NEWS **RELEASE**

Friday, 28 February, 2014

Old Mutual plc preliminary results for the year ended 31 December 2013

Financial performance:

- Adjusted operating profit (AOP) of £1.6 billion up 15% in constant currency, flat in reported currency
- Very strong net client cash flow across the Group: £15.5 billion, equivalent to 6% of opening FUM
- FUM up 19% to £294 billion on a constant currency basis
- £811 million free surplus generated
- Group ROE 13.6%, within target range of 12-15%
- (AOP) Earnings per share 18.4p up 21% in constant currency and 5% in reported currency
- Final dividend of 6.0p, up 14%, with a total dividend of 8.1p up 16%

Strategic progress:

- Minority IPO of US Asset Management business in 2014, subject to market conditions
- Intrinsic bolt-on acquisition supports Old Mutual Wealth's integrated wealth management model
- Acquisitions in East and West Africa; integration of new businesses progressing well
- Improved collaboration between Old Mutual, Nedbank and Mutual & Federal

New products and improved distribution driving sales:

- R1.6 billion of *XtraMAX* sales since launch in May; SA Wealth offering attracted R1 billion of FUM since launch
- OMGI UK Alpha Fund sales of nearly £1 billion
- 16% of UK Platform gross sales into OMGI funds
- Agency sales force growth in South Africa Mass Foundation, Kenya, and Latin America
- Customer growth; 590,000 new customers in Rest of Africa; 529,000 in Nedbank Retail; 280,000 in Mass Foundation

Julian Roberts, Group Chief Executive, said:

"I am delighted with the way Old Mutual has performed this year notwithstanding the volatility of the rand, with double digit growth in each of our main businesses. We have seen positive net client cash flows into all of our businesses totalling £15.5 billion which is testament to our attractive customer propositions.

"We are making excellent progress against our strategic objectives. We are growing in South Africa, with more than 750,000 new Old Mutual and Nedbank customers. We have taken significant steps in our goal of becoming Africa's financial services champion, with new businesses in East and West Africa and nearly 600,000 new customers.

"I am excited about the prospects of Old Mutual Wealth which, with the acquisition of Intrinsic and our strengthened asset management capability, now has the foundations to become the leading retail investment business in the UK. We have announced today that we intend to proceed with a minority IPO of US Asset Management in 2014, subject to market conditions.

"We have a clear strategy and clear priorities which we are focused on achieving. While the external environment is likely to remain uncertain, and in particular the impact of the movement of the rand on our reported results, we believe that the long-term structural growth trends in Africa and strong demand for banking, protection and savings products remain intact and will continue to drive sustainable and profitable growth for Old Mutual."

Old Mutual plc results for the year ended 31 December 2013

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Notes to the financial summary on the front page of this announcement

- All figures refer to core continuing operations. Core continuing operations exclude the results of the Nordic business disposed of during 2012 and the Bermuda business which is classified as non-core.
- Constant currency figures are calculated by translating local currency prior period figures at the prevailing exchange rates for the period under review.

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, 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, 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.

Nothing in this news release shall constitute an offer to sell or the solicitation of an offer to buy securities.

Notes to editors

A webcast of the presentation on the preliminary results and Q&A will be broadcast live at 9:00 am UK time (11:00 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 54741170#:

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

Playback (available for 30 days from Friday, 28 February 2014), using pass-code 644817#:

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 preliminary results can be found on our website. This contains financial data for 2013 and 2012.

Sterling exchange rates

		2013	2012	Appreciation / (depreciation) of local currency
South African Rand	Average Rate	15.10	13.01	(16)%
	Closing Rate	17.43	13.77	(27)%
US Dollar	Average Rate	1.57	1.58	1%
	Closing Rate	1.66	1.62	(2)%

Part 1 – 2013 Annual Review

Contents

News Release	**1**
Part 1 – 2013 Annual Review	**3**
Group Review	4
Overview	4
Dividend policy	7
Board changes	7
South African empowerment	7
Outlook	7
Group Financial Highlights	8
Part 2 – Financial Performance	**10**
Part 3 – Detailed Business Review	**21**
Part 4 – Financial Information	**51**

Part 1 – 2013 Annual Review

Group Review

Overview

Strong cash flows and profits…

This has been a year of profitable business growth and strategic delivery by Old Mutual. Our strong net client cash flows across all our businesses demonstrate the strength of our client offering and this has translated into excellent profit growth of 15% to £1.6 billion on a constant currency basis, and flat on a reported basis. Gross sales were up 17% to more than £25 billion, with funds under management (FUM) up 19% to £293.8 billion. Group return on equity (RoE) at 13.6% remained well within the 12 – 15% we have set as a target.

Equity markets in our largest markets of South Africa, the UK and US performed strongly in the year with the JSE All-Share up around 18%, the FTSE 100 14% higher and Standard & Poor's 500 up 30%. However, the year saw a further weakening of the rand against sterling, resulting in the Group's business results being affected on a reported currency basis, with the average rand rate declining during the period by 16% against sterling.

…as confidence returns…

After a challenging few years, we saw confidence and growth begin to return to the UK economy, and the US continuing on its path to recovery, with a corresponding rise in equity markets. Growth slowed somewhat in South Africa with economic activity affected by labour disputes in the extractive industries, but the International Monetary Fund (IMF) expects growth to increase this year to 2.8% from 1.90% in 2013. Concern over South Africa's current account and budget deficits combined with an expectation of tapering by the US Federal Reserve led to the rand depreciating by 27% against sterling and 24% against the US dollar by the year end. The sub-Saharan markets where we operate saw significant growth again in the year with estimated GDP growth of 6.2% in Nigeria, 7.9% in Ghana and 5.9% in Kenya (IMF).

…and Old Mutual continues its transformation to focus on growth…

For the past five years, our focus has been to simplify our Group and return Old Mutual to a strong position from which to deliver long-term growth. With this having been substantially achieved, we are focused on growth and in 2013 set out four strategic priorities to achieve this. We are making good progress in executing these priorities.

We said that we would expand in the fastest growing markets in South Africa and we have built our customer base and increased sales significantly during the year. Old Mutual has gained 280,000 customers in the Mass Foundation sector and Nedbank has added a further 529,000 customers in its retail banking unit this year. Old Mutual South Africa gross sales increased 11% to R118 billion, Nedbank saw an increase in average interest earning assets of 7% to R594.7 billion and non-interest revenue growth was 11.8%.

Our second strategic priority is to become Africa's financial services champion, and we have set aside up to R5 billion to help us achieve this. Despite the short-term headwinds facing the emerging markets, we are convinced that the structural growth drivers of the young, growing population allied to a more stable political environment and growing wealth driven by natural resources present a sizeable opportunity for retail financial services. We now have more than 1.9 million customers in Africa, outside of South Africa, and our focus is to build scale businesses in West and East Africa, based around regional hubs in Lagos and Nairobi. We bought the Oceanic life and property and casualty (P&C) businesses in Nigeria, which are now operational and trading under the Old Mutual brand. We bought Provident Life Assurance in Ghana and the integration of this business into the Old Mutual group is progressing well. In East Africa, subject to the conclusion of the relevant closing conditions, we bought a majority stake in Faulu, a highly regarded micro-lender with more than 400,000 customers. The customer profile of Faulu is very similar to that of our South African Mass Foundation business, and we have started cross-selling credit life to the Faulu customer base and are exploring ways of adapting other parts of our Mass Foundation product suite for use in Kenya.

We have now committed approximately R700 million in acquiring these businesses, and are actively exploring a number of attractive options to ensure that we can rapidly build scale in these key markets. Nedbank is expected to complete its acquisition of a 36.4% stake in the Mozambican bank Banco Unico in Q1 2014 for $24.4 million and has the opportunity to exercise its right to acquire 20% in ETI.

As we build across Africa and as we cement our position in South Africa we will continue to seek ways in which Old Mutual, Nedbank and Mutual & Federal (M&F) can work more closely together and leverage off their individual strengths and capabilities. This initiative is already resulting in significant cross-selling opportunities. For example: Nedbank Financial Planners delivered gross flows of R4.3 billion to the South African Retail Affluent division and Retail Affluent sold R600 million of M&F products. Collaboration is key to our future growth and we intend to implement incentive plans for the executive management of Old Mutual Emerging Markets (OMEM), Nedbank and M&F which will reward them for driving revenue, cost and capital synergies between the three businesses. In addition, reflecting the importance of the insurance and banking businesses to South Africa, at the request of the Regulator, in 2014 we will be activating a new top Board in the country to oversee risks, capital and strategy for the South African part of the Group.

We explained our plans to grow Old Mutual Wealth and we have set a pre-tax AOP target for the business of £300 million in 2015 and we are on track. In the UK, we are aiming to become the leading retail investment business and have put in place building blocks to achieve this: we have strengthened the talent base in Old Mutual Global Investors (OMGI); have signed an agreement for IFDS to provide us with one of the most flexible platforms on the market; widened our product proposition including launching Wealth*Select*; and have announced that we will acquire one of the UK's largest financial adviser networks, subject to regulatory approval, as a bolt-on acquisition.

We intend to proceed with an initial public offering of a minority interest in the US Asset Management (USAM) business in 2014, subject to market conditions. The purpose of the offering is to enhance USAM's financial and operating flexibility to deploy capital to continue to grow and develop further its multi-boutique asset management business. We expect that this offering will broaden USAM's access to capital to pursue future growth initiatives across its business, including collaborative investments in affiliate growth and further

penetration of non-US markets through its global distribution platform, as well as strategic partnerships with high quality boutique asset management firms with complementary investment products.

…while remaining financially strong and cash generative

We have a strong balance sheet with a low level of indebtedness. In 2013, we completed our £1.7 billion debt repayment programme through the purchase of £176 million of outstanding debt. The Group, excluding Nedbank, had gross IFRS debt of £1.3 billion at 31 December 2013. We continue to generate strong cash returns which give us the ability to continue to invest for growth and remain strongly capitalised while maintaining a progressive dividend.

Emerging Markets continues its growth trajectory…

The Emerging Markets business as a whole saw good growth in the year, with gross sales up 9% to R165 billion. NCCF improved by 52% to R24.7 billion, with FUM up 16% to R838 billion. Pre-tax AOP on an IFRS basis was up 12% to R8.9 billion.

OMEM's successful performance was underpinned by a focus on understanding and meeting our customers' needs. We introduced new offerings in our markets, including: the Old Mutual Wealth proposition in South Africa, which was launched in September and in its first six months of operations reached R1 billion of FUM; *XtraMAX* in South Africa; a mobile phone operated transactional money account in Namibia; and a personal pension plan in Kenya. We also boosted the number of agents we have. In Kenya, we now have approximately 600 agents; since acquiring AIVA in Latin America, we have recruited a further 460 agents; in the Mass Foundation business we have grown our adviser numbers to 4,160 from 3,750 last year. Product innovation and customer service remain critical for the success of our business and will continue to be a key focus for our staff.

In Old Mutual South Africa, strong sales across the business were largely driven by product innovation. In Retail Affluent, non-covered sales were up 22% due to strong demand for our *Galaxy* and unit trust products, and covered sales increased by 9%, with a particularly strong performance in single premium sales, up 28%, largely into *XtraMAX*, a structured investment product. The Mass Foundation segment maintained its growth path with gross sales up 14%, largely due to a larger adviser force, and profits were also up by 14%. We maintain a tight grip on the quality of the new business we are writing by, for example, by enhancing new business submission standards and have introduced various retention initiatives.

Gross Corporate sales were up 17% mainly due to excellent growth in single premium business. Old Mutual Investment Group (OMIG) saw good flows into equity boutiques, however sales as a whole declined 7% against 2012 which was a particularly strong year.

Old Mutual Finance, our 50% joint venture, continues to have a conservative approach to lending and we have maintained collection rates on our active portfolio of more than 90%. We maintain a tight focus on unsecured credit and have strict underwriting criteria.

In the Rest of Africa, we saw excellent growth in covered sales, up 17%, as we secured large corporate deals in Namibia, growth in Retail Affluent sales in Kenya and the inclusion of Nigeria for the first time. Non-covered sales decreased by 14%, mainly due to the exclusion of Kenya broker flows in 2013 and lower institutional sales in Namibia.

In Latin America and Asia, profits were up 80% boosted by favourable exchange rates, a reallocation of central expenses and the first time inclusion of AIVA profits in 2013.

Overall Emerging Markets non-covered sales for the period were flat at R116 billion reflecting the reclassification of Asia sales from non-covered to covered and the strong performance of the comparative period.

We have set out a number of clear targets for the Emerging Markets business. We are aiming to grow our customer base to at least 9 million by 2015, maintain our RoE target between 20 – 25%, and have the Rest of Africa profits, including Property & Casualty, reaching 15% of South African profits by 2015. As part of our plan to achieve this, we are exploring a number of options in both East and West Africa which will allow us to build the scale that we believe we need in these key markets.

…Nedbank produces another year of increased profit…

Nedbank produced another set of excellent results, with headline earnings up 15.9% to R8.7 billion driven by good revenue growth, impairments increasing at a slower rate than net interest income and disciplined expense management. Non-interest revenue saw growth of 11.8% to R19.4 billion and net interest income increased by 7.8% to R21.2 billion. The credit loss ratio for the year was 1.06%, up slightly from last year (1.05%) which was expected given the economic climate, more conservative provisioning and a single large impairment recorded by the business banking division. Nedbank remains well capitalised with the Basel III common-equity Tier 1 ratio at 12.5%.

…while the environment remains challenging for Property & Casualty…

The tough conditions we have seen for P&C insurance continued into the second half of 2013, as the industry in South Africa as a whole suffered from weather-related losses in the last quarter, drought conditions affected our Agriculture underwriting results in the first half, and a continued soft market especially in motor. These conditions contributed to a disappointing underwriting loss of R437 million. Gross written premiums grew by 16.6% in the year, with strong growth of 36.7% in the Corporate & Niche segment due to the new Treaty Inwards business. In iWYZE, we saw solid growth in gross written premiums of 10.8% and a significant improvement in the claims ratio.

The new management team has a clear plan to address the challenges that the business faces. We are confident that following the implementation of the plan we will meet our published targets but acknowledge that it will take time for this to come through in the business' financial results. By 2016, we expect this business to have a sustainable top 2 position in the South African market; to have built significant operations in the major markets in the Rest of Africa; to maintain an RoE of 15-20% through the cycle; and with an underwriting margin of 4-6%.

… Old Mutual Wealth delivers operational growth and strategic transformation…

It was a significant year for Old Mutual Wealth with the changes following the implementation of the long awaited Retail Distribution Review (RDR), with significant progress made in the strategy to build the leading retail investment business in the UK, and developing new customer propositions, all alongside a strong operational performance. Profits were up 11% on the prior year to £217 million. The 2012 total included additional exceptional policyholder tax benefits of £22 million and £13 million of profit from the now sold Finnish business. Excluding these items, the underlying profit was up by 36%, from £160 million.

Gross sales for the year were up 24%, with all core businesses contributing to the uplift. NCCF was up 15% on the prior year as we saw strong sales on the UK Platform, by Old Mutual Global Investors (OMGI), and through our International business. As a result of the strong NCCF and an uplift in equity markets, FUM increased by 13% to £78.5 billion.

In the UK, the Platform recorded NCCF of £2.4 billion, which was a particularly good performance given the challenging start to the year with the introduction of RDR. Confidence amongst advisers has returned and we have seen good sales across the collective investment products and ISA products, leading to a strong fourth quarter. FUM on the Platform now stands at £27.3 billion, up 21% on the prior year, and contributing to the increase in profits from £2 million last year to £13 million in 2013. Importantly, gross new business sales on the Platform into OMGI funds were 16% at end of 2013. The Platform was awarded the "Best Platform" award at the Professional Advisers Awards.

Our International cross-border business had NCCF of £0.5 billion, up 150% on the prior year, predominantly due to new product launches and improved sales in South Africa. Sales in Hong Kong and Europe were also much improved and sales in Latin America have developed well with the acquisition of AIVA, which saw some large single premium business toward the end of the year.

We have strengthened the OMGI asset management capabilities in UK equities and this, combined with continued strong investment performance, led to NCCF for the year of £0.7 billion, up from £0.3 billion in 2012. NCCF from UK third parties reached £1.3 billion, against £0.1 billion in 2012. We saw further Nordic outflows, which were anticipated following the sale of the Nordic business in 2012, totalling £1.0 billion. We expect the final £200 million of Nordic outflows in the current year. We continue to look to broaden our investment styles where appropriate.

In 2012, we outlined our plans for transforming Old Mutual Wealth into the leading retail investment business in Britain and we have taken a number of significant strides in this respect. It is now operating under one reporting structure and management team and this year all businesses will be rebranded from Skandia to Old Mutual Wealth.

A key pillar of our strategy was to strengthen our asset management offering. We have brought in a new UK equities team and will look to strengthen our teams in other asset classes where necessary. We have launched a new proposition to the market – Wealth*Select*, which provides financial advisers with the most comprehensive range of portfolio management solutions in the market. During the year we continued to embed Wealth Interactive, our cross-border international platform, and we signed an outsourcing arrangement with IFDS which will transform our platform into one of the most flexible in the market, with associated transformation costs of approximately £140 million over the next three years after £20 million of costs have already been incurred.

We have announced today that we are purchasing Intrinsic Financial Services Limited ('Intrinsic'), one of the largest adviser networks in the UK with 3,000 advisers, both restricted and independent. We believe that the provision of advice is of fundamental and growing importance in the retail financial services market and that restricted advice will become more dominant in time. The purchase of Intrinsic is a critical part of our strategy of creating a leading wealth management business that combines financial advice, investment solutions and high quality asset management to deliver first class outcomes for our customers.

…and US Asset Management maintains its momentum

The excellent first six months of 2013 continued into the second half of the year translating into profit and margin growth and sustained positive NCCF. Profits at $174 million increased by 21% on the prior year's reported result and NCCF at $16.3 billion, represented 7.8% of the opening FUM, with our Global Distribution team accounting for approximately a quarter of NCCF. Net flows were highly diversified with six out of our eight affiliates recording positive or flat flows. FUM stands at $257.4 billion, 23% higher than the prior year due to a combination of the strong net flows and positive market movements.

We are playing our part in the communities where we operate…

We recognise that we have an impact on the societies in which we operate. Secure, transparent and affordable financial products are at the heart of a strong and thriving society, and that is what we seek to provide to all of our customers. Our products and services are key to a sustainable economy, and often serving the lower income groups of society.

In our markets we support economic development and society as a whole in a number of ways. In South Africa, we signed an R80 million deal that will fund the development and operations of four low-fee independent schools over the next five years and are set to reach 4,100 pupils. This deal is the third of its kind for the Schools Investment Fund, a fund established by the Public Investment Corporation (PIC), the Government Employees Pension Fund (GEPF) and Old Mutual to address the shortage of quality affordable schools in South Africa. In all our businesses we work through our employees and directly with community partners to support projects and in 2013 across the Group we spent £16.1 million in community investment programmes.

We are committed to monitoring, managing and reducing our environmental impact and as part of this we will be adopting non-financial targets that support our Responsible Business strategy. These will be communicated in our Responsible Business report to be published at the beginning of April.

… and ensuring we are always focused on the customer…

We can only be successful with the continued support and trust of our customers. Ensuring that we treat them fairly and provide them with the products, returns and service levels they expect from an institution to which they entrust their savings is critical. It is why we

spend significant resources making the customer the central focus of our company. We have made significant progress in this regard, in particular in enhancing our customer insights and improving and expanding our product range.

In the past year we have taken a number of further steps by, for example, improving our proposition: through the launch of Old Mutual Wealth in South Africa and enhancing our distribution in Kenya via the acquisition of Faulu. We have made our products more accessible by: expanding Old Mutual Finance's branch footprint to 225 and by launching new world solutions such as Nedbank's app suite and the I-invest mobile unit trust savings product in Kenya. We have improved the customer feedback capability in each geography where we are present, and we have seen a steady improvement in our Net Promoter Score, which is a customer loyalty metric.

… while building a strong, responsible culture within Old Mutual

Embedding the right culture and values in the organisation is similarly important. As part of this process, senior management are formally assessed to ensure that they demonstrate the company's desired values and a proportion of their remuneration is dependent on this.

Senior management receive specific feedback via a 360 degree process to understand their strengths and where they need to develop in terms of these behaviours. Our leadership development programmes help to develop the mindset and skills needed. For employees at all levels we have training and recognition schemes focused on instilling the behaviours we want to encourage. These form part of our induction of new employees and we ask every person each year via a culture and values survey to describe the values and behaviours they see in the way the company operates. We use this feedback to identify actions to continually align the way we do things with our values.

Our strong cash generation and capital position supports a 16% increase in dividend

The Board has considered the position in respect of the final dividend for 2013 and is recommending the payment of a final dividend for 2013 of 6.0p per Ordinary Share (or its equivalent in other applicable currencies). Based on this recommendation the full-year Ordinary dividend would be 8.1p, a 16% increase on the prior year. No scrip dividend alternative will be available in relation to this dividend.

Dividend policy

The Board intends to pursue a progressive dividend policy consistent with our strategy, having regard to overall capital requirements, liquidity and profitability, and targeting a dividend cover in the range of 2.0 to 2.25 times IFRS AOP earnings in future. Interim dividends will continue to be set at about 30% of the prior year's full ordinary dividend.

Board changes

We were pleased to welcome Dr Nkosana Moyo, Zoe Cruz and Adiba Ighodaro to the Board as independent non-executive directors. Dr Moyo is the Executive Chairman of the Mandela Institute for Development Studies, and was previously Vice President and Chief Operating Officer of the African Development Bank and Managing Partner of the African business of Actis Capital. Ms Cruz was previously Co-President for Institutional Securities and Wealth Management at Morgan Stanley with responsibility for running major revenue generating businesses there, including overseeing their securities risk management and information technology. She also founded and ran her own investment management firm, Voras Capital Management. Ms Ighodaro is currently a partner with Actis, an emerging markets investment firm. Before joining Actis she was Head of West Africa for the Commonwealth Development Corporation.

Dr Moyo is a member of the Company's audit and remuneration committees; Ms Cruz is a member of the risk and remuneration committees; and Ms Ighodaro is a member of the audit committee.

Bongani Nqwababa resigned as an independent non-executive director of the Company on 6 January 2014.

Philip Broadley, Group Finance Director of Old Mutual since November 2008, has notified the Group of his intention to leave in 2014. Mr Broadley has played a critical role in the transformation of Old Mutual and leaves a much simpler and more resilient business, focused on meeting customers' needs and with a clear strategy for growth. We are currently conducting a thorough internal and external search for Mr Broadley's successor.

South African empowerment

We continue to transform our business in South Africa, with Old Mutual South Africa and Nedbank maintaining their level 2 accreditation for B-BBEE using the new Financial Sector Code.

Outlook

We have a clear strategy and clear priorities which we are focused on achieving. While the external environment is likely to remain uncertain, and in particular the impact of the movement of the rand on our reported results, we believe that the long-term structural growth trends in Africa and strong demand for banking, protection and savings products remain intact and will continue to drive sustainable and profitable growth for the country.

Group Financial Highlights

£m

Group highlights [1]	2013	2012 (constant currency)	Change	2012 (as reported)	Change
Adjusted operating profit (IFRS basis, pre-tax)	**1,612**	1,402	15%	1,612	-
Adjusted operating earnings per share (IFRS basis)	**18.4p**	15.2p	21%	17.5p	5%
Group net margin [2]	**48bps**	46bps	2bps	50bps	(2)bps
Return on equity [3]	**13.6%**			13.0%	60bps
Net asset value per share	**137.7p**	127.6p	8%	145.8p	(6)%
Adjusted Group MCEV per share	**207.5p**			220.5p	(6)%
Gross sales	**25,364**	21,702	17%	23,314	9%
Emerging Markets	**10,930**	10,072	9%	11,684	(6)%
Old Mutual Wealth [4]	**14,434**	11,630	24%	11,630	24%
Net client cash flow (£bn)	**15.5**	4.5		5.0	
Funds under management (£bn)	**293.8**	246.2	19%	262.2	12%
Total dividend for the year	**8.1p**			7.0p	1.1p

[1] The figures in the table are in respect of core continuing businesses only

[2] Ratio of AOP before tax to average funds 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). Comparative restated as required following adoption of the revised IAS 19 'Employee Benefits'

[4] From Q2 2012 OMAM(UK) has been reported within Old Mutual Wealth rather than USAM

Movements in foreign exchange rates

The rand to sterling average exchange rate weakened by 16% in 2013, reducing reported sterling earnings from our South African businesses. The rand closing rate was 27% lower than at 2012 year end, reducing sterling reported IFRS and MCEV net asset values as well as FUM. The US dollar to sterling average rate strengthened by 1%, increasing reported sterling earnings from USAM.

Adjusted operating profit (AOP) and net free surplus

Pre-tax AOP for 2013 was £1,612 million, an increase of 15% on a constant currency basis with growth in fees and improved operational efficiency. AOP earnings per share were up 21% to 18.4p on a constant currency basis. The weakening in the rand to sterling average exchange rate of 16% reduced sterling earnings such that the profits on a reported basis remained flat.

Net free surplus of £811 million was generated in the period representing 81% of AOP generated by the business units after tax and non-controlling interests. Of this, £544 million of cash was remitted by the operating units.

Group net margin

Constant currency Group net margin increased by 2 basis points from 46 to 48 basis points. The increase was due to higher net margins in USAM and Nedbank, partially offset by lower net margins in Emerging Markets, Old Mutual Wealth and Property & Casualty.

Return on equity

Core Group RoE was 13.6%, against a comparable 2012 RoE of 13.0% as earnings grew faster than the growth in retained equity.

Net asset value

On a constant currency basis, the net asset value per share has increased by 10.1p to 137.7p (2012: 127.6p). This is mainly due to profit attributable to the parent of 14.4p offset by dividends paid in the year of 7.35p. On a reported basis, net asset value per share decreased by 8.1p.

Adjusted Group MCEV per share

The adjusted Group MCEV per share decreased by 13.0p to 207.5p. Adjusted operating MCEV earnings of 17.9p were more than offset by 24.9p relating to the adverse impact of the rand depreciation as well as a further 2.6p relating to the decline in the sterling market value of Nedbank.

Gross sales

Gross sales for Emerging Markets grew 9% to £10,930 million. Sales growth in our South African retail and Corporate businesses were particularly strong, with further support from the Rest of Africa. Gross sales in Old Mutual Wealth were £14,434 million, led by UK Platform and OMGI inflows.

Net client cash flow

The Group had strong positive NCCF of £15.5 billion (2012: £4.5 billion net inflow). USAM saw significant net client cash inflows of £10.4 billion (2012 continuing operations: £0.9 billion), reflecting improved 3-year investment performance as well as positive market trends. Old Mutual Wealth NCCF was £2.3 billion (2012: £2.0 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 £1.1 billion to £1.6 billion as a result of strong flows from our Retail Affluent, Mass Foundation and OMIG businesses.

Funds under management

FUM increased by 19% to £293.8 billion on a constant currency basis and by 12% on a reported basis, with NCCF of £15.5 billion.

Positive market movements accounted for £34.3 billion with equity markets finishing strongly in 2013 despite a very volatile period in the first half of the year. The FTSE 100, S&P 500, MSCI World and the JSE All-Share indices were up by 14.4%, 29.6%, 24.1% and 17.8% respectively over the year.

FUM in Emerging Markets was up 16% to £48.1 billion and Old Mutual Wealth was up by 13% to £78.5 billion. USAM FUM increased by 23% to £155.3 billion on a comparable basis, excluding affiliates which were sold in 2012.

Other economic impacts

South African long-term interest rates moved significantly during the course of 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 6.2% and then rising with global macro condition changes to close at 8.1%, 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 2013. The hedge programme was continued in H2 2013 but will be reviewed during 2014 given developments in economic conditions and the prevailing interest rate environment.

Dividend

The full year dividend of 8.1 pence, or its equivalent in local currency for those shareholders on overseas registers, represents an increase of 16% on the prior year.

Converting the sterling final dividend at the exchange rate prevailing on 21 February 2014, the dividend to South African shareholders for the full year 2013 was 48% higher than the 2012 full year dividend in rand terms.

The interim dividend paid on 31 October 2013 was 2.1 pence.

Subject to being approved by shareholders at the Group's Annual General Meeting on 15 May 2014, the final dividend will be paid on 30 May 2014. A separate announcement on the key dividend dates for the 2013 final dividend is made with these preliminary results.

Part 2 - Financial Performance

Contents

News Release	**1**
Part 1 – 2013 Annual Review	**3**
Part 2 – Financial Performance	**10**
AOP analysis	11
Group and subsidiary RoE	12
Long Term Investement Return (LTIR)	12
Free surplus generation	12
Cash and liquidity	12
Operational cash inflows to holding company	12
Operational cash outflows and distributions by holding company	13
Net capital flows	13
Liquidity	13
Capital and leverage	13
Debt strategy, profile and maturities	13
Business local statutory capital cover	13
Financial Groups Directive results	14
Economic capital	14
Market Consistent Embedded Value (MCEV)	14
Net asset value	14
Risk management	14
Risks and uncertainties	14
Tax	15
Total tax expense	15
Income tax attributable to policyholder returns	15
Financial Appendix	16
Supplementary financial information (data tables)	16
Summarised financial information	16
Group return on equity	16
Group debt summary	16
Adjusted Group MCEV per share	17
Financial Groups Directive	17
Regulatory capital	17
Statutory results	18
Reconciliation of Group AOP and IFRS profits	18
Operational Results	19
Part 3 – Detailed Business Review	**21**
Part 4 – Financial Information	**51**

AOP analysis

			£m
	2013	2012 [1]	% Change
Core operations			
Emerging Markets [2]	**590**	611	(3)%
Nedbank	**797**	825	(3)%
Property & Casualty [2]	**4**	37	(89)%
Old Mutual Wealth	**217**	195	11%
US Asset Management	**111**	91	22%
	1,719	1,759	(2)%
Finance costs	**(92)**	(130)	(29)%
Long-term investment return on excess assets	**43**	54	(20)%
Net interest payable to non-core operations	**(11)**	(18)	(39)%
Corporate costs	**(54)**	(54)	-
Other net income	**7**	1	600%
Adjusted operating profit before tax	**1,612**	1,612	-
Tax on adjusted operating profit	**(424)**	(440)	(4)%
Adjusted operating profit after tax	**1,188**	1,172	1%
Non-controlling interests – ordinary shares	**(279)**	(281)	(1)%
Non-controlling interests – preferred securities	**(19)**	(50)	(62)%
Adjusted operating profit after tax attributable to ordinary equity holders of the parent	**890**	841	6%
Adjusted weighted average number of shares (millions)	**4,836**	4,818	0%
Adjusted operating earnings per share (pence)	**18.4**	17.5	5%

[1] The comparative period has been restated as required following the adoption of the revised IAS 19 'Employee Benefits' and IFRS 10 'Consolidated Financial Statements'

[2] 100% of iWYZE is now recorded within Property & Casualty rather than Emerging Markets. Comparative information for 2012 has been restated

AOP from the core continuing business units decreased by 2%, with increases in each of Old Mutual Wealth and US Asset Management offset by lower results in Emerging Markets and Nedbank primarily due to the rand depreciation and Property & Casualty due to the underwriting losses incurred.

Finance costs reduced from £130 million to £92 million, reflecting the lower level of debt outstanding following the completion of our debt repayment programme in 2013 and the one-off costs associated with tendering senior debt in 2012.

The long-term investment return decreased by 20% on the comparative period with the reduction in the LTIR rates from the start of the year and the effect of the weakening rand exchange rate more than offsetting a higher level of net assets.

Corporate costs were flat on prior year.

The aggregated impact of all these factors meant that adjusted operating profit before tax was £1,612 million in both 2013 and 2012 on a reported basis.

The repayment of preference share instruments in the period contributed to the reduction in non-controlling interests from £331 million to £298 million.

The tax charge was at an effective rate of 26%, slightly lower than 2012 although in line with previous guidance.

After tax and non-controlling interests, IFRS adjusted operating profit increased by 6% on a reported basis.

Further information on the Group's non-core business (Bermuda) is included in Part 3 – Detailed Business Review.

Part 2 – Financial Performance

Group and subsidiary RoE

The Group RoE improved to 13.6% in 2013 from 13.0% in 2012 with progress made in all our major operating units. The Property & Casualty RoE was reduced due to increased underwriting losses and lower investment returns. The Group continues to target RoE in the range of 12-15%.

Group RoE	**2013**	2012
Emerging Markets [1] [2]	**25.0%**	25.0%
Nedbank	**15.6%**	14.8%
Property & Casualty [2] [4]	**0.6%**	7.1%
Old Mutual Wealth [3]	**15.9%**	13.0%
US Asset Management [4]	**15.1%**	13.4%
Group RoE [5]	**13.6%**	13.0%

[1] Within Emerging Markets, OMSA, Rest of Africa and Asia calculated as return on allocated capital; Latin America calculated as return on average equity

[2] 100% of iWYZE is now recorded within Property & Casualty rather than Emerging Markets. Comparative information for 2012 has been restated

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

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

[5] Core business IFRS AOP (post tax and NCI) divided by average ordinary shareholders' equity

Long Term Investment Return (LTIR)

The LTIR rates are reviewed annually and reflect the returns expected on the chosen asset classes. The 2013 long-term rates for Emerging Markets, Mutual & Federal and Old Mutual Wealth were 8.0% (2012: 9.0%), 7.4% (2012: 8.6%) and 1.0% (2012: 1.5-2.0%) respectively. The 2014 long-term rates for Emerging Markets, Mutual & Federal and Old Mutual Wealth are 8.6%, 7.4% and 1.0% respectively. The asset allocation in Emerging Markets will continue to be split 75% cash and bonds and 25% equity.

Free surplus generation

Our businesses have continued to be efficient at converting profit into free surplus, with an 81% conversion rate (2012: 81%) and a total free surplus of £811 million generated in the period (2012: £814 million).

