

# UNAUDITED INTERIM RESULTS

for the six months ended 31 December 2021





Discovery



**Core new business**

**+6%**  
to R10 475m

**Normalised operating profit**

**+8%**  
to R4 872m

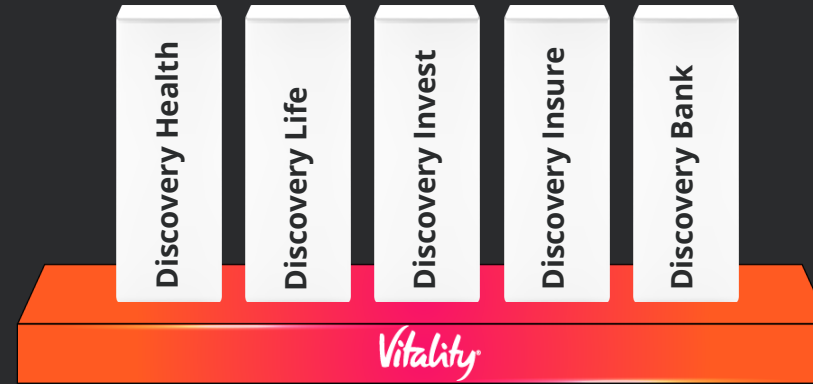
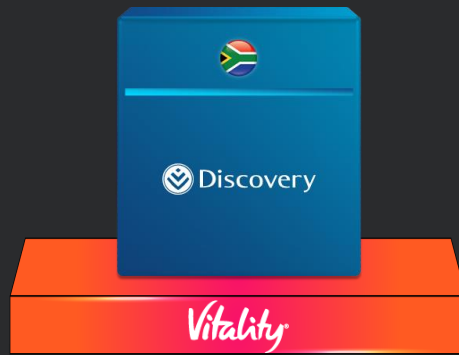
**Headline earnings**

**+78%**  
to R3 278m

**Normalised headline earnings**

**+26%**  
to R2 876m

+2% new business API, including DH take-on of new closed schemes and gross revenue for Vitality Group



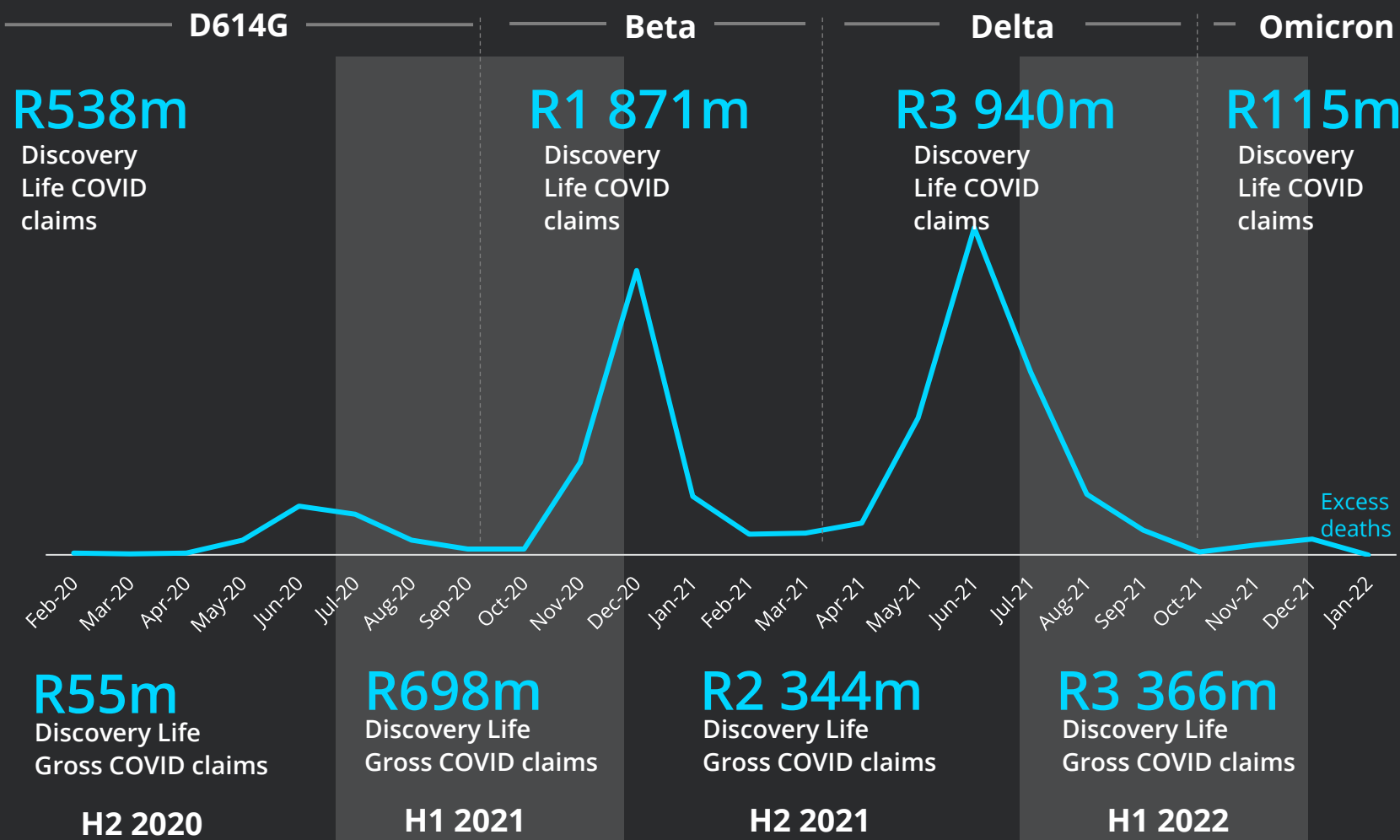
# Three concurrent areas of focus





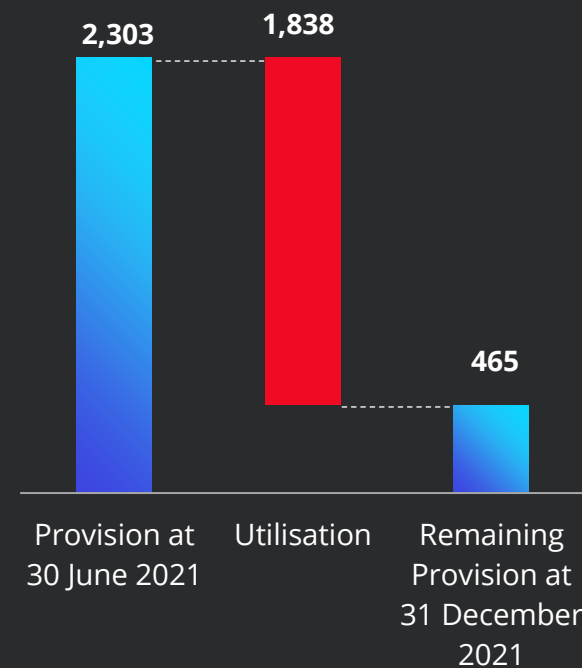
# Navigating COVID-19

# Most severe COVID-19 claims in period, but fourth wave was less severe than previous waves



Individual Life provisions remain intact, expected to be sufficient for H2 22 claims

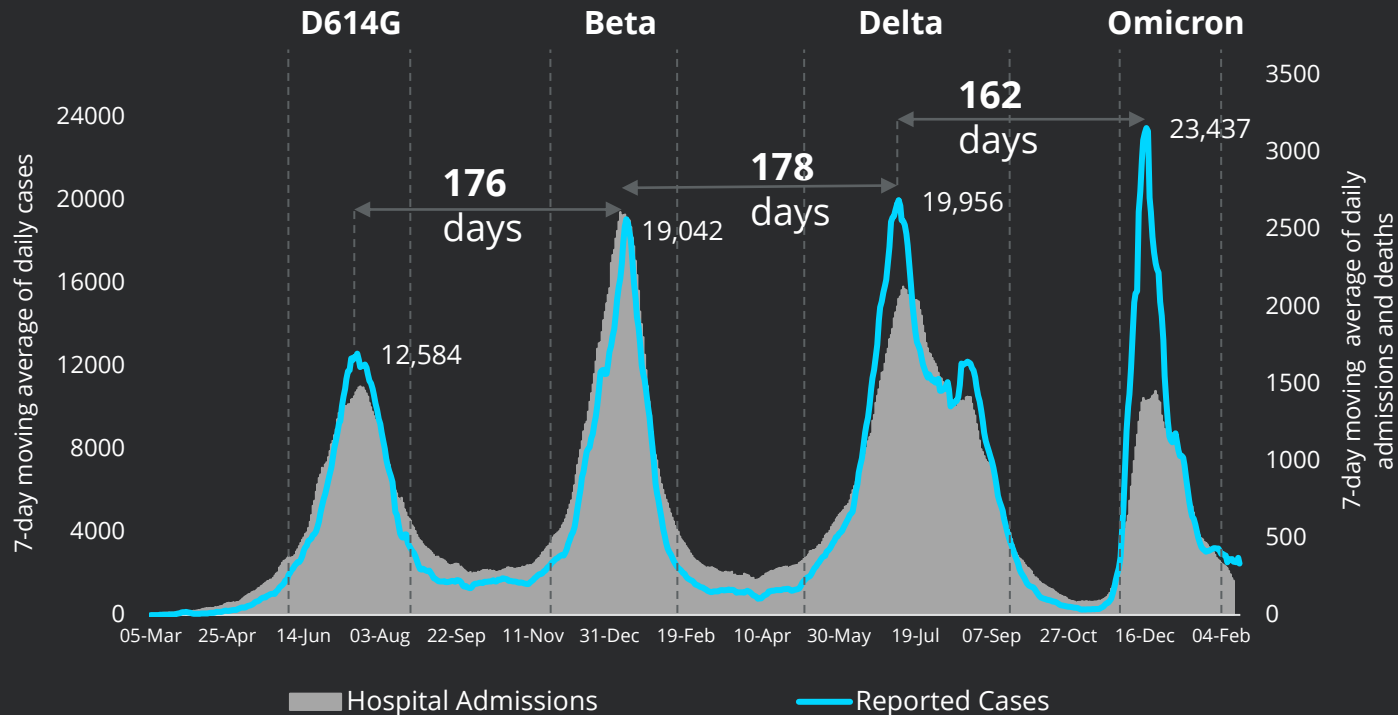
**80%** IFRS provision utilisation in H1 22



# Recurring pattern in the 4 South African COVID-19 waves to date



## 7-day moving average of new COVID-19 cases and hospital admissions



## Discovery Health clients case fatality rate reducing over time

14 Day Average Case Fatality Rate: 1 April 2020-31 December 2021



**172** days between peaks on average

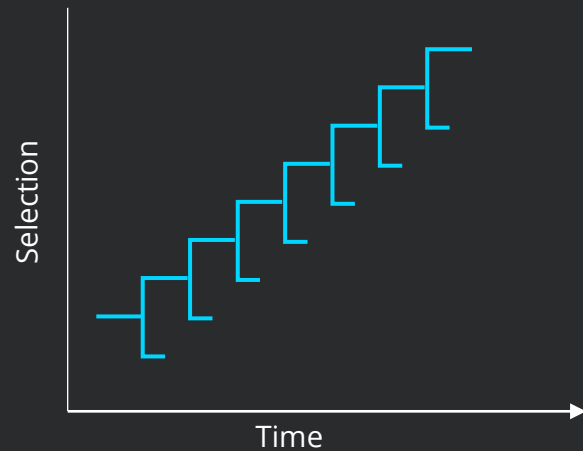
**93** days average length of wave incl Delta (80 excl Delta)

# COVID-19 mutates in parallel – next variant hasn't come from the last



## Flu

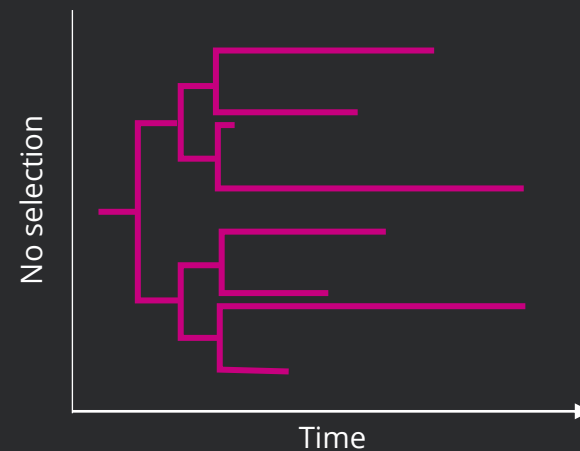
Virus mutates in a ladder-like pattern, so fairly predictable



Mutates a lot to escape our immunity. One major lineage, and every few years, a new variant sweeps and the others go extinct

## Measles

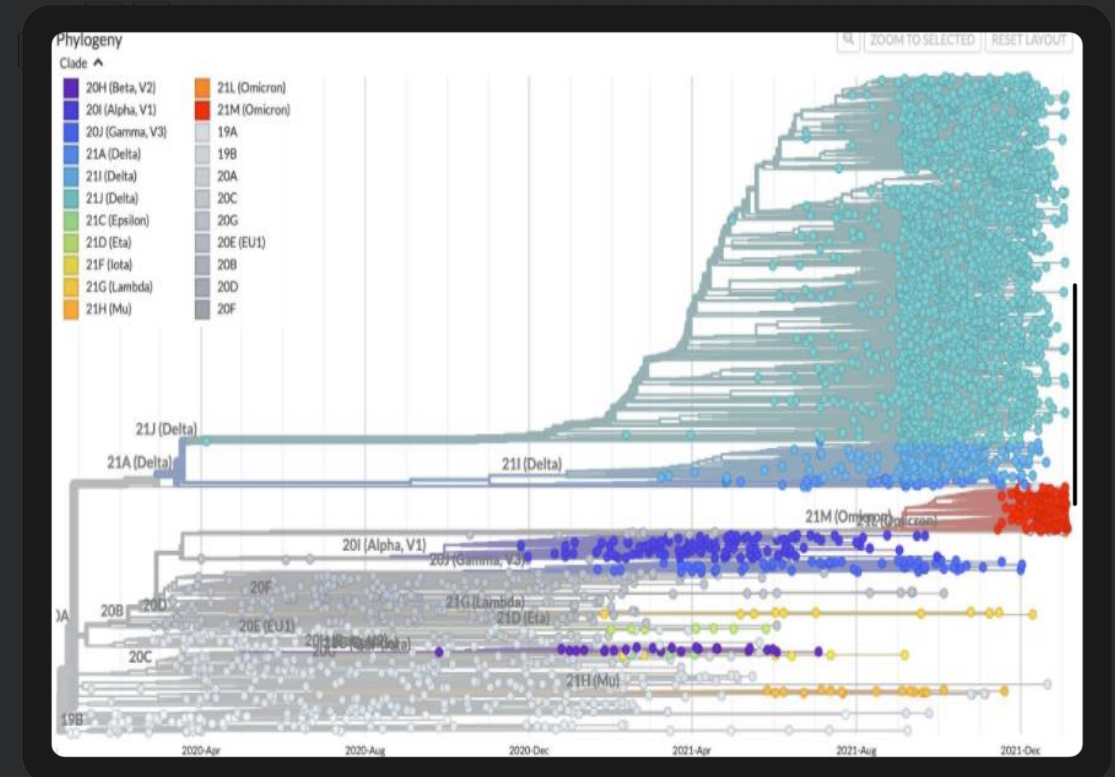
No immune pressure that pushes one mutation to outcompete another



Does not mutate to escape immunity, more balanced evolutionary tree

## COVID-19

Mutations haven't evolved in a ladder-like fashion - the next variant hasn't been coming from the last





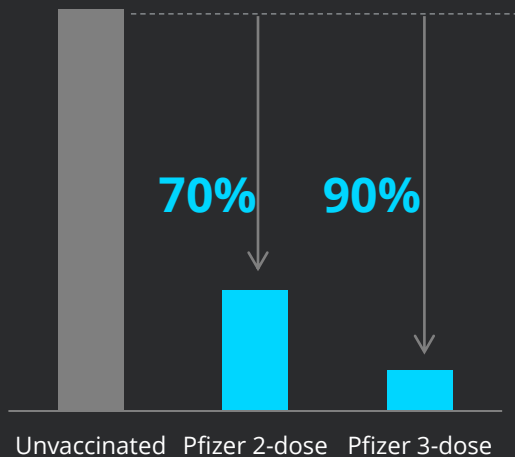
# Vaccination is important



## Lower hospitalisation risk

Vaccine effectiveness was retained through Omicron

Relative risk of severe illness (Dec-Jan)

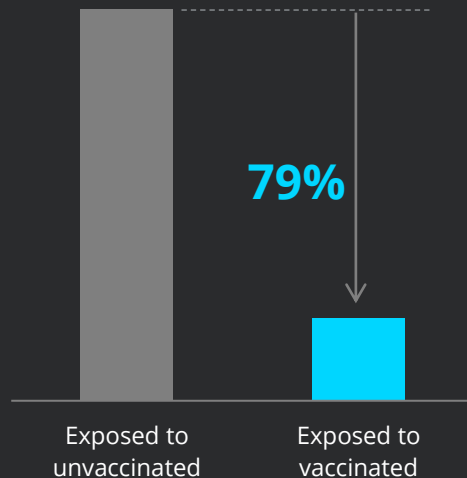


Source: Discovery Health Analytics as at 19 February 2022  
To be submitted for peer review and publication. Authors have no conflicts of interest direct or in kind

## Lower transmission risk

Every **20%** increase in vaccination leads to **50%** reduction in positive tests for unvaccinated people

Risk of infection

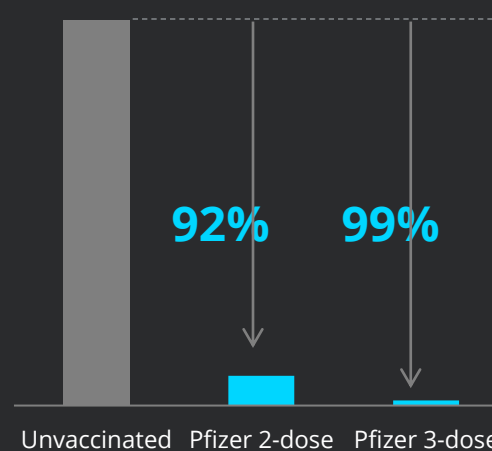


Source: MedRxiv  
<https://ncrc.jhsph.edu/>

## Lower mortality risk

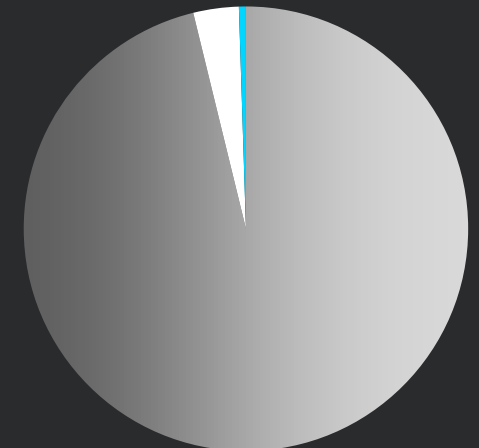
Vaccines remain highly effective at reducing mortality

Deaths per 100,000 between Oct-Nov



Source: Centers of Disease Control and Prevention  
<https://www.cdc.gov/mmwr/volumes/71/wr/mm7104e2.htm>

Historic Life COVID-19 claims\* by vaccination status:



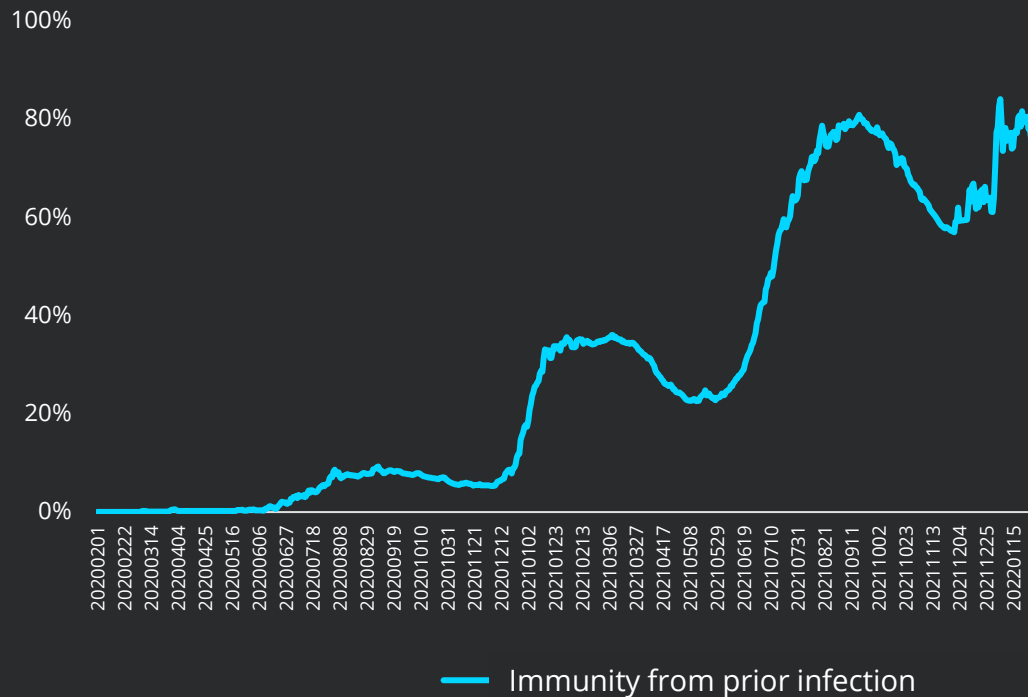
■ Unvaccinated / Unknown  
■ Partially Vaccinated  
■ Fully Vaccinated

\* Includes all COVID-19 claims since the start of the pandemic

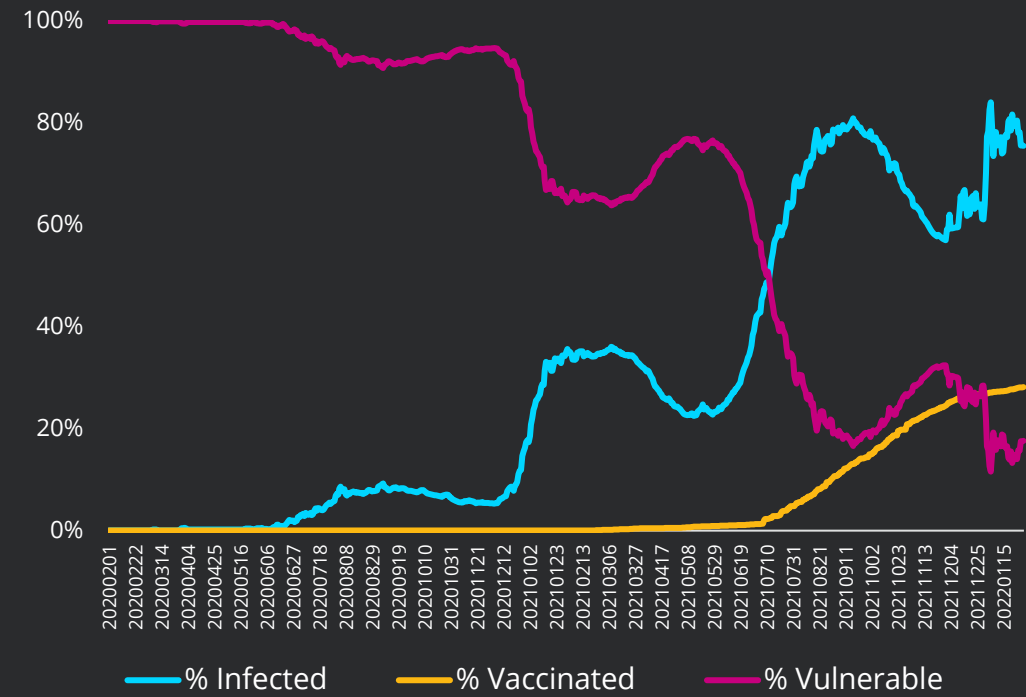
# SA population has strong and increasing levels of immunity



70%-80% of population have immunity, but it wanes due to reinfection risk\*



c18% population vulnerable, but can increase given immunity is not durable



**Boosters and vaccination are essential, even after infection**

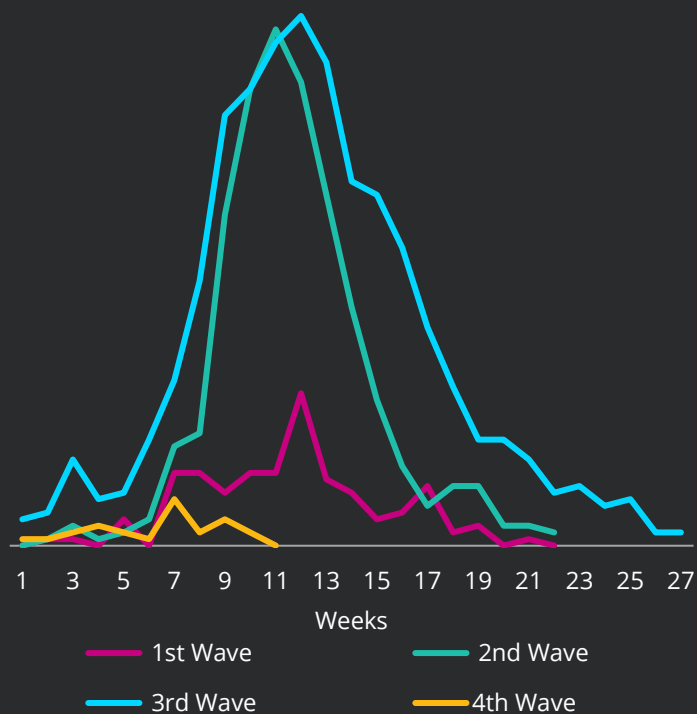
\*Reinfection rate of 20% for all waves except 55% for the Omicron wave. Actual COVID-19 deaths and the Verity IFR to determine the number of infections

# Encouraging COVID-19 trends, provisions remain intact to cover best estimate scenario



## Case fatality rates reduced significantly

Life deaths



## Higher risk Discovery population vaccinated

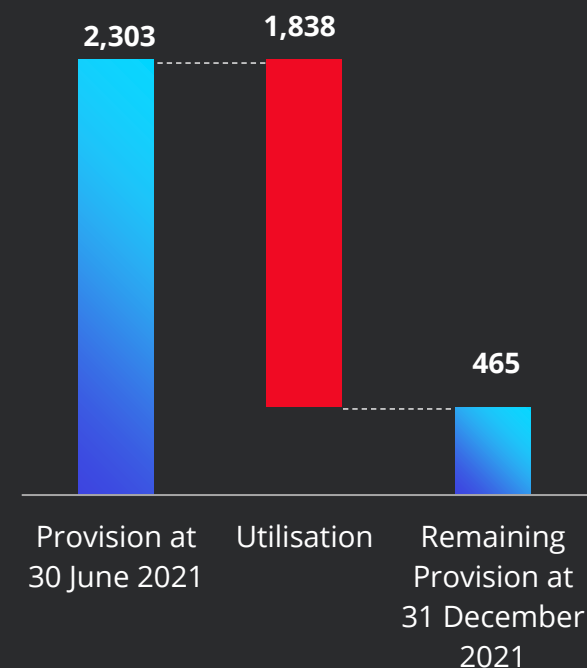
Actual % vaccinated

|                  | At least partially vaccinated |                     | Fully vaccinated over age 60 |
|------------------|-------------------------------|---------------------|------------------------------|
|                  | Total lives                   | Members over age 60 |                              |
| Health           | <b>49%</b>                    | <b>81%</b>          | <b>72%</b>                   |
| Individual Life* | <b>75%</b>                    | <b>82%</b>          | <b>75%</b>                   |
| Group Life*      | <b>78%</b>                    | <b>88%</b>          | <b>82%</b>                   |

