



IFRS 17 Investor deep-dive

for the year ended 30 June 2024



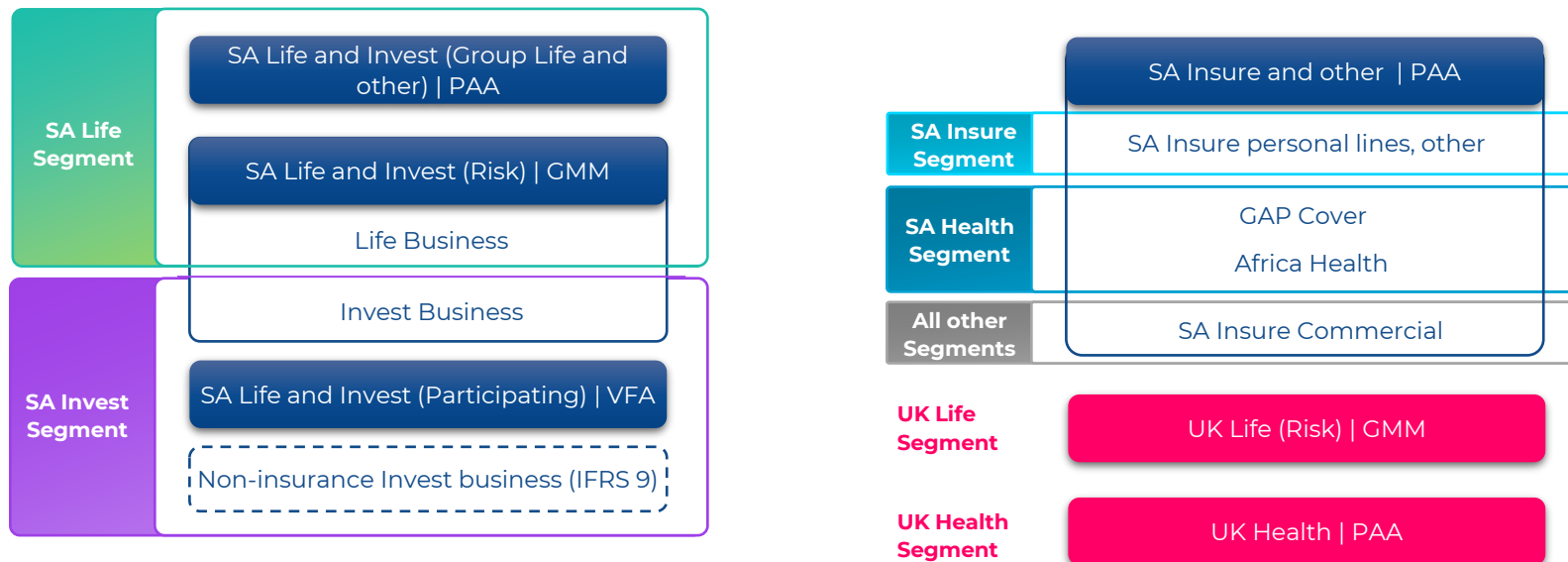
This pack has been prepared to aid discussion and provide context to important elements of the insurance and reinsurance contract-related disclosures and has not been subject to an external review or audit

Mapping of IFRS 17 portfolio to reporting segment



The following graphic provides a breakdown of the IFRS 17 portfolios and the segment in which the business disclosed in each portfolio is reported

- Invest GMM business , which primarily comprises 5-year guaranteed endowment business, is included in the “SA Life and Invest (Risk) | GMM” portfolio but reported on in the Invest segment
- The Invest segment includes non-insurance business measured under IFRS 9
- The “SA Insure and other | PAA” portfolio comprises business spanning the SA Insure, SA Health and “All other” segments