Cash and liquidity

	£m
Opening cash and liquid assets at holding company at 1 January 2013	**472**
Operational inflows	
Operational receipts from Northern hemisphere businesses	**210**
Operational receipts from emerging market businesses	**334**
Total operational inflows	**544**
Operational outflows	
Interest paid	**(78)**
Debt repayment	**(176)**
Group Head Office costs	**(34)**
Inter-company interest and other operational flows	**38**
Ordinary cash dividends	**(335)**
Total operational outflows	**(585)**
Net capital flows	**114**
Closing cash and liquid assets at holding company at 31 December 2013	**545**

Operational cash inflows to holding company

The remittances to the holding company on a cash-paid basis were £544 million in 2013, which is 54% of AOP before central expenses. Operational flows from emerging markets totalled £334 million, of which £172 million related to rand payments made by the

South African holding company to local shareholders through dividend access trust arrangements. In addition, Old Mutual plc has received £105 million of flows from each of USAM and Old Mutual Wealth.

Rand receipts routinely cover the full Group dividend for a given year.

Operational cash outflows and distributions by holding company

Interest paid represents the cash cost of servicing the holding company's debt instruments and totalled £78 million for 2013 (£142 million in 2012). The reduction on the prior year was due to the non-recurrence of costs associated with tendering senior debt in 2012 as well as the completion of the Group's debt repayment plan during 2013. Holding company debt amounting to £176 million was repaid through an open market tender in 2013.

In addition, the Group distributed £335 million of cash to shareholders through dividend payments in the period, which included the £172 million paid in South Africa.

The cash component of Group head office costs of £34 million were net of a number of one-off inflows, including the settlement of a number of outstanding intra-group balances.

Net capital flows

Old Mutual plc has received £44 million and £120 million in respect of the transfer to Old Mutual South Africa of its ownership of shares in the Chinese joint venture and in the Colombian and Mexican businesses respectively.

In May 2013, the Group provided £27 million of funding to OM Bermuda in support of hedging the Highest Anniversary Value (HAV) risk on the remaining liabilities. A further £23 million of outflows related to the investment of seed capital.

Liquidity

At 31 December 2013, the Group had available liquid assets and undrawn committed facilities of £1.3 billion (31 December 2012: £1.7 billion). The reduction in headroom is the result of debt repaid during the period, combined with a reduction in the Group's committed Revolving Credit Facility (RCF) from £1,200 million to £800 million. The unutilised portion of this facility forms part of the holding company's overall liquidity headroom and, in addition to this facility and the cash at Old Mutual plc, each of the individual businesses also maintains liquidity to support its normal trading operations.

At 31 December 2013, the Group had $466 million of inter-company loan notes outstanding to Old Mutual Bermuda following the Bermuda Monetary Authority's agreement during the year to the cancellation of a total of $550 million of loan notes held at 31 December 2012. Additional cash funding for the business may be required; for example, to provide for margin collateral due to the dynamic hedging activity, depending on market movements and changes in hedging strategy.

Capital and leverage

Debt strategy, profile and maturities

The Group excluding Nedbank had gross debt on an IFRS basis of £1,342 million at 31 December 2013 (2012: £1,569 million). In November 2013 we reduced Group debt by a further £176 million via an open market tender, to complete our stated debt reduction target of £1.7 billion. Following the tender, there are no plans to repay further Group debt in the immediate future.

The Group has first calls on debt instruments amounting to €374 million (£311 million) in November 2015 and £273 million in March 2020. In addition, the Group has £112 million of senior debt maturing in October 2016. The £500 million bond issued in June 2011 matures in June 2021. Included in subordinated Group debt at the year end is a R3 billion debt instrument with a first call in October 2015, issued by Old Mutual Life Assurance Company (South Africa).

Business local statutory capital cover

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

	31-Dec-13	31-Dec-12
Old Mutual Life Assurance Company (South Africa)	**3.3x**	4.0x
Mutual & Federal [1]	**1.8x**	1.8x
UK	**2.7x**	2.3x
Nedbank [2]	**Common equity Tier 1: 12.5%**	Common equity Tier 1: 11.6%
	Tier 1: 13.6%	Tier 1: 13.1%
	Total: 15.7%	Total: 15.1%
Bermuda [3]	**1.4x**	1.6x

[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 and is calculated on a Basel III basis

[3] Based on Bermuda's insurance (Prudential Standards) Class E Capital Rules

Part 2 – Financial Performance

Financial Groups Directive results

The Group's regulatory capital surplus, calculated under the EU Financial Groups Directive (FGD), was £2.1 billion at 31 December 2013 and represents a statutory coverage ratio of 169%. Increases in financial resources attributable to retained earnings in the year were reduced by the repayment of debt and net increases in the capital requirements of the Group's businesses, with the result that the absolute surplus was stable when compared to 2012.

This is a level with which we are comfortable given our earnings, our cash flow profile, the natural currency hedges of our capital resources and requirements and risk assessment. A 1% fall in the ZAR/GBP exchange rate would result in a £10 million reduction in the surplus (2012: £16 million reduction in the surplus). Given that the capital resources and the capital requirement both fluctuate with changes in exchange rates, the cover ratio remains broadly unaffected by such a change in currency rates.

Economic capital

We continue to manage our business and monitor capital coverage internally on an economic capital at risk (ECaR) basis. We are comfortably capitalised on this basis with a coverage ratio of over 160%. We intend to make disclosures of our economic capital position in respect of 2013 during the first half of 2014.

Old Mutual calculates its economic coverage ratio on an internal basis. ECaR is calculated using a bottom-up risk based approach applied to product lines within operating entities. Old Mutual has chosen to calculate ECaR using a one-year probability of default of 0.5% going forward, which is consistent with Solvency II principles and general industry practice. These calculations incorporate exposures to Old Mutual's life insurance, property and casualty, banking and asset management businesses across regions. As such, diversification is allowed for between different risks within entities and across sectors and territories.

Market Consistent Embedded Value (MCEV)

The adjusted Group MCEV per share decreased by 13.0p (6%) to 207.5p from December 2012, with 4,897 million shares in issue (December 2012: 4,893 million shares). This decline was due to adjusted operating MCEV earnings of 17.9p being more than offset by negative non-operating earnings and other movements of 30.9p, largely comprised of the translation effect of foreign exchange movements and the payment of dividends.

During the period Old Mutual owned on average 54.4% of Nedbank. At 31 December 2013, the market value of Nedbank included in our adjusted Group MCEV was £3.1 billion.

Within the adjusted operating MCEV earnings per share of 17.9p, non-covered business operating earnings increased by 1.5p to 7.9p, and now represents 44% of the total (2012: 42%).

The 1.5p increase in non-covered business operating earnings per share was largely due to lower finance costs following the debt reduction programme and the reduction in outstanding loan notes held by Old Mutual Bermuda. Nedbank's higher earnings contribution in rand was largely offset by the impact of exchange rates.

Covered business operating MCEV earnings per share increased by 1.0p to 10.0p as a result of an increase in Old Mutual Wealth covered earnings by 2.3p due to the non-recurrence of 2012 run-off costs for Austria and Germany and the higher value of new business as a result of lower acquisition costs. The earnings from Old Mutual Bermuda reduced by 1.4p mainly due to reduced gains from persistency experience and assumption changes after the significant run-off of the business in the period.

At December 2013, 62% of the adjusted Group MCEV, pre-debt and net other business, was in emerging market countries (2012: 64%), with 25% in European businesses (2012: 22%) and 13% in the US (2012: 15%).

Net asset value

The reported net asset value per share has decreased by 8.1p to 137.7p (2012: 145.8p). This is mainly due to the impact of the depreciation of the rand of 18.2p and dividends paid in the year of 7.35p, partially offset by profit attributable to the parent of 14.4p.

Risk Management

Risks and uncertainties

A number of potential risks and uncertainties could have a material impact on the Group's 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 the rest of Africa. In the short-term we expect operational and execution risk to increase. We have accepted these risks in order to reduce longer-term strategic risk and are actively managing these risks.

Investment in risk management and governance over the past few years has positioned the Group well to comply with the new regulatory requirements under Solvency II and the equivalent developments in South Africa, and Basel III. We are confident that we are sufficiently capitalised on an economic capital basis to comply with the new requirements as currently proposed, although these are not yet finalised.

South Africa currently has substantial current account and budget deficits and historically low interest rates. The most significant external risks to earnings relate to the concentration of businesses in South Africa and the exposure to South African economic conditions and the impact thereof on our South African customer base, as well as the value of the Group's earnings and assets when

translated from rand to sterling. Our scenario testing involving a severe fall in the rand shows that the Group has sufficient capital and liquidity headroom to withstand such an event.

The increased pressure on South African consumers due to lower disposable income poses some risk to all our businesses in South Africa. Exposure to credit risk has increased slightly, but remains within appetite. Whilst the majority of lending activities are secured, Nedbank's unsecured lending book reduced over 2013. Within Old Mutual Finance we experienced controlled growth off a low base, applying stringent affordability requirements and strict credit criteria.

In South Africa, the values of certain life insurance liabilities are sensitive to movements in long-term interest rates, which have been volatile over 2013. In response to this, the exposure to changes in the interest rate was hedged in 2013 and has been continued into 2014, subject to ongoing review in line with changes in economic conditions and the interest rate environment.

Old Mutual Bermuda risk exposure has reduced significantly, and represents less than 2% of the Group ECaR.

The current regulatory environment is continuously changing in all markets where we operate. Regulators across the globe continue to focus on the treatment of customers and both principles and best practice in this area are evolving. Our commitment to operating responsibly, with a strong focus on customer culture and values, positions us well to respond to this.

In South Africa, there is a move towards Group supervision and our risk management and governance structures and processes have been evolving for some time in anticipation of these developments. Although we are not a global systemically important financial institution, we are considered domestically important in South Africa by the regulators.

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

Tax

Total tax expense

The effective tax rate (ETR) on AOP decreased slightly from 27% in 2012 to 26% in 2013. As 84% of the 2013 AOP tax charge relates to Emerging Markets and Nedbank, movements in the ETRs of 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 South African secondary tax on companies (STC) during 2012 and an increased proportion of low taxed income in Africa, as well as the impact of the reduction of the UK tax rate on deferred tax liabilities.

Looking forward, and subject to 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, tax on policyholder investment returns is included in the Group's IFRS tax charge rather than being offset against the related income. The impact is to increase Group IFRS profit before tax by £174 million in 2013 (2012: £75 million), with a corresponding increase to the tax charge. Of this £174 million, £112 million was attributable to Old Mutual Wealth (2012: £26 million), with the remaining £62 million relating to South Africa and Rest of Africa (2012: £49 million).

Part 2 – Financial Performance

FINANCIAL APPENDIX

Supplementary financial information (data tables)

Summarised financial information

	2013	2012	% Change
IFRS results			
Basic earnings per share [1]	**15.0p**	24.9p	(40)%
IFRS profit after tax attributable to equity holders of the parent (£m) [1] [2]	**705**	1,172	(40)%
MCEV results [3]			
Adjusted Group MCEV (£bn)	**10.2**	10.8	(6)%
Adjusted Group MCEV per share	**207.5p**	220.5p	(6)%
Adjusted operating Group MCEV earnings (post-tax and non-controlling interests) (£m)	**867**	776	12%
Adjusted operating Group MCEV earnings per share	**17.9p**	15.4p	16%
Return on Group MCEV	**9.4%**	8.0%	

[1] Basic earnings per share and IFRS profit after tax in 2012 included 12.3p and £564 million, respectively, relating to 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] MCEV in 2012 includes profit from discontinued operations of £564 million following the sale of Nordic

Group return on equity [1]

		£m
	2013	2012
AOP excluding accrued hybrid dividends – core operations [2]	**890**	841
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 [2]	**6,529**	6,566
Average shareholders' equity – core operations	**6,525**	6,460
Return on average equity [2]	**13.6%**	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) in core businesses

[2] Following the adoption of revised IAS 19 'Employee Benefits', the comparative ROE, AOP and average shareholders' equity has been restated for 2012 to be lower by £1 million and £19 million respectively

Group debt summary

	2013	2012
Senior gearing (net of holding company cash)	**(4.0%)**	(3.0%)
Total gearing (net of holding company cash)	**6.5%**	8.5%
Book value of debt - MCEV basis (£m)	**1,420**	1,607
Book value of debt - IFRS basis (£m)	**1,342**	1,569
Total interest cover [1]	**14.4 times**	8.8 times
Hard interest cover [1]	**4.2 times**	1.9 times

[1] Total interest cover and hard interest cover ratios exclude non-core and discontinued operations

Adjusted Group MCEV per share

		p
Adjusted Group MCEV per ordinary share at 31 December 2012 [1] [2]		**220.5**
Covered business	10.0	
Non-covered business	7.9	
Adjusted Group operating MCEV earnings per ordinary share [1]		**17.9**
Economic variances and other earnings	6.3	
Foreign exchange and other movements	(24.9)	
Dividends paid to ordinary and preferred shareholders	(7.9)	
Nedbank market value and foreign exchange movement	(2.6)	
BEE and ESOP adjustments	(1.0)	
Mark to market of debt	(0.8)	
Non-operating MCEV earnings and other movements		**(30.9)**
Adjusted Group MCEV per ordinary share at 31 December 2013 [1]		**207.5**

[1] The 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 year end 2012 Adjusted Group MCEV per share has been restated as required following the adoption of the revised IAS 19 'Employee Benefits' and IFRS 10 'Consolidated Financial Statements'. The impact of these changes was to increase Adjusted Group MCEV per share by 0.2p

Financial Groups Directive

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. Both the capital resources and the capital requirements fluctuate with changes in exchange rates.

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.

Regulatory capital	**31-Dec-2013 [1]**		31-Dec-2012 [2]	
	£bn	**%**	£bn	%
Ordinary Equity	**4.8**	**92%**	5.2	91%
Other Tier 1 Equity	**0.4**	**8%**	0.6	11%
Tier 1 Capital	**5.2**	**100%**	5.8	102%
Tier 2	**1.1**	**21%**	1.3	23%
Deductions from total capital	**(1.1)**	**(21)%**	(1.4)	(25)%
Total capital resources	**5.2**	**100%**	5.7	100%
Total capital requirements	**3.1**		3.6	
Group FGD surplus	**2.1**		2.1	
Coverage ratio	**169%**		159%	

[1] Based on the preliminary position

[2] As submitted to the Prudential Regulatory Authority (PRA)

Part 2 – Financial Performance

Statutory Results

Reconciliation of Group AOP and IFRS profits

				£m
		2013		2012 [1]
Adjusted operating profit		**1,612**		1,612
Adjusting items		**(286)**		(467)
Non-core operations		**32**		165
Profit before tax (net of policyholder tax)		**1,358**		1,310
Income tax attributable to policyholder returns		**174**		75
Profit before tax		**1,532**		1,385
Total tax expense		**(552)**		(471)
Profit from continuing operations after tax		**980**		914
Profit from discontinued operations after tax		**3**		564
Profit after tax for the financial year		**983**		1,478
Other comprehensive income [2] [3]		**(1,136)**		(807)
Total comprehensive income [3]		**(153)**		671
Attributable to				
Equity holders of the parent [3]		**(96)**		503
Non-controlling interests				
Ordinary shares [3]	**(76)**		118	
Preferred securities	**19**		50	
Total non-controlling interests [3]		**(57)**		168
Total comprehensive income [3]		**(153)**		671

[1] The comparative period has been restated as required following the adoption of the revised IAS 19 'Employee Benefits' and IFRS 10 'Consolidated Financial Statements'

[2] Other comprehensive income includes £(1,257) million in currency translation differences on translating foreign operations (2012: £(641) million)

[3] All share-based payments reserve movements are reflected directly in equity and no longer classified as other comprehensive income. Comparatives have been restated

Operational Results

The detailed Business Review is included in Part 3.

Emerging Markets

	2013	2012 (constant currency)	Change
AOP (£m) [1]	**590**	527	12%
NCCF (£bn)	**1.6**	1.1	0.5
FUM (£bn)	**48.1**	41.6	16%
Pre-tax FUM Operating Margin [2]	**114 bps**	118 bps	(4) bps

[1] 100% of iWYZE is now recorded within Property & Casualty rather than Emerging Markets. Comparative information for 2012 has been restated

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

Nedbank

	2013	2012 (constant currency)	Change
AOP (£m) [1]	**797**	711	12%
Net interest income (£m)	**1,405**	1,303	8%
Non-interest revenue (£m)	**1,282**	1,147	12%
Diluted Headline EPS	**121.1p**	105.3p	15%

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

Property & Casualty

	2013	2012 (constant currency)	Change
AOP (£m) [1]	**4**	31	(88)%
Underwriting Result (£m)	**(29)**	(9)	(222)%
Gross written premiums (£m)	**749**	643	17%
Underwriting Ratio	**(4.9)%**	(1.7)%	(320)bps

[1] 100% of iWYZE is now recorded within Property & Casualty rather than Emerging Markets. Comparative information for 2012 has been restated

Old Mutual Wealth

	2013	2012 (constant currency)	Change
AOP (£m)	**217**	195	11%
NCCF (£bn) [1]	**2.3**	2.0	0.3
FUM (£bn)	**78.5**	69.2	13%
Pre-tax Revenue Operating Margin [2]	**36%**	33%	300 bps

[1] From Q2 2012 OMAM UK has been reported within Old Mutual Wealth (OM Global Investors) rather than USAM. The comparatives for 2012 have not been restated

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

US Asset Management (continuing operations) [1]

	2013	2012 (constant currency)	Change
AOP (£m)	**111**	96	15%
NCCF (£bn)	**10.4**	0.9	9.5
FUM (£bn)	**155.3**	125.9	23%
Pre-tax Revenue Operating Margin [2] [3]	**33%**	32%	100 bps

[1] Continuing operations exclude the financial impact of affiliates divested in 2012, although includes the results of Echo Point which was discontinued in Q4 2013

[2] The comparative period has been restated as required following the adoption of the revised IFRS 10 'Consolidated Financial Statements'

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

Contents

News Release	**1**
Part 1 – 2013 Annual Review	**3**
Part 2 – Financial Performance	**10**
Part 3 – Detailed Business Review	**21**
Emerging Markets	22
Emerging Markets data tables (Rand)	27
Nedbank	30
Nedbank data tables (Rand)	34
Property & Casualty	36
Old Mutual Wealth	38
Old Mutual Wealth data tables (Sterling)	42
US Asset Management	45
Non-core business – Bermuda	48
Part 4 – Financial Information	**51**

Emerging Markets

Solid operational delivery and strategic progress in Africa through a challenging economic environment

Highlights	2013	2012	% Change
			Rm
AOP (IFRS basis, pre-tax) [1]	**8,911**	7,955	12%
NCCF (Rbn)	**24.7**	16.2	52%
FUM (Rbn)	**837.9**	724.6	16%
Return on equity [1]	**25%**	25%	
Gross sales	**164,995**	152,041	9%
Covered sales (APE) [2] [3]	**8,442**	6,808	24%
Covered sales (PVNBP) [3] [4]	**51,470**	43,345	19%
Non-covered sales [3] [5]	**116,441**	116,275	0%
Value of new business (VNB) [3] [4]	**2,043**	1,762	16%
APE margin [4]	**27%**	27%	
PVNBP margin [4]	**4.0%**	4.1%	
Operating MCEV earnings (covered business, post-tax)	**4,965**	4,269	16%
MCEV (covered business)	**51,473**	45,395	13%
Return on Embedded Value	**11.0%**	10.7%	

[1] 100% of iWYZE is now recorded within Property & Casualty rather than Emerging Markets. Comparative information for 2012 has been restated

[2] From 1 January 2013, Rest of Africa life APE sales are reported net of minority interest whereas previously these were reported gross of minority interest. Comparatives have not been restated

[3] From 1 January 2013, sales by the India and China businesses have been disclosed as life APE sales rather than non-covered sales. Comparatives have not been restated. No VNB or PVNBP is calculated in respect of these sales

[4] From 1 January 2013, VNB, PVNBP and the respective margins include all countries in Rest of Africa (previously only Namibia). Comparatives have not been restated

[5] From 1 January 2013, client broker account flows in Kenya are no longer classified as non-covered sales. Comparatives, which have not been restated, included R819 million of such flows

Operating environment

Although global activity strengthened during the second half of 2013, economic activity in South Africa was volatile throughout the year with labour disputes disrupting a number of industries. Consumer income growth has been lower than in previous years, but corporate profitability has generally remained strong.

The JSE All Share Index ended the year 18% higher, as world markets rallied strongly on signs of an economic recovery in the US. Bonds performed poorly as long-term yields, as measured by the 10-year government bond yield, increased from 6.9% to 8.1% in 2013. The total return on the JSE All Bond Index was approximately 2% for 2013.

South African budget and current account deficits have grown in the year, with interest rate levels still historically low. The South African rand depreciated approximately 27% against the sterling and 24% against the US dollar in 2013.

Old Mutual Life Assurance Company South Africa (OMLACSA) remains one of South Africa's highest-rated institutions from a financial strength perspective. In January 2014, Fitch upgraded OMLACSA's long-term rating to AAA(zaf) and affirmed its national insurer financial strength rating at AAA(zaf) with stable outlook.

The growth rate in Africa has been in excess of 5% and, while natural resources have historically led the way, the developing middle class across the continent is increasingly recognised as the next big driver of growth. At a country level, Kenya grew by 5.9%, Zimbabwe by 3.2%, Namibia by 4.4% and Nigeria by 6.2% (IMF). Equity markets in all these countries ended 2013 at higher levels, with Nigeria increasing by 47% and Zimbabwe increasing by 33% for the year.

China's growth rate stabilised at around 8%, whilst in Latin America, growth was mixed across the region.

Business developments

African expansion

We have continued to expand our operations in Africa through both acquisitions and organic growth by increasing the size of our sales forces and product development efforts. As previously indicated, we have allocated up to R5 billion for potential investment in the

African expansion programme. In 2013, we committed or funded an acquisition spend of approximately R700 million, comprised of the following acquisitions:

- Oceanic Life business in Nigeria;
- Oceanic General Insurance business in Nigeria;
- Provident Life Assurance, the fifth largest life company in Ghana; and
- Faulu Kenya DTM LTD, a microfinance company, subject to the conclusion of the relevant closing conditions.

Our businesses in Nigeria are in place to offer a comprehensive customer value proposition for a one-stop insurance solution that provides customers with a suite of life and savings and property and casualty insurance product offerings.

Faulu, which serves a similar customer base to our Mass Foundation business in South Africa, provides access to around 400,000 customers in Kenya and has an excellent distribution network with more than 100 "bricks and mortar" distribution outlets, as well as a distribution agreement with the Kenyan Post Office. We aim 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 600 agents in Kenya.

Distribution and product development

Several innovative product launches and new service offerings in 2013 have enhanced our customer value proposition:

- Old Mutual Wealth was launched to South African customers in September and the first phase of adviser training has been successfully completed with more than 1,500 advisers trained and accredited;
- In Retail Affluent in South Africa, we launched a structured investment product called *XtraMAX* in May;
- We acquired an online digital capability, 22seven; which provides financial planning tools to South African customers;
- In Namibia, the Old Mutual Card was launched – a transactional money account operated from customers' mobile phones;
- In Kenya, we launched a personal pension plan aimed at providing Kenyans of all income levels with access to affordable retirement savings, as well as an occupational umbrella pension scheme for small to medium-sized enterprises; and
- In Mexico, 'Contigo Seguro para Padres' (parental life insurance) was launched in October.

In Latin America, we concluded the purchase of AIVA in January 2013 and we continue to work with AIVA to build our broker channel in Mexico. As part of this successful integration, we have recruited more than 460 agents in the new broker channel with sales being in line with our expectations.

Supporting economic transformation in South Africa

We believe that we have an obligation to support the communities in which we operate and we continue to invest significantly in projects that will make a real, visible difference to the lives of these communities.

We launched the Old Mutual Education Fund (R350 million over the next seven years) to support improvements in learning for children across different age groups.

We also signed an R80 million deal that will fund the development and operations of four low-fee independent schools over the next five years which are set to reach 4,100 learners. This deal is the third of its kind for the Schools Investment Fund, a fund established by the Public Investment Corporation (PIC), the Government Employees Pension Fund (GEPF) and Old Mutual to address the shortage of quality affordable schools in South Africa.

The Masisizane Fund has approved loans of more than R76 million in 2013 with 47% in the agricultural sector and 26% in franchising. A total of 1,746 job opportunities have been facilitated in 2013 through these investments.

Old Mutual South Africa maintained its level 2 accreditation for B-BBEE using the new Financial Sector Code.

IFRS AOP results

Pre-tax AOP increased by 15% (12% including LTIR to R8.9 billion) benefiting from the positive impact of higher equity market levels on asset-based fees.

Retail Affluent and Mass Foundation profits grew by 11% and 14% respectively, helped by the non-recurrence of adverse tax and yield curve changes in 2012. Further progress was made in 2013 to implement solutions that would protect South African IFRS AOP from the impact of yield curve movements, such as an extension of our hedging programme. As a consequence, yield curve movements did not have a material impact on South African IFRS AOP in 2013. This hedging programme has been continued into 2014, subject to ongoing review in line with changes in economic conditions.

Corporate profits rose by 9% partly due to higher mortality profits on group assurance and the success of an ongoing cost reduction programme.

Rest of Africa showed a marginal 2% decline (10% increase including LTIR) due to an increase in central costs incurred to support growth initiatives and expansion activities, partially offset by the favourable impact of strong equity market returns in Zimbabwe.

Asia and Latin America profits grew 80%, largely due to favourable exchange rates, the reallocation between profits and OMEM central expenses, and the first time inclusion of profits from AIVA.

Within the Old Mutual Investment Group (OMIG), Old Mutual Specialised Finance (OMSFIN) profits grew strongly from successful investment results, while profits in the rest of OMIG declined mainly as a result of incentive accruals released in 2012 and lower associate income.

Central expenses decreased by 10% due to lower IT costs and more conservative management of expenses.

Net client cash flow

NCCF improved from R16.2 billion to R24.7 billion, mainly due to strong sales in the South African retail businesses, higher bank channel sales in China and improved net inflows in OMIG, particularly due to the non-recurrence of the significant PIC withdrawal that took place in 2012.

Net flows in Latin America decreased substantially due to a large withdrawal by a public communications company in 2013 and a large inflow from a government pension deal in 2012.

Funds under management

FUM increased by 16% to R838 billion mainly due to the increased NCCF and strong equity market performance, with the investment returns of the international assets enhanced by the depreciation of the rand. At 31 December 2013, 21% of total start manager FUM originated from our emerging market businesses outside of South Africa, up from 19% at 31 December 2012.

The new Wealth proposition in South Africa accumulated FUM of over R1.0 billion within six months of its launch in September 2013.

Gross sales

Gross sales increased by 9% to R165 billion. In South Africa, strong growth was achieved in the Retail Affluent and Corporate businesses, which grew by 21% and 17% respectively, mainly due to excellent growth in single premiums. Momentum continued in Mass Foundation which recorded growth of 14%. Asian sales doubled, benefiting from our joint venture in China expanding its bank channel presence from 1,000 approved outlets at the beginning of the year to 1,397 at the end of December 2013. At an aggregate level the modest 9% growth is largely due to the comparative period being boosted by large institutional sales in Latin America and lower OMIG sales given the exceptional new business won in 2012.

Non-covered sales

Non-covered sales were flat at R116 billion reflecting the reclassification of Asia sales in 2013 from non-covered to life assurance sales and a particularly strong comparative period that was boosted by a number of large one-off deals in OMIG and Latin America.

In South Africa, Retail Affluent sales grew by 22% due to strong *Galaxy* and OMUT sales, reflecting the continuing shift from traditional life products to investment products including unit trusts, as well as higher acsis institutional sales. OMIG had strong flows into the equity boutiques in 2013, although sales reduced by 7% due to large mandates and flows secured by non-equity boutiques such as Dibanisa and Futuregrowth in 2012, as well as delays from draw-downs in the Alternative investment portfolio in 2013.

Sales in Rest of Africa reduced by 14% following the exclusion of client broker account flows in Kenya, as well as lower institutional sales in Namibia.

In Latin America, unit trust and mutual fund sales decreased by 8% despite being appointed the fund manager of three mutual funds in Colombia and winning two large corporate deals in 2013. This was mainly due to the comparative period including three large one-off mandates. There were also higher sales of the Global Trust products in Mexico.

Covered sales (APE)

Life APE sales increased by 24% to R8.4 billion boosted by the reclassification of Asia sales which were reported as non-covered sales in 2012.

In South Africa, Retail Affluent single premium sales were 28% up on 2012, mainly due to strong *Max* saving sales following the launch of the new *XtraMAX* product in May 2013 and improved fixed bond sales. Corporate single premium sales increased by 23% mainly due to large inflation-linked and with-profit annuity deals. Both these businesses experienced weaker regular premium sales with *Greenlight* sales continuing to be affected by a highly competitive market and Corporate sales having benefited from significant deals in 2012.

Growth in Mass Foundation sales of 13% was primarily due to a larger sales force with tied agent sales, particularly in the branches, being stronger than broker and call centre sales.

A 17% increase in Rest of Africa sales followed large corporate deals secured in Namibia, higher Retail Affluent sales in Kenya as a result of additional advisers, higher reported sales in Zimbabwe due to exchange rate movements and the first time inclusion of R29 million of sales following the acquisition of Oceanic Life in Nigeria. Sales for 2013 are reported net of minority interests with no restatement of comparatives. On a like-for-like basis, gross of minority interests, the growth rate was significantly higher at 31%.

Within Asia & Latin America, Mexico experienced strong life APE sales growth, albeit off a low base, mainly from the launch of the *Multitrust* product as well as the Retail Mass business gaining momentum. 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 (OMF)

The decline in the credit approval rate to 31% reflects OMF's continued conservative approach to lending, following evidence of elevated client debt levels. Credit losses rose slightly from 13.3% in 2012 to 14.0% in 2013. OMF's collection rates on the active portfolio remained above 90% and our strengthened credit scoring, implemented in 2012, has resulted in improved credit performance on the later vintages. Credit life sales to OMF customers increased from R186 million to R211 million, reflecting the moderate 14% increase in loans advanced in the year. OMF's contribution to Mass Foundation sales has grown, with in-house advisor sales of traditional insurance products from OMF branches now over 14% of Mass Foundation sales on an APE basis (21% including credit life).

Value of new business (VNB) and margins

VNB improved by 16% to R2.0 billion with the APE margin remaining stable at 27%. Retail Affluent and Mass Foundation growth of 16% and 14% respectively was largely due to volume growth and a favourable change in the economic basis. Corporate VNB decreased by 21% mainly due to a greater proportion of lower margin inflation-linked annuities being sold in 2013. Rest of Africa VNB increased by 130% due to strong growth in Namibia following large Absolute Secure Growth portfolio sales and the contribution of R37 million from other African countries reporting VNB for the first time. VNB in Latin America was negative (compared to positive VNB in the comparative period) following a change in expense allocation methodology which resulted in a larger allocation to acquisition rather than maintenance expenses.

Embedded value

Operating MCEV earnings (post-tax) increased by 16% to R5.0 billion. The main contributors to this growth were improved VNB and positive experience variances and other operating variances, both of which were negative in 2012. This was partly offset by negative operating assumption changes compared with positive assumption changes in 2012.

Good mortality experience was partly offset by worse persistency experience, where Mass Foundation was adversely affected by a less favourable mix of stop order and debit order business, as well as general economic strain in the market affecting affordability.

Operating assumption changes consist mainly of the negative impact of persistency assumption changes in Mass Foundation, which were partly offset by positive maintenance expense assumption changes.

Return on Embedded Value (RoEV) improved from 10.7% to 11.0%.

Total MCEV earnings (post-tax) increased by 11% on prior year, benefiting from continued good investment returns in addition to higher operating earnings.

Outlook

Macro-economic prospects in South Africa are subdued, with the economy adjusting to the depreciating rand and due to labour demands and political uncertainty especially in the run up to the national elections in May 2014. Nevertheless, real GDP growth in 2014 is expected to improve to 2.8% according to the IMF, from the 2013 level of around 1.9%.

South African household incomes are expected to come under further pressure in the year ahead, particularly in the lower income market. However, affluent customers are expected to be more resilient.

We continue to expect good sales performance from our Retail businesses with double digit sales growth in our Mass Foundation business despite increased financial pressure on our customers from rising inflation as well as low employment levels. The quality of new business and impacts on persistency are being carefully managed through enhanced new business submission standards and retention initiatives.

We are embedding and strengthening the Treating Customers Fairly (TCF) principles in our businesses and we will work with the industry and regulators to achieve clarity on application, particularly with regard to legacy products.

Prospects in the other emerging market economies in which we operate remain largely positive, particularly in the rest of Africa as a result of a developing middle class. This, as well as the low levels of insurance penetration in most African countries, means that we expect good growth levels to persist. However, there is some risk arising from more difficult global conditions such as weak commodity prices and lower capital flows to emerging markets.

We continue to explore suitable targets for acquisition or partnership that will further support our growth in Rest of Africa.

Part 3 – Detailed Business Review

We have set very clear targets for our businesses. These include growing customers to more than 9 million by 2015, maintaining overall RoE in the range of 20-25%, and growing profits in Rest of Africa (including property & casualty results) to 15% of South Africa's profits by 2015.