\*Sum assured weighted

Individual Life provisions remain intact, expected to be sufficient for H2 22 claims

**80%** IFRS provision utilisation in H1 22





# Financial results

# Resilient performance



**+8%**

**R4.9bn**




Operating profit

**+6%**

**R10.5bn**

Core new business API

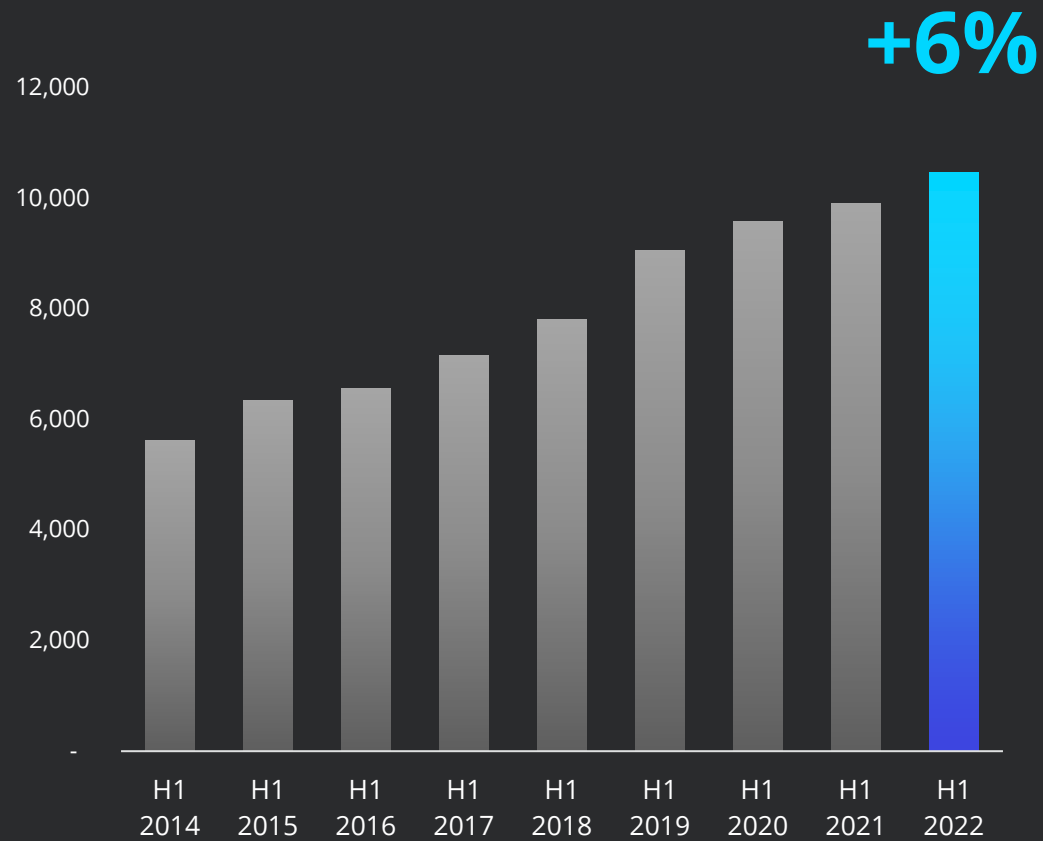
ZARm

|    | Health          | 1 750 | <b>+5%</b>  | 3 598                           | <b>+29%</b>  | Resilient financial performance, supported by continued operational efficiency and new business over the period  |
|--|-----------------|-------|-------------|---------------------------------|--------------|--|
|  | Life            | 1 934 | <b>+1%</b>  | 1 267                           | <b>+9%</b>   | Strong positive experience variances with robust capital and liquidity positions. R6bn gross COVID-19 claims paid cumulatively, reduced asset base returns impacting earnings  |
|  | Invest          | 517   | <b>+10%</b> | 1 519                           | <b>+15%</b>  | Robust performance with strong increase in new business growth and assets under management   |
|  | Insure          | 15    | <b>-86%</b> | 597                             | <b>-3%</b>   | Difficult period, characterised by an increased loss ratio driven by adverse weather events combined with motor parts inflation dramatically exceeding CPI   |
|    | Vitality Health | 850   | <b>+39%</b> | 708                             | <b>+11%</b>  | Excellent operating performance driven by sustained membership growth, rigorous expense controls and excellent care management   |
|  | Vitality Life   | 361   | <b>+10%</b> | 554                             | <b>-1%</b>   | Robust performance as a result of management actions taken over previous reporting periods. Made significant progress with Prudential in agreeing the terms of a long-term deferral of the Part VII transfer                             |
|  | Vitality Group  | 234   | <b>-2%</b>  | 668                             | <b>+7%</b>   | Strong underlying growth, with growth in profit from operations impacted by foreign exchange gains in the prior period not being repeated  |
|  | Ping An Health  | 140   | <b>+25%</b> | 1 426                           | <b>-21%</b>  | Robust profit growth. New business written premium reduced due to rebasing co-operation with Ping An Life for business written in certain regions in China   |
|  | Bank            | (498) | <b>-18%</b> | >200k<br>New-to-Bank<br>clients | <b>+151%</b> | Operating loss reducing faster than plan due to excellent performance across all metrics. Benefits of the business model continue to manifest in improving operating leverage  |
|  | Other New       | (470) | <b>+21%</b> | 772                             | <b>-23%</b>  | 8% of Group operating profit on new (excl bank) vs 7% in the prior period. Half of spend relates to Vitality Group with a notable increase in globalising Discovery's Vitality and Health capabilities via Vitality Health International |

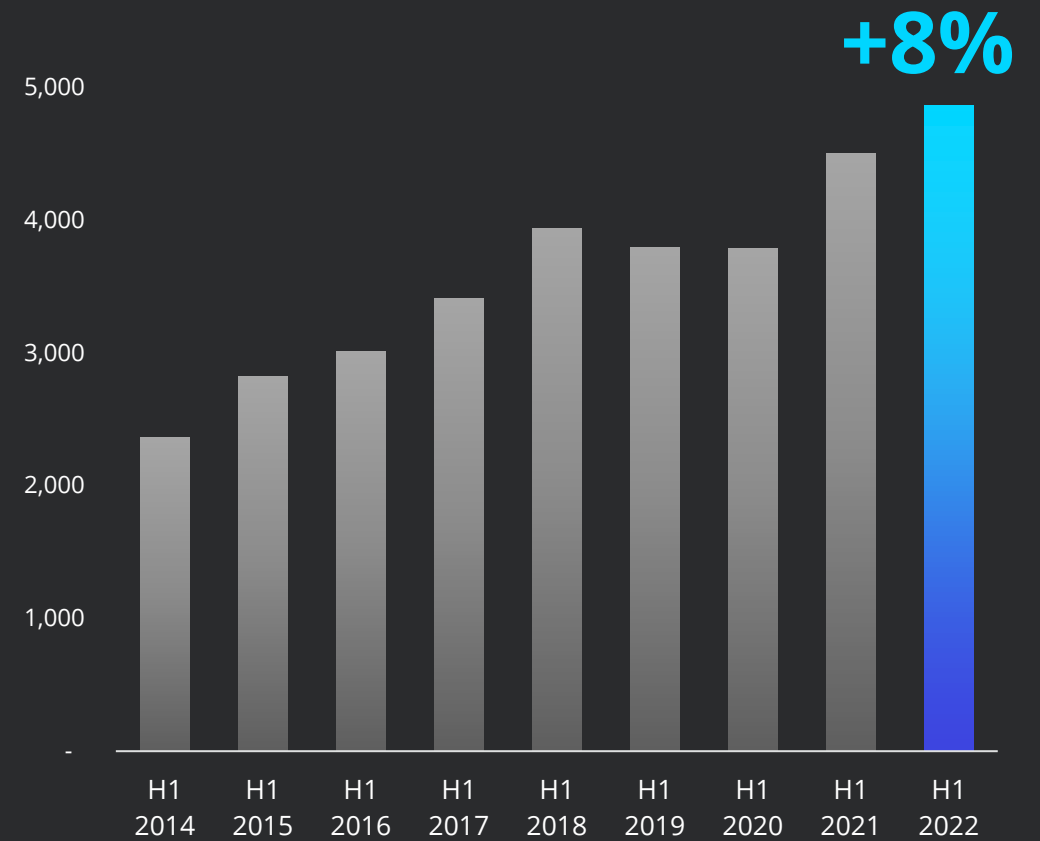
# Maintaining excellent growth



## Core new business (Rm)



## Operating profit (Rm)



# Businesses better off than pre-COVID-19



**Discovery Health**

**Discovery Life**

**Discovery Invest**

**Discovery Insure**

**Vitality Health insurance**

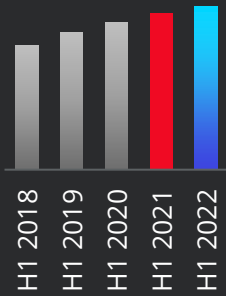
**Vitality Life insurance**

**Vitality GROUP**

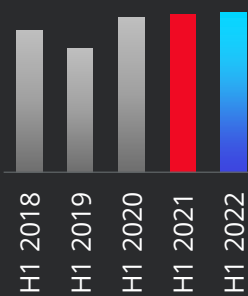
**平安健康保險  
PING AN HEALTH INSURANCE**

Operating profit

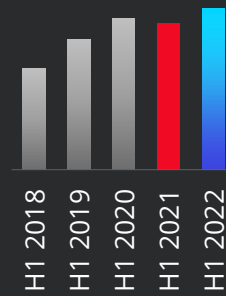
**+5%**  
to R1 750m



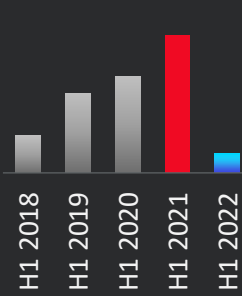
**+1%**  
to R1 934m



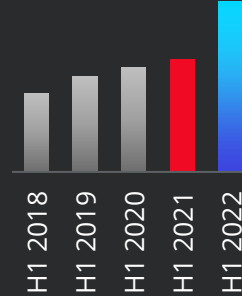
**+10%**  
to R517m



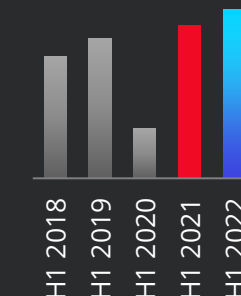
**-86%**  
to R15m



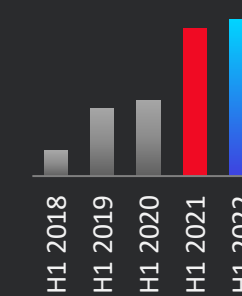
**+44%**  
to £41.5m



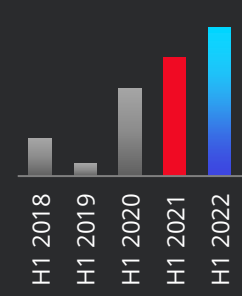
**+15%**  
to £17.6m



**+7%**  
to \$15.5m



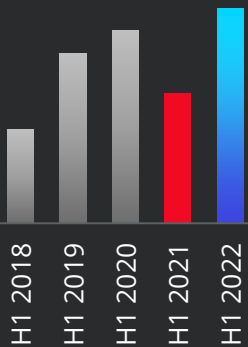
**+25%**  
to R140m



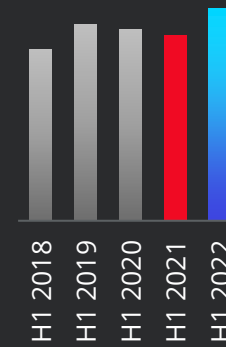
**+29%**  
to R3 598m  
Excl new closed schemes



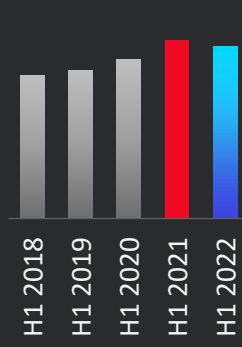
**+9%**  
to R1 267m



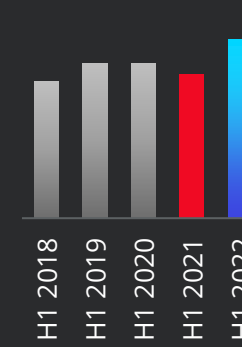
**+15%**  
to R1 519m



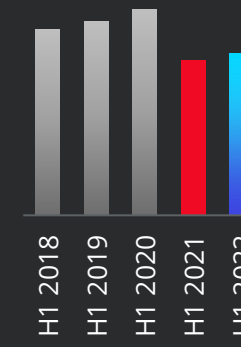
**-3%**  
to R597m



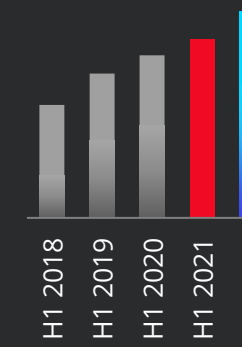
**+15%**  
to £34.5m



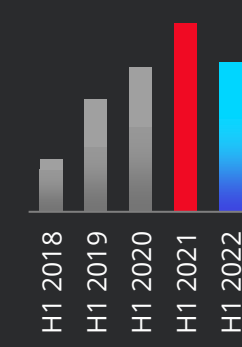
**+3%**  
to £27.1m



**+16%**  
to \$44.5m



**-21%**  
to R5.7bn\*

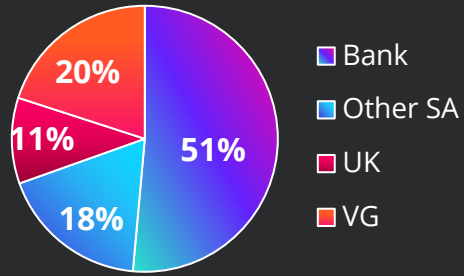


\*100% PAH

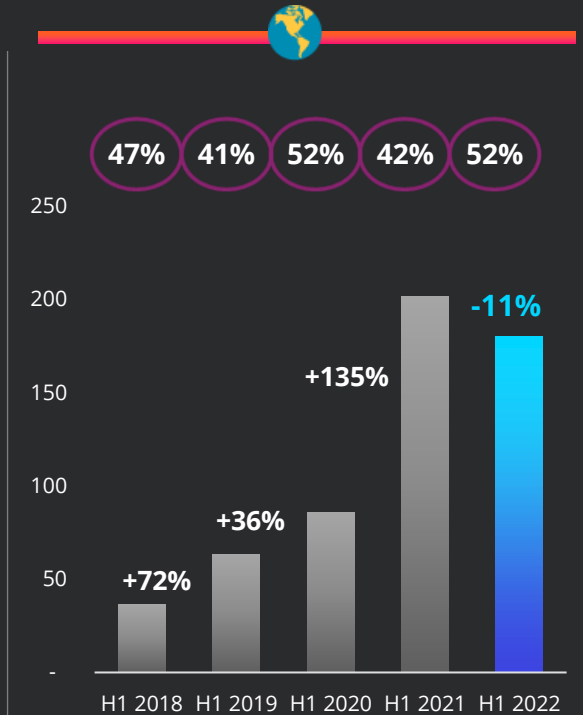
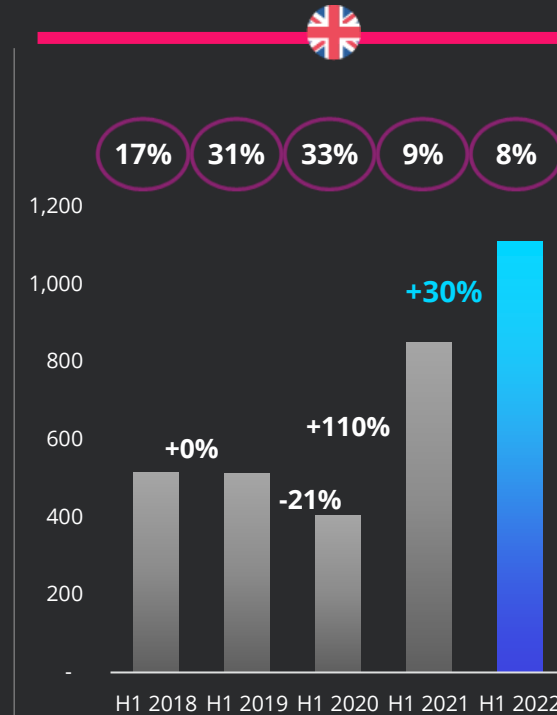
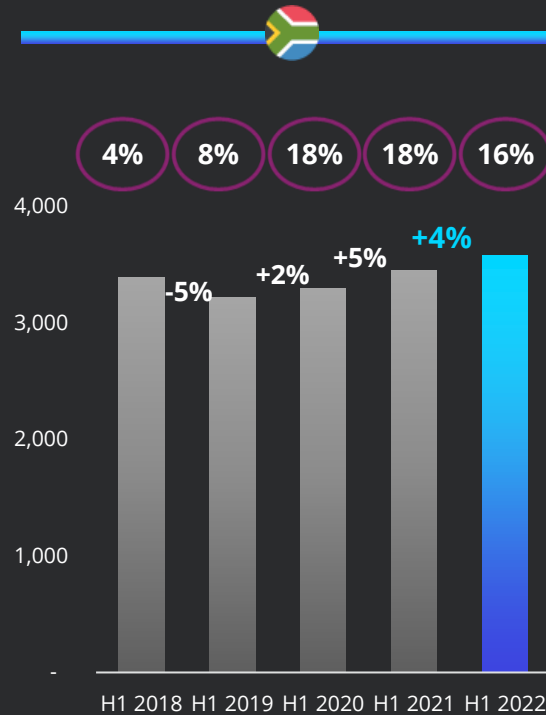
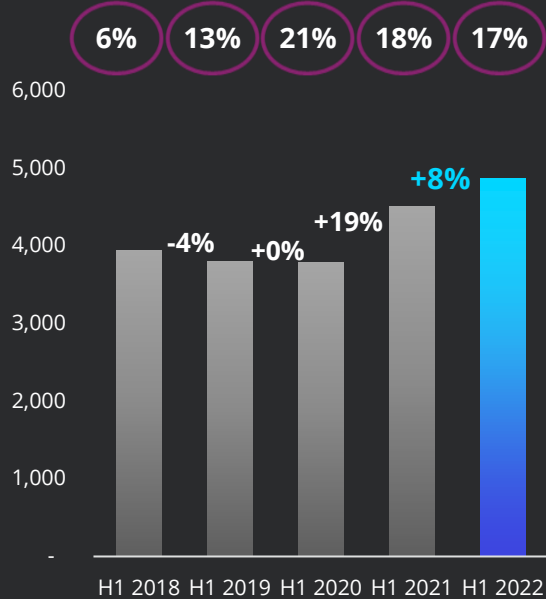
# Investing heavily offshore, strong operating profit in the strands



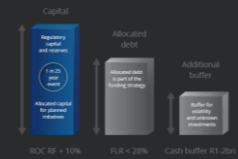
## 71% Bank and Vitality Group



## Operating profit (ZARm): Total Group:







# Group is well capitalised and highly liquid

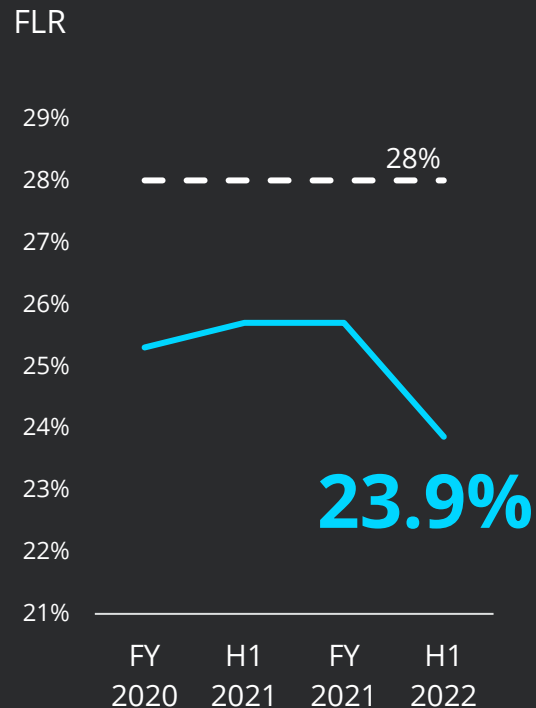


## Strongly capitalised

|                   | Dec 20<br>Cover | Dec 21<br>Cover |
|-------------------|-----------------|-----------------|
| Life              | 1.8x            | <b>1.8x</b>     |
| Insure            | 1.8x            | <b>1.8x</b>     |
| VH                | 2.0x            | <b>1.9x</b>     |
| VL                | 2.0x            | <b>2.2x</b>     |
| Bank <sup>1</sup> | 1.3x            | <b>1.4x</b>     |
| PAH <sup>2</sup>  | 2.1x            | <b>2.1x</b>     |

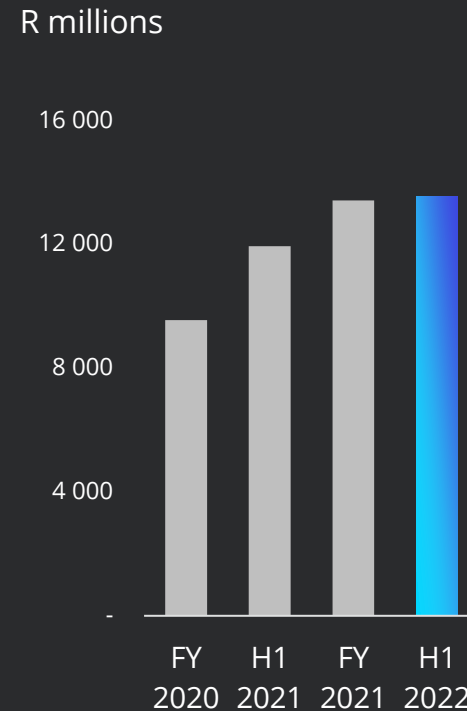
DHMS solvency (unaudited) **38.6%**

## FLR is within target



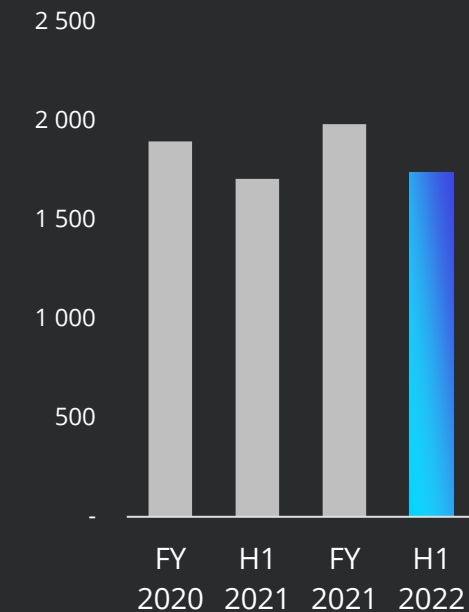
## Highly liquid across the Group<sup>3</sup>

Liquid excess assets above minimum regulatory capital requirements



## Sufficient liquidity at the centre

SA Liquidity<sup>4</sup>, R millions



1 Capital Adequacy Ratio

2 Before capital injection

3 Considers SA Liquidity and liquid excess assets for Discovery Life, Discovery Insure, VitalityHealth, VitalityLife and Discovery Bank

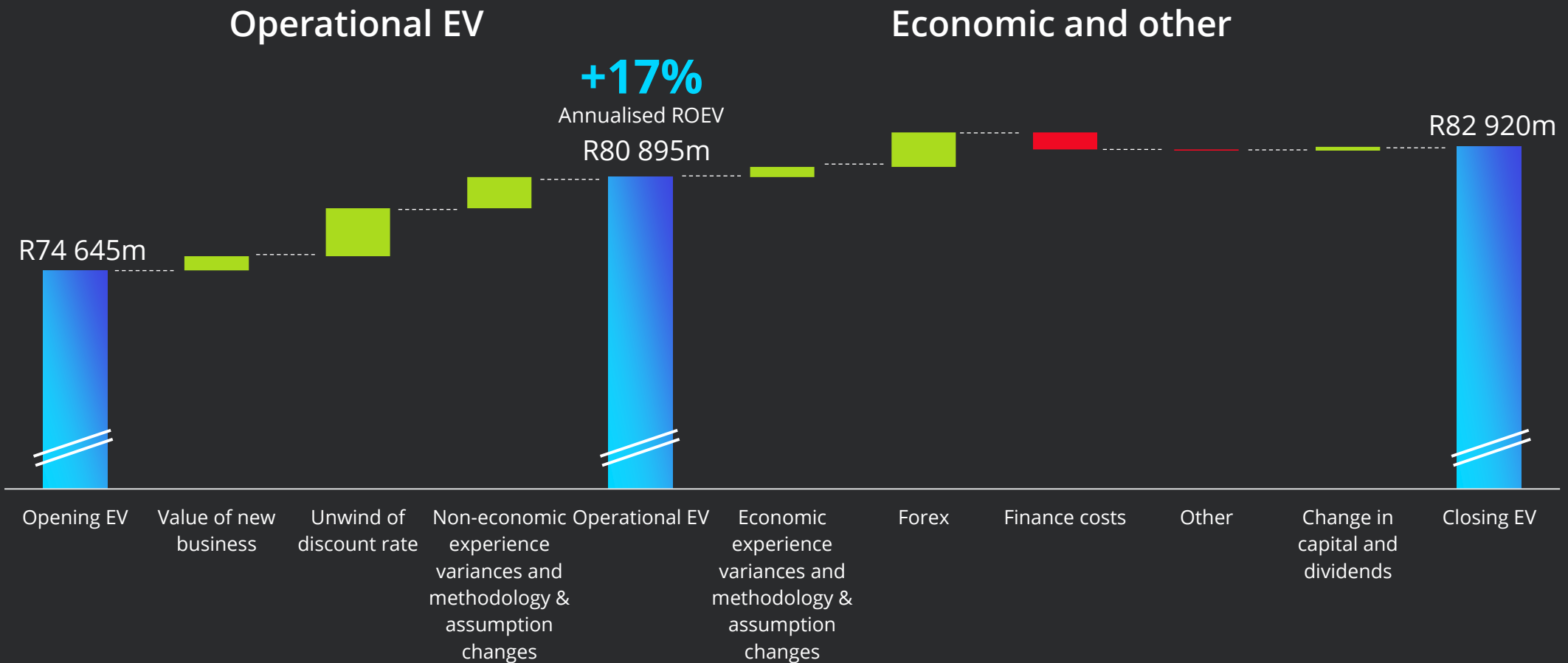
4 SA cash + undrawn committed facilities

# Group Embedded Value



**+22.7%**

Annualised ROEV  
14% excluding COVID-19,  
forex and economic changes



# Reported profit for period affected by three key factors



| Rm   | 6 months ended<br>Dec 2021 | 6 months ended<br>Dec 2020 | %           |
|--|----------------------------|----------------------------|-------------|
| <b>Normalised profit from operations</b>   | <b>4,872</b>               | <b>4,507</b>               | <b>+8%</b>  |
| <b>1</b> Economic assumptions adjustment - DL  | 498                        | -493                       |             |
| Economic assumptions adjustment - VL   | -46                        | 1                          |             |
| Finance charges excl. 1DP finance lease  | -698                       | -649                       |             |
| <b>2</b> Unrealised gains/(losses) on foreign exchange contracts not designated as a hedge | 99                         | -207                       |             |
| Foreign exchange gains/(losses)  | 128                        | -362                       |             |
| Deferral fees related to Prudential Book transfer  | -92                        | -96                        |             |
| Investment income and fair value remeasurements  | 134                        | 149                        |             |
| <b>3</b> Vaccination costs   | -137                       | -                          |             |
| Other  | -49                        | -231                       |             |
| <b>Profit before tax</b>   | <b>4,709</b>               | <b>2,619</b>               | <b>+80%</b> |
| Tax  | -1,404                     | -744                       |             |
| Profit attributable to preference shareholders   | -28                        | -34                        |             |
| <b>Profit attributable to equity holders</b>   | <b>3,277</b>               | <b>1,841</b>               | <b>+78%</b> |
| Headline adjusting items   | 1                          | 1                          |             |
| <b>Headline earnings</b>   | <b>3,278</b>               | <b>1,842</b>               | <b>+78%</b> |
| Economic assumptions adjustment (DL and VL)  | -321                       | 354                        |             |
| Other normalisation adjustments  | -81                        | 88                         |             |
| <b>Normalised headline earnings</b>  | <b>2,876</b>               | <b>2,284</b>               | <b>+26%</b> |

