



Discovery Life RMB MS Insurance Conference

03 June 2026



Agenda



**Maturity phases of Discovery
Life over time**



Interest rate considerations



**Drivers of capital
requirements**



ALM considerations



**Considerations for
distributions to group**



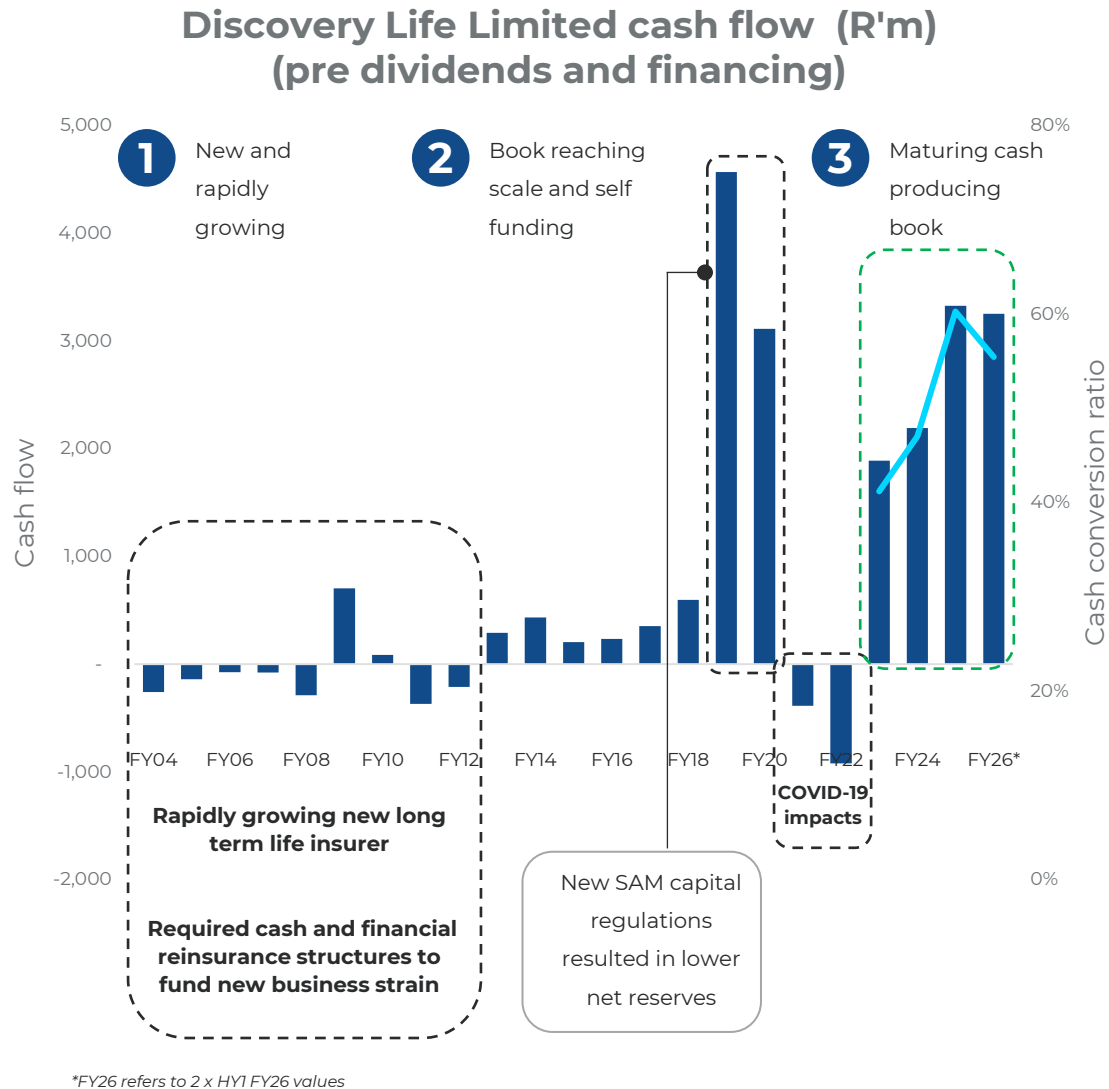
Optimisation opportunities



Discovery Life Limited through different maturity phases



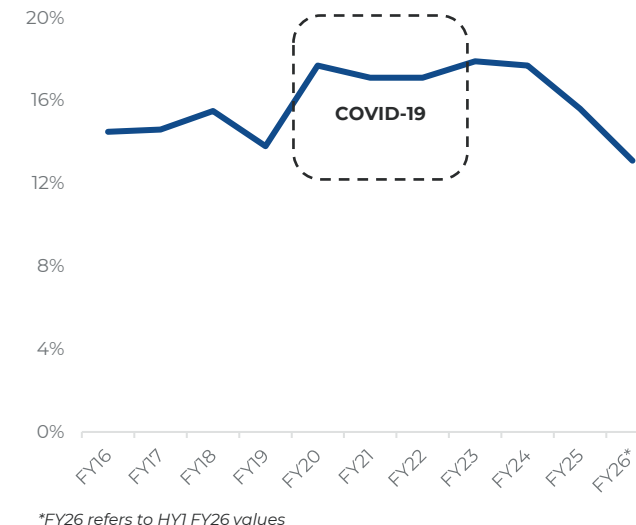
Cash flow history



Financial reinsurance and other financing arrangements

- Reinsurance financing / internal matching has effectively been used as a financing mechanism
- Financing repaid annually, flexibility in quantum of new financing
- Use of financing / reinsurance financing as % of negative reserve has reduced over recent periods as business needs change and book matures.

Financing arrangements as a % of NRR over 10 years



Financing as % of NRR

- Has reduced over recent periods as expected in a maturing cash producing company
- cR1.9bn in cash FinRe at Dec-25.
