



# ADDITIONAL ANALYST INFORMATION

AS AT 31 DECEMBER 2017



## CUSTOMERS PER ENTITY

### Life Policyholders

	December 2017	June 2017	December 2016	June 2016	December 2015	June 2015	December 2014	June 2014	December 2013	June 2013	December 2012
Individual	423 707	413 346	407 402	399 715	395 078	398 731	391 104	379 152	377 487	372 288	364 887
Invest						118 366	109 914	100 445	91 858	82 847	74 327
Invest – DRO*	111 258	105 722	101 168	98 238	94 098						
Invest – Other	164 878	153 804	147 960	139 341	129 989						
Group (lives)	506 141	502 258	466 172	435 168	432 930	425 991	406 678	393 800	381 019	354 534	354 665
Group schemes	2 552	2 503	2 453	2 401	2 403	2 332	2 186	2 063	1 960	1 893	1 795

\* Discovery Retirement Optimiser (DRO) product has been moved from the Individual category to Invest – DRO from December 2015 onwards  
This count is the full number of DRO policies (underlying Endowments and Retirement Annuities counted individually), including Paid-up policies.  
Prior period comparatives have been restated to be consistent with this approach, since paid-up policies were not previously included in the counts disclosed before June 2017.

### Life NB APE

R million	6 months to December 2017	Year ended June 2017	6 months to December 2016	Year ended June 2016	6 months to December 2015	Year ended June 2015	6 months to December 2014	Year ended June 2014	6 months to December 2013	Year ended June 2013	6 months to December 2012
Total Life APE**	2 337	4 671	2 331	4 279	2 138	3 877	1 948	3 409	1 707	2 966	1 468
Individual	1 038	1 970	1 001	1 762	909	2 124	1 097	1 899	986	1 775	884
Group	79	205	52	105	61	108	54	114	70	120	65
Invest – Recurring	632	1 219	658	1 194	589	597	295	492	243	426	228
Invest – Single APE**	588	1 277	620	1 218	579	1 049	502	904	409	644	290

\*\* APE shown at 10% of Single premium

### Health Members

	December 2017	June 2017	December 2016	June 2016	December 2015	June 2015	December 2014	June 2014	December 2013	June 2013	December 2012
DHMS – Keycare	254 165	248 430	256 591	247 825	249 605	240 324	235 559	227 298	232 865	224 385	224 354
DHMS – Non-Keycare	1 069 492	1 062 964	1 041 166	1 034 833	1 018 612	1 013 864	995 572	985 228	959 138	947 181	915 741
In-House Schemes	311 879	299 353	275 293	265 205	153 935	153 486	144 227	142 750	132 160	130 338	124 887
<b>Total</b>	<b>1 635 536</b>	<b>1 610 747</b>	<b>1 573 050</b>	<b>1 547 863</b>	<b>1 422 152</b>	<b>1 407 674</b>	<b>1 375 358</b>	<b>1 355 276</b>	<b>1 324 163</b>	<b>1 301 904</b>	<b>1 264 982</b>

### Health Lives

	December 2017	June 2017	December 2016	June 2016	December 2015	June 2015	December 2014	June 2014	December 2013	June 2013	December 2012
DHMS – Keycare	440 722	430 363	443 485	428 817	434 487	419 364	415 093	402 047	411 525	398 296	402 043
DHMS – Non-Keycare	2 337 485	2 327 651	2 292 201	2 281 630	2 257 759	2 250 081	2 219 753	2 199 601	2 152 815	2 127 094	2 066 984
In-House Schemes	663 807	635 178	581 821	550 943	326 806	323 416	297 805	293 690	268 854	266 988	253 147
<b>Total</b>	<b>3 442 014</b>	<b>3 393 192</b>	<b>3 317 507</b>	<b>3 261 390</b>	<b>3 019 052</b>	<b>2 992 861</b>	<b>2 932 651</b>	<b>2 895 338</b>	<b>2 833 194</b>	<b>2 792 378</b>	<b>2 722 174</b>

### Vitality SA

	December 2017	June 2017	December 2016	June 2016	December 2015	June 2015	December 2014	June 2014	December 2013	June 2013	December 2012
Members*	828 216	823 826	832 365	824 196	734 718	734 529	735 725	733 732	729 682	716 793	719 897

\* Includes Balance members (Balance is Vitality for Bankmed)

### VitalityHealth Members

	December 2017	June 2017	December 2016	June 2016	December 2015	June 2015	December 2014	June 2014	December 2013	June 2013	December 2012
Individual	85 942	84 070	82 171	80 910	75 969	74 570	75 566	76 896	73 078	72 484	71 127
SME	174 376	168 844	165 813	165 341	162 711	158 702	159 546	162 473	157 666	154 639	144 876
Corporate	56 762	53 472	56 773	58 756	56 880	54 696	53 924	50 634	47 893	45 634	53 997
Trust and Cost Plus	-	-	-	5 496	17 345	17 547	18 224	17 972	23 068	25 163	28 689
<b>Total</b>	<b>317 080</b>	<b>306 486</b>	<b>304 757</b>	<b>310 503</b>	<b>312 905</b>	<b>305 515</b>	<b>307 260</b>	<b>307 975</b>	<b>301 705</b>	<b>297 920</b>	<b>298 689</b>