In SA, significant drop in real interest rates

**1** In UK, derivatives highly effective in mitigating volatility, convexity costs of GBP2.2m

Extreme volatility in Rand with significant weakening of the Rand compared to a strengthening in the prior period

**2**

Continued investment in supporting the national vaccination campaign in SA

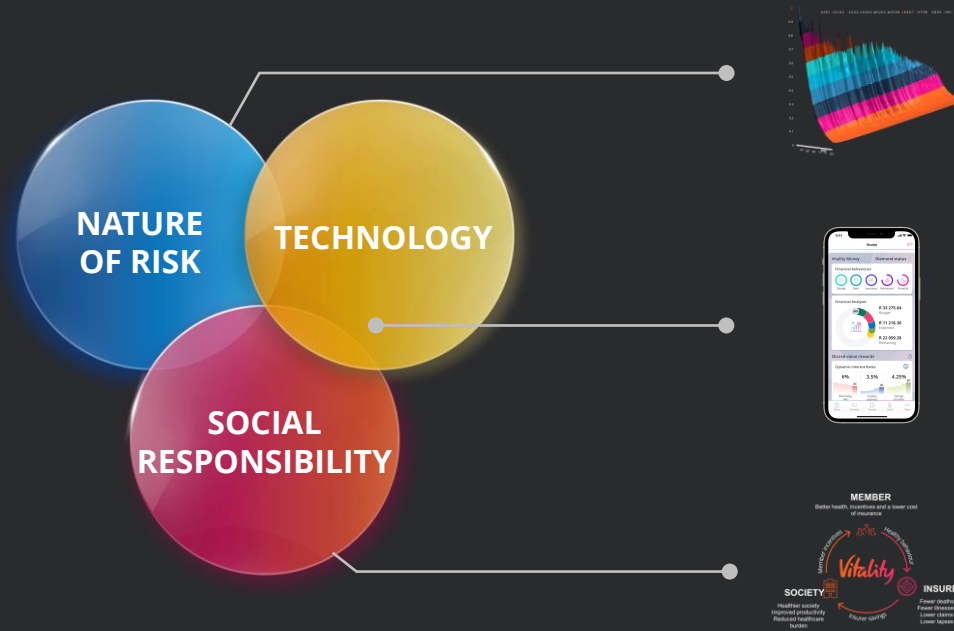
**3**

Due to the continued uncertainty caused by COVID-19 on the demographic and economic environment in SA, the Discovery Board has decided to retain its prior stated position during the pandemic and has decided not to declare an ordinary interim dividend for the period ended 31 December 2021. The reintroduction of an ordinary interim dividend will be considered on an ongoing basis



# The Vitality shared-value model

# The three trends remain relevant



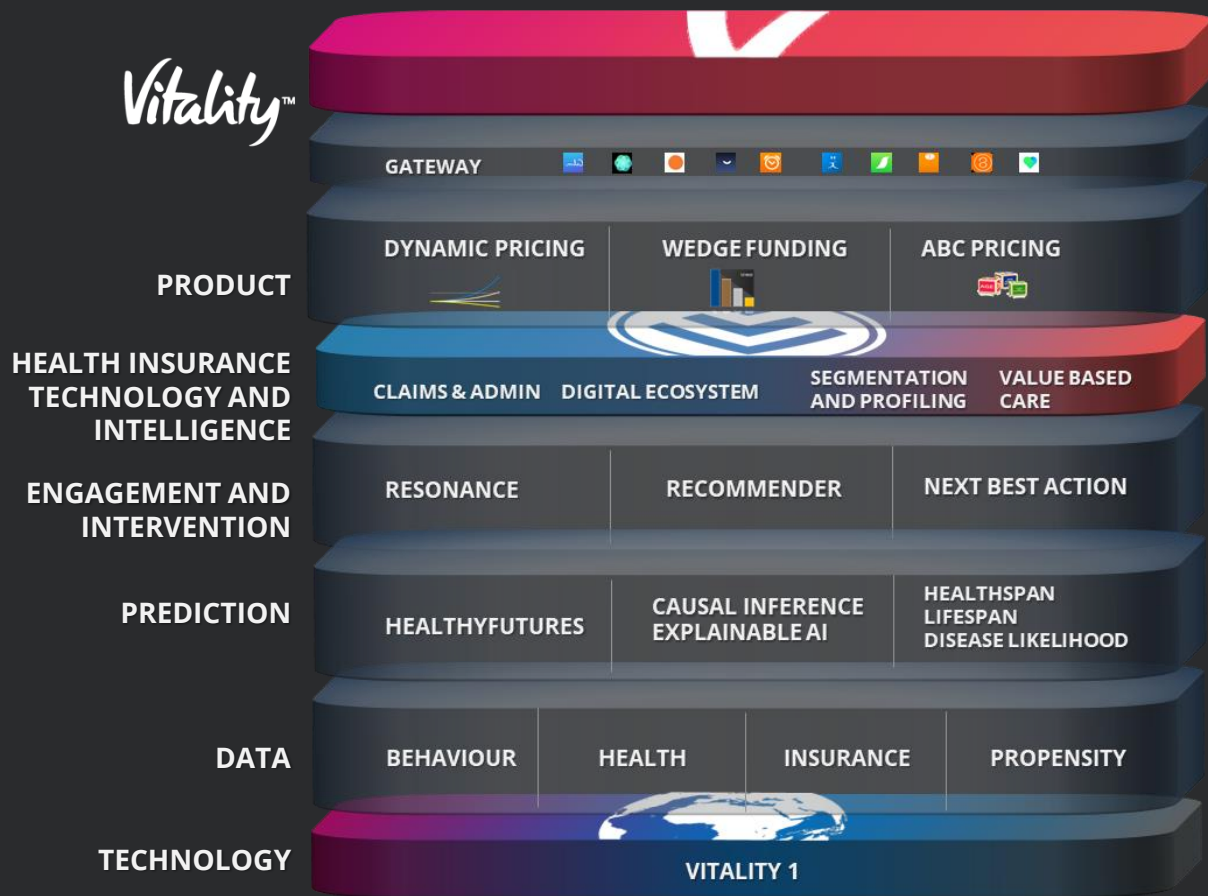
Standard risk factors, behavioural risk factors, correlations, pricing precision

Digital functionality, engagement, behaviour change, personalisation

Make people healthier, good for society, good for the planet



# Conviction in the model



## Know Your Health

### Prediction



#### Healthy Futures

State of the art health assessment framework

Assessment  
Healthspan calculation engine



## Improve Your Health

### Engagement



#### Next Best Action

Leading health recommendation engine

Lifestyle Goals  
Promotions  
Notifications  
Quizzes  
Content Manager  
Signature Experiences



## Get Rewarded

### Shared-value

#### Vitality Points



#### Vitality Status



#### Incentives and rewards

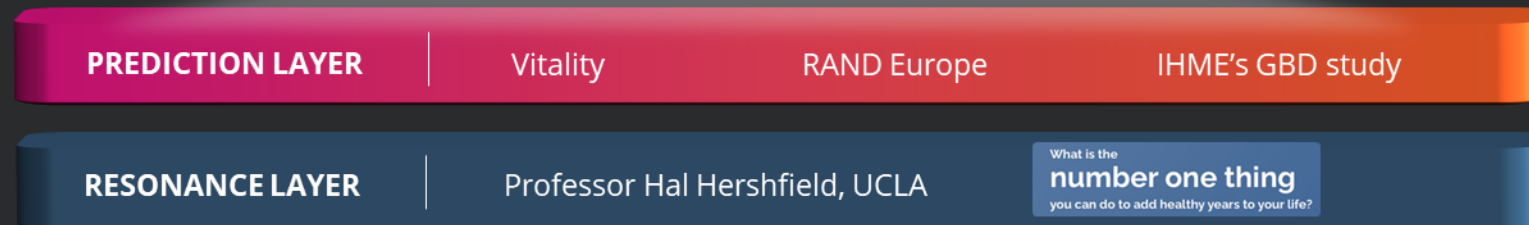
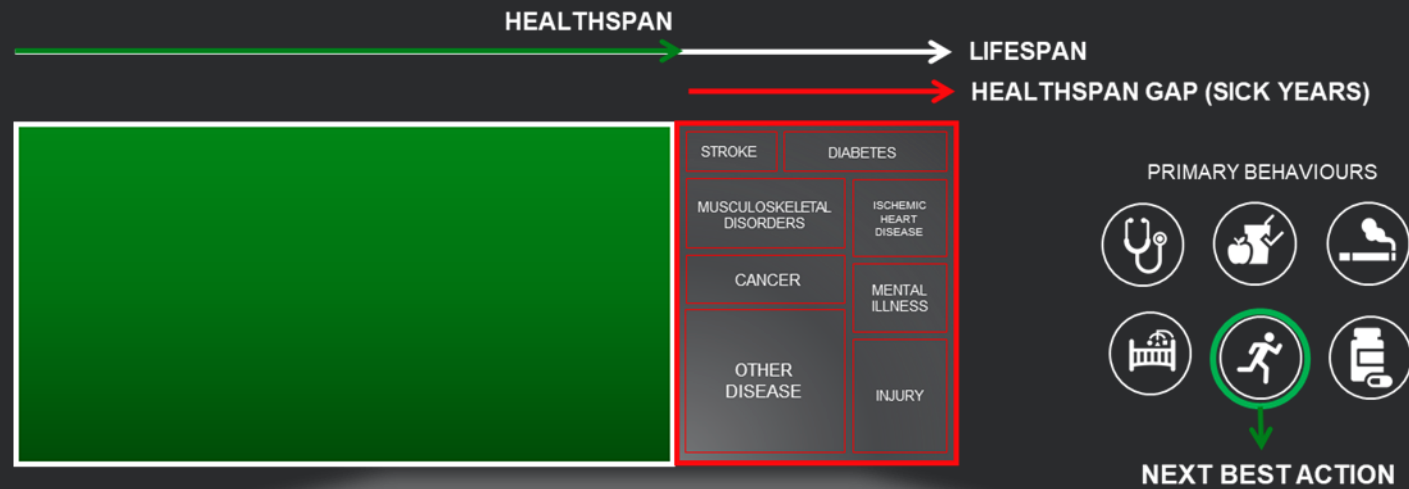


#### GateWay

Connectivity enabler  
connecting devices, wellness  
and health providers and  
rewards





Vitality Data Exchange  
Vitality Data Portal  
SDK  
Partner Classification  
Adherence API

# Risk prediction with Healthy Futures

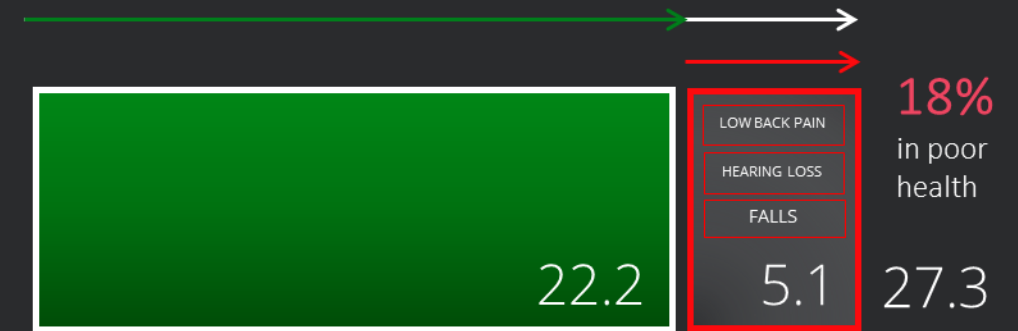
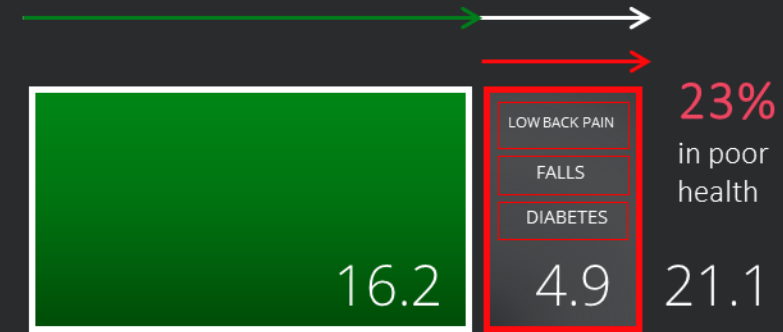
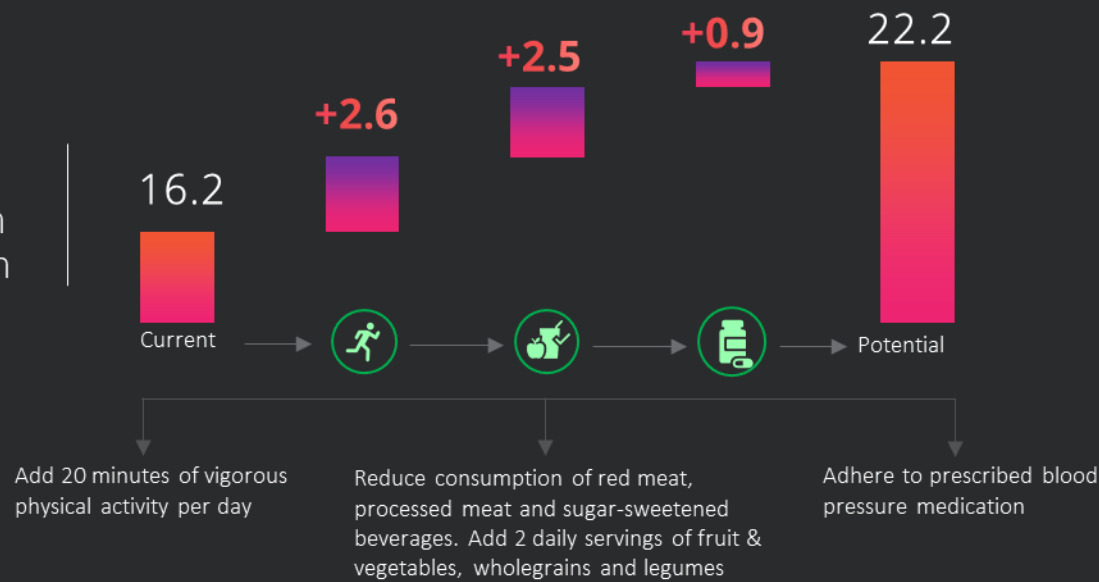


# Example



-  Ex-smoker
-  30 minutes of moderate physical activity per day
-  High consumption of alcohol, red meat, processed meat and sugar-sweetened beverages
-  Hypertensive and not adhering to medication

Potential increase in healthspan







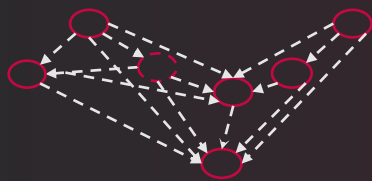
MEMBER DATA

PREDICT

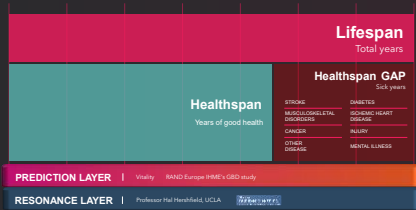
Demographics  
Engagement history  
Health claims  
Life claims  
Preferences

CASUAL INFERENCE

$\Delta q_x \mid \Delta \text{behaviour}$



HEALTHSPAN



Next Best Action

RECOMMEND

INCENTIVISE

Quit smoking

**Quit Genius**

Quit smoking experience

12 weeks



Lose weight

**SECOND NATURE**

Healthy weight experience

12 weeks

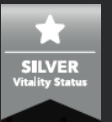


Manage stress & burn-out

**Coaches** wysa

Be well experience

6 weeks

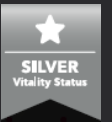


Become active

**Coaches** WW

Get active experience

6 weeks



Increase level of physical activity

**"Try this activity next week"**

Weekly

+10 points

Cycle is repeated



# Execution in the three strategic strands

# The strategic strands



- 1 Perfect composite model, #1 in every industry, and the Bank pivoting to growth as the composite-maker within SA
- 2 Best-in-breed products across businesses and operating as a fully integrated composite business with a seamless One Vitality client journey. A successful entry into motor insurance
- 3 Leading wellness and healthcare platform that provides preeminent life and health insurers globally with our Vitality shared-value and health management capabilities to assist them in making their customers healthier, while ensuring their products are more competitive with better margins



Excellent performance across all metrics,  
performance exceeded expectations resulting in the  
Bank's operating loss reducing faster than plan

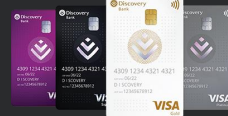
# Key focus areas for the Bank



1



## Full service bank at scale



Transaction and credit cards



Demand, tax-free, notice & fixed-deposit accounts (24hr - 5 years)



Multi-currency accounts

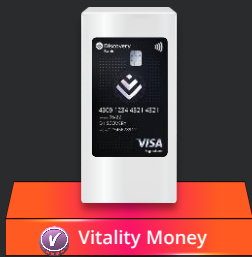


24/7/365 availability



Market-leading app functionality

2



## Shared-value banking model



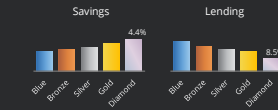
5 key financial behaviours



Vitality Money Financial Analyser



Shared-value rewards currency



Dynamic interest rates

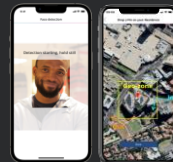


Dynamic, deep discounts

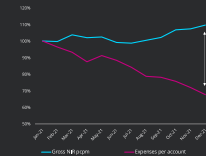
3



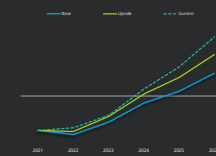
## Digital Bank scalability



<5min onboarding



Operating leverage



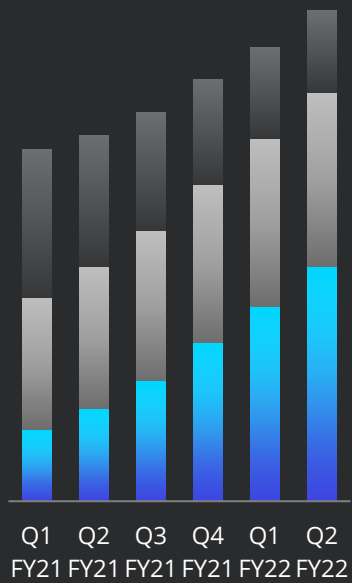
Strong returns

# Discovery Bank's key performance metrics trending positively



## Total clients

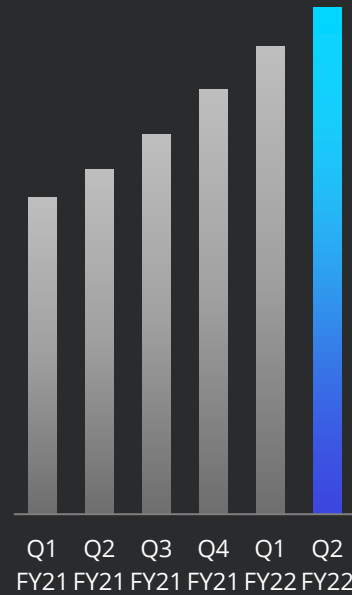
**>400k**



- Bin - Not Upgraded
- Bin - Upgraded
- New to Bank

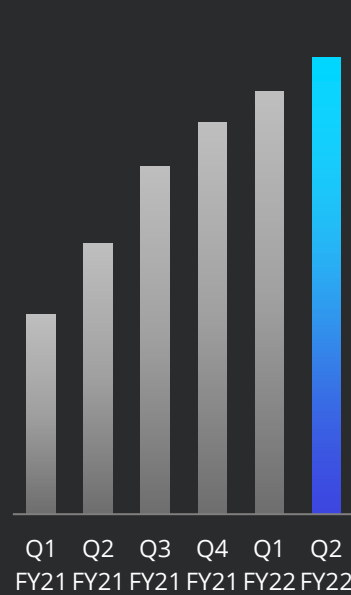
## Total accounts

**>850k**



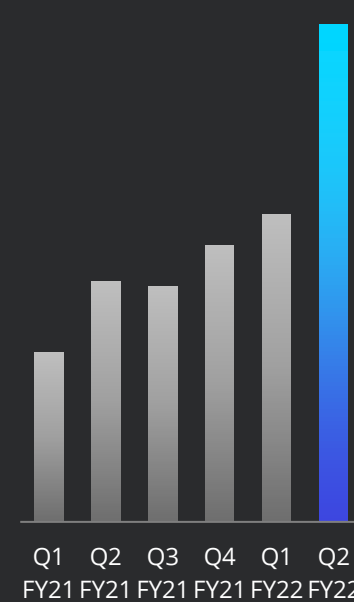
## Retail deposits

**R9.5bn**



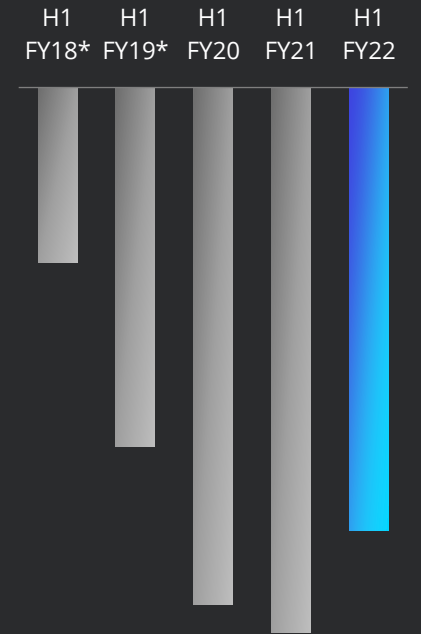
## Advances

**R4.2bn**



## Operating result

**-R498m**



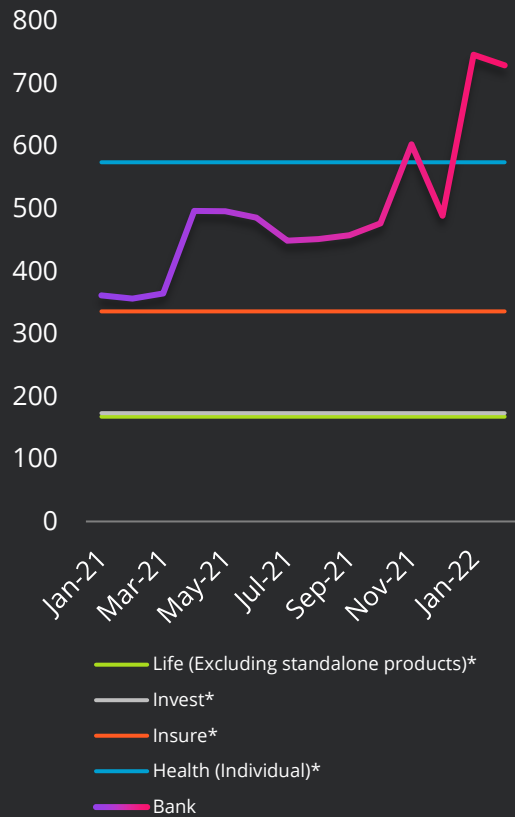
\*Includes capital development costs during build phase

# Growth of 750+ high quality clients per day



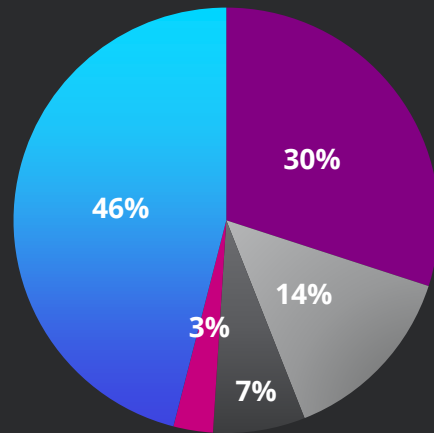
## Average daily new business

**~750** average daily sales; highest new business levels across the SA Composite



## New business composition

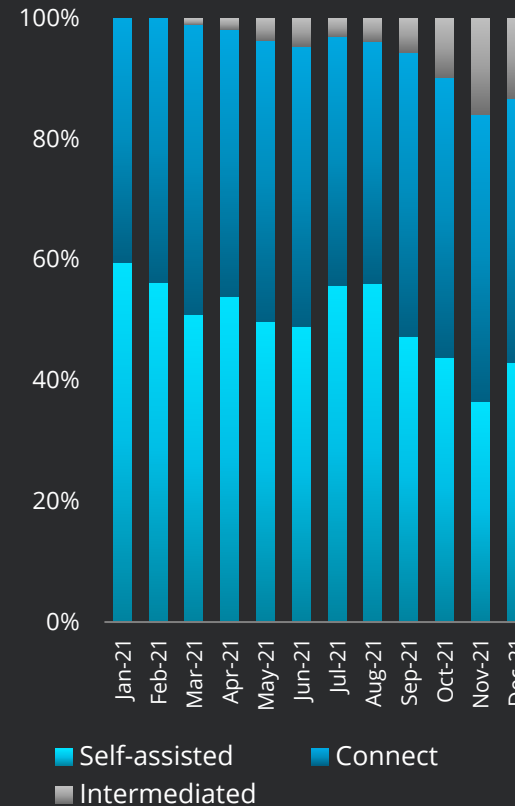
Healthy distribution of "Discovery" and "new-to-Discovery" clients



- 1 Product
- 2 Products
- 3 Products
- 4+ Products
- New to Discovery

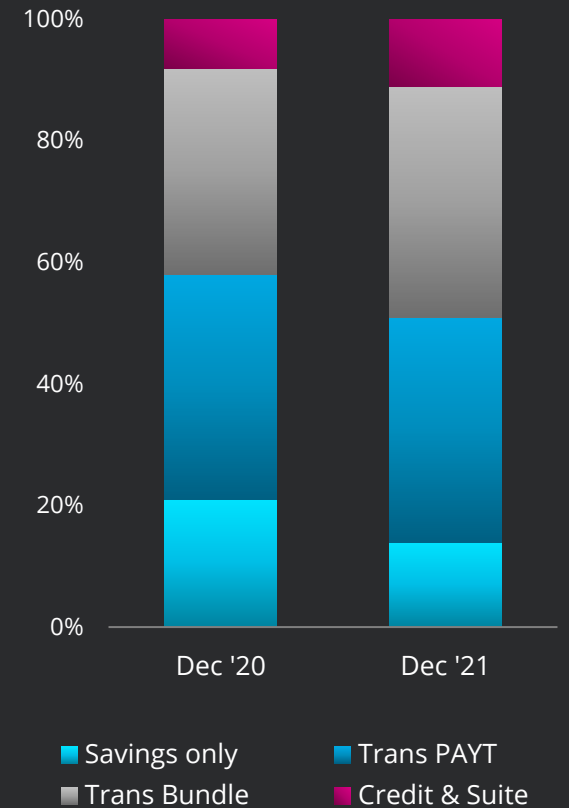
## Channel mix

Diversified channels – traction in intermediated channel



## Product mix

**±50%** Credit and Transaction Bundled sales



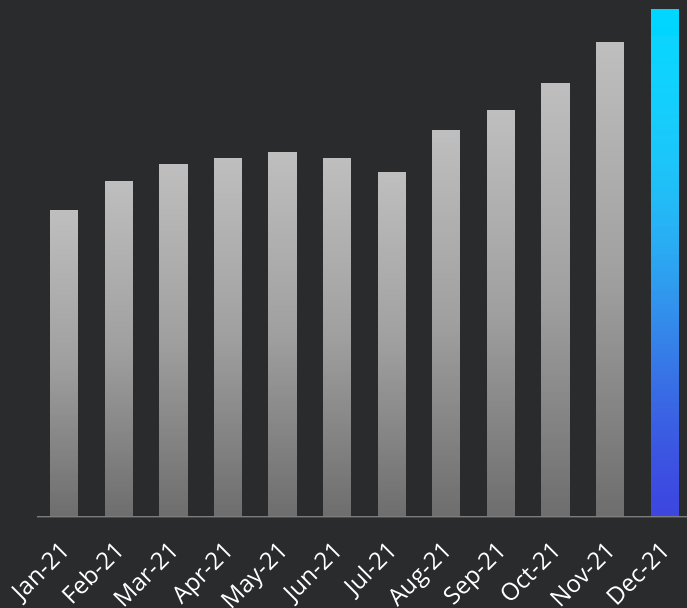
\* Average daily new business from July 2021 to Jan 2022