Emerging Markets data tables (Rand)

Adjusted operating profit (pre-tax)

			Rm
	2013	2012	% Change
Retail Affluent	**3,028**	2,725	11%
Mass Foundation [1]	**1,937**	1,702	14%
Corporate	**1,224**	1,127	9%
South Africa LTIR	**1,211**	1,317	(8)%
South Africa Life and Savings	**7,400**	6,871	8%
Rest of Africa [2]	**548**	561	(2)%
Rest of Africa LTIR [2]	**396**	296	34%
Rest of Africa	**944**	857	10%
Asia & Latin America [3]	**392**	218	80%
Life and Savings	**8,736**	7,946	10%
OMIG	**1,003**	933	8%
Central expenses [3]	**(828)**	(924)	10%
Total Emerging Markets	**8,911**	7,955	12%

[1] 100% of iWYZE is now recorded within Property & Casualty rather than Emerging Markets. Comparatives have been restated

[2] In 2013, Namibia's holding company returns were reclassified from Rest of Africa profits to LTIR. Comparatives have not been restated

[3] Asia & Latin America profit in the comparative period is net of overhead costs which are now classified as OMEM central expenses

Gross sales and funds under management [1]

						Rbn
	FUM 1-Jan-13	**Gross sales [2]**	**Redemptions**	**Net flows**	**Market & other movements [4]**	**FUM 31-Dec-13**
Retail Affluent	121.2	59.9	(51.9)	8.0	21.1	150.3
Mass Foundation [3]	-	7.8	(3.5)	4.3	(4.3)	-
Corporate	1.3	17.8	(20.9)	(3.1)	3.2	1.4
OMIG [3]	463.3	32.5	(26.8)	5.7	37.9	506.9
Total South Africa	**585.8**	**118.0**	**(103.1)**	**14.9**	**57.9**	**658.6**
Rest of Africa	38.4	12.2	(8.5)	3.7	11.8	53.9
Asia & Latin America	100.4	34.8	(28.7)	6.1	18.9	125.4
Total Emerging Markets	**724.6**	**165.0**	**(140.3)**	**24.7**	**88.6**	**837.9**

Part 3 – Detailed Business Review

	FUM 1-Jan-12	Gross sales [2]	Redemptions	Net flows	Market & other movements [4]	FUM 31-Dec-12
						Rbn
Retail Affluent	99.7	49.7	(44.3)	5.4	16.1	121.2
Mass Foundation [3]	-	6.8	(3.0)	3.8	(3.8)	-
Corporate	1.2	15.1	(18.2)	(3.1)	3.2	1.3
OMIG [3]	430.3	34.8	(44.0)	(9.2)	42.2	463.3
Total South Africa	**531.2**	**106.4**	**(109.5)**	**(3.1)**	**57.7**	**585.8**
Rest of Africa	28.6	10.8	(7.3)	3.5	6.3	38.4
Asia & Latin America	66.5	34.8	(19.0)	15.8	18.1	100.4
Total Emerging Markets	**626.3**	**152.0**	**(135.8)**	**16.2**	**82.1**	**724.6**

[1] FUM shown on an end manager basis. The Financial Disclosure Supplement shows additional disclosure of FUM on a start manager basis

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

[3] Mass Foundation gross sales are recorded by segment but all FUM is managed by OMIG

[4] Includes the foreign exchange impact of translating FUM managed outside of South Africa

Gross sales [1]

	2013	2012	% Change
			Rm
Retail Affluent	**59,900**	49,677	21%
Mass Foundation	**7,779**	6,796	14%
Corporate	**17,794**	15,152	17%
OMIG	**32,496**	34,820	(7)%
Total South Africa	**117,969**	106,445	11%
Rest of Africa	**12,223**	10,804	13%
Asia & Latin America	**34,803**	34,792	0%
Total Emerging Markets	**164,995**	152,041	9%

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

Covered sales (APE)

	Single premium APE			Regular premium APE			Total APE		Rm
By cluster:	2013	2012	% Change	2013	2012	% Change	2013	2012	% Change
Retail Affluent	**1,226**	956	28%	**1,485**	1,529	(3)%	**2,711**	2,485	9%
Mass Foundation [1]	**2**	2	0%	**2,769**	2,441	13%	**2,771**	2,443	13%
Corporate	**803**	652	23%	**424**	486	(13)%	**1,227**	1,138	8%
Total South Africa	**2,031**	1,610	26%	**4,678**	4,456	5%	**6,709**	6,066	11%
Rest of Africa [2]	**192**	133	44%	**526**	480	10%	**718**	613	17%
Asia & Latin America [3]	**366**	24	1,425%	**649**	105	518%	**1,015**	129	687%
Total Emerging Markets	**2,589**	1,767	47%	**5,853**	5,041	16%	**8,442**	6,808	24%

Rm

By product:	Single premium APE 2013	2012	% Change	Regular premium APE 2013	2012	% Change	Total APE 2013	2012	% Change
Savings	**1,948**	1,218	60%	**2,974**	2,422	23%	**4,922**	3,640	35%
Protection [1]	**-**	-	-	**2,879**	2,619	10%	**2,879**	2,619	10%
Annuity	**641**	549	17%	**-**	-	-	**641**	549	17%
Total Emerging Markets	**2,589**	1,767	47%	**5,853**	5,041	16%	**8,442**	6,808	24%

[1] OMF credit life sales are included within Mass Foundation protection sales (R211 million in 2013 and R186 million in 2012)

[2] From 1 January 2013, Rest of Africa life APE sales are reported net of minority interest whereas previously it was reported gross of minority interest. Comparatives have not been restated

[3] Asia & Latin America represents Mexico, India and China. From 1 January 2013, the Group's share of sales by the India and China businesses has been disclosed as covered rather than non-covered business. Comparatives have not been restated

Non-covered sales

Rm

	Unit trust / mutual fund sales 2013	2012	% Change	Other non-covered sales 2013	2012	% Change	Total non-covered sales 2013	2012	% Change
South Africa	**30,357**	26,422	15%	**48,963**	46,851	5%	**79,320**	73,273	8%
Rest of Africa [1]	**5,423**	5,457	(1)%	**2,135**	3,286	(35)%	**7,558**	8,743	(14)%
Asia & Latin America [2]	**29,563**	32,161	(8)%	**-**	2,098	(100)%	**29,563**	34,259	(14)%
Total Emerging Markets	**65,343**	64,040	2%	**51,098**	52,235	(2)%	**116,441**	116,275	0%

[1] From 1 January 2013, client broker account flows in Kenya are no longer classified as non-covered sales. Comparatives, which have not been restated included R819 million of such flows

[2] From 1 January 2013, the Group's share of sales by the India and China businesses has been disclosed as covered rather than non-covered business. Comparatives have not been restated

Old Mutual Finance

Rm

	2013	2012	% Change
Lending book (gross)	**8,258**	6,431	28%
Sales: loans advanced	**6,250**	5,482	14%
NPAT/average lending book [1]	**3.9%**	3.8%	
Loan approval rate	**31.0%**	34.2%	
Credit losses: average lending book	**14.0%**	13.3%	
Return on equity	**32.1%**	35.3%	
Branches	**225**	201	12%
Staff	**2,055**	1,821	13%

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

Nedbank

Solid performance off strong foundations in a more difficult environment

Highlights	2013	2012	% Change
			Rm
AOP (IFRS basis, pre-tax)	**12,026**	10,738	12%
Headline earnings [1]	**8,670**	7,483	16%
Net interest income [1]	**21,220**	19,680	8%
Non-interest revenue [1]	**19,361**	17,324	12%
Net interest margin [1]	**3.57%**	3.53%	
Credit loss ratio [1]	**1.06%**	1.05%	
Cost to income ratio [1]	**55.2%**	55.6%	
Return on equity [1]	**15.6%**	14.8%	
Return on equity (excluding goodwill) [1]	**17.2%**	16.4%	
Common equity Tier 1 ratio [2]	**12.5%**	11.6%	

[1] As reported by Nedbank in its results for the year ended 31 December 2013 and 31 December 2012

[2] Calculated by Nedbank on a Basel III basis

The full text of Nedbank's results for the year ended 31 December 2013, released on 24 February 2014, can be accessed on our website http://www.oldmutual.com/ir/pressReleases/index.jsp. The following is an edited extract:

Banking and economic environment

Globally, economic conditions improved during 2013, led by better prospects in key developed economies. In contrast, growth in emerging-market economies generally slowed during the year. The improved US environment has resulted in a tapering off of quantitative easing, and significant liquidity outflows from emerging markets and lower commodity prices led to currency depreciation in many emerging markets, in particular those with current and fiscal account deficits.

Locally, the economic environment remained challenging, with growth in gross domestic product (GDP) slowing to 1.9% in 2013 and the current account and fiscal deficits continuing to widen. The downgrading of SA's sovereign credit rating by three of the major credit rating agencies in late 2012 and early 2013, now placing SA two notches above investment grade and the US commencement of the tapering off of quantitative easing contributed to the rand's 24% depreciation against the US dollar in 2013.

Growth in household credit demand fell to levels last seen during the global financial crisis as a result of lower overall wages due to strike action, persistently high unemployment rates and increases in administered prices, which, together with elevated levels of indebtedness, eroded consumer confidence.

Declining business confidence kept private sector investment at low levels. The demand for corporate credit generally fared better than household credit demand, as a modest increase in government fixed-capital investment on energy, transport and other infrastructure sectors provided some underpin.

Review of results

Nedbank performed well over the year ended 31 December 2013 ('the period'). The results reflect the tougher-than-anticipated economic environment offset by delivery on our strategic focus areas and continued internal momentum in building and growing the Nedbank franchise.

Headline earnings increased 15.9% to R8,670 million (2012: R7,483 million), driven by good revenue growth, impairments increasing at a slower rate than net interest income and disciplined expense management.

Diluted headline earnings per share (HEPS) increased 15.0% to 1,829 cents (2012: 1,590 cents) and diluted earnings per share increased 15.1% to 1,822 cents (2012: 1,583 cents).

We have continued to create value for our shareholders by increasing net asset value per share by 12.1% to 13,143 cents (2012: 11,721 cents) and dividends per share by 19.0% to 895 cents per share (2012: 752 cents per share).

Nedbank generated economic profit (EP) of R2,114 million, up 39.0% (2012: R1,521 million). The return on average ordinary shareholders' equity (ROE), excluding goodwill, increased to 17.2% (2012: 16.4%) and the ROE increased to 15.6% (2012: 14.8%), benefiting from an increased return on assets (RoA) of 1.23% (2012: 1.13%).

Nedbank is well capitalised, with the Basel III common-equity tier 1 ratio at 12.5% – at the top end of our internal target range (2012: Basel III pro forma ratio 11.6%). Funding and liquidity levels remained sound, with the surplus liquidity buffer at R28.0 billion (2012: R24.4 billion), and the final-quarter average long-term funding ratio was maintained at 26.2%.

Cluster performance

Nedbank benefited from the diversified earnings streams from our clusters. Stronger earnings growth rates were achieved by Nedbank's wholesale clusters, while earnings growth in Nedbank Retail and Nedbank Business Banking was impacted by higher impairments and continued investment for growth.

Nedbank Capital produced an outstanding set of results. Growth in earnings came from good drawdowns in the investment banking pipeline and improvements in impairments to within the cluster's through-the-cycle target range.

Nedbank Corporate's strong earnings and ROE growth was achieved through excellent performance by Property Finance as a result of strong advances growth coupled with fair-value gains. Corporate Banking contributed to this achievement through continued growth in transactional income and increased liability revenues. This performance was underpinned by stable impairments and good expense management.

Nedbank Business Banking delivered headline earnings and an ROE similar to those in 2012, notwithstanding the single-client specific-impairments charge in June 2013. The full-year credit loss ratio (CLR) at 0.65% is within the target range due to the quality of client advances and proactive risk management practices. The strong growth in non-interest revenue (NIR) and asset payouts, mainly to existing clients, is reflective of good underlying business momentum, despite the protracted challenges facing the small-and-medium-enterprise sector in SA.

Nedbank Retail generated headline earnings of R2.5 billion, which included absorbing a pre-tax charge of R323 million in additional impairments as downside-risk protection for deteriorating levels of consumer credit health, fuelled by the high, industry-wide unsecured lending growth rates in preceding years and resultant industry tightening of credit availability. The embedding of sound risk management practices and early comprehensive risk-mitigating actions resulted in the CLR of 2.16%, which is within the Retail CLR target range. Overall defaulted loans continued to decline, while coverage strengthened further.

The excellent momentum in sustainably repositioning the Retail Cluster, strategically and financially, was maintained in a very challenging macro-economic and competitive environment. Investment in distribution and distinctive client value propositions is yielding significant client gains, with increases in related transactional, deposit and lending volumes contributing to good NIR growth – still ahead of expense growth. The proactive measures to de-risk personal loans by slowing advances growth and offering lower priced credit life products with increased benefits have lowered NIR growth by one percentage point.

Nedbank Wealth achieved record headline earnings in 2013. The results were mainly attributable to strong growth in the areas of asset management, financial planning and stockbroking, as well as a significant year-on-year reduction in impairments.

Headline earnings at the centre represent, inter alia, an increase in earnings in the Rest of Africa Division, a reversal of R88m of insurance provisions following court rulings in our favour in the first half of the year, a small fair-value profit on hedging activities and net interest income (NII) earned on higher levels of surplus equity held at the centre. These were offset by an R60m portfolio provision raised in the second half of the year in view of various economic and regulatory uncertainties.

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

Financial performance

Net interest income

Net interest income grew 7.8% to R21,220 million (2012: R19,680 million), with average interest-earning banking assets growth of 6.8% (2012 growth: 7.5%).

The net interest margin (NIM) increased to 3.57% (2012: 3.53%), led by liability margin gains from a lower cost of marginal wholesale funding, deposit mix benefits and slightly lower levels of average long-term debt, partially offset by a decrease in asset margins. Notwithstanding improved risk-adjusted pricing of new advances, the asset margin was impacted by mix changes from the planned slowdown in growth of personal loans.

Impairments charge on loans and advances

Impairments increased 7.0% to R5,565 million (2012: R5,199 million). The CLR was similar to that of 2012 at 1.06% (2012: 1.05%), having improved from 1.31% at June 2013.

Sound asset quality and proactive risk management resulted in lower levels of inflows into defaulted advances, which declined 9.4% to R17,455 million (2012: R19,273 million), and amounted to 2.95% of gross advances (2012: 3.58%).

All clusters reported CLR within their respective through-the-cycle target ranges. The total CLR remained above Nedbank's target range due to the higher weighting of retail impairments. Nedbank Retail's CLR of 2.16% is up on the 2012 ratio of 2.01% due to the additional aforementioned R323m impairment charges. The six-month write off period for personal loans, methodology changes and steps taken in prior periods to reduce risk led to personal loan defaulted advances peaking in May 2013 and the CLR improving since June 2013.

The coverage ratio for total and specific impairments increased to 65.6% (2012: 56.4%) and 42.8% (2012: 38.6%) respectively. Portfolio coverage on the performing book continued to strengthen to 0.70% (2012: 0.66%).

Our collections processes are robust and generated post-write off recoveries of R888 million (2012: R866 million), reflecting the prudency of cash accounting recoveries on the written-off book. This includes recoveries in Personal Loans of R276 million (2012: R243 million).

Non-interest revenue

NIR increased by 11.8% to R19,361 million (2012: R17,324 million), due to the following:

- Commission and fee income increased strongly by 11.8% to R14,023 million (2012: R12, 538 million) from good transactional volume increases across Nedbank and improved cross-sell
- Insurance income growth of 13.7% to R1,927 million (2012: R1,695 million) remained robust, with good sales in motor vehicle insurance and an improvement in the claims environment partly offset by the volume-related slowdown in credit life income
- Trading income held up well, increasing 4.1% to R2,564 million (2012: R2,464 million) off the high 2012 base
- Private-equity income of R225 million (2012: R391 million) was recorded following unrealised losses in Nedbank Capital and the higher realisations in 2012
- Sundry income increased to R526 million (2012: R394 million) mostly owing to the reversal of insurance provisions following court rulings in our favour in June 2013
- Fair-value gains of R40 million (2012: R265 million loss) were recognised mainly as a result of basis risk on centrally hedged banking book positions and accounting mismatches in the hedged fixed-rate advances portfolios

Our strategy to grow NIR has resulted in an NIR increase of 13.0% (excluding fair-value adjustments) on a compound basis since 2009, with an increase in the NIR-to-expenses ratio from 78.8% in 2009 to 86.4% (2012: 84.4%) to exceed our medium-to-long-term target of > 85% for the first time over a full year since the introduction of this metric.

Expenses

Disciplined cost management, combined with ongoing investment in the franchise, resulted in operating expenses growing 9.2% to R22,362 million (2012: R20,485 million).

Growth in expenses was primarily driven by:

- a staff-related cost increase of 10.5%, comprising salary and wage cost growth of 8.3% following average inflation-related annual increases of 6.5% and 1.4% growth in average headcount, and a variable-compensation increase in line with Nedbank's financial performance, with the short-term incentive (STI) up 15.9% and long-term incentive (LTI) up 23.4%;
- investment in distribution channels of R151 million;
- marketing costs growth of 13.3% as we invest in building our franchise and transactional banking client base; and
- a computer processing increase of 10.5% in line with increases in business volume growth

Taxation

The base effect of capital gains tax and secondary tax on companies in 2012, together with lower levels of dividend income, resulted in a lower effective tax rate of 25.2% (2012: 26.8%).

Statement of financial position

Capital

Strong balance sheet management and organic earnings growth during the period caused all capital adequacy ratios to remain well above the Basel III minimum regulatory capital requirements and at or above the top of Nedbank's Basel III internal target ranges.

During the year a total of R3.0 billion of new-style, fully loss-absorbent, Basel III-compliant, tier 2 subordinated debt was successfully issued to replace the R2.1 billion of Basel II tier 2 capital that matured in September 2013.

Further detail on risk and capital management will be available in the Risk and balance sheet management review section of Nedbank's results booklet and the Pillar 3 Report to be published on their website at www.nedbankgroup.co.za on 31 March 2014.

Funding and liquidity

Nedbank's surplus liquid asset buffer increased to R28.0 billion (2012: R24.4 billion), reflecting a strong liquidity position. Nedbank has low levels of reliance on interbank and foreign currency funding, and continues successfully to diversify and lengthen its funding profile.

The last quarter average long-term funding ratio was maintained at 26.2%, supported by the successful conclusion of a R2.0 billion five-year commercial-mortgage securitisation in March 2013 as well as R5.8 billion in senior unsecured debt issued during the year, replacing R3.4 billion that matured in March and April 2013. Nedbank has been compliant with the Basel III Liquidity Coverage Ratio on a pro forma basis since 31 December 2012.

Loans and advances

Loans and advances increased 9.9% to R579.4 billion (2012: R527.2 billion), with good wholesale banking advances growth of 16.1%. Gross new advances payouts increased 10.1% to R158.9 billion (2012: R144.3 billion).

Banking advances growth in Nedbank Capital remained robust, following steady drawdown of the deal pipeline throughout the year, including the Renewable Energy Independent Power Producer Procurement Programme (REIPPPP), of which Nedbank supported over a third of the allocated renewable-energy capacity in the first and second phases. Growth in the trading advances book came largely from foreign-currency placements and deposits placed under reverse repurchase agreements related to surplus liquidity and the hedging of Nedbank's liquid asset portfolio.

The increase in Nedbank Corporate's advances is comprised of 5.3% growth in corporate banking and 11.0% growth in property finance. Nedbank's market-leading commercial property franchise earned the accolade of being voted the best property finance bank in SA in the PWC SA banking survey 2013.

Nedbank Business Banking recorded advances growth of 4.4% as the small-to-medium-sized enterprises sector continued to experience economic pressure throughout 2013.

Retail banking advances continued to grow modestly at 2.5%. Advances growth was led by an increase of 14.2% and 13.8% for card and vehicle finance respectively, while personal loan and home loan advances declined 9.4% and 2.1% respectively in line with the selective origination strategy in both advances categories ahead of expected interest rate increases.

At a total level personal loan advances now represent 3.6% and home loan advances 23.0% of total advances.

Growth in advances at the centre was led by increased business activity in the Rest of Africa, consistent with Nedbank's focus on deepening its Pan-African banking client relationships and expanding its presence in the rest of Africa.

Deposits

Deposits grew 9.5% to R603.0 billion (2012: R550.9 billion) and a sound loan-to-deposit ratio of 96.1% (2012: 95.7%) was maintained.

The portfolio tilt strategy to drive deposit growth is reflected in good contributions seen from all the clusters. Current accounts increased 5.1% (2012: 7.9%) and savings accounts grew by a strong 30.3% (2012: 9.3%), as saving deposits held in Nedbank Wealth were boosted by rand depreciation. Call and term deposit balances were 9.7% (2012: 9.9%) higher due to increased funding from the commercial and asset management sectors. The strategy also focused on increasing fixed deposits, which resulted in 16.3% (2012: 8.2%) growth in fixed deposits while negotiable certificates of deposit were up 13.7% (2012: negative 21.4%).

Economic outlook

The economic outlook for developed economies is expected to be more positive in 2014, with accelerated momentum in the US and UK, and the Eurozone beginning to show signs of fragile growth. These improved prospects, together with the effects of a tapering off of quantitative easing, will lead to global volatility and pose downside risk to many emerging markets. A further concern is China's economic slowdown, given its importance as a trade partner for SA.

Nedbank currently anticipates GDP growth of 2.6% for SA in 2014. This is higher than the expected 1.8% growth in 2013, but remains below growth rates required to reduce unemployment levels meaningfully. The key drivers are likely to be better export performance and an increase in gross fixed-capital formation. Downside risk to growth has increased as interest rates have started on an upward trajectory, with a 50 basis point increase in January 2014 and further potential increases later in the year.

Growth in household credit demand is unlikely to improve in 2014 while employment conditions remain poor, real income constrained and consumer debt levels high. Growth across most retail advances categories will continue to be muted and consumer credit risks are likely to increase. The rate and extent of further interest rate increases will impact the ability of consumers to service their debt.

Corporate credit demand is expected to remain above retail credit demand, but will continue to be subdued as corporates delay committing to new projects in an environment of infrastructure constraints and low levels of confidence.

Prospects

In the context of a volatile and uncertain economic outlook forecast risk is high. Against this background the financial performance for 2014 is currently anticipated as follows:

- Advances to grow at mid to upper single digits
- NIM to remain at levels similar to those of 2013
- The CLR to be within the new CLR range of 80 to120 basis points, improving slightly on 2013
- NIR (excluding fair-value adjustments) to grow at mid to upper single digits, incorporating the 0% transactional fee increase in 2014
- Expenses to increase at upper single digits

In the light of the volatile economic conditions Nedbank is currently expecting organic diluted HEPS growth in 2014 to be greater than the growth in nominal GDP. As usual, this will be updated at our interim results presentation.

With regards to Nedbank's medium-to-long-term targets, the CLR target range was amended from 0.60% to 1.00% to 0.80% to 1.20% to reflect Nedbank Retail's more prudent provisioning methodologies and asset mix changes. The efficiency ratio target was amended from <50.0% to a range of 50.0% to 53.0% to reflect the structurally lower interest rate pattern and Nedbank's strategy of investing for growing the franchise.

Nedbank data tables (Rand)

Cluster performance	Headline earnings (Rm)			RoE (%)	
	2013	2012 [1]	% Change	**2013**	2012 [1]
Nedbank Capital	**1,726**	1,431	20.6%	**29.4%**	25.4%
Nedbank Corporate	**2,245**	1,817	23.6%	**26.4%**	22.5%
Nedbank Business Banking	**929**	944	(1.6)%	**19.4%**	21.5%
Nedbank Retail	**2,539**	2,552	(0.5)%	**11.6%**	12.1%
Nedbank Wealth	**900**	718	25.3%	**36.2%**	29.7%
Business clusters	**8,339**	7,462	11.8%	**19.1%**	17.9%
Centre including Rest of Africa	**331**	21			
Total (including goodwill) [1]	**8,670**	7,483	15.9%	**15.6%**	14.8%

[1] 2012 restated by R27 million to reflect the adoption of IAS 19 'Employee Benefits'

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 analysis			(%)
	FY 2013	H1 2013	FY 2012
Specific impairments	**0.95**	1.24	0.91
Portfolio impairments	**0.11**	0.07	0.14
Total credit loss ratio	**1.06**	1.31	1.05

Credit loss ratio				(%)
	% banking advances	**2013**	2012	Through-the-cycle target ranges
Nedbank Capital	11.5%	**0.51**	1.06	0.10 – 0.55
Nedbank Corporate	32.1%	**0.23**	0.24	0.20 – 0.35
Nedbank Business Banking	12.0%	**0.65**	0.34	0.55 – 0.75
Nedbank Retail	38.2%	**2.16**	2.01	1.50 – 2.20
Nedbank Wealth	4.0%	**0.28**	0.61	0.20 – 0.40
Total		**1.06**	1.05	0.60 – 1.00

Capital				(%)
	31-Dec-13 ratio (Basel III)	31-Dec-12 ratio (Basel III)	Internal target range (Basel III)	Regulatory minimum (Basel III) [1]
Common equity Tier 1 ratio	**12.5**	11.6	10.5-12.5	4.5%
Tier 1 ratio	**13.6**	13.1	11.5-13.0	6.0%
Total capital ratio	**15.7**	15.1	14.0-15.0	9.5%

[1] The Basel III regulatory minima are being phased in between 2013 and 2019, and exclude Pillar 2B add-ons

Loans and advances by cluster

		Rm	
	31-Dec-13	31-Dec-12	% Change
Nedbank Capital	**109,549**	82,494	32.8%
Banking activity	**72,066**	52,732	36.7%
Trading activity	**37,483**	29,762	25.9%
Nedbank Corporate	**175,274**	162,730	7.7%
Nedbank Business Banking	**62,785**	60,115	4.4%
Nedbank Retail	**195,435**	190,647	2.5%
Nedbank Wealth	**22,082**	19,864	11.2%
Centre including Rest of Africa	**14,247**	11,316	25.9%
Total	**579,372**	527,166	9.9%

Nedbank group targets

Metric	2013 performance	Medium-to-long-term targets	2014 outlook [1]
RoE (excluding goodwill)	17.2%	5% above cost of ordinary shareholders' equity	Below target
Growth in diluted headline earnings per share	15.0%	≥ consumer price index + GDP growth + 5%	≥ consumer price index + GDP growth
Credit loss ratio	1.06%	Between 0.8% and 1.2% of average banking advances	Meet target, improving slightly
NIR-to-expense ratio	86.4%	> 85%	At target
Efficiency ratio	55.2%	50.0% to 53.0%	At target
Tier 1 capital adequacy ratio (Basel III)	12.5%	10.5% to 12.5%	At or above the top end of target
Economic capital	Internal Capital Adequacy Assessment Process (ICAAP): A debt rating (including 10% capital buffer)		
Dividend cover	2.11 times	1.75 to 2.25 times	1.75 to 2.25 times

[1] Shareholders are advised that these forecasts are based on organic earnings and Nedbank's latest macro-economic outlook and have not been reviewed or reported on by Nedbank's independent auditors.

Property & Casualty

Tough operating conditions whilst business changes are being implemented

Highlights	2013	2012 [1]	% Change
			Rm
Underwriting margin	**(4.9)%**	(1.7)%	
Underwriting result	**(437)**	(132)	(231)%
Long-term investment return (LTIR)	**472**	608	(22)%
Income from associate (Zimbabwe)	**40**	19	111%
AOP (IFRS basis, pre-tax)	**58**	475	(88)%
Gross written premiums	**11,315**	9,706	17%
Net earned premiums	**8,856**	7,573	17%
Claims ratio	**75.5%**	72.4%	
Combined ratio	**104.9%**	101.7%	
International solvency ratio	**54.1%**	64.0%	
Return on equity	**0.6%**	7.1%	

[1] Comparatives have been restated to reflect 100% of the iWYZE results

Overview and operating environment

A disappointing underwriting loss of R437 million can largely be attributed to severe weather-related losses in the fourth quarter, drought conditions leading to poor Agriculture results in the first half and a continuing soft market in the South African property and casualty sector. The underwriting loss deteriorated from the prior year with the margin worsening by 3.2% to a loss of 4.9%. Flood and hail damage caused an increase in both claims frequency and severity. The South African property and casualty industry has seen combined ratios deteriorate significantly during 2013.

Gross written premium grew 17% year on year, reflecting strong growth of 36.7% in the Corporate & Niche segment (including CGIC) which delivered gross written premiums of R3,527 million (2012: R2,581 million). Much of the growth in premiums was due to inwards reinsurance business, which primarily consist of open market and strategic attritional losses treaty business. Credit Guarantee (CGIC) grew 10.8% to R860 million. The Personal segment grew 5.9% to R3,065 million and Commercial by 12.1% to R3,935 million with Agriculture contributing R145 million and the Rest of Africa by 9.3% to R788 million. The Personal lines quote to acceptance conversion rate fell, reflecting the implementation of tougher underwriting criteria.

iWYZE, our joint venture with the Old Mutual Mass Foundation business, achieved solid growth in gross written premium of 10.8%, and a significant improvement in the claims ratio. Reflecting the early stage in the life cycle of the business, the underwriting margin on iWYZE is (42.1)%, an improvement compared to the previous year (54.6)%. In 2014, premium in iWYZE is expected to grow through substantial collaboration with Old Mutual. The retention rate will be improved through a combination of accurate customer segmentation, careful analysis of renewal lapse rates and appropriate renewal moderation, and through the introduction of product innovations aimed at improving longevity. We will also work on diversifying the types of risks underwritten in the iWYZE book.

The company remains well capitalised with a 54.1% international solvency ratio (net assets: net premiums).

Business development

Management have clear action plans to address challenges over the current business planning period. The focus will be on:

- Remediating rates and improving risk selection in Personal lines
  - We will continue introducing price increases across the Personal book, with the impact expected at renewal
  - We will incorporate improved risk selection on new business
  - Our pricing initiatives will be supported by a greater degree of automation in the underwriting process, which will allow for tighter control and more effective validation
- Improving claims efficiency and effectiveness while combating claims fraud
  - We will implement a new claims operating model which will improve efficiencies in Personal lines by adopting a segmented approach to claims handling
  - We will focus on improved procurement of claims-related expenditure to reduce the average claims cost
- Reducing operating expenses
  - We will keep the annual increase in payroll costs in line with inflation

  - We will reduce IT costs following our migration off a mainframe based system
- Improving the operating model
  - We will be reviewing our current operating model in key segments and will be introducing improvements aimed at customer satisfaction and operational efficiency
- Improving broker distribution capabilities
  - We will provide a single point of contact for each broker with a focus on key account management
  - We will improve broker experience by creating continuous feedback loops to business
- Creating a high performance culture
  - We will align performance scorecards to the strategy and business plan by providing clear and concise messaging on targets and introducing robust performance measurement

The new organisational structure, consisting of Personal, Commercial, Corporate & Niche and the Rest of Africa has been bedded down over the last quarter where executive appointments have been completed for our underwriting segments in South Africa. We expect improved results as operational efficiencies and strategic objectives begin to gain traction.

Underwriting and IFRS AOP results

The deterioration of the underwriting result was materially affected by weather-related claims specifically in the fourth quarter with R176 million of net losses from flooding in Western Cape and hail storms in and around Johannesburg. By segment, Corporate & Niche and Commercial lines suffered the most significant reduction in the underwriting result by R157 million and R156 million respectively. The decrease in the underwriting result led to an 88% reduction in AOP and a reduction in RoE from 7.1% to 0.6%.

The deterioration in the overall claims ratio to 75.5% (2012: 72.4%) was primarily due to higher claims severity in both the Personal and Commercial motor classes. However, with re-pricing and other remedial actions taking place we are starting to see positive trends. There was a higher incidence of fire claims in the Corporate & Niche segment, which experienced a claims ratio of 73.4% and drought-related Agriculture claims.

CGIC generated strong premium growth of 10.8%. However, challenging economic conditions have adversely affected its claims and expense ratios, resulting in a lower underwriting result compared to the previous year.

Overall, the expense ratio improved by 1% due to a combination of the premium growth and a continued focus on expense management.

The net commission ratio was 16.6% for 2013 with a 1.1% increase year on year due to changes in business mix and the commencement of binder fee regulations, whereby intermediaries provide claims handling and policy administration services.

Rest of Africa

In the Rest of Africa, the claims ratio deteriorated to 62.9% (2012: 54.2%) mainly due to three large corporate claims in Namibia of R20.5 million and two large commercial claims in Botswana of R6.3 million which together contributed 5.5% to the claims ratio. An increase in the Incurred But Not Reported (IBNR) provision added a further 0.8%. A 7.3% increase in the Personal lines claims ratio in Namibia from 74.6% to 81.9% was due to premium rate reductions in an attempt to grow the book. Remediation plans have already been implemented and we will continue to monitor their progress.

Outlook

In the latter part of the year, whilst there has been some tentative impact from remedial action taken in our Personal lines division as the policy count begins to stabilise, the continued depreciation of the rand has led to increased motor related claims costs on imported parts.

Despite challenging market conditions experienced in 2013, we expect competitors to also increase premiums in response to the rising claims cost pressures. We anticipate a hardening of the market in 2014. Our primary focus is on restoring the profitability of the business in 2014 rather than on premium growth. In our Personal segment, greater collaboration within the Old Mutual Group will be the driving force behind future growth prospects as well as the expansion into the Rest of Africa.

In the longer term, the management team is focused on delivering the plan to improve return on equity to 15-20% by 2016 through the management of claims costs, capital management and underwriting margin.

Whilst we are confident that our management actions will have a positive impact in achieving our stated targets, we acknowledge that an increase in the frequency and severity of weather-related claims increases our earnings volatility, given the current business risk profile.

Old Mutual Wealth

Strong operational delivery through a changing regulatory environment

Highlights	2013	2012	% Change
			£m
AOP (IFRS basis, pre-tax)	**217**	195	11%
NCCF (£bn) [1]	**2.3**	2.0	15%
FUM (£bn)	**78.5**	69.2	13%
Return on equity	**16%**	13%	
Gross sales [1]	**14,434**	11,630	24%
Life assurance sales (APE)	**606**	610	(1)%
PVNBP	**5,556**	5,334	4%
Non-covered sales [1] [2]	**8,207**	5,612	46%
Value of new business	**76**	62	23%
APE margin	**13%**	10%	
PVNBP margin	**1.4%**	1.2%	

[1] From Q2 2012 OMAM UK has been reported within Old Mutual Wealth (OM Global Investors) rather than USAM. The comparatives for 2012 have not been restated in respect of flows recognised within USAM in Q1 2012

[2] Includes unit trust, mutual fund, ISAs and other sales

Operating environment

Investment markets improved markedly in 2013 and the level of flows to the industry reflected this with the move into equity and growth asset allocations, as we had anticipated. Significant regulatory change in the UK, our major market, arose from the Retail Distribution Review (RDR) for which we were well prepared. Following the implementation of RDR, we have experienced increased demand for packaged investment solutions from financial advisers who increasingly seek to outsource either elements of, or their entire investment processes.

During 2013, we developed *WealthSelect* which is a researched range of some of the best investment strategies in the market, available through Old Mutual Global Investors (OMGI) funds. Financial advisers will either be able to use the range to build portfolios themselves or they can use our own managed portfolio service and outsource the management of the portfolios to our Multi-Asset team. The launch in Q1 2014 will provide us with one of the most comprehensive investment propositions in the market, giving advisers a range of options to meet differing client needs. We already offer investment solutions for clients focused on controlling risk, called *Spectrum*, and for income, known as *Generation*.

