



# AUDITED RESULTS

for the year ended 30 June 2022





Discovery



**Normalised operating profit**  
**+45%**  
to R9 384m

**Core new business**  
**+6%**  
to R21 710m

**Headline earnings**  
**+74%**  
to R5 204m

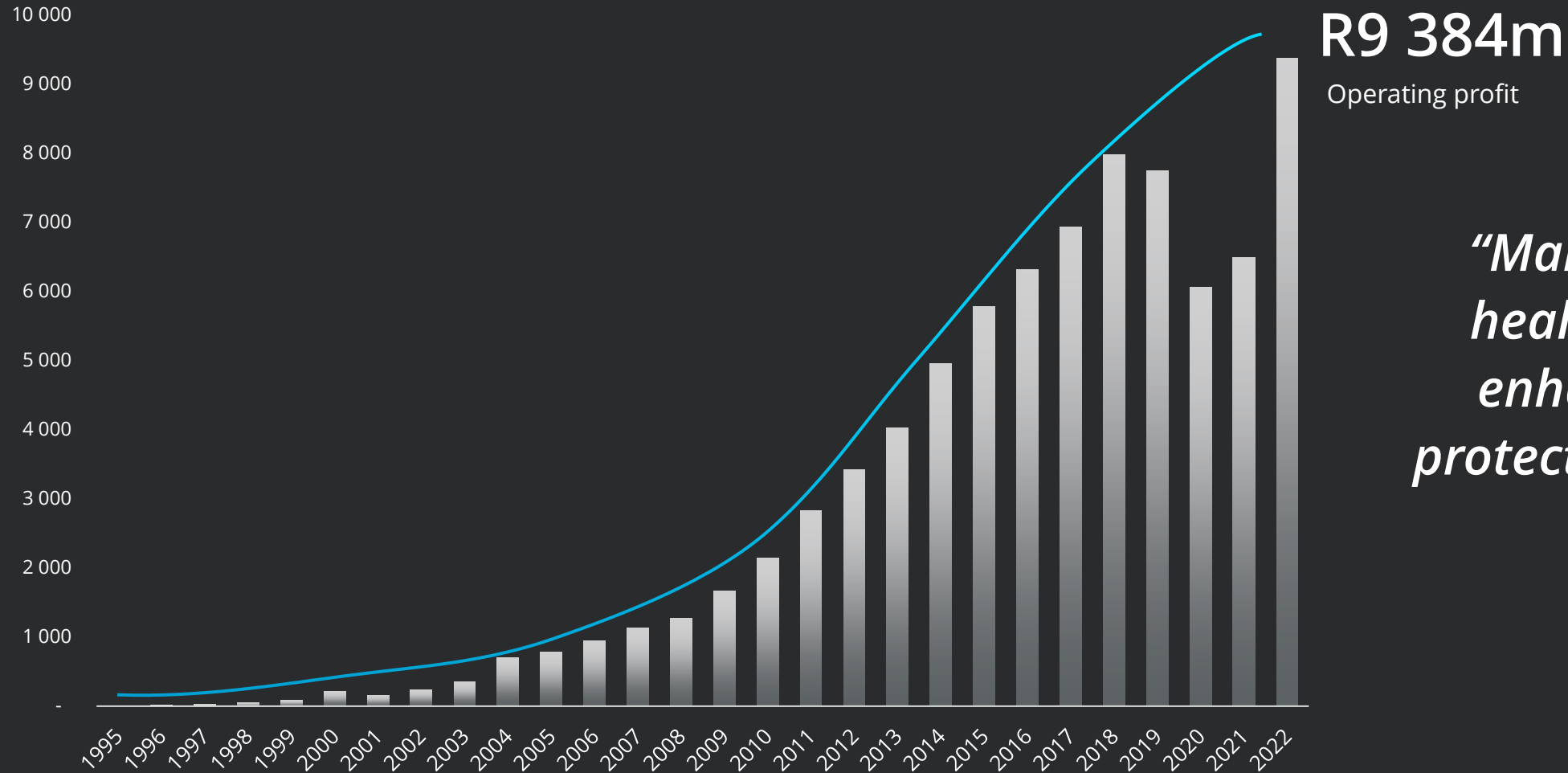
**Normalised headline earnings**  
**+71%**  
to R5 816m

+5% new business API, including DH take-on of new closed schemes and gross revenue for Vitality Group

# 30 years of organic growth



Operating profit (Rm)



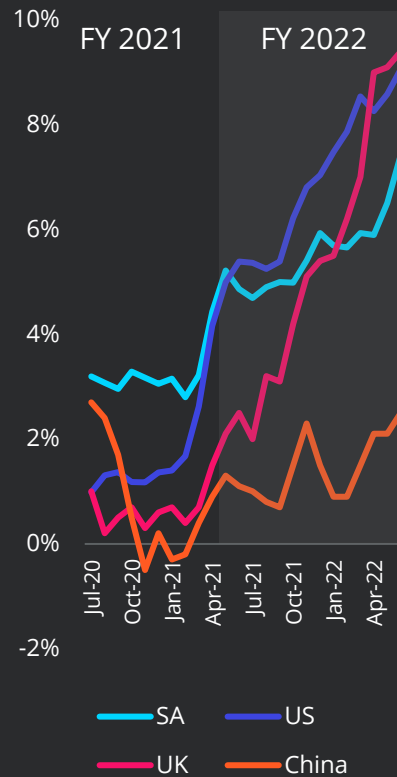
*“Make people healthier and enhance and protect their lives”*

# Period saw increased macro environment uncertainty



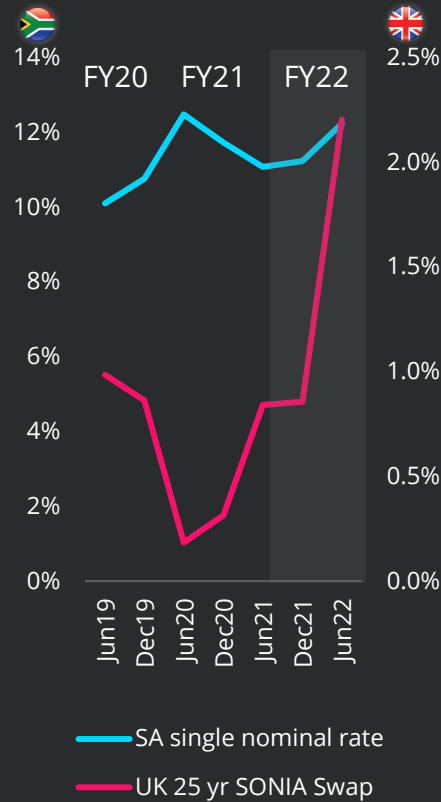
## High inflation

CPI inflation rates



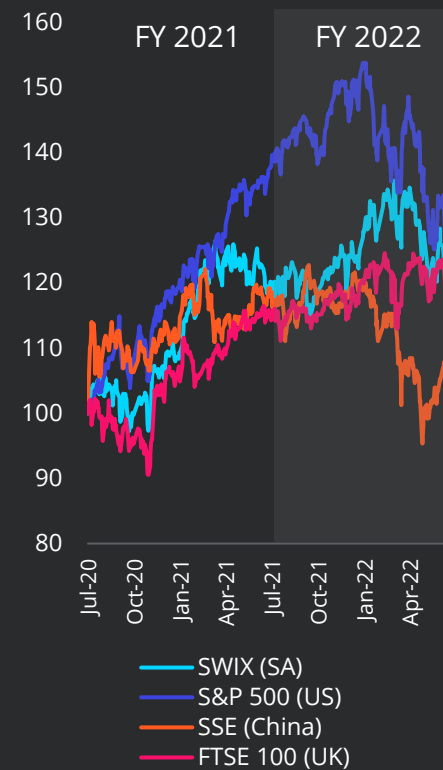
## Rising interest rates

SA and UK



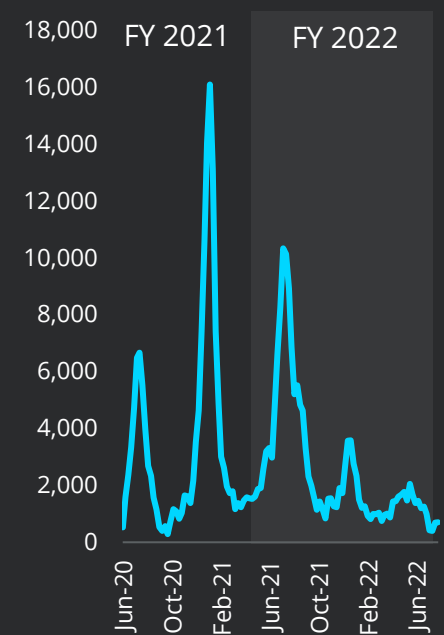
## Market volatility

Indices rebased to July 2020



## COVID-19 deaths

SA excess deaths



# Positioned for growth off a strong foundation



The leading **new generation financial services organisation** which through its **Vitality Shared-value model** makes customers healthier, provides better and more sustainable products, achieves **superior growth and returns for its shareholders** and is a force for good in the communities in which it operates

1 Robust growth, navigating COVID-19 and macroeconomic volatility

2 Scaling and streamlining the New initiatives

3 Pivoting off the Shared-value model to manage the complexities of the period under review

4 Ensuring capital strength and liquidity



1 business model

**R77bn**  
Gross income

**R9.4bn**  
Profit

**R21.7bn**  
New business

**>30m**  
Customers

**39**  
Markets

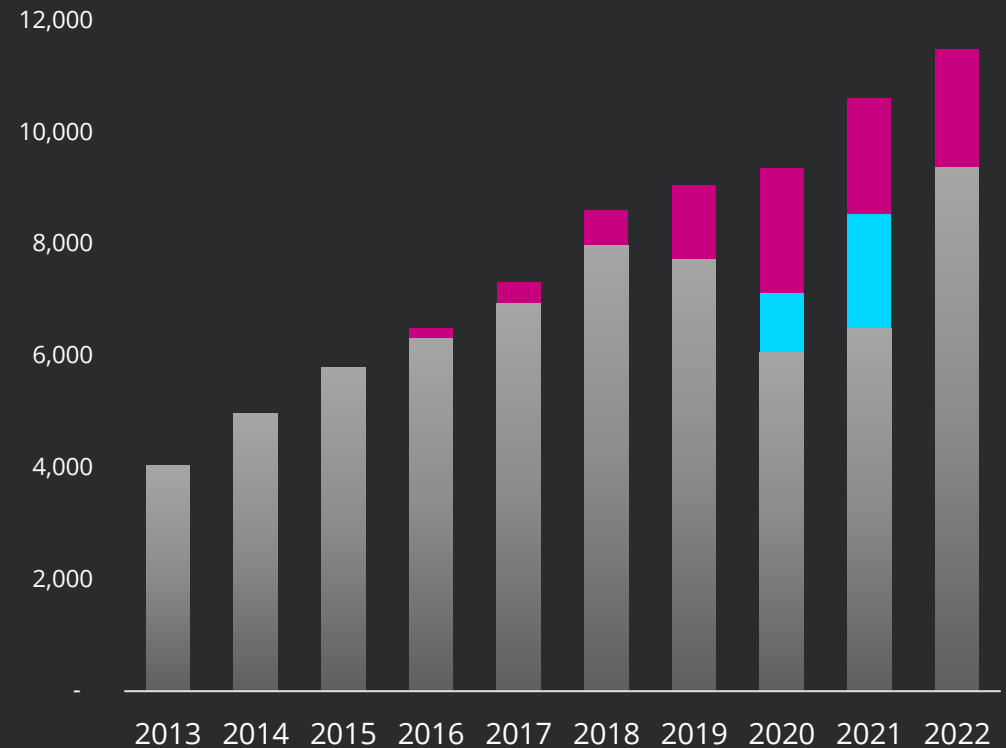
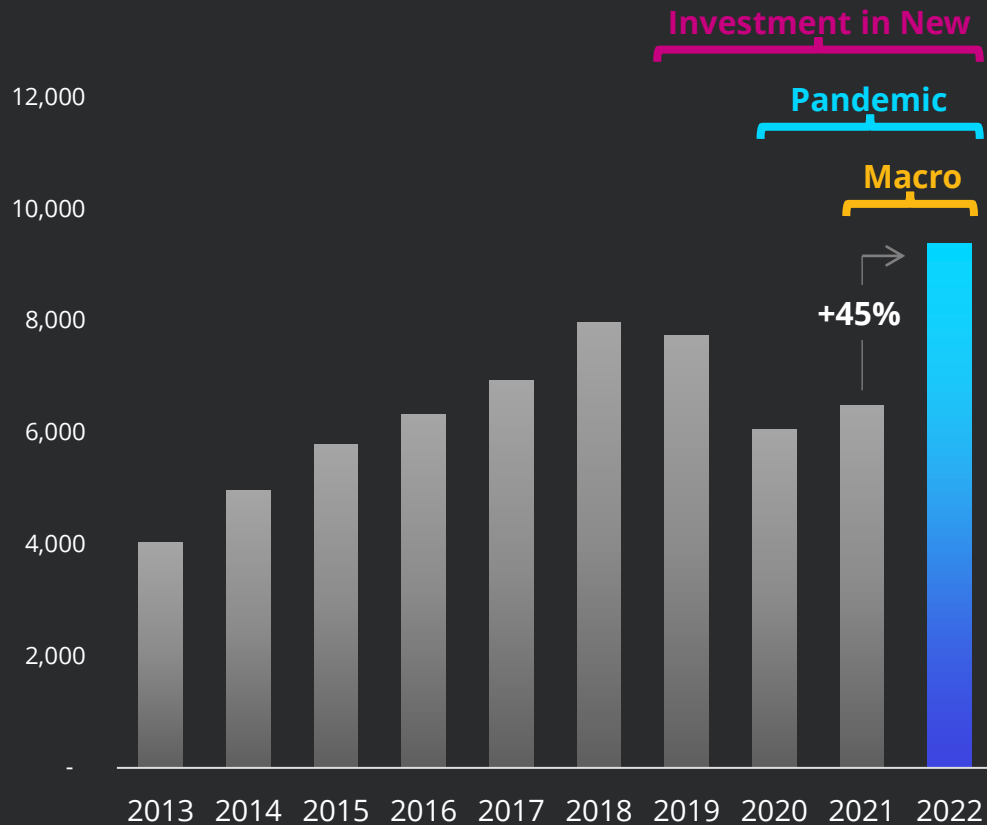
**470m**  
Healthy activities

**13 552**  
People

# Strong operating profit growth despite COVID-19 and organically building New initiatives






## Operating profit Rm



■ SA COVID-19 provision impact ■ Investment New

# Strong growth



ZARm	<b>+45%</b> R9.4bn Operating profit		<b>+6%</b> R21.7bn Core new business API*		
 Health	3 600	+5%	7 292	+20%	Robust profit growth and excellent new business growth. DHMS' pricing strategy continues to balance short-term affordability with long-term sustainability
Life	4 028	+200%	2 543	+12%	Resilient performance driven by positive overall experience and COVID-19 experience consistent with provision modelling
Invest	1 204	+11%	2 920	+7%	Robust performance despite lower market levels over second half of period. Launched Cogence, SA's first Shared-value DFM with BlackRock (Aladdin Wealth™ Technology)
Insure	(162)	-165%	1 246	-3%	Difficult period, R369m claims overrun, mainly due to adverse weather events, notably KZN floods, combined with motor parts inflation dramatically exceeding CPI
<b>Core SA</b>	<b>8 670</b>	<b>+42%</b>	<b>14 001</b>	<b>+13%</b>	
 Vitality Health	1 328	+39%	1 738	+27%	Excellent operating performance driven by sustained membership growth, rigorous expense controls and excellent care management
Vitality Life	671	+4%	1 256	+10%	Robust performance as a result of management actions taken over previous reporting periods. Concluded the long-term deferral of the Part VII transfer of VL
<b>Core UK</b>	<b>1 999</b>	<b>+25%</b>	<b>2 994</b>	<b>+19%</b>	
Vitality Group	473	+13%	1 398	+10%	Strong growth from existing operations and operating model efficiencies unlocked by formation of Vitality Network and Vitality Health International
 Ping An Health	338	-18%	2 883	-15%	PAH generated R1.3bn lower investment income than prior period however business fundamentals remain strong. New business on PAH insurance licence increased; total new business reduced due to restructuring in the co-operation with PAL
<b>Core VG</b>	<b>811</b>	<b>-2%</b>	<b>4 281</b>	<b>-8%</b>	
Bank	(990)	-10%			18% of Group operating profit on New led by Discovery Bank. Streamlined some New initiatives to ensure focus on the businesses that generate significant economic value
Other New	(1 115)	+14%	1 576	-25%	Bank continues to expand its current client base, and reached 1m accounts in the period