# Market-leading NIR per client with strong engagement



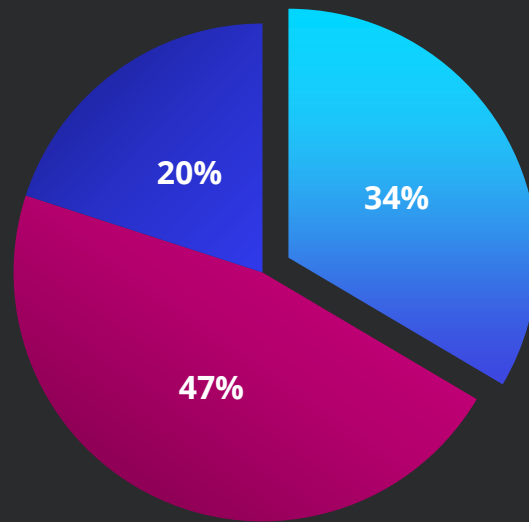
## Spend

**31%** Growth in spend y-o-y



## Engagement mix

**34%** Primary and highly active clients

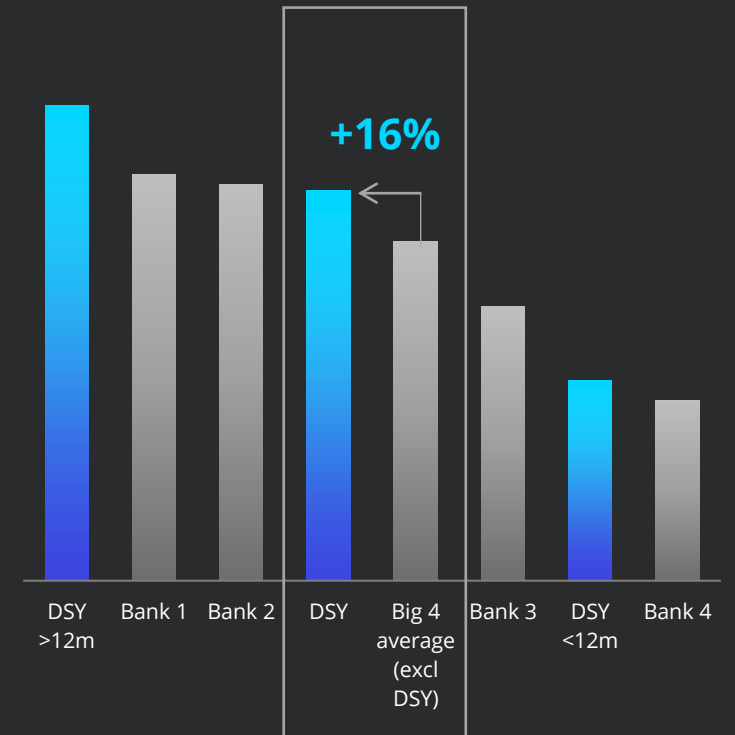


■ Primary and highly active ■ Active ■ Inactive

- Primary and highly active –  $\geq 15\%$  of net income as spend – for primary clients, salary deposits/ equivalent inflow
- Active –  $< 15\%$  of net income as spend
- Inactive – No activity or not in good standing

## Gross NIR pcpm (DSY v market)

**16%** Higher than Big 4 average



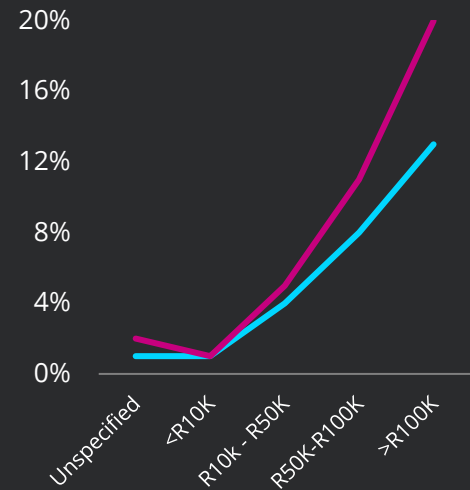


# Increasing market share of high-quality advances book



## Credit card market share

**±20%** Market share in >R100k pm income band



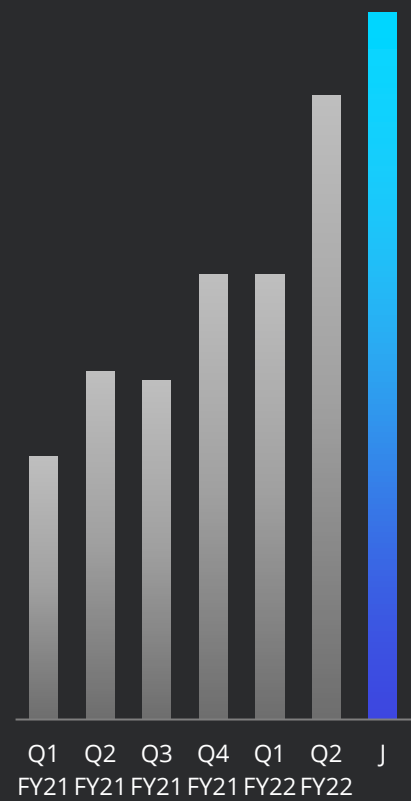
— DSY market share 2021  
— DSY market share Oct - Nov

**#1** Card volume in high-net-worth segment\*

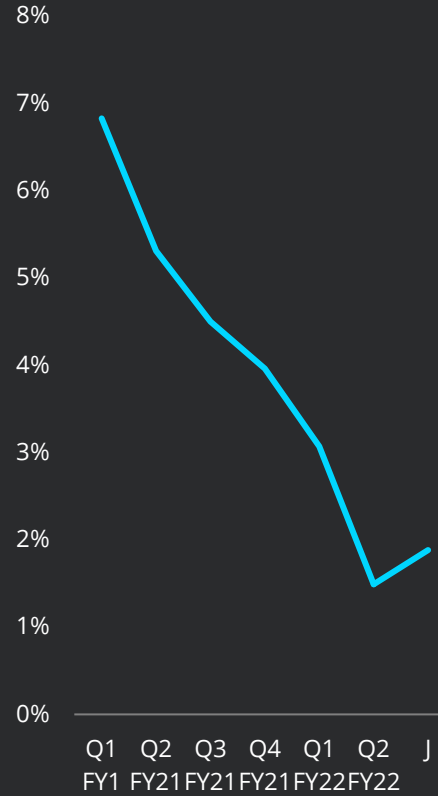


## Average advances

R4.2bn

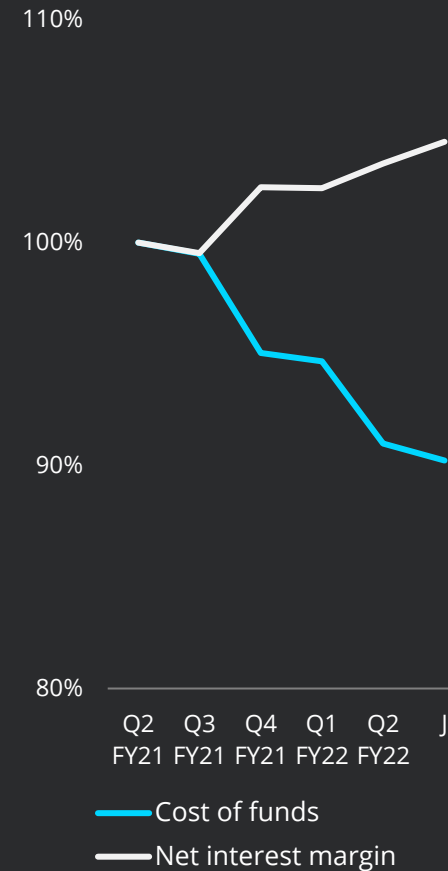


## Credit loss ratio

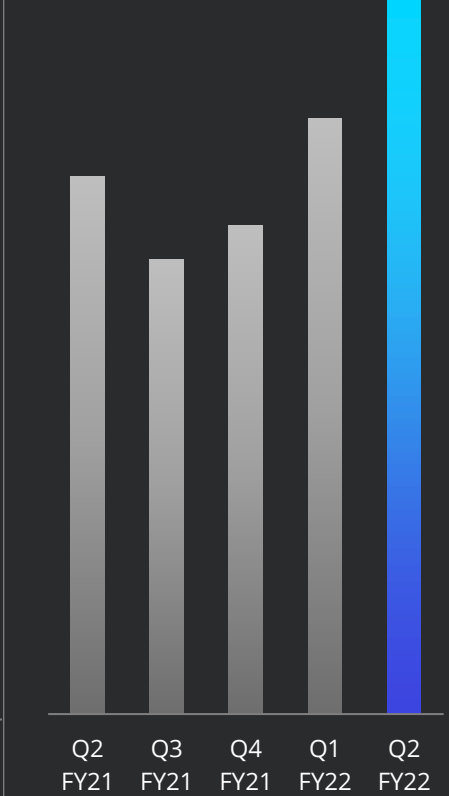


## Net interest margin

Indexed to Q2 FY21



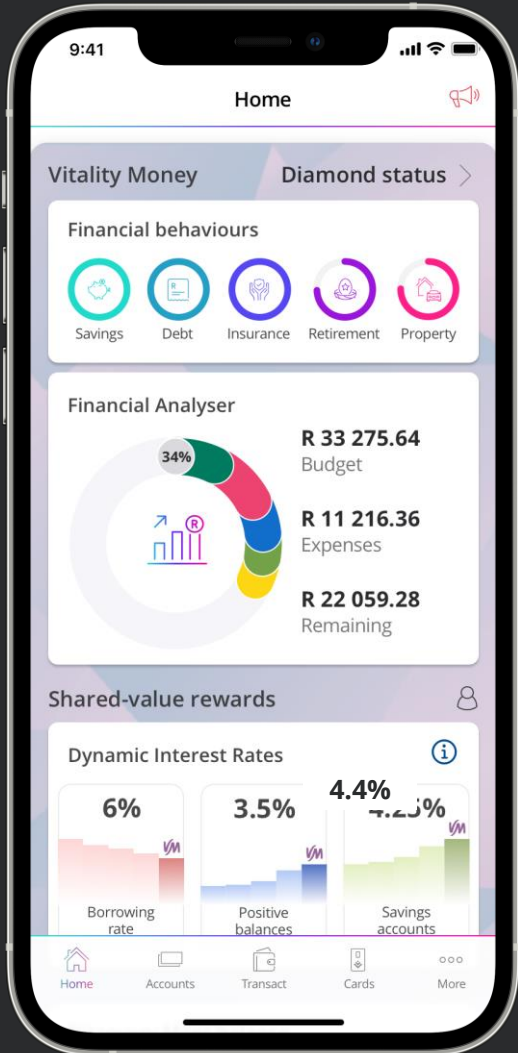
## Total NII



\*Signature and Infinite VISA card volume

Indexed to Q2 FY21; Q1 FY21 excluded due to billing anomalies during the BIN migrations

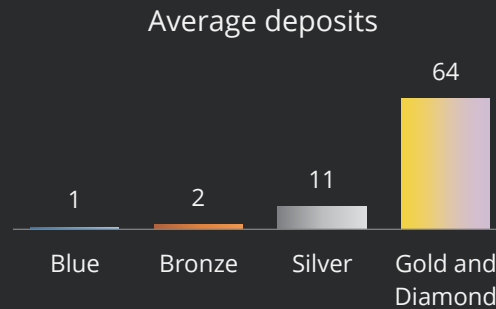
# Shared-value model correlations driving positive client and financial outcomes



## Funding

**7x**

higher average deposit  
Gold and Diamond vs Book average

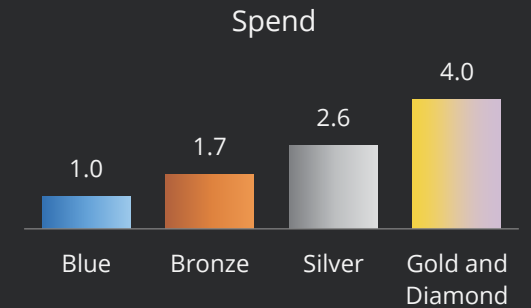


Indexed to Blue

## Revenue

**4x**

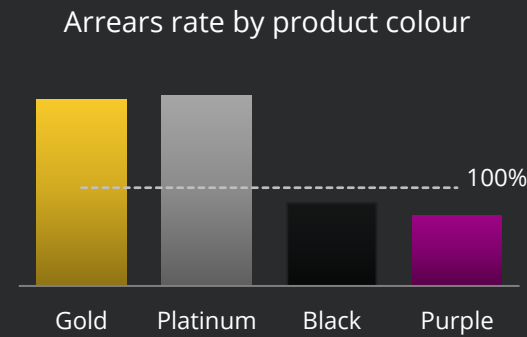
higher spend  
Gold and Diamond vs Blue



Indexed to Blue

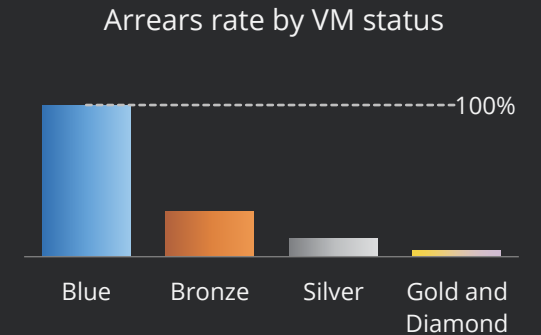
## Advances

Vitality Money correlations transcend income bands



**96%**

lower arrears rate  
Gold and Diamond vs Blue

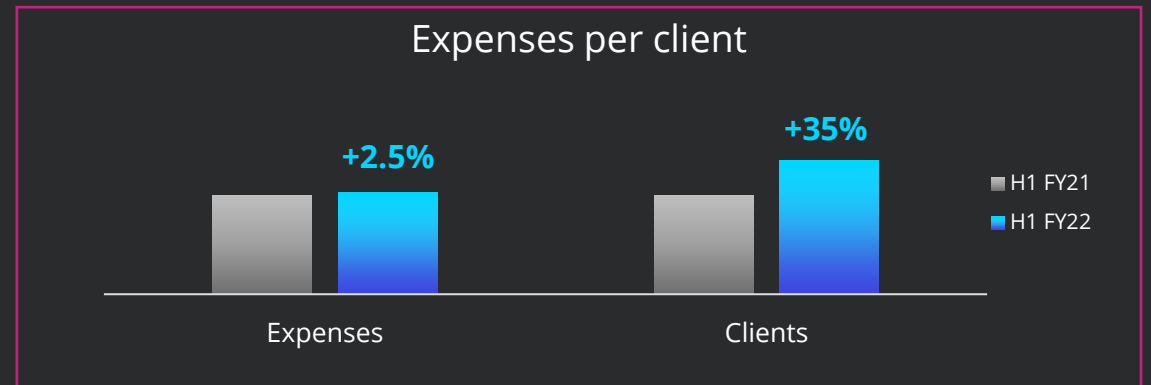
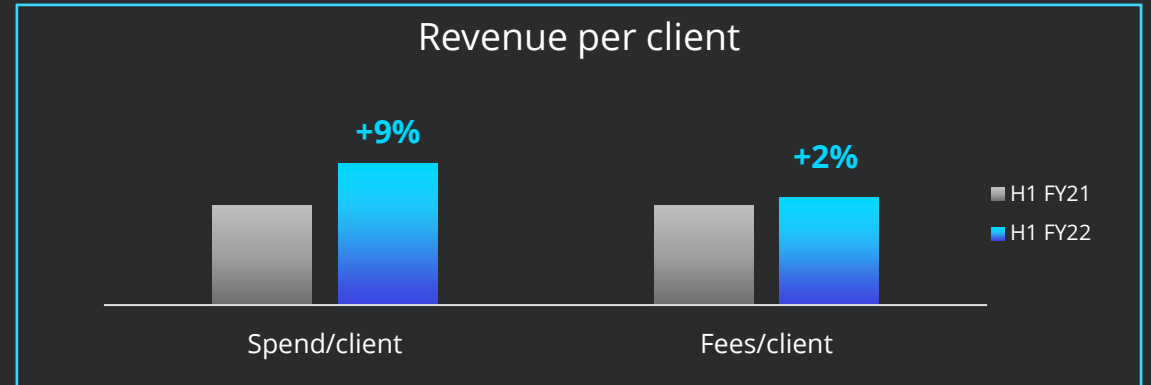
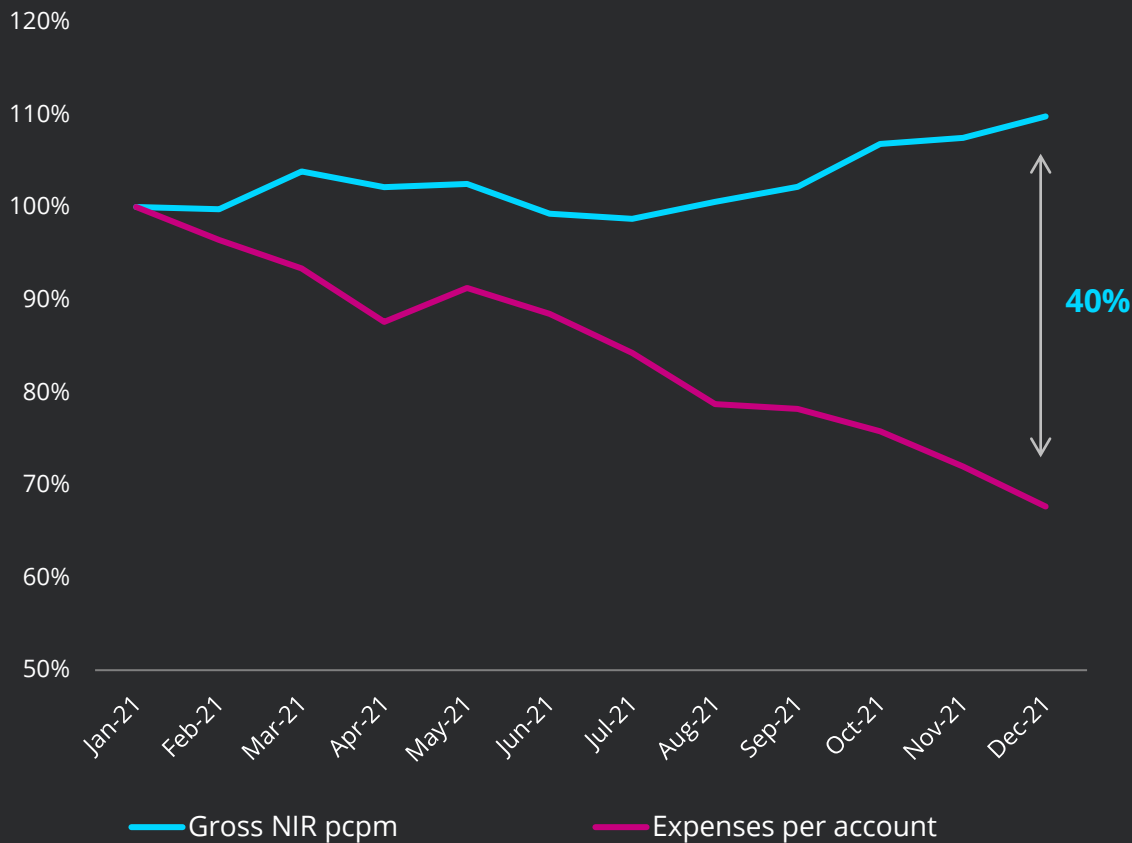


\* Bronze lapse rate higher than Blue as these clients had some engagement and so are more willing to phone the call centre to close their account vs leaving account idle

# Digital scalability driving 40% positive operating leverage



## Revenue vs expense growth indexed to Jan 21



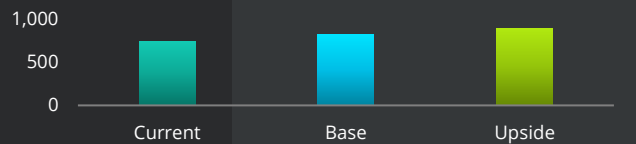
# Discovery Bank tracking ahead of upside scenarios to deliver attractive returns and profitability



## Key financial levers

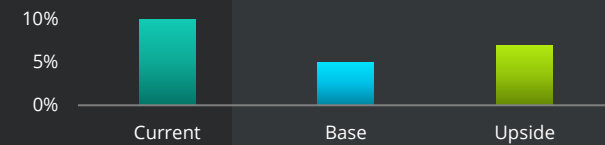
### Growth: clients

(average daily new business)



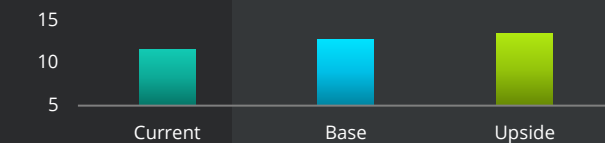
### Average gross NIR pcpm

(growth; %, before rewards and expenses, long-term assumptions represent a CAGR between FY22 and FY26)



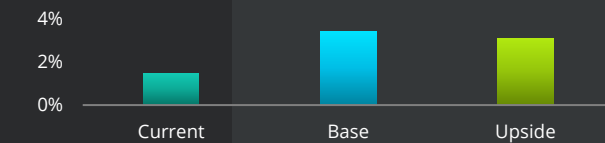
### Average advances pc

(Rands)



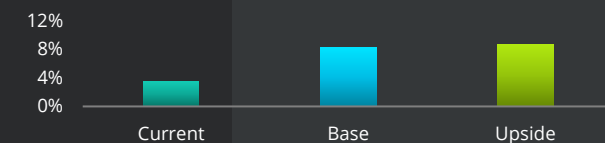
### Model efficacy: CLR

(%)

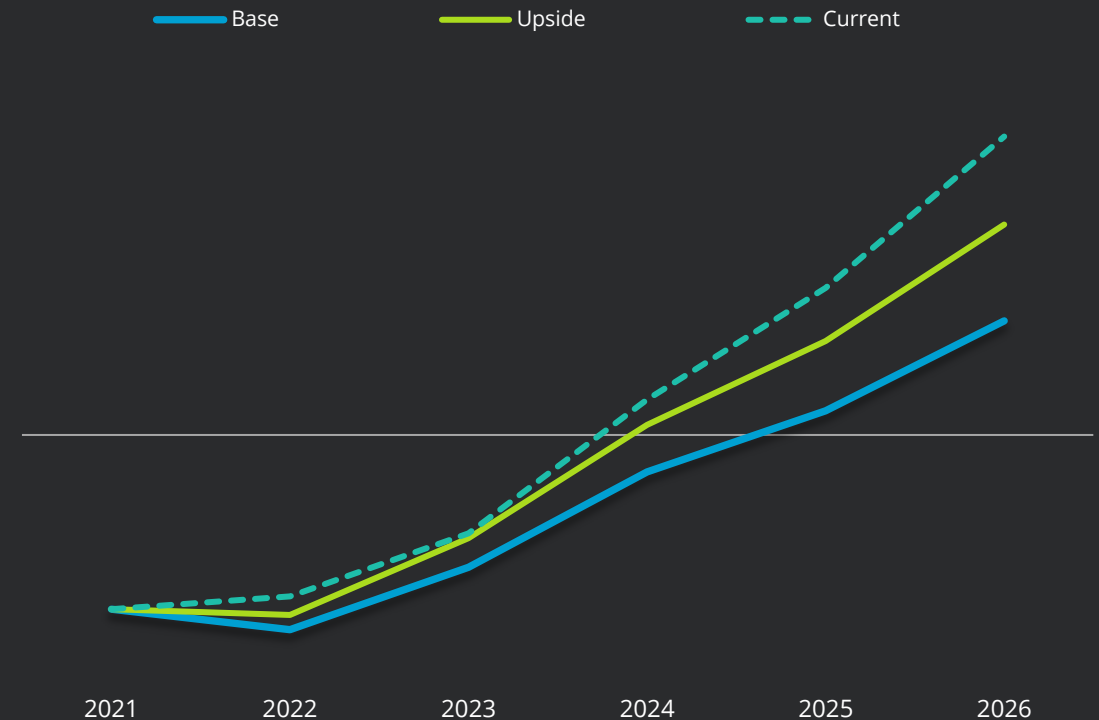


### Expenses growth

(%, excl. depreciation/ amortization, Long-term assumptions represent a CAGR between FY22 and FY26)



## Business case sensitivities and scenarios



- In addition to the above assumptions, the financials are sensitive to other factors such as the CLR, marketing spend, advances trajectory, deposits trajectory, cost of funds, regulatory capital requirements, inflation etc.
- These sensitivities illustrates the pattern of profit emergence to breakeven and are not intended to be a forecast. Forward looking information on this slide is for illustration purposes and has not been reviewed or reported on by the auditors

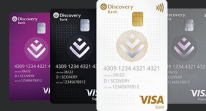
# Key focus areas for the Bank



1



## Full service bank at scale



Transaction and credit cards



Demand, tax-free, notice & fixed-deposit accounts (24hr - 5 years)



Multi-currency accounts



24/7/365 availability



Market-leading app functionality

2



## Shared-value banking model



5 key financial behaviours



Vitality Money Financial Analyser



Shared-value rewards currency

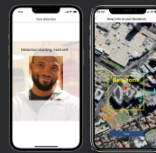


Dynamic, deep discounts

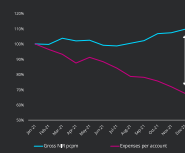
3



## Digital Bank scalability



<5min onboarding



4



## Composite maker

...