In our international markets, we offer a market-leading range of portfolio bonds which enable clients to invest via our Ireland or Isle of Man offshore jurisdictions. Depending on where clients are domiciled this provides them with tax efficiency, portability and/or investment security, whilst maintaining investment choice and flexibility due to the open structure of the products.

Business developments

We have made significant progress in our strategy of developing into an integrated wealth management business. There have been six key steps:

- Creating one business
- Building out the asset management business
- Widening our proposition: *WealthSelect* and other product launches
- Transforming our platforms: *Wealth Interactive* and UK administration
- Building out distribution: Asia and AIVA
- Managing for value: European and UK Heritage businesses

IFRS AOP results

Old Mutual Wealth AOP increased by 11% to £217 million (2012: £195 million) as a result of tight management of expenses and increased fees earned on higher average FUM in the period. Profit grew by 19% after excluding £13 million of profits from Finland, which was sold in H2 2012. In 2012, there were exceptional policyholder tax contributions of £22 million in part due the move to a new life tax regime. Underlying profits before tax have therefore grown from £160 million to £217 million.

While overall profits continue to grow, the quality of these earnings is also improving. The open book activities undertaken by the UK Platform, asset management, International cross-border and European open businesses contributed £99 million of profit in 2013 compared to £68 million in 2012. Operating margin for Old Mutual Wealth improved to 36% from 33% in 2012. The reduced cost base in the business generated positive operating leverage as revenues rose on higher funds under management.

UK Platform profits improved to £13 million from £2 million in the prior period reflecting higher FUM and increased inflows over 2013, and positive operating leverage as the business maintained a stable cost base.

International cross-border profits, after removing the impact of Finland on the 2012 comparative were 11% down on prior year to £49 million. The reduction in profit reflects the increased investment in the second half of the year in the development and roll-out of the *Wealth Interactive* platform. Total spend was approximately £13 million.

OMGI profits improved to £15 million from £2 million in the prior period reflecting the higher FUM levels in the business, improved performance-related fees earned during the year and the continued migration of assets from the UK Heritage business to asset offerings at OMGI which earn a higher margin. The Europe open business has also returned strong results in 2013 following improved sales in Italy and the significantly reduced expense base in France. In France we recorded an operating profit for the business for the first time, while in Italy we exceeded our target return on equity for the local business of 12%.

The Heritage business continues to generate good results with profits of £112 million for 2013 (2012: £126 million), with the prior year comparative including the £22 million exceptional policyholder tax contribution. The Heritage portfolios contributed 52% of the Old Mutual Wealth profit in 2013, down from 65% in 2012, while overall profit levels have continued to grow.

Net client cash flow

NCCF of £2.3 billion increased by 15% on prior year (2012: £2.0 billion) as a result of continuing strong sales in the second half of the year on the UK Platform, OMGI, and International cross-border businesses.

A strong fourth quarter contributed to the UK Platform delivering NCCF of £2.4 billion, up 9% on prior year (2012: £2.2 billion). Following a challenging start to the year with the implementation of the RDR changes, confidence amongst advisers returned and good sales were seen for the remainder of the year, particularly across the collective investments and ISA products.

In International, NCCF of £0.5 billion was 150% higher than prior year (2012: £0.2 billion) with increased sales momentum.

NCCF from UK third party distribution channels in OMGI reached £1.3 billion, continuing to reflect the positive impact of the recent appointments within the UK Equities team. New business sales through the UK Platform into OMGI funds are 16% for the full year 2013.

Gross outflows from the lower margin Nordic business totalled £1.2 billion following the divestment of the business in 2012, although this was partially offset by the continued internalisation of funds from the UK Heritage business of approximately £1.0 billion (gross) in 2013. The core OMGI NCCF excluding this internalisation of funds and the Nordic outflows more than doubled to £0.9 billion from £0.4 billion in 2012.

Within Europe, both Italy and France have improved NCCF compared with prior year. In Italy NCCF of £395 million was 18% higher than prior year (2012: £336 million) as a result of a number of new distribution agreements implemented throughout 2013. This has also resulted in reduced sales concentration risk locally. In France, following significant restructuring, work with key relationships throughout 2013 has seen NCCF improve 3% compared with 2012.

Within the European Heritage business, Germany, Austria and Switzerland have seen NCCF reduce, as expected, following their closure to new business in 2012. NCCF has reduced to £74 million for 2013 compared to £151 million in the prior year. Effective retention strategies continue to ensure that the persistency of this business remains ahead of our expectations.

In the UK, net outflows of legacy assets have declined marginally in 2013. Market growth in these investments overall has resulted in funds under management closing at higher levels than those at the start of the year despite a net outflow position during the year.

Funds under management

FUM has increased to £78.5 billion, up 13% on the start of 2013 (December 2012: £69.2 billion) with the continued improvement in the equity markets and positive NCCF.

The UK Platform assets were £27.3 billion, up 21% on prior year (December 2012: £22.6 billion). OMGI investment performance remained strong with 44% of Open Ended Investment Company (OEIC) funds in the first quartile over a three year period and a total of 66% of funds above the median. This has contributed to FUM increasing 16% to £16.0 billion (December 2012: £13.8 billion).

Gross sales

We generated gross sales of £14.4 billion, an increase of 24% on the prior period (2012: £11.6 billion) with strong sales on the UK platform, OMGI and International cross-border businesses.

UK Platform sales increased by 14% to £4.7 billion (2012: £4.1 billion). Following the challenging start to the year in the UK market, sales momentum built through the year reflecting the improved market conditions. The second half of 2013 saw a 7% increase compared with the first half of the year due to higher sales of collective investments and ISAs.

UK sales from other lines of business were 15% lower than prior year, as 2012 sales had benefited from a £182 million premium received from an institutional provider. The year ended strongly with sales in the last quarter 50% higher than those in the third quarter.

International cross-border sales of £1,921 million were up 14% on the prior period (2012: £1,681 million), benefiting from improved sales in South Africa, which were enhanced further by the launch of the IP+ product in the second half of 2013. Elsewhere, product launches at the end of 2012 were initially slow to gain traction but in 2013 have significantly exceeded prior year sales. In Europe we have seen strong sales of Qualifying Recognised Overseas Pension Schemes (QROPS), while Hong Kong has benefited from improved Portfolio Bond sales. Sales in Latin America have developed well following the AIVA acquisition, and have been supported by the addition of the *Life Investment Portfolio* product which was launched in H2 2013. We expect this level of sales performance to continue into 2014. Latin America sales benefited from some large single premium business towards the end of the year.

OMGI sales were strong through both UK third party channels and the UK Platform. Sales of £7,572 million were up 68% on prior year (2012: £4,506 million). Improved sales were seen across the Alternatives and Equities asset classes, with the latter benefiting from new appointments during the year, the improvement in the markets, consumer confidence and a shift from fixed income back into equities. A significant uplift in the fourth quarter was achieved, with inflows of 22% of all UK Platform sales into OMGI. This is following OMGI's improved offering, continued strong investment performance and the sales teams gaining traction in the market after several months of work with brokers' investment committees.

Within the European open businesses, we have seen continued strong sales in Italy, up 10% on the comparative period to £949 million, as a result of increased sales through both established and new distributors. Sales in France remained broadly in line with 2012 as the work with established distributors during a period of significant change has led to us retaining our market share.

Life and embedded value summary

Gross single premium covered business sales on the UK Platform increased by 2% against prior year. Platform sales accounted for £232 million of the £606 million total Old Mutual Wealth sales on an APE basis.

In the International market, sales increased by 11% to £201 million on an APE basis.

Sales in Europe open portfolios increased by 2% to £127 million, with good performance in Italy partially offset by weaker activity levels in Poland and France.

The value of new business of £76 million was £14 million higher than prior year. Although APE remained largely unchanged, the decline in acquisition expenses had a positive impact on the value of new business. Overall APE margin has increased from 10% in 2012 to 13% in 2013.

Outlook

We have made significant progress in transforming our business in 2013 and 2014 will see further change. In the UK, we will launch the *WealthSelect* fund management suite, conclude the terms of our administrative outsourcing agreement and broaden our distribution capabilities. The objective is to increase our speed to market for our proposition and to service customers in the way that they find most convenient. We expect the sales momentum to continue into 2014 as we introduce further protection and retirement enhancements.

With *Wealth Interactive* implemented in International, we intend to increase our penetration in the markets we operate delivering flexible and user friendly products on an efficient platform.

We continue the planning for our outsourcing contract to boost product capability and lower our cost base from 2017 onwards. We expect an additional cash cost of approximately £140 million of the outsourcing agreement to be spent in the period of 2014-2016, which will be reported as exceptional IFRS costs and so excluded from adjusted operating profit.

The acquisition of the distribution business Intrinsic Financial Services, will allow us to diversify our distribution by becoming a "complementary" advice channel, and will better position us to offer our own solutions. Given the substantial changes occurring in the industry, this move will solidify and maintain our presence in the advisory channel in the UK. It will also allow us to compete with other product providers who are acquiring their own distributors.

A revitalised Asia strategy will be launched at the end of Q1 2014 with the exclusive sales agreement with a leading institutional broker signed in December. We expect further collaboration with AIVA in Latin America, with the *Life Investment Portfolio* building a strong pipeline at the end of 2013 for 2014.

In OMGI, we expect continued strong growth of the UK Equity and Alternatives desks as well as through the *Spectrum* fund range. We remain focused on the launch of our multi-asset offerings including our *Foundation* fund in addition to developing our investment proposition in Asia.

At the same time as the *WealthSelect* launch in Q1 2014, there will be the final transfer of the heritage assets from the UK to OMGI of around £400 million. A final £200 million in Nordic outflows is expected in 2014.

We announced in November that we had agreed to sell our Polish business, as part of our commitment to simplify our operations and focus on a select number of core growth markets. The transaction is subject to regulatory approvals and other customary conditions and we expect to complete the sale in the next six months.

Given our current business profile and our ability to improve margin through increasing sales of our funds through our platforms, we remain confident of achieving our financial targets for Old Mutual Wealth and developing it into a fully-fledged wealth management business.

Part 3 – Detailed Business Review

Old Mutual Wealth data tables (Sterling)

Adjusted operating profit

			£m
	2013	2012	% Change
Invest & Grow markets			
UK Platform	**13**	2	550%
UK Other [1]	**6**	1	500%
International [2]	**49**	68	(28%)
Old Mutual Global Investors [3]	**15**	2	650%
Total Invest & Grow	**83**	73	14%
Manage for Value markets			
Europe – open book [4]	**22**	(4)	650%
Heritage business [5]	**112**	126	(11%)
Total Manage for Value	**134**	122	10%
Total Old Mutual Wealth	**217**	195	11%

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

[2] Comparative includes Finland, which was sold in H2 2012 and contributed £13 million of AOP in 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 Europe Heritage 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**	**31-Dec-13**
Invest & Grow markets						
UK Platform [1]	22.6	4.7	(2.3)	2.4	2.3	27.3
UK Other [2]	4.7	0.8	(0.9)	(0.1)	1.0	5.6
International	13.9	1.9	(1.4)	0.5	0.6	15.0
Old Mutual Global Investors [3 4]	13.8	7.6	(6.9)	0.7	1.5	16.0
Total Invest & Grow	**55.0**	**15.0**	**(11.5)**	**3.5**	**5.4**	**63.9**
Manage for Value markets						
Europe - open book [5]	5.9	1.3	(0.8)	0.5	0.2	6.6
Heritage business [6]	14.3	0.7	(1.8)	(1.1)	2.2	15.4
Total Manage for Value	**20.2**	**2.0**	**(2.6)**	**(0.6)**	**2.4**	**22.0**
Elimination of intra-Group assets [4 7]	(6.0)	(2.6)	2.0	(0.6)	(0.8)	(7.4)
Total Old Mutual Wealth	**69.2**	**14.4**	**(12.1)**	**2.3**	**7.0**	**78.5**

£bn

	1-Jan-12	Gross sales	Redemptions	Net flows	Market and other movements	31-Dec-12
Invest & Grow markets						
UK Platform [1]	18.8	4.1	(1.9)	2.2	1.6	22.6
UK Other [2]	3.7	1.0	(0.9)	0.1	0.9	4.7
International	14.3	1.7	(1.5)	0.2	(0.6)	13.9
Old Mutual Global Investors [3 4 8]	12.1	4.8	(4.5)	0.3	1.4	13.8
Total Invest & Grow	**48.9**	**11.6**	**(8.8)**	**2.8**	**3.3**	**55.0**
Manage for Value markets						
Europe - open book [5]	5.2	1.2	(0.8)	0.4	0.3	5.9
Heritage business [6]	14.9	0.9	(2.0)	(1.1)	0.5	14.3
Total Manage for Value	**20.1**	**2.1**	**(2.8)**	**(0.7)**	**0.8**	**20.2**
Elimination of intra-Group assets [4 7]	(6.4)	(1.8)	1.7	(0.1)	0.5	(6.0)
Total Old Mutual Wealth	**62.6**	**11.9**	**(9.9)**	**2.0**	**4.6**	**69.2**

[1] UK Platform FUM excludes intra-group assets from our International business of £1.5 billion in 2013 (2012: £1.4 billion)

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

[3] OMGI redemptions include Nordic sale-related net outflow of £1.0 billion in 2013 (2012: £0.1 billion)

[4] OMGI and intra-Group eliminations include net inflows from the Heritage business of £0.9 billion (2012: nil)

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

[6] Includes UK Heritage and Europe Heritage (Germany, Austria, Switzerland and Liechtenstein)

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

[8] OMGI 2012 opening FUM includes OMAM(UK) FUM of £4.0 billion. OMGI 2012 gross sales and redemptions include Q1 2012 flows in respect of OMAM(UK)

Gross sales

£m

	2013	2012	% Change
Invest & Grow markets			
UK Platform	**4,718**	4,140	14%
UK Other [1]	**823**	968	(15%)
International	**1,921**	1,681	14%
Old Mutual Global Investors	**7,572**	4,506	68%
Total Invest & Grow	**15,034**	11,295	33%
Manage for Value markets			
Europe – open book [2]	**1,278**	1,185	8%
Heritage business [3]	**765**	886	(14%)
Total Manage for Value	**2,043**	2,071	(1%)
Elimination of intra-Group assets [4]	**(2,643)**	(1,736)	(52%)
Total Old Mutual Wealth	**14,434**	11,630	24%

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

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

[3] Includes UK Heritage and Europe Heritage (Germany, Austria, Switzerland and Liechtenstein)

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

Part 3 – Detailed Business Review

Covered sales

£m

	Gross single premium			APE regular premium			Total APE		
	2013	2012	% Change	**2013**	2012	% Change	**2013**	2012	% Change
Invest & Grow markets									
UK Platform	**2,012**	1,973	2%	**32**	32	-	**232**	229	1%
UK Other [1]	**52**	97	(46)%	**18**	21	(14)%	**23**	31	(26)%
International [2]	**1,725**	1,413	22%	**28**	40	(30)%	**201**	181	11%
Total Invest & Grow	**3,789**	3,483	9%	**78**	93	(16)%	**456**	441	3%
Manage for Value markets									
Europe - open book [3]	**1,133**	1,053	8%	**14**	19	(26)%	**127**	124	2%
Heritage business [4]	**35**	96	(64)%	**19**	35	(46)%	**23**	45	(49)%
Total Manage for Value	**1,168**	1,149	2%	**33**	54	(39)%	**150**	169	(11)%
Total Old Mutual Wealth	**4,957**	4,632	7%	**111**	147	(24)%	**606**	610	(1)%

[1] Includes Protection and Series 6 pensions

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

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

[4] Includes UK Heritage and Europe Heritage (Germany, Austria, Switzerland and Liechtenstein)

Non-covered sales

£m

	2013	2012	% Change
Invest & Grow markets			
UK Platform	**2,590**	2,067	25%
UK Other [1]	**636**	736	(14)%
Old Mutual Global Investors [2]	**7,572**	4,506	68%
Total Invest & Grow	**10,798**	7,309	48%
Manage for Value markets			
Europe - open book [3]	**45**	30	50%
Heritage business [4]	**7**	9	(22)%
Total Manage for Value	**52**	39	33%
Elimination of intra-Group assets [5]	**(2,643)**	(1,736)	52%
Total Old Mutual Wealth	**8,207**	5,612	46%

[1] Includes UK Institutional business

[2] From Q2 2012 OMAM (UK) has been reported within Old Mutual Wealth (OMGI) rather than USAM. The comparatives for 2012 have not been restated in respect of sales recognised within USAM in Q1 2012

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

[4] Includes UK Heritage and Europe Heritage (Germany, Austria, Switzerland and Liechtenstein)

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

US Asset Management

Strong net client cash flows of $16.3 billion and AOP up by 21%, as business momentum continues

					$m
Highlights [1]	**2013**	2012 Continuing	Change	2012 Reported	Change
AOP (IFRS basis, pre-tax)	**174**	151	15%	144	21%
Operating margin, before non-controlling interests [2]	**33%**	32%		28%	
Operating margin, after non-controlling interests [2]	**29%**	28%		24%	
Net client cash flows ($bn)	**16.3**	1.4	14.9	(0.4)	16.7
Funds under management ($bn)	**257.4**	208.6	23%	208.6	23%

[1] Continuing operations exclude affiliates disposed of during 2012 and OMAM(UK), which was transferred to Old Mutual Wealth in Q2 2012. Includes Echo Point which was discontinued in Q4 2013

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

Overview

Business momentum continued in 2013 for USAM, including AOP and operating margin growth, sustained positive net client cash flows, and strong long-term investment performance. IFRS AOP of $174 million increased by 21% on the reported 2012 result. Net client cash inflows were $16.3 billion, representing 7.8% of beginning FUM (2012: $0.4 billion net outflow on a reported basis), which coupled with positive market conditions led to 23% growth in FUM for the year.

IFRS AOP results and operating margin

Operating results

USAM delivered a strong level of AOP in 2013 while supporting key growth initiatives including further build-out of our global distribution capabilities.

IFRS AOP increased by 21% on a reported basis (2012: $144 million) and 15% on a continuing basis (2012: $151 million) largely due to increases in management fees resulting from higher average FUM than the comparative period. Reported results also benefited from the divestiture activity undertaken during 2012.

Revenues of $609 million for the period were 14% higher than 2012 continuing operations ($536 million), driven by higher average FUM.

AOP margin before non-controlling interests increased by 5% to 33% from reported results in the prior year (1% increase on a continuing basis), reflecting the 2012 divestitures and operating leverage as revenue has increased. On a post non-controlling interests basis, reported operating margin increased 5% to 29%, and has continued to progress towards the upper end of our targeted 25%-30% range.

Investment performance for continuing operations

Over the one-, three- and five-year periods ended 31 December 2013, 48%, 90% and 88% of assets outperformed benchmarks, compared to 39%, 62% and 81% at 30 September 2013 and 62%, 66% and 76% at 31 December 2012. The improvement in three-year performance from 30 September 2013 was driven by one value equity product outperforming its respective benchmark, while the improvement in one-year performance relates largely to select global equity products.

USAM also evaluates investment performance weighted by the revenue generated by its products. As of 31 December 2013, assets representing 66%, 91% and 84% of revenue outperformed benchmarks over the one-, three- and five-year periods (31 December 2012: 67%, 71% and 68%).

Continued strong long-term investment performance and improved distribution capabilities remain key to generating future positive cash flows.

Funds under management and net client cash flows

				$bn
	Continuing operations		Disposed of or transferred affiliates	Reported
	2013	2012 [1]	2012	2012
Opening FUM	**208.6**	183.3	48.2	231.5
Gross inflows	**39.9**	28.7	3.4	32.1
Gross outflows	**(22.6)**	(25.3)	(5.2)	(30.5)
Total client driven net flows	**17.3**	3.4	(1.8)	1.6
Hard asset disposals	**(1.0)**	(2.0)	-	(2.0)
Net client cash flows	**16.3**	1.4	(1.8)	(0.4)
Disposals	**(1.6)**	-	(42.0)	(42.0)
Transferred to Old Mutual Wealth	**-**	-	(6.6)	(6.6)
Market and other	**34.1**	23.9	2.2	26.1
Closing FUM	**257.4**	208.6	-	208.6

[1] Continuing operations exclude affiliates disposed of during 2012 and OMAM(UK), which was transferred to Old Mutual Wealth in Q2 2012. Includes Echo Point which was discontinued in Q4 2013

Operating results

FUM increased by 23% to $257.4 billion (31 December 2012: $208.6 billion) with $34.1 billion of market appreciation (contributing 16.3% growth) and $16.3 billion of net client cash inflows (contributing 7.8% growth). During Q4 2013, the decision was made to close Echo Point Investment Management, reducing FUM by $1.6 billion.

FUM consists primarily of long-term investment products diversified across equities (60.2%), fixed income (26.8%) and alternative investments (13.0%).

Net client cash inflows were $16.3 billion for the period (2012 reported results: $0.4 billion net outflow, 2012 continuing operations: $1.4 billion net inflow), representing 7.8% of opening FUM. Net inflows were highly diversified, with six out of the eight affiliates reporting positive or flat flows.

Net client cash inflows during the period are expected to result in a $46.9 million positive impact to annualised revenue, relating to higher fee equity products ($24.3 million), alternatives ($13.0 million), and fixed income products ($9.6 million).

Gross inflows totalled $39.9 billion (2012 reported results: $32.1 billion, 2012 continuing operations: $28.7 billion), with flows in global fixed income, international equities, dividend focus equities and emerging markets equities. Gross inflows of $13.1 billion were from new client accounts. Gross inflows of $15.5 billion came from non-US clients during the period.

Gross outflows totalled $23.6 billion (2012 reported results: $32.5 billion, 2012 continuing operations: $27.3 billion), concentrated in US value equities, along with international equities and global fixed income. Gross outflows of $1.0 billion relate to investment-driven hard asset disposals by Heitman, USAM's real estate manager.

USAM's Global Distribution initiative raised $4.5 billion in total assets funded in 2013; NCCF sourced by Global Distribution represented 23% of the total NCCF for the year. 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 52% of year-end FUM (31 December 2012: 52%).

Business developments

During Q4 2013, USAM announced plans to close its international equity investment affiliate, Echo Point Investment Management LLC, a process which will be completed during Q1 2014.

USAM's UK-based global fixed income manager, Rogge Global Partners, announced the appointment of David Jacob, effective from 13 January 2014, as successor to the firm's founder and chief executive officer, Olaf Rogge. Mr. Rogge will continue as chairman and co-chief investment officer.

Outlook

Assuming favourable market conditions, USAM expects strong business performance and financial growth to continue in 2014, including sustained positive net client cash flows and an operating margin of greater than 30%, pre non-controlling interests. On an ongoing basis, USAM continues to target average annual net client cash inflows of 3-5% of opening FUM.

Global equity market trends whilst volatile suggest that investor preferences may shift from fixed income to equity products in 2014. The impact on USAM of such a shift depends on the specific nature of this shift, although generally equity fees are higher than fixed income fees.

USAM's Global Distribution team experienced a strong and successful start to its non-US initiatives in 2013 with several significant fundings of mandates won with their assistance. USAM remains focused on investing in affiliate growth initiatives and further penetration of non-US markets through its Global Distribution initiative.

We will also continue to explore selective inorganic growth opportunities which are additive to the portfolio and fill critical product or asset class gaps within our business.

Non-core business – Bermuda

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 inter-company loans from Bermuda.

Overview and operating environment

Bermuda has continued to implement its run-off strategy of risk reduction while managing for value. Favourable experience continued with contracts containing the Universal Guarantee Option (UGO) Guaranteed Minimum Accumulation Benefit (GMAB) experiencing higher than assumed surrender rates during the 5-year top-up period that ended in August 2013. The total cash cost of the top-ups made to contracts reaching their 5-year anniversary dates between 5 January 2012 and 29 August 2013 was $525 million, significantly lower than the 31 December 2011 projection of $689 million, mainly as a result of favourable equity market movements during the period.

In December 2013, the Bermuda Monetary Authority (BMA) agreed to the release of $100 million of capital through the cancellation of inter-company loan notes. This was in addition to the $450 million of capital release approved in July 2013. The release of capital reflects the reduction in size of the remaining liabilities, risk management strategy and de-risking actions taken.

Surrender development

In aggregate, there was $1,210 million of surrenders in 2013 (2012: $1,929 million). At 31 December 2013 around 81% of the non-Hong Kong UGO GMAB policies and around 67% of the Hong Kong policies originally written (by guarantee amount) had surrendered on or after their 5-year anniversary date.

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

			$m
Period	**31-Dec-13**	31-Dec-12	% Change
Account Value: GMAB	**1,031**	1,856	(44)%
Account Value: Non-GMAB	**407**	679	(40)%
Total Account Value	**1,438**	2,535	(43)%

Business developments

A 5-year hedge was purchased in Q2 2013 for the 10-year risk associated with the highest anniversary value (HAV) feature of the Hong Kong policies which could potentially arise in 2017-18. The structured "look back" options (HAV Options) provide protection against markets rising above the 120% guarantee and then subsequently falling. This is designed to reduce future volatility of earnings and capital requirements emanating from the HAV.

The risks below the 120% guarantee continue to be managed by the dynamic hedge programme at a 50% hedge ratio as at 31 December 2013 for the residual non-US dollar currency exposures and equity market risk.

Key Metrics and Outcomes

IFRS results

The IFRS post-tax profit for the period was $51 million (2012: $254 million profit), due to net realised gains on the bond portfolio and the favourable guarantee performance, net of hedging. The decrease on prior year profit was mainly due to reduced fee revenue in 2013 given the run-off of the book, reduced investment income following the liquidation of the investment portfolio, losses booked on the HAV Options and lower favourable lapse experience and assumption changes.

Total insurance liabilities

Of year-end insurance liabilities totalling $1,522 million (2012: $2,764 million):

- $1,234 million (2012: $2,119 million) was held in separate accounts relating to variable annuity investments, of which $1,031 million was related to GMAB policies (2012: $1,856 million)
- $84 million (2012: $229 million) related to the variable annuity guarantee reserve on the GMAB policies

- $204 million (2012: $416 million) related to other policyholder liabilities. These included deferred and fixed indexed annuity business as well as variable annuity fixed credited interest investments

The majority of the variable annuity guarantee reserve relates to contracts with UGO GMABs. The 2013 year-end UGO GMAB reserve was $79 million, a decrease of $140 million over the year, due mainly to the realisation of the remaining 5-year top-ups, improved overall equity market levels, rising US interest rates performance and the high level of UGO GMAB surrenders experienced.

Reserve development

The UGO GMAB reserve relates to the full remaining period of the relevant policies, including 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 over 2012-13:

				$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]**
31-Dec-11	1,035	-	689	689
31-Dec-12	219	425	105	530
31-Dec-13	79	525	-	-

[1] To meet UGO GMAB fifth anniversary payments

[2] Estimated cash cost before gains on hedge options

Highest Anniversary Value

On an account value basis at 31 December 2013, 86% of the UGO GMAB book had a HAV feature, providing policyholders with a 10-year guarantee value based on their highest policy value at any anniversary date. As at 31 December 2013, 9% of the total UGO GMAB book had a 10-year guarantee above 120%.

Treasury management of Bermuda assets

The Bermuda business assets backing the liabilities include:

			$m
	31-Dec-13	31-Dec-12	% Change
Cash and other liquid assets	**71**	268	(74)%
Treasury portfolio	**62**	62	-
Fixed income general account portfolio	**5**	195	(97)%
Collateral for hedge assets & FV of equity options	**32**	52	(38)%
Inter-company loan notes	**466**	1,032	(55)%
Investment in affiliated subsidiary (Group seed investments)	**260**	260	-
Separate account assets	**1,234**	2,119	(42)%
Other assets	**27**	58	(53)%
Total Assets	**2,157**	4,046	(47)%

The fixed income portfolio has been substantially sold except for a residual amount of less liquid holdings. The balance is $5 million as at 31 December 2013 (31 December 2012: $195 million). The sales of investments were undertaken during Q2 2013 to realise gains at prevailing favourable market conditions. The cash realised has been utilised to meet surrender activity and withdrawals.

The inter-company loan notes are structured in tranches allowing capital and treasury management flexibility, when cash is required from this source. Additional cash funding may also be required to provide for margin collateral due to the dynamic hedging activity depending on market movements and changes in hedging strategy.

Collateral posted for the hedge assets will adjust as the liabilities develop and could be released back to the business as the business evolves.

Capital and surplus

Statutory capital and surplus decreased to $604 million at 31 December 2013 (31 December 2012: $1,105 million), reflecting the cumulative capital release of $550 million approved by the BMA during the year, and after the $51 million profit. Capital allocated to the business on a local level includes the inter-company loan notes from the business to the Group.

The future level of capital required on both an economic and a regulatory basis will be influenced by the nature and extent of the run-off of the book of business in Bermuda and the amount of the investment hedge in place. We expect to continue to review the regulatory capital requirement regularly with the BMA in 2014.

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, hedging and de-risking initiatives for the remaining book, including the 10-year 120% guarantee and HAV policies still in force. The remaining UGO GMAB reserves will change in response to movements in exchange rates, interest rates, equity markets, surrender activity and the effluxion of time. The overall remaining guarantee cost is subject to the performance and extent of the hedging activity.

Going forward, it is expected that fee income will broadly match operating expenses, whilst the prospects for significantly higher than assumed lapses of remaining policies have in all likelihood reduced, given the surrenders that have already occurred.

Index to the financial information

For the year ended 31 December 2013

Statement of directors' responsibilities in respect of the preliminary announcement of the Annual Report and the financial statements	52
Consolidated income statement	53
Consolidated statement of comprehensive income	54
Reconciliation of adjusted operating profit to profit after tax	55
Consolidated statement of financial position	56
Condensed consolidated statement of cash flows	57
Consolidated statement of changes in equity	58
Notes to the consolidated financial statements	
A: Significant accounting policies	62
B: Segment information	66
C: Other key performance information	76
D: Other income statement notes	82
E: Financial assets and liabilities	84
F: Other statement of financial position notes	87
G: Other notes	88
H: Discontinued operations and disposal groups held for sale	90
I: Changes in accounting policies	91
Adjusted Group MCEV by line of business	94
Adjusted operating group MCEV statement of earnings	95
Adjusted operating Group MCEV earnings per share	96
Group MCEV statement of earnings	97
Notes to the MCEV basis supplementary information	98
A: MCEV policies	98
B: Segment information	107
C: Other supporting information	114
D: Sensitivity tests	117

Statement of directors' responsibilities

in respect of the preliminary announcement of the Annual Report and the financial statements

The directors confirm that to the best of their knowledge:

- The financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole; and
- The Annual Report includes a fair review of the development and performance of the business and the position of Old Mutual plc and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

Julian Roberts	Philip Broadley
Group Chief Executive	Group Finance Director

28 February 2014

Consolidated income statement

For the year ended 31 December 2013

	Notes	Year ended 31 December 2013	Year ended 31 December 2012 Restated[1]
			£m
Revenue			
Gross earned premiums	B2	**3,701**	3,725
Outward reinsurance		**(317)**	(322)
Net earned premiums		**3,384**	3,403
Investment return (non-banking)		**9,986**	9,880
Banking interest and similar income		**3,050**	3,431
Banking trading, investment and similar income		**195**	214
Fee and commission income, and income from service activities		**3,095**	3,039
Other income		**100**	125
Total revenue		**19,810**	20,092
Expenses			
Claims and benefits (including change in insurance contract provisions)		**(5,410)**	(5,612)
Reinsurance recoveries		**246**	221
Net claims and benefits incurred		**(5,164)**	(5,391)
Change in investment contract liabilities		**(5,873)**	(5,361)
Losses on loans and advances		**(368)**	(400)
Finance costs		**(81)**	(214)
Banking interest payable and similar expenses		**(1,616)**	(1,887)
Fee and commission expenses, and other acquisition costs		**(976)**	(1,064)
Change in third-party interest in consolidated funds		**(564)**	(651)
Other operating and administrative expenses		**(3,653)**	(3,715)
Total expenses		**(18,295)**	(18,683)
Share of associated undertakings' and joint ventures' profit after tax		**21**	32
Loss on disposal of subsidiaries, associated undertakings and strategic investments	C1(c)	**(4)**	(56)
Profit before tax		**1,532**	1,385
Income tax expense	D1	**(552)**	(471)
Profit from continuing operations after tax		**980**	914
Discontinued operations			
Profit from discontinued operations after tax	H1(a)	**3**	564
Profit after tax for the financial year		**983**	1,478
Attributable to			
Equity holders of the parent		**705**	1,172
Non-controlling interests			
Ordinary shares	F1(a)	**259**	256
Preferred securities	F1(a)	**19**	50
Profit after tax for the financial year		**983**	1,478
Earnings per share			
Basic earnings per share based on profit from continuing operations (pence)		**14.9**	12.6
Basic earnings per share based on profit from discontinued operations (pence)		**0.1**	12.3
Basic earnings per ordinary share (pence)	C2(a)	**15.0**	24.9
Diluted basic earnings per share based on profit from continuing operations (pence)		**13.8**	11.6
Diluted basic earnings per share based on profit from discontinued operations (pence)		**0.1**	11.5
Diluted basic earnings per ordinary share (pence)	C2(b)	**13.9**	23.1
Weighted average number of ordinary shares (millions)	C2(a)	**4,442**	4,587

[1] The prior year has been restated for the impact of changes in accounting policies. Refer to note I1 for further details

Consolidated statement of comprehensive income

For the year ended 31 December 2013

	Notes	Year ended 31 December 2013	Year ended 31 December 2012 Restated[1]
			£m
Profit after tax for the financial year		**983**	1,478
Other comprehensive income for the financial year			
Items that will not be reclassified subsequently to profit or loss			
Fair value gains			
Property revaluation		**23**	20
Measurement gains on defined benefit plans		**70**	8
Income tax on items that will not be reclassified subsequently to profit or loss	D1(c)	**(12)**	6
		81	34
Items that may be reclassified subsequently to profit or loss			
Fair value gains			
Net investment hedge		**43**	160
Available-for-sale investments			
Fair value (losses)/gains		**(5)**	30
Recycled to profit or loss		**(9)**	(21)
Shadow accounting		**-**	6
Currency translation differences on translating foreign operations		**(1,257)**	(641)
Other movements		**9**	(22)
Income tax on items that may be reclassified subsequently to profit or loss	D1(c)	**2**	(5)
		(1,217)	(493)
Total other comprehensive income for the financial year from continuing operations		**(1,136)**	(459)
Total other comprehensive income for the financial year from discontinued operations[2]	H1(b)	**-**	(348)
Total other comprehensive income for the financial year		**(1,136)**	(807)
Total comprehensive income for the financial year		**(153)**	671
Attributable to			
Equity holders of the parent		**(96)**	503
Non-controlling interests			
Ordinary shares		**(76)**	118
Preferred securities		**19**	50
Total comprehensive income for the financial year		**(153)**	671

[1] The prior year has been restated for the impact of changes in accounting policies. Refer to note I1 for further details.