Insurance entities only

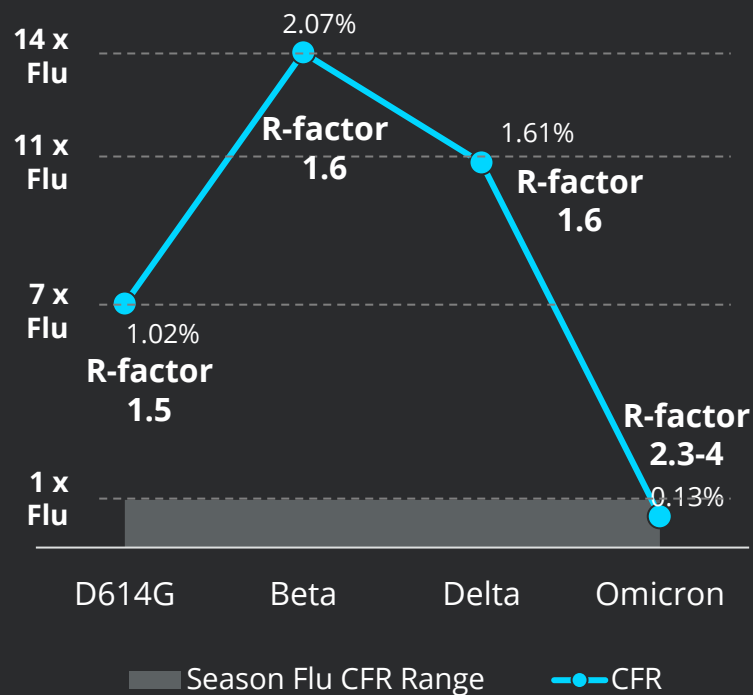
\*Core new business API excludes DH take-on of new closed schemes and gross revenue for Vitality Group

# COVID-19 less lethal however increased morbidity risk

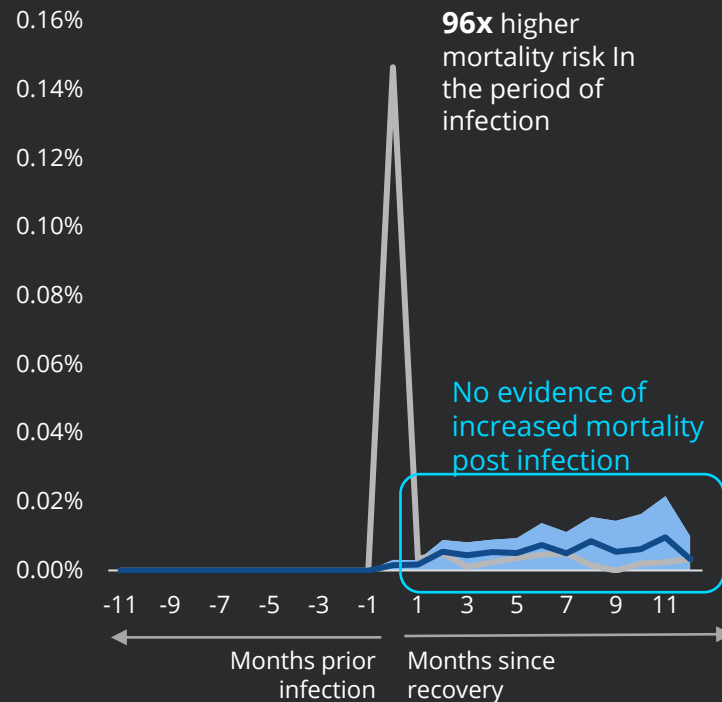


## Estimated CFR like seasonal flu during 4<sup>th</sup> and 5<sup>th</sup> waves

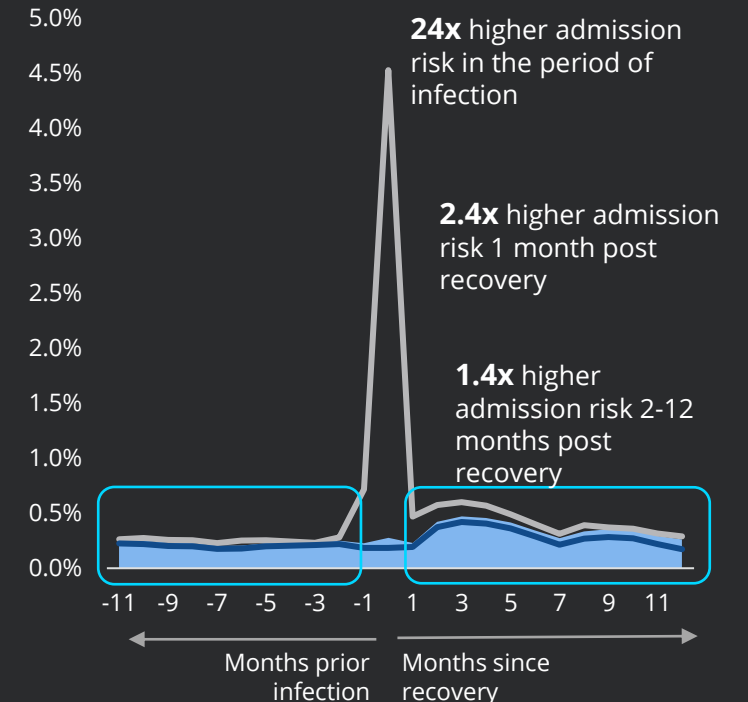
Mortality rate following confirmed infection



## No evidence of increased mortality post-infection



## However, 1.4x higher risk of hospital admission post-infection





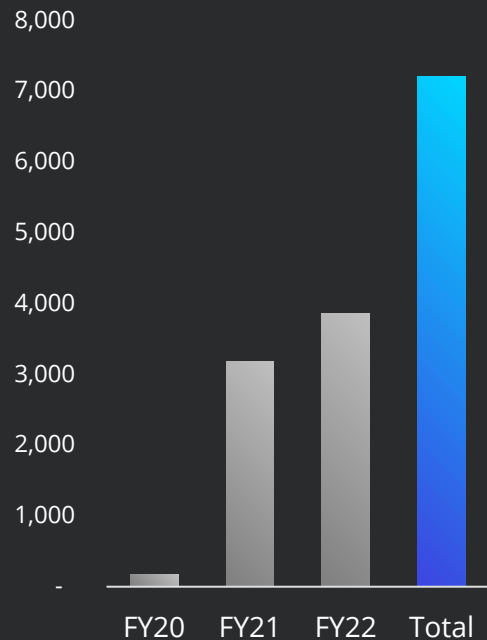
# Life companies were resilient throughout the pandemic



## Gross COVID-19 claims paid

**R7.2bn**

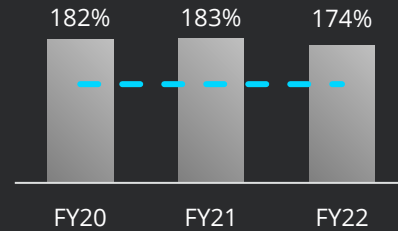
Discovery Life and VitalityLife



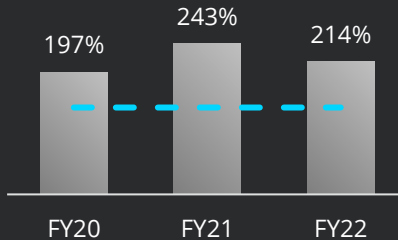
## Both DL and VL in strong position



### DL SCRC

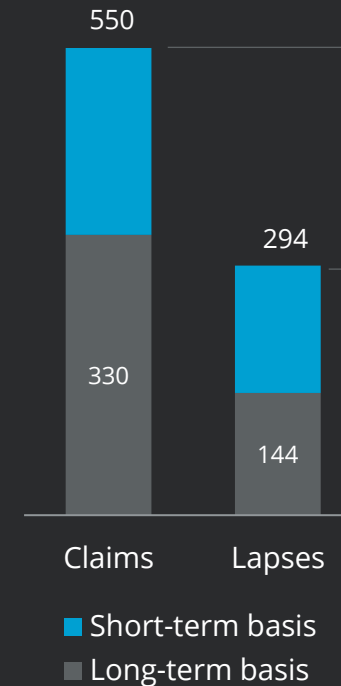


### VLL SCRC



## Significantly de-risked the claims and lapse basis to allow for endemic COVID-19 and other risks

Discovery Life estimated 1-year impact for FY23 of basis strengthening Rm



- Claims:**
- Strengthening of long-term mortality, capital disability and severe illness basis
  - Short-term stress assumptions to allow for heightened direct and indirect COVID-19 risks

- Lapses:**
- Short and long-term adjustments to basis
  - Explicit policy alteration allowance

**In addition:**  
Refinements to shared-value model and other interventions significantly de-risks the basis

# Focus on scaling the key initiatives and streamlining the marginal ones



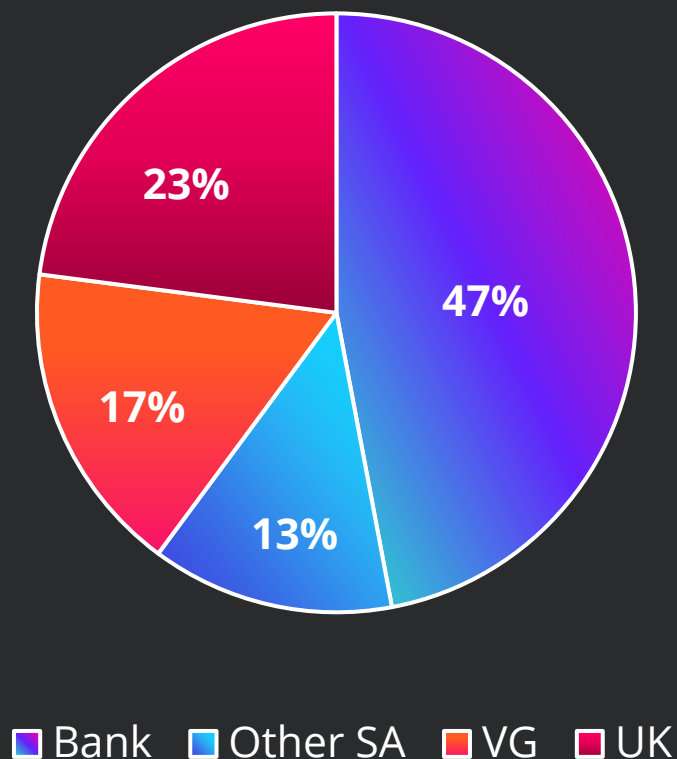
		Region	Size	Prospects
Large scale initiatives			<b>&gt;1m</b> accounts <b>74%</b> active clients <b>2x</b> deposit vs loan book	Expect continued growth
			<b>194</b> total staff <b>1st</b> deployment underway	Expect rapid growth, 9 captive markets with 50m clients
			<b>24</b> V1 markets <b>2.3m</b> lives	Modularising V1 services to make it more accessible and sellable
Embedded in businesses			<b>R350m</b> DBI API <b>R8.9bn</b> UF FUM <b>c1-in-2</b> new clients a day*	Will be folded into businesses
Strategically reviewing			<b>R15bn</b> VitalityInvest AUA <b>&gt;50k</b> AIAH lives	Despite strong growth, exiting VI due to market conditions Reviewing AIAH (Australia) to focus on Amplify Health strategy across Asia

\*Connect new individual clients a day

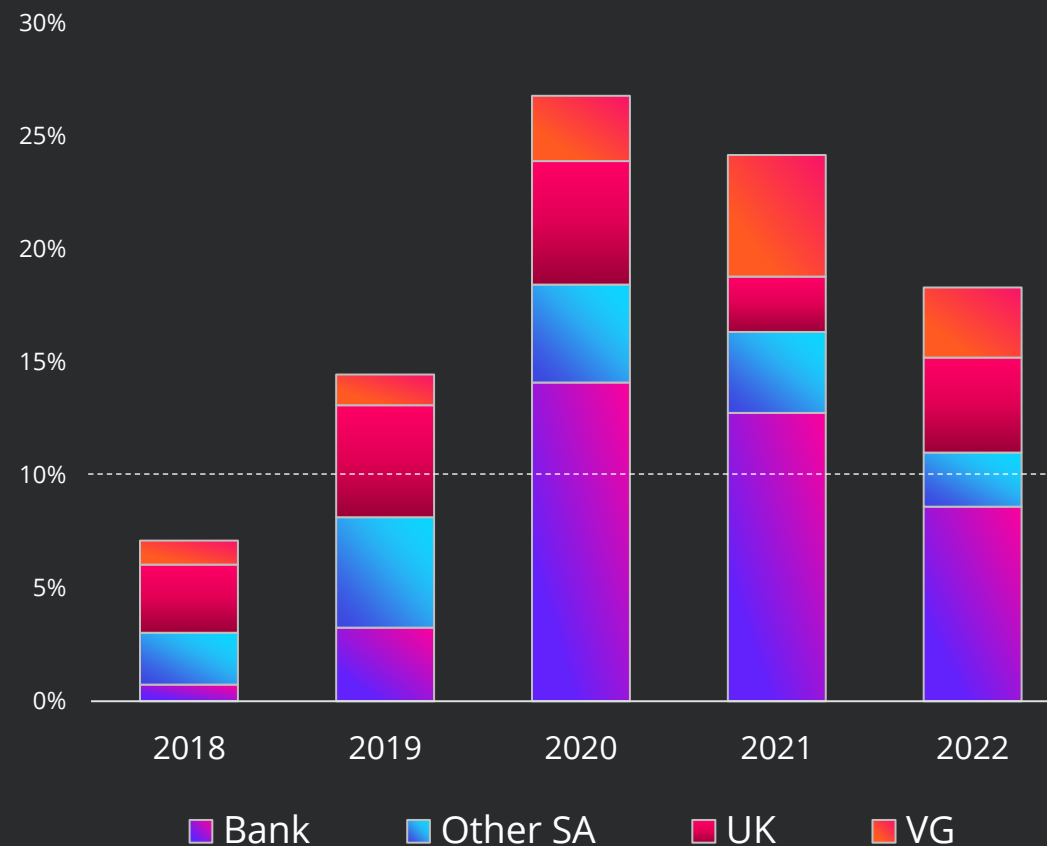
# Majority in Bank, expect spend to revert to long-term guidance



c60% of New is in Bank and Vitality Group  
New by strand



Investment in New has been above guidance  
% core operating profit

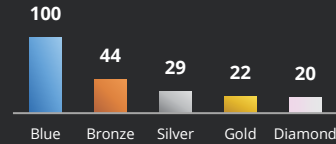


# Vitality Shared-value model resilient during complex times

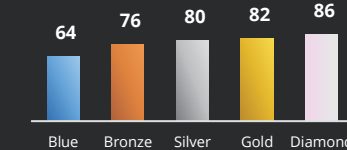


**Resilience to COVID-19**

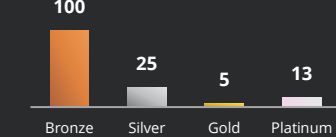
Discovery Life COVID-19 CFR by status



At least partially vaccinated by status (%)