### VitalityHealth Lives

	December 2017	June 2017	December 2016	June 2016	December 2015	June 2015	December 2014	June 2014	December 2013	June 2013	December 2012
Individual	148 309	145 379	142 044	139 519	131 188	128 543	130 945	131 113	127 805	126 584	124 217
SME	304 280	297 186	292 506	293 037	290 593	284 937	288 287	294 575	290 505	290 772	268 731
Corporate	100 242	94 662	101 104	103 897	100 216	97 516	95 241	91 173	85 718	81 135	97 573
Trust and Cost Plus	-	-	-	9 245	33 830	33 879	36 437	36 053	48 660	50 100	56 061
<b>Total</b>	<b>552 831</b>	<b>537 227</b>	<b>535 654</b>	<b>545 698</b>	<b>555 827</b>	<b>544 875</b>	<b>550 910</b>	<b>552 914</b>	<b>552 688</b>	<b>548 591</b>	<b>546 583</b>

### VitalityLife Policies

	December 2017	June 2017	December 2016	June 2016	December 2015	June 2015	December 2014	June 2014	December 2013	June 2013	December 2012
Policies	357 704	337 900	322 364	299 315	274 929	250 834	224 987	199 901	176 839	153 670	136 164

### VitalityLife Lives

	December 2017	June 2017	December 2016	June 2016	December 2015	June 2015	December 2014	June 2014	December 2013	June 2013	December 2012
Lives	467 750	438 862	415 169	385 978	351 473	317 855	285 308	248 523	215 310	184 371	163 563

### Discovery Insure Policies

	December 2017	June 2017	December 2016	June 2016	December 2015	June 2015	December 2014	June 2014	December 2013	June 2013	December 2012
Policies	137 412	121 785	111 605	100 034	91 945	79 847	70 622	54 067	39 409	28 677	23 405

## NAV BY ENTITY

In allocating the NAV, we have the following difficulties:

- The different segments overlap across legal entities. The position was particularly bad in the past when reinsurance for the Health business was done by Discovery Life Ltd. There are still some overlaps that remain.
- Discovery Health (Pty) Ltd acts as "treasury" for the group. It also houses much of the operational assets used by all the divisions.
- The Health business is cash positive. Cash from this business is extracted and invested into the other businesses, making any meaningful comparison of NAV over time difficult.

R million	December 2017	June 2017	December 2016	June 2016	December 2015	June 2015	December 2014	June 2014	December 2013	June 2013	December 2012
The NAV by legal entity (net of non-controlling interests)											
Holdings (including consolidation effects)	5 022	4 519	4 192	4 704	4 993	2 753	510	1 138	1 388	923	834
Health	2 416	1 917	1 612	1 486	2 025	2 153	982	821	753	755	685
Life	22 774	20 922	19 203	17 735	16 455	15 076	13 724	13 383	12 191	11 035	10 021
Vitality	719	841	858	53	46	22	(13)	(17)	(39)	(32)	(37)
TVG	584	573	485	514	498	346	398	327	174	194	123
VitalityHealth	5 348	5 025	4 275	5 248	6 397	4 246	3 705	3 629	3 450	2 937	2 970
VitalityLife	3 393	3 314	2 692	2 313	1 886	(30)	(194)	(398)	(483)	(576)	(588)
Insure	1 260	1 076	958	934	754	623	410	366	233	10	60
Connect	(267)	(219)	(163)	(112)							
Goodwill and intangibles from business combinations	2 416	2 496	2 511	2 972	3 589	3 060	2 955	3 058	2 976	2 644	2 417
Puttable non-controlling interest	-	-	-	-	-	-	-	(4 494)	(3 909)	(3 782)	(3 201)
Loan	(9 453)	(8 174)	(6 332)	(5 240)	(5 332)	(893)	(1 902)	(402)	(402)	(402)	(402)
	<b>34 212</b>	<b>32 290</b>	<b>30 291</b>	<b>30 607</b>	<b>31 311</b>	<b>27 356</b>	<b>20 575</b>	<b>17 411</b>	<b>16 332</b>	<b>13 706</b>	<b>12 882</b>

For December 2010, VitalityHealth, VitalityLife and goodwill and intangibles are shown net of minorities.

From June 2011, VitalityHealth, VitalityLife and goodwill and intangibles are shown at 100% with minorities included in the puttable non-controlling interest liability.

In November 2014, Discovery acquired the remaining 25% share of the VitalityHealth and VitalityLife joint venture.

## VALUE OF NEW BUSINESS AT POINT OF SALE VS VALUATION DATE

### December 2017

#### VNB at Point of Sale

R million	Health and Vitality	Life and Invest	VitalityHealth	VitalityLife
Acquisition Costs and Initial strain	(176)	(1 225)	(492)	(607)
Value of In Force	578	1 941	504	854
Cost of Capital	(14)	(37)	(23)	(28)
	<b>388</b>	<b>679</b>	<b>(11)</b>	<b>219</b>

#### New business contribution to value of in force at valuation date

R million	Health and Vitality	Life and Invest	VitalityHealth	VitalityLife
Value of In Force	579	1 864	375	850
Cost of Capital	(14)	(37)	(14)	(24)
	<b>565</b>	<b>1 827</b>	<b>361</b>	<b>826</b>