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

Reconciliation of adjusted operating profit to profit after tax

For the year ended 31 December 2013

	Notes	Year ended 31 December 2013 (£m)	Year ended 31 December 2012 Restated[1] (£m)
Core operations			
Emerging Markets	B3	**590**	611
Old Mutual Wealth	B3	**217**	195
Property & Casualty	B3	**4**	37
Nedbank	B3	**797**	825
USAM	B3	**111**	91
		1,719	1,759
Finance costs	B3	**(92)**	(130)
Long-term investment return on excess assets		**43**	54
Net interest payable to non-core operations		**(11)**	(18)
Corporate costs		**(54)**	(54)
Other net income		**7**	1
Adjusted operating profit before tax		**1,612**	1,612
Adjusting items	C1(a)	**(286)**	(467)
Non-core operations	B3	**32**	165
Profit before tax (net of policyholder tax)		**1,358**	1,310
Income tax attributable to policyholder returns	D1(d)	**174**	75
Profit before tax		**1,532**	1,385
Total tax expense	D1(a)	**(552)**	(471)
Profit from continuing operations after tax		**980**	914
Profit from discontinued operations after tax	H1(a)	**3**	564
Profit after tax for the financial year		**983**	1,478

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

	Notes	Year ended 31 December 2013 (£m)	Year ended 31 December 2012 Restated[1] (£m)
Adjusted operating profit before tax	B3	**1,612**	1,612
Tax on adjusted operating profit	D1(d)	**(424)**	(440)
Adjusted operating profit after tax		**1,188**	1,172
Non-controlling interests – ordinary shares	F1(a)	**(279)**	(281)
Non-controlling interests – preferred securities	F1(a)	**(19)**	(50)
Adjusted operating profit after tax attributable to ordinary equity holders of the parent	B3	**890**	841
Adjusted weighted average number of shares (millions)	C2(c)	**4,836**	4,818
Adjusted operating earnings per share (pence)	C2(c)	**18.4**	17.5

[1] The prior year has been restated for the impact of changes in accounting policies. Refer to note I1 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 property & casualty businesses, AOP is based on a long-term investment return, including returns on investments held by life funds 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 intangibles and costs related to successful acquisitions, revaluations of put options related to long-term incentive schemes, profit/(loss) on acquisition/disposal of subsidiaries, associated undertakings and strategic investments, fair value profits/(losses) on certain Group debt movements and costs related to the fundamental restructuring of continuing businesses. AOP 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, as such they are not included in AOP. 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.

Consolidated statement of financial position

At 31 December 2013

	Notes	At 31 December 2013 (£m)	At 31 December 2012 Restated[1] (£m)
Assets			
Goodwill and other intangible assets		**2,835**	3,056
Mandatory reserve deposits with central banks		**759**	921
Property, plant and equipment		**722**	847
Investment property		**1,811**	1,947
Deferred tax assets		**303**	345
Investments in associated undertakings and joint ventures		**168**	152
Deferred acquisition costs		**1,211**	1,288
Reinsurers' share of policyholder liabilities		**1,875**	1,406
Loans and advances		**33,386**	38,495
Investments and securities		**88,417**	88,513
Current tax receivable		**128**	103
Trade, other receivables and other assets		**2,583**	3,006
Derivative financial instruments		**1,259**	1,780
Cash and cash equivalents		**4,869**	5,061
Non-current assets held for sale		**5**	42
Total assets		**140,331**	146,962
Liabilities			
Long-term business policyholder liabilities		**81,141**	80,188
General insurance liabilities		**332**	346
Third-party interests in consolidated funds		**5,478**	6,116
Borrowed funds	E1	**2,629**	3,050
Provisions and accruals		**236**	265
Deferred revenue		**628**	689
Deferred tax liabilities		**491**	404
Current tax payable		**237**	287
Trade, other payables and other liabilities		**4,274**	4,940
Amounts owed to bank depositors		**34,370**	39,499
Derivative financial instruments		**1,478**	1,402
Non-current liabilities held for sale		**-**	3
Total liabilities		**131,294**	137,189
Net assets		**9,037**	9,773
Shareholders' equity			
Equity attributable to equity holders of the parent		**7,270**	7,816
Non-controlling interests			
Ordinary shares	F1(b)	**1,502**	1,684
Preferred securities	F1(b)	**265**	273
Total non-controlling interests		**1,767**	1,957
Total equity		**9,037**	9,773

[1] The prior year has been restated for the impact of changes in accounting policies. Refer to note I1 for further details.

Consolidated statement of cash flows

For the year ended 31 December 2013

		£m
	Year ended 31 December 2013	Year ended 31 December 2012 Restated[1]
Cash flows from operating activities		
Profit before tax	**1,532**	1,385
Non-cash movements in profit before tax	**1,423**	249
Changes in working capital	**447**	1,039
Taxation paid	**(458)**	(295)
Net cash inflow from operating activities	**2,944**	2,378
Cash flows from investing activities		
Net acquisitions of investments and securities	**(1,658)**	(1,449)
Acquisition of investment properties	**(47)**	(55)
Proceeds from disposal of investment properties	**22**	67
Acquisition of property, plant and equipment	**(113)**	(120)
Proceeds from disposal of property, plant and equipment	**6**	7
Acquisition of intangible assets	**(86)**	(72)
Acquisition of interests in subsidiaries, associated undertakings and strategic investments	**(119)**	(23)
Disposal of interests in subsidiaries, associated undertakings and strategic investments	**8**	1,883
Net cash (outflow)/inflow from investing activities	**(1,987)**	238
Cash flows from financing activities		
Dividends paid to		
Ordinary equity holders of the Company	**(336)**	(1,172)
Non-controlling interests and preferred security interests	**(183)**	(211)
Dividends received from associated undertakings	**13**	7
Interest paid (excluding banking interest paid)	**(51)**	(85)
Proceeds from issue of ordinary shares (including by subsidiaries to non-controlling interests)	**11**	35
Net disposal of treasury shares	**55**	19
Issue of subordinated and other debt	**586**	290
Subordinated and other debt repaid	**(578)**	(1,293)
Net cash outflow from financing activities	**(483)**	(2,410)
Net increase in cash and cash equivalents	**474**	206
Net decrease in cash and cash equivalents - discontinued operations	**-**	(129)
Effects of exchange rate changes on cash and cash equivalents	**(828)**	(380)
Cash and cash equivalents at beginning of the year	**5,982**	6,285
Cash and cash equivalents at end of the year	**5,628**	5,982
Consisting of		
Cash and cash equivalents	**4,869**	5,061
Mandatory reserve deposits with central banks	**759**	921
Total	**5,628**	5,982

[1] The prior year has been restated for the impact of changes in accounting policies. Refer to note I1 for further details.

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

Except for mandatory reserve deposits with central banks of £759 million (2012: £921 million) and cash and cash equivalents subject to consolidation of funds of £1,667 million (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 statement of cash flows in line with market practice in South Africa.

Consolidated statement of changes in equity

For the year ended 31 December 2013

Year ended 31 December 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 year		**4,892**	**559**	**835**	**1,717**	**65**
Impact of changes in accounting policies	I1	-	-	-	-	-
Restated shareholders' equity at beginning of the year		**4,892**	**559**	**835**	**1,717**	**65**
Profit after tax for the financial year		-	-	-	-	-
Other comprehensive income						
Items that will not be reclassified subsequently to profit or loss						
Fair value gains						
Property revaluation		-	-	-	-	-
Measurement gains on defined benefit plans		-	-	-	-	-
Income tax on items that will not be reclassified subsequently to profit or loss	D1(c)	-	-	-	-	-
		-	-	-	-	-
Items that may be reclassified subsequently to profit or loss						
Fair value gains/(losses)						
Net investment hedge		-	-	-	-	-
Available-for-sale investments						
Fair value losses		-	-	-	-	(6)
Recycled to profit or loss		-	-	-	-	(9)
Currency translation differences on translating foreign operations		-	-	-	-	-
Other movements		-	-	-	-	-
Income tax on items that may be reclassified subsequently to profit or loss	D1(c)	-	-	-	-	2
Total comprehensive income for the financial year		-	-	-	-	(13)
Dividends for the year	C3	-	-	-	-	-
Equity share-based payment transactions		-	-	-	-	-
Other movements in share capital		5	1	10	-	-
Preferred securities purchased		-	-	-	-	-
Change in participation in subsidiaries		-	-	-	-	-
Transactions with shareholders		**5**	**1**	**10**	**-**	**-**
Shareholders' equity at end of the year		**4,897**	**560**	**845**	**1,717**	**52**

£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
-	-	-	-	668	37	705	278	983
17	-	-	-	-	-	17	6	23
-	-	-	-	52	-	52	18	70
-	-	-	-	(14)	10	(4)	(8)	(12)
17	-	-	-	38	10	65	16	81
-	-	-	43	-	-	43	-	43
-	-	-	-	-	-	(6)	1	(5)
-	-	-	-	-	-	(9)	-	(9)
-	-	-	(899)	-	-	(899)	(358)	(1,257)
-	-	4	-	(1)	-	3	6	9
-	-	-	-	-	-	2	-	2
17	-	4	(856)	705	47	(96)	(57)	(153)
-	-	-	-	(336)	(47)	(383)	(136)	(519)
-	48	-	-	13	-	61	(17)	44
-	-	-	-	55	-	66	3	69
-	-	-	-	(21)	(156)	(177)	-	(177)
-	-	-	-	(17)	-	(17)	17	-
-	48	-	-	(306)	(203)	(450)	(133)	(583)
161	316	37	(1,234)	4,290	526	7,270	1,767	9,037

Retained earnings were reduced in respect of own shares held in policyholder's funds, ESOP trusts, Black Economic Empowerment trusts and other undertakings at 31 December 2013 by £428 million. (2012: £489 million).

Consolidated statement of changes in equity

For the year ended 31 December 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 year		5,801	580	805	2,532	53
Impact of changes in accounting policies	I1	-	-	-	-	-
Restated shareholders' equity at beginning of the year		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 or loss						
Fair value gains						
Property revaluation		-	-	-	-	-
Measurement gain on defined benefit plans		-	-	-	-	-
Income tax on items that will not be reclassified subsequently to profit or loss	D1(c)	-	-	-	-	-
		-	-	-	-	-
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 profit or loss		-	-	-	-	(21)
Exchange differences recycled to profit or loss		-	-	-	-	-
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	-	-	-	-	-
Equity share-based payment transactions		-	-	-	-	-
Other movements in share capital		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] The prior year has been restated for the impact of changes in accounting policies. Refer to note I1 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	-	4	-	(40)	-	(35)	10	(25)
-	-	-	-	-	-	(6)	-	(6)
20	-	4	(679)	1,104	42	503	168	671
-	-	-	-	(1,172)	(42)	(1,214)	(169)	(1,383)
-	38	-	-	-	-	38	13	51
-	-	-	-	7	-	40	-	40
-	-	24	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	(13)	(6)	(19)	(445)	(464)
-	-	-	-	815	-	-	-	-
-	-	-	-	-	-	-	20	20
-	38	24	-	(363)	(48)	(1,155)	(581)	(1,736)
144	268	33	(378)	3,891	682	7,816	1,957	9,773

Notes to the consolidated financial statements

For the year ended 31 December 2013

A: Significant accounting policies

A1: Basis of preparation

The Group financial statements have been prepared and approved by the directors in accordance with International Financial Reporting Standards as adopted by the EU. The accounting policies adopted by the Group, unless otherwise stated, have been applied consistently with those applied in the preparation of the Group's 2012 Annual Report and Accounts.

The Group financial statements are prepared on the historical cost basis except that the following assets and liabilities are stated at their fair value: derivative financial instruments, financial assets and liabilities designated as fair value through the income statement or as available-for-sale, owner-occupied property and investment property. Non-current assets and disposal groups held for sale are stated at the lower of the previous carrying amount and the fair value less costs to sell.

The Group financial statements have been prepared on the going concern basis which the directors believe to be appropriate.

The financial statements contained herein do not constitute the Company's statutory accounts for the financial years ended 31 December 2013 and 31 December 2012 within the meaning of section 434 of the Companies Act 2006. Statutory accounts for the financial year ended 31 December 2012 have been reported on by the Company's auditor and delivered to the Registrar of Companies. The statutory accounts for the financial year ended year ended 31 December 2013 will be delivered in due course. The report of the auditor for the financial year ended 31 December 2012 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 year 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. Cumulative translation gains and losses up to 1 January 2004 were reset to zero.

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

	Year ended 31 December 2013		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)
Rand	**15.0959**	**17.4284**	13.0123	13.7696
US dollars	**1.5650**	**1.6566**	1.5850	1.6242
Euro	**1.1782**	**1.2014**	1.2326	1.2307

A2: Significant corporate activity and business changes during the period

Acquisitions effective during the year

Life assurance in Nigeria

On 22 February 2012, the Group announced that it had made an offer to acquire a majority stake in Oceanic Life, the life assurance operations of Ecobank Transitional Incorporated. The Group consolidated the financial results of Oceanic Life with effect from 1 January 2013.

General insurance in Nigeria

In December 2013 the Group completed its acquisition of the majority stake in the general insurance business of Oceanic General, the general insurance operations of Ecobank Transitional Incorporated. The balance sheet has been included in the Group consolidated statement of financial position as at 31 December 2013.

Life assurance in Ghana

On 3 June 2013, the Group announced that it would expand its African presence through the acquisition of a majority stake in Provident Life Assurance Company Limited. The Group consolidated the financial results of Provident Life with effect from 12 September 2013.

Platform and distribution business in Uruguay

On 19 November 2012, the Group announced that it had acquired a majority stake in AIVA Holding Group SA, a business platform and distribution business based in Uruguay and spanning the Latin American region. The Group consolidated the financial results with effect from 19 November 2012.

Refer to note G2 for further information on the Group's acquisitions during the year.

The Group is currently progressing the following transactions

Lending in Kenya

On 3 July 2013, the Group announced that it is to enter into a strategic partnership with Faulu Kenya DTM LTD through the acquisition of a controlling stake in the business. The completion of this transaction is subject to the conclusion of the relevant closing conditions.

Lending in Mozambique

On 3 May 2013, the Group announced that Nedbank had entered into an agreement to acquire an initial 36.4% shareholding of Banco Unico, SA, located in Mozambique and to increase the stake to a majority shareholding over time. The completion of this transaction is subject to certain conditions precedent being met.

Skandia Poland

On 12 November 2013, the Group announced that terms have been agreed to sell Skandia Poland, part of Old Mutual Wealth. The transaction is subject to regulatory approvals and is expected to be completed during 2014.

The Group has completed the following intra-Group transfers during 2013

Transfer of Latin American business to Old Mutual South Africa

The Financial Services Board has approved the acquisition of Skandia Europe and Latin America Holdings Limited by Old Mutual South Africa from Old Mutual plc and the transaction was completed on 12 July 2013. This resulted in a remittance of £120 million to Old Mutual plc.

Transfer of Old Mutual Guodian Life Insurance Company Limited (Guodian) to Old Mutual Life Assurance Company (South Africa) Limited (OMLACSA)

Legal ownership of the Guodian business, the Group's Chinese joint venture, was transferred to OMLACSA during the year in order to align legal ownership and management structures. Guodian was previously owned by the Skandia Insurance Company Limited (SICL), which was sold as part of the sale of the Nordic businesses in 2012. The transfer of Guodian from SICL had been subject to regulatory approval. Upon transfer OMLACSA paid consideration of £44 million, which was ultimately remitted to Old Mutual plc. The results of the Guodian business were reported in the Emerging Markets segmental result in both of the years ended 31 December 2012 and 2013.

Financing activities

Repayment of Group debt

On 19 November 2013, the Group repurchased £75 million of its £348 million Tier 1 preferred callable securities and €121 million of its €495 million Upper Tier 2 preferred callable securities via a Modified Dutch Auction tender. At 31 December 2013, £273 million Tier 1 and €374 million Upper Tier 2 preferred callable securities remained outstanding. For the year ended 31 December 2013, the Group recognised a loss of £21 million directly in equity, as these securities are classified as equity instruments for accounting purposes.

A total $14 million of the outstanding $16 million secured senior debt was repaid in two tranches on 1 November 2013 and 15 December 2013.

New debt issued by Nedbank

During the year, Nedbank issued R3.0 billion new-style, fully loss-absorbent, Basel lll compliant, Tier 2 subordinated-debt capital to replace the R2.1 billion of Basel II tier 2 capital that matured in September 2013 and December 2013.

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. In December 2013, the BMA approved an additional repatriation of $100 million via cancellation of further loan notes.

Notes to the consolidated financial statements

For the year ended 31 December 2013

A: Significant accounting policies continued

(a) Loans and advances

Provisions for impairment of loans and advances

The majority of loans and advances are in respect of Nedbank, which assesses its loan portfolios for impairment at each financial reporting date. Nedbank actively manages its exposure to loans and advances through robust credit approval processes. The credit loss ratio at year ended 31 December 2013 was 1.06% (2012: 1.05%). The impairment for performing loans is calculated on a portfolio basis, based on historical loss experience, adjusted for national and industry specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio. These include early arrears and other indicators of potential default, such as changes in macro-economic conditions and legislation affecting credit recovery. These annual loss ratios are applied to loan balances in the portfolio and scaled to the estimated loss emergence period.

For portfolios which comprise large numbers of small homogenous assets with similar risk characteristics where credit scoring techniques are generally used, statistical techniques are used to calculate impairment allowances on the portfolio, based on historical recovery rates and assumed emergence periods. There are a number of models in use, each tailored to a product, line of business or client category. Judgement and knowledge are needed in selecting the statistical methods to use when the models are developed or revised.

For wholesale (larger) exposures impairment allowances are calculated on an individual basis and all relevant considerations that have a bearing on the expected future cash flows are taken into account. The level of impairment allowance is the difference between the value of the discounted expected future cash flows and its carrying amount. Subjective judgements are made in the calculations of future cash flows and change with time as new information becomes available or as strategies evolve, resulting in frequent revisions to the impairment provision as individual decisions are taken.

Further detail is provided in note E3 in the Annual Report and Accounts.

(b) Policyholder liabilities

Emerging Markets discretionary reserves

Technical provisions in South Africa are derived as the aggregate of:

- Best estimate liabilities, with assumptions allowing for the best estimate of future experience and a market-consistent valuation of financial options and guarantees
- Compulsory margins, prescribed in the South African professional actuarial guidance note (SAP 104) as explicit changes to actuarial assumptions that increase the level of technical provisions held, and
- Discretionary margins, permitted by SAP 104, to allow for the uncertainty inherent in estimates of future experience after considering available options of managing that experience over time, or to defer the release of profits consistent with policy design or company practice

Discretionary margins are held as either implicit or explicit margins. Explicit discretionary margins are derived as conscious changes to assumptions used to project future experience to increase technical provisions. Implicit discretionary margins arise where the method used to calculate overall technical provisions results in liabilities that are greater than the sum of best estimate liabilities and compulsory margins.

Explicit discretionary margins of £489 million (1.9% of total technical provisions) were held at 31 December 2013. This consisted largely of:

- Margins held for Mass Foundation Cluster protection business, which allow for the uncertainty related to the future progression of the AIDS pandemic in South Africa, as well as future lapse experience and future investment returns, and to ensure that profit is released appropriately over the term of the policies
- Margins to allow for the uncertainty inherent in the assumptions used to value financial options and guarantees, implied volatility assumptions in particular, which are difficult to hedge due to the short term nature of the equity option market in South Africa
- Margins on non-profit annuities, due to the inability to fully match assets to liabilities as a result of the limited availability of long-dated bonds, and to provide for longevity risk, and
- A margin set up in 2013 to allow for the uncertainty inherent in future economic assumptions used to calculate, mainly protection product liabilities, in the Retail Affluent business. Although interest rate hedging is used to manage interest rate risk on these products, the volatility of bond yields in South Africa means that it is difficult to maintain appropriate hedging positions without incurring significant trading costs. The discretionary margin therefore caters for the residual uncertainty present after allowing for the hedge programme that is in place.

Emerging Markets Financial Soundness Valuation discount rate

The calculation of the Group's South African life assurance contract liabilities is sensitive to the discount rate used to value the liabilities. The methodology applied by the Group requires discount rates to be set according to the South African professional guidance note (SAP 104). In line with these principles, the reference rate is selected as the Bond Exchange of South Africa (BESA) par bond 10-year yield.

The reference rate was relatively volatile over 2013, ranging from 6.2% to 8.5% during the year ended 31 December 2013 (2012: 6.9% to 8.2%). At 31 December 2013 the reference discount rate was 8.1% (31 December 2012: 6.9%). The volatile interest rate environment had a much smaller impact on the operating profit for the South African life assurance businesses in 2013, given the management actions taken over 2013 to mitigate these impacts. These included the continuance of the hedging program put in place during the second half of 2012, the establishment of discretionary margins to allow for the uncertainty in respect of interest rate volatility in Retail Affluent, and changes to the annual premium and cover increase policy on Mass Foundation Cluster funeral products.

The Group estimates that a 1% reduction in the reference discount rate will result in an increase in policyholder liabilities of £6 million (2012: £39 million), allowing for the impact of the hedging program. The 2013 impact is significantly lower than 2012 mainly, due to the management actions taken to reduce the impact of changing discount rates on operating profit, as well as the depreciation of the rand which reduced the impact in sterling terms.

Further disclosure of the policyholder sensitivity to interest rates is provided in note E8(g) in the Annual Report and Accounts.

Old Mutual Bermuda guarantees

Since the closure of Old Mutual Bermuda to new business in March 2009, management's key priorities have been to de-risk the business, manage the risk and solvency position and preserve shareholder value. The run-off of the book and hedging of the guarantees significantly reduces the Group's risk exposure. The active contracts for which reserves are held are deferred and fixed index annuity investments and variable annuity products, which include guaranteed minimum accumulation benefits (GMAB) and guaranteed minimum death benefits (GMDB). The key risk to the Group relates to the 120% of the initial deposit (or, if elected, the highest anniversary account value) on the 10th anniversary which will commence in 2017. The Group has implemented a hedging strategy to protect against markets rising above the 120% guarantee and then subsequently falling, which would reset some guarantees above 120%, with account values at a lower level. This reduces the uncertainty and volatility of capital exposure and cash flows arising from the highest anniversary value guarantees. The remaining 120% of premium guarantee, relating to equity and foreign exchange downside risks, for the 10-year obligations are being managed by the dynamic hedge programme. There are no significant risks to the Group associated with GMDB and management continues to operate strong oversight over the business.

During 2013 the business continued to experience high rates of surrender activity which can be attributed to the variable annuity UGO (Universal Guarantee Option) GMAB policyholders passing through a top-up process on the fifth anniversary following product inception. This process was completed in 2013. The reduced size of the book has meant that the associated GMAB reserves have reduced from $229 million at 31 December 2012 to $84 million at 31 December 2013.

(c) Tax

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in profit or loss except to the extent that it relates to items recognised directly in other comprehensive income, in which case it is recognised in other comprehensive income.

The Group is regularly in discussion with the respective tax authorities in each of the jurisdictions where the Group is active. The Group applies its judgement to determine if a provision for future tax uncertainties should be recognised based on detailed reviews of any potential exposure to tax authorities and the assessment of the most probable outcome of the tax uncertainty. As these provisions are based on estimates and rely on judgements made by the Group, the actual amount of future taxes paid by the Group could be different to the amounts provided.

(d) Consolidation set of standards

The Group has applied the following key judgements in the application of the requirements of the consolidation set of standards (IFRS 10 'Consolidated Financial Statements' and IFRS 11 'Joint Arrangements'):

Consolidation of investment funds and securitisation vehicles

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. See note G3(b) in the Annual Report and Accounts for disclosures in respect of the investment funds in which the Group has an interest.

The Group has sponsored certain asset backed financing (securitisation) vehicles under its securitisation programme which are run according to pre-determined criteria that are part of the initial design of the vehicles. The Group is exposed to variability of returns from the vehicles through its holding of junior debt securities in the vehicles. It has concluded that it controls these vehicles and therefore has consolidated these asset backed financing vehicles.

Structured entities

The Group is required to make judgements on what constitutes a structured entity. Accounting standards define a structured entity as an entity designed so that its activities are not governed by way of voting rights. In assessing whether the Group has power over such investees in which it has an interest, the Group considers factors such as the purpose and design of the investee, its practical ability to direct the relevant activities of the investee, the nature of its relationship with the investee and the size of its exposure to the variability of returns of the investee. The Group has evaluated all exposures and has concluded that all investments in investment funds and securitisation vehicles represent investments in structured entities.

Notes to the consolidated financial statements

For the year ended 31 December 2013

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 presentation 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, depending on the business line, this typically includes net client cash flows, funds under management, gross earned premiums, underwriting results, net interest income and non-interest revenue and credit losses.

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 trading activities between 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 primary 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 principal 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 2012 Annual Report and Accounts, the Group announced that, with effect from 1 January 2013, all of the Group's Property & Casualty activities would be reported as a single segment. Consequently, the Mutual & Federal (M&F) segment has been renamed as Property & Casualty. This segment includes 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 year ended 31 December 2012 has been restated accordingly.

In addition to the above, the Long-Term Savings aggregation has been removed from the adjusted operating profit statement, segmental information and in the statement of financial position in notes B3 and B4 of the annual financial statements. The Long-Term Savings segment was a sub total of the Emerging Markets and Old Mutual Wealth segments which the Group previously elected to disclose. This presentational change has been applied to all reporting periods.

The Group's reported segments are now Emerging Markets, Old Mutual Wealth, Property & Casualty, Nedbank and US Asset Management (USAM). 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 is 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 largely relate to the transition of IT information and support services that were previously provided by the Nordic business to the wider Group, back to the Group. These costs are included in the expenses related to the discontinued operations in the annual financial statements for the year ended 31 December 2013. Further information on the results of discontinued operations is provided in note H1. The Nordic business 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

Year ended 31 December 2013	Emerging Markets	Old Mutual Wealth	Property & Casualty	Total
				£m
Life assurance – insurance contracts	**1,616**	**336**	**-**	**1,952**
Life assurance – investment contracts with discretionary participation features	**1,025**	**-**	**-**	**1,025**
General insurance	**-**	**-**	**724**	**724**
Gross earned premiums	**2,641**	**336**	**724**	**3,701**
Life assurance – other investment contracts recognised as deposits	**2,015**	**5,889**	**-**	**7,904**

Year ended 31 December 2012	Emerging Markets	Old Mutual Wealth	Property & Casualty	Total
				£m
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
Life assurance – other investment contracts recognised as deposits	2,022	5,699	-	7,721

Notes to the consolidated financial statements

For the year ended 31 December 2013

B: Segment information continued

B3: Adjusted operating profit statement - segment information for the year ended 31 December 2013

		Emerging Markets	Old Mutual Wealth	Property & Casualty
Revenue				
Gross earned premiums	B2	2,641	336	724
Outward reinsurance		(80)	(87)	(150)
Net earned premiums		2,561	249	574
Investment return (non-banking)		5,153	4,159	31
Banking interest and similar income		-	-	-
Banking trading, investment and similar income		-	-	-
Fee and commission income, and income from service activities		527	1,173	25
Other income		39	21	-
Inter-segment revenues		61	1	14
Total revenue		8,341	5,603	644
Expenses				
Claims and benefits (including change in insurance contract provisions)		(4,505)	(347)	(556)
Reinsurance recoveries		79	45	122
Net claims and benefits incurred		(4,426)	(302)	(434)
Change in investment contract liabilities		(1,952)	(3,921)	-
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		(228)	(622)	(113)
Change in third-party interest in consolidated funds		-	-	-
Other operating and administrative expenses		(1,088)	(408)	(77)
Income tax attributable to policyholder returns		(62)	(112)	-
Inter-segment expenses		(6)	(21)	(19)
Total expenses		(7,762)	(5,386)	(643)
Share of associated undertakings' and joint ventures' profit after tax		11	-	3
Loss on disposal of subsidiaries, associated undertakings and strategic investments	C1(c)	-	-	-
Adjusted operating profit/(loss) before tax and non-controlling interests		590	217	4
Income tax expense	D1	(155)	(40)	-
Non-controlling interests		(11)	-	(5)
Adjusted operating profit/(loss) after tax and non-controlling interests		424	177	(1)
Adjusting items net of tax and non-controlling interests	C1(a)	(74)	(139)	(10)
Profit/(loss) after tax from continuing operations		350	38	(11)
Profit from discontinued operations after tax	H1(a)	-	-	-
Profit/(loss) after tax attributable to equity holders of the parent		350	38	(11)

[1] Non-core operations relate to Old Mutual Bermuda. Old Mutual Bermuda profit after tax for the year ended 31 December 2013 was £32 million. Non-core operations also include a net gain of £3 million divestment cost and additional proceeds received in relation to the Nordic business sold in 2012. Further information on discontinued operations is provided in note H1.

Of the total revenues, excluding intercompany revenues, £4,947 million was generated in the UK (2012: £4,318), £864 million in the rest of Europe (2012: £1,196 million), £13,446 million in Southern Africa (2012: £13,966 million), £439 million in United States (2012: £529 million) and £114 million relates to other operating segments (2012: £83 million).

£m

Nedbank	USAM	Other	Consolidation adjustments	Adjusted operating profit	Adjusting items (note C1)	Discontinued and non-core operations[1]	IFRS Income statement
-	-	-	-	3,701	-	-	3,701
-	-	-	-	(317)	-	-	(317)
-	-	-	-	3,384	-	-	3,384
-	-	68	634	10,045	(94)	35	9,986
3,050	-	-	-	3,050	-	-	3,050
195	-	-	-	195	-	-	195
1,048	381	-	8	3,162	(67)	-	3,095
31	3	(2)	2	94	-	6	100
11	-	8	(106)	(11)	-	11	-
4,335	384	74	538	19,919	(161)	52	19,810
-	-	-	-	(5,408)	-	(2)	(5,410)
-	-	-	-	246	-	-	246
-	-	-	-	(5,162)	-	(2)	(5,164)
-	-	-	-	(5,873)	-	-	(5,873)
(368)	-	-	-	(368)	-	-	(368)
-	-	(92)	-	(92)	11	-	(81)
(1,616)	-	-	-	(1,616)	-	-	(1,616)
(12)	(4)	-	(70)	(1,049)	78	(5)	(976)
-	-	-	(564)	(564)	-	-	(564)
(1,495)	(274)	(78)	(10)	(3,430)	(210)	(13)	(3,653)
-	-	-	-	(174)	174	-	-
(49)	-	(11)	106	-	-	-	-
(3,540)	(278)	(181)	(538)	(18,328)	53	(20)	(18,295)
2	5	-	-	21	-	-	21
-	-	-	-	-	(4)	-	(4)
797	111	(107)	-	1,612	(112)	32	1,532
(200)	(27)	(2)	-	(424)	(128)	-	(552)
(282)	-	-	-	(298)	20	-	(278)
315	84	(109)	-	890	(220)	32	702
12	(30)	21	-	(220)	220	-	-
327	54	(88)	-	670	-	32	702
-	-	-	-	-	-	3	3
327	54	(88)	-	670	-	35	705

Notes to the consolidated financial statements

For the year ended 31 December 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 revenue		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)
Change in third-party interest in consolidated funds		-	-	-
Other operating and administrative expenses		(1,066)	(446)	(82)
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	H1(a)	-	-	-
Profit/(loss) after tax attributable to equity holders of the parent		285	18	5

[1] The prior year has been restated for the impact of changes in accounting policies. Refer to note I1 for further details.

[2] Non-core operations relate 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 H1.

£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)
-	-	-	(651)	(651)	-	-	(651)
(1,604)	(276)	(67)	(9)	(3,550)	(147)	(18)	(3,715)
-	-	-	-	(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 year ended 31 December 2013

B: Segment information continued

B4: Statement of financial position – segment information at 31 December 2013

	Notes	Emerging Markets	Old Mutual Wealth	Property & Casualty
Assets				
Goodwill and other intangible assets		123	1,461	11
Mandatory reserve deposits with central banks		-	-	-
Property, plant and equipment		281	12	22
Investment property		1,443	-	-
Deferred tax assets		88	20	16
Investments in associated undertakings and joint ventures		73	-	3
Deferred acquisition costs		91	1,094	16
Reinsurers' share of policyholder liabilities		61	1,690	113
Loans and advances		58	183	-
Investments and securities		28,492	49,868	297
Current tax receivable		9	84	3
Trade, other receivables and other assets		617	426	96
Derivative financial instruments		349	-	-
Cash and cash equivalents		611	687	91
Non-current assets held for sale		-	5	-
Inter-segment assets		610	93	25
Total assets		32,906	55,623	693
Liabilities				
Life assurance policyholder liabilities		28,043	51,327	-
General insurance liabilities		-	-	332
Third-party interests in consolidated funds		-	-	-
Borrowed funds	E1	172	-	-
Provisions		125	32	8
Deferred revenue		7	610	11
Deferred tax liabilities		169	254	13
Current tax payable		125	52	-
Trade, other payables and other liabilities		1,821	786	126
Amounts owed to bank depositors		280	7	-
Derivative financial instruments		466	-	-
Non-current liabilities held for sale		-	-	-
Inter-segment liabilities		197	312	-
Total liabilities		31,405	53,380	490
Net assets		1,501	2,243	203
Equity				
Equity attributable to equity holders of the parent		1,471	2,243	183
Non-controlling interests		30	-	20
Ordinary shares	F1(b)	30	-	20
Preferred securities	F1(b)	-	-	-
Total equity		1,501	2,243	203

The net assets of Emerging Markets are stated after eliminating investments in Group equity and debt instruments of £302 million (2012: £364 million) held in policyholder funds. These include investments in the Company's ordinary shares and subordinated liabilities and preferred securities issued by the Group's banking subsidiary Nedbank Limited. All Emerging Markets debt relates to life assurance. All other debt relates to other shareholders' net assets.