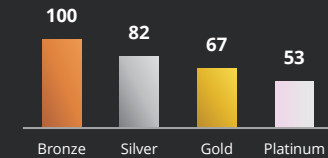


Vitality Life COVID claims as % total

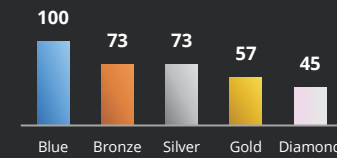


**Excellent persistency**

Vitality Health lapses by status

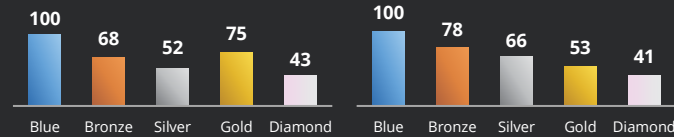


Discovery Health retention by status

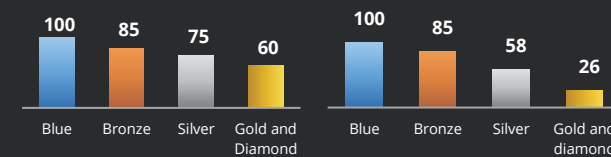


**Stability and positive selection**

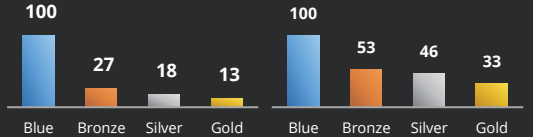
Discovery Life claims and lapses



Discovery Insure claims and lapses

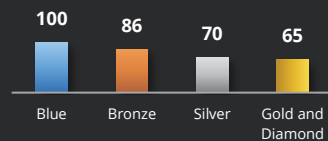


VG partner market claims and lapses



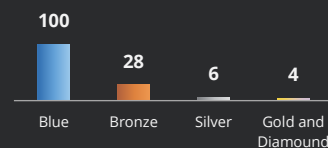
**Unexpected correlations**

Discovery Insure weather claims frequency by status

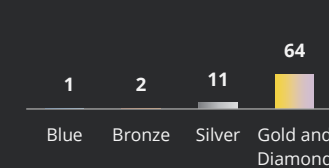


**Clear causality**

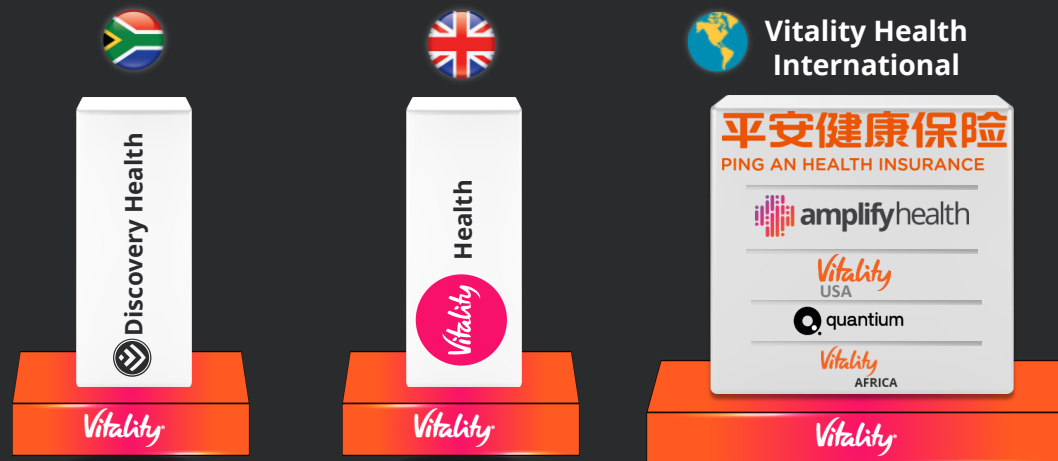
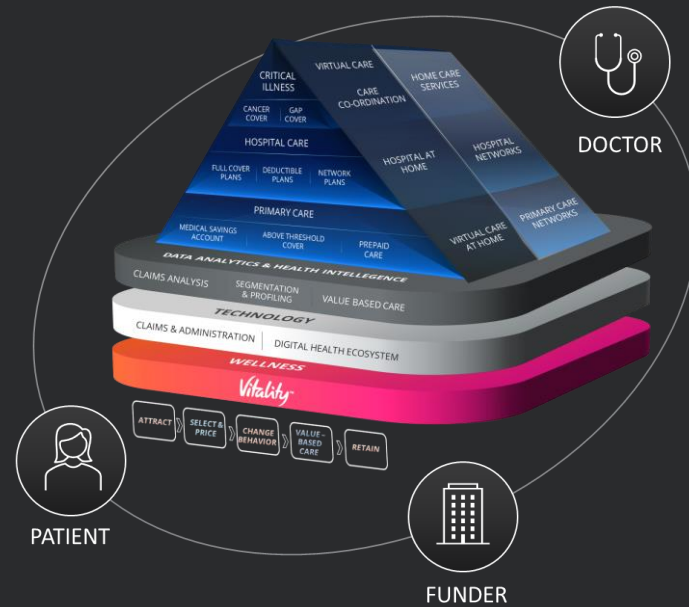
Discovery Bank default rates by status



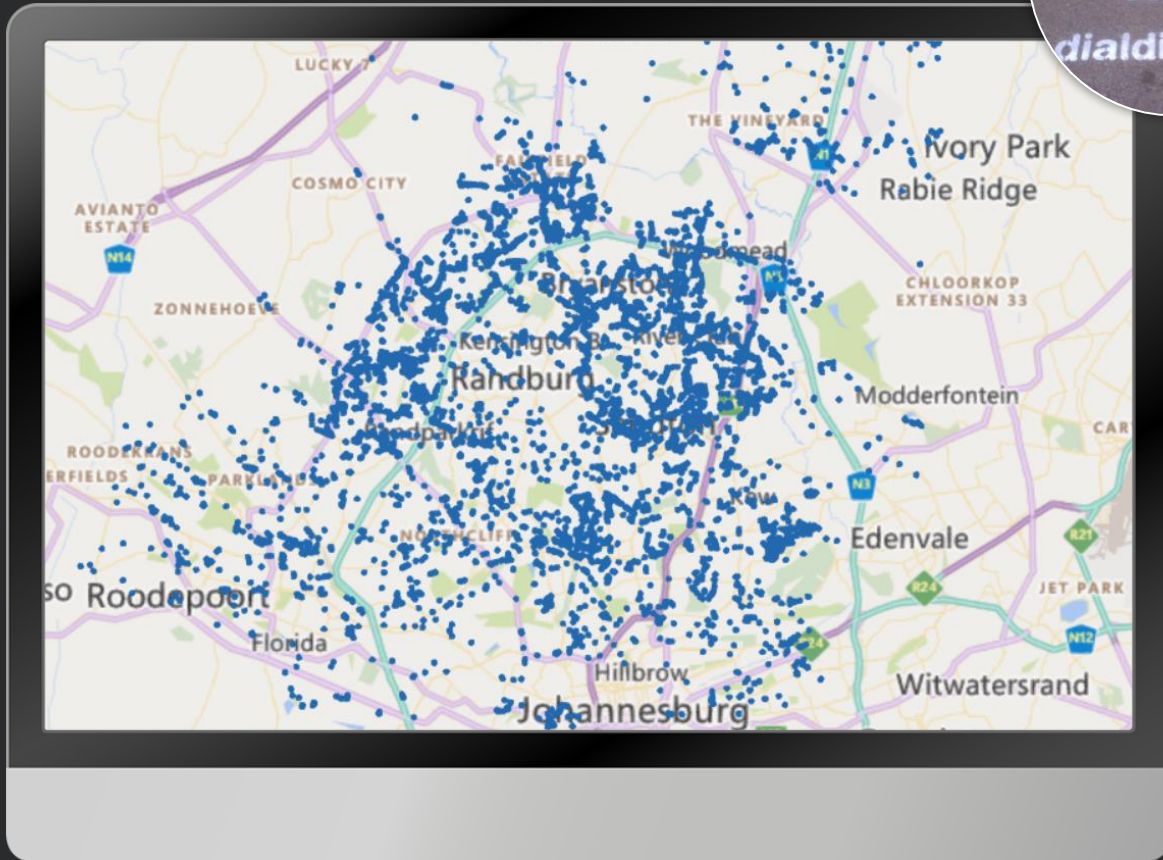
Discovery Bank deposit by status



# Creating repeatability in the Vitality shared-value health insurance model



# POTHOLE PATROL



*Claims saved*  
Market share > *cost of filling pothole*

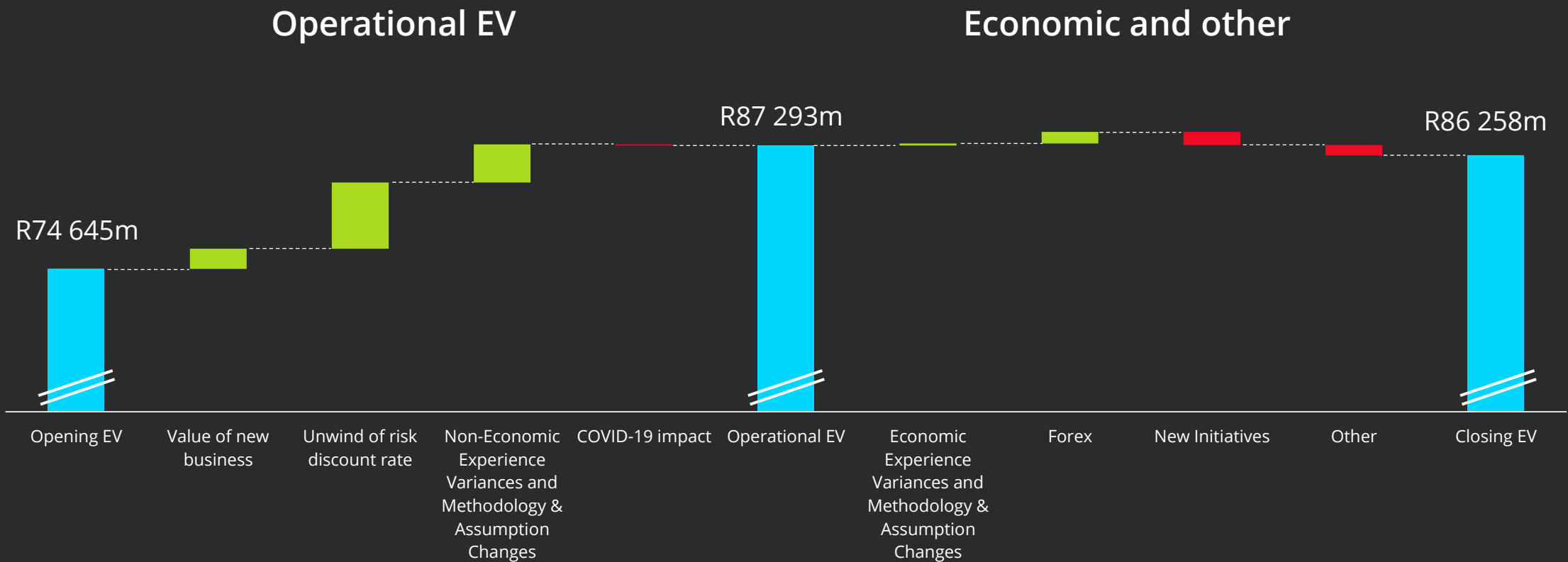
**112 448** Potholes filled since inception

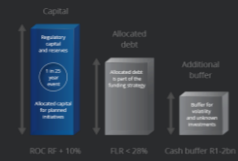
# Group Embedded Value



# 14.8%

ROEV





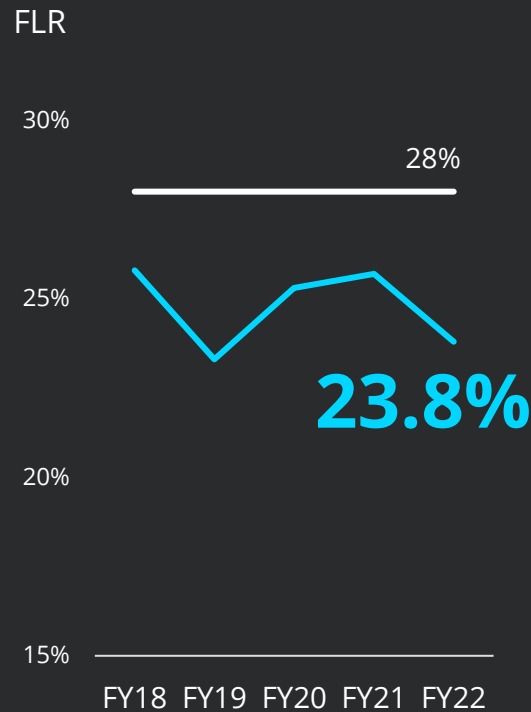
# Group is well capitalised and highly liquid



## Strongly capitalised

	Jun 21 Cover	Jun 22 Cover
Life	1.8x	<b>1.7x</b>
Insure	1.8x	<b>1.2x</b>
VH	1.6x	<b>1.5x</b>
VL	2.4x	<b>2.1x</b>
Bank <sup>1</sup>	1.4x	<b>1.3x</b>
PAH <sup>2</sup>	2.3x	<b>2.8x</b>
DHMS solvency (unaudited)		36%

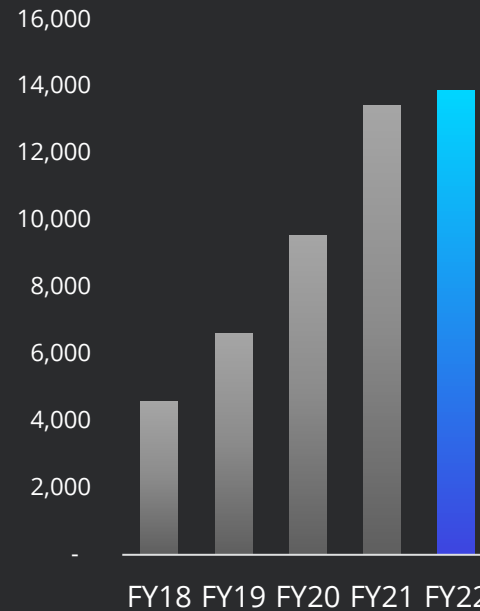
## FLR within target



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

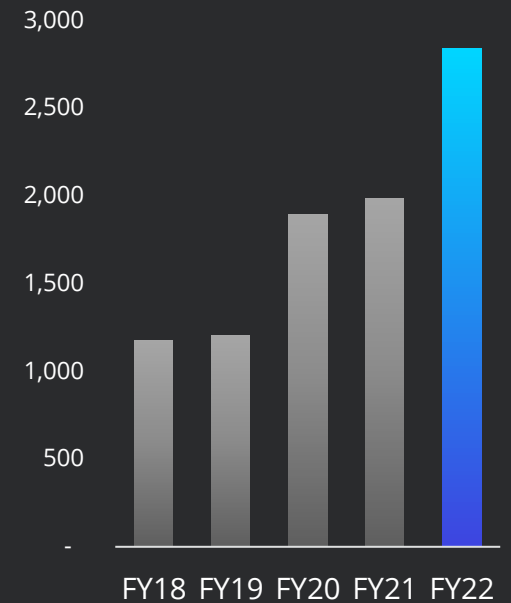
Liquid excess assets above minimum regulatory capital requirements