Performed robustly across all metrics with strong new business growth

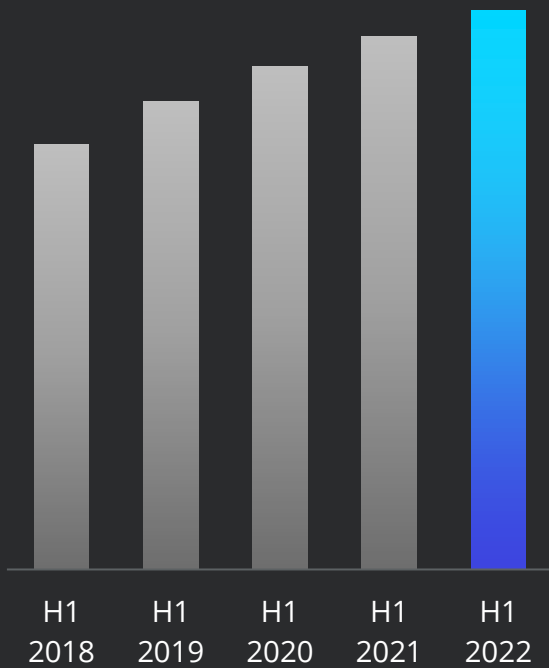
# Discovery Health



## Normalised operating profit

**+5%**

to R1 750m

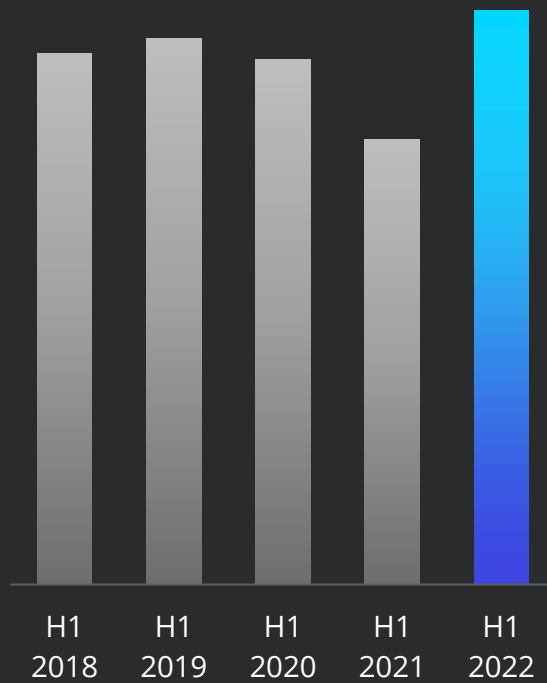


## New business

**+29%**

to R3 598m

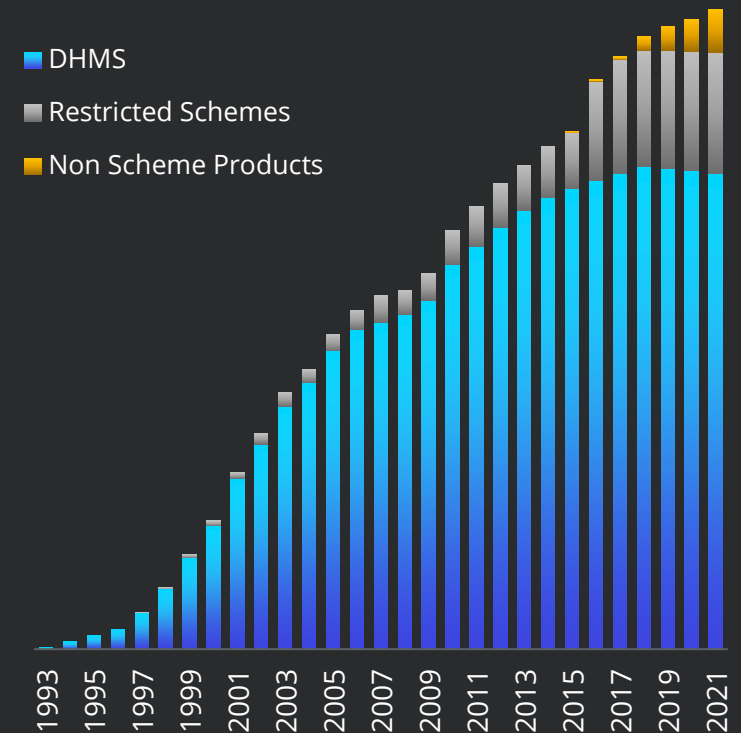
Excluding the take-on of new closed schemes



## Membership

**>3.7m**

lives under administration



# Discovery Health Medical Scheme performance summary



## Membership and growth

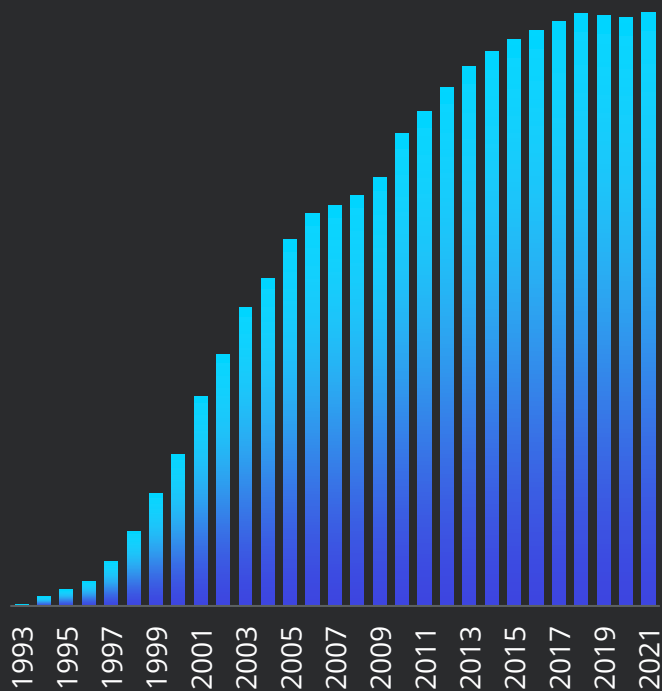
**>2.78m**

lives

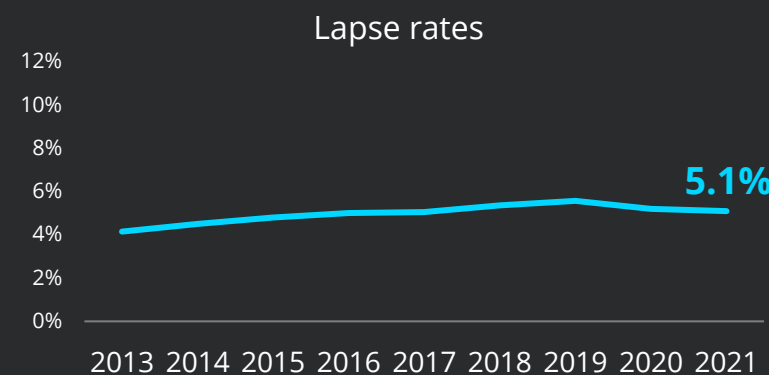
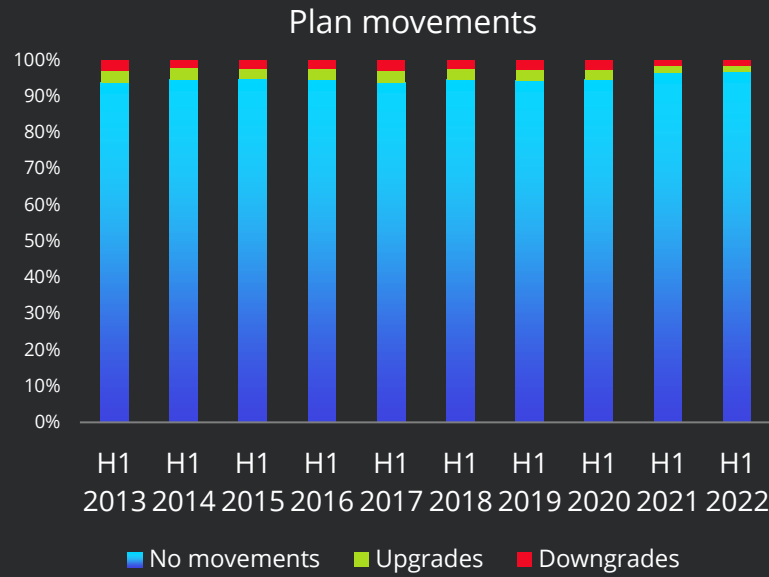
**57.5%**

market share

**↑ 0.45%** increase following strong new business in a contracting market



## Plan stability and low lapses



**Stable and resilient membership base** that is inelastic to economic shifts and changes in the healthcare environment

## Security and surplus

**38.6%**

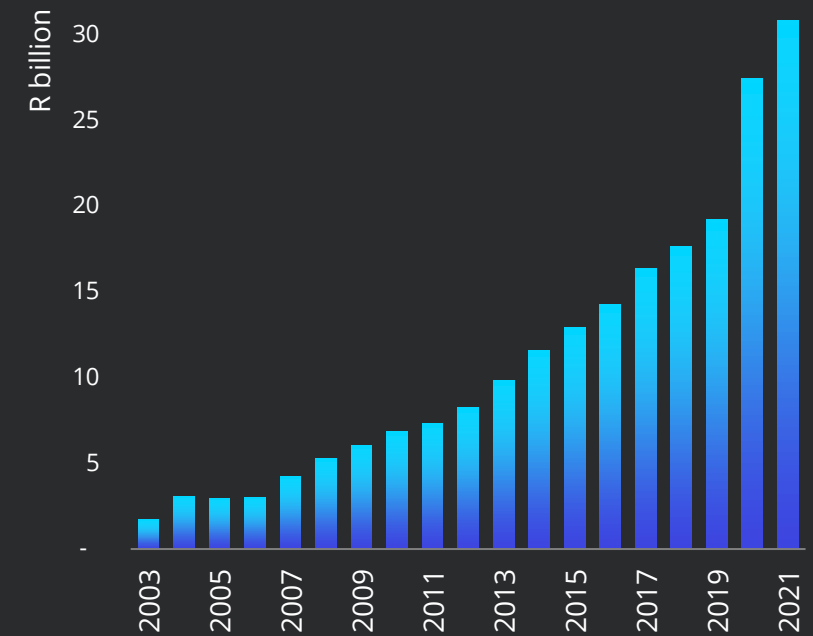
unaudited solvency

**AAA**

credit rating

**R30.8bn**

unaudited reserves





# Continued excellence in the closed scheme market



## Robust growth

**18**

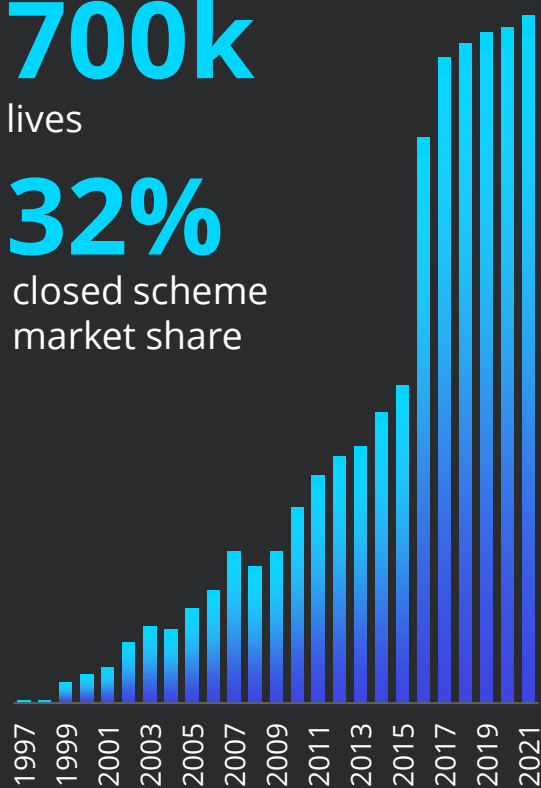
closed schemes

**700k**

lives

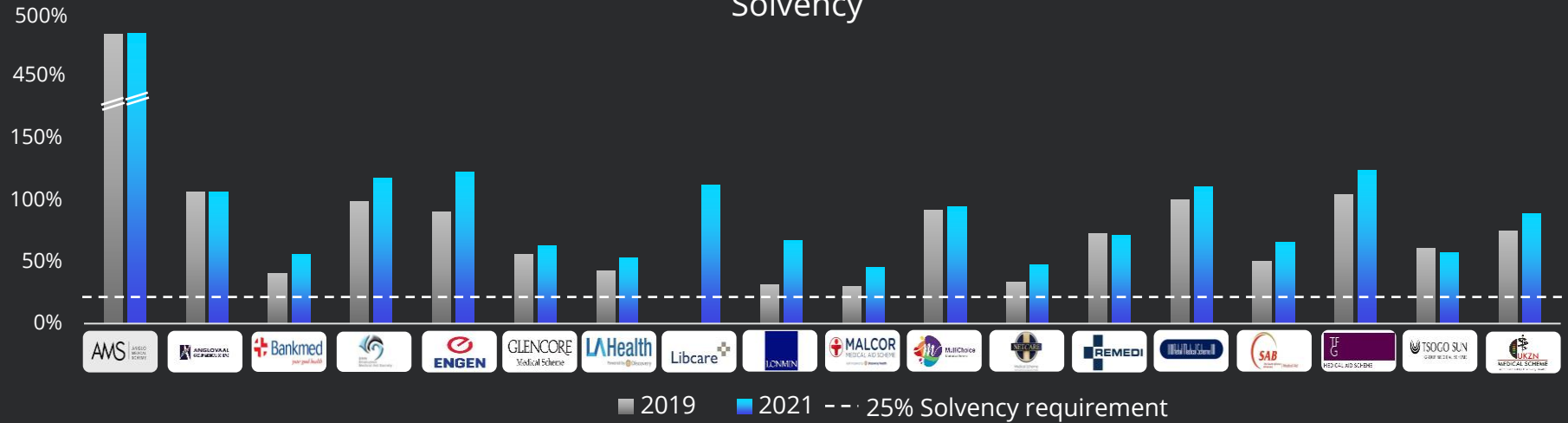
**32%**

closed scheme market share

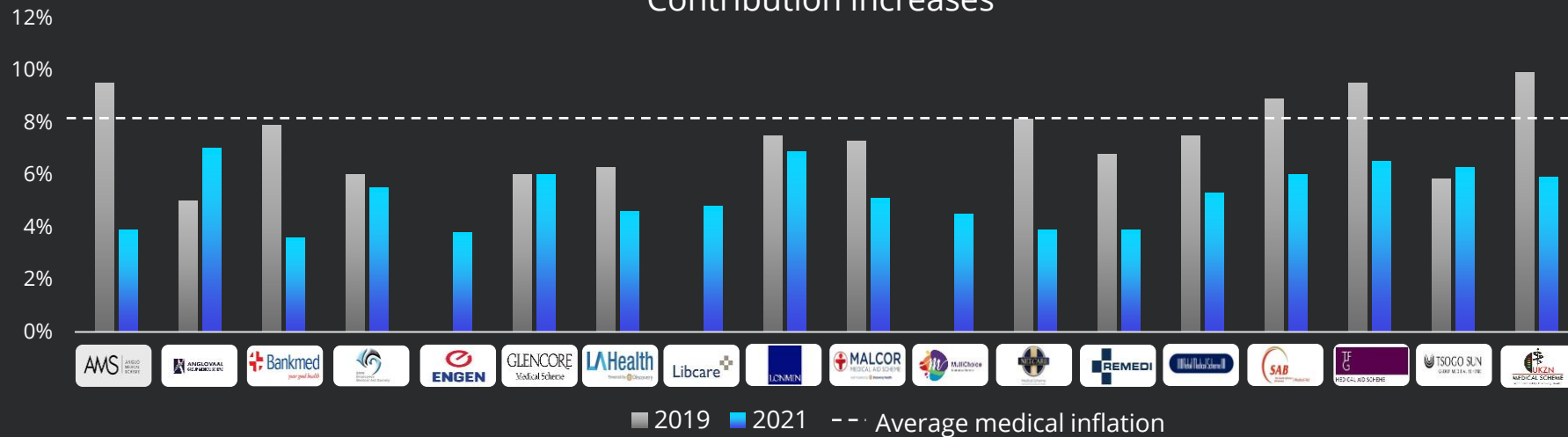


## Consistent, stable performance across all closed schemes

### Solvency



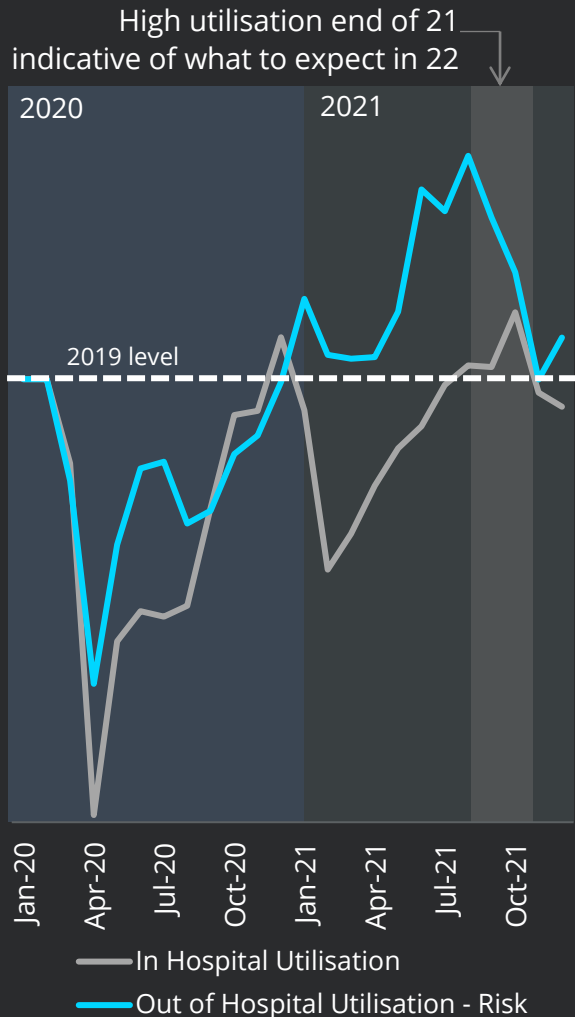
### Contribution increases



# Key healthcare insights emerging in 2022

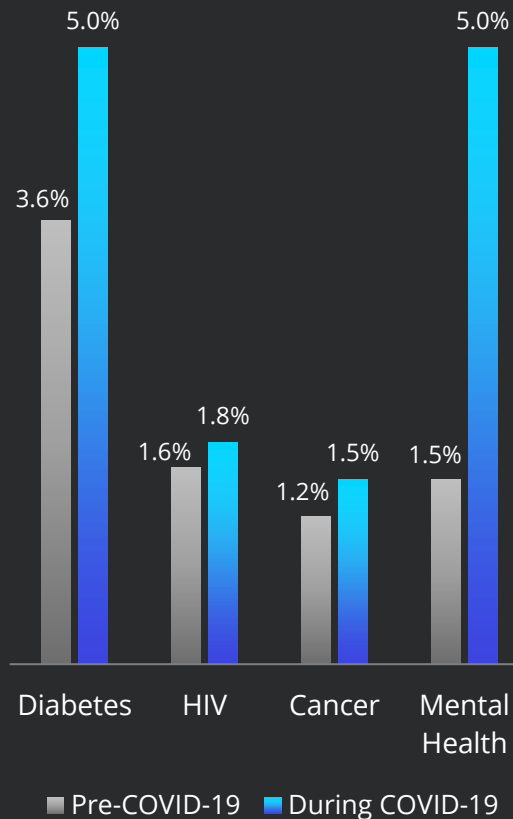


## Healthcare utilisation is increasing following drop



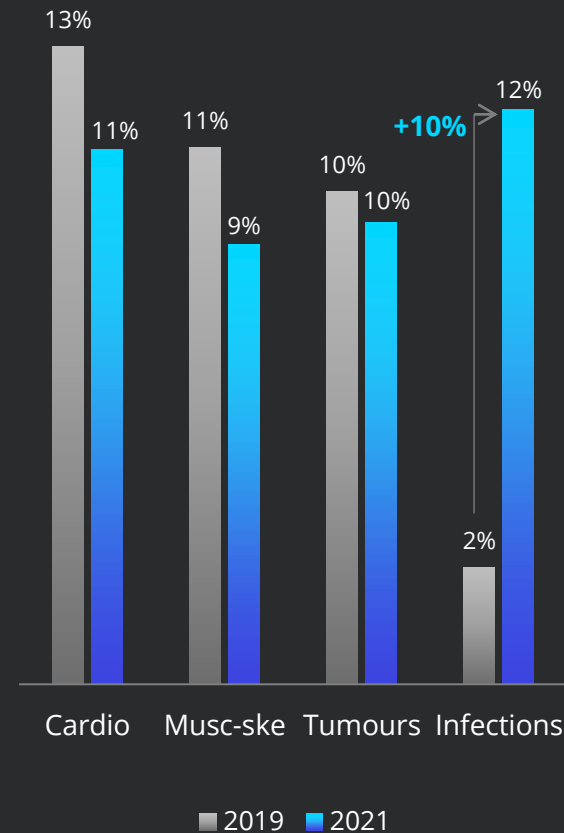
## Population health has worsened

Percentage of lives with key health issues



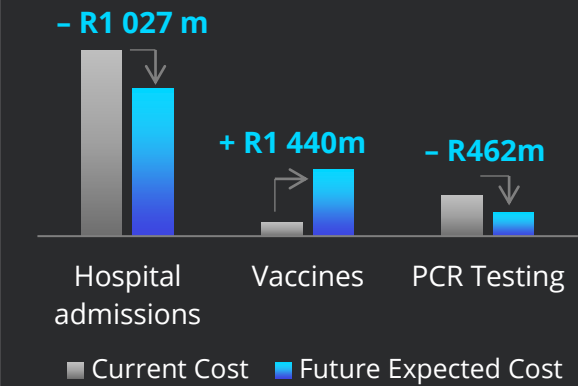
## COVID-19 has increased overall disease burden

Percentage of claims attributed to selected key healthcare drivers

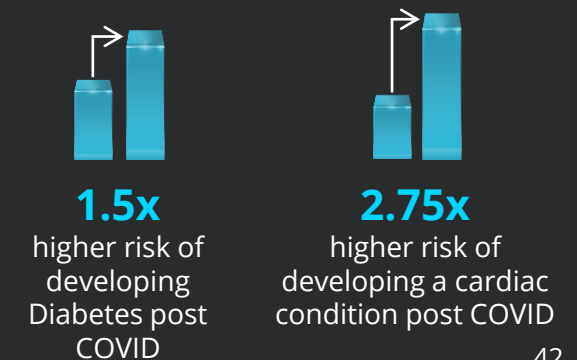


## COVID-19 will continue to feature prominently

COVID-19 expected to add **R7bn** to overall expenditure in 2022, in line with 2021



COVID-19 showing initial signs of **impacting overall morbidity**





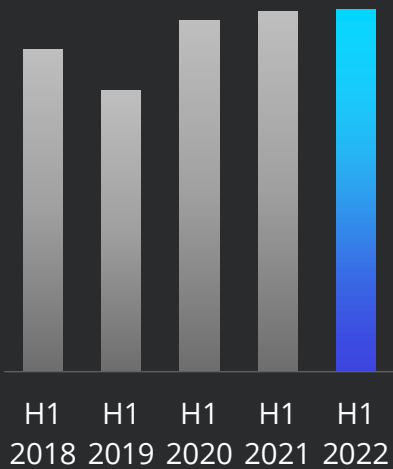
Strong positive experience variances with robust capital and liquidity positions. R6bn gross COVID-19 claims paid cumulatively which reduced asset base returns and impacting earnings



## Normalised operating profit

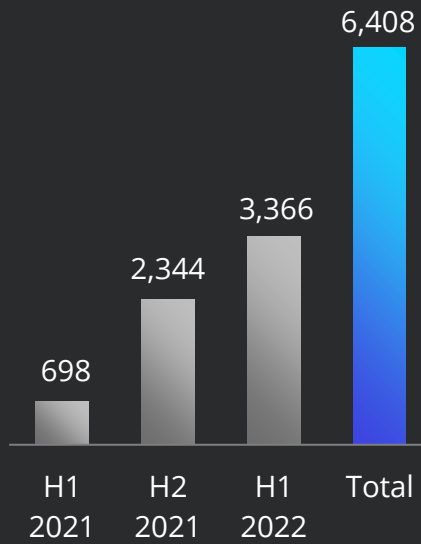
**+1%**

to R1 934m



## Record high claims paid, 3rd and 4th COVID-19 waves in this period

Gross claims (Rm)

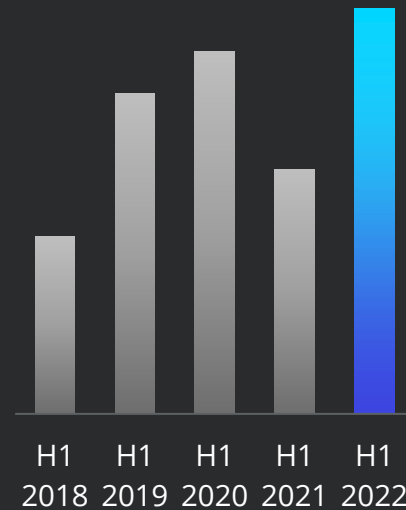


Excess cash payments towards COVID-19 claims impacts on the NRR unwind, reducing earnings by cR261m (13%) in the HY period

## New business API

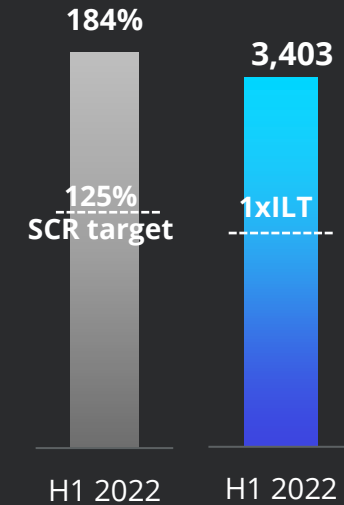
**+9%**

to R1 267m



## Strong capital and liquidity

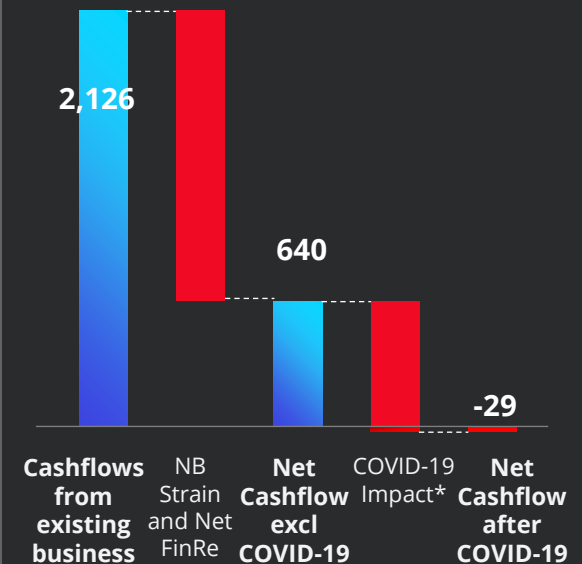
SCR coverage    Liquidity coverage



1.42x Liquidity cover implies a large liquidity buffer of R3.4bn relative to the net cashflow of -R29m over the period

## Positive cashflow from existing book impacted by in period COVID-19 claims

Life and Invest cashflow (Rm)