£m

Nedbank	USAM	Other	Consolidation adjustments	Non-core operations	Total
446	794	-	-	-	2,835
759	-	-	-	-	759
391	15	1	-	-	722
11	-	-	357	-	1,811
11	167	-	-	1	303
63	19	10	-	-	168
-	10	-	-	-	1,211
11	-	-	-	-	1,875
33,145	-	-	-	-	33,386
5,387	33	378	3,502	460	88,417
32	-	-	-	-	128
585	113	43	351	352	2,583
791	-	62	49	8	1,259
1,196	117	457	1,667	43	4,869
-	-	-	-	-	5
77	21	976	(2,083)	281	-
42,905	1,289	1,927	3,843	1,145	140,331
852	-	-	-	919	81,141
-	-	-	-	-	332
-	-	-	5,478	-	5,478
1,813	2	642	-	-	2,629
40	2	29	-	-	236
-	-	-	-	-	628
34	-	21	-	-	491
17	3	40	-	-	237
832	248	40	412	9	4,274
34,083	-	-	-	-	34,370
974	-	-	36	2	1,478
-	-	-	-	-	-
567	487	520	(2,083)	-	-
39,212	742	1,292	3,843	930	131,294
3,693	547	635	-	215	9,037
1,976	547	635	-	215	7,270
1,717	-	-	-	-	1,767
1,452	-	-	-	-	1,502
265	-	-	-	-	265
3,693	547	635	-	215	9,037

Notes to the consolidated financial statements

For the year ended 31 December 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		714	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		36,338	50,707	820
Liabilities				
Life assurance policyholder liabilities		31,124	46,455	-
General insurance liabilities		-	-	346
Third-party interests in consolidated funds		-	-	-
Borrowed funds	E1	218	-	-
Provisions		120	54	11
Deferred revenue		11	667	10
Deferred tax liabilities		130	189	21
Current tax payable		198	39	-
Trade, other payables and other liabilities		2,238	669	146
Amounts owed to bank depositors		86	-	-
Derivative financial instruments		377	-	-
Non-current liabilities held for sale		-	-	-
Inter-segment liabilities		216	587	2
Total liabilities		34,718	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	F1(b)	14	-	23
Preferred securities	F1(b)	-	-	-
Total equity		1,620	2,047	284

[1] The prior year has been restated for the impact of changes in accounting policies. Refer to note I1 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
733	105	62	372	595	3,006
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	-
49,460	1,294	2,301	3,678	2,364	146,962
907	-	-	-	1,702	80,188
-	-	-	-	-	346
-	-	-	6,116	-	6,116
2,163	10	659	-	-	3,050
49	1	30	-	-	265
1	-	-	-	-	689
40	-	24	-	-	404
9	6	34	-	1	287
1,122	193	80	400	92	4,940
39,413	-	-	-	-	39,499
977	-	8	39	1	1,402
3	-	-	-	-	3
596	554	922	(2,877)	-	-
45,280	764	1,757	3,678	1,796	137,189
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 year ended 31 December 2013

C: Other key performance information

C1: Operating profit adjusting items

(a) Summary of adjusting items for determination of AOP

In determining the AOP 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 AOP to profit before and after tax.

	Notes	**Year ended 31 December 2013** £m	Year ended 31 December 2012 £m
Income/(expense)			
Goodwill impairment and impact of acquisition accounting	C1(b)	**(141)**	(123)
Loss on disposal of subsidiaries, associated undertakings and strategic investments	C1(c)	**(4)**	(56)
Short-term fluctuations in investment return	C1(d)	**6**	(78)
Investment return adjustment for Group equity and debt instruments held in life funds	C1(e)	**(100)**	(113)
Dividends declared to holders of perpetual preferred callable securities	C1(f)	**42**	42
US Asset Management equity plans	C1(g)	**(38)**	(13)
Credit-related fair value losses on Group debt instruments	C1(h)	**(31)**	(126)
Restructuring costs	C1(i)	**(20)**	-
Total adjusting items		**(286)**	(467)
Tax on adjusting items	D1(d)	**46**	44
Non-controlling interest in adjusting items		**20**	25
Total adjusting items after tax and non-controlling interests		**(220)**	(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 AOP, the Group recognises deferred revenue and acquisition costs and deferred revenue in relation to policies sold by acquired businesses pre-acquisition. The Group excludes the impairment of goodwill and the amortisation and impairment of acquired other intangibles and acquired PVIF and the movements in certain acquisition date provisions. Costs incurred on successful acquisitions are also excluded from AOP. If the intangible assets recognised as a result of a business combination are subsequently impaired, this is excluded from AOP. The effect of these adjustments to determine AOP are summarised below:

Year ended 31 December 2013	**Emerging Markets**	**Old Mutual Wealth**	**USAM**	**Total** £m
Amortisation of acquired PVIF	**-**	**(76)**	**-**	**(76)**
Amortisation of acquired deferred costs and revenue	**-**	**11**	**-**	**11**
Amortisation of other acquired intangible assets	**(2)**	**(46)**	**-**	**(48)**
Impairment of goodwill and other intangible assets	**(8)**	**(20)**	**-**	**(28)**
	(10)	**(131)**	**-**	**(141)**

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)
Impairment of goodwill and other intangible assets	-	-	-	-
	(2)	(120)	(1)	(123)

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

Loss on disposal of subsidiaries, associated undertakings and strategic investments is analysed below:

		£m
	Year ended 31 December 2013	Year ended 31 December 2012
USAM	**(4)**	(16)
Emerging Markets	**-**	(15)
Old Mutual Wealth	**-**	(25)
Loss on disposal of subsidiaries, associated undertakings and strategic investments	**(4)**	(56)

USAM

On 2 January 2013, USAM completed the sale of five of its affiliates incurring a loss of £1 million.

On 11 October 2013, USAM committed to a plan to cease the operations of Echo Point. The incremental cost of £3 million associated with discontinuing the entity was recognised in full during October 2013.

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.

Emerging Markets

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

Old Mutual Wealth

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. AOP 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 apportionment of underlying investments in cash deposits, money market instruments 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	**Year ended 31 December 2013**	Year ended 31 December 2012
Emerging Markets	**8.0**	9.0
Old Mutual Wealth	**1.0**	1.5 - 2.0
Property & Casualty	**7.4**	8.6

Notes to the consolidated financial statements

For the year ended 31 December 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

					£m
Year ended 31 December 2013	**Emerging Markets**	**Old Mutual Wealth[1]**	**Property & Casualty**	**Other**	**Total**
Actual shareholder investment return	**135**	**22**	**25**	**34**	**216**
Less: Long-term investment return	**106**	**30**	**31**	**43**	**210**
Short-term fluctuations in investment return	**29**	**(8)**	**(6)**	**(9)**	**6**

					£m
Year ended 31 December 2012	Emerging Markets	Old Mutual Wealth[1]	Property & Casualty	Other	Total
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 £25 million (2012: £59 million) transitional adjustments to restate the effects of policyholder tax in arriving at AOP.

(e) Investment return adjustment for Group equity and debt instruments held in policyholder funds

AOP 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 shares 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 year ended 31 December 2013, the investment return adjustment increased AOP by £100 million (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 on an adjusted operating profit basis were £42 million for the year ended 31 December 2013 (2012: £42 million). These are recognised in finance costs on an accruals basis for the purpose of determining adjusted operating profit. In accordance with IFRS the total cash distribution of £47 million (2012: £42 million) is recognised directly in equity. This distribution included £5 million accrued interest paid in respect of securities accepted for repurchase.

(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 AOP. At 31 December 2013, these instruments were revalued, the impact of which was a loss of £38 million (2012: loss of £13 million).

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

The widening of credit spread is related to the Group's debt instruments causes the market value of these instruments to decrease, resulting in gains being recognised in the consolidated income statement. Conversely, if the credit spread narrows and the market value of debt instruments rises then losses are recognised in the consolidated income statement. In the directors' view, such movements are not reflective of the underlying performance of the Group and will reverse over time and they have therefore been excluded from AOP. For the year ended 31 December 2013 a net loss of £31 million was recognised (2012: loss of £55 million).

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 redemption.

(i) Old Mutual Wealth restructuring expenditure

The Old Mutual Wealth business embarked on a significant change project to fundamentally restructure the way in which its UK platform business operates. Over the next two to three years, it will migrate certain elements of service provision to International Financial Data Services (IFDS). Costs related to decommissioning of existing technology and service provision and the migration of service to IFDS will be excluded from AOP.

These costs will comprise payments to IFDS and directly attributable internal project costs and totalled £20 million in 2013.

C2: Earnings and earnings per share

The Group calculates earnings per share (EPS) on several different bases. IFRS requires the calculation of basic and diluted EPS. Adjusted operating EPS reflects earnings per share consistent with the Group's alternative profit measure. JSE Limited (JSE) Listing Requirements also require the Group to calculate headline EPS. The Group's EPS on these different bases are summarised below:

	Source of guidance	Notes	Pence **Year ended 31 December 2013**	Year ended 31 December 2012 Restated
Basic earnings per share[1]	IFRS	C2(a)	**15.0**	24.9
Diluted basic earnings per share[1]	IFRS	C2(b)	**13.9**	23.1
Adjusted operating earnings per share[1]	Group policy	C2(c)	**18.4**	17.5
Headline earnings per share (Gross of tax)[2]	JSE Listing Requirements	C2(d)	**15.6**	13.5
Headline earnings per share (Net of tax)[2]	JSE Listing Requirements	C2(d)	**15.2**	13.8
Diluted headline earnings per share (Gross of tax)[2]	JSE Listing Requirements	C2(d)	**14.6**	12.7
Diluted headline earnings per share (Net of tax)[2]	JSE Listing Requirements	C2(d)	**14.3**	12.9

[1] Restatement for the impact of changes in policies did not result in changes to basic, diluted basic and adjusted operating earnings per share for the year ended 31 December 2012.

[2] The prior year has been restated for the impact of changes in accounting policies. Refer to note I1 for further details.

(a) Basic earnings per share

Basic earnings per share is calculated by dividing the profit for the financial year 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.

The table below reconciles the profit attributable to equity holders of the parent to profit attributable to ordinary equity holders:

	£m **Year ended 31 December 2013**	Year ended 31 December 2012 Restated[1]
Profit for the financial year attributable to equity holders of the parent from continuing operations	**702**	608
Profit for the financial year attributable to equity holders of the parent from discontinued operations	**3**	564
Profit for the financial year attributable to equity holders of the parent	**705**	1,172
Dividends paid to holders of perpetual preferred callable securities, net of tax credits	**(37)**	(32)
Profit attributable to ordinary equity holders	**668**	1,140

[1] The prior year has been restated for the impact of changes in accounting policies. Refer to note I1 for further details.

Total dividends paid to holders of perpetual preferred callable securities of £37 million for the year ended 31 December 2013 (year ended 31 December 2012: £32 million) are stated net of tax credits of £10 million (year ended 31 December 2012: £10 million).

The table below summarises the calculation of the weighted average number of ordinary shares for the purposes of calculating basic earnings per share:

	Millions **Year ended 31 December 2013**	Year ended 31 December 2012
Weighted average number of ordinary shares in issue	**4,897**	5,096
Shares held in charitable foundations	**(6)**	(6)
Shares held in ESOP trusts	**(55)**	(61)
Adjusted weighted average number of ordinary shares	**4,836**	5,029
Shares held in life funds	**(155)**	(181)
Shares held in Black Economic Empowerment trusts	**(239)**	(261)
Weighted average number of ordinary shares used to calculate basic earnings per share	**4,442**	4,587
Basic earnings per ordinary share (pence)[1]	**15.0**	24.9

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

Notes to the consolidated financial statements

For the year ended 31 December 2013

C: Other key performance information continued

C2: Earnings per share continued

(b) Diluted basic earnings per share

Diluted basic EPS recognises the dilutive impact of share options held in ESOP trusts and Black Economic Empowerment trusts, to the extent they have value, in the calculation of the weighted average number of shares, as if the relevant shares were in issue for the full period.

The tables below reconcile the profit attributable to ordinary equity holders to diluted profit attributable to ordinary equity holders and summarises the calculation of weighted average number of shares for the purpose of calculating diluted basic earnings per share:

	Notes	**Year ended 31 December 2013**	Year ended 31 December 2012 Restated[1]
Profit attributable to ordinary equity holders (£m)		**668**	1,140
Dilution effect on profit relating to share options issued by subsidiaries (£m)		**(10)**	(10)
Diluted profit attributable to ordinary equity holders (£m)		**658**	1,130
Weighted average number of ordinary shares (millions)	C2(a)	**4,442**	4,587
Adjustments for share options held by ESOP trusts (millions)		**45**	53
Adjustments for shares held in Black Economic Empowerment trusts (millions)		**239**	261
Weighted average number of ordinary shares used to calculate diluted basic earnings per share (millions)		**4,726**	4,901
Diluted basic earnings per ordinary share (pence)[2]		**13.9**	23.1

[1] The prior year has been restated for the impact of changes in accounting policies. Refer to note I1 for further details.

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

(c) Adjusted operating earnings per share

The following table presents a reconciliation of profit for the financial year to adjusted operating profit after tax attributable to ordinary equity holders and summarises the calculation of adjusted operating earnings per share:

	Notes	**Year ended 31 December 2013**	Year ended 31 December 2012 Restated[1]
Profit for the financial year attributable to equity holders of the parent (£m)		**705**	1,172
Adjusting items (£m)		**286**	467
Tax on adjusting items (£m)		**(46)**	(44)
Non-core operations (£m)		**(32)**	(165)
Profit from discontinued operations (£m)		**(3)**	(564)
Non-controlling interest on adjusting items (£m)		**(20)**	(25)
Adjusted operating profit after tax attributable to ordinary equity holders (£m)		**890**	841
Adjusted weighted average number of ordinary shares used to calculate adjusted operating earnings per share (millions)[2]	C2(a)	**4,836**	4,818
Adjusted operating earnings per share (pence)		**18.4**	17.5

[1] The prior year has been restated for the impact of changes in accounting policies. Refer to note I1 for further details.

[2] For the year ended 31 December 2012, the weighted average number of shares used in the calculation of basic and diluted basic EPS was adjusted for the seven-for-eight share consolidation that was affected on 23 April 2012. For adjusted operating EPS, 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 EPS on a more consistent basis, but resulted in a difference between the adjusted weighted average number of shares for IFRS and AOP.

(d) Headline earnings per share

The Group is required to calculate 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 02/2013 (Revised) 'Headline Earnings'. The table below sets out a reconciliation of basic EPS 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.

The table below reconciles the profit for the financial year attributable to equity holders of the parent to headline earnings and summarises the calculation of basic and diluted HEPS:

					£m
		Year ended 31 December 2013		Year ended 31 December 2012 Restated[1]	
	Notes	**Gross**	**Net**	Gross	Net
Profit for the financial year attributable to equity holders of the parent		**705**	**705**	1,172	1,172
Dividends paid to holders of perpetual preferred callable securities		**(37)**	**(37)**	(32)	(32)
Profit attributable to ordinary equity holders		**668**	**668**	1,140	1,140
Adjustments:					
Impairments of goodwill and intangible assets		**28**	**28**	35	35
Loss/(profit) on disposal of subsidiaries, associated undertakings and strategic investments		**4**	**(12)**	(183)	(173)
Realised gains (net of impairments) on available-for-sale financial assets		**(8)**	**(8)**	(21)	(21)
Exchange differences realised on disposal		**-**	**-**	(350)	(350)
Headline earnings		**692**	**676**	621	631
Weighted average number of ordinary shares	C2(a)	**4,442**	**4,442**	4,587	4,587
Diluted weighted average number of ordinary shares	C2(b)	**4,726**	**4,726**	4,901	4,901
Headline earnings per share (pence)		**15.6**	**15.2**	13.5	13.8
Diluted headline earnings per share (pence)		**14.6**	**14.3**	12.7	12.9

[1] The prior year has been restated for the impact of changes in accounting policies. Refer to note I1 for further details. Impairment of intangible assets is now excluded from the determination of HEPS.

C3: Dividends

		£m
	Year ended 31 December 2013	Year ended 31 December 2012
2011 Final dividend paid - 3.5p per 10p share	**-**	178
Special dividend - 18.0p per 10p share	**-**	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**	-
2013 Interim dividend paid – 2.10p per 11 3/7p share	**98**	-
Dividends to ordinary equity holders	**336**	1,172
Dividends paid to holders of perpetual preferred callable securities	**47**	42
Dividend payments for the period	**383**	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 own 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.

A final dividend of 6.0 pence (or its equivalent in other applicable currencies) per ordinary share in the Company has been recommended by the directors. The final dividend will be paid on 30 May 2014 to shareholders on the register at the close of business on 14 April 2014 for the Malawi register, 16 April 2014 for the South African, Zimbabwe and Namibian registers and 22 April 2014 for the UK register. The dividend will absorb an estimated £275 million of shareholders' funds. The Company is not planning to offer a scrip dividend alternative.

In March and November 2013, £22 million and £25 million respectively, were declared and paid to holders of perpetual preferred callable securities (March 2012: £22 million, November 2012: £20 million).

Notes to the consolidated financial statements

For the year ended 31 December 2013

D: Other income statement notes

D1: Income tax expense

(a) Analysis of total income tax expense

	Year ended 31 December 2013	Year ended 31 December 2012 Restated[1]
		£m
Current tax		
United Kingdom	**(3)**	18
Overseas tax		
- Africa	**407**	501
- Europe	**19**	30
- Rest of the world	**7**	16
Withholding taxes (STC)	**16**	23
Adjustment to current tax in respect of prior years	**(25)**	5
Total current tax	**421**	593
Deferred tax		
Origination and reversal of temporary differences	**142**	(122)
Effect on deferred tax of changes in tax rates	**(15)**	2
Recognition of deferred tax assets	**1**	(2)
Adjustments to deferred tax in respect of prior years	**3**	-
Total deferred tax	**131**	(122)
Total income tax expense	**552**	471

[1] The prior year has been restated for the impact of changes in accounting policies. Refer to note I1 for further details.

(b) Reconciliation of total income tax expense

	Year ended 31 December 2013	Year ended 31 December 2012 Restated[1]
		£m
Profit before tax	**1,532**	1,385
Tax at UK standard rate of 23.25% (2012: 24.5%)	**356**	339
Different tax rate or basis on overseas operations	**57**	19
Untaxed and low taxed income	**(76)**	(83)
Disallowable expenses	**35**	48
Net movement on deferred tax assets not recognised	**31**	48
Effect on deferred tax of changes in tax rates	**(15)**	2
Withholding taxes (STC)	**10**	20
Income tax attributable to policyholder returns	**133**	59
Tax on Group equity held in life funds	**21**	26
Other	**-**	(7)
Total income tax expense	**552**	471

[1] The prior year has been restated for the impact of changes in accounting policies. Refer to note I1 for further details.

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

		£m
	Year ended 31 December 2013	Year ended 31 December 2012 Restated[1]
Preferred perpetual callable securities	**(10)**	(10)
Measurement gains on defined benefit plans	**22**	4
Income tax on items that will not be reclassified subsequently to profit or loss	**12**	(6)
Income tax on items that may be reclassified subsequently to profit or loss	**(2)**	5
Income tax expense/(credit) – continuing operations	**10**	(1)
Income tax expense on fair value movements – discontinued operations	**-**	1
Income tax expense relating to components of other comprehensive income	**10**	-

[1] The prior year has been restated for the impact of changes in accounting policies. Refer to note I1 for further details.

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

		£m
	Year ended 31 December 2013	Year ended 31 December 2012 Restated[1]
Income tax expense	**552**	471
Tax on adjusting items		
Goodwill impairment and impact of acquisition accounting	**26**	51
Profit/(loss) on disposal of subsidiaries, associates and strategic investments	**16**	(10)
Short-term fluctuations in investment return	**(2)**	7
Tax on dividends declared to holders of perpetual preferred callable securities recognised in equity	**(10)**	(10)
US Asset Management equity plans	**11**	6
Restructuring costs	**5**	-
Total tax on adjusting items	**46**	44
Income tax attributable to policyholders returns	**(174)**	(75)
Income tax on adjusted operating profit	**424**	440

[1] The prior year has been restated for the impact of changes in accounting policies. Refer to note I1 for further details.

Notes to the consolidated financial statements

For the year ended 31 December 2013

E: Financial assets and liabilities

E1: Borrowed funds

£m

	Notes	Group excluding Nedbank	Nedbank	At 31 December 2013 Group	Group excluding Nedbank	Nedbank	At 31 December 2012 Group
Senior debt securities and term loans		**113**	**1,151**	**1,264**	122	1,363	1,485
Floating rate notes	E1(a)	**-**	**673**	**673**	-	849	849
Fixed rate notes	E1(b)	**113**	**478**	**591**	122	514	636
Mortgage-backed securities	E1(d)	**-**	**65**	**65**	-	131	131
Subordinated debt securities (net of Group holdings)	E1(e)	**703**	**597**	**1,300**	765	669	1,434
Borrowed funds		**816**	**1,813**	**2,629**	887	2,163	3,050
Other instruments treated as equity for accounting purposes							
€374 million perpetual preferred[1] callable securities		**253**			334		
£273 million perpetual preferred[2] callable securities		**273**			348		
Total: Book value		**1,342**			1,569		
Nominal value of the above		**1,370**			1,590		

[1] The €374 million perpetual callable security was previously €495 million with €121 million being acquired via a Modified Dutch Auction tender on 19 November 2013.

[2] The £273 million perpetual callable security was previously £348 million with £75 million being acquired via a Modified Dutch Auction tender on 19 November 2013.

The table below is a maturity analysis of the liability cash flows based on contractual maturity dates for borrowed funds. Maturity analysis is undiscounted and based on year-end exchange rates.

£m

	Group excluding Nedbank	Nedbank	At 31 December 2013 Group	Group excluding Nedbank	Nedbank	At 31 December 2012 Group
Less than 1 year	**98**	**385**	**483**	110	522	632
Greater than 1 year and less than 5 years	**751**	**1,727**	**2,478**	907	1,820	2,727
Greater than 5 years	**1,099**	**236**	**1,335**	1,311	314	1,625
Total	**1,948**	**2,348**	**4,296**	2,328	2,656	4,984

Contractual maturity tables include all the data available for both years as at 31 December 2013.

Senior debt securities and term loans

(a) Floating rate notes

			£m
	Maturity date	**At 31 December 2013**	At 31 December 2012
Nedbank - Floating rate unsecured senior debt			
R98 million at inflation linked (3.80% real yield)	Repaid	**-**	8
R1,750 million at inflation linked (3.90% real yield)	Repaid	**-**	151
R1,552 million at JIBAR + 1.48%	Repaid	**-**	114
R988 million at JIBAR + 1.05%	March 2014	**50**	71
R500 million at JIBAR + 1.00%	April 2014	**26**	33
R1,075 million at JIBAR + 0.94%	October 2014	**62**	79
R1,297 million at JIBAR + 1.00%	February 2015	**75**	95
R1,027 million at JIBAR + 1.75%	April 2015	**60**	76
R250 million at JIBAR + 1.00%	August 2015	**14**	18
R1,044 million at JIBAR + 2.20%	September 2015	**61**	76
R677 million at JIBAR + 1.25%	March 2016	**39**	49
R3,056 million at JIBAR + 0.8%	July 2016	**176**	-
R694 million at JIBAR + 0.75%	November 2016	**40**	-
R405 million at JIBAR + 1.30%	February 2017	**23**	30
R786 million at JIBAR + 1.30%	August 2017	**42**	43
R80 million at JIBAR + 2.15%	April 2020	**5**	6
Total floating rate notes		**673**	849

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

(b) Fixed rate notes

			£m
	Maturity date	**At 31 December 2013**	At 31 December 2012
Nedbank - Fixed rate unsecured senior debt (net of Group holdings)			
R450 million at 8.39%	March 2014	**26**	33
R478 million at 9.68%	April 2015	**28**	35
R3,244 million at 10.55%	September 2015	**192**	242
R1,137 million at 9.36%	March 2016	**67**	85
R151 million at 6.91%	July 2016	**9**	-
R1,273 million at 11.39%	September 2019	**80**	102
R1,888 million at 8.92%	November 2020	**109**	-
R660 million at zero coupon	October 2024	**14**	17
		525	514
Less: fixed rate notes held by other Group companies		**(47)**	-
Banking fixed rate unsecured senior debt (net of Group holdings)		**478**	514
Group excluding Nedbank			
US$2 million secured senior debt at 5.23%[1]	August 2014	**1**	10
£112 million eurobond at 7.125%	October 2016	**112**	112
		113	122
Total fixed rate notes		**591**	636

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

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

Notes to the consolidated financial statements

For the year ended 31 December 2013

E: Financial assets and liabilities continued

E1: Borrowed funds continued

(c) Revolving credit facilities and irrevocable letters of credit

Following an internal review of Group funding requirements, the Group reduced its revolving credit facility by £400 million in August 2013. The Group now has access to a £800 million (2012: £1,200 million) five-year multi-currency revolving credit facility which matures in April 2016. At 31 December 2013 and 31 December 2012, none of this facility was drawn down and there were no irrevocable letters of credit in issue against this facility.

(d) Mortgage-backed securities (net of Group holdings)

	Tier	Maturity date	At 31 December 2013 (£m)	At 31 December 2012 (£m)
Nedbank				
R480 million (class A1) at JIBAR + 1.10%	Tier 2	25 October 2039	**13**	32
R336 million (class A2) at JIBAR + 1.25%	Tier 2	25 October 2039	**20**	25
R900 million (class A3) at JIBAR + 1.54%	Tier 2	25 October 2039	**52**	66
R110 million (class B) at JIBAR + 1.90%	Tier 2	25 October 2039	**6**	8
			91	131
Less: Mortgage backed securities held by other Group companies			**(26)**	-
Total mortgage-backed securities			**65**	131

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

	Tier	First call date	Maturity date	At 31December 2013 (£m)	At 31December 2012 (£m)
Nedbank					
R300 million at JIBAR + 2.50%	Tier 2	Repaid	Repaid	-	11
R1,800 million at 9.84%	Tier 2	Repaid	Repaid	-	137
R1,265 million at JIBAR + 4.75%	Non-core Tier 1	November 2018	November 2018	74	93
R487 million at 15.05%	Non-core Tier 1	November 2018	November 2018	32	43
R1,700 million at 8.90%	Tier 2	February 2014	February 2019	101	132
R1,000 million at 10.54%	Tier 2	September 2015	September 2020	62	81
US$100 million at 3 month USD LIBOR	Tier 2 Secondary	March 2017	March 2022	60	62
R2,000 million at JIBAR + 0.47%	Tier 2	July 2017	July 2022	116	146
R1,800 million at JIBAR + 2.75%	Tier 2	July 2018	July 2023	105	-
R1,200 million at JIBAR + 2.55%	Tier 2	November 2018	November 2023	69	-
				619	705
Less: Banking subordinated debt securities held by other Group companies				**(22)**	(36)
Banking subordinated securities (net of Group holdings)				**597**	669
Group excluding Nedbank					
R3,000 million at 8.92% until October 2015 and 3 month JIBAR + 1.59% thereafter	Lower Tier 2	October 2015	October 2020	**172**	218
£500 million at 8.00%[1]	Lower Tier 2	-	June 2021	**531**	547
				703	765
Total subordinated debt securities				**1,300**	1,434

[1] The principal and coupon on the bond were initially swapped into floating rate Swedish kronor, at 3 month STIBOR plus 5.46%. Following the Nordic sale, £375 million of the coupon is now swapped into floating rate sterling at 6 month GBP LIBOR plus 4.15% and £125 million of principal and coupon is swapped into US dollars at 6 month USD LIBOR plus 5.49%.

F: Other statement of financial position notes

F1: Non-controlling interests

(a) Profit or loss

(i) Ordinary shares

The non-controlling interests share of profit for the financial year has been calculated on the basis of the Group's effective ownership of the subsidiaries in which it does not own 100% of the ordinary equity. The principal subsidiaries where a non-controlling interest exists is the Group's banking business in South Africa, Nedbank. For the year ended 31 December 2013 the non-controlling interests attributable to ordinary shares was £259 million (2012: £256 million).

(ii) Preferred securities

		£m
	At 31 December 2013	At 31 December 2012
Nedbank		
R3,583 million non-cumulative preference shares	**19**	23
Group excluding Nedbank		
US$750 million cumulative preferred securities[1]	**-**	27
Non-controlling interests – preferred securities	**19**	50

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

(iii) Non-controlling interests - adjusted operating profit

The following table reconciles non-controlling interests' share of profit for the financial year to non-controlling interests' share of adjusted operating profit:

		£m
Reconciliation of non-controlling interests' share of profit for the financial year	**Year ended 31 December 2013**	Year ended 31 December 2012 Restated[1]
The non-controlling interests share is analysed as follows:		
Non-controlling interests – ordinary shares	**259**	256
Income attributable to Black Economic Empowerment trusts	**20**	25
Non-controlling interests share of adjusted operating profit	**279**	281

[1] The prior year has been restated for the impact of changes in accounting policies. Refer to note I1 for further details.

The Group uses revised weighted average effective ownership interests when calculating the non-controllable interest applicable to the adjusted operating profit of its Southern African businesses. This reflects the legal ownership of these businesses following the implementation for Black Economic Empowerment (BEE) schemes in 2005. In accordance with IFRS accounting rules the shares issued for BEE purposes are deemed to be, in substance, options. Therefore the effective ownership interest of the minorities reflected in arriving at profit after tax in the consolidated income statement is lower than that applied in arriving at adjusted operating profit after tax. In 2013 the increase in adjusted operating profit attributable to non-controlling interests as a result of this was £20 million (2012: £25 million).

(b) Statement of financial position

(i) Ordinary shares

		£m
Reconciliation of movements in non-controlling interests	**At 31 December 2013**	At 31 December 2012 Restated[1]
Balance at beginning of the year	**1,684**	1,652
Non-controlling interests' share of profit	**259**	256
Non-controlling interests' share of dividends paid	**(117)**	(119)
Net disposal of interests	**20**	20
Foreign exchange and other movements	**(344)**	(125)
Balance at end of the year	**1,502**	1,684

[1] The prior year has been restated for the impact of changes in accounting policies. Refer to note I1 for further details.

Notes to the consolidated financial statements

For the year ended 31 December 2013

F: Other statement of financial position notes continued

F1: Non-controlling interests continued

(ii) Preferred securities

		£m
	At 31 December 2013	At 31 December 2012
Nedbank		
R3,583 million non-cumulative preference shares[1]	**265**	273
Total in issue at 31 December	**265**	273

Preferred securities at 31 December 2013 are held at historic value of consideration received less unamortised issue costs and are stated net of securities held by Group companies

[1] 3,583 million R10 preference shares issued by Nedbank Limited (Nedbank), the Group's banking subsidiary. These shares are non-redeemable and non-cumulative and pay a cash dividend equivalent to 75% of the prime overdraft interest rate of Nedbank. Preference shareholders are only entitled to vote during periods when a dividend or any part of it remains unpaid after the due date for payment or when resolutions are proposed that directly affect any rights attaching to the shares or the rights of the holders. Preference shareholders will be entitled to receive their dividends in priority to any payment of dividends made in respect of any other class of Nedbank's shares.

G: Other notes

G1: Contingent liabilities

		£m
	At 31 December 2013	At 31 December 2012
Guarantees and assets pledged as collateral security	**2,052**	2,521
Irrevocable letters of credit	**184**	177
Secured lending	**304**	492
Other contingent liabilities	**30**	57

The Group, through its South African banking business, has pledged debt securities amounting to £703 million (2012: £1,203 million) as collateral for deposits received under re-purchase agreements. These amounts represent assets that have been transferred but do not qualify for derecognition under IAS 39. These transactions are entered into under terms and conditions that are standard industry practice to securities borrowing and lending activities.

Contingent liabilities – tax

The Revenue authorities in the principal jurisdictions in which the Group operates (South Africa and the United Kingdom) routinely review historic transactions undertaken and tax law interpretations made by the Group. The financial statements accordingly include provisions that reflect the Group's assessment of liabilities which might reasonably be expected to materialise.

Nedbank litigation

There are a number of legal or potential claims against Nedbank and its subsidiary companies, the outcome of which cannot at present be foreseen. As previously disclosed, the largest of these potential actions are claims in the High Court against Nedbank by certain shareholders in Pinnacle Point Group Ltd, alleging that Nedbank had a legal duty of care to them arising from a share swap transaction. In 2013 two of these claims of R147 million and of R802 million were dismissed by the North Gauteng High Court. The only claim remaining is for R355 million.

Originally these shareholders and others lodged proceedings with the Securities Regulation Panel (SRP) for an order declaring that an affected transaction took place. The SRP ruled that no affected transaction took place. The last remaining claimant brought an application to the South Gauteng High Court for the review of the SRP ruling. This application was dismissed with costs on 15 November 2013. The applicant filed a notice to apply for leave to appeal this judgment, which Nedbank will oppose.

During 2011 further actions were instituted against Nedbank Ltd by other stakeholders for R210 million, and by Absa Bank Limited for R773 million. In both these actions Nedbank have filed exceptions against the claims.

Nedbank Ltd and its legal advisers remain of the opinion that the remaining claims are ambitious, and that the remaining claimants will have great difficulty succeeding.

Consumer protection

Old Mutual is committed to supporting its customers in meeting their lifetime goals and treating customers fairly is central to how our businesses operate. We routinely engage with customers and regulators to ensure that we meet this commitment, but there is the risk of regulatory intervention across various jurisdictions, giving rise to the potential for customer redress which can result in retrospective changes to policyholder benefits, penalties or fines. Where this occurs, the Group makes financial provision for the related costs.