### June 2017

#### VNB at Point of Sale

R million	Health and Vitality	Life and Invest	VitalityHealth	VitalityLife
Acquisition Costs and Initial strain	(349)	(2 394)	(873)	(1 438)
Value of In Force	1 169	3 698	1 030	1 870
Cost of Capital	(31)	(73)	(46)	(126)
	<b>789</b>	<b>1 231</b>	<b>111</b>	<b>306</b>

#### New business contribution to value of in force at valuation date

R million	Health and Vitality	Life and Invest	VitalityHealth	VitalityLife
Value of In Force	1 176	3 437	824	1 842
Cost of Capital	(30)	(73)	(30)	(185)
	<b>1 146</b>	<b>3 364</b>	<b>794</b>	<b>1 657</b>

### December 2016

#### VNB at Point of Sale

R million	Health and Vitality	Life and Invest	VitalityHealth	VitalityLife
Acquisition Costs and Initial strain	(170)	(1 220)	(423)	(760)
Value of In Force	503	1 909	450	1 003
Cost of Capital	(15)	(37)	(17)	(67)
	<b>318</b>	<b>652</b>	<b>10</b>	<b>176</b>

#### New business contribution to value of in force at valuation date

R million	Health and Vitality	Life and Invest	VitalityHealth	VitalityLife
Value of In Force	504	1 783	326	955
Cost of Capital	(14)	(37)	(14)	(135)
	<b>490</b>	<b>1 746</b>	<b>312</b>	<b>820</b>

## VALUE OF NEW BUSINESS AT POINT OF SALE VS VALUATION DATE continued

### June 2016

#### VNB at Point of Sale

R million	Health and Vitality	Life and Invest	VitalityHealth	VitalityLife <sup>1</sup>
Acquisition Costs and Initial strain	(347)	(2 316)	(918)	(2 450)
Value of In Force	1 191	3 579	1 027	3 043
Cost of Capital	(48)	(67)	(47)	(315)
	<b>796</b>	<b>1 196</b>	<b>62</b>	<b>278</b>

<sup>1</sup> The acquisition cost and initial strain is now negative to reflect the zeroisation of the negative reserves on VitalityLife and the Discovery funded VitalityLife business on the Prudential license, which no longer offsets acquisition costs.

#### New business contribution to value of in force at valuation date

R million	Health and Vitality	Life and Invest	VitalityHealth	VitalityLife
Value of In Force	1 205	3 276	757	2 807
Cost of Capital	(47)	(67)	(47)	(295)
	<b>1 158</b>	<b>3 209</b>	<b>710</b>	<b>2 512</b>

### December 2015

#### VNB at Point of Sale

R million	Health and Vitality	Life and Invest	VitalityHealth	VitalityLife <sup>1</sup>
Acquisition Costs and Initial strain	(147)	(1 178)	(458)	36
Value of In Force	417	1 829	492	481
Cost of Capital	(11)	(30)	(15)	(30)
	<b>259</b>	<b>621</b>	<b>19</b>	<b>487</b>

<sup>1</sup> The acquisition cost and initial strain is positive due to a negative reserve created in month 1 that more than offsets initial costs.

#### New business contribution to value of in force at valuation date

R million	Health and Vitality	Life and Invest	VitalityHealth	VitalityLife
Value of In Force	419	1 756	403	525
Cost of Capital	(11)	(30)	(11)	(33)
	<b>408</b>	<b>1 726</b>	<b>392</b>	<b>492</b>

### June 2015

#### VNB at Point of Sale

R million	Health and Vitality	Life and Invest	VitalityHealth <sup>2</sup>	VitalityLife <sup>1,2</sup>
Acquisition Costs and Initial strain	(332)	(2 191)	(586)	329
Value of In Force	938	3 459	631	521
Cost of Capital	(22)	(56)	(20)	(57)
	<b>584</b>	<b>1 212</b>	<b>25</b>	<b>793</b>

<sup>1</sup> The acquisition cost and initial strain is positive due to a negative reserve created in month 1 that more than offsets initial costs.

<sup>2</sup> The VitalityHealth and VitalityLife figures in the table above have been prorated to allow for Discovery's ownership increasing from 75% to 100% in November 2014.

#### New business contribution to value of in force at valuation date

R million	Health and Vitality	Life and Invest	VitalityHealth*	VitalityLife*
Value of In Force	940	3 219	542	319
Cost of Capital	(22)	(56)	(22)	(56)
	<b>918</b>	<b>3 163</b>	<b>520</b>	<b>263</b>

\* The VitalityHealth and VitalityLife figures in the table above represent Discovery's 100% ownership.

## VALUE OF NEW BUSINESS AT POINT OF SALE VS VALUATION DATE continued

### December 2014

#### VNB at Point of Sale – SVM

R million	Health and Vitality	Life and Invest	PruHealth	PruProtect*
Acquisition Costs and Initial strain	(132)	(1 137)	(178)	178
Value of In Force	401	1 817	200	133
Cost of Capital	(9)	(29)	(6)	(17)
	<b>260</b>	<b>651</b>	<b>16</b>	<b>294</b>

\* The acquisition cost and initial strain is positive due to a negative reserve created in month 1 that more than offsets initial costs.