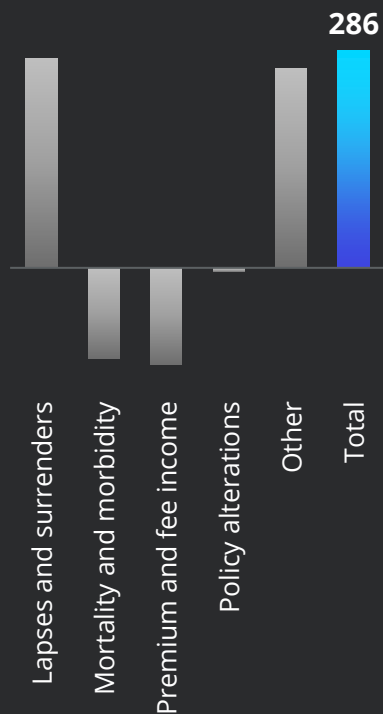
\*Net of additional financing

# Robust embedded value growth driven by positive operating variances and inforce growth, resilient new business margins

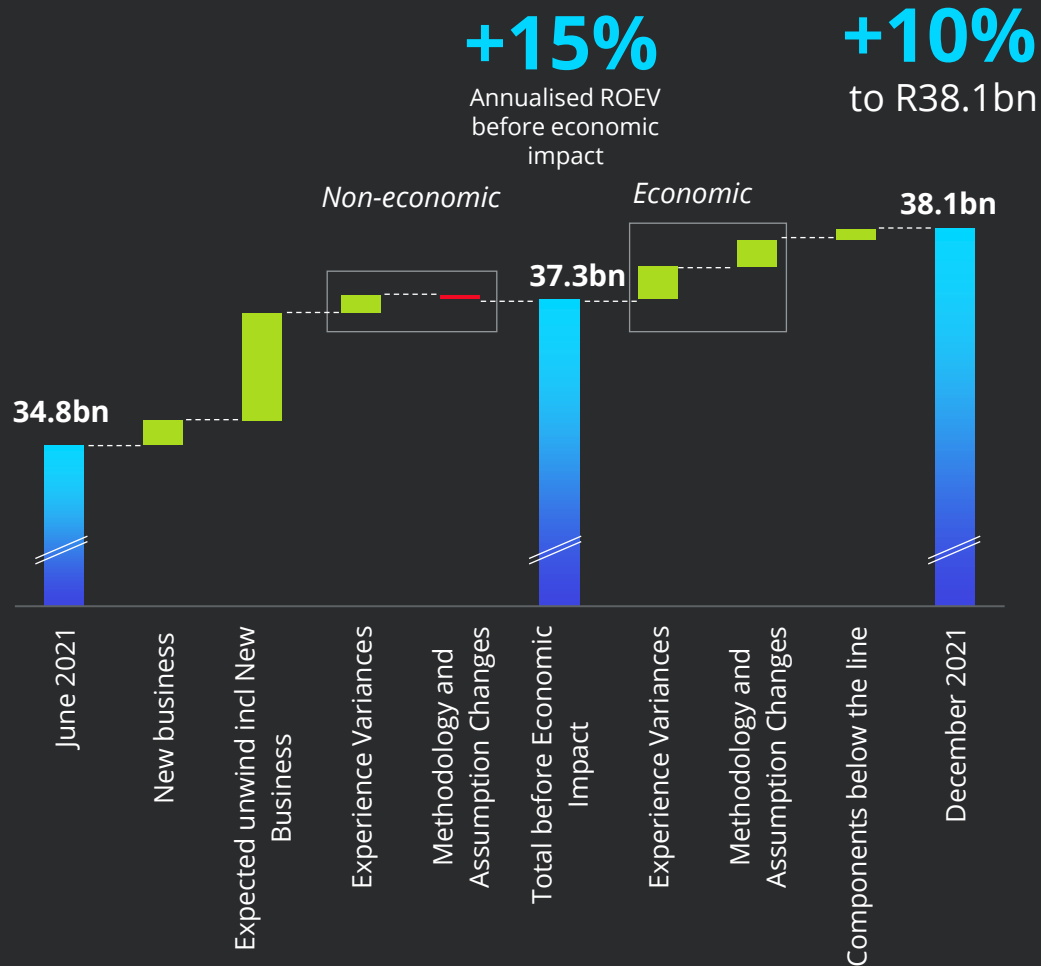


## Positive non-economic experience variances

H1 2022 (Rm)



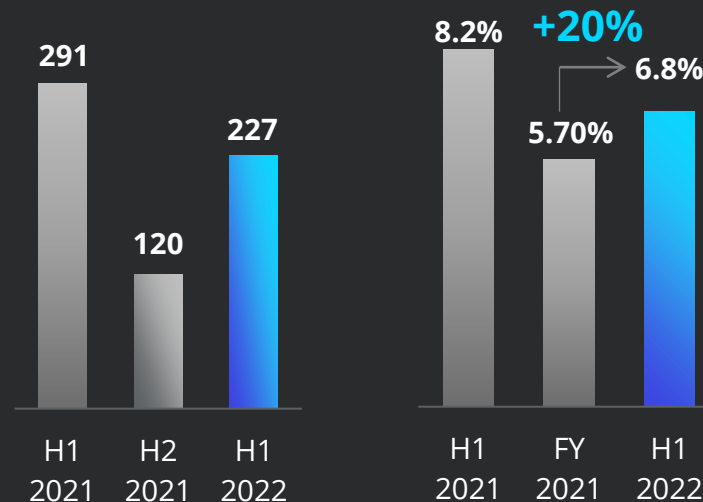
## Life and Invest embedded value (Rbn)



## Value of new business and margin

VNB (Rm) Life:

Annualised VNB margin (%) Life:



Margin improvement vs. June 21:

- COVID-19 provision unwind
- Pricing and product initiatives
- Focus on quality over quantity of new business
- Expense controls



Robust performance with strong increase in new business growth  
and assets under management

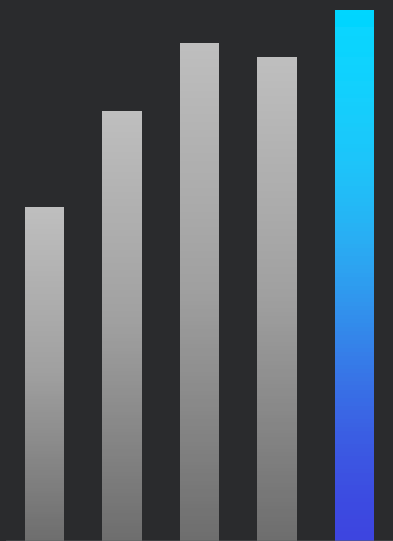
# Discovery Invest



Normalised operating profit

**+10%**

to R517m

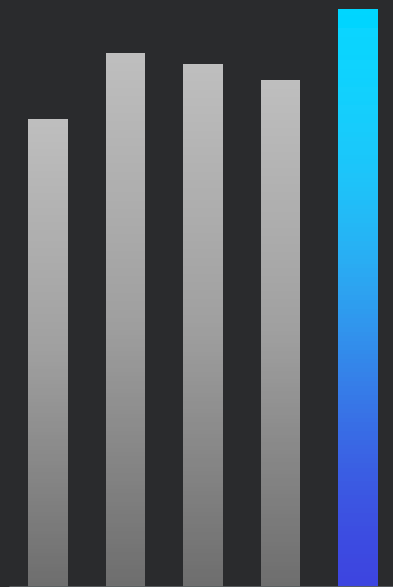


H1 2018 H1 2019 H1 2020 H1 2021 H1 2022

New business

**+15%**

to R1 519m

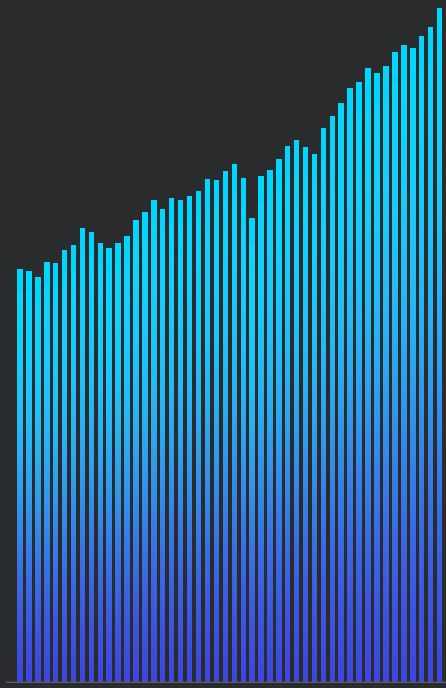


H1 2018 H1 2019 H1 2020 H1 2021 H1 2022

Assets under administration

**+19%**

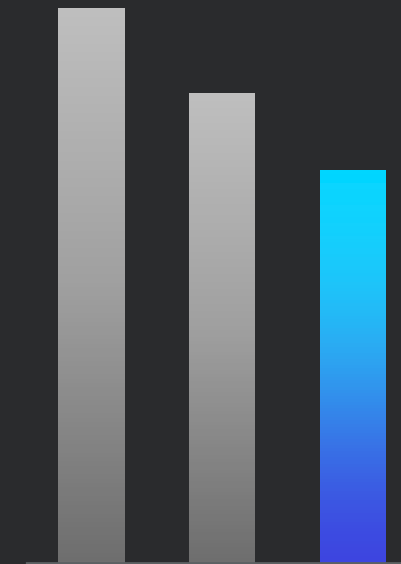
to R128bn



H1 2018 H1 2019 H1 2020 H1 2021 H1 2022

Lapse rates

**-16%**



H1 2020 H1 2021 H1 2022

Shared value outcomes

Since the launch of shared value:

**12%**

lower drawdowns

**7.5**

more years to retirement

**R13bn**

in shared value benefits accrued and paid to clients



Difficult period, characterised by an increased loss ratio driven by adverse weather events combined with motor parts inflation dramatically exceeding CPI



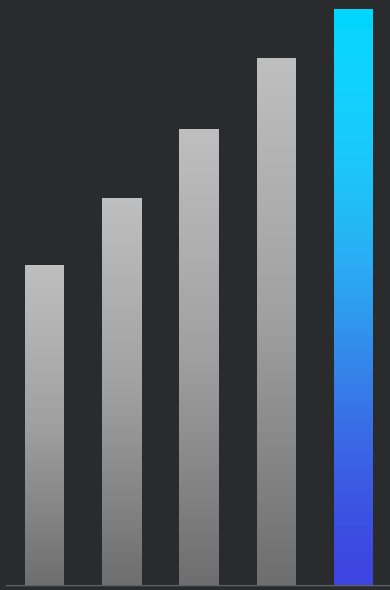
# Discovery Insure



Gross written premium

**+13%**

to R2 318m<sup>1</sup>

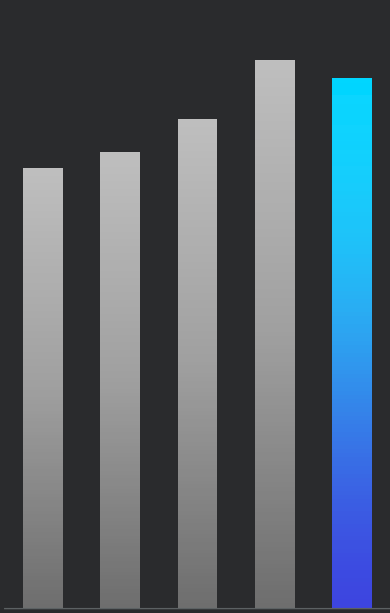


H1 2018 H1 2019 H1 2020 H1 2021 H1 2022

New business

**-3%**

to R597m<sup>1</sup>

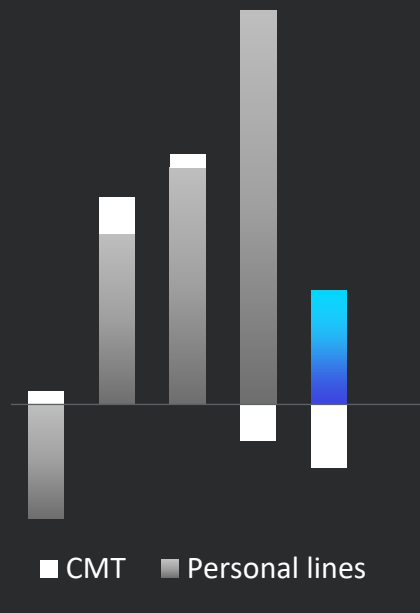


H1 2018 H1 2019 H1 2020 H1 2021 H1 2022

Normalised operating profit

**-86%**

to R15m<sup>2</sup>



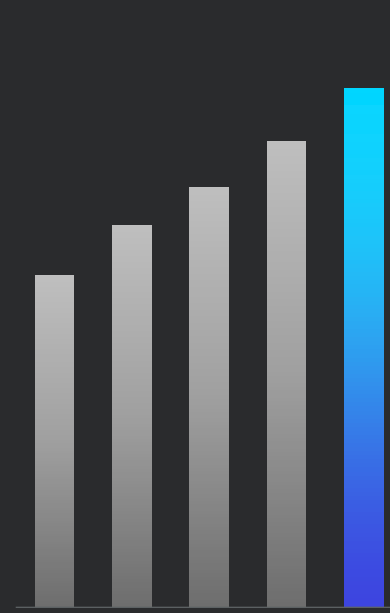
■ CMT ■ Personal lines

H1 2018 H1 2019 H1 2020 H1 2021 H1 2022

Vehicles insured

**+11%**

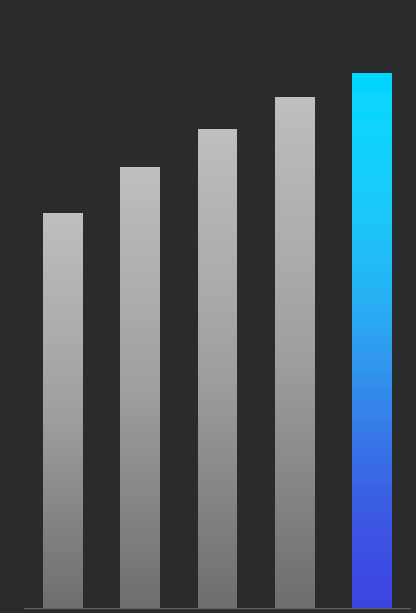
to 292 000<sup>1</sup>



H1 2018 H1 2019 H1 2020 H1 2021 H1 2022

Market share in GWP

**7%**



H1 2018 H1 2019 H1 2020 H1 2021 H1 2022

<sup>1</sup> Personal lines figures only

<sup>2</sup> CMT is in the building phase and the decrease in CMT profitability in 2021 and 2022 is due to the acquisition of TrueMotion and associated costs

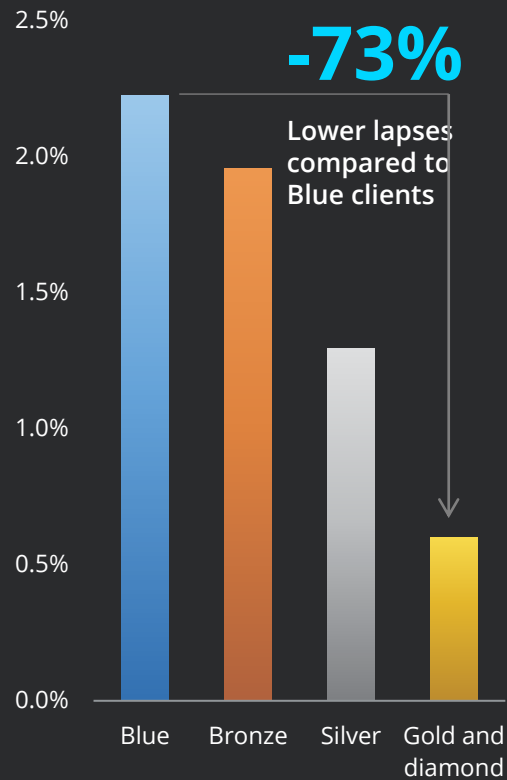
Personal Lines only. Assumes 6% in GWP market growth since 2018

# Improved quality of drivers but external factors affected claims



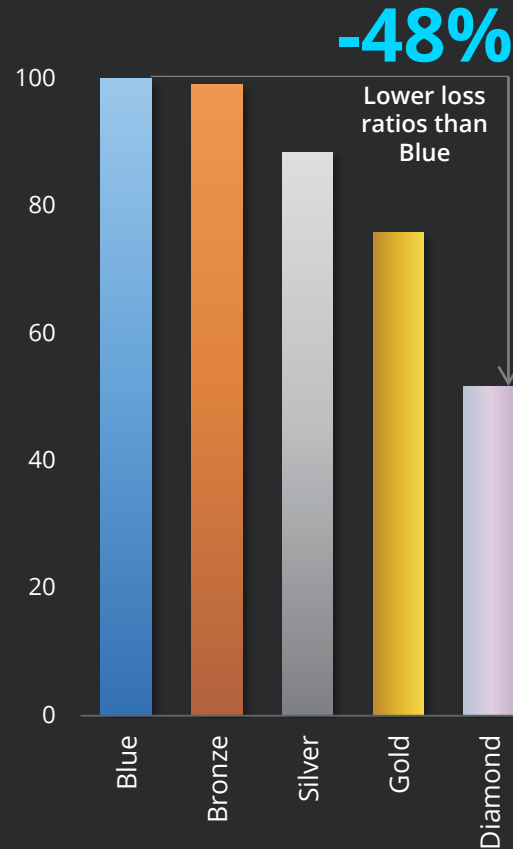
## Retention of good drivers

Lapse rates by Vitality status



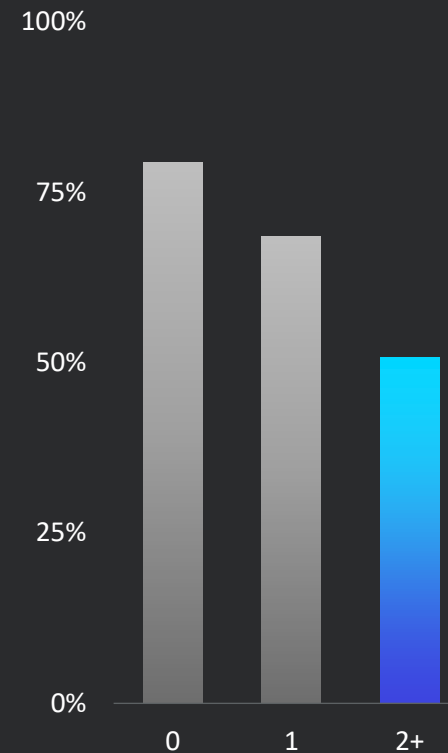
## Better risks from gold and diamond drivers

Relative loss ratios by Vitality Drive status



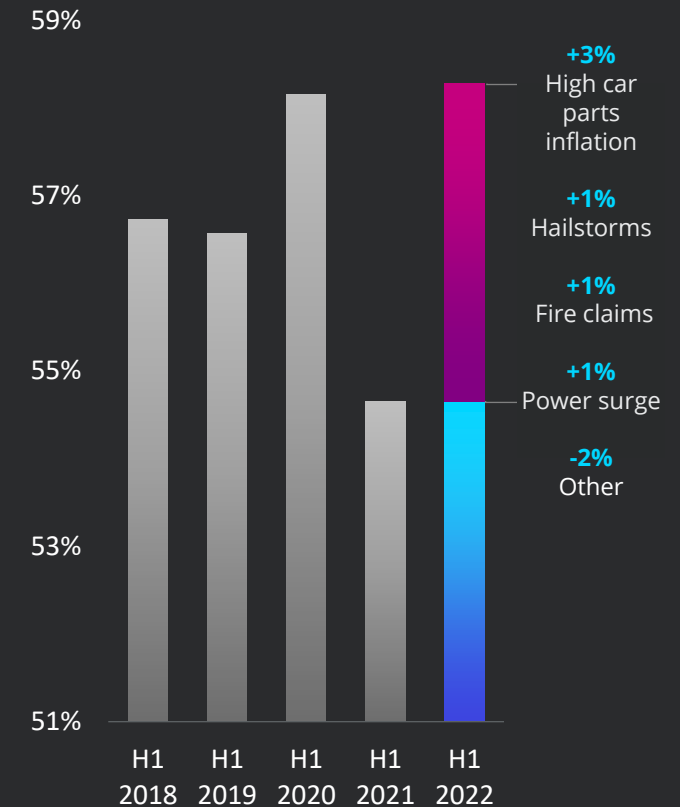
## Improved loss ratios with client duration

Loss ratio by duration H1 2022



## H1 2022 loss ratio higher than 2021

Loss ratios H1 2018 – H1 2022

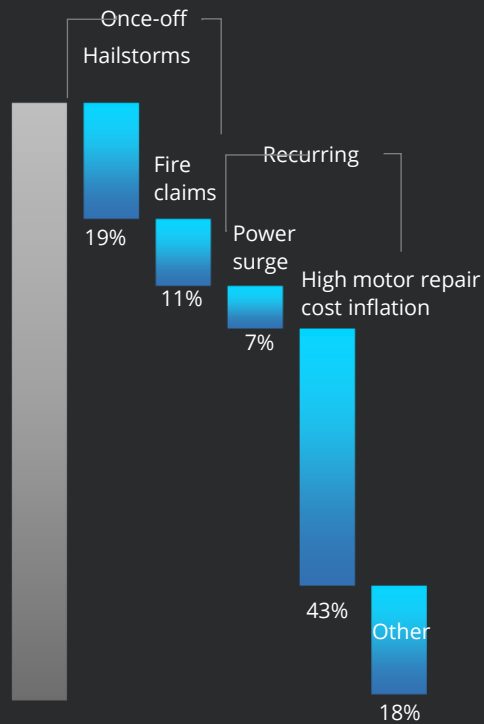


# Economic and environmental factors contributed to a higher loss ratio



## High repair cost inflation, hailstorms and fire claims

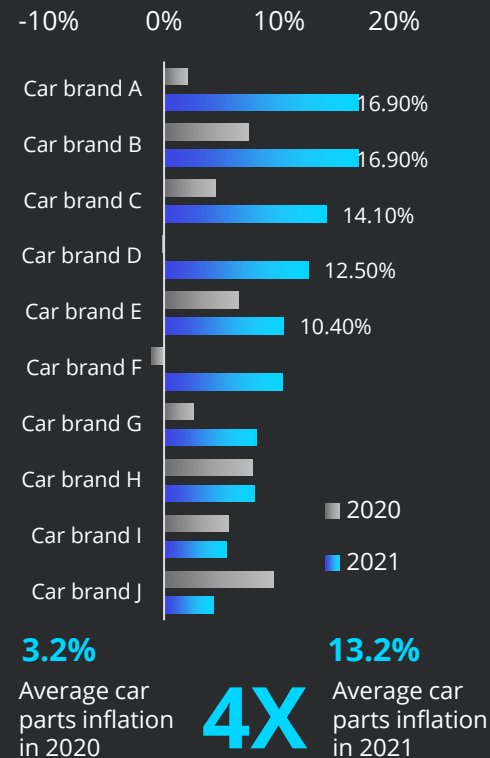
Reasons for variations in Ave claims



Total variation in actual vs expected claims

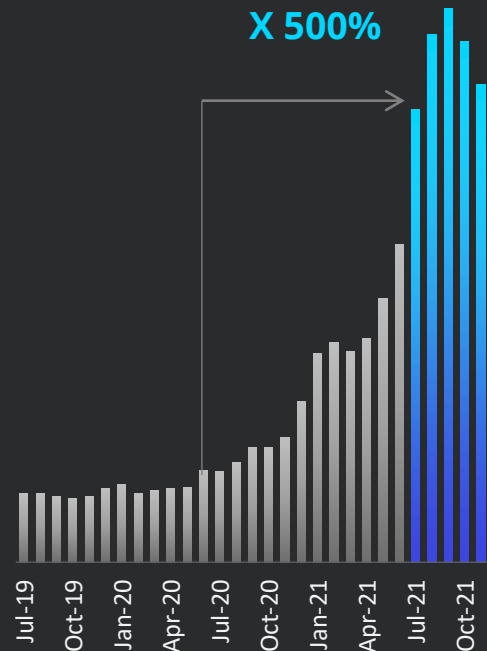
## High inflation<sup>1</sup> in the cost of car parts

Car parts inflation by car different car makers



## Resulting from rapidly increasing shipping costs

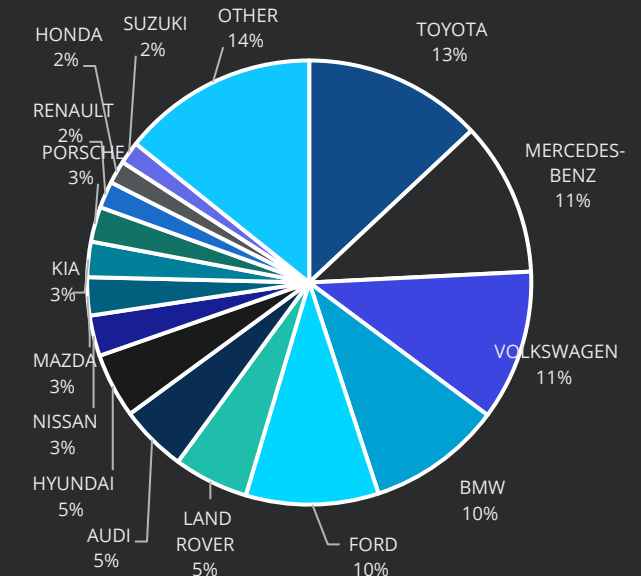
Global container freight rate index from July 2019 to January 2022<sup>2</sup>



**10% - 15%** increase in cost of car parts due to **increase in shipping costs**

## Impact with value of car makers

Car makers by value insured



<sup>1</sup> inflation based on initial costing  
<sup>2</sup> <https://www.statista.com/statistics/1250636/global-container-freight-index/>



- Discovery Health
- Discovery Life
- Discovery Invest
- Discovery Insure
- Discovery Bank



- Vitality Health
- Vitality Life
- Vitality Invest
- Vitality Car



HEALTHIER. LONGER. BETTER LIVES. التعاونية Tawuniya

John Hancock Equivida

Manulife Saludsa

GENERALI IGI Life

SUMITOMO LIFE BBVA

Prudential

α. S. I. MULTICARE FIDELIDADE

quantium HEALTH

平安健康保險 PING AN HEALTH INSURANCE

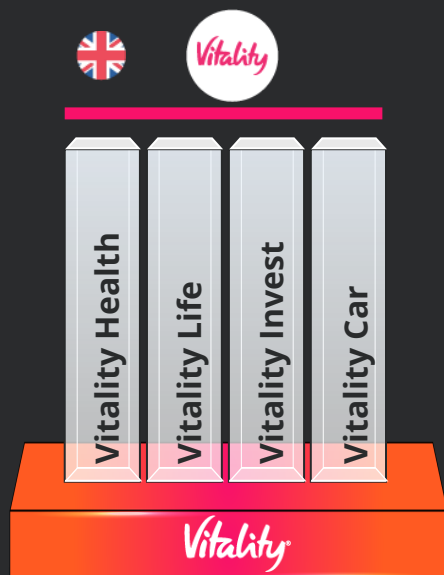
amplifyhealth

Vitality USA

AIA Health



# UK Composite

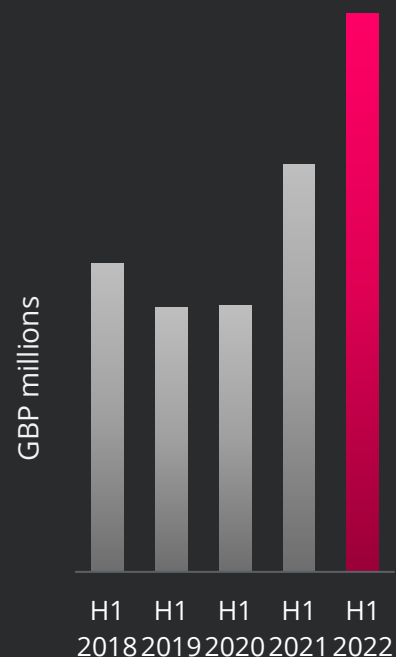


Best-in-breed products across businesses and operating as a fully integrated composite business with a seamless One Vitality client journey