R millions



## Sufficient liquidity at the centre

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



<sup>1</sup> Capital Adequacy Ratio

<sup>2</sup> Comprehensive Cover Ratio, FY21 on C-ROSS I and FY22 on C-ROSS II

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

<sup>4</sup> SA cash + undrawn committed facilities



# Reported profit for the period affected by a few key factors



Rm	12 months ended Jun-22	12 months ended Jun-21	%
<b>Normalised profit from operations</b>	<b>9 384</b>	<b>6 494</b>	<b>45%</b>
1 Economic assumptions adjustment - DL	( 651)	( 411)	
Economic assumptions adjustment - VL (net of all hedge impacts)	113	31	
Finance charges excl. 1DP finance lease	(1 376)	(1 291)	
Unrealised gains/(losses) on foreign exchange contracts not designated as a hedge	( 2)	( 304)	
2 Foreign exchange gains/(losses)	155	( 389)	
Expenses related to Prudential Book transfer	( 182)	( 187)	
Investment income and fair value remeasurements	210	83	
Vaccination costs	( 157)	( 42)	
3 Gains from dilution of equity accounted investments	33	554	
Other	( 258)	( 331)	
<b>Profit before tax</b>	<b>7 269</b>	<b>4 207</b>	<b>73%</b>
Tax	(1 790)	( 987)	
Profit attributable to preference shareholders	( 57)	( 63)	
<b>Profit attributable to equity holders</b>	<b>5 422</b>	<b>3 157</b>	<b>72%</b>
Headline adjusting items	( 218)	( 171)	
<b>Headline earnings</b>	<b>5 204</b>	<b>2 986</b>	<b>74%</b>
Economic assumptions adjustment (DL and VL) after tax and hedging	377	270	
Other normalisation adjustments after tax	235	150	
<b>Normalised headline earnings</b>	<b>5 816</b>	<b>3 406</b>	<b>71%</b>

1 SA saw an increase in nominal interest rates which partly recovered by 31 August 2022

UK saw increase in long term interest rates which benefits the business, partially offset by hedge effects and transfers to discretionary margin

2 Weakening of the Rand compared to a strengthening in the prior period

3 Continued investment in supporting the national vaccination campaign in SA

Discovery Board continues to retain prior stated dividend position and decided not to declare an ordinary final dividend for the period ended 30 June 2022. The reintroduction of an ordinary dividend will be considered on an ongoing basis

# Driving our purpose as a force for good in a complex ESG space



## Focus areas and FY 2022 outcomes

- 1** Making people healthier

  - 470m** Healthy activities recorded<sup>1</sup>
  - >2m** Life years saved<sup>2</sup>
  - R11.4bn** Shared-value dividend<sup>3</sup>
  
- 2** Restoring the climate and environment

  - Lowest** Carbon emitter<sup>4,5</sup>
  - 17%** Lower carbon emissions<sup>5</sup>
  
- 3** Strengthening healthcare system & nation building

  - 10% of which 75%** are in the public sector of medical sub-specialists trained<sup>6</sup>
  - R200m** Spend on mass vaccination campaign<sup>7</sup>
  
- 4** Ensuring diverse and inclusive workforce

	Female	Black
Staff	<b>62%</b>	<b>84%</b>
Leadership	<b>52%</b>	<b>64%</b>
Executive leadership	<b>45%</b>	<b>36%</b>
  
- 5** Ensuring fair and responsible pay

  - 2<sup>nd</sup> of 14** Lowest income disparity ratio<sup>8</sup>

### ESG Ratings

**Highest**  
Peer rating<sup>4</sup>



**19.8**  
2022

**S&P Global**  
Ratings

**71%**  
2021



**74%**  
2022

1 Healthy activities include moderate and intense physical activity events recorded and HealthyFood purchases; 2 Life years saved is calculated from healthy activities recorded, using the methodology in the Rand research paper; <https://d16pi0tqkfz3v3.cloudfront.net/assets/microsites/vitality-international/pdfs/rand-rr2870.pdf> ; 3 Includes R5.2bn and R4.7bn Shared-value and rewards returned to customers respectively and R1.5bn DHMS dividend from Vitality; 4 Relative to domestic life insurance peer group; 5 Relative to 2019 base, measured by Scope 1 + Scope 2 emissions, before verification ; 6 Based on 10-year analysis, performed prior to 2022; 7 FY21 and FY22; 8 Relative to SA financial services group



# Growth in the three market-specific strategies



# The strategic strands

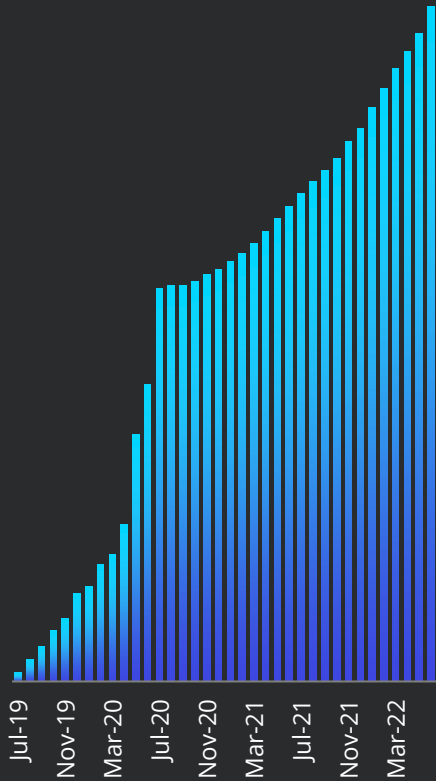


- 1 Perfect composite model, #1 in our chosen segments in every industry, and the Bank pivoting to growth as the composite-maker within SA
- 2 Best-in-breed products across businesses and operating as a fully integrated composite business with a seamless One Vitality client journey. A successful entry 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



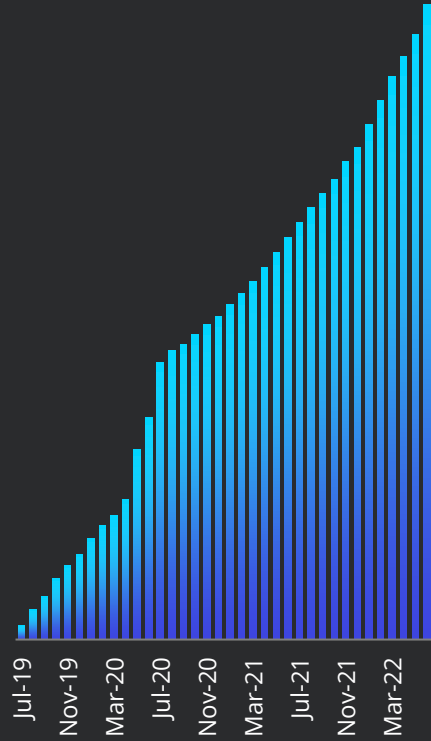
## Total clients

**>510k**



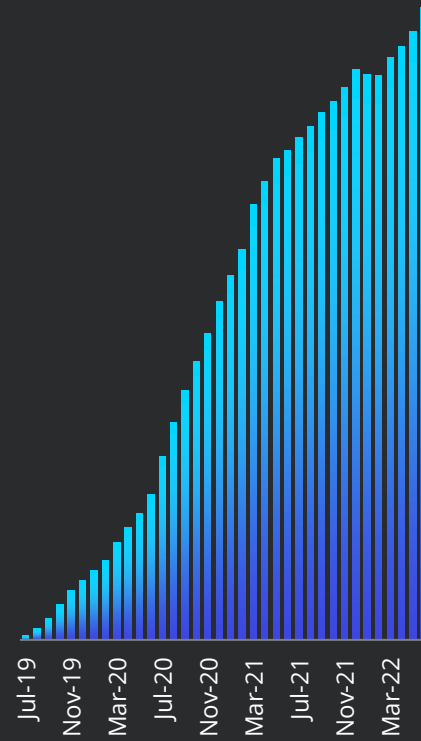
## Total accounts

**>1.1m**



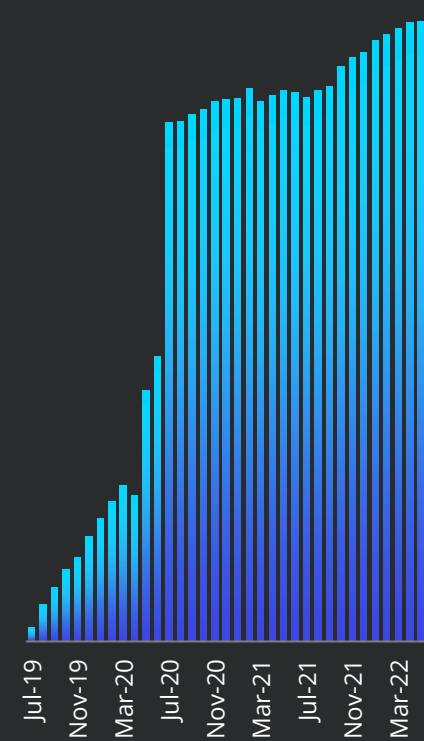
## Retail deposits

**R11.2bn**



## Advances

**R4.5bn**



## Operating result

**-R990m**



\*Includes capital development costs during build phase

# Key focus areas for the Bank



1 Full-service offering

Differentiation and growth

2 Shared-value

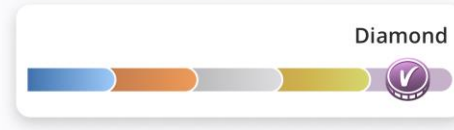
Quality and revenue

3 Digital capabilities

Functionality and economics



 **Vitality Money Points and Status**



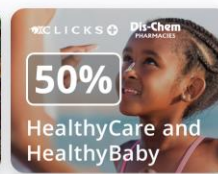
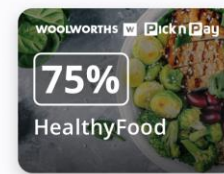
 **Financial Analyser**



 **Dynamic Interest Rates**



 **Dynamic Discounts**

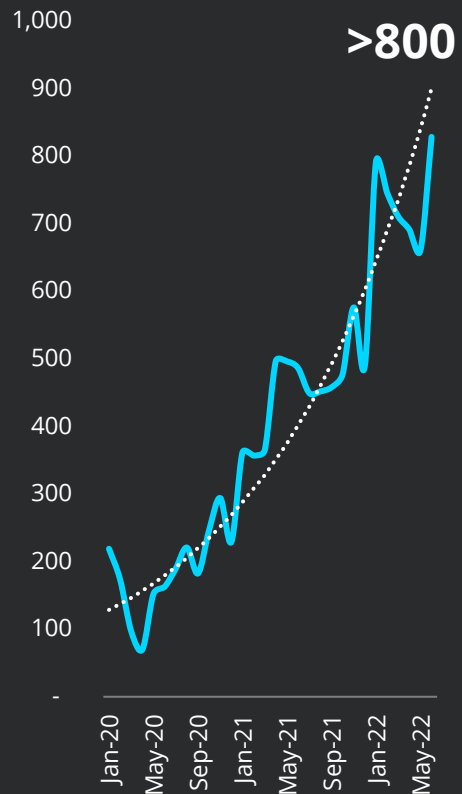


# Growth of >800 clients per day with high engagement



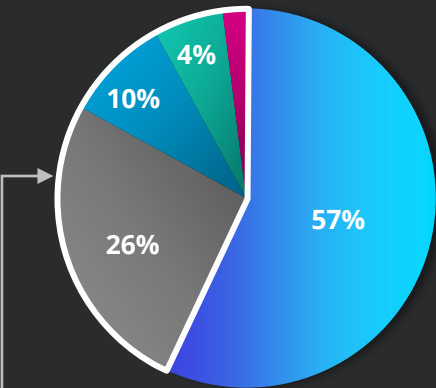
## Close to 1 000 daily new business sales

Average daily new business sales per business day



## 57% new to Discovery

New business composition

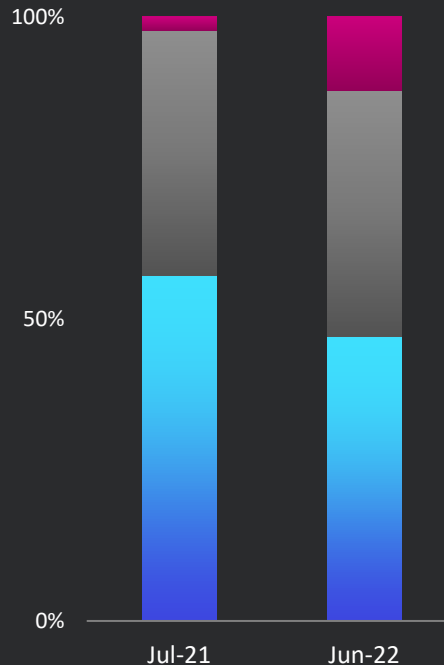


In line with DH's 40% market share of open and closed schemes

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

## Intermediated sales grew

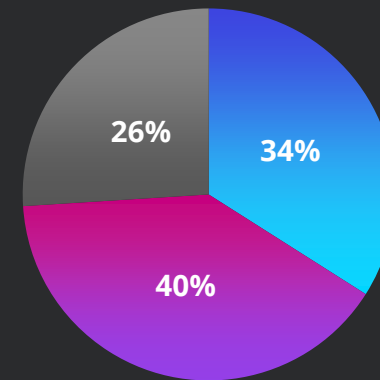
Channel mix



- Self-assisted
- Intermediated
- Direct

## 74% clients are primary or active

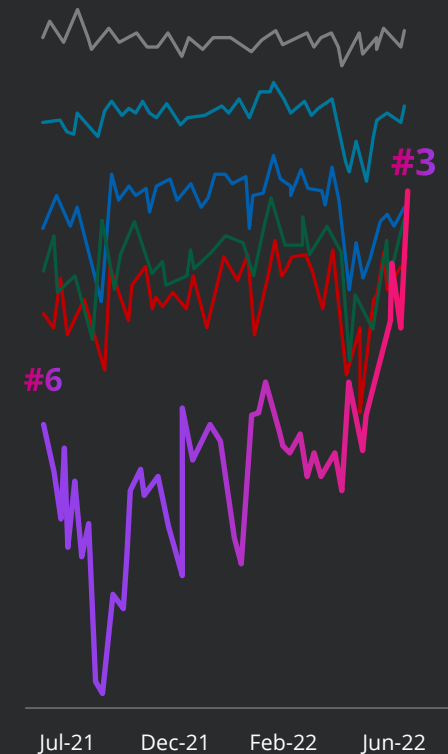
Engagement mix



- Primary / highly active
- Active
- New or low active

- Primary / 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

## iOS banking app download share



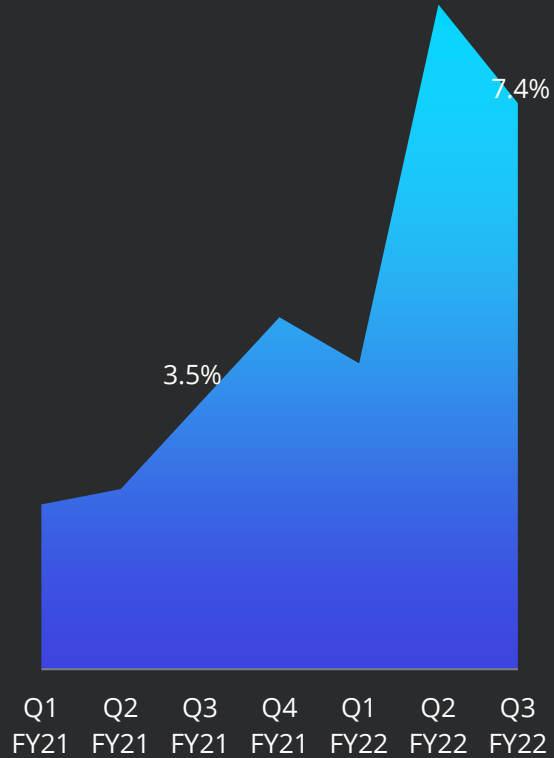
- FNB
- Standard Bank
- Absa
- Capitec
- Nedbank
- Discovery