#### New business contribution to value of in force at valuation date

R million	Health and Vitality	Life and Invest	PruHealth	PruProtect
Value of In Force	401	1 700	262	162
Cost of Capital	(8)	(29)	(7)	(20)
	<b>393</b>	<b>1 671</b>	<b>255</b>	<b>142</b>

### June 2014

#### VNB at Point of Sale – SVM

R million	Health and Vitality	Life and Invest	PruHealth	PruProtect*
Acquisition Costs and Initial strain	(297)	(1 908)	(431)	290
Value of In Force	867	3 099	548	203
Cost of Capital	(19)	(52)	(20)	(32)
	<b>551</b>	<b>1 139</b>	<b>97</b>	<b>461</b>

\* The acquisition cost and initial strain is positive due to a negative reserve created in month 1 that more than offsets initial costs.

#### New business contribution to value of in force at valuation date

R million	Health and Vitality	Life and Invest	PruHealth	PruProtect
Value of In Force	866	2 891	461	257
Cost of Capital	(19)	(52)	(18)	(30)
	<b>847</b>	<b>2 839</b>	<b>443</b>	<b>227</b>

### December 2013

#### VNB at Point of Sale – SVM

R million	Health and Vitality	Life and Invest	PruHealth	PruProtect*
Acquisition Costs and Initial strain	(109)	(983)	(202)	44
Value of In Force	353	1 539	272	230
Cost of Capital	(8)	(26)	(10)	(14)
	<b>236</b>	<b>530</b>	<b>60</b>	<b>260</b>

\* The acquisition cost and initial strain is positive due to a negative reserve created in month 1 that more than offsets initial costs.

#### New business contribution to value of in force at valuation date

R million	Health and Vitality	Life and Invest	PruHealth	PruProtect
Value of In Force	352	1 454	235	176
Cost of Capital	(8)	(26)	(10)	(15)
	<b>344</b>	<b>1 428</b>	<b>225</b>	<b>161</b>

## VALUE OF NEW BUSINESS AT POINT OF SALE VS VALUATION DATE continued

### June 2013

#### VNB at Point of Sale - SVM

R million	Health and Vitality	Life and Invest	PruHealth	PruProtect*
Acquisition Costs and Initial strain	(286)	(1 853)	(294)	99
Value of In Force	682	2 886	348	381
Cost of Capital	(16)	(44)	(20)	(23)
	<b>380</b>	<b>988</b>	<b>34</b>	<b>457</b>

\* The acquisition cost and initial strain is positive due to a negative reserve created in month 1 that more than offsets initial costs.

#### New business contribution to value of in force at valuation date

R million	Health and Vitality	Life and Invest	PruHealth	PruProtect
Value of In Force	677	2 714	266	316
Cost of Capital	(16)	(44)	(21)	(25)
	<b>661</b>	<b>2 670</b>	<b>245</b>	<b>291</b>

## EV BUILD-UP PER ENTITY

for the six months ended 31 December 2017

R million	Health and Vitality	Life and Invest	VitalityHealth	VitalityLife	Other	Total
Value of in-force business at 30 June 2017	18 243	24 322	5 652	4 345	0	52 562
Expected return (in-force business)	1 073	1 516	151	75	0	2 815
Release of profits (in-force business)	(1 034)	(866)	(421)	(478)	0	(2 799)
Value of new business	564	1 904	481	826	0	3 775
Expected return (new business)	16	40	5	10	0	71
Release of profits (new business)	(16)	(148)	(121)	4	0	(281)
Experience variances	(382)	315	(36)	(105)	0	(209)
Methodology changes	424	(535)	(22)	(140)	0	(273)
Other	0	(33)	(128)	(108)	0	(269)
<b>Value of in-force business at 31 December 2017</b>	<b>18 888</b>	<b>26 515</b>	<b>5 561</b>	<b>4 428</b>	<b>0</b>	<b>55 392</b>
Shareholders' funds per Balance Sheet	3 135	22 774	5 348	3 393	(438)	34 212
Adjustment to shareholders' funds	0	(19 854)	(1 822)	(3 917)	(3 603)	(29 196)
<b>Embedded value at 31 December 2017</b>	<b>22 023</b>	<b>29 435</b>	<b>9 087</b>	<b>3 904</b>	<b>(4 041)</b>	<b>60 408</b>