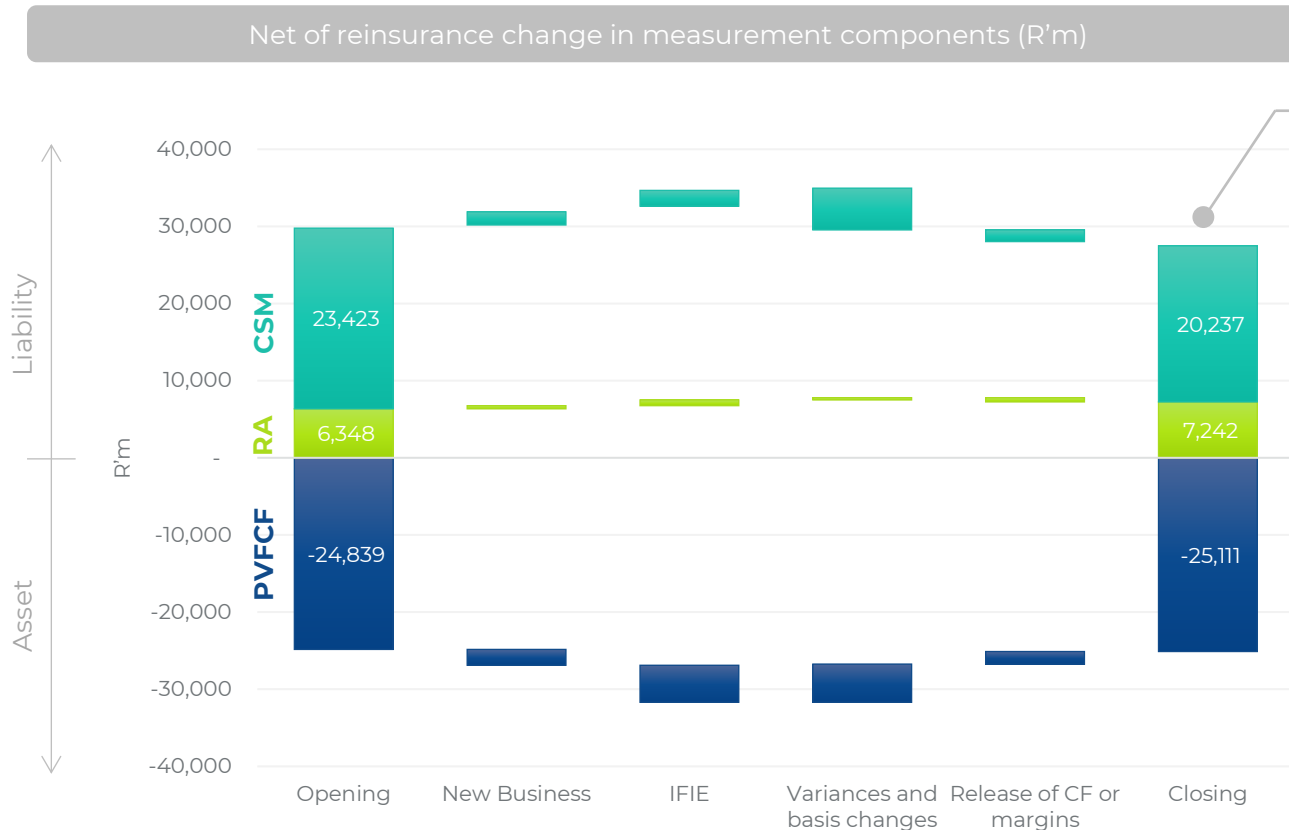


Movement in Net Insurance Contract Balances



SA Life and Invest (Risk) | GMM

1 NATURE OF BUSINESS



Values sourced from notes C.2.3.4.1 and C.2.3.9.1 to the annual financial statements

1 Nature of Invest GMM business is different to Life GMM business.

- Guaranteed Endowments and Life Annuities have large positive PVFCFs as they are upfront single premium contracts.
- Individual risk business on the other hand is a regular premium profitable whole of life insurance contract with a negative PVFCF.
- While the positive PVFCF on Invest GMM business significantly offsets the negative PVFCF on Life GMM business, the CSM on Life and Invest GMM business as a whole is largely driven by individual risk contracts.

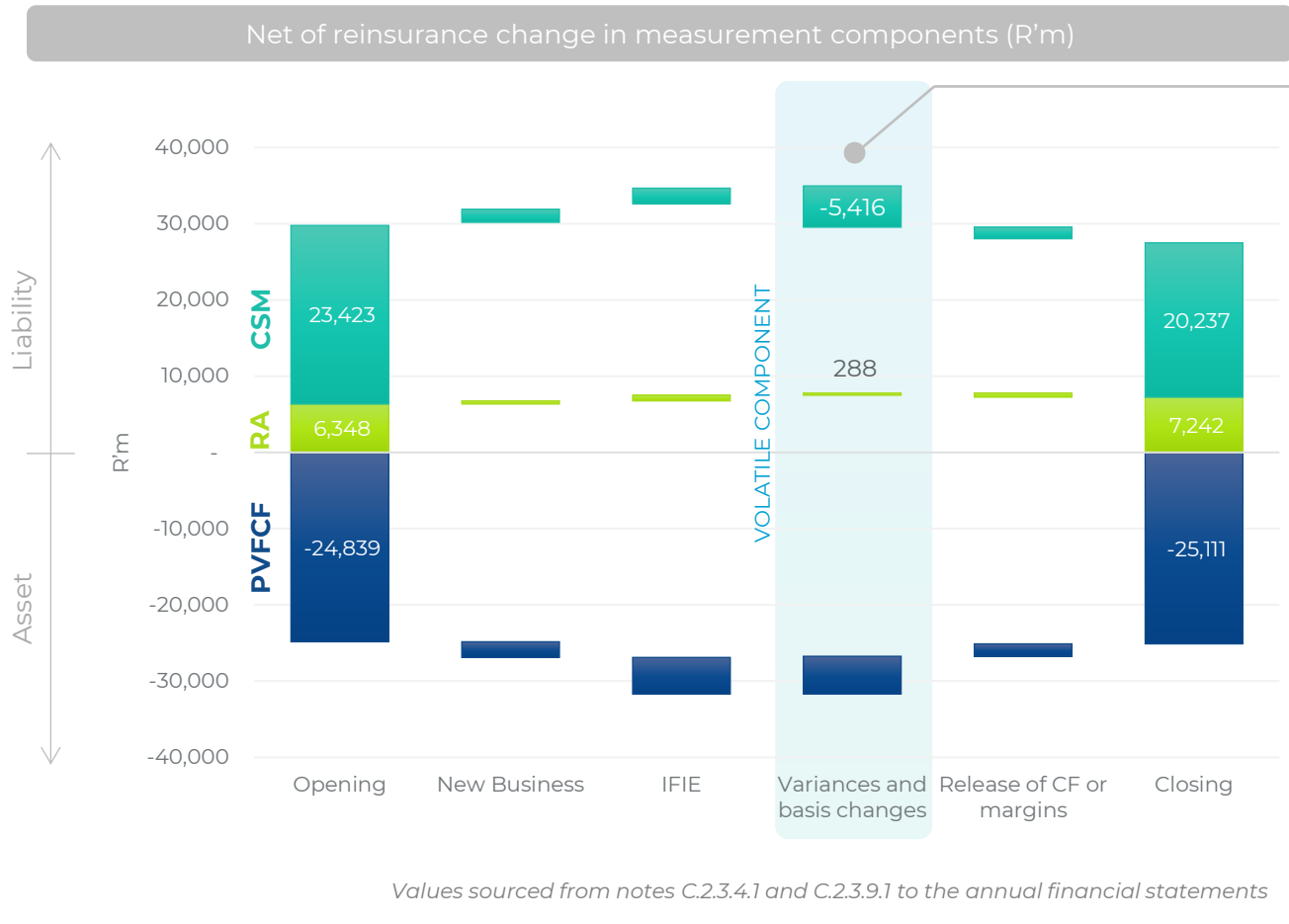
	PVFCF	CSM	
Risk Business (individual risk business)	-R48,600m	R19,296m	Whole-of-life contracts
Invest Business (guaranteed endowments and life annuities)	R23,489m	R0,941m	Primarily 5-year contracts
	-R25,111m	R20,237m	