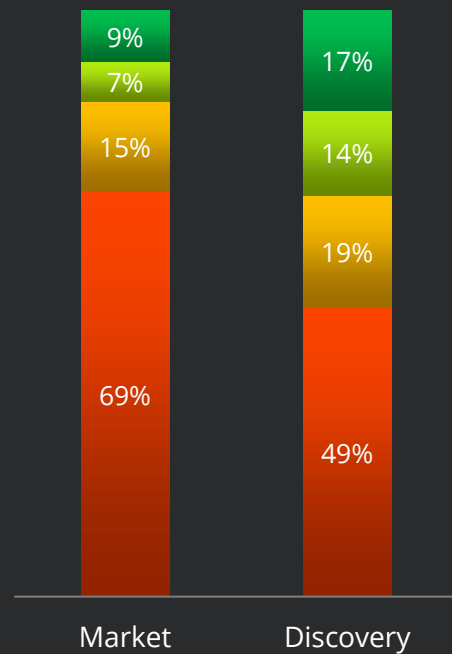
# Increasing credit penetration with superior credit quality



## New credit market share

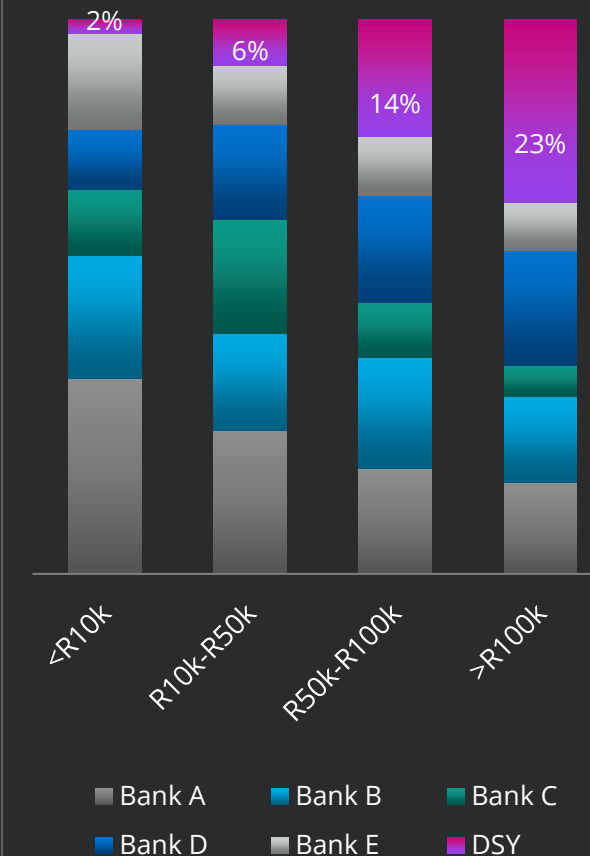


## New credit business by risk tier

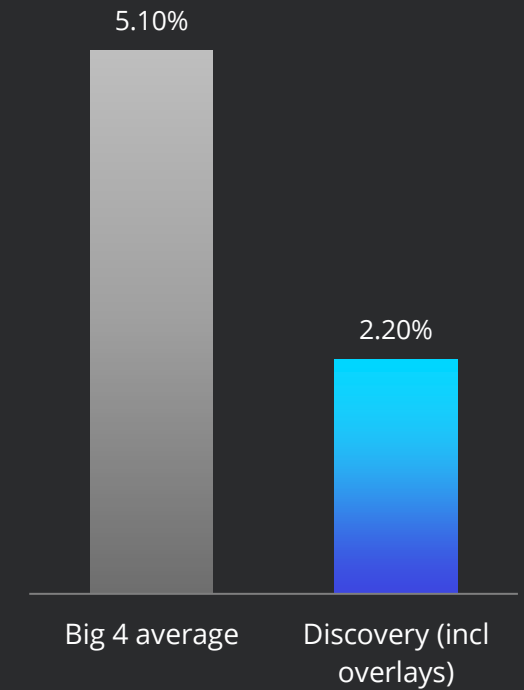


- Exceptional low risk
- Low risk
- Medium risk
- High+ risk

## New credit card market share by income pm



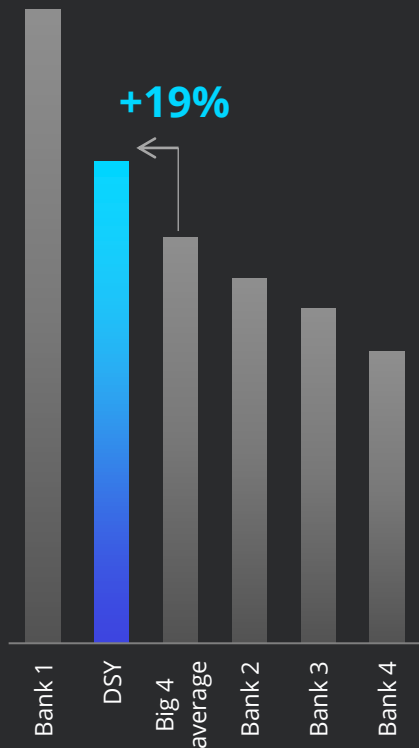
## Credit loss ratio vs market



# Revenue growth and digital scalability driving operating leverage

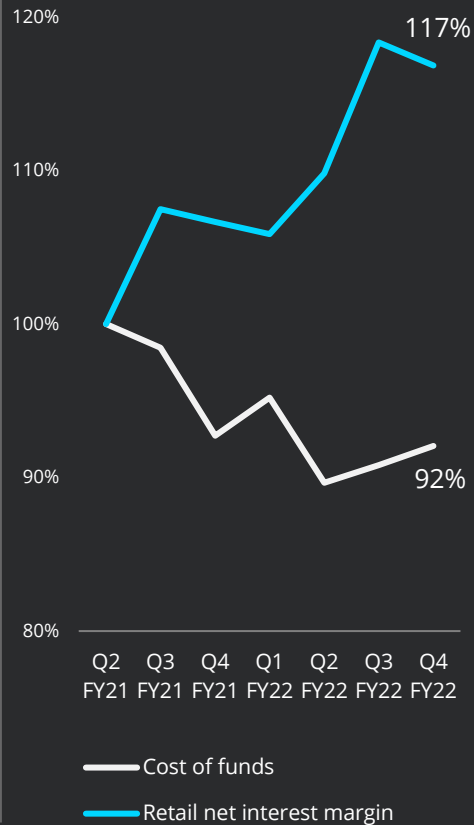


## Gross NIR pcpm vs market



## Net interest margin

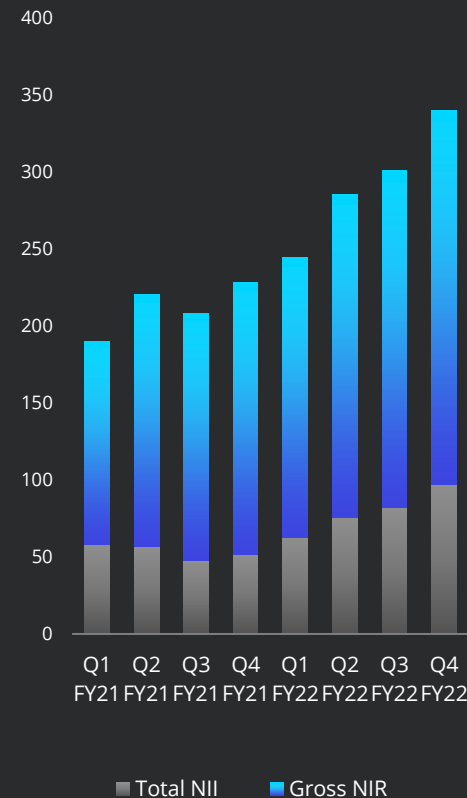
Indexed to Q2 FY21



Q1 FY21 excluded due to billing anomalies during the BIN migrations

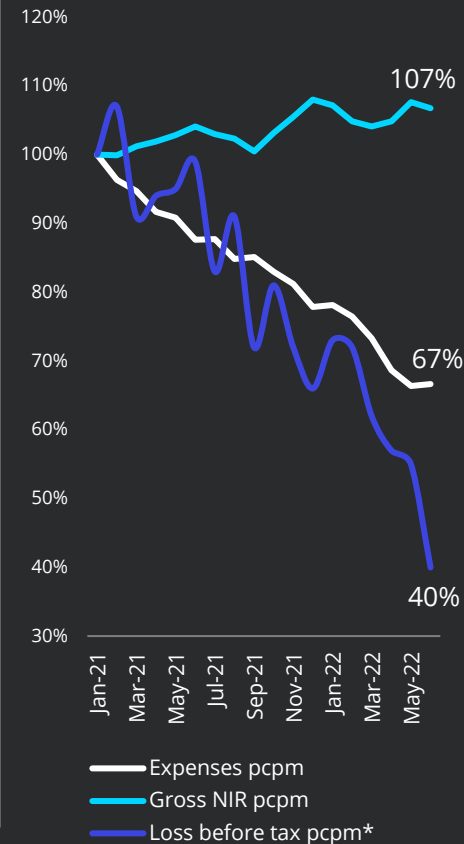
## Strong revenue growth

**R1.2bn** Total revenue FY22



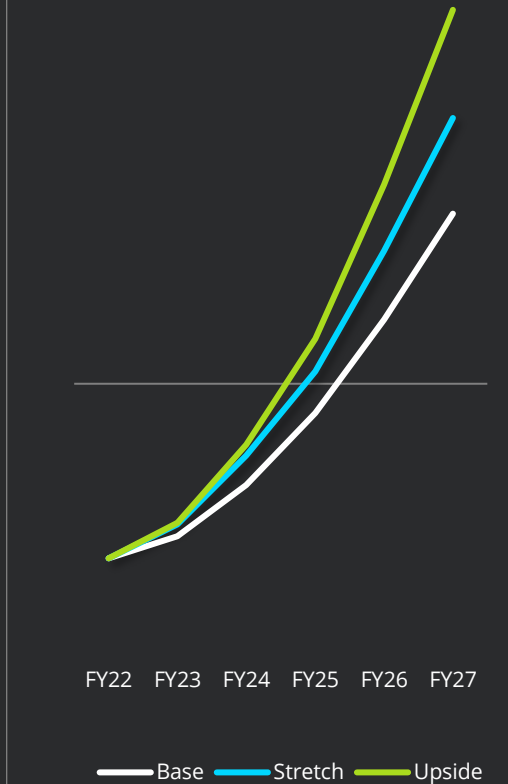
## Operating leverage

Indexed to Jan-21



\*Once-off adjustments allocated evenly over the financial year

## Breakeven earnings and sensitivities



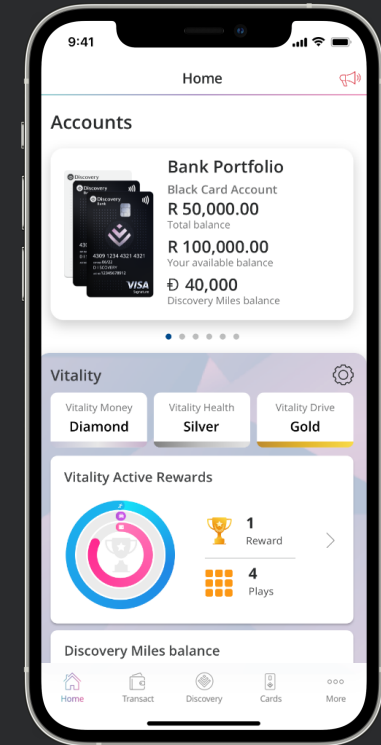
Daily sales : 1.2k by FY24 (stretch), 1.5k by FY25 (upside)  
 Advances: +5% (upside)  
 CLR: -5% (upside)  
 NIR pcpm: +4% (stretch), +6% (upside) from FY24

As at Jun-22; FRB as at Dec-21 (Integrated Annual Reports)

# The case for the composite



## Discovery Bank



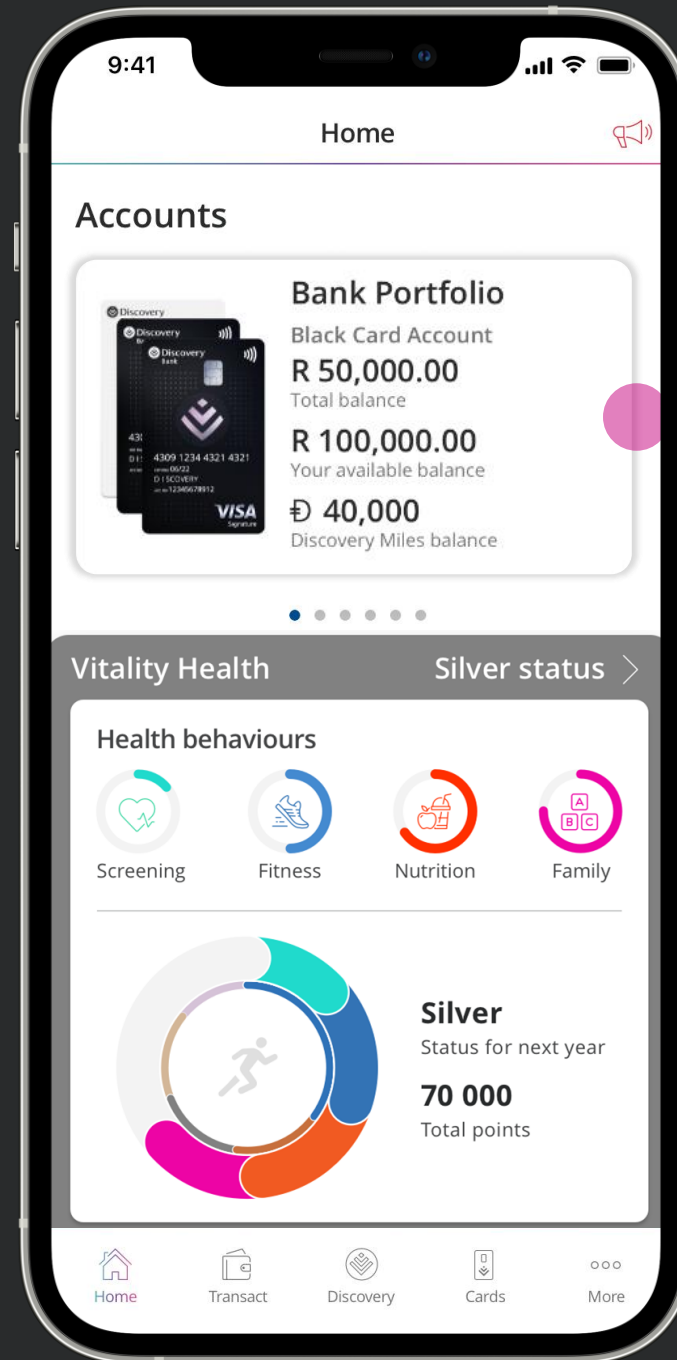
	Discovery Life	Discovery Health	Discovery Invest	Discovery Insure
<b>Market share</b>	30% market share	50% market share <sup>1</sup>	3 <sup>rd</sup> largest in net flows <sup>2</sup>	Top 3 New business growth <sup>3</sup>
<b>Same architecture</b>				
<b>Shared-value created</b>	R3.7bn Premium discounts and cash paybacks paid in FY22	R1.5bn Financial impact of the Vitality wellness program on DHMS in 2021	R1bn Fee discounts, boosts and paybacks paid in FY22	R223m Premium discounts and fuel cash backs paid in FY22