## EV RECONCILIATION TO INCOME STATEMENT

for the six months ended 31 December 2017

R million	Embedded value earnings	Value of in-force	Cost of required capital	Impact on income statement	Adjustment to Shareholders Funds	Statement of changes in equity
<b>Total profit from new business (at point of sale)</b>	<b>1 275</b>	3 667	(102)	(2 290)	-	-
- Health and Vitality	<b>388</b>	578	(14)	(176)	-	-
- Life	<b>679</b>	1 833	(37)	(1 117)	-	-
- VitalityHealth	<b>(11)</b>	388	(23)	(376)	-	-
- VitalityLife	<b>219</b>	868	(28)	(621)	-	-
Profit from existing business						
<b>* Expected return</b>	<b>2 886</b>	5	11	2 870	-	-
- Health and Vitality	<b>1 089</b>	35	4	1 050	-	-
Expected transfer from VIF & VNB to net worth	<b>16</b>	(1 034)	-	1 050	-	-
Unwinding of the risk discount rate	<b>1 073</b>	1 069	4	-	-	-
- Life	<b>1 556</b>	681	(31)	906	-	-
Expected transfer from VIF & VNB to net worth	<b>40</b>	(866)	-	906	-	-
Unwinding of the risk discount rate	<b>1 516</b>	1 547	(31)	-	-	-
- VitalityHealth	<b>156</b>	(303)	33	426	-	-
Expected transfer from VIF & VNB to net worth	<b>5</b>	(421)	-	426	-	-
Unwinding of the risk discount rate	<b>151</b>	118	33	-	-	-
- VitalityLife	<b>85</b>	(408)	5	488	-	-
Expected transfer from VIF & VNB to net worth	<b>10</b>	(491)	13	488	-	-
Unwinding of the risk discount rate	<b>75</b>	83	(8)	-	-	-
<b>* Change in methodology and assumptions</b>	<b>292</b>	(261)	(12)	565	-	-
- Health and Vitality	<b>424</b>	417	7	-	-	-
- Life	<b>71</b>	(524)	(11)	606	-	-
- VitalityHealth	<b>(39)</b>	(31)	9	(17)	-	-
- VitalityLife	<b>(164)</b>	(123)	(17)	(24)	-	-
<b>* Experience variances</b>	<b>140</b>	(179)	(30)	349	-	-
- Health and Vitality	<b>(184)</b>	(379)	(3)	198	-	-
- Life	<b>64</b>	299	16	(251)	-	-
- VitalityHealth	<b>335</b>	(30)	(6)	371	-	-
- VitalityLife	<b>(75)</b>	(69)	(37)	31	-	-
Increase in goodwill and intangibles	<b>(84)</b>	-	-	-	(84)	-
Other initiatives	<b>(236)</b>	7	-	(243)	-	-
Non-recurring expenses	<b>(15)</b>	-	-	(15)	-	-
Acquisition costs	<b>(27)</b>	(1)	-	(26)	-	-
Finance costs	<b>(385)</b>	-	-	(385)	-	-
Other	<b>(25)</b>	(40)	1	-	(23)	37

## EV RECONCILIATION TO INCOME STATEMENT continued

for the six months ended 31 December 2017

R million	Embedded value earnings	Value of in-force	Cost of required capital	Impact on income statement	Adjustment to Shareholders Funds	Statement of changes in equity
<b>Foreign Exchange Rate Movements</b>	<b>(357)</b>	(263)	27	145	69	(335)
Intangibles	62	-	-	-	62	-
DAC	7	-	-	-	7	-
Puttable NCI Liability	-	-	-	-	-	-
Other	(426)	(263)	27	145	-	(335)
<b>Return on shareholders' funds</b>	<b>178</b>	-	-	155	-	23
- Unrealised gain on investments and realised gain on investments transferred to income statement	35	-	-	12	-	23
- Health and Vitality investment income	39	-	-	39	-	-
- Life investment income	85	-	-	85	-	-
- VitalityHealth investment income	5	-	-	5	-	-
- VitalityLife investment income	14	-	-	14	-	-
<b>Amortisation of Intangibles</b>	<b>(28)</b>	-	-	(261)	233	-
Amortisation of intangibles from business combinations	(28)	-	-	(54)	26	-
Amortisation of systems intangibles	-	-	-	(207)	207	-
VitalityHealth and VitalityLife DAC and unemployment reserve	-	-	-	9	(9)	-
Reversal of 1 Discovery Place IAS 17 financial lease accounting	-	-	-	(75)	75	-
Life assets under insurance contracts	-	-	-	1 500	(1 500)	-
Vitality Life Limited and Discovery funded VitalityLife business on the Prudential license net assets under insurance contracts	-	-	-	271	(271)	-
VitalityHealth FinRe	-	-	-	128	(128)	-
<b>Embedded value earnings</b>	<b>3 614</b>	2 935	(105)	2 697	(1 638)	(275)
Adjustment to Shareholders' Funds:						
<b>Change in:</b>						
DAC	(1)					
Intangibles	187					
Life negative reserve	(1 500)					
VitalityLife negative reserve	(271)					
VitalityLife FinRe liability	(128)					
1 DP IAS 17 financial lease accounting	75					