G2: Businesses acquired during the year

The Group continued to expand operations in Africa and Latin America through the following completed acquisitions:

Acquiree	Country	Nature of business	Consideration paid (£m)	Shares acquired	Effective date
Oceanic Life	Nigeria	Life insurance	9	70%	20 December 2012
Aiva Holdings Group S.A	Uruguay	Business platform and distribution business	22	86%	2 January 2013
Provident Life Assurance Company Limited	Ghana	Life insurance	7	90%	12 September 2013
Oceanic General	Nigeria	General insurance	12	70%	26 November 2013

Goodwill of £30 million has been recognised on these acquisitions. Refer to note F1 in the Annual Report and Accounts for further analysis of the goodwill recognised. Acquisition costs of £2 million are included in operating expenses and have been excluded from the Group's adjusted operating profit. The net profit received from the above acquisitions has been consolidated for the 31 December 2013 financial year.

The table below sets out the consolidated assets and liabilities acquired as a result of these acquisitions:

	£m
	Acquirees' carrying amount
Assets	
Investment property	13
Investments and securities	20
Cash and cash equivalents	17
Trade, other receivables and other assets	5
Total assets	**55**
Liabilities	
Long-term business policyholder liabilities	18
Current tax payable	1
Trade, other payables and other liabilities	10
Total liabilities	**29**
Net assets acquired	**26**
Group's portion of net assets acquired	20
Consideration paid	50
Goodwill recognised	**30**

The carrying value of assets and liabilities in the entities statement of financial position on acquisition date approximates the fair value of these items determined by the Group. The receivables recognised by the Group are included in other assets and represent their fair value due to their short-term nature. No indemnification assets or contingent liabilities were recognised on acquisition of the above business. Contingent consideration of £11 million is payable to the sellers of Aiva Holdings Group SA in 2016 and 2018 dependent on the achievement of pre-determined performance indicators, an estimate which has been included in the purchase consideration.

G3: Events after the reporting date

On 28 February 2014, the Group announced the acquisition of Intrinsic Financial Services Limited, the third largest adviser network in the UK with more than 3,000 advisers, both restricted and independent. This will enable the Old Mutual Wealth business to provide advice to UK retail customers. The purchase of Intrinsic Financial Services Limited is a critical part of the Old Mutual Wealth strategy to create a leading wealth management business that combines financial advice, investment solutions and high quality asset management to deliver first class outcomes for our customers.

On 28 February 2014, the Group announced that during 2014 it intends to proceed with an Initial Public Offering of a minority stake in its US Asset Management Business (USAM), subject to market conditions. The offering will enhance USAM's financial and operating flexibility to deploy capital to continue to grow and further develop the business. This transaction will require a registration statement to be filed with the U.S. Securities and Exchange Commission. The registration statement will include additional information. The announcement was made pursuant to and in accordance with Rule 135 under the U.S. Securities Act (1933). This disclosure does not constitute an offer to sell or the solicitation of an offer to buy securities, and shall not constitute an offer, solicitation or sale in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of that jurisdiction.

In line with Nedbank's scheduled capital plans, there was a full capital redemption of NED8, the R1.7 billion unsecured subordinated note that qualified as Tier 2 capital under Basel II, with effect from 8 February 2014. This event is not an adjusting post balance sheet event.

Notes to the consolidated financial statements

For the year ended 31 December 2013

H: Discontinued operations and disposal groups held for sale

H1: 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. The profit on disposal of discontinued operations for the year ending 31 December 2013 was recognised following the finalisation of the transfer of Old Mutual Guodian Life Assurance Company Ltd, the Group's Chinese joint venture, from Nordic to Old Mutual Life Assurance Company (South Africa) Limited. This transaction was included in the Nordic sale agreement and was subject to regulatory approval which was obtained in June 2013.

(a) Income statement from discontinued operations (Nordic)

		£m
	Year ended 31 December 2013	Year ended 31 December 2012
Revenue	**-**	842
Expenses	**(26)**	(866)
Loss before tax from discontinued operations - trading activities	**(26)**	(24)
Profit on disposal	**27**	239
Realised available-for-sale investment gains and exchange differences on disposal	**-**	350
Profit before tax from discontinued operations	**1**	565
Income tax credit/(charge)	**2**	(1)
Profit after tax from discontinued operations	**3**	564

(b) Statement of comprehensive income from discontinued operations (Nordic)

		£m
	Year ended 31 December 2013	Year ended 31 December 2012
Profit from discontinued operations after tax	3	564
Other comprehensive income for the financial year		
Fair value gains	**-**	4
Exchange differences realised on disposal	**-**	(350)
Currency translation differences/exchange differences on translating foreign operations	**-**	2
Other movements	**-**	(3)
Aggregate tax on transfers from equity	**-**	(1)
Total other comprehensive loss from discontinued operations	**-**	(348)
Total comprehensive income for the financial year from discontinued operations	**3**	216
Attributable to		
Equity holders of the parent	**3**	216

(c) Net cash flows from discontinued operations (Nordic)

		£m
	Year ended 31 December 2013	Year ended 31 December 2012
Operating activities	**-**	(8)
Investing activities	**-**	(121)
Net cash flows from discontinued operations	**-**	(129)

H2: 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.

I: Changes in accounting policies

I1: Accounting policies adopted for the year ended 31 December 2013

Several new accounting standards are applicable to the Group for the year ended 31 December 2013, with restatement of the comparative information for the year ended 31 December 2012 as required and restatement of the opening statement of financial position as at 1 January 2012.

The standards that were relevant and have required restatement include IAS 1 'Presentation of Financial Statements', IAS 19 (Revised 2011) 'Employee Benefits', IFRS 10 'Consolidated Financial Statements' and IFRS 11 'Joint Arrangements'.

Three other standards and amendments have also been applied for the first time in 2013 but these are disclosure standards and have not required a restatement of the statement of financial position. These include IFRS 7 'Financial Instruments: Disclosures (Amended 2011), IFRS 12 'Disclosure of Interest in Other Entities' and IFRS 13 'Fair Value Measurement' and IAS 36 (Amended) 'Impairment of Assets'. Refer to note A5 in the Annual Report and Accounts for further information.

IFRS 11 'Joint Arrangements' 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 'Joint Arrangements' must now be accounted for using the equity method. This did not have a material impact on the Group's statement of financial position.

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

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

The amendments to IAS 1 'Presentation of Items of Other Comprehensive Income' 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 year ended 31 December 2012 has 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 OCI. 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 £81 million and increasing total liabilities by £98 million.

Notes to the consolidated financial statements

For the year ended 31 December 2013

I: Changes in accounting policies continued

I1: Accounting policies adopted for the year ended 31 December 2013 continued

IFRS 10 'Consolidated Financial Statements'

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

IFRS 10 'Consolidated Financial Statements' introduces a single control model that applies to all entities, including special purpose entities. IFRS 10 'Consolidated Financial Statements' 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 'Consolidated Financial Statements' 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 'Consolidated Financial Statements', 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 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 year ended 31 December 2012 and the opening position at 1 January 2012 have been restated accordingly.

Effect of the adoption of IAS 19 (Revised) and IFRS 10 'Consolidated Financial Statements'

The following tables summarise the impact of the restatements in the financial statements:

£m

Year ended 31 December 2012	As previously reported	Adjustments for adoption of IAS 19	Adjustments for adoption of IFRS 10	As restated
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	314	-	(8)	306
Consolidated statement of comprehensive income				
Total other comprehensive income for the financial year[1]	(811)	4	-	(807)
Total comprehensive income for the financial year[1]	676	3	(8)	671
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	81	3,384	146,962
Total liabilities	133,699	98	3,392	137,189
Equity attributable to ordinary shareholders of the parent	7,833	(17)	-	7,816
Non-controlling interests	1,965	-	(8)	1,957

[1] The comparative information has been restated to reflect the fact that all movements on the share-based payment reserve are reflected directly in equity and no longer in other comprehensive income.

At 1 January 2012	As previously reported	Adjustments for adoption of IAS 19	Adjustments for adoption of IFRS 10	As restated
				£m
Consolidated statement of financial position				
Total assets	162,385	(12)	2,798	165,171
Total liabilities	151,527	8	2,798	154,333
Equity attributable to ordinary shareholders of the parent	8,488	(20)	-	8,468

Adjusted Group MCEV by line of business

At 31 December 2013

	Notes	At 31 December 2013	At 31 December 2012 Restated[1]
			£m
MCEV of the core covered business (Emerging Markets)	B3	**2,953**	3,316
Adjusted net worth[2]		**1,621**	1,838
Value of in-force business		**1,332**	1,478
MCEV of the core covered business (Old Mutual Wealth)	B3	**2,549**	2,444
Adjusted net worth[2]		**575**	466
Value of in-force business		**1,974**	1,978
MCEV of the non-core covered business (Old Mutual Bermuda)[3]	B3	**365**	625
Adjusted net worth		**365**	680
Value of in-force business		**-**	(55)
Adjusted net worth of asset management and other business		**1,670**	1,772
Emerging Markets		**364**	444
Old Mutual Wealth		**248**	225
US Asset Management		**1,058**	1,103
Value of the banking business		**3,172**	3,574
Nedbank (market value)		**3,113**	3,527
Emerging Markets (adjusted net worth)		**59**	47
Value of the general insurance business			
Property & Casualty (adjusted net worth)		**183**	261
Net other business[4]		**366**	34
Adjustment for present value of Black Economic Empowerment scheme deferred consideration		**201**	245
Adjustment for value of own shares in ESOP schemes[5]		**123**	126
Market value of perpetual preferred callable securities		**(582)**	(686)
Market value of subordinated debt		**(838)**	(921)
Adjusted Group MCEV		**10,162**	10,790
Adjusted Group MCEV per share (pence)		**207.5**	220.5
Number of shares in issue at the end of the financial period less treasury shares (millions)		**4,897**	4,893

[1]The prior period has been restated for the impact of the change in accounting policies. Refer to note A1 for further information.

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

[3]The valuation basis for Old Mutual Bermuda has been simplified for 2013. Refer to note A1 for further information.

[4]Net other business is the aggregate of other Group assets and liabilities not included elsewhere, including net inter-company adjustments and holding company cash.

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

Adjusted operating Group MCEV statement of earnings

For the year ended 31 December 2013

£m

	Notes	**Year ended 31 December 2013**	Year ended 31 December 2012 Restated[1]
Emerging Markets		**603**	619
Covered business	B2	**450**	459
Asset management		**141**	145
Banking		**12**	15
Old Mutual Wealth		**181**	(19)
Covered business	B2	**162**	(5)
Asset management		**19**	(14)
Nedbank			
Banking		**797**	825
Property & Casualty			
General insurance		**4**	37
US Asset Management			
Asset management		**111**	91
Other operating segments			
Finance costs[2]		**(103)**	(148)
Corporate costs[3]		**(41)**	(40)
Other net (expenses)/income[4]		**(2)**	(13)
Adjusted operating Group MCEV earnings before tax from core operations		**1,550**	1,352

[1]The prior period has been restated for the impact of the change in accounting policies and reallocation of US Asset Management seed capital gains. Refer to note A1 for further information.

[2]This includes interest payable from Old Mutual plc to non-core operations of £11 million (December 2012: £18 million).

[3]Central costs of £13 million (December 2012: £14 million) are allocated to the covered business and provisioned in the VIF. This is based on the proportion of management expenses that are incurred by the covered business as a percentage of total management expenses incurred by the Group. Hence net corporate costs under MCEV of £41 million (December 2012: £40 million) differ from the IFRS amount of £54 million (December 2012: £54 million).

[4]Other net expenses exclude capital gains on seed capital in the US asset management business of £9 million (December 2012: £14 million). These seed capital gains are included in the earnings of Old Mutual Bermuda (Non-core continuing operations) for MCEV reporting.

Adjusted operating Group MCEV earnings per share

For the year ended 31 December 2013

Year ended 31 December 2013	Notes	**Core continuing operations**	**Non-core continuing operations**	**Discontinued operations[2]**	**Total**
					£m
Adjusted operating Group MCEV earnings before tax		**1,550**	**31**	**-**	**1,581**
Covered business	B2	**612**	**31**	**-**	**643**
Other business		**938**	**-**	**-**	**938**
Tax on adjusted operating Group MCEV earnings		**(423)**	**1**	**-**	**(422)**
Covered business	B2	**(161)**	**1**	**-**	**(160)**
Other business		**(262)**	**-**	**-**	**(262)**
Adjusted operating Group MCEV earnings after tax		**1,127**	**32**	**-**	**1,159**
Non-controlling interests					
Ordinary shares		**(273)**	**-**	**-**	**(273)**
Preferred securities		**(19)**	**-**	**-**	**(19)**
Adjusted operating MCEV earnings after tax attributable to equity holders[1]		**835**	**32**	**-**	**867**
Adjusted operating Group MCEV earnings per share		**17.3**	**0.6**	**-**	**17.9**
Adjusted weighted average number of shares (millions)					**4,836**

Year ended 31 December 2012 Restated[3]	Notes	Core continuing operations	Non-core continuing operations	Discontinued operations[2]	Total
					£m
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[1]		652	99	25	776
Adjusted operating Group MCEV earnings per share		12.9	2.0	0.5	15.4
Adjusted weighted average number of shares (millions)					5,029

[1]Adjusted operating Group MCEV earnings 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.

[2]Discontinued operations include earnings from previously owned Nordic business.

[3]The prior period has been restated for the impact of the change in accounting policies and reallocation of US Asset Management seed capital gains. Refer to note A1 for further information.

Group MCEV statement of earnings

For the year ended 31 December 2013

	Notes	Year ended 31 December 2013	Year ended 31 December 2012 Restated[1]
			£m
Adjusted operating Group MCEV earnings before tax from core continuing operations		**1,550**	1,352
Adjusted operating Group MCEV earnings before tax from OM Bermuda non-core operations		**31**	99
Adjusted operating Group MCEV earnings before tax from continuing operations[2]		**1,581**	1,451
Adjusting items from continuing operations	C2	**389**	492
Total Group MCEV earnings before tax from continuing operations		**1,970**	1,943
Income tax attributable to shareholders		**(528)**	(490)
Total Group MCEV earnings after tax from continuing operations		**1,442**	1,453
Total Group MCEV earnings after tax from discontinued operations		**3**	600
Total Group MCEV earnings after tax for the financial period		**1,445**	2,053
Total Group MCEV earnings for the financial period attributable to:			
Equity holders of the parent		**1,170**	1,747
Non-controlling interests			
Ordinary shares		**256**	256
Preferred securities		**19**	50
Total Group MCEV earnings after tax for the financial period		**1,445**	2,053
Basic total Group MCEV earnings per ordinary share (pence)		**25.5**	36.6
Weighted average number of shares (millions)		**4,597**	4,768

[1]The prior period has been restated for the impact of the change in accounting policies and reallocation of US Asset Management seed capital gains. Refer to note A1 for further information.

[2]Refer to note A2 for the definition of adjusted operating Group MCEV earnings.

Notes to the MCEV basis supplementary information

For the year ended 31 December 2013

A: MCEV policies

A1: Basis of preparation

The Market Consistent Embedded Value methodology (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 released interim transitional guidance in September 2012 confirming that there was no requirement to make allowance for Solvency II in subsequent MCEV disclosures.

The Principles have been materially complied with in the preparation of MCEV information for Emerging Markets and Old Mutual Wealth businesses at 31 December 2013. 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 IFRS financial statements adjusted to eliminate inter-company loans and a deduction for certain non-controlling interests in Emerging Markets.
- The adjusted Group MCEV which is 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 Employee Share Ownership Plan (ESOP) schemes.

(a) Changes in basis of preparation

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 IFRS 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, frictional costs and future annuity contract fee income, net of expenses.

This simplification is part of the consolidation of reporting processes for Old Mutual Bermuda following a significant run-off of the book (given surrenders of variable annuities post the five-year top-up anniversaries) 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 expected to be similar to bottom-up calculated MCEV earnings.

As a result of this change a simplified analysis of earnings approach has been adopted, with all earnings recorded under other operating experience variances, apart from variable annuity guarantee performance (net of hedge performance) and seed capital gains and losses, which are recorded in economic variances.

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

Emerging Markets valuation basis for certain African entities

The covered business within certain African entities (Zimbabwe, Kenya, Malawi, Swaziland and Nigeria) has been included on an MCEV basis for 2013 year end reporting. Simplified approaches have been used where appropriate to the size of the business, or where insufficient market data is available to perform full bottom-up MCEV calculations. Previously these entities were included in covered business on a basis consistent with the primary IFRS financial statements.

Comparative information has not been restated to reflect this valuation change.

(b) Restatement of comparative information

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

The Group has adopted IAS 19 (Employee Benefits) and IFRS 10 (Consolidated Financial Statements) with a date of initial application of 1 January 2013. Further information on the key amendments to these statements are detailed in note I1 in the primary Group IFRS financial statements.

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

US Asset Management seed capital gains

The US asset management seed capital forms part of the adjusted net worth of Old Mutual Bermuda for MCEV reporting purposes following the transfer of ownership in July 2012. Seed capital gains of £9 million (December 2012: £14 million) are recorded in economic variances in MCEV reporting and are therefore excluded from operating MCEV earnings. This differs from the approach for IFRS reporting where seed capital gains are included in adjusted operating profit. The December 2012 operating MCEV earnings have been restated to reflect this treatment.

A2: Methodology

(a) Introduction

MCEV represents the present value of shareholders' interests in the earnings that are distributable from assets allocated to the in-force covered business after sufficient and appropriate allowances for the aggregate risks in the covered business. It is measured in a way that is consistent with the value that would normally be placed on the cash flows generated by these assets and liabilities in a deep and liquid market. MCEV is therefore a risk-adjusted measure to the extent that financial risk is reflected through the use of market consistent techniques in the valuation of both assets and distributable earnings and a transparent explicit allowance is made for non-financial risks.

The MCEV consists of the sum of the following components:

- Adjusted net worth (ANW), which excludes acquired intangibles and goodwill, consisting of:
  - free surplus allocated to the covered business; and
  - required capital to support the covered business.
- Value of in-force covered business (VIF).

The adjusted net worth is the market value of shareholders' assets held in respect of the covered business after allowance for the liabilities which are determined by local regulatory reserving requirements.

MCEV is calculated net of non-controlling shareholder interests and excludes the value of future new business.

(b) Coverage

Covered business includes, where material, any contracts that are regarded by local insurance supervisors as long-term life assurance business, and other business, where material, directly related to such long-term life assurance business where the profits are included in the IFRS long-term business profits in the primary financial statements. For the life businesses in entities where the covered business is not material, the treatment within this supplementary information is the same as in the primary IFRS financial statements (i.e. expected future profits for this business are not capitalised for MCEV reporting purposes).

Some types of business are legally written by a life company, but under IFRS are classified as asset management because 'long-term business' only serves as a wrapper. This business is excluded from covered business, for example:

- New institutional investment platform pensions business written in the United Kingdom as it is more appropriately classified as unit trust business; and
- Individual unit trusts and some group market-linked business written by the asset management companies in South Africa through the life company as profits from this business arise in the asset management and asset administration companies.

The treatment within this supplementary information of non-covered business is the same as in the primary financial statements, except for the recognition of certain non-controlling interests in Zimbabwe. The adjusted Group MCEV 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.

(c) Free surplus

Free surplus is the market value of any assets allocated to, but not required to support, the in-force covered business. It is determined as the market value of any excess assets attributed to the covered business but not backing the regulatory liabilities, less the required capital to support the covered business.

(d) 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 internal assessment of risks inherent in the underlying business. It measures capital requirements on a basis consistent with a 99.5% confidence level over a one-year time horizon. The confidence level has been changed from 99.93% to 99.5% for Group economic capital calculations at 31 December 2013 to ensure consistency with Solvency II principles and general industry practice.

For Emerging Markets and Old Mutual Wealth, required capital determined with reference to internal management objectives is the most onerous and is the capital measure used for the determination of required capital for MCEV reporting. 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 in South Africa. On consolidation this investment is shown separately.

For Old Mutual Bermuda, regulatory required capital is the most onerous capital measure, and continues to be the case despite the reduction in the Bermuda Monetary Authority (BMA) regulatory capital requirements applicable at 31 December 2013.

In September 2013, the BMA approved a reduction in capital resource requirements from £433 million ($703 million) to £252 million ($418 million). The capital requirement will be kept constant to that approved by the BMA until there is notification of a revised capital requirement after the filing of the 2013 annual return.

Notes to the MCEV basis supplementary information

For the year ended 31 December 2013

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

		At 31 December 2013			At 31 December 2012		£m
	Notes	**Required capital (a)**	**Regulatory capital (b)**	**Ratio (a/b)**	Required capital (a)	Regulatory capital (b)	Ratio (a/b)
Emerging Markets	B3	**1,113**	**802**	**1.4**	1,312	923	1.4
Old Mutual Wealth[1]	B3	**326**	**228**	**1.4**	294	212	1.4
Old Mutual Bermuda	B3	**252**	**252**	**1.0**	433	433	1.0
Total		**1,691**	**1,282**	**1.3**	2,039	1,568	1.3

[1] Local regulators for many of the Old Mutual Wealth countries allow intangible assets to be included as part of 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.

(e) Value of in-force (VIF) covered business

Under the MCEV methodology, VIF consists of the following components:

- Present value of future profits (PVFP) from in-force covered business; less
- Time value of financial options and guarantees; less
- Frictional costs of required capital; less
- Cost of residual non-hedgeable risks (CNHR).

Projected liabilities and cash flows are calculated net of outward risk reinsurance with allowance for default risk of reinsurance counterparties where material.

(f) Present value of future profits

The PVFP is calculated as the discounted value of future distributable earnings (taking account of local statutory reserving requirements) that are expected to emerge from the in-force covered business, including the value of contractual renewal of in-force business, on a best estimate basis where assumed earned rates of return and discount rates are equal to the risk free reference rates. This is also known as a deterministic certainty equivalent valuation of future distributable earnings, and is described in more detail in note A3. Any limitations on distribution of such earnings due to statutory or internal capital requirements are taken into account separately in the calculation of frictional costs of required capital.

PVFP captures the intrinsic value of financial options and guarantees on in-force covered business which are not included in the local statutory reserves forming part of ANW, but excludes any additional allowance for the time value of financial options and guarantees.

(g) Financial options and guarantees

Allowance is made in the determination of MCEV for the potential impact of variability of investment returns (i.e. asymmetric impact) on future shareholder cash flows of policyholder financial options and guarantees within the in-force covered business.

The time value of financial options and guarantees describes that part of the value of financial options and guarantees that arises from the variability of future investment returns on assets to the extent that it is not already included in the local statutory reserves.

The calculation of the value of financial options and guarantees (including the allowance in ANW and VIF components of MCEV) is based on market consistent stochastic modelling techniques where the actual assets held at the valuation date are used as the starting point for the valuation of such financial options and guarantees. Projected future cash flows are valued using economic assumptions such that they are valued in line with the price of similar cash flows that are traded in the capital markets. Closed form solutions are also applied in Europe provided the nature of any guarantees is not complex.

The value of financial options and guarantees also includes allowance for potential burn-through costs on participating business, i.e. the extent to which shareholders are unable to recover a loan made to participating funds to meet either regulatory or internal capital management requirements, or the extent to which reserves are inadequate to meet benefit payments during periods of severely adverse experience.

In the generated economic scenarios, allowance is made, where appropriate, for the effect of dynamic management and/or policyholder actions in different circumstances:

- Management has some discretion in managing the exposure to financial options and guarantees, particularly within participating business. Such dynamic management actions are reflected in the valuation of financial options and guarantees provided that such discretion:
  - is consistent with established and justifiable practice taking into account policyholders' reasonable expectations (for example, with due consideration of the Principles and Practices of Financial Management (PPFM), in the South African business);
  - is subject to any contractual guarantees and regulatory or legal constraints; and
  - has been passed through an appropriate approval process by the local Executive team and the Board, where applicable.

  Assumptions that depend on the market performance (such as bonus rates) are set relative to the risk free reference rates (subject to contractual guarantees) and assuming that all market participants are subjected to the same market conditions.
- Where credible evidence exists that persistency rates are linked to economic scenarios, allowance is made for dynamic policyholder behaviour in response to changes in economic conditions.
- Modelled dynamic management and policyholders' actions include the following:
  - changes in future bonus rates subject to contractual guarantees, including removing all or part of previously declared non-vested balances where circumstances warrant such action;
  - dynamic lapse rates for the Bermuda business, and dynamic guaranteed annuity option take-up rates for the South African business driven by changes in economic conditions and management actions; and

- changes in the surrender values.

In determining the value of financial options and guarantees, an appropriate number of simulations are run to ensure that a reasonable degree of convergence of results has been obtained.

Emerging Markets

The financial options and guarantees mainly relate to the guaranteed portion of smoothed bonus business, maturity guarantees and guaranteed annuity options.

As required by the applicable Actuarial Society of South Africa practice note, the value of the financial options and guarantees included in the statutory reserves in the South African businesses has been valued using a risk-neutral market consistent asset model, and is referred to as the 'Investment Guarantee Reserve' (IGR). As the value of financial options and guarantees is held in local statutory reserves that form part of ANW, no further allowance is needed for the time value of financial options and guarantees.

The IGR includes an explicit discretionary margin to allow for the sensitivity of the reserve to market movements, including interest rates, equity levels and the volatility implicit in the pricing of derivative instruments in these markets. The value of future anticipated releases of the discretionary margin is included in the VIF.

Old Mutual Wealth

The financial options and guarantees mainly relate to guaranteed annuity options on German deferred annuity contracts and minimum investment return guarantees on French unit-linked investment products. The time value of financial options and guarantees has reduced significantly over 2013 as a result of modelling changes made in Germany. The majority of the value of financial options and guarantees for Old Mutual Wealth is held in local statutory reserves that form part of ANW.

Bermuda

The financial options and guarantees mainly relate to the guaranteed minimum accumulation benefits on variable annuity contracts. Reserves for financial options and guarantees, calculated on a best estimate valuation basis consistent with MCEV principles, are included in ANW.

(h) Frictional costs of required capital

From the shareholders' perspective there is a cost due to restrictions on the distribution of required capital that is locked in entities within the Group. Where material, an allowance has been made for the frictional costs in respect of the taxation on investment return (income and capital gains) and investment costs on the assets backing the required capital for covered business. The allowance for taxation is based on the taxation rates applicable to investment earnings on assets backing the required capital.

The run-off pattern of the required capital is projected on an approximate basis over the lifetime of the underlying risks in line with drivers of the capital requirement. The same drivers are used to split the total required capital between existing business and new business.

The allowance for frictional costs is independent of the allowance for the cost of residual non-hedgeable risks as described below.

(i) Cost of residual non-hedgeable risks(CHNR)

Sufficient allowance for the majority of financial risks has been made in the PVFP and the time value of financial options and guarantees using techniques that are similar to the type of approaches used in capital markets. In addition, the modelling of some non-hedgeable non-financial risks is incorporated as part of the calculation of the PVFP (for example, to the extent that expected operational losses are incorporated in the maintenance expense assumptions) or the time value of financial options and guarantees (for example, dynamic policyholder behaviour such as the interaction of the investment scenario and the persistency rates). Residual non-financial risks include, for example, liability risks such as mortality, longevity and morbidity risks; business risks such as persistency, expense and reinsurance credit risks; and operational risk.

For 31 December 2012 information reported for Old Mutual Bermuda, in addition to the allowance for residual non-hedgeable risks, CNHR includes an allowance for hedge ineffectiveness risk and credit spread risk, which are not modelled in the PVFP or TVOG calculations. In 2013, Old Mutual Bermuda moved from a bottom-up MCEV calculation basis to an adjusted IFRS basis with the CNHR no longer calculated.

For 31 December 2013 information reported for Old Mutual Zimbabwe, the CNHR includes an allowance for financial as well as non-financial risks to allow for financial risks that are not allowed for in the PVFP due to insufficient market data.

An allowance is made in the CNHR to reflect uncertainty in the best estimate of shareholder cash flows as a result of both symmetric and asymmetric non-hedgeable risks since these risks cannot be hedged in deep and liquid capital markets and are managed, inter alia, by holding risk capital. With the exception of operational risk, most residual non-hedgeable risks for the Group as a whole have a symmetric impact on shareholder value, i.e. commensurate upside and downside impacts.

The 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, and is calculated using the same methodology used to determine economic capital. 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 hedgeable and non-hedgeable risks.

The following treatment is applied 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 recognised.
- No diversification benefits are recognised between hedgeable and non-hedgeable risks of the covered business.
- No diversification benefits are recognised between covered and non-covered business.

Notes to the MCEV basis supplementary information

For the year ended 31 December 2013

A cost of capital charge of 2.0% (2012: 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% (2012: 2.4%) being applied to the diversified capital required in respect of such non-hedgeable risks for Emerging Markets and Old Mutual Wealth as a combined group (no CNHR is calculated for Old Mutual Bermuda under the new valuation approach).

(j) Participating business

For participating business in Emerging Markets, the method of valuation makes assumptions about future bonus rates and the determination of profit allocation between policyholders and shareholders. These assumptions are made on a basis consistent with other projection assumptions, especially the projected future risk free investment returns, established Company practice (with due consideration of the PPFM for South African business), past external communication, any payout smoothing strategy, local market practice, regulatory/contractual restrictions and bonus participation rules.

Where current benefit levels are higher than can be supported by the existing fund assets together with projected investment returns, a downward 'glide path' in benefit levels is projected so that the policyholder fund would be exhausted on payment of the last benefit.

(k) Valuation of assets and treatment of unrealised losses

The market values of assets, where quoted in deep and liquid markets, are based on the bid price on the reporting date. Unquoted assets are valued according to IFRS and marked to model.

No smoothing of market values or unrealised gains/losses is applied in determining the market value of assets.

(l) Asset mix

The value of financial options and guarantees and PVFP (where relevant) are calculated with reference to assets that are projected using the actual asset allocation of the policyholder funds at the reporting date. However, if the current asset mix is materially different to the long-term strategic asset allocation as a result of market movements, projected assets are assumed to revert to the long-term strategic asset allocation in the short- to medium-term as appropriate.

(m) Consolidation adjustments

The MCEV result split by business unit takes account of both sides of any loan arrangements between Group companies, with the Group effect included in net other business.

(n) Look through principle

PVFP and value of new business cash flow projections apply a look through approach. They include the profits/losses of owned service companies, for example, distribution and administration entities, related to the management of the covered business. Any profit margins that are included in investment management fees payable by the life assurance companies to the asset management subsidiaries have not been included in the value of in-force business or the value of new business on the grounds of materiality.

(o) 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.

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 and the reduction to 20%, applicable from April 2015, has improved the Old Mutual Wealth MCEV position by £18 million.

South Africa:

The Taxation Laws Amendment Bill was released in October 2013, effecting changes to the tax relief in respect of sales, administration and indirect expenses attributable to income incurred in individual and corporate policyholder funds (effective from 1 January 2013). This had the effect of increasing the expense relief ratio, which improved expense experience variances in 2013. Further changes to taxation laws are anticipated in 2014 which are expected to have an adverse effect on post-tax earnings. However no changes have been made to MCEV assumptions at 31 December 2013 to reflect these recent or anticipated changes until the changes are more certain.

(p) Value of debt

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

The IFRS value of total debt is £1,345 million (2012: £1,570 million) and the MCEV value is £1,420 million (2012: £1,607 million).

Where either the principal or the coupon of the debt security has been swapped into an alternate currency, the fair value of these derivative instruments of £50 million (2012: £96 million) has not been included in the value of debt; however, it is included in the Net Other Business value of £366 million (2012: £34 million) (Adjusted Group MCEV by line of business). Further information relating to the debt securities can be found in Note E1 in the Notes to the Consolidated Financial Statements.

(q) New business and renewals

The market consistent value of new business (VNB) measures the value of the future profits expected to emerge from all new business sold, and in certain cases from premium increases to existing contracts, during the reporting period after allowance for the time value of financial options and guarantees, frictional costs and the cost of residual non-hedgeable risks associated with writing the new business.

VNB includes contractual renewal of premiums and recurring single premiums, where the level of premium is pre-defined and is reasonably predictable, and changes to existing contracts where these are not variations allowed for in the PVFP. Non-contractual increments are treated similarly where the volume of such increments is reasonably predictable or likely (for example, where premiums are expected to increase in line with salary or price inflation).

Any variations in premiums on renewal of in-force business from that previously anticipated including deviations in non-contractual increases, deviations in recurrent single premiums and re-pricing of premiums for in-force business are treated as experience variances or economic variances on in-force business and not as new business.

The key principles applied in calculating VNB are noted below.

- Economic assumptions at the start of the reporting period are used, except for OMLAC(SA)'s Non-Profit Annuities products where point of sale assumptions are used that are consistent with the pricing basis.
- Demographic and operating assumptions at the end of the reporting period are used.
- VNB is calculated at point of sale and rolled forward to the end of the reporting period.
- Generally a stand-alone approach is used unless a marginal approach would better reflect the additional value to shareholders created through the activity of writing new business.
- Expense allowances include all acquisition expenses, including any acquisition expense overruns. Strategic business development expenses are excluded.
- VNB is calculated net of tax, reinsurance and non-controlling interests.
- Economic and operating variances are not attributed to VNB.

PVNBP is calculated at point of sale using premiums before reinsurance and applying a valuation approach that is consistent with the calculation of VNB.

(r) Analysis of MCEV earnings

An analysis of MCEV earnings provides a reconciliation of the MCEV for covered business at the beginning of the reporting period and the MCEV for covered business at the end of the reporting period. The analysis is completed on a post-tax basis after the deduction of minority interests.