- Opportunity to further optimise in future given strong position.



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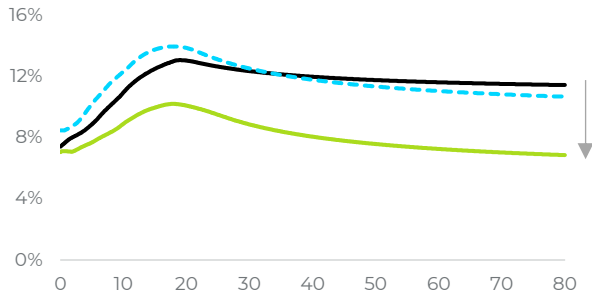


Interest rate movements' impact on key metrics (Dec-25 illustrative impacts)

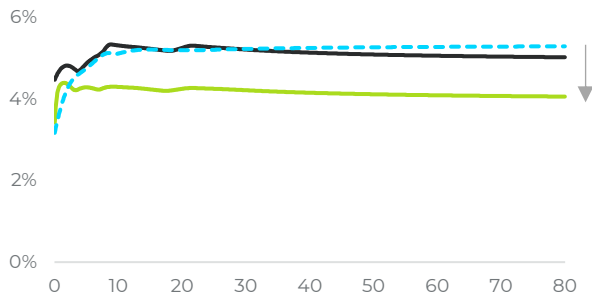


Material interest rate movements to December 2025

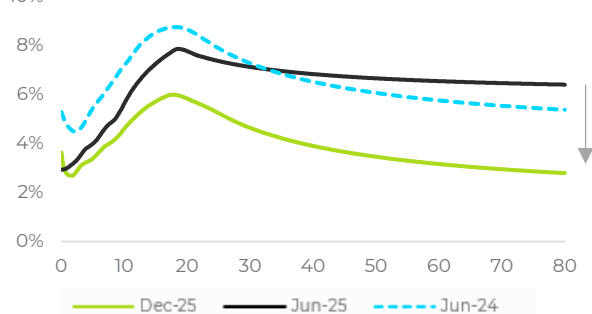
Nominal spot rate curve



Real spot rate curve



Implied inflation rate curve



Positive impacts on value metrics (December 2025)

- 1 **VNB margin:** +2.9% on Discovery Life (incl. CEB) margin
- 2 **Value in-force:** +R4bn or 9% Discovery Life Ltd value in-force
- 3 **Best Estimate Liability (BEL):** -R11bn or +19% on Individual Life GMM business
- 4 **Other Comprehensive Income (OCI):** Life and Invest GMM business improved by R8bn
- 5 **Solvency:** reduction in solvency cover
- 6 **Liquidity ratio:** positive as movements increased the available liquid cash flows to offset the liquidity capital
- 7 **Net impact on consumers:** positive