## COMPONENTS OF ASSETS UNDER INSURANCE CONTRACTS AND ADJUSTMENT TO SHAREHOLDERS' FUNDS ON PUBLISHED BASIS

R million	December 2017	June 2017	December 2016	June 2016
<b>1. Assets under insurance contracts</b>				
Discovery Life long term reserves in respect of policies with positive liabilities:	3 983	3 642	3 231	2 816
Discovery Life long term reserves in respect of policies with negative liabilities:	(29 448)	(27 650)	(25 629)	(23 720)
Unit reserves	-	-	-	-
VitalityLife net long term reserve	(8 238)	(8 530)	(8 420)	(9 685)
<b>Total Assets under insurance contracts:</b>	<b>(33 703)</b>	<b>(32 538)</b>	<b>(30 818)</b>	<b>(30 589)</b>
<b>2. Negative liabilities not included under assets under insurance contracts</b>				
Negative reserve in respect of Invest business	(3 709)	(3 428)	(3 170)	(2 911)
DAC and DRL in respect of Invest business	(480)	(464)	(438)	(419)
	<b>(4 189)</b>	<b>(3 892)</b>	<b>(3 608)</b>	<b>(3 330)</b>
<b>3. Components to be zeroised on the statutory balance sheet</b>				
Discovery Life long term reserves in respect of policies with negative liabilities:	(29 448)	(27 650)	(25 629)	(23 720)
Negative reserve in respect of Invest business	(3 709)	(3 428)	(3 170)	(2 911)
DAC and DRL in respect of Invest business	(480)	(464)	(438)	(419)
	-	-	-	-
Adjust for reduction on Deferred Tax Liability as a result of reduction in earnings	6 768	6 349	5 953	5 414
Liabilities off set against Negative reserve before zeroisation	7 015	6 839	6 026	5 868
	<b>(19 854)</b>	<b>(18 354)</b>	<b>(17 258)</b>	<b>(15 768)</b>
<b>4. Other adjustments to published Shareholders' funds</b>				
Vitality Life Limited and Discovery funded VitalityLife business on the Prudential licence net assets under insurance contracts	(3 891)	(3 891)	(3 176)	(3 090)
VitalityHealth FinRe Asset	(1 568)	(1 568)	(1 279)	
VitalityHealth and VitalityHealth Insurance Limited deferred acquisition costs (net of deferred tax)	(254)	(254)	(233)	(290)
VitalityLife receivable relating to the Unemployment Cover benefit (net of deferred tax)	(26)	(26)	(32)	(41)
Goodwill and intangible assets (net of deferred tax) relating to the acquisition of Standard Life Healthcare and the Prudential joint venture	(2 899)	(2 899)	(3 058)	(3 615)
Net preference share capital	(779)	(779)	(779)	(779)
Reversal of 1 Discovery Place IAS 17 financial lease accounting	75			
<b>Adjustment to Shareholders' funds from published basis</b>	<b>(29 196)</b>	<b>(27 771)</b>	<b>(25 815)</b>	<b>(23 583)</b>

## RECON OF ASSETS UNDER INSURANCE CONTRACTS

R million	HY December 2017	FY June 2017	HY December 2016	FY June 2016
Balance at the beginning of the year	<b>32 538</b>	<b>30 589</b>	<b>30 589</b>	<b>26 076</b>
Movement for the year:				-
Expected Movement in Policyholder Liabilities	<b>(1 650)</b>	<b>(2 917)</b>	<b>(1 580)</b>	<b>(2 863)</b>
Unwinding of Discount Rate	<b>1 187</b>	<b>2 091</b>	<b>1 044</b>	<b>1 765</b>
New Business Written	<b>1 986</b>	<b>3 843</b>	<b>2 145</b>	<b>4 416</b>
Experience Variances	<b>(466)</b>	<b>(588)</b>	<b>(508)</b>	<b>(636)</b>
<i>Economic (CPI)</i>	(36)	91	33	(5)
<i>Operational</i>	(430)	(678)	(542)	(631)
Modeling and method changes	<b>(155)</b>	<b>14</b>	<b>175</b>	<b>68</b>
Benefit Enhancements	<b>(44)</b>	-	-	<b>(16)</b>
Changes in assumptions	<b>403</b>	<b>137</b>	<b>262</b>	<b>(487)</b>
<i>Economic</i>	68	(138)	(36)	(1 389)
<i>Operational</i>	335	275	298	902
Changes in margins	<b>88</b>	<b>717</b>	<b>99</b>	<b>2 125</b>
<i>Margins related to Premium and Benefit Increase assumptions</i>	-	-	-	75
<i>Other margin changes</i>	88	717	99	2 050
Exchange rate difference	<b>(184)</b>	<b>(1 347)</b>	<b>(1 408)</b>	<b>139</b>
Balance at the end of the year	<b>33 703</b>	<b>32 538</b>	<b>30 818</b>	<b>30 589</b>
In line with accounting policy, the best estimate and margins are reset at every valuation date to reflect the underlying profitability of the overall portfolio.				
Assets under insurance contracts	39 686	37 690	34 897	33 814
Recovery from reinsurers	(5 984)	(5 152)	(4 079)	(3 226)
	<b>33 703</b>	<b>32 538</b>	<b>30 818</b>	<b>30 589</b>

## BREAKDOWN BETWEEN DISCOVERY LIFE AND VITALITYLIFE

R million	Discovery Life	VitalityLife	Total
Balance at the beginning of the year	<b>24 008</b>	<b>8 530</b>	<b>32 538</b>
Movement for the year:			
Expected Movement in Policyholder Liabilities	<b>(757)</b>	<b>(893)</b>	<b>(1 650)</b>
Unwinding of Discount Rate	<b>1 110</b>	<b>78</b>	<b>1 188</b>
New Business Written	<b>1 209</b>	<b>777</b>	<b>1 986</b>
Experience Variances	<b>(367)</b>	<b>(99)</b>	<b>(466)</b>
<i>Economic (CPI)</i>	(36)	-	(36)
<i>Operational</i>	(331)	(99)	(430)
Modelling and method changes	<b>8</b>	<b>(164)</b>	<b>(156)</b>
Benefit Enhancements	<b>(44)</b>	-	<b>(44)</b>
Changes in assumptions	<b>211</b>	<b>192</b>	<b>403</b>
<i>Economic</i>	249	(181)	68
<i>Operational</i>	(38)	373	335
Changes in margins	<b>88</b>	-	<b>88</b>
<i>Margins related to Premium and Benefit Increase assumptions</i>	-	-	-
<i>Other margin changes</i>	88	-	88
Exchange rate difference	-	<b>(184)</b>	<b>(184)</b>
Balance at the end of the year	<b>25 465</b>	<b>8 238</b>	<b>33 703</b>