## Normalised operating profit

**+36%**

to £54.2m



## Earned premiums

**+7%**

to £438m



## Lives covered

**+11%**

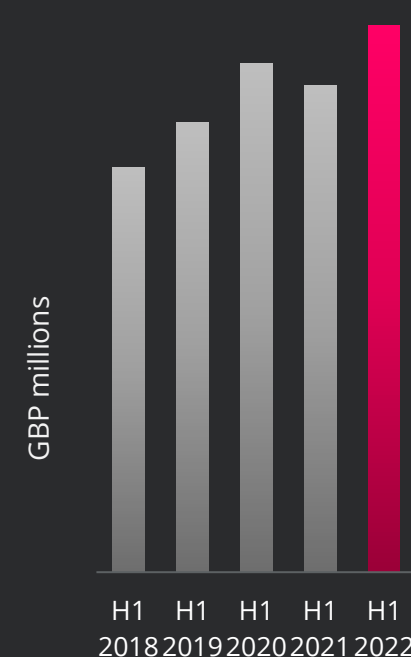
to 1.48m lives



## New business

**+7%**

to £77.2m

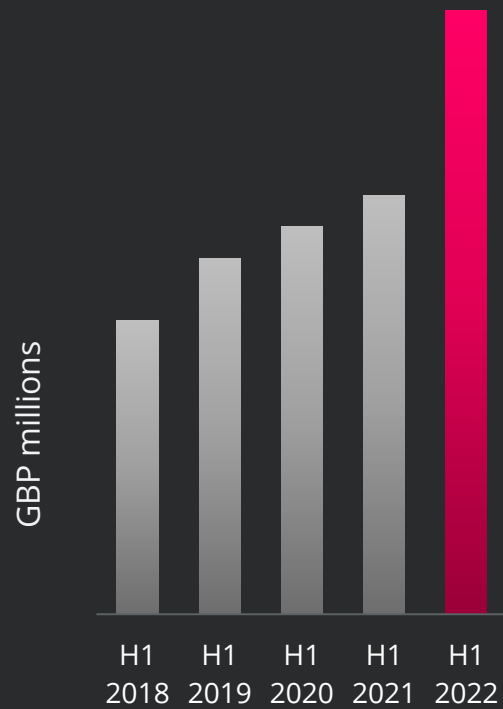




## Normalised operating profit

**+44%**

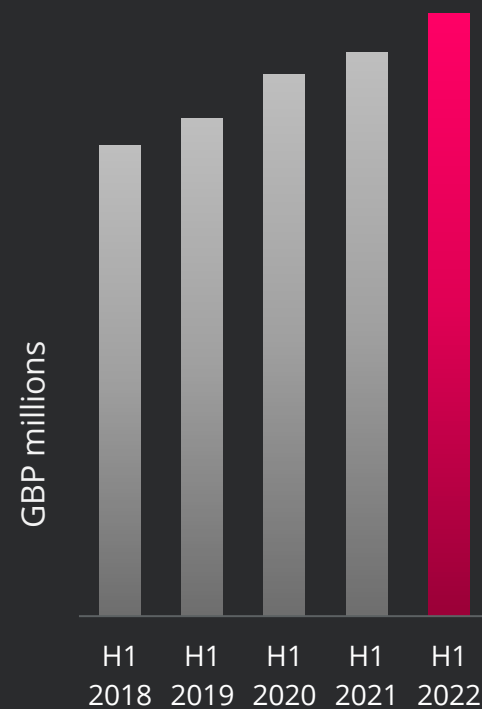
to £41.5m



## Earned premiums

**+7%**

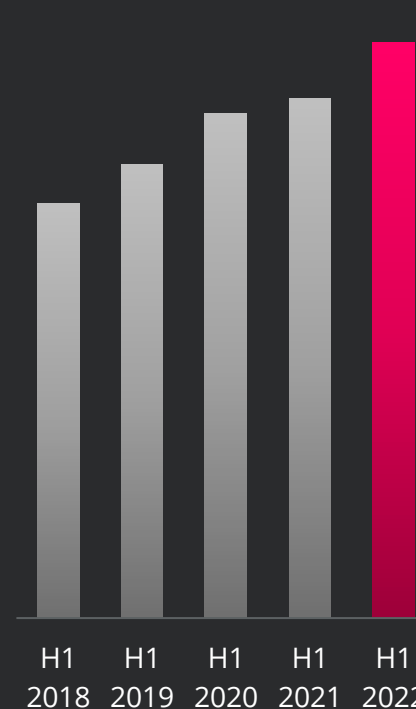
to £274m



## Lives covered

**+10%**

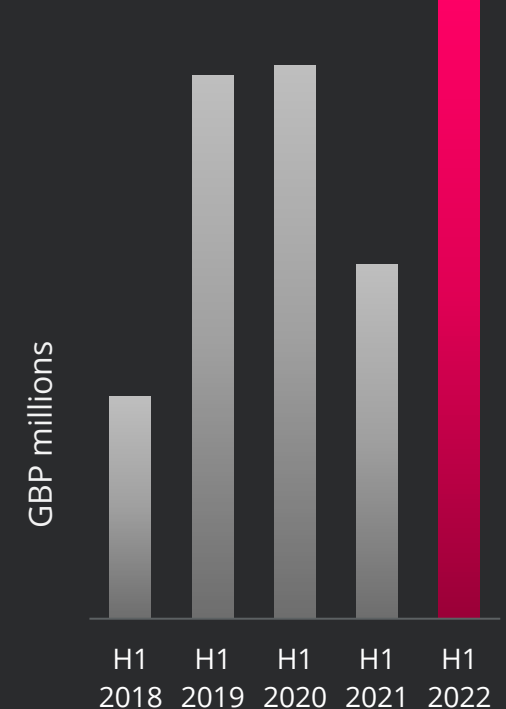
to 764k lives



## New business

**+15%**

to £34.5m

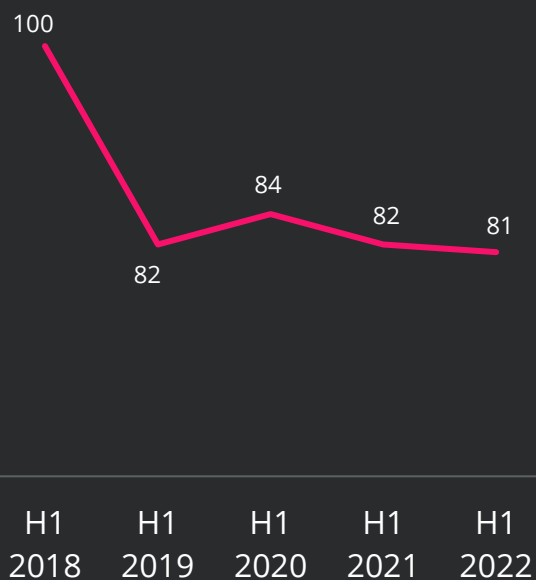


# Strong performance across all metrics driving strong profit growth



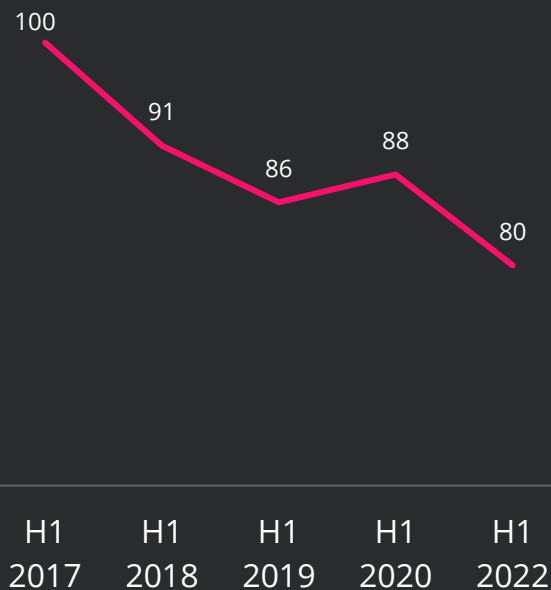
## Excellent performance of retention strategy

Lapse rates



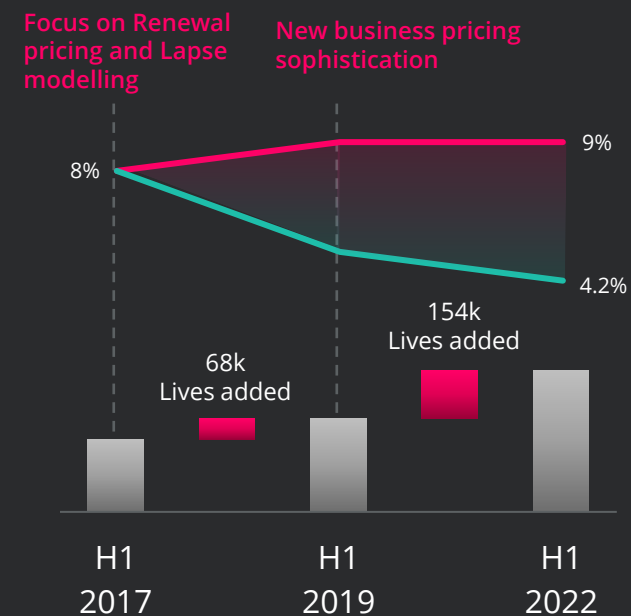
## Further improvement in expense efficiencies

Per life per month expenses



## High impact of pricing initiatives over time

New business as a % of lives insured  
Lapses as a % of lives insured

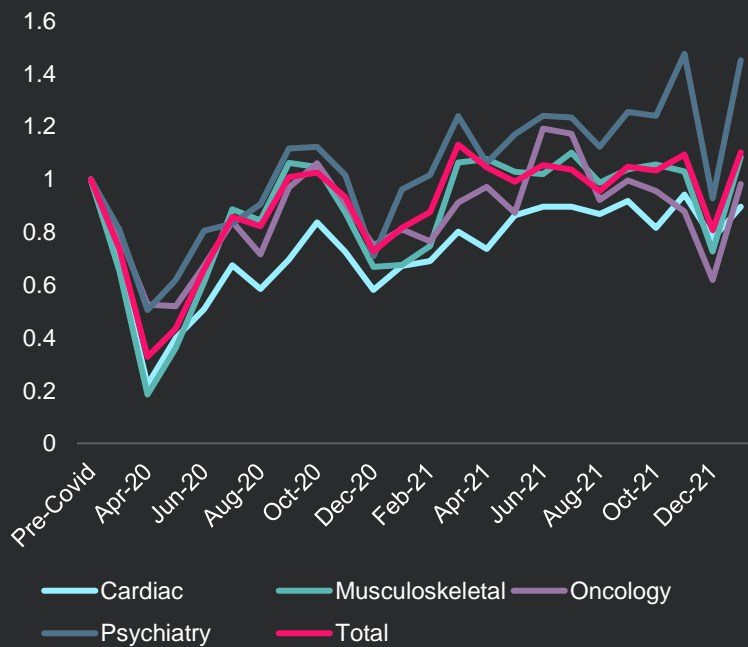


# Strategically positioned to accommodate a catch-up in claims post-COVID-19



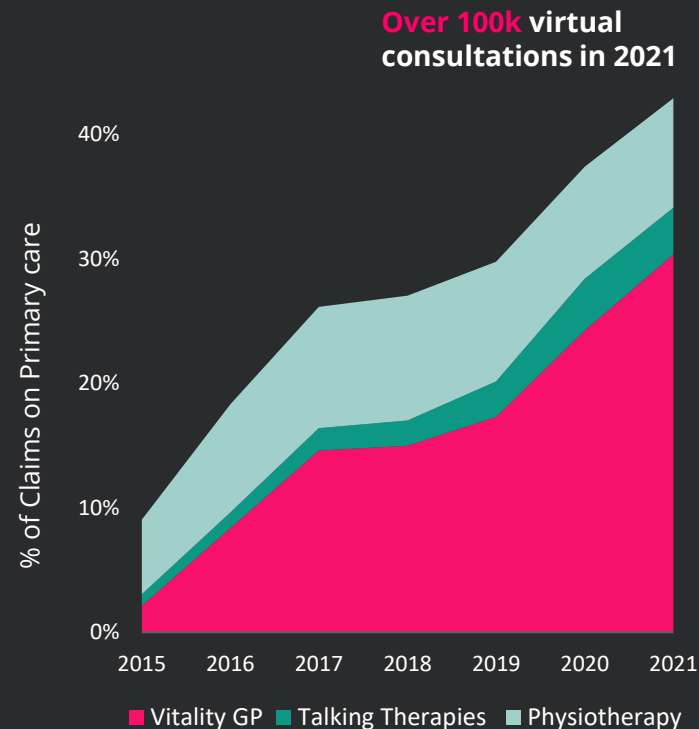
## Authorisations have returned to pre-COVID-19 levels

Monthly authorisations per 1000 lives

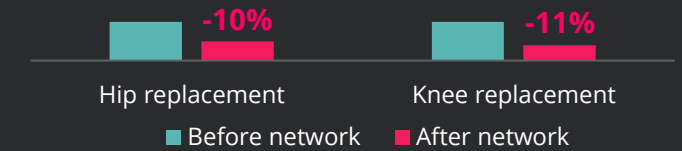


## Widening access to care through digital pathways has improved efficiency of care delivery

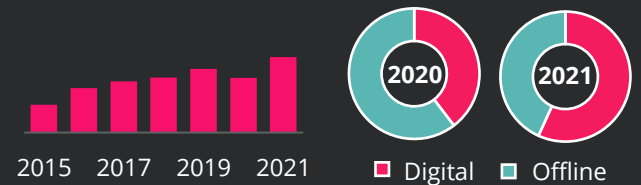
Primary care now accounts for **over 40%** of all claims, up from less than 10% in 2015



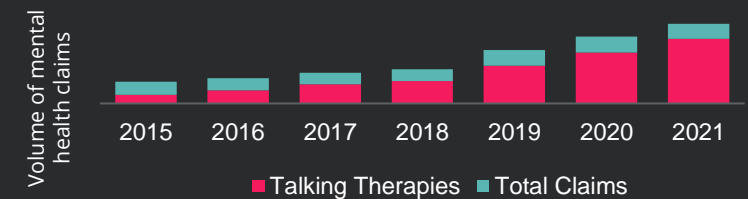
Expansion of premier consultant network has improved claims cost efficiencies



Physiotherapy volumes have increased, with digital pathways now accounting for **~60%** of claims



Talking Therapies has grown to represent **over 80%** of all mental health claims



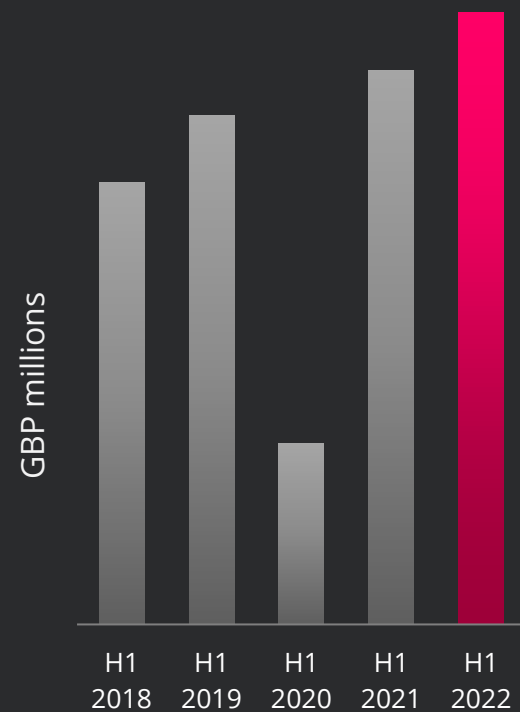




## Normalised operating profit

**+15%**

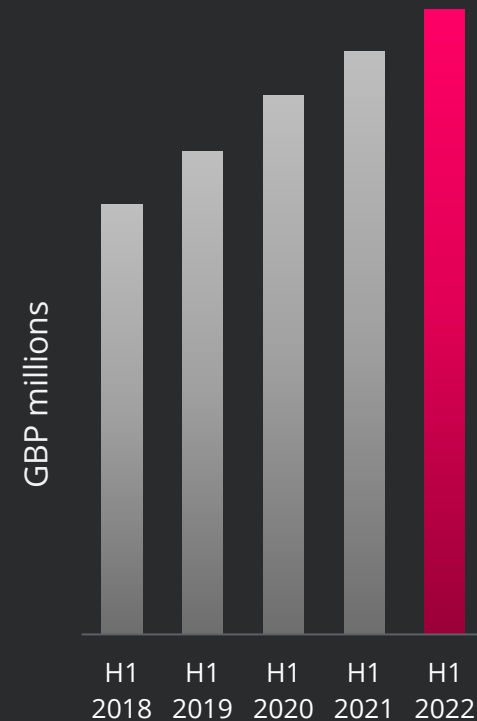
to £17.6m



## Earned premiums

**+7%**

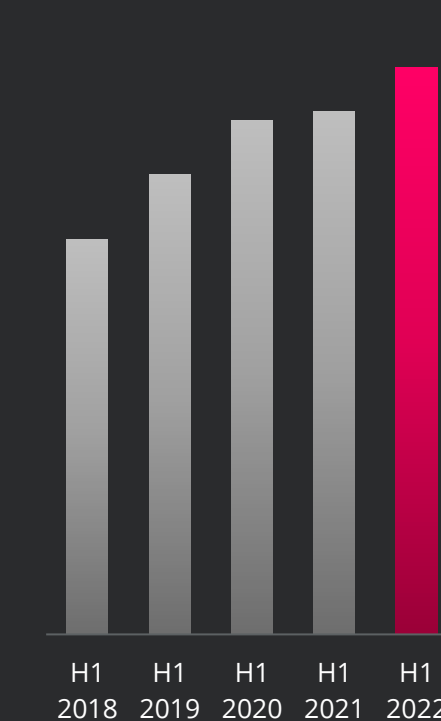
to £164m



## Lives covered

**+6%**

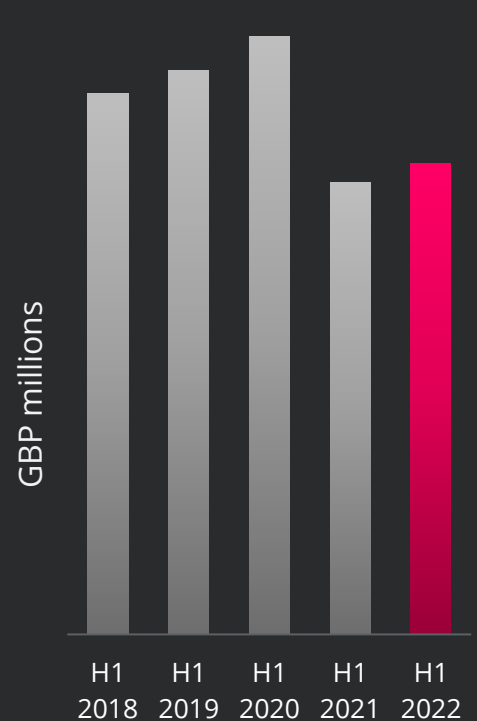
to 686k lives



## New business

**+3%**

to £27.1m



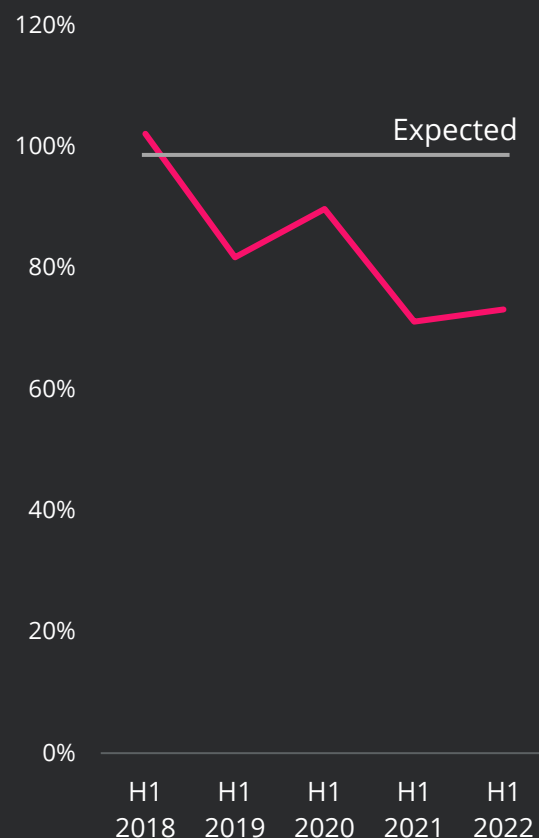
# Continued strong operating performance driven by excellent retention strategy



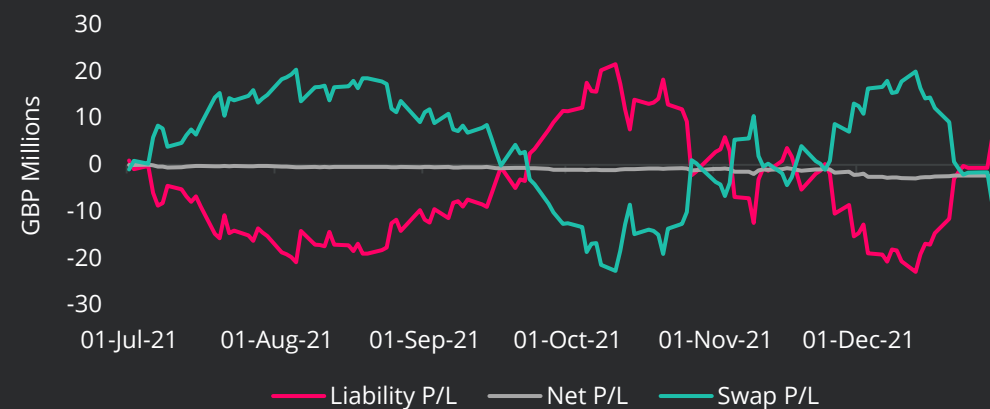
## Benefits from addressing 10 point plan now being witnessed

| Area       | Management actions  |   |
|------------|---|---|
| OPERATIONS | 1 Intervened against 'high lapse' brokers                     | ✓ |
|            | 2 Restructured franchise channel                              | ✓ |
|            | 3 Consolidated ops and service at Group level                 | ✓ |
|            | 4 Enhanced retention capabilities                             | ✓ |
|            | 5 Strengthened actuarial bases and set up COVID-19 provisions | ✓ |
| CAPITAL    | 6 Entered into interest rate hedge                            | ✓ |
|            | 7 <b>Deferred Part VII transfer</b>                           | ✓ |
|            | 8 Changed Group legal entity structure                        | ✓ |
|            | 9 Adapted elements of actuarial methodology                   | ✓ |
| LIQUIDITY  | 10 Sourced liquidity funding in the UK                        | ✓ |

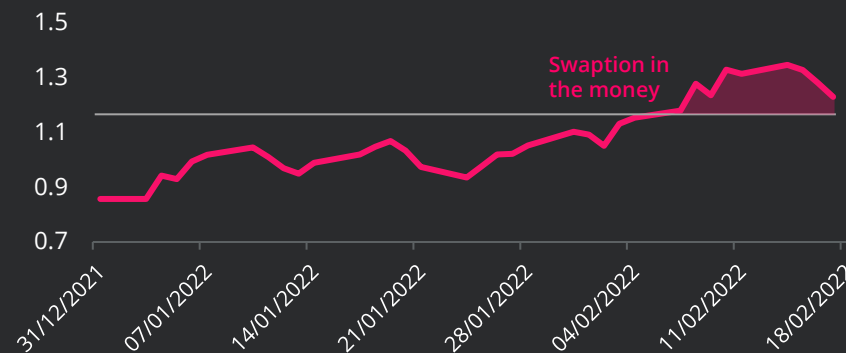
## Positive trend in lapse AvE continued



## Hedge performed well in a volatile interest rate environment



## Improving swap rates have increased the intrinsic value of the swaption







## Insurance Partner Markets



## Vitality Health International



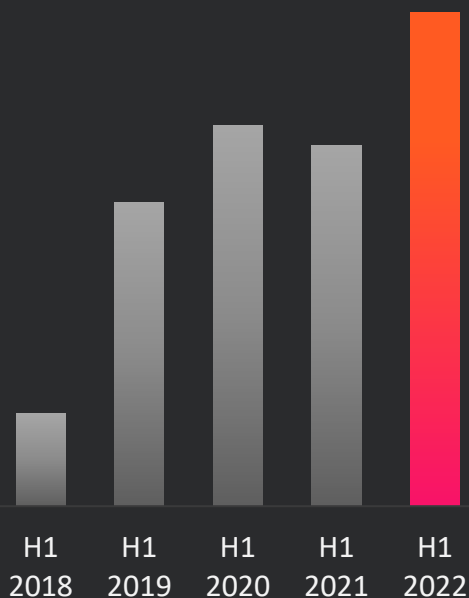
Strong underlying growth. Broadening our global impact through a health insurtech JV in Asia with AIA



## Integrated API by insurance partners

**+37%**<sup>1</sup>

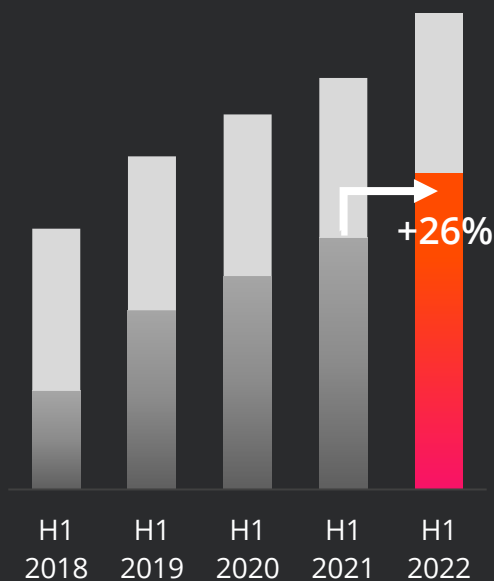
to \$766m  
R11.5bn



## Revenue<sup>2</sup>

**+16%**

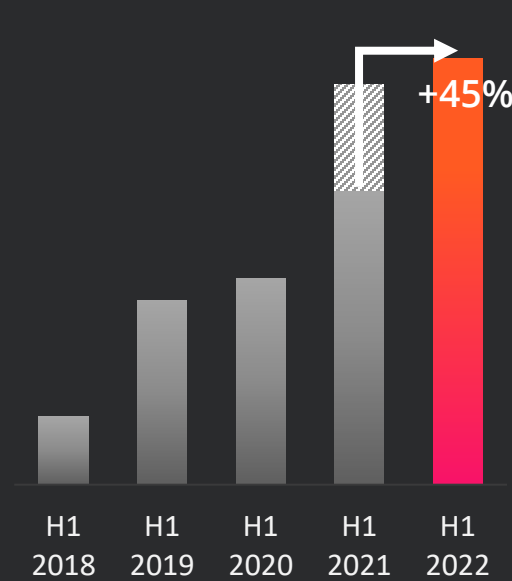
to \$44.5m  
R667.5m



## Operating result

**+7%**

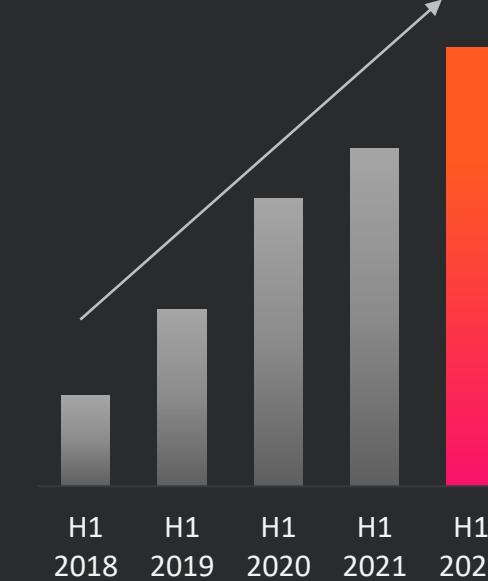
to \$15.5m  
R234m



## Insurance partners membership

**+33%**

to 2.7m



1 All insurance partnerships excluding equity investments

2 Excludes services related to system implementation and other cost recoveries and rewards

▨ Gains from Foreign Exchange Contract taken out during COVID period

# Insurance Partner Markets



**Insurance Partner Markets**

**Vitality Health International**

*% of members earning a point*



# Insurance Partner Markets

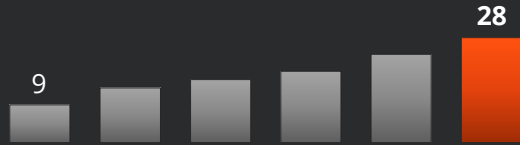
Continued robust performance as the platform scales