Earnings impacts

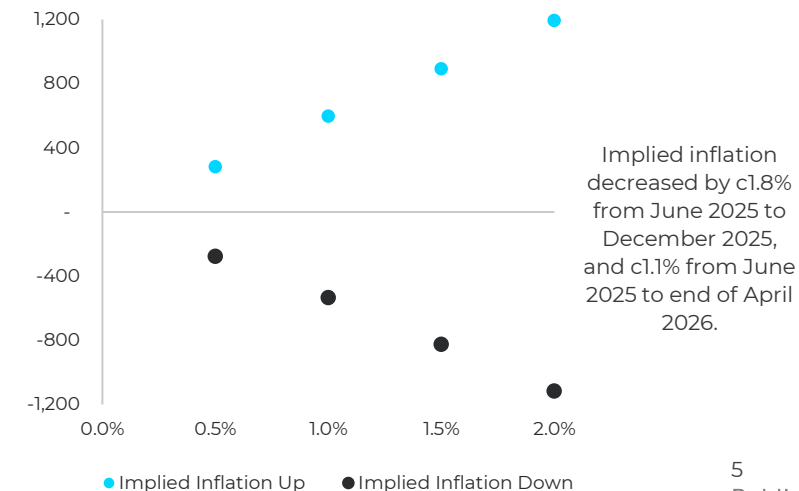
FY2026

- Gain in BEL absorbed through OCI rather than earnings gain

Future periods

- Depends on level and shape of yield curves at 30 June 2026 and remains unknown until then
- Impact is on the intangible IFIE component
- Lower interest rate unwind through systematic rate
- Lower IFIE immaterial to cashflow in the short-term and results in higher cash conversion ratio.

Indicative IFIE sensitivities to implied CPI movements (R'm):



Implied inflation decreased by c1.8% from June 2025 to December 2025, and c1.1% from June 2025 to end of April 2026.



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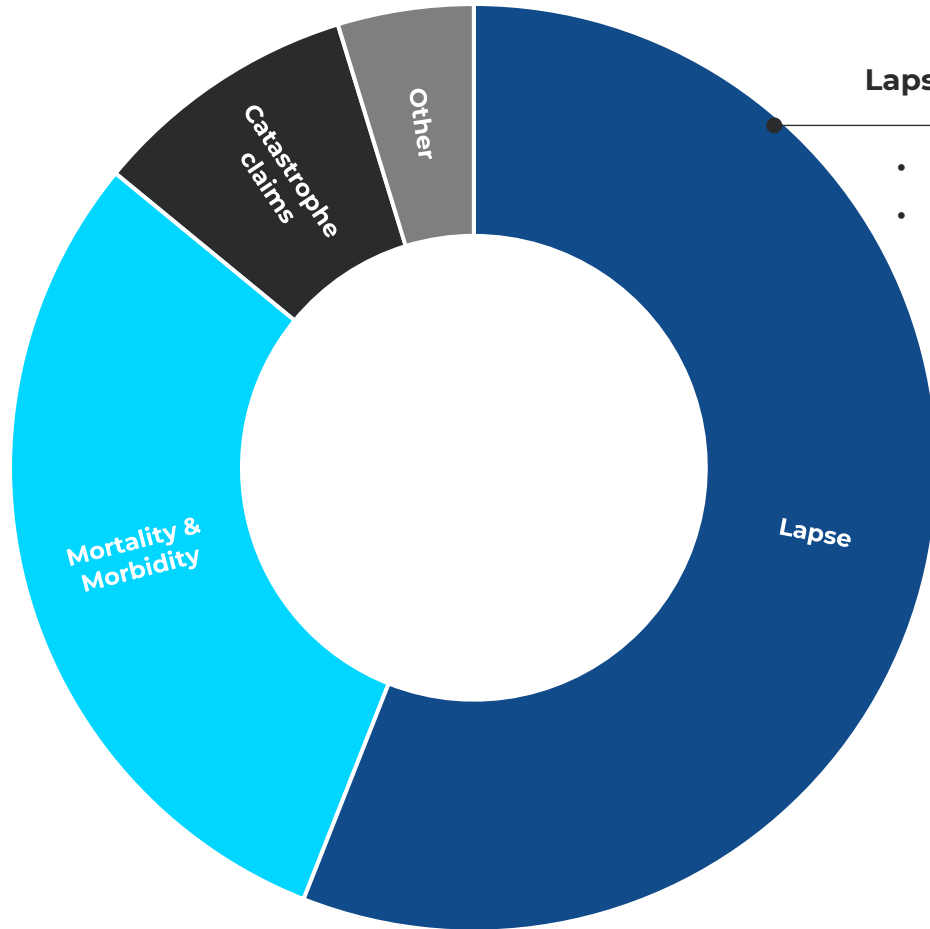
Optimisation opportunities