Movement in Net Insurance Contract Balances



SA Life and Invest (Risk) | GMM

2 IMPACT OF BASIS CHANGES



2 Impact of non-economic variances and basis changes on RA and measured on **initial recognition** discount rates on CSM

Difference between impact of non-economic variances and basis changes measured on **initial recognition** discount rates and **current** discount rates captured in OCI

-R5,128m

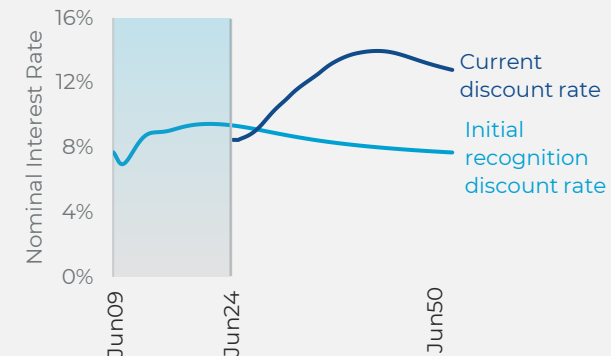
R2,323m*

-R2,805m

Impact of variances basis changes measured on **current** discount rates

* Disclosed as "Effect of changing FCF at current rates when adjusting the CSM at rates on initial recognition" in note C.2.3.12 to the annual financial statements

Comparison of current and initial rates for example group of policies sold in 2009