Same architecture  
 Consumer use; digital ecosystem and engagement platform  
 Security and integrated payment systems  
 Discovery Miles store of value

1 DH market share excluding GEMS, 39% including GEMS  
 2 Excluding white labelled funds  
 3 based on best estimate of competitor new business numbers

# SA Composite

Single-view,  
consistent architecture  
and unique  
digital capabilities

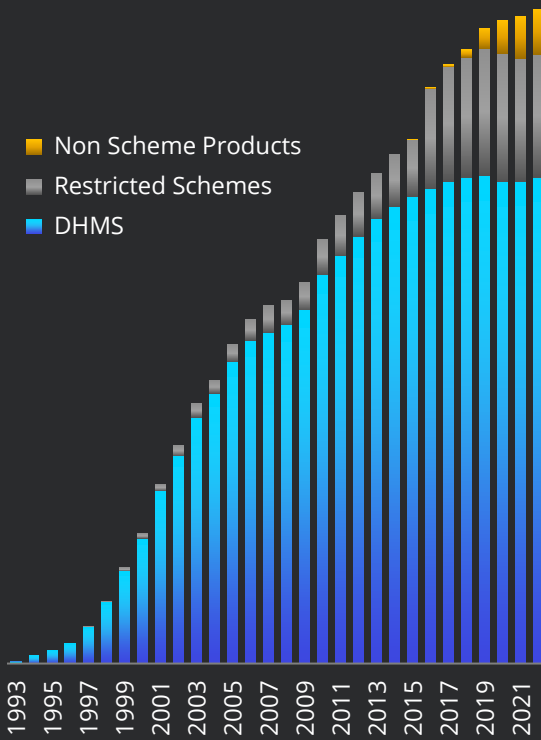




## Membership

**>3.7m**

lives under administration



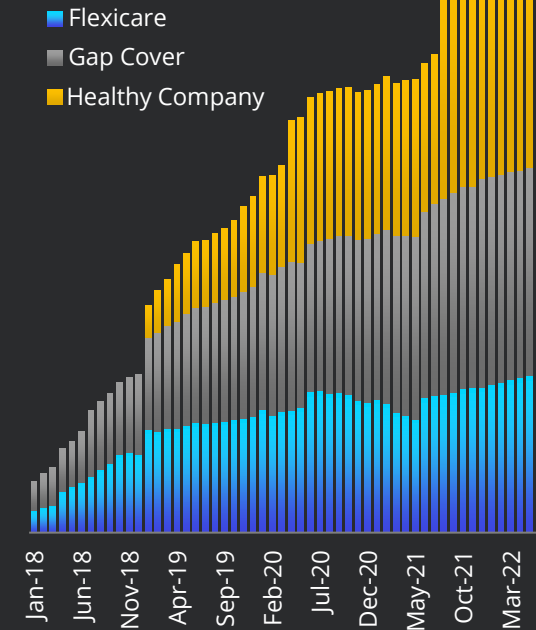
## Non-scheme growth

**>263k**

lives

**R1.2bn**

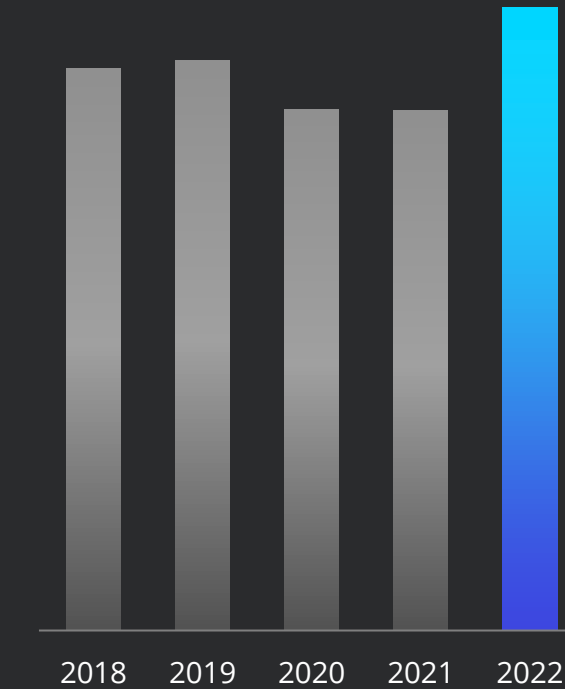
revenue



## New business

**+20%**

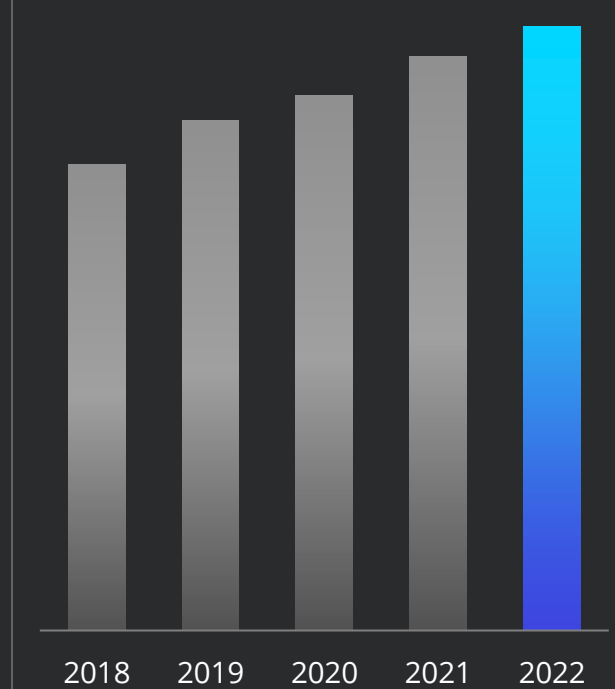
to R7 292m



## Operating profit

**+5%**

to R3 600m

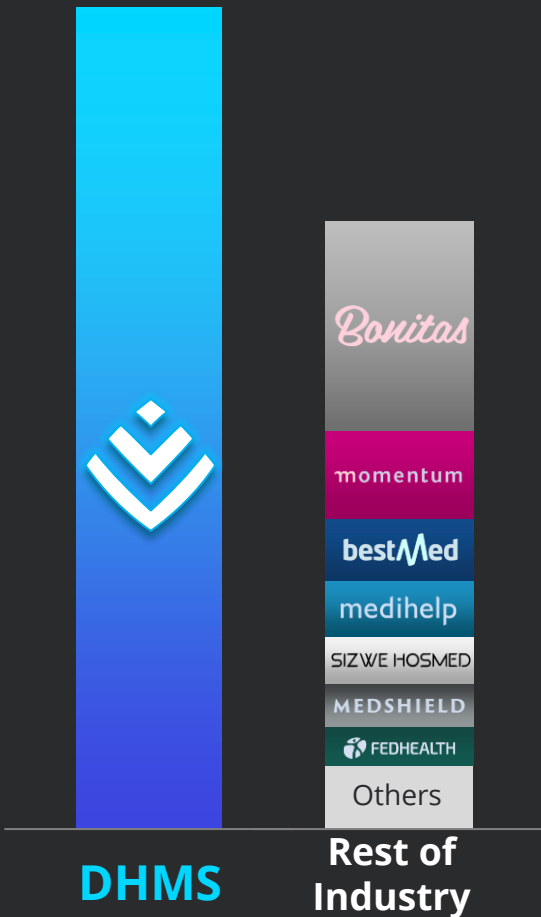


# Discovery Health Medical Scheme performance summary



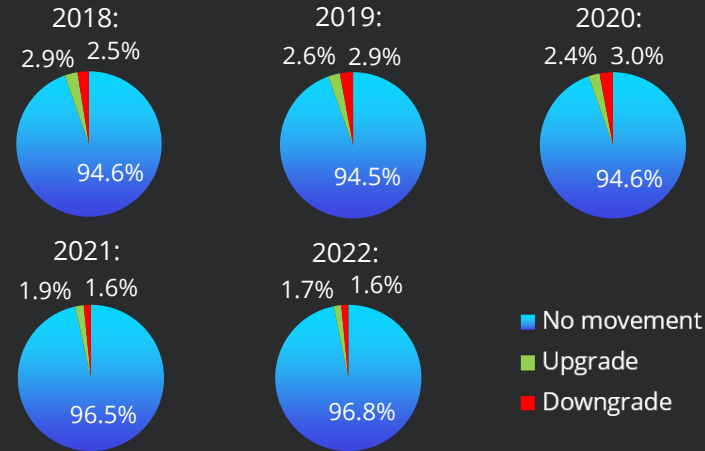
## Membership

**57.6%** market share:

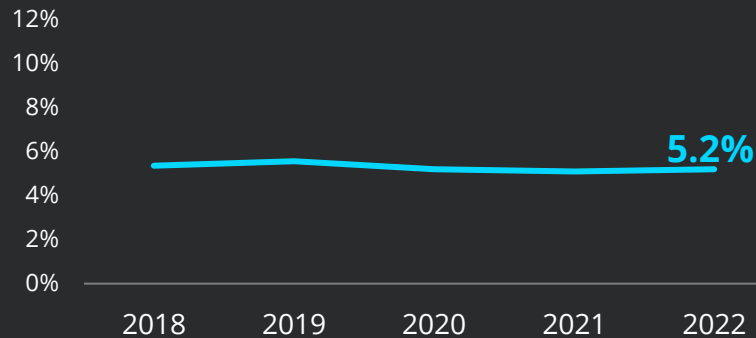


## Flight to stability persists

Resilient membership base



## Stable lapses



Annualised lapse rate excludes turnover members: i.e. members from existing employer groups who leave their employment and are subsequently replaced.

## Solvency

**R28.3bn**

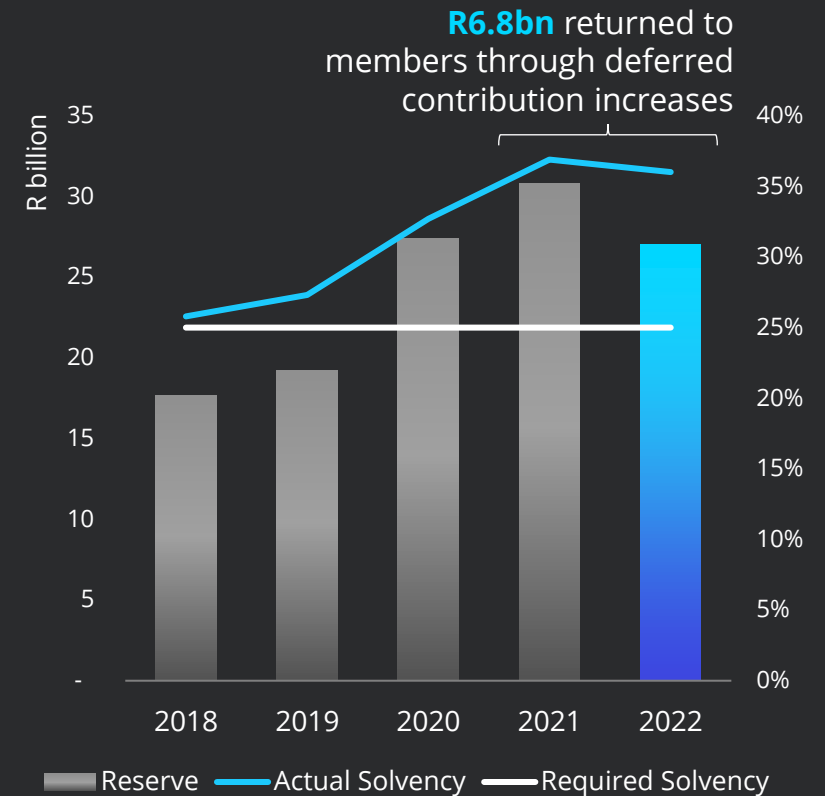
unaudited reserves at June 2022

**36%**

unaudited solvency at June 2022

**AAA**

credit rating

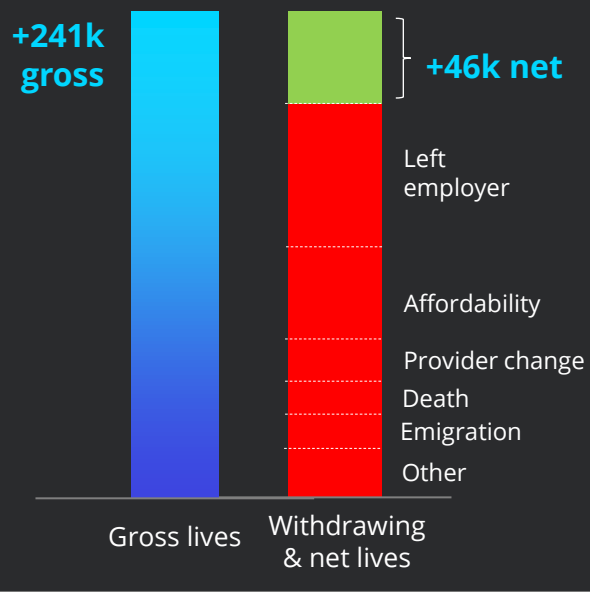


# Growth deep-dive



## DHMS growth in stark contrast to market

Gross, net and withdrawing lives over last 18 months

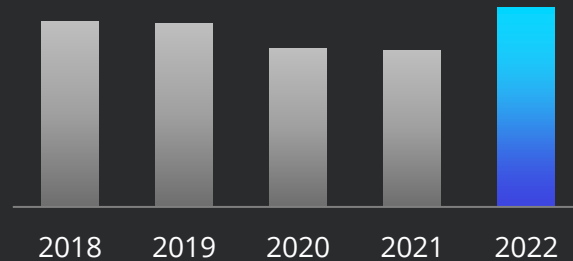


Healthier new joiner profile:

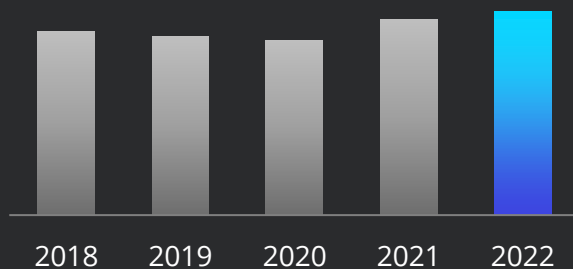
	DHMS	Open Schemes
Average age	26.1	27.6
Chronic ratio	6.5%	9.3%

## Growth from all types of business

57% from employer groups:



43% from individuals:



## Higher levels of Vitality-integrated DHMS policies

Vitality members contribute significantly to the overall health of the scheme:

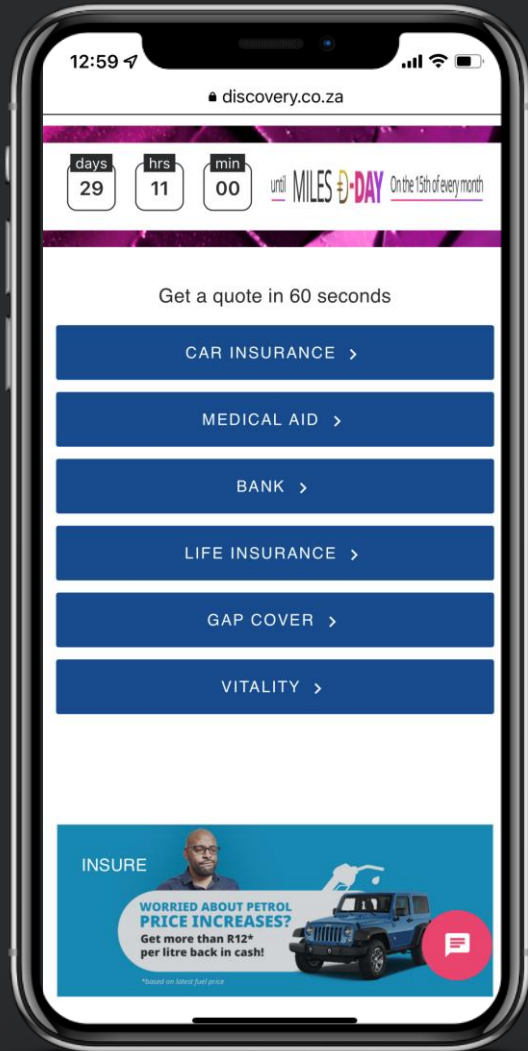
**15%** lower admission rates

**38%** lower lapses

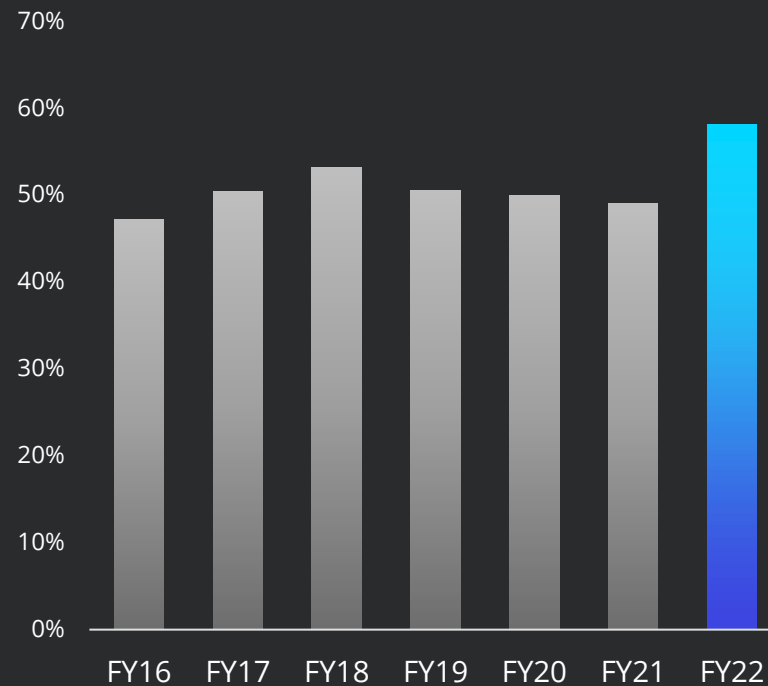
**2.1x** improved surplus per life



# Discovery Connect | End-to-end D2C capability powered by industry-leading technology and analytics

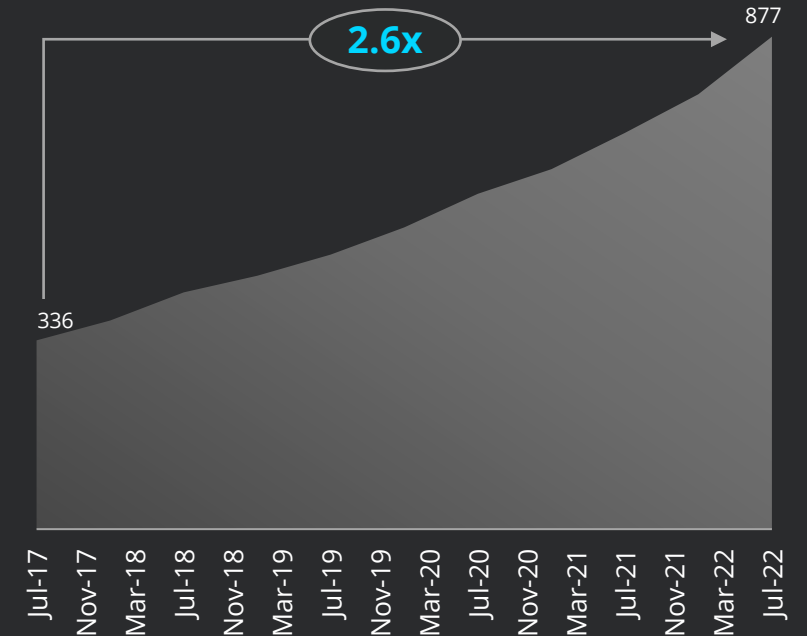


Health connect sales as % of individual policies sales from FY16-FY22



Strong in-force policy growth reflecting the quality of new business

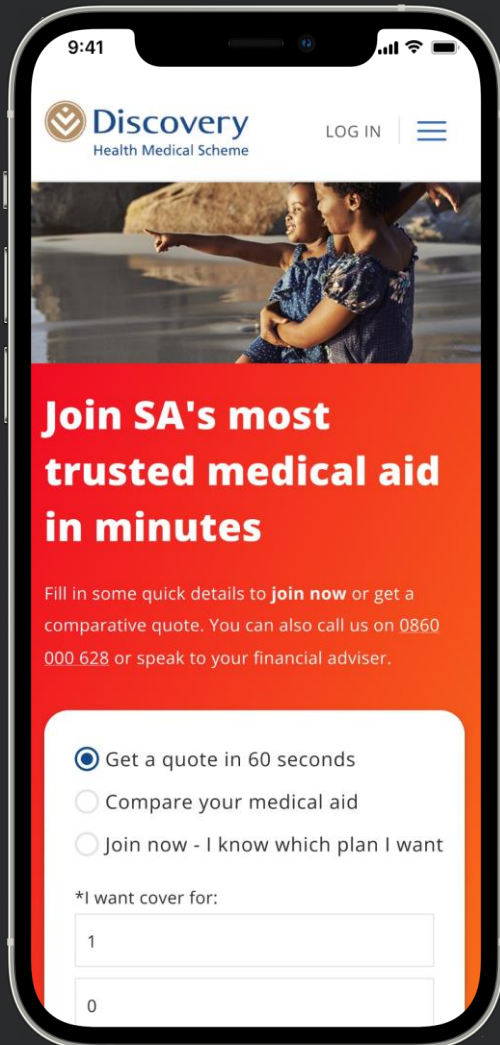
In-force book (policy-lives '000, all products activated via Connect)



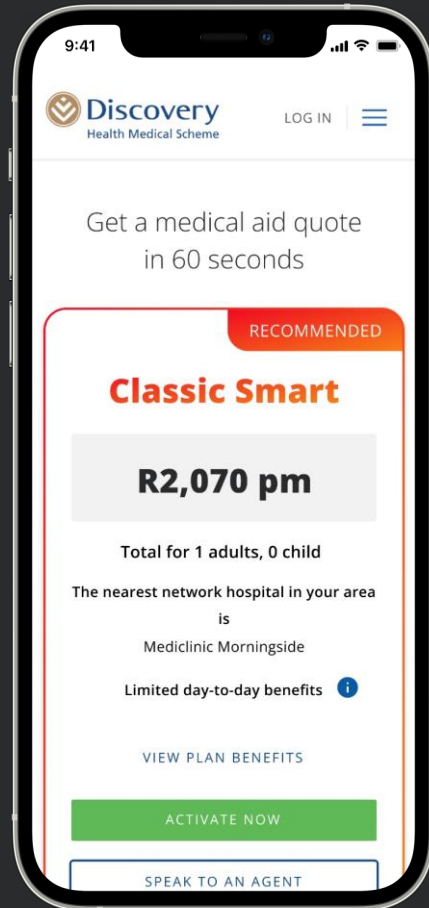
# DHMS: An industry-first activation journey