## KPIs

2016 2017 2018 2019 2020 2021

Number of markets



Penetration rates

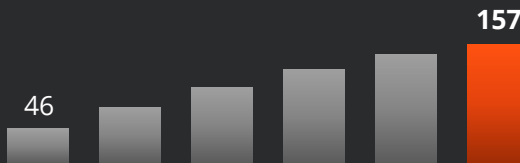


Engagement

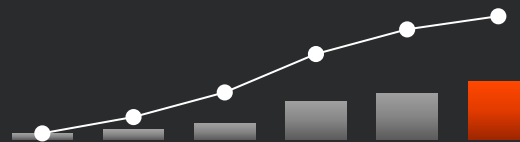
— New market  
— Old market



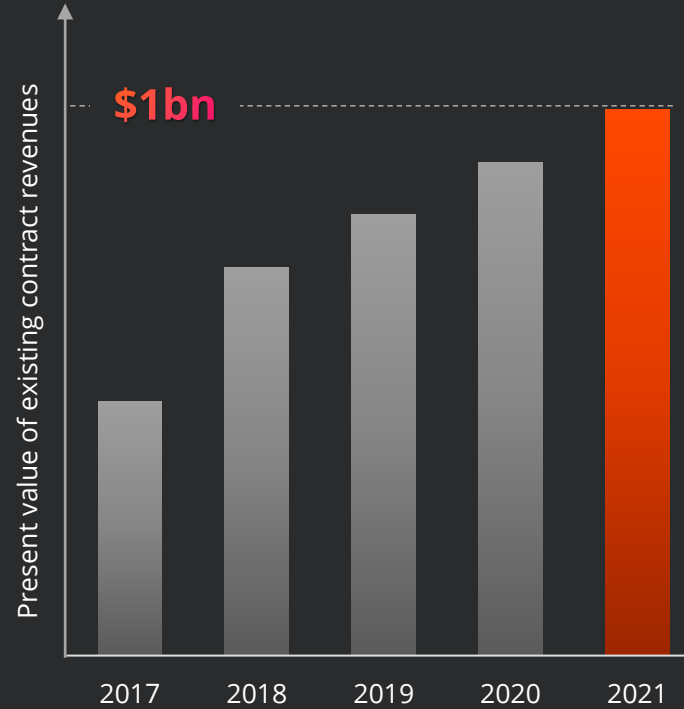
Integrated products



API & Members

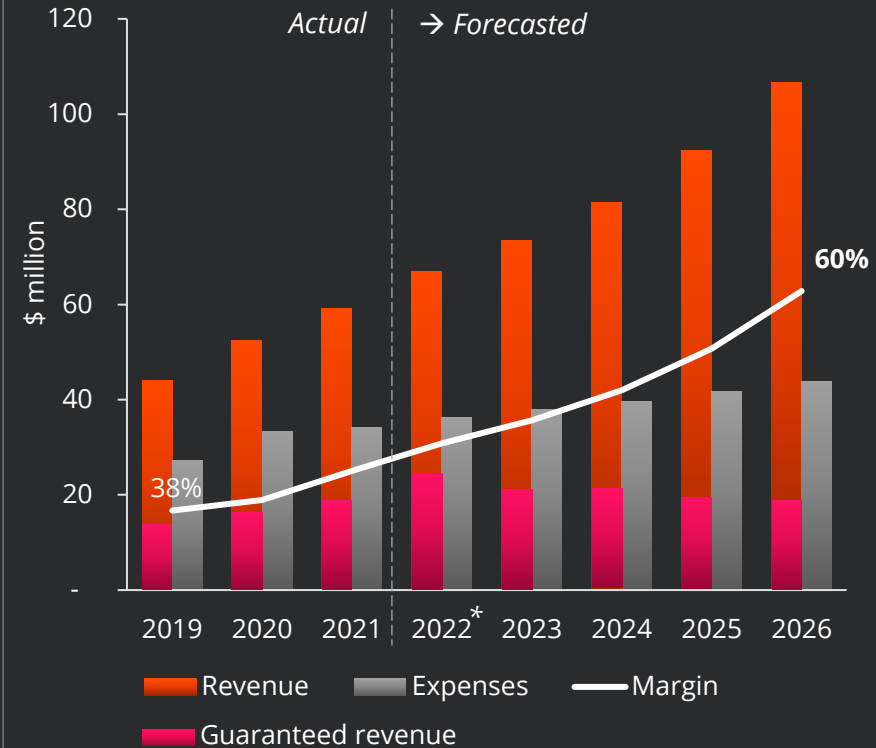


## Strong intrinsic contract values



## Margin emergence

Insurance markets revenue & expenses



• H1 is based on actuals. H2 is based on forecast.  
• Forecast information is indicative only and has not been audited or reviewed"

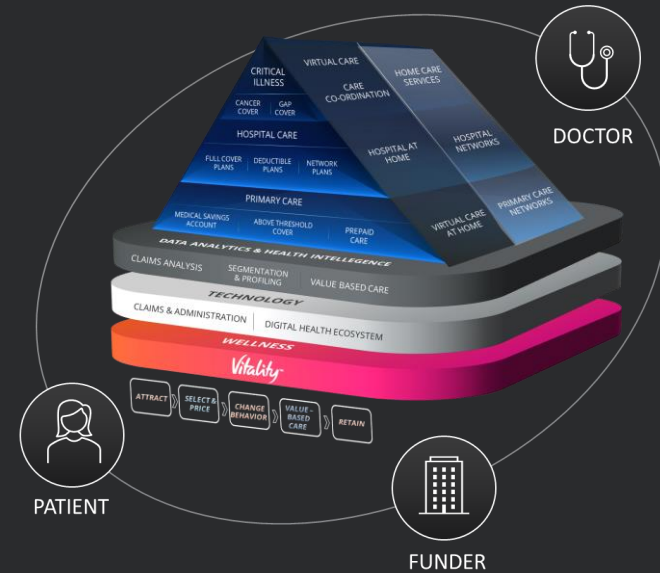
# Vitality Health International

## Broadening our global impact



## Unique ecosystem

Shared-value health insurance approach **underpinned by a sophisticated technology stack, assets & expertise**

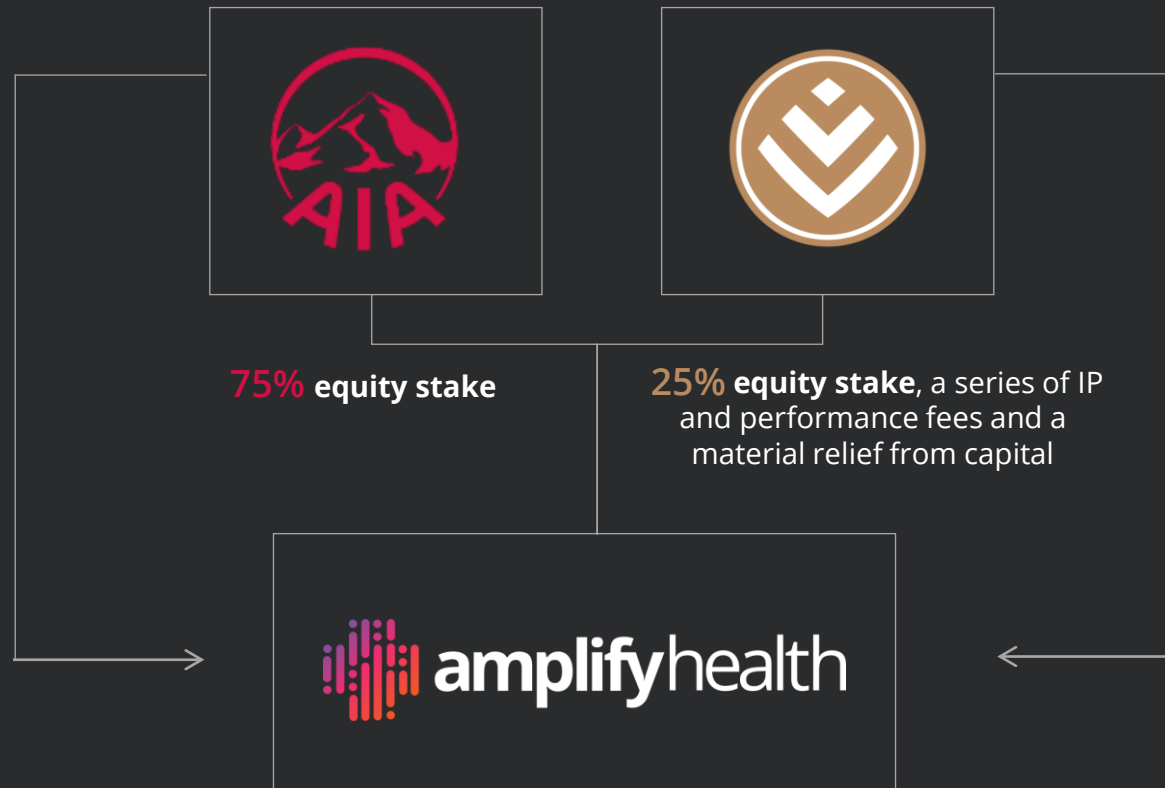




# Extending the behavioural platform through a health insurtech JV in Asia with AIA



- Providing initial capital
- Leading pan-Asian health businesses, with a captive base of ~50m clients across 9 key geographies
- Deep understanding and networks in Asia and a trusted brand with high recognition
- 100+ years experience with execution track record and medical expertise



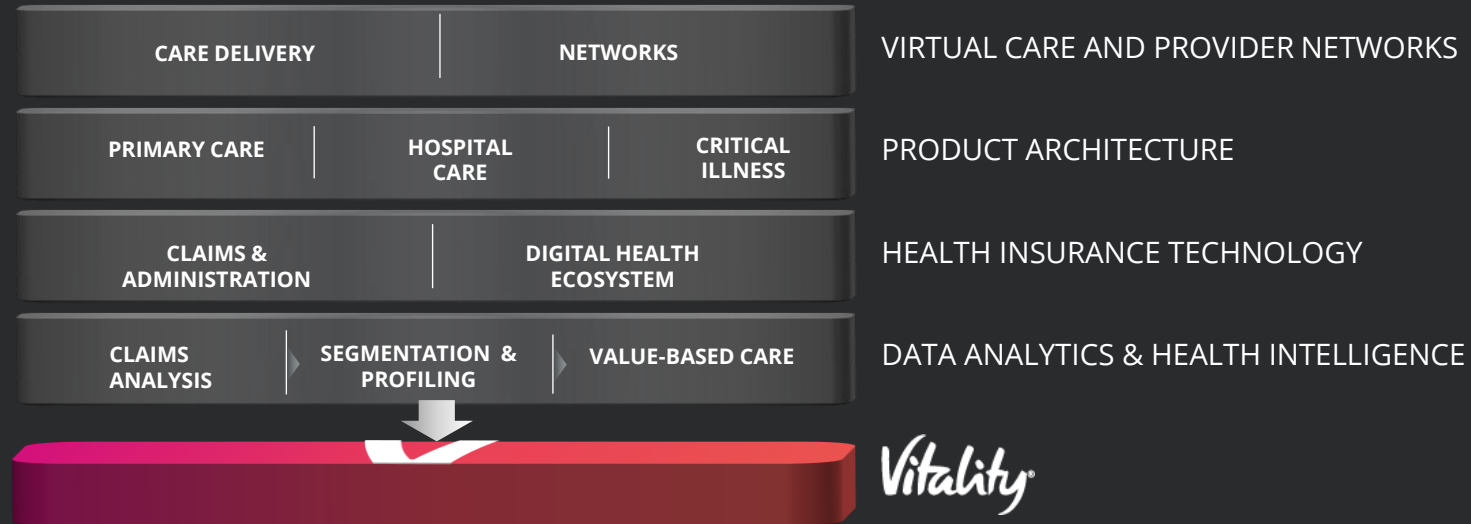
- Proprietary IP and native strength of digital assets and programs
- 250 Discovery talent, including senior management
- Global innovator in health insurance with success in both developed and emerging markets
- 30 years of experience and execution track record

Capital-light and technology-centric insurtech business  
Improves clients' underlying performance & shares in the value created

# Offering a full suite of services to healthcare businesses



## Capabilities



## Products



Data and analytics



Value-based networks



Claims & Core Operations



Insurance Propositions



Medical cost optimisation



Digital engagement

## Market segments



Existing AIA health businesses



Private and public providers



Private and public payors



Pharma/ Medtech

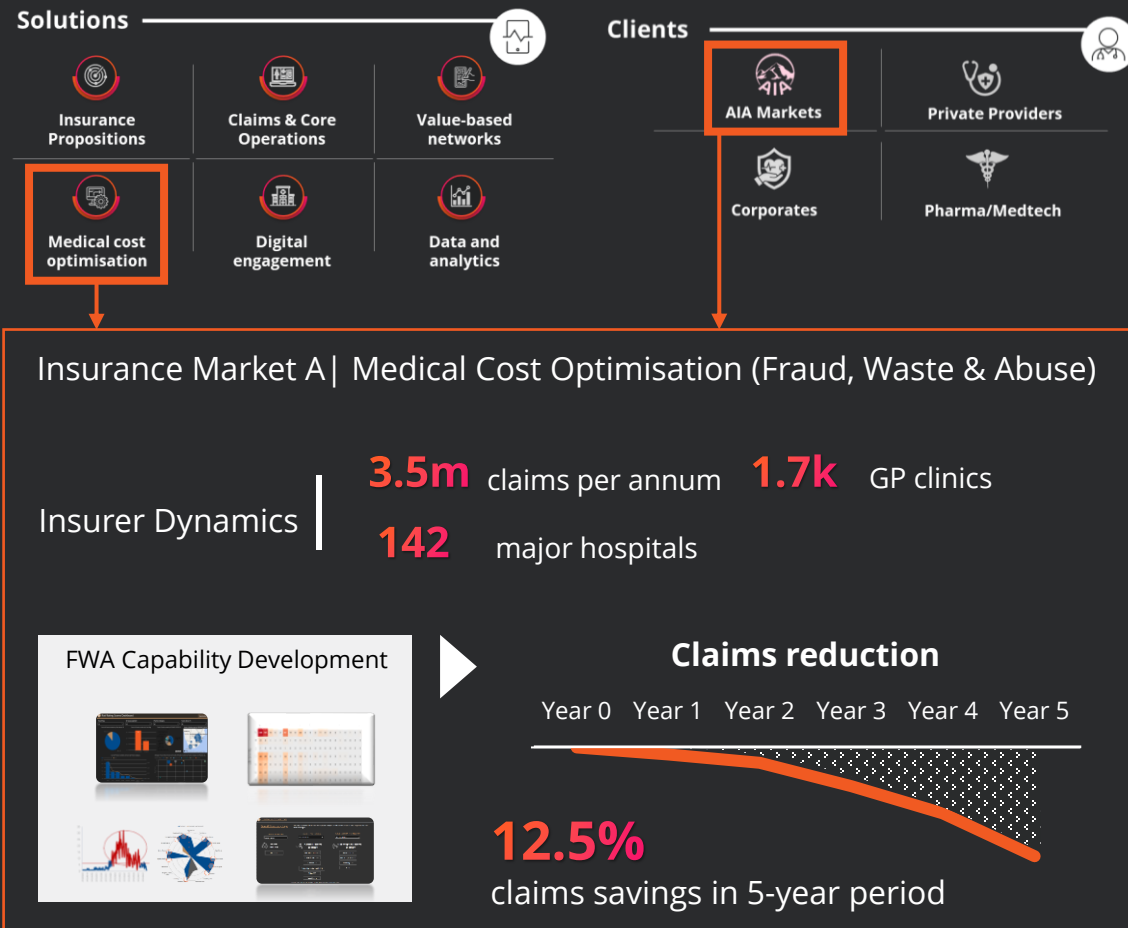


Corporates

# Significant value to be unlocked in an enormous market



## Amplify Health has already proven potential through a POC



## Potential to scale in rapidly-expanding digital healthcare space in Asia

**\$1.5tn**

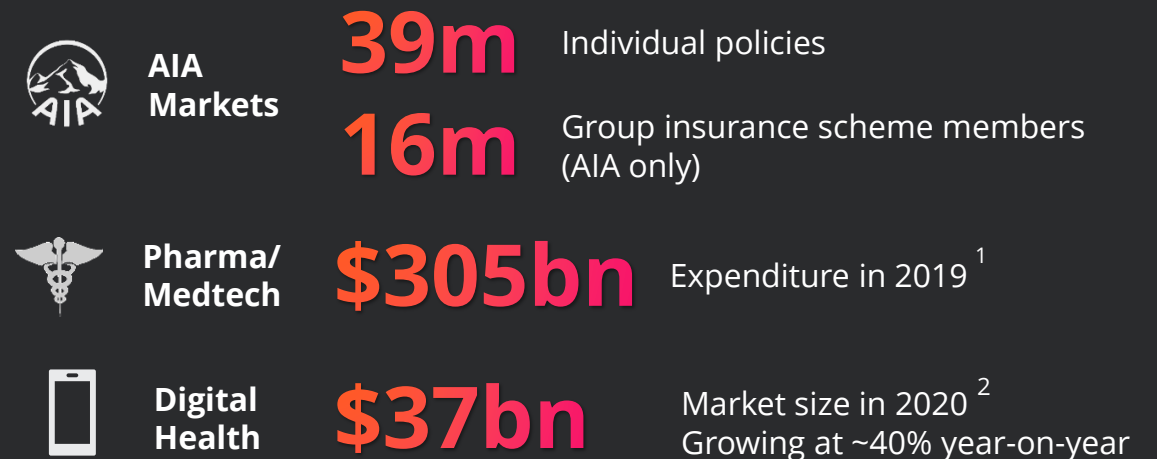
2020 healthcare expenditure in markets where AIA operate

**12%**

Annual growth in Asia health expenditure (vs 5% in developed markets)

**\$4.3tn**

Asia healthcare expenditure within the next 10 years in markets where AIA operate



<sup>1</sup> Source: Marketresearch.com

<sup>2</sup> Source: McKinsey Insights

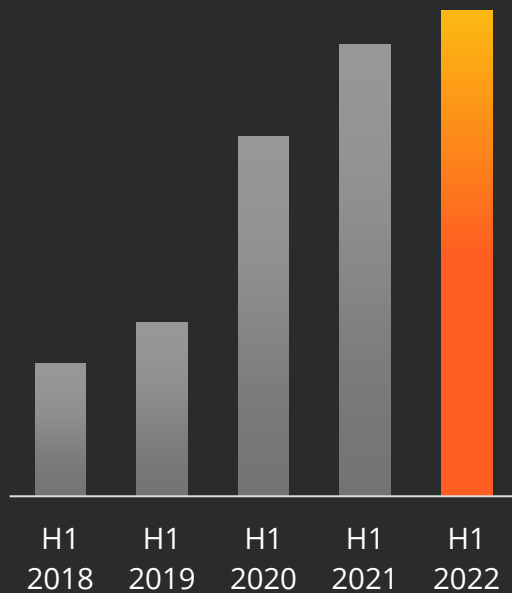
# Ping An Health



## PAH's operating results pre-tax

**+9%**

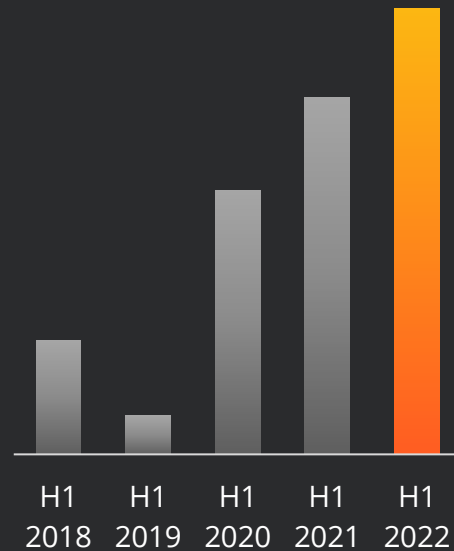
to R1.1bn  
(DSY's share is R277m)



## Discovery's operating result after tax

**+25%**

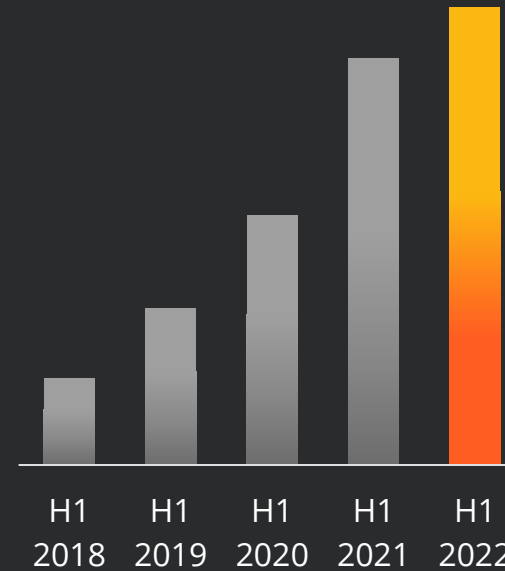
to R140m



## Written premium<sup>1</sup>

**+13%**

to R20.4bn



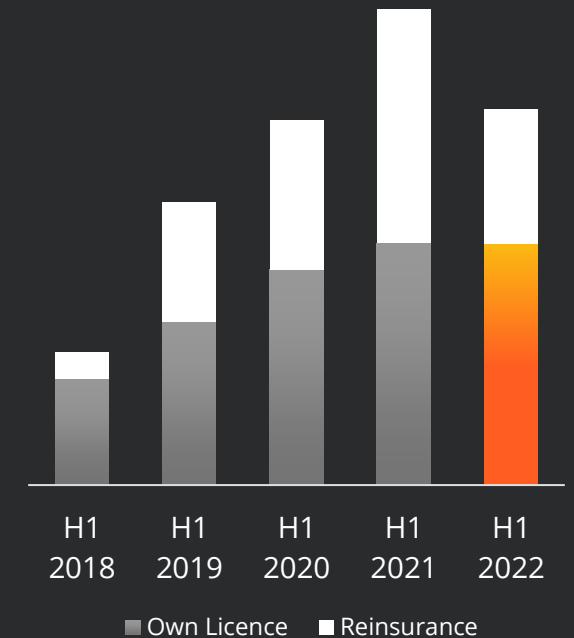
## New business<sup>1</sup>

**-21%**

to R5.7bn

**-0%**

Growth in Own Licence business



# Exceptional calendar year growth, focused on sustainable growth reflected through high-quality business metrics



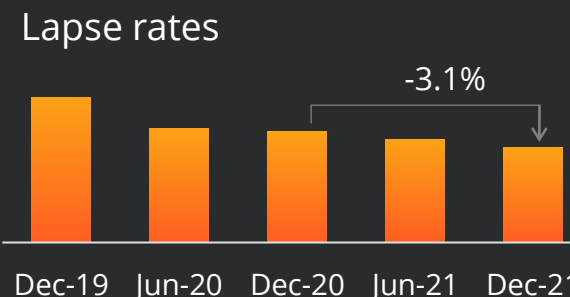
## Operating result grew 44% over CY2021

PAH operating result pre-tax ZARm



## High quality metrics and balance sheet strength

**>31m**  
Lives<sup>1</sup>



**7%**

Net profit margin  
(19% improvement since prior period)

**4%**

Absolute improvement since prior period in Combined Operating Ratio

**27.5%**

Return on equity

**205.4%**

Solvency Ratio  
(as at 31 Dec 2021)

**RMB3.6bn**

Net Asset Value  
(26% growth from prior period)

## PAH is one of the most profitable insurers in China

**16th**

Profit ranking out of 80 insurers<sup>1</sup>

**8.5%**

Market share<sup>2</sup>



# Distribution channels are being optimised to adapt to a maturing business model, balancing both scale and quality

Historic business model prioritised scale to establish market position



■ PAH licensed regions  
■ PAH unlicensed regions

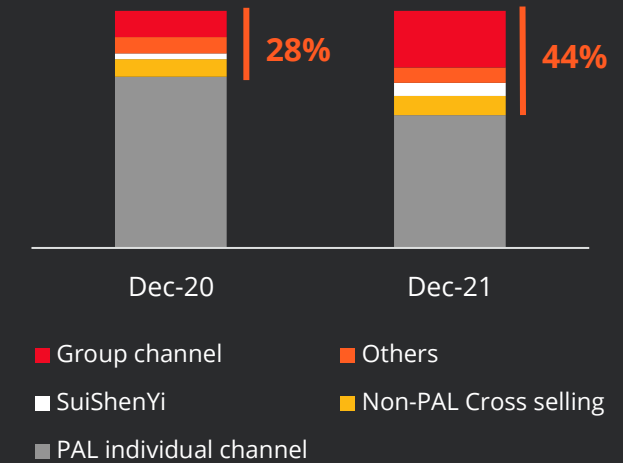
PAH licensed regions represent **58% of GDP<sup>1</sup>**

Maturing business model leverages capabilities to create customers value

|   | Areas with an insurance license                                      | Opportunity identified  |
|---|--|---|
| <b>Customer access</b>                    | <p>✓ Control 100% of business</p>                                    | <p>Optimise distribution channels to own customers</p>                          |
| <b>Higher profitability</b>               | <p>✓ Control expenses, commissions and pricing</p>                   | <p>Selectively expand PAG collaboration to reach targeted customer segments</p> |
| <b>Ability to manage risk</b>             | <p>✓ Directly manage underwriting, pricing &amp; risk management</p> | <p>Leverage insurance capabilities to generate revenue and profits</p>          |
| <b>Change in Combined Operating Ratio</b> | <p>                     ✓  </p>                                      | <p>Continue branch expansion and grow own license business</p>                  |

Reaching customers through new and diverse channels

New business split through own license channels



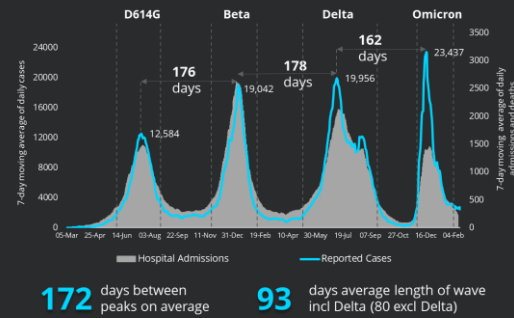
Development of new channels

**Ping An Puhui**  
A leading **technology-powered** platform, providing access to **financing for small and micro enterprises**

**Ping An Bank**  
Holistic bank providing **retail, corporate, and banking technology services** to clients across China

<sup>1</sup> Source: China statistical yearbook 2021 edition

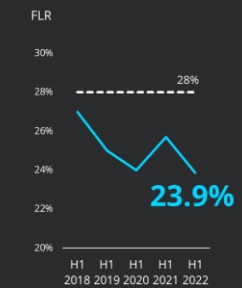
# Three concurrent areas of focus



## Strongly capitalised

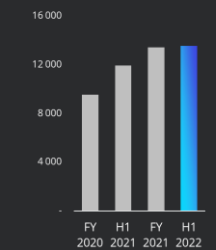
|                           | Dec 20 Cover | Dec 21 Cover |
|---------------------------|--------------|--------------|
| Life                      | 1.8x         | <b>1.8x</b>  |
| Insure                    | 1.8x         | <b>1.8x</b>  |
| VH                        | 2.0x         | <b>1.9x</b>  |
| VL                        | 2.0x         | <b>2.2x</b>  |
| Bank <sup>1</sup>         | 1.3x         | <b>1.4x</b>  |
| PAH <sup>2</sup>          | 2.1x         | <b>2.1x</b>  |
| DHMS solvency (unaudited) | 38.6%        |              |

## FLR is within target



## Highly liquid across the Group<sup>3</sup>

Liquid excess assets above minimum regulatory capital requirements



# UNAUDITED INTERIM RESULTS

for the six months ended 31 December 2021