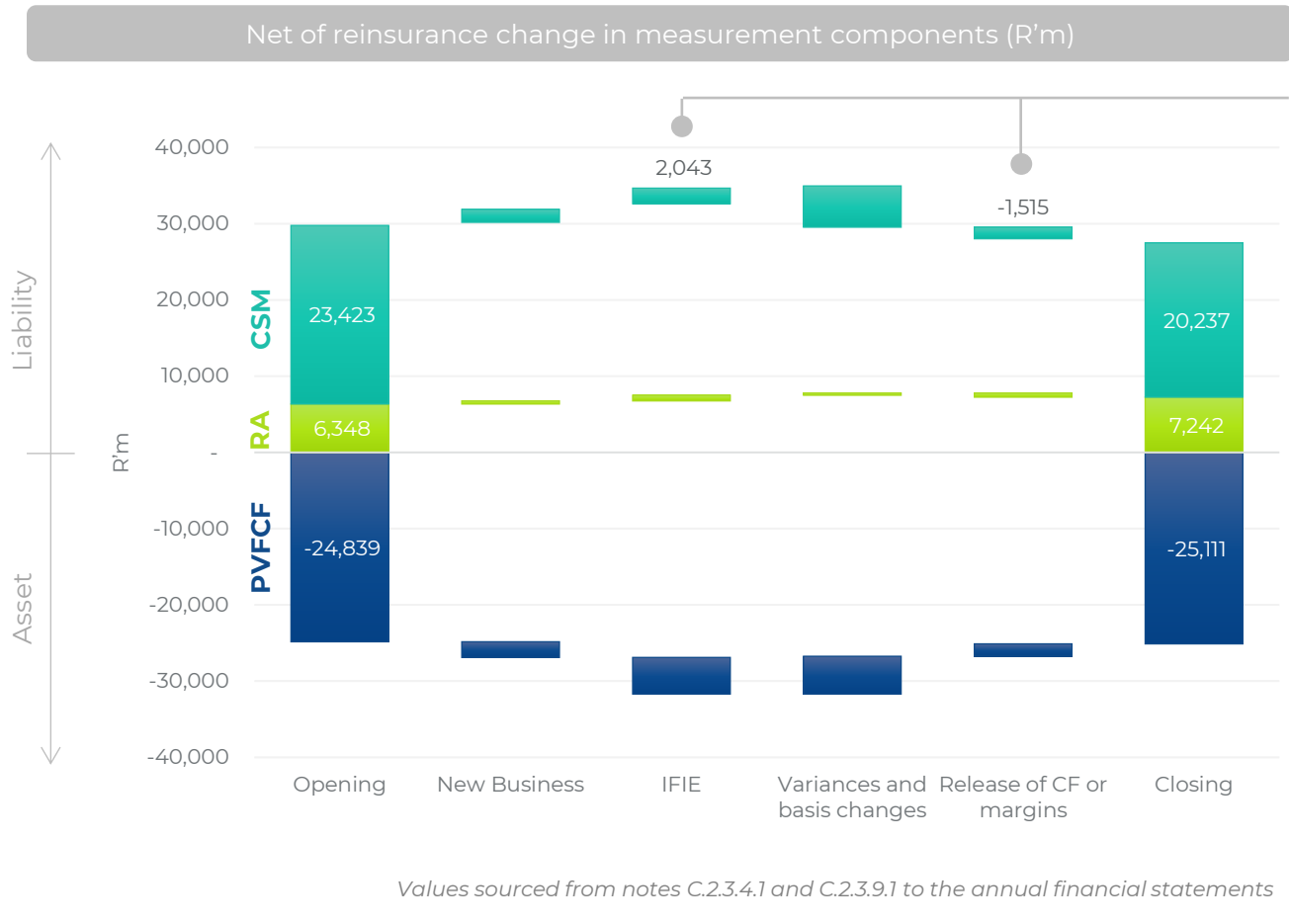
- Discovery has applied IFRS 17 fully retrospectively. There is therefore exposure to older groups.
- In a volatile economic environment, material movements between initial recognition rates and current rates are not uncommon.
- If not for the use of OCI, these impacts would cause p/l volatility

Movement in Net Insurance Contract Balances



SA Life and Invest (Risk) | GMM

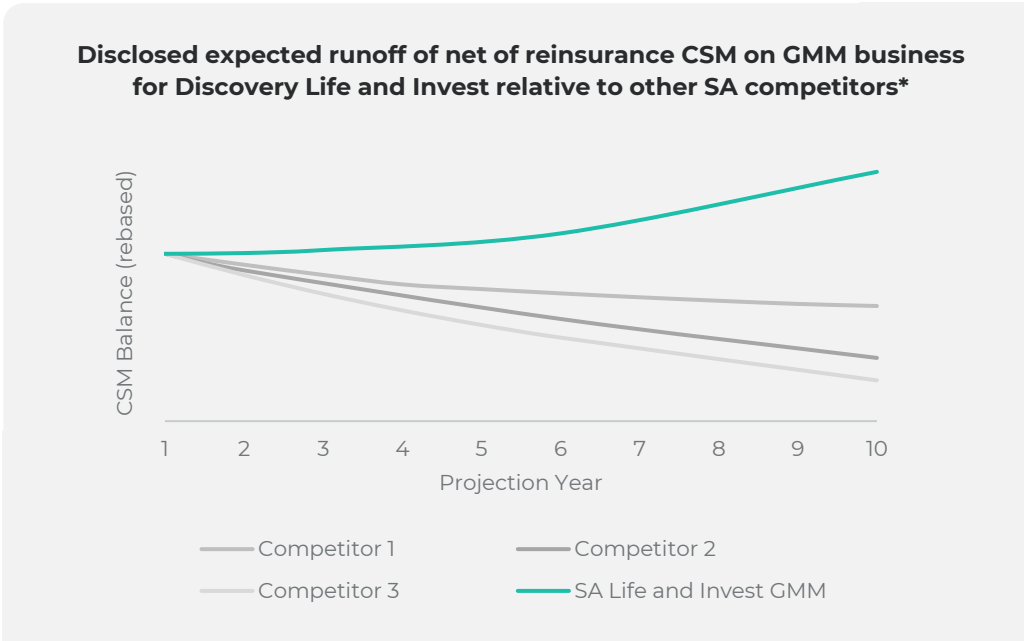
3 UNDERLYING DYNAMICS OF CSM



3 Dynamics of CSM lead to a natural **growing CSM balance** even in the absence of new business (on a projected basis volatility notwithstanding)

Interest accretion on CSM **R2,043m**
 Less release of CSM to p/l **-R1,515m**

+R528m
 Growth in CSM given underlying dynamics of higher accretion and an appropriate release