Discovery Life limited solvency capital drivers



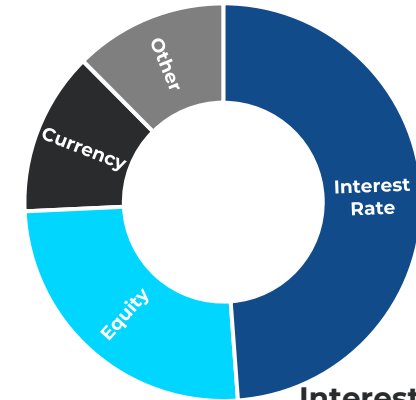
Life underwriting risks



Lapses

- Largest life underwriting risk
- Primarily made up of lapse up and mass lapse risk due to the significant negative rand reserve at risk in the event of a 1-in-200 stress event

Market risks



Interest rate risk

- Largest market risk for Discovery Life given the material negative rand reserve that is discounted on the yield curve
- Material impact is also due to the impact of projecting inflation linked premiums and benefits under different yield assumptions
- Large solvency cover impacts in periods from volatile yield curve movements e.g. Jun-25 to Dec-25, average decrease of c1.8% in implied inflation yields.

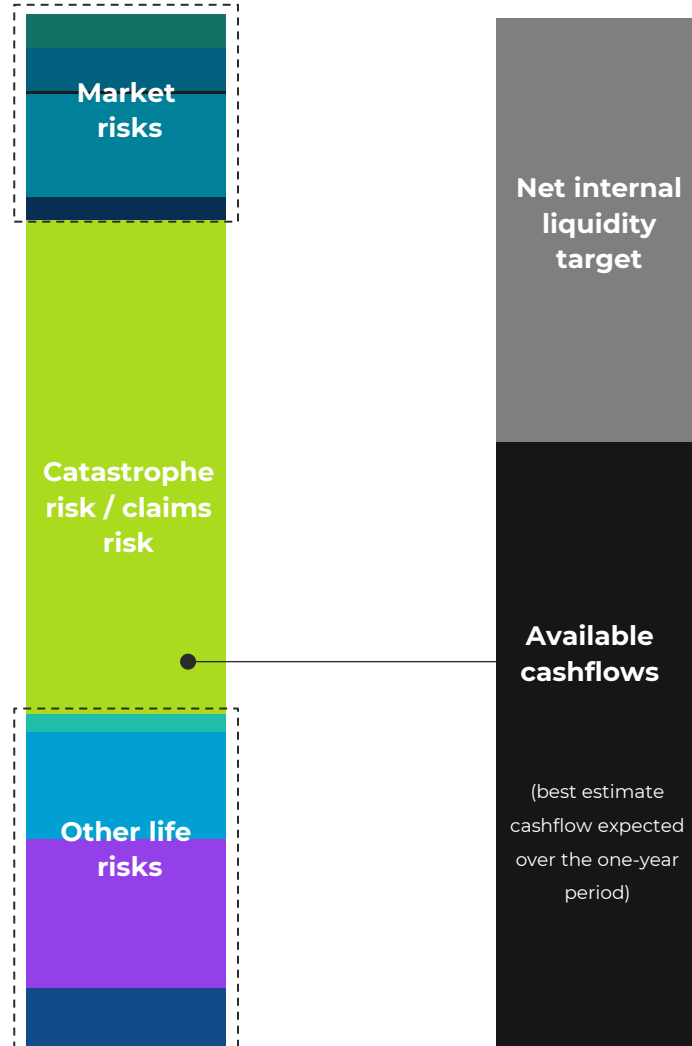
Total solvency capital requirement cover ratio

- SCRC ratio of 1.8x at Dec-25, materially above risk appetite levels and regulatory minimums

Discovery Life limited liquidity capital requirement drivers



Gross internal liquidity target (ILT) capital requirement



Liquidity capital requirements as published

- Amount of capital required to meet cashflows over a one-year time horizon at a 99.5% confidence interval
- Target is for Discovery Life Limited to always have at least 1x this amount of capital in liquid assets.
- Jun-25 ILT was R2.7bn and Discovery Life had 2.4x this amount in liquid assets.

