	24.4	23.2	29.6
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

¹Due 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.

²From 30 June 2013, the South African stochastic models have been updated to allow for the observed equity volatility skew. The December 2013 at-the-money options volatilities included in the above table have been derived from the updated model.

USD volatilities

USD swaption volatilities are no longer applicable to Old Mutual Bermuda modelling methodology given the simplified modelling approach adopted for December 2013.

International equity volatilities (applicable to Bermuda)¹

	%									
Option term	SPX	EWZ	TPX	HSCEI	TWY	KOSP12	NIFTY	SX5E	UKX	
At 31 December 2013										
1 year	16.1	25.5	27.8	22.9	15.7	18.4	20.8	17.7	16.2	
5 years	21.0	26.4	28.0	24.5	18.6	19.4	23.5	19.0	19.4	
10 years	21.0	26.4	28.0	24.5	18.6	19.4	23.5	19.0	19.4	
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	

6. MCEV Assumptions

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

Option term	EEM	USAgg	EUAgg	APAgg
At 31 December 2013				
1 year	22.3	4.9	12.8	11.61
5 years	24.9	4.9	12.8	11.61
10 years	24.9	4.9	12.8	11.61
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

¹Long-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.

Effective tax rates

The weighted average effective tax rates on the value of in-force that apply to the cash flow projections at 31 December 2013 are set out below:

Weighted average effective tax rates on the value in-force	At 31 December 2013	At 31 December 2012
OMLAC(SA)	29	28
Other African entities	-	-
Old Mutual Wealth	14	11
Bermuda ¹	n/a	-

¹No longer applicable as per new valuation basis given the simplified modelling approach adopted for 2013.