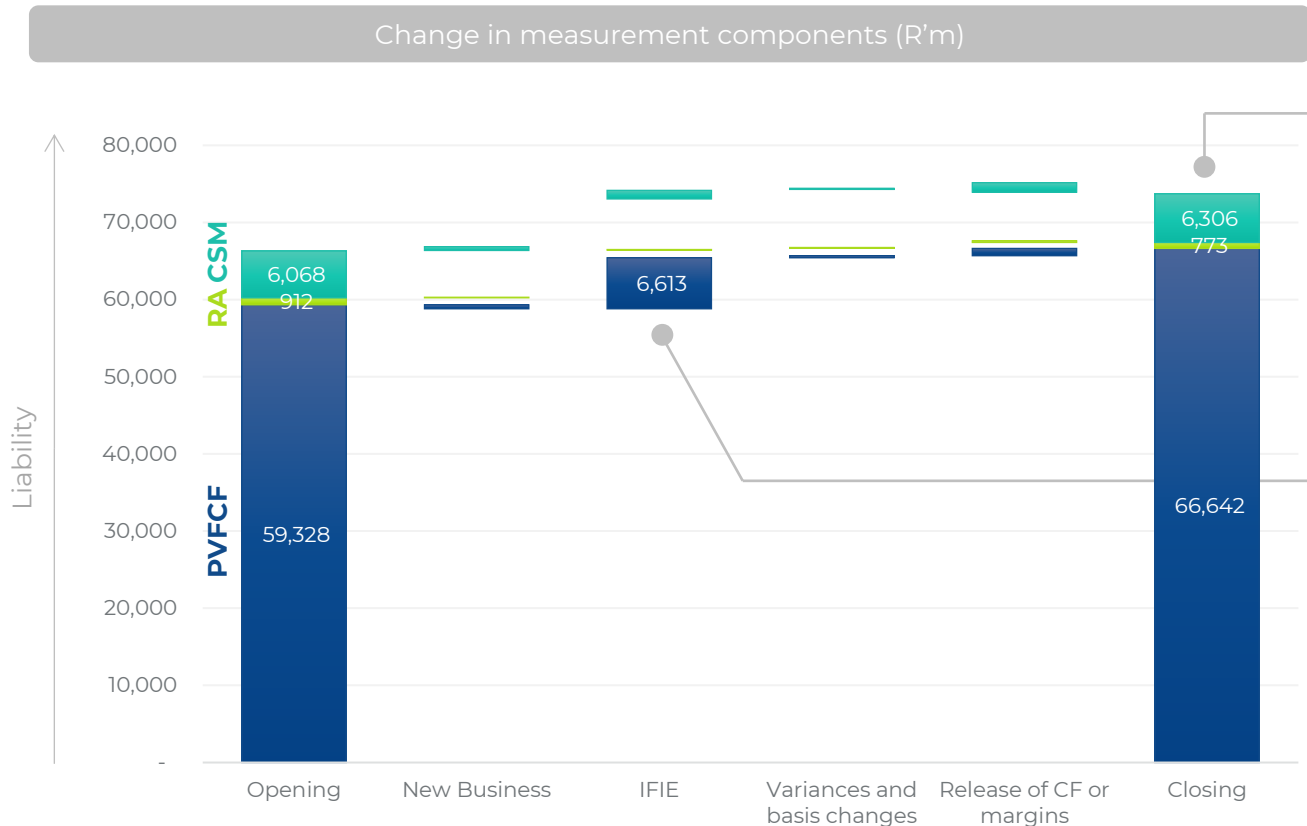
*Starting CSM balances rebased to the same level for comparison

Movement in Net Insurance Contract Balances



SA Invest | VFA

1 NATURE OF BUSINESS



Values sourced from note C.2.3.6.1 to the annual financial statements

1 The SA Invest VFA business comprises **unit-linked insurance contracts** sold through a variety of wrappers including endowments and retirement annuities.

The overall positive disclosed PVFCF includes the following:

- A large positive unit reserve representing amounts invested by policyholders which are matched by appropriate tangible assets held by Discovery
- Given that the contracts are profitable, a smaller offsetting negative reserve representing the PV of future expenses and other contractual cash flows less the PV of future fee income earned by Discovery.