Operating MCEV earnings are generated by the value of new business sold during the reporting period, the expected existing business contribution, operating experience variances, operating assumption changes and other operating variances:

- The value of new business includes the impact of new business strain on free surplus that arises, amongst other things, from the impact of initial expenses and additional required capital that is held in respect of such new business.
- The expected existing business contribution is determined by projecting both actual assets and actual liabilities (including assets backing the free surplus and required capital) from the start of the reporting period to the end of the reporting period using expected real-world earned rates of return. The expected existing business contribution is presented in two components:
  - Expected earnings on free surplus and required capital and the expected change in VIF assuming that the assets earn the beginning of period risk free reference rates as well as the deterministic release of the time value of options and guarantees, frictional costs and CNHR; and
  - Additional expected earnings on free surplus and required capital and the additional expected change in VIF as a result of real-world expected earned rates of return on assets in excess of beginning of period risk free reference rates.
- Transfers from VIF and required capital to free surplus includes the release of required capital and modelled profits from VIF into free surplus in respect of business that was in-force at the beginning of the reporting period. These transfers do not change the overall MCEV.
- Operating experience variances reflect the impact of deviations of the actual operational experience during the reporting period from the expected operational experience. It is analysed before operating assumption changes, i.e. such variances are assessed against opening operating assumptions, and reflects the total impact of in-force and new business variances.
  - Development costs are reported separately from other expense experience variances in the MCEV analysis and reflect the cost of projects related to the development of new and existing business, infrastructure and systems, from which we expect to earn higher profits (either through increased sales or lower expenses) in future.
- Operating assumption changes incorporate the impact of changes to operating assumptions from those assumed at the beginning of the reporting period to those assumed at the end of the reporting period. As VNB is calculated using operating assumptions at the end of the reporting period, this impact only relates to the value of in-force business at the end of the reporting period that was also in-force at the beginning of the reporting period.
- Other operating variances include model improvements, changes in methodology and the impact of certain management actions, such as a change in the asset allocation backing required capital.
- Total MCEV earnings also includes economic variances and other non-operating variances:
  - Economic variances incorporate the impact of changes in economic assumptions from the beginning of the reporting period to the end of the reporting period (for example, different opening and closing interest rates and equity volatility) as well as the impact on earnings resulting from actual returns on assets being different to the expected returns on those assets as reflected in the expected existing business contribution, it therefore also includes the impact of economic variances in the reporting period on projected future earnings.
  - Other non-operating variances include the impact of regulatory driven changes, the impact of changes to modelled taxation and certain costs to ensure consistency of treatment with IFRS Adjusted Operating Profit.

An analysis of MCEV earnings requires non-operating closing adjustments. These mainly include exchange rate movements and capital transfers such as those in respect of payment of dividends and acquiring/divesting businesses.

Notes to the MCEV basis supplementary information

For the year ended 31 December 2013

Return on MCEV for covered business is calculated as the operating MCEV earnings after tax divided by opening MCEV in business unit reporting currency, except for core covered business and total covered business where the calculations are performed in sterling.

The anticipated expected existing business contribution for the 12 months following the year ended 31 December 2013 (at the reference rate as well as in excess of the reference rate) is provided to assist users of the MCEV supplementary information in forecasting operating MCEV earnings. For comparability against current year earnings, the average exchange rates over 2013 are used. Therefore the expected existing business contribution for the financial year ending 31 December 2014 ultimately reflected in the 2014 financial statements may differ from these results.

(s) Group MCEV presentation

The presentation of Group MCEV consists of the covered business under the MCEV methodology and the non-covered business valued as the unadjusted IFRS net asset value, with the exception of US Asset Management that is valued at IFRS NAV allowing for the value of the loan note held with Old Mutual plc. A mark to market adjustment is therefore not performed for external borrowings and other non-covered business items not already reported on a mark to market basis under IFRS.

(t) Adjusted operating Group MCEV earnings

For all businesses, adjusted operating MCEV earnings excludes 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.

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.

A3: Assumptions

Non-economic assumptions

The appropriate non-economic projection assumptions for future experience including, mortality, persistency and expense assumptions 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 (for example, 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.

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, maintenance expense assumptions determined for certain businesses in Old Mutual Wealth do make some considerations for future cost reductions:

- 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.
- Expense assumptions for the UK Legacy business reflect anticipated cost reductions arising from the outsourcing of the administration function for this business.

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 businesses 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 (for example, over the business plan period).
- In line with legislation in Germany, a specified proportion of miscellaneous profits are shared with policyholders. The revenue on in-force business can be reduced by various expense items incurred in any year.
- 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.

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

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

[1]Based on materiality, no Group holding expenses are allocated to Old Mutual Bermuda.

Economic assumptions

An active basis is applied to set pre-tax investment and economic assumptions to reflect the economic conditions prevailing on the reporting date. Economic assumptions are set consistently, for example future bonus rates are set at levels consistent with the investment return assumptions.

Under a market consistent valuation, economic assumptions are determined such that projected cash flows are valued in line with the prices of similar cash flows that are traded on the capital markets. In practice for the PVFP calculation, a certainty equivalent method is used which assumes that actual assets held earn risk free reference rates (including any liquidity adjustment), before tax and investment management expenses, and all the cash flows are discounted using risk free reference rates (including any liquidity adjustment) which are gross of tax and investment management expenses. The deterministic certainty equivalent method is a valuation technique that ensures consistency with current market prices and over time the expectation is that risk premiums will still be earned on assets such as equities and corporate bonds.

Due to the lack of available market data for Old Mutual Zimbabwe, weighted average investment return forecasts are used to determine appropriate 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 that is appropriate to the currency of the cash flows.

- For Europe the swap yield curve is obtained from Bloomberg.
- For 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 determine the 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 it is checked for reasonability relative to the Bloomberg swap yield curve.

At 31 December 2013, no adjustments have been 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 and Fixed Bond businesses. 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 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 31 December 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 31 December 2013 by adding 50 bps (2012: 50bps) of liquidity premium for this business to the swap rates used for setting investment return and discounting assumptions. For OMLAC(SA)’s Fixed Bond products 40 bps (2012: 45 bps) of liquidity premium was added to the swap rates. 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 31 December 2013, we compared the yields of similar durations on South African government bonds and bonds issues by state-owned enterprises.

At those durations where swap yields are not available, for example, due to lack of a sufficiently liquid or deep swap market, the swap curve is extended using appropriate interpolation or extrapolation techniques.

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. 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 that follows.

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

				%
	GBP	**EUR**	**USD**	**ZAR**
At 31 December 2013				
1 year	0.7	0.4	0.3	5.7
5 years	2.2	1.3	1.8	7.7
10 years	3.1	2.2	3.3	8.8
20 years	3.6	2.9	4.1	9.7
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.

Notes to the MCEV basis supplementary information

For the year ended 31 December 2013

Apart from the risk free reference spot 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.

(c) Exchange rates

All MCEV figures are calculated in local currency and translated to sterling using the appropriate exchange rates as detailed in Note A1 of the Group 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 (unchanged from prior period):

- 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 31 December 2013 £m	At 31 December 2012 £m
Adjusted net worth attributable to ordinary equity holders of the parent		**5,450**	5,774
Equity		**7,270**	7,816
Adjustment to IFRS net asset value	C4	**(1,294)**	(1,360)
Adjustment to remove perpetual preferred callable securities		**(526)**	(682)
Value of in-force business	B3	**3,306**	3,401
Present value of future profits		**3,752**	3,946
Additional time value of financial options and guarantees		**(2)**	(53)
Frictional costs		**(222)**	(221)
Cost of residual non-hedgeable risks		**(222)**	(271)
Group MCEV		**8,756**	9,175
Adjustments to bring Group investments to market value			
Adjustment to bring listed subsidiary (Nedbank) to market value		**1,157**	1,281
Adjustment for value of own shares in ESOP schemes[1]		**123**	126
Adjustment for present value of Black Economic Empowerment scheme deferred consideration		**201**	245
Adjustment to bring external debt to market value		**(75)**	(37)
Adjusted Group MCEV		**10,162**	10,790
Group MCEV value per share (pence)		**178.8**	187.5
Adjusted Group MCEV per share (pence)		**207.5**	220.5
Number of shares in issue at the end of the financial period less treasury shares (millions)		**4,897**	4,893
Return on Group MCEV (RoEV) per annum from core operations		**9.1%**	6.7%
Return on Group MCEV (RoEV) per annum from continuing non-core operations		**0.3%**	1.0%
Return on Group MCEV (RoEV) per annum from discontinued operations		**0.0%**	0.3%
Return on Group MCEV (RoEV)[2] per annum		**9.4%**	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 31 December 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 £867 million (December 2012: £776 million) divided by the opening Group MCEV.

Notes to the MCEV basis supplementary information

For the year ended 31 December 2013

B: Segment information continued

B2: Adjusted operating MCEV earnings for the covered business

£m

Year ended 31 December 2013	Total covered business	Core covered business	Emerging Markets	Old Mutual Wealth	Non-core covered business	Discontinued covered business[1]
Adjusted operating Group MCEV earnings before tax	**643**	**612**	**450**	**162**	**31**	**-**
Tax on adjusted operating Group MCEV earnings	**(160)**	**(161)**	**(122)**	**(39)**	**1**	**-**
Adjusted operating Group MCEV earnings after tax	**483**	**451**	**328**	**123**	**32**	**-**

£m

Year ended 31 December 2012	Total covered business	Core covered business	Emerging Markets	Old Mutual Wealth	Non-core covered business	Discontinued covered business[1]
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

[1] Discontinued covered business includes earnings from previously owned Nordic business.

B3: Components of MCEV of the covered business

£m

At 31 December 2013	Total covered business	Core covered business	Emerging Markets[1]	Old Mutual Wealth	Non-core covered business[2]
Adjusted net worth	**2,561**	**2,196**	**1,621**	**575**	**365**
Free surplus	**870**	**757**	**508**	**249**	**113**
Required capital	**1,691**	**1,439**	**1,113**	**326**	**252**
Value of in-force	**3,306**	**3,306**	**1,332**	**1,974**	**-**
Present value of future profits	**3,752**	**3,752**	**1,660**	**2,092**	**-**
Additional time value of financial options and guarantees[3]	**(2)**	**(2)**	**-**	**(2)**	**-**
Frictional costs	**(222)**	**(222)**	**(206)**	**(16)**	**-**
Cost of residual non-hedgeable risks	**(222)**	**(222)**	**(122)**	**(100)**	**-**
MCEV	**5,867**	**5,502**	**2,953**	**2,549**	**365**

£m

At 31 December 2012	Total covered business	Core covered business	Emerging Markets[1]	Old Mutual Wealth	Non-core covered business[2]
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[3]	(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 in South Africa. On consolidation these investments are shown separately.

[2]For 2013, 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.

[3]The time value of options and guarantees is fully reflected in reserves held as part of ANW in Emerging Markets and Old Mutual Bermuda, and is mostly covered by reserves held in Old Mutual Wealth. The significant reduction in the time value of options and guarantees in Old Mutual Wealth in 2013 is due to modelling changes.

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

£m

Total 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	945	2,039	2,984	3,401	6,385	685	1,996	2,681	4,536	7,217
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	71	91	156	247
Expected existing business contribution (in excess of reference rate)	6	10	16	38	54	3	29	32	49	81
Transfers from VIF and required capital to free Surplus	666	(170)	496	(496)	-	695	(216)	479	(479)	-
Experience variances	(47)	38	(9)	14	5	(14)	17	3	6	9
Assumption changes	6	(5)	1	(39)	(38)	34	(7)	27	7	34
Other operating variance	(26)	5	(21)	72	51	(26)	18	(8)	(107)	(115)
Operating MCEV earnings	367	76	443	40	483	419	75	494	(41)	453
Economic variances	197	21	218	157	375	258	3	261	259	520
Other non-operating variance	154	(178)	(24)	(30)	(54)	(284)	240	(44)	(3)	(47)
Total MCEV earnings	718	(81)	637	167	804	393	318	711	215	926
Closing adjustments	(793)	(267)	(1,060)	(262)	(1,322)	(133)	(275)	(408)	(1,350)	(1,758)
Capital and dividend flows	(658)	7	(651)	-	(651)	41	(3)	38	1	39
Foreign exchange variance	(105)	(274)	(379)	(320)	(699)	(54)	(145)	(199)	(139)	(338)
MCEV of sold business	15	-	15	-	15	(120)	(127)	(247)	(1,212)	(1,459)
Other[1]	(45)	-	(45)	58	13	-	-	-	-	-
Closing MCEV	870	1,691	2,561	3,306	5,867	945	2,039	2,984	3,401	6,385
Return on MCEV (RoEV)[2] per annum					7.6%					6.3%

[1]Other includes the change in valuation basis in Old Mutual Bermuda, 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.
[2]Return on MCEV for total covered business is calculated as the operating MCEV earnings after tax divided by opening MCEV in sterling.

£m

	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	(9)	14	5	3	6	9
Persistency	(13)	15	2	51	10	61
Risk	38	5	43	52	-	52
Expenses	(24)	1	(23)	(48)	12	(36)
Development costs	(51)	1	(50)	(43)	(1)	(44)
Other	41	(8)	33	(9)	(15)	(24)
Assumption changes	1	(39)	(38)	27	7	34
Persistency	(16)	(3)	(19)	12	(25)	(13)
Risk	5	-	5	13	37	50
Expenses	18	(12)	6	12	12	24
Development costs	-	(18)	(18)	-	(15)	(15)
Other	(6)	(6)	(12)	(10)	(2)	(12)

£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

Notes to the MCEV basis supplementary information

For the year ended 31 December 2013

B5: Analysis per business unit

£m

	Year ended 31 December 2013					
	Total covered business	Core covered business	Emerging Markets	Old Mutual Wealth	Non-core covered business[1]	Discontinued covered business[2]
Opening MCEV	6,385	5,760	3,316	2,444	625	-
New business value	212	212	136	76	-	-
Expected existing business contribution (reference rate)	199	199	169	30	-	-
Expected existing business contribution (in excess of reference rate)	54	54	30	24	-	-
Experience variances	5	(27)	1	(28)	32	-
Assumption changes	(38)	(38)	(12)	(26)	-	-
Other operating variance	51	51	4	47	-	-
Operating MCEV earnings	483	451	328	123	32	-
Economic variances	375	355	241	114	20	-
Other non-operating variance	(54)	(54)	(8)	(46)	-	-
Total MCEV earnings	804	752	561	191	52	-
Closing adjustments	(1,322)	(1,010)	(924)	(86)	(312)	-
Capital and dividend flows	(651)	(300)	(187)	(113)	(351)	-
Foreign exchange variance	(699)	(701)	(713)	12	2	-
MCEV of acquired/sold business	15	15	-	15	-	-
Other[3]	13	(24)	(24)	-	37	-
Closing MCEV	5,867	5,502	2,953	2,549	365	-
Return on MCEV (RoEV)[4] per annum	7.6%	7.8%	11.0%	5.0%	4.9%	-

Transfers from VIF and required capital to free surplus

£m

Year ended 31 December 2013	Total covered business	Core covered business	Emerging Markets	Old Mutual Wealth	Non-core covered business[1]	Discontinued covered business[2]
Transfer from value of in-force	(496)	(496)	(189)	(307)	-	-
Transfer from required capital	(170)	(170)	(130)	(40)	-	-
Transfer to free surplus	666	666	319	347	-	-

£m

Year ended 31 December 2013	Total covered business	Core covered business	Emerging Markets	Old Mutual Wealth	Non-core covered business[1]	Discontinued covered business[2]
Experience variances	5	(27)	1	(28)	32	-
Persistency	2	2	(9)	11	-	-
Risk	43	43	40	3	-	-
Expenses	(23)	(23)	(17)	(6)	-	-
Development costs	(50)	(50)	(16)	(34)	-	-
Other	33	1	3	(2)	32	-
Assumption changes	(38)	(38)	(12)	(26)	-	-
Persistency	(19)	(19)	(25)	6	-	-
Risk	5	5	3	2	-	-
Expenses	6	6	25	(19)	-	-
Development costs	(18)	(18)	(15)	(3)	-	-
Other	(12)	(12)	-	(12)	-	-

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

[2]Discontinued covered business relates to MCEV information for previously owned Nordic business.

[3]Other includes the change in valuation basis in Old Mutual Bermuda, 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.

[4]Return on MCEV is calculated as the operating MCEV earnings after tax divided by opening MCEV. This is calculated in local currency, apart from total covered and core covered business, which are calculated in sterling. For Emerging Markets for 2013, this been calculated after adjusting the opening balance for the inclusion of certain African entities (as above) on an MCEV basis and an adjustment to allow for non-controlling interests in Zimbabwe.

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[1]
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)[2] per annum	6.3%	5.9%	10.7%	0.3%	154.0%	1.3%

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[1]
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)	-

£m

Year ended 31 December 2012	Total covered business	Core covered business	Emerging Markets	Old Mutual Wealth	Non-core covered business	Discontinued covered business[1]
Experience variances	9	(48)	(29)	(19)	39	18
Persistency	61	22	(1)	23	39	-
Risk	52	52	46	6	-	-
Expenses	(36)	(38)	(16)	(22)	2	-
Development costs	(44)	(44)	(25)	(19)	-	-
Other	(24)	(40)	(33)	(7)	(2)	18
Assumption changes	34	5	34	(29)	29	-
Persistency	(13)	(32)	(6)	(26)	19	-
Risk	50	50	49	1	-	-
Expenses	24	4	6	(2)	20	-
Development costs	(15)	(15)	(15)	-	-	-
Other	(12)	(2)	-	(2)	(10)	-

[1]Discontinued covered business relates to MCEV information for previously owned Nordic business.

[2]Return on MCEV is calculated as the operating MCEV earnings after tax divided by opening MCEV. This is calculated in local currency, apart from total covered and core covered business, which are calculated in sterling.

Notes to the MCEV basis supplementary information

For the year ended 31 December 2013

Results highlights

Core covered business

- Favourable market performance led to positive economic variances of £241 million in Emerging Markets and £114 million in Old Mutual Wealth.
- Experience variances include development costs of £50 million. These costs reflect the cost of projects related to the development of new and existing business, infrastructure and systems. Excluding these costs, experience variances are a positive £23 million for the year.
- The depreciation of the rand against sterling over 2013 has led to reduced earnings from Emerging Markets in sterling and foreign exchange translation losses in MCEV closing adjustments.

Emerging Markets

New business: VNB increased by 16% (in rand) compared to 2012 mainly due to higher sales volumes in Mass Foundation Cluster, increased single premium savings sales in Retail Affluent and annuity sales in Corporate Segment. Margins were however reduced by unfavourable operating assumption changes implemented at the end of 2013 (including the strengthening of persistency assumptions in Mass Foundation Cluster and an expense allocation change in Mexico).

Experience variances: Experience variances are a positive £17 million after excluding the development costs of £16 million. Positive mortality experience on protection business was partially offset by negative expense variances and worsening persistency experience on the Mass Foundation Cluster protection business. Positive expense variances in South African business units were more than offset by negative expense variances arising from central costs and costs in other emerging markets businesses (particularly in the Mexican business and those African businesses which are still sub-scale).

Operating assumption changes: Assumption changes include the strengthening of persistency assumptions used for Mass Foundation Cluster products (including distinguishing between debit order and stop order persistency) and an increased provision for development expenditure. These impacts are partially offset by the lowering of per-policy maintenance expense assumptions in Mass Foundation Cluster following the significant growth in the size of this business and the achievement of unit cost efficiencies.

Other operating variances: This includes various modelling changes and management actions. The most significant impacts relate to the effect of changes to the modelling of annual premium and cover increases on Mass Foundation Cluster funeral products and an improvement in the methodology used to value capital preservation options sold with Retail Affluent in-payment annuity products. These effects were largely offsetting.

Economic variances: Economic variances are mainly due to favourable investment performance on policyholder and shareholder funds, which include growth in local equity markets, particularly in South Africa, Zimbabwe and Malawi, and increased returns from assets invested in overseas markets due to the depreciation of the rand.

Other non-operating variances: Negative non-operating variances in 2013 include the impact of refinements to the way in which shareholder tax is reflected in MCEV models.

Closing adjustments: Significant net transfer items relate to the purchase of the Latin American businesses and the purchase of additional African operations in Ghana and Nigeria, as well as net dividends paid (after allowing for dividends received from Nedbank and the Property and Casualty business). In addition, the significant negative foreign exchange variance has resulted from the depreciation of the rand against sterling over 2013.

Old Mutual Wealth

New business: VNB increased by 23% compared to 2012, largely due to lower acquisition costs following a number of cost saving measures implemented at the end of 2012. This impact was partially offset by a shift in UK Platform sales to products on less profitable charging structures. Overall sales for Old Mutual Wealth have declined slightly, with lower volumes from closed businesses mostly offset by improved sales volumes from Core and Manage for Value (Open) businesses.

Expected existing business contribution: The reduction in the expected existing business contribution compared to 2012 is mainly a result of lower risk-free yields at the start of 2013 used to calculate the expected investment return. In addition, the sale of Finland in 2012 has reduced the value of expected transfers in 2013.

Experience variances: Experience variances are a positive £6 million after excluding development costs of £34 million (including Wealth Interactive, Digital and the second phase of the Retail Distribution Review systems project). Positive persistency experience in the International business and positive mortality experience on protection products in Switzerland and Germany were partially offset by expense over-runs in the International business.

Operating assumption changes: Assumption changes are largely driven by the strengthening of per-policy maintenance expense assumptions in the International business and the reduction in assumed switching fee income in the International business (recorded in 'other'). Persistency assumption changes are driven by the lightening of persistency assumptions on the UK Legacy unit-linked business, partially offset by the impact of anticipated transfers to lower margin charging structures on the UK Platform.

Other operating variances: The positive impact is mainly due to modelling changes implemented in the valuation of the German business. Other operating variances also include largely offsetting effects from the reduction in the CNHR due to improvements made to the assumed run off of risk capital and refinements to the pattern of assumed expenses in Germany as the business runs off.

Economic variances: Favourable economic variances were mainly due to investment gains on policyholder funds, which include favourable UK equity market performance, partially offset by the adverse impact of higher yields on the value of in-force business.

Other non-operating variances: Negative non-operating variances include the impact of changes in regulatory conditions of £24 million in Germany and £14 million in Switzerland, as well as costs related to the Nordic divestment of £13 million and the outsourcing of administration in the UK business of £10 million. These impacts are partially offset by the effect of reducing the UK shareholder tax rate from 23% to 20%.

Closing adjustments: Net transfers consist largely of the payment of dividends to Old Mutual plc. In addition, net transfers include capital contributions made to the UK Platform asset management business. MCEV of acquired/sold business consists of the release of a tax provision related to the sale of the Finnish business.

Non-core covered business (Old Mutual Bermuda)

As a result of the change to a simplified analysis of earnings approach, all earnings are recorded under other operating experience variances, apart from variable annuity guarantee performance (net of hedge performance) and seed capital gains and losses, which are recorded in economic variances.

Experience variances: Positive experience is largely driven by favourable variable annuity persistency experience of £9 million and assumption changes of £10 million following the five year anniversary top-up period. In addition, there have been positive contributions from spread income on OM Group (UK) Limited loan notes of £7 million (net of interest credited to fixed annuity business), and an excess of fee income over operating and commission expenses of £4 million.

Economic variances: Favourable economic variances are largely due to positive variable annuity guarantee performance of £14 million (net of hedge experience) driven by the rise in US interest rates. In addition, economic variances include unrealised gains on seed capital investments of £7 million.

Closing adjustments: Capital and dividend flows are made up of the repatriation of £351 million of capital resources via the cancellation of OM Group (UK) Limited loan notes. Other closing adjustments consist of the valuation basis change from a bottom-up MCEV calculation basis to an adjusted IFRS basis of £37 million.

Notes to the MCEV basis supplementary information

For the year ended 31 December 2013

C: Other supporting 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.

Year ended 31 December 2013 £m

	Annualised recurring premiums	**Single premiums**	**PVNBP**	**PVNBP capitalisation factors[1]**	**APE**	**VNB**	**PVNBP margin**	**APE margin**
Core covered business	**466**	**6,470**	**8,965**	**5.4**	**1,113**	**212**	**2.4%**	**19%**
Emerging Markets[2]	**355**	**1,513**	**3,409**	**5.3**	**507**	**136**	**4.0%**	**27%**
Old Mutual Wealth	**111**	**4,957**	**5,556**	**5.4**	**606**	**76**	**1.4%**	**13%**
Total covered business	**466**	**6,470**	**8,965**	**5.4**	**1,113**	**212**	**2.4%**	**19%**

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[3]	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.

[2]New business figures for Rest of Africa (net of minority interests), other than Namibia, are included under Emerging Markets for the first time in 2013. This includes new business annualised recurring premiums of £15 million, single premiums of £49 million, APE of £20 million and VNB of £2 million in respect of the life business in Zimbabwe, Malawi, Kenya, Swaziland and Nigeria. 2012 information has not been restated to reflect this change.

[3]New business figures for Rest of Africa (gross of minority interests), other than Namibia, were not included in the 2012 information reported above as no value of new business and PVNBP calculations were reported for these businesses in 2012. The amounts for 2012, in respect of the life business in Zimbabwe, Malawi, Kenya, Swaziland and Nigeria are new business single premiums of £37 million, annualised recurring premiums of £17 million, and APE of £21 million.

Additional new business written in the Group:

The value of some of the new individual unit trust linked retirement annuities and pension fund asset management business written by the Emerging Markets long-term business of £1,011 million (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.

Additionally, new business single premiums of £202 million, annualised recurring premiums of £33 million, and APE of £53 million, in respect of the life business in India and China have been excluded from 2013 information above, as no value of new business and PVNBP calculations have been performed for these businesses.

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

£m

	Year ended 31 December 2013			Year ended 31 December 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	**-**	**(10)**	**(10)**	-	(7)	(7)
Economic variances	**513**	**(6)**	**507**	657	(11)	646
Other non-operating variances	**(57)**	**-**	**(57)**	(56)	-	(56)
Loss on disposal of subsidiaries, associated undertakings and strategic investments	**-**	**(4)**	**(4)**	-	(12)	(12)
Other Group adjustments related to Nordic disposal	**(13)**	**14**	**1**	(14)	615	601
Restructuring costs	**(10)**	**(10)**	**(20)**	-	-	-
Dividends declared to holders of perpetual preferred callable securities	**-**	**42**	**42**	-	42	42
Premium paid on early repayment of senior debt	**-**	**-**	**-**	-	(71)	(71)
US Asset Management equity plans	**-**	**(38)**	**(38)**	-	(13)	(13)
Fair value (losses)/gains on Group debt instruments	**-**	**(31)**	**(31)**	-	(57)	(57)
Adjusting items	**433**	**(43)**	**390**	587	486	1,073
Adjusting items from continuing operations	**446**	**(57)**	**389**	605	(113)	492
Adjusting items from discontinued operations	**(13)**	**14**	**1**	(18)	599	581
Total MCEV adjusting items	**433**	**(43)**	**390**	587	486	1,073

C3: Other movements in IFRS net equity impacting Group MCEV

£m

	Year ended 31 December 2013			Year ended 31 December 2012		
	Covered business MCEV	**Non-covered business IFRS**	**Total Group MCEV**	Covered business MCEV	Non-covered business IFRS	Total Group MCEV
Fair value movements	**-**	**17**	**17**	-	(328)	(328)
Net investment hedge	**-**	**43**	**43**	-	160	160
Currency translation differences/exchange differences on translating foreign operations	**(699)**	**(688)**	**(1,387)**	(338)	(677)	(1,015)
Aggregate tax effects of items taken directly to or transferred from equity	**-**	**10**	**10**	-	9	9
Other movements[1]	**15**	**-**	**15**	(1,444)	1,449	5
Net income recognised directly into equity	**(684)**	**(618)**	**(1,302)**	(1,782)	613	(1,169)
Capital and dividend flows for the year[2]	**(651)**	**268**	**(383)**	24	(1,238)	(1,214)
Other[3]	**13**	**(10)**	**3**	-	-	-
Net sale of treasury shares	**-**	**55**	**55**	-	8	8
Premium on preferred securities purchased	**-**	**(21)**	**(21)**	-	-	-
Other shares issued	**-**	**11**	**11**	-	33	33
Change in share based payment reserve	**-**	**48**	**48**	-	62	62
Other movements in net equity	**(1,322)**	**(267)**	**(1,589)**	(1,758)	(522)	(2,280)

[1]December 2012 includes the sale of the Finnish branch in Old Mutual Wealth, the impact of the IAS 19 restatement and the transfer of the Nordic covered MCEV balance on disposal.

[2]December 2013 capital and dividend flows from the covered business includes the repatriation of funds from Old Mutual Bermuda to Old Mutual plc of £351 million. December 2012 capital and dividend flows from the covered business include the purchase of the Rest of Africa businesses by Emerging Markets from Old Mutual plc and the capital injection of £360 million into Old Mutual Bermuda. The special dividend of £915 million, paid in 2012, is included in non-covered business.

[3]Other for covered business includes the change in valuation basis in Old Mutual Bermuda, 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.

Notes to the MCEV basis supplementary information

For the year ended 31 December 2013

C: Other supporting information continued

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.

£m

At 31 December 2013	Total covered business	Core covered business	Emerging Markets	Old Mutual Wealth	Non-core covered business
IFRS net asset value[1]	**3,823**	**3,451**	**1,212**	**2,239**	**372**
Adjustment to include long-term business on a statutory solvency basis	**(759)**	**(759)**	**158**	**(917)**	**-**
Inclusion of Group equity and debt instruments held in life funds	**307**	**307**	**293**	**14**	**-**
Goodwill	**(769)**	**(769)**	**(8)**	**(761)**	**-**
Other[2]	**(41)**	**(34)**	**(34)**	**-**	**(7)**
Adjusted net worth attributable to ordinary equity holders of the parent[3]	**2,561**	**2,196**	**1,621**	**575**	**365**

£m

At 31 December 2012	Total covered business	Core covered business	Emerging Markets	Old Mutual Wealth	Non-core covered business
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	367	367	364	3	-
Goodwill	(765)	(765)	(8)	(757)	-
Adjusted net worth attributable to ordinary equity holders of the parent[3]	2,984	2,304	1,838	466	680

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

[2]Other includes a restatement of Old Mutual Bermuda variable annuity guarantee liabilities from an IFRS basis to a best estimate valuation consistent with MCEV principles,partially offset by seed capital investment gains, and an adjustment to allow for non-controlling interests in Zimbabwe.

[3]A further £(32) million (2012: £(36) million) of adjustments relates to the non-covered business. This brings the total adjustment to IFRS net asset value to £1,294 million (2012: £1,360 million).

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.
- 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.

C5: Reconciliation of movements in Group and Adjusted Group MCEV (after tax)

£m

		Year ended 31 December 2013			Year ended 31 December 2012		
	Notes	**Covered business MCEV**	**Non-covered business IFRS**	**Total Group MCEV**	Covered business MCEV	Non-covered business IFRS	Total Group MCEV
Opening Group MCEV		**6,385**	**2,790**	**9,175**	7,217	2,491	9,708
Adjusted operating MCEV earnings	B4	**483**	**384**	**867**	453	323	776
Non-operating MCEV earnings		**321**	**(18)**	**303**	473	498	971
Total Group MCEV earnings		**804**	**366**	**1,170**	926	821	1,747
Other movements in IFRS net equity	C3	**(1,322)**	**(267)**	**(1,589)**	(1,758)	(522)	(2,280)
Closing Group MCEV		**5,867**	**2,889**	**8,756**	6,385	2,790	9,175
Adjustments to bring Group investments to market value	B1	**-**	**1,406**	**1,406**	-	1,615	1,615
Adjusted Group MCEV		**5,867**	**4,295**	**10,162**	6,385	4,405	10,790

D1: Sensitivity tests

The table below shows the sensitivity of the MCEV, value of in-force business at 31 December 2013 and the value of 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.

In some jurisdictions the reserving basis that underlies shareholder distributable cash flows is dynamic, and in theory some sensitivities could change not only future experience but also reserving levels. Modelling of dynamic reserves is extremely complex and the effect on value is second-order. Therefore, in performing the sensitivities, reserving bases have been kept constant for non-linked business (including non-linked reserves for linked business) whilst only varying future experience assumptions with similar considerations applying to required capital. However, the sensitivities for South Africa in respect of an increase/decrease of all pre-tax investment and economic assumptions, an increase/decrease in equity and property market values and increases in equity, property and swaption implied volatilities allow for the change in the time value of financial options and guarantees that form part of the Investment Guarantee Reserves (IGR).

The sensitivities for an increase/decrease in all pre-tax investment and economic assumptions (with credited rates and discount rates changing commensurately) are calculated in line with a parallel shift in risk free reference spot rates rather than risk free reference forward rates. However, the 1% reduction is limited so that it does not lead to negative risk free reference rates.

VNB sensitivities assume that the scenario arises immediately after point of sale of the contract. Therefore no allowance is made for the ability to re-price any contracts in the sensitivity scenarios, apart from the mortality sensitivities for the South African business where allowance is made for changes in the pricing basis for products with reviewable premiums.

Notes to the MCEV basis supplementary information

For the year ended 31 December 2013

Sensitivity tests: MCEV

£m

	At 31 December 2013			At 31 December 2012		
	MCEV	**Value of in-force business**	**Value of new business**	MCEV	Value of in-force business	Value of new business
Central assumptions	**5,867**	**3,306**	**212**	6,365	3,401	197
MCEV, VIF & VNB given changes in:						
Economic assumption 100bps increase	**5,739**	**3,188**	**199**	6,253	3,285	180
Economic assumption 100bps decrease	**5,990**	**3,412**	**222**	6,471	3,505	215
Equity/property market value 10% increase	**6,030**	**3,418**	**219**	6,647	3,632	206
Equity/property market value 10% decrease	**5,629**	**3,122**	**206**	6,169	3,248	192
10bps increase of liquidity spreads	**5,873**	**3,312**	**213**	6,374	3,410	198
50bps contraction on corporate bond spreads	**5,879**	**3,306**	**212**	6,380	3,402	197
25% increase in equity/property implied volatilities	**5,790**	**3,236**	**212**	6,311	3,358	197
25% increase in swaption implied volatilities	**5,854**	**3,293**	**212**	6,353	3,389	197
10% decrease in discontinuance rates	**6,031**	**3,473**	**251**	6,519	3,568	237
10% decrease in maintenance expense	**6,043**	**3,482**	**229**	6,580	3,616	216
5% decrease in mortality/morbidity rates	**5,976**	**3,415**	**227**	6,495	3,531	214
5% decrease in annuitant mortality assumption	**5,863**	**3,302**	**211**	6,358	3,394	197
VNB 10% increase in acquisition expenses	**n/a**	**n/a**	**197**	n/a	n/a	180
VNB on closing economic assumptions	**n/a**	**n/a**	**206**	n/a	n/a	205
Minimum capital requirement	**5,920**	**3,359**	**217**	6,421	3,457	202
NHR capital diversification	**5,893**	**3,332**	**215**	6,408	3,444	201
99.93% confidence level NHR capital	**5,822**	**3,261**	**207**	6,306	3,342	192