Catastrophe risk

- Primarily the driver of the gross ILT capital requirement
- Impact of catastrophe stresses are almost immediate over the 12 month period, hence the risk is the primary driver of the liquidity requirement
- The other stresses like long-term lapses are over the lifetime of the policy and therefore not as material when a 12 month period is considered.



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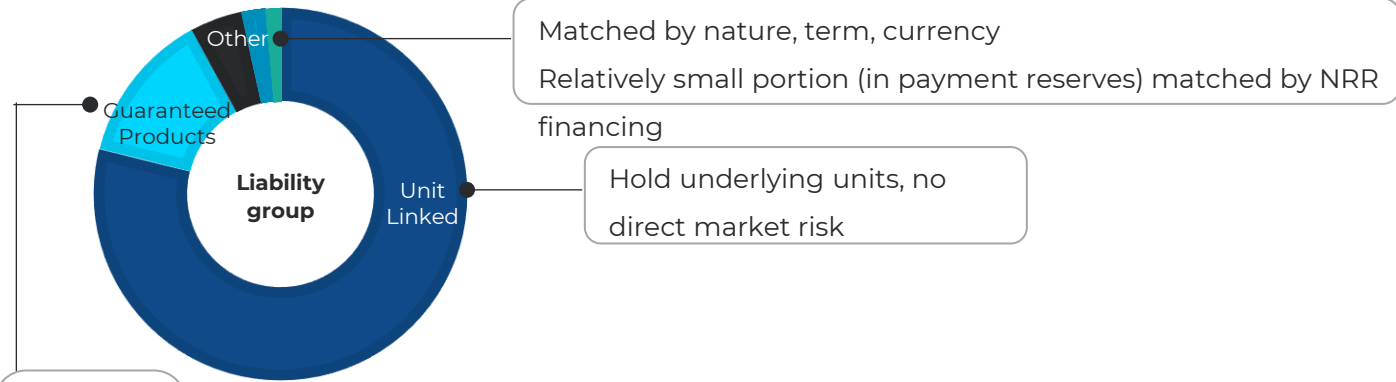
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Asset Liability Matching considerations



Matching strategy – liabilities materially matched



Managed using multiple ALM techniques

Long-tail end interest risk

- Interest rate risk significantly more difficult to match beyond the point where there are available assets
- No assets available in SA to with ultra-long maturities
- Risk is particularly on ultra-long end of the yield curve where liability cash flows extend beyond the available assets (mostly on Invest fixed annuity book)
- Interest rate risk is still well managed, volatility on P&L is <1% of value of the Discovery Ltd annuity book
- Limited use of derivatives at the longest durations.

Discounted cash flows of insurance contracts by date that the cash flows are expected to occur:

R million (Assets)/Liabilities	Total	< 1 year	Years 1 to 2	Years 2 to 3	Years 3 to 4	Years 4 to 5	Years 6 to 10	Years 10 to 20	>20 years
30 June 2025									
Insurance contract cash flows									
Assets arising from insurance contracts	(96 747)	(3 935)	(7 839)	(7 075)	(6 242)	(5 657)	(24 571)	(26 469)	(14 959)
- SA Life (Risk)	(58 655)	17	(3 392)	(3 275)	(2 883)	(2 642)	(13 477)	(17 793)	(15 210)
- UK Life (Risk)	(38 092)	(3 952)	(4 447)	(3 800)	(3 359)	(3 015)	(11 094)	(8 676)	251
Liabilities arising from insurance contracts	109 113	13 203	11 504	10 717	10 973	10 157	21 488	22 298	8 773
- SA Invest (Risk)	22 570	5 223	3 634	3 566	3 925	2 627	1 729	1 419	447
- SA Invest (Participating)	80 126	5 911	7 076	6 503	6 508	7 079	18 436	20 319	8 294
- SA Life Group Risk and Other (PAA)	6 417	2 069	794	648	540	451	1 323	560	32
Reinsurance contract cash flows									
Assets arising from insurance contracts	(913)	(368)	(110)	(87)	(71)	(58)	(159)	(57)	(3)
- SA Life Group Risk and Other (PAA)	(913)	(368)	(110)	(87)	(71)	(58)	(159)	(57)	(3)
Liabilities arising from insurance contracts	22 672	2 812	3 456	2 954	2 578	2 168	5 233	2 603	868
- SA Life (Risk)	5 650	(132)	516	502	482	468	1 653	1 420	741
- UK Life (Risk)	17 022	2 944	2 940	2 452	2 096	1 700	3 580	1 183	127

- Discovery Life has lower exposures to maturity dates > 20 years vs maturity less than 20 years
- Although relatively small, this exposure results in interest rate risk from volatility in the long tail of the yield curve
- The risk is applicable to all life insurers with ultra-long dated liability cash flows, on a larger scale for other SA Life insurers vs Discovery.