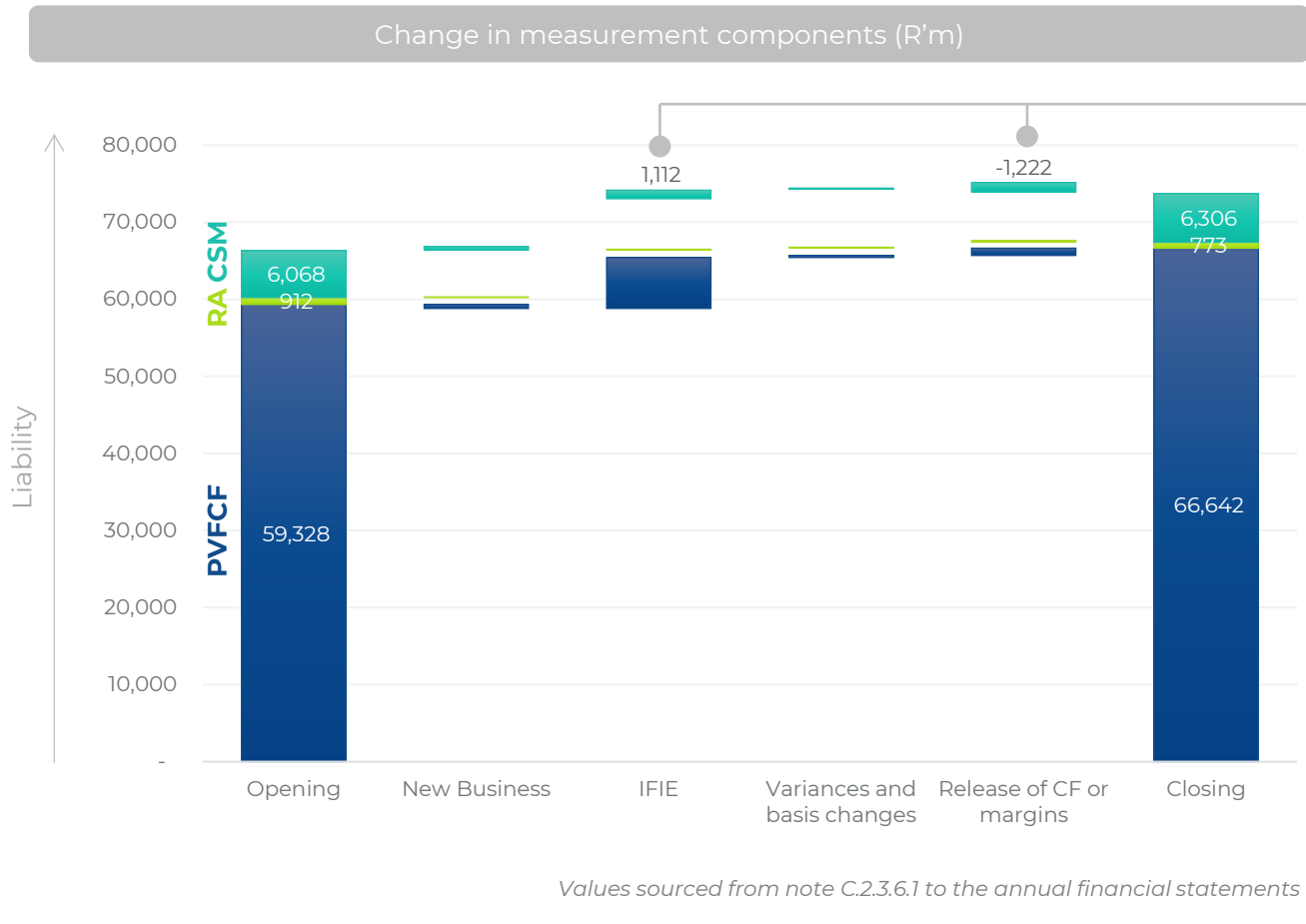
Strong growth on the amounts invested in the unit funds leads to an increase in the PVFCF liability over the period. This is matched by the corresponding growth in the assets underlying the unit funds.

Movement in Net Insurance Contract Balances



SA Invest | VFA

2 UNDERLYING DYNAMICS OF CSM



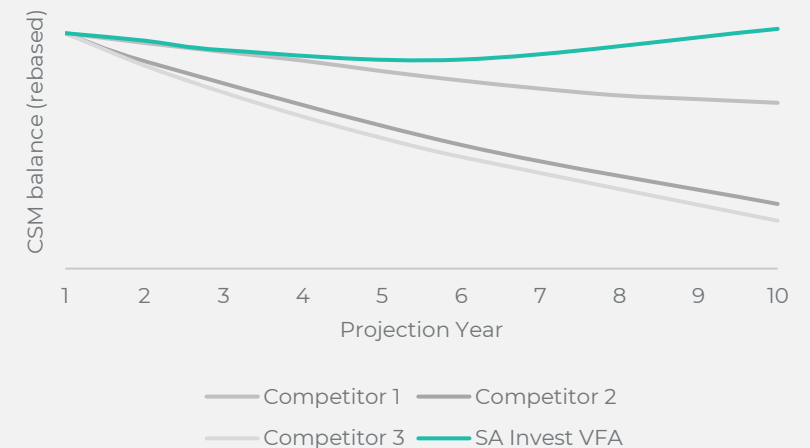
2

Dynamics of CSM lead to a natural **slightly reducing CSM balance** (on a projected basis volatility notwithstanding) not dissimilar to other participating business among SA insurers

Interest accretion on CSM **R1,112m**
 Less release of CSM to p/l **-R1,222m**

-R110m
 Reduction in CSM given underlying dynamics of higher accretion and an appropriate release

Disclosed expected runoff of net of reinsurance CSM on VFA business for Discovery Invest relative to other SA competitors*