## BREAKDOWN OF INVEST FUNDS UNDER MANAGEMENT

R million	Total
December 2012	26 615
June 2013	30 153
December 2013	36 026
June 2014	41 822
December 2014	45 619
June 2015	50 473
December 2015	56 195
June 2016	60 953
December 2016	63 985
June 2017	69 547
December 2017	77 844

## SEGMENTAL INFORMATION

for the six months ended 31 December 2017

R million (unaudited)	SA Health	SA Life	SA Invest	SA Vitality	UK Health	UK Life	All other segments	Segment total	IFRS reporting adjustments			IFRS total
									UK Life <sup>2</sup>	DUT <sup>3</sup>	Normalised profit adjustments <sup>4</sup>	
<b>Income statement</b>												
Insurance premium revenue	12	5 416	5 656	-	3 776	1 992	1 264	18 116	(358)	-	-	17 758
Reinsurance premiums	(1)	(1 081)	-	-	(575)	(744)	(84)	(2 485)	358	-	-	(2 127)
Net insurance premium revenue	11	4 335	5 656	-	3 201	1 248	1 180	15 631	-	-	-	15 631
Fee income from administration business	3 330	14	919	-	19	-	186	4 468	-	-	9	4 477
Vitality income	-	-	-	1 303	224	47	625	2 199	-	-	-	2 199
Investment income on assets backing policyholder liabilities	-	236	21	-	5	6	61	329	-	-	-	329
Finance charge on negative reserve funding	-	-	-	-	-	(119)	-	(119)	119	-	-	-
Inter-segment funding <sup>1</sup>	-	(339)	339	-	-	-	-	-	-	-	-	-
Net fair value gains on financial assets at fair value through profit or loss	1	351	3 356	-	-	75	(13)	3 770	-	1 056	(20)	4 806
<b>Net income</b>	<b>3 342</b>	<b>4 597</b>	<b>10 291</b>	<b>1 303</b>	<b>3 449</b>	<b>1 257</b>	<b>2 039</b>	<b>26 278</b>	<b>119</b>	<b>1 056</b>	<b>(11)</b>	<b>27 442</b>
Claims and policyholders' benefits	(1)	(3 325)	(3 425)	-	(2 010)	(402)	(806)	(9 969)	202	-	-	(9 767)
Insurance claims recovered from reinsurers	4	768	-	-	445	235	116	1 568	(202)	-	-	1 366
Net claims and policyholders' benefits	3	(2 557)	(3 425)	-	(1 565)	(167)	(690)	(8 401)	-	-	-	(8 401)
Acquisition costs	(2)	(846)	(520)	(43)	(276)	(915)	(125)	(2 727)	(119)	-	-	(2 846)
Marketing and administration expenses												
- depreciation and amortisation	(158)	(4)	-	-	(126)	(7)	(121)	(416)	-	-	-	(416)
- impairment of intangible assets	-	-	-	-	(109)	-	-	(109)	-	-	-	(109)
- other expenses	(1 856)	(799)	(393)	(1 203)	(1 422)	(734)	(1 363)	(7 770)	(7)	(105)	(42)	(7 924)
Recovery of expenses from reinsurers	-	-	-	-	300	937	-	1 237	-	-	-	1 237
Net transfer to/from assets and liabilities under insurance contracts												
- change in assets arising from insurance contracts	-	1 518	-	-	-	1 083	-	2 601	(323)	-	-	2 278
- change in assets arising from reinsurance contracts	-	4	-	-	13	4	-	21	-	-	-	21
- change in liabilities arising from insurance contracts	-	(53)	(5 311)	-	90	(6)	(22)	(5 302)	-	-	(140)	(5 442)
- change in liabilities arising from reinsurance contracts	-	(20)	-	-	-	(1 191)	-	(1 211)	323	-	-	(888)
Fair value adjustment to liabilities under investment contracts	-	(1)	(223)	-	-	-	-	(224)	-	(951)	20	(1 155)
Share of profits from equity accounted investments	3	-	-	-	1	-	78	82	-	-	-	82
<b>Normalised profit/(loss) from operations</b>	<b>1 332</b>	<b>1 839</b>	<b>419</b>	<b>57</b>	<b>355</b>	<b>261</b>	<b>(204)</b>	<b>4 059</b>	<b>(7)</b>	<b>-</b>	<b>(173)</b>	<b>3 879</b>
Investment income earned on shareholder investments and cash	37	23	13	17	1	2	24	117	-	-	-	117
Net realised gains on available-for-sale financial assets	-	5	-	-	-	-	3	8	-	-	-	8
Amortisation of intangibles from business combinations	-	-	-	-	-	-	(63)	(63)	-	-	-	(63)
Finance costs	(29)	(4)	-	-	(1)	-	(364)	(398)	-	-	8	(390)
Foreign exchange losses	(1)	-	(4)	-	-	-	(12)	(17)	-	-	-	(17)
<b>Profit before tax</b>	<b>1 339</b>	<b>1 863</b>	<b>428</b>	<b>74</b>	<b>355</b>	<b>263</b>	<b>(616)</b>	<b>3 706</b>	<b>(7)</b>	<b>-</b>	<b>(165)</b>	<b>3 534</b>
Income tax expense	(349)	(472)	(120)	(21)	(37)	(48)	63	(984)	7	-	140	(837)
<b>Profit for the period</b>	<b>990</b>	<b>1 391</b>	<b>308</b>	<b>53</b>	<b>318</b>	<b>215</b>	<b>(553)</b>	<b>2 722</b>	<b>-</b>	<b>-</b>	<b>(25)</b>	<b>2 697</b>