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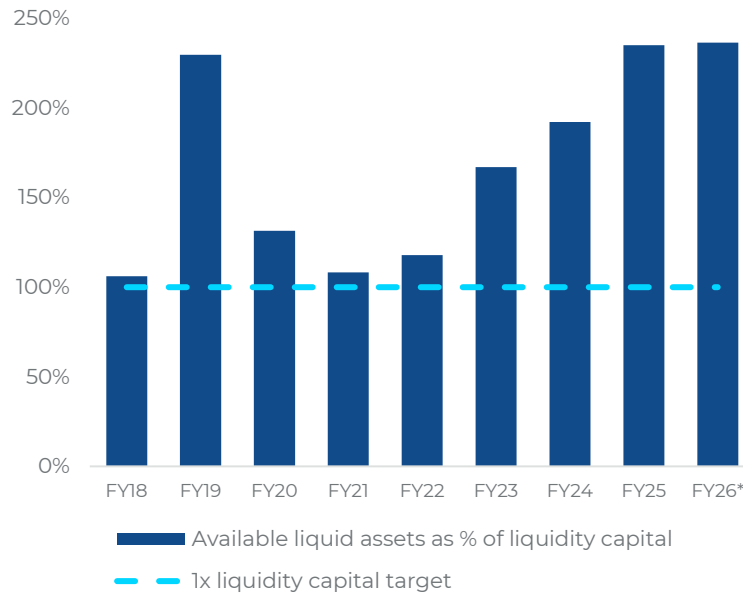


Key considerations for distributions from Discovery Life to Group



Liquidity

Available liquid assets as % of internal liquidity target capital

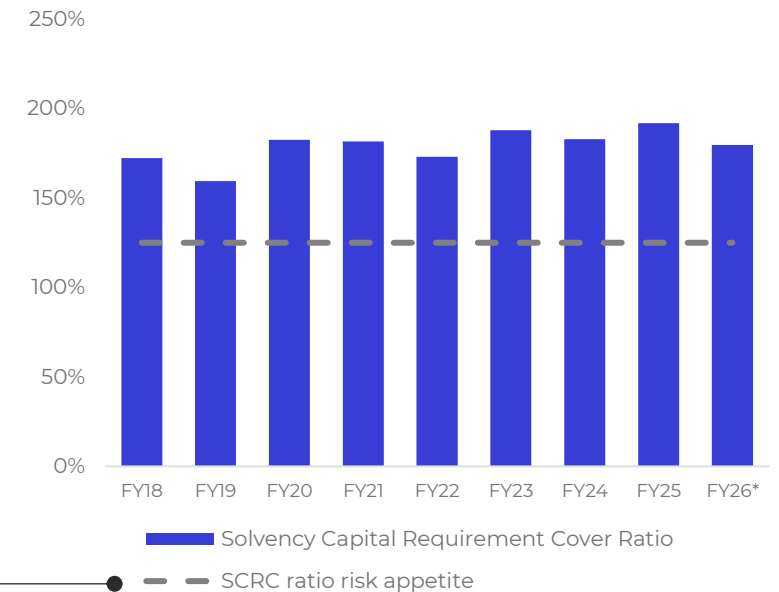


Liquid assets in excess of liquidity target

- Liquidity is the first key consideration for distributions to group
- Discovery Life is sufficiently capitalised with liquid assets in excess of the target
- Jun-25 ILT was R2.7bn and ILT cover ratio was 2.4x.

Solvency capital

Solvency Capital Requirement Cover Ratio



Solvency Capital Requirement

- Adequate solvency capital is the other consideration for distributions to Group
- Discovery Life must remain within risk appetite levels after distributions to Group: significant current headroom
- Unpredictable interest rate environment requires sufficient buffer to ensure Discovery Life's solvency remains within tolerances even after a large movement in interest rates (and hence SCRC ratio).

*FY26 refers to HY1 FY26 values



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