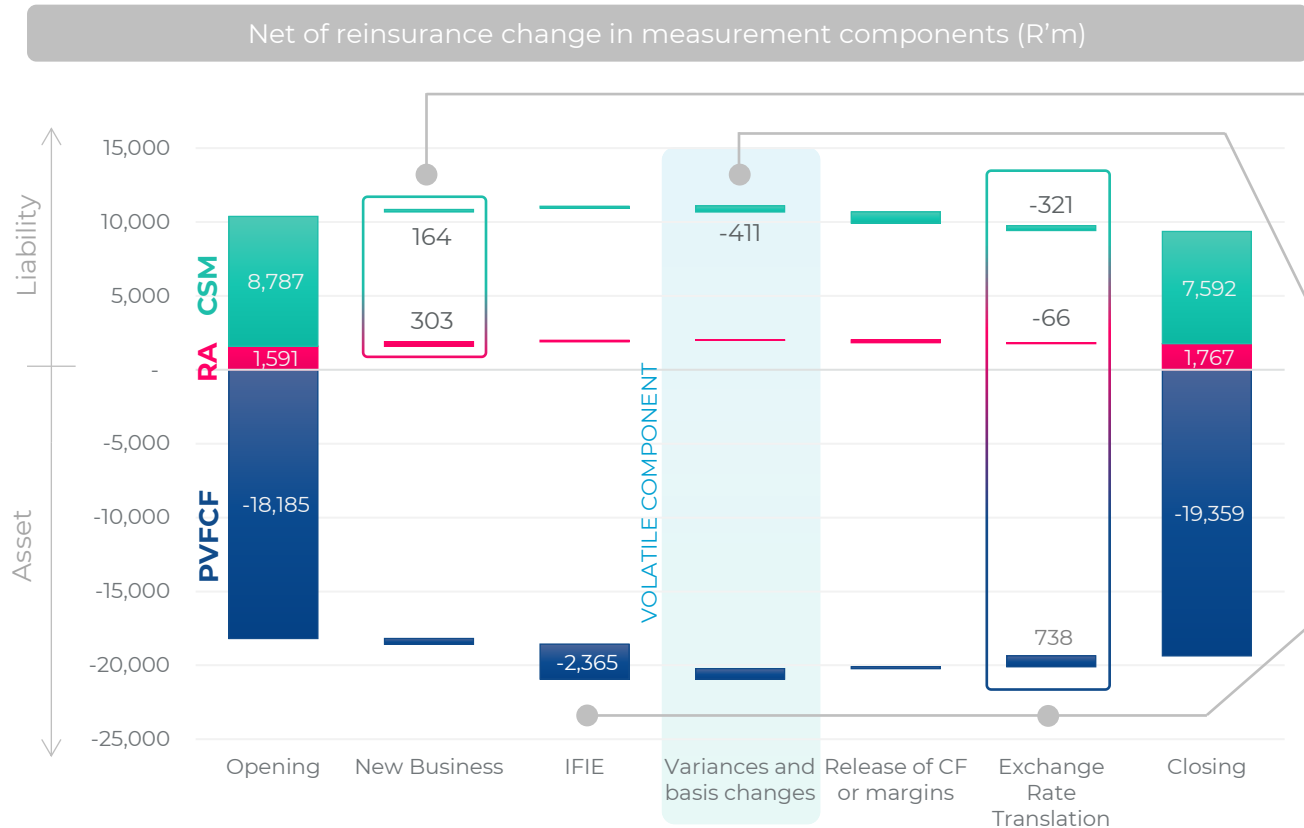


*Starting CSM balances rebased to the same level for comparison

Movement in Net Insurance Contract Balances

UK Life (Risk) | GMM

- 1 NEW BUSINESS
- 2 BASIS CHANGE
- 3 ECONOMIC IMPACTS



1 Significant improvement in margins on new business in H2

Total margin on new business in FY24: R467m
 CSM of R164m + RA of R303m) split as follows:

- H1: R35.4m
- H2: R431.6m

2 Basis change

impact includes the impact of the downwards revision to the **lapse assumption on PAC** long duration whole of life non-optimised level premium policies

3 Economic Impacts

- **Reduction in UK risk-free rates** leads to a more negative PVFCF
- **Strengthening of £/R exchange rate** from a closing rate of £1/R23.99 at 30 June 2023 to £1/R23.07 at 30 June 2024 reduces the value of the net insurance contract balances in Rand terms