<sup>1</sup> The inter-segment funding of R339 million reflects a notional allocation of interest earned on the negative reserve backing policyholders' funds of guaranteed investment products and hence is transferred to Discovery Invest.

The segment information is presented on the same basis as reported to the Chief Executive Officers of the reportable segments. The segment total is then adjusted for accounting reclassifications and entries required to produce IFRS compliant results. These adjustments include the following:

<sup>2</sup> The contractual arrangement, for business written on Prudential Assurance Company's (PAC's) life insurance license (up to 31 December 2015), is reclassified as a reinsurance contract under IFRS 4.

<sup>3</sup> The Discovery Unit Trusts (DUT) are consolidated into Discovery's results for IFRS purposes. In the Segment information the DUT column includes the effects of consolidating the unit trusts into Discovery's results, effectively being the income and expenses relating to units held by third parties.

<sup>4</sup> Normalised profit adjustments include:

- The effects of eliminating intercompany linked assets on consolidation.

- Discovery has not completed the move to the new head office and full occupancy of the building is only expected by March 2018. Duplicate building costs of R25 million have been excluded from normalised profit from operations.

- The accounting impact of the recognition of a deferred tax asset arising from the Discovery Life Individual Policyholder Fund (IPF), has been excluded from normalised profit from operations for segmental purposes.

## SEGMENTAL INFORMATION – DISCOVERY INSURE

for the six months ended 31 December 2017

R million (unaudited)	December 2017	December 2016
<b>Income statement</b>		
Insurance premium revenue	1 264	972
Reinsurance premiums	(84)	(98)
Net insurance premium revenue	1 180	874
Fee income from administration business	15	8
Vitality income	-	-
Investment income on assets backing policyholder liabilities	61	51
Finance charge on negative reserve funding	-	-
Inter-segment funding	-	-
Net fair value gains on financial assets at fair value through profit or loss	(3)	-
Net income	1 253	933
Claims and policyholders' benefits	(806)	(683)
Insurance claims recovered from reinsurers	116	133
Net claims and policyholders' benefits	(690)	(550)
Acquisition costs	(162)	(111)
Marketing and administration expenses		
– depreciation and amortisation	(28)	(25)
– other expenses	(339)	(266)
Recovery of expenses from reinsurers	-	-
Net transfer to/from assets and liabilities under insurance contracts		
– change in assets arising from insurance contracts	-	-
– change in assets arising from reinsurance contracts	-	-
– change in liabilities arising from insurance contracts	(22)	(15)
– change in liabilities arising from reinsurance contracts	-	-
Fair value adjustment to liabilities under investment contracts	-	-
Share of net profits/(losses) from equity accounted investments	17	4
<b>Normalised profit/(loss) from operations</b>	29	(30)
Investment income earned on shareholder investments and cash	-	-
Net realised gains on available-for-sale financial assets	-	-
Rebranding and business acquisitions expenses	-	-
Amortisation of intangibles from business combinations	-	-
Finance costs	(1)	-
Foreign exchange gains/(losses)	-	-
<b>Profit before tax</b>	28	(30)
Income tax expense	-	-
<b>Profit for the year</b>	28	(30)

## VIF, APE AND VNB SPLIT BETWEEN LIFE AND INVEST

R million	December 2017	June 2017	December 2016	June 2016*	December 2015*
<b>VIF</b>					
Life	19 484	18 065	17 313	16 096	17 067
Invest	7 032	6 258	5 794	5 592	5 468
<b>APE</b>					
Life	488	985	462	862	446
Invest	894	1 856	974	1 935	920
<b>VNB</b>					
Life	496	885	434	756	406
Invest	183	346	218	439	215

\* Discovery Retirement Optimiser (DRO) product moved from Life to Invest in line with December 2016 and June 2017 disclosures.



## RECONCILIATION TO THE REQUIRED CAPITAL

for the six months ended 31 December 2017

R million	Life and Invest	Health and Vitality	VitalityLife	VitalityHealth	Total
<b>Opening - 30 June 2017</b>	1 409	797	2 951	1 984	7 141
- Methodology changes	-	-	-	(74)	(74)
- Expected release on in-force at start of period	85	(13)	(104)	(105)	(137)
- Impact of new business written	75	56	635	142	908
- Other changes	15	(62)	(158)	(6)	(211)
- Exchange rate movements	-	-	(87)	(42)	(129)
<b>Change in Required Capital</b>	175	(19)	286	(85)	357
<b>Closing - 31 December 2017</b>	<b>1 584</b>	<b>778</b>	<b>3 237</b>	<b>1 899</b>	<b>7 498</b>