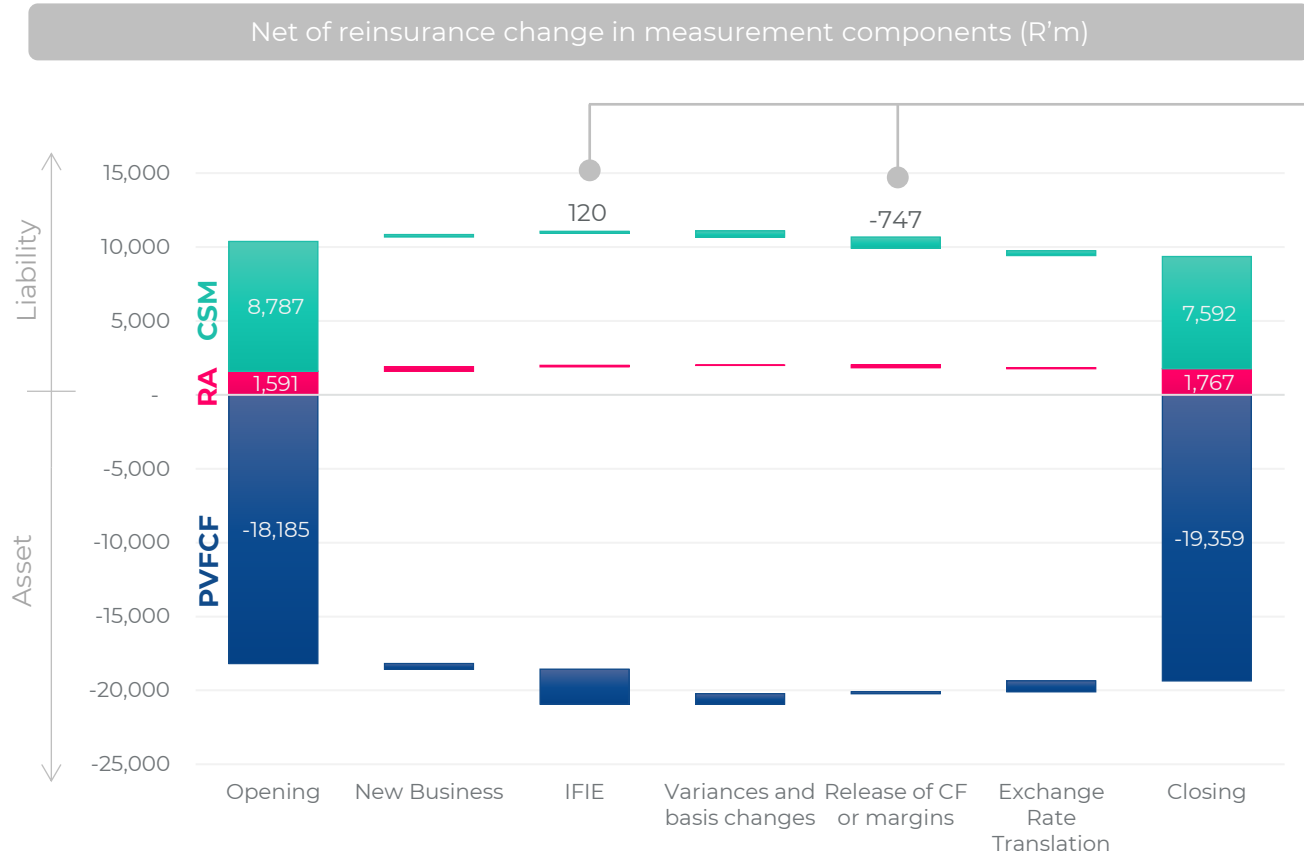
Values sourced from notes C.2.3.4.2 and C.2.3.9.2 to the annual financial statements

Movement in Net Insurance Contract Balances



UK Life (Risk) | GMM

4 UNDERLYING DYNAMICS OF CSM

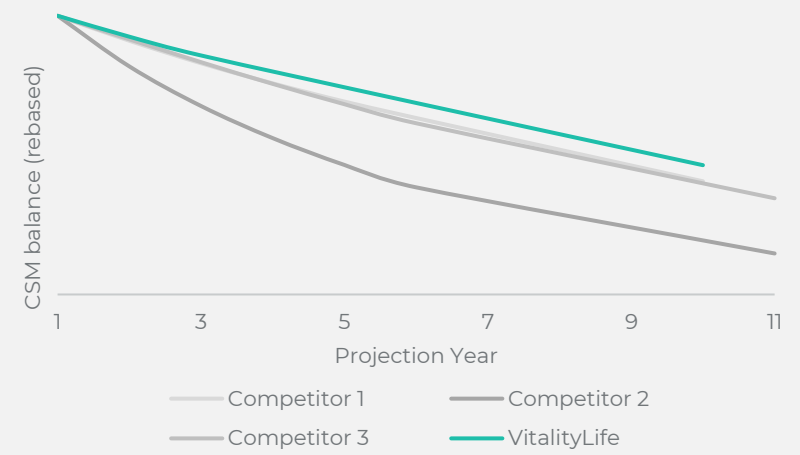


Values sourced from notes C.2.3.4.2 and C.2.3.9.2 to the annual financial statements

4 Dynamics of CSM lead to a natural **reducing CSM balance** in the absence of new business (on a projected basis volatility notwithstanding) not dissimilar to other UK life insurers

Interest accretion on CSM **R120m**
 Less **release of CSM** to p/l **-R747m** } Reduction in CSM given underlying dynamics of higher accretion and an appropriate release **-R627m**

Disclosed expected runoff of net of reinsurance CSM on GMM business for VitalityLife relative to other UK competitors*



*Starting CSM balances rebased to the same level for comparison



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