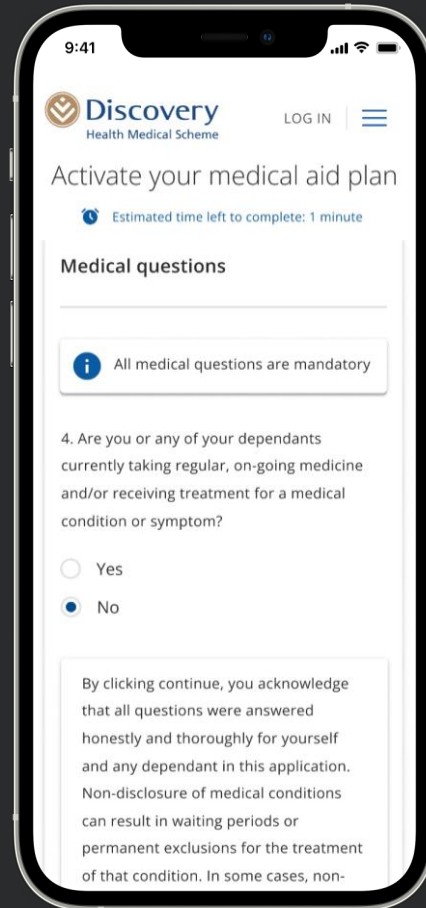
## OPTIMISED CUSTOMER JOURNEY



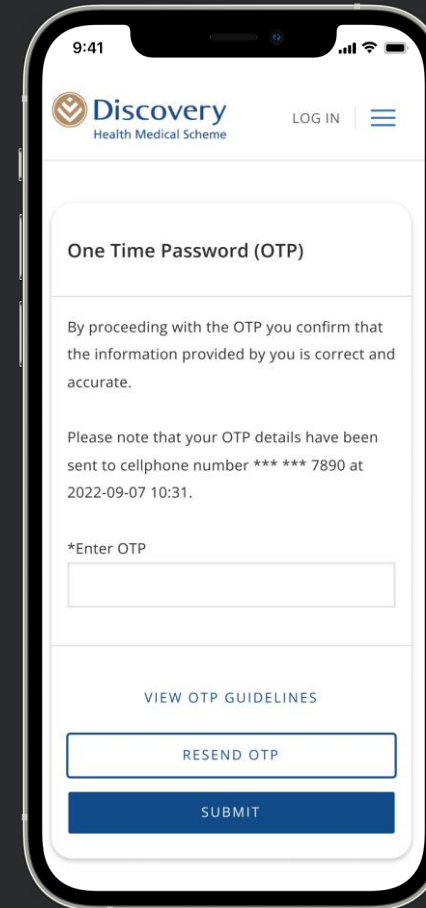
## ADVANCED AI-DRIVEN PLAN SELECTION



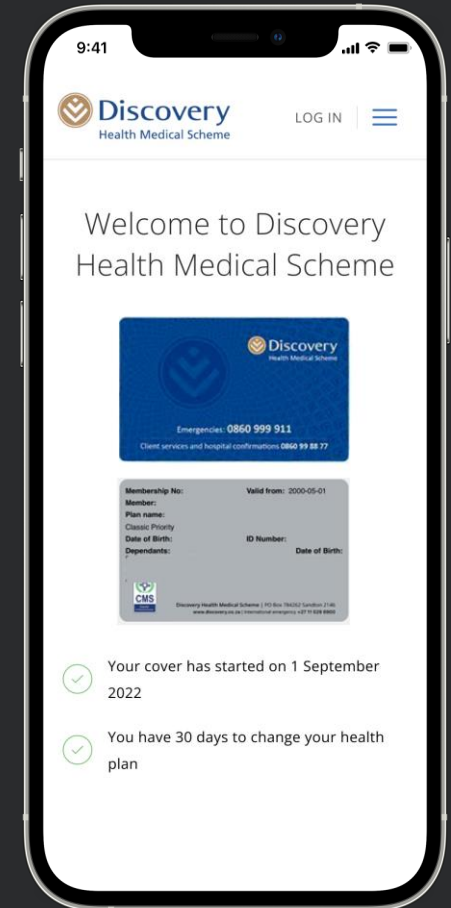
## AUTOMATED, EFFICIENT UNDERWRITING



## SECURE PROCESS



## IMMEDIATE ACTIVATION

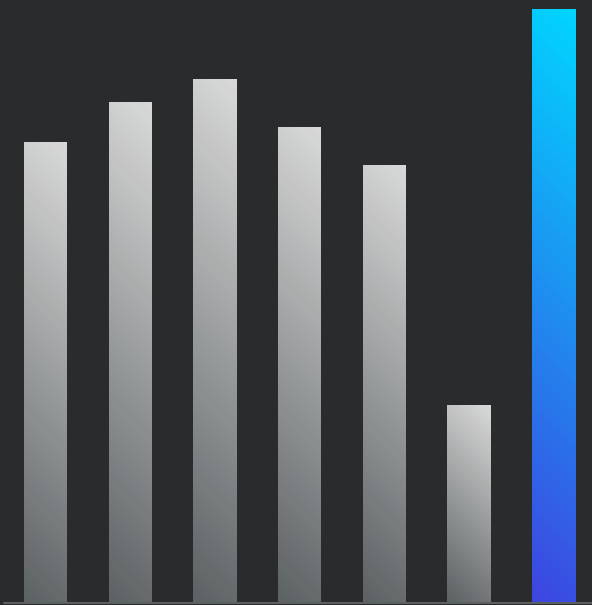




## Normalised operating profit

**+200%**

to R4 028m



2016 2017 2018 2019 2020 2021 2022

## New business API

**+12%**

to R2 543m



2018 2019 2020 2021 2022

## Strong capital and liquidity

SCR coverage

174%

125%  
SCR target

Liquidity coverage

3,112

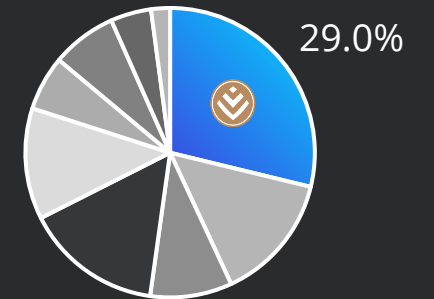
1xILT

2022

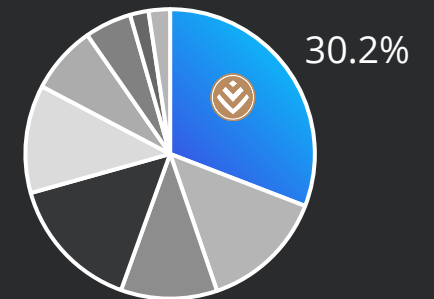
2022

## Maintained leading market share position

First 6 months of 2021



First 6 months of 2022



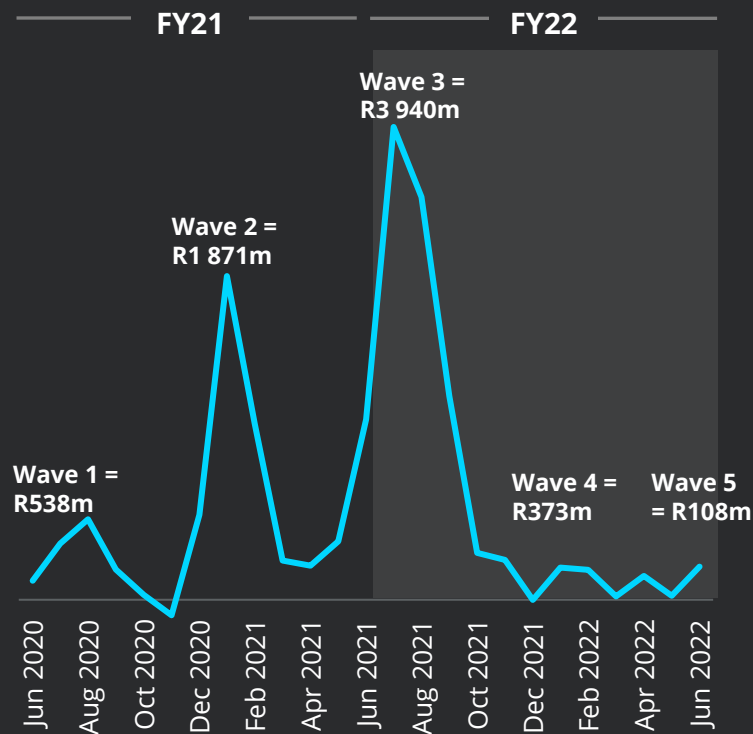
NMG Market Share survey Q1+Q2 2022

# Discovery Life remained resilient through COVID-19



## Gross claims paid decreased substantially during H2 FY22

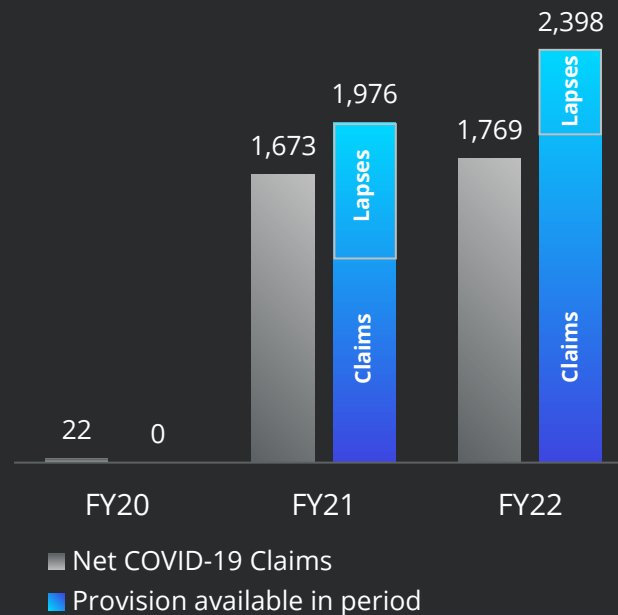
**R3.7bn** Gross claims paid in FY22



## Provisions sufficient

**96%** IFRS claims provision utilisation\*

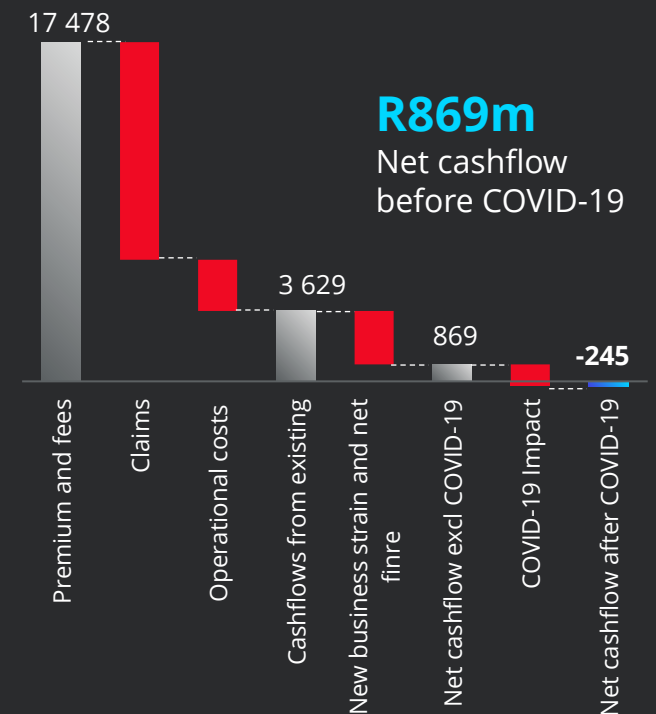
Individual Life total COVID-19 provision available vs utilisation



\*Excludes IBNR of 4%

## Cashflow impacted by COVID-19 claims

Rm



**R869m**  
Net cashflow before COVID-19

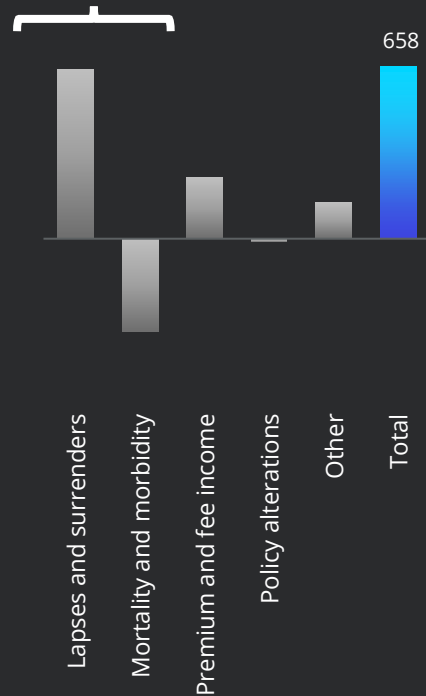
# Embedded value growth driven by positive operating variances



## Positive non-economic experience variances

Life & Invest FY 2022 (Rm)

Persistency offset higher than expected morbidity experience

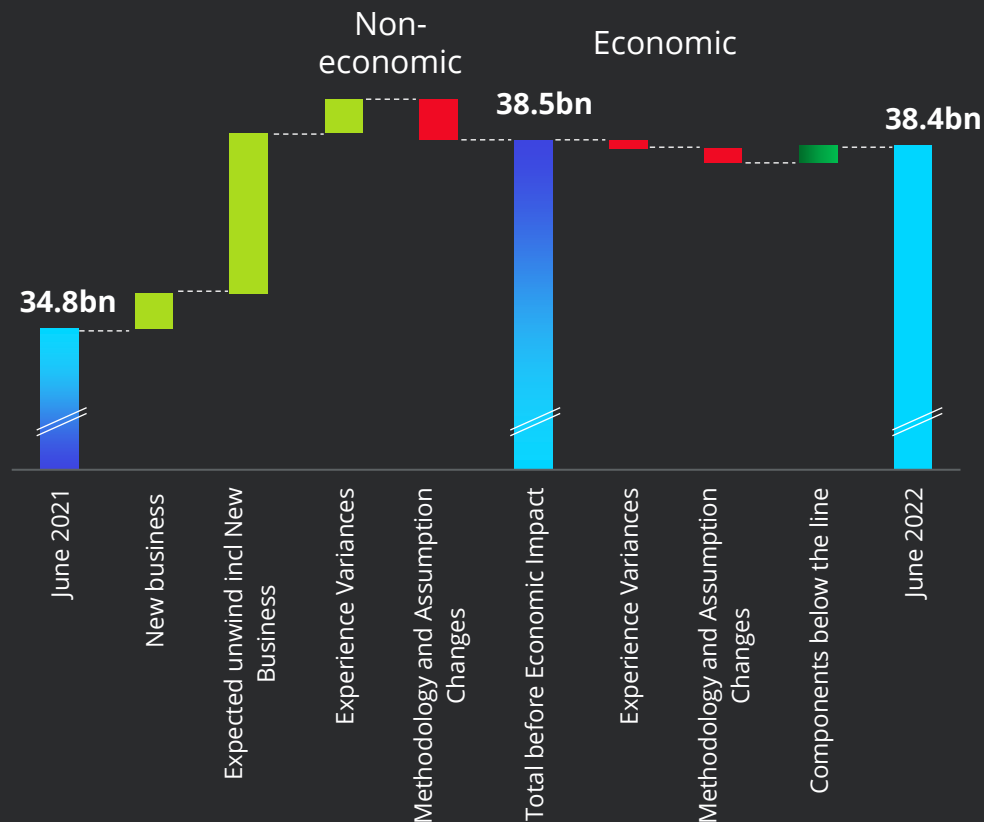


## Life and Invest embedded value

Rbn

**+10.5%**

to R38.4bn

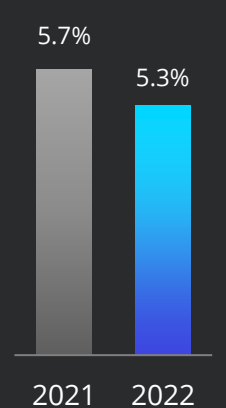


## VNB and margin impacted by higher interest rates and lower volumes

VNB (Rm)  
Life:



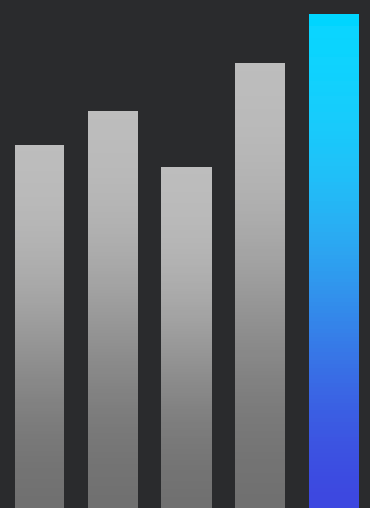
VNB margin (%) Life:





## Normalised operating profit

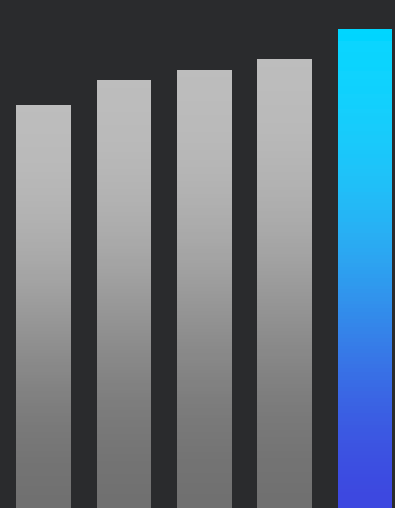
**+11%**  
to R1 204m



2018 2019 2020 2021 2022

## New business

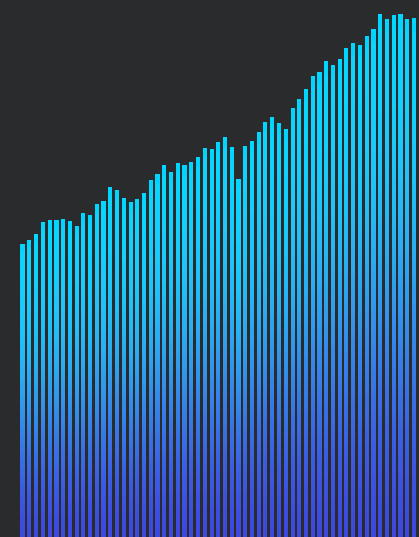
**+7%**  
to R2 920m



2018 2019 2020 2021 2022

## Assets under administration

**+4%**  
to R122bn



2018 2019 2020 2021 2022

## Market volatility in H2 affected AuA growth

	H1	H2
Shareholder Weighted All Share	6.6%	-7.2%
S&P 500 Index (USD)	10.9%	-20.6%
NASDAQ Composite (USD)	7.9%	-29.5%
Assets under Administration	9.5%	-4.6%

## Shared-value outcomes

Since the launch of shared value:

**10%**

lower income drawdowns

**43%**

lower investment lapses

**R13.3bn**

in shared-value benefits accrued and paid to clients

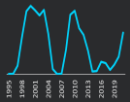




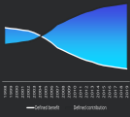
World's first shared-value DFM with BlackRock and RisCura providing independent fund selection with boosts on the entire solution



## Combination of factors led to opportunity for shared-value behavioural investment platform



Increase in complexity of investment markets



Transfer of risk to investors through Defined Contribution funding plans

$$\text{Savings} \times \frac{S}{a} \times \frac{1}{r} \times (1+r)^t$$

Projected income at R

Behavioural and demographic risks are important but have largely been ignored



Technology platforms democratising asset management capabilities



ACCESS THE WORLD'S BEST INVESTMENT CAPABILITIES THROUGH BLACKROCK

**113**

Markets across the globe

**\$472 bn**

BlackRock sustainable AUM\*

UNDERPINNED BY ALADDIN WEALTH™ TECHNOLOGY

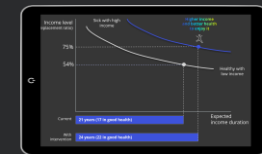
**2 100+**

Dedicated developers and product managers

**3 000+**

Risk factors monitored daily

USE VITALITY TO PROVIDE PATHWAYS TO BETTER RETIREMENT

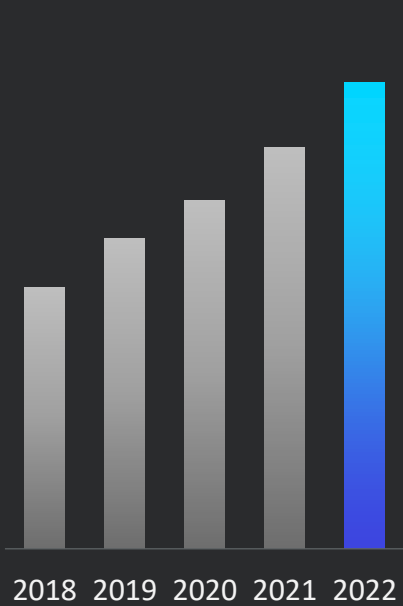


\*Source: BlackRock as at June 2022



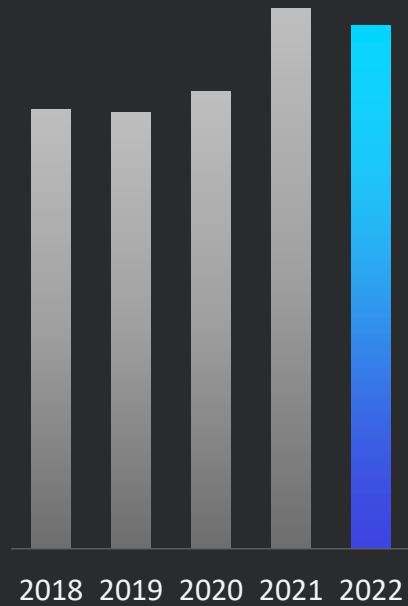
## Gross written premium

**+13%**  
to R4 762m<sup>1</sup>



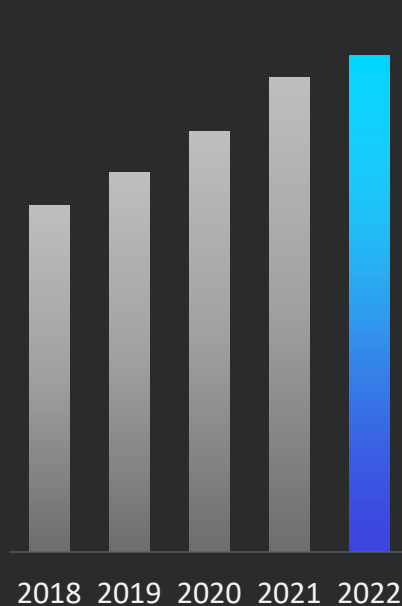
## Gross new business

**-3%**  
to R1 246m<sup>2</sup>



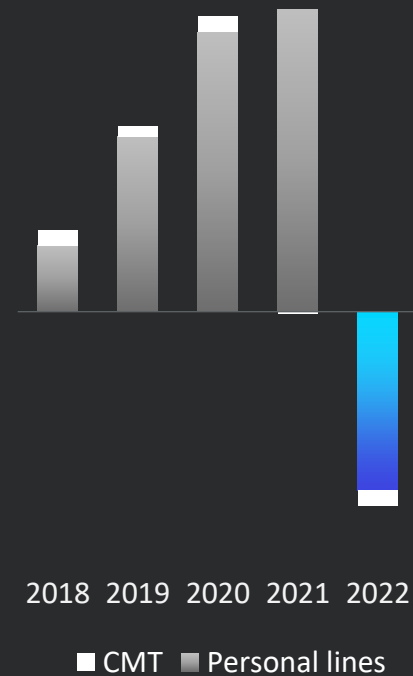
## Vehicles insured

**+5%**  
to 296 000<sup>1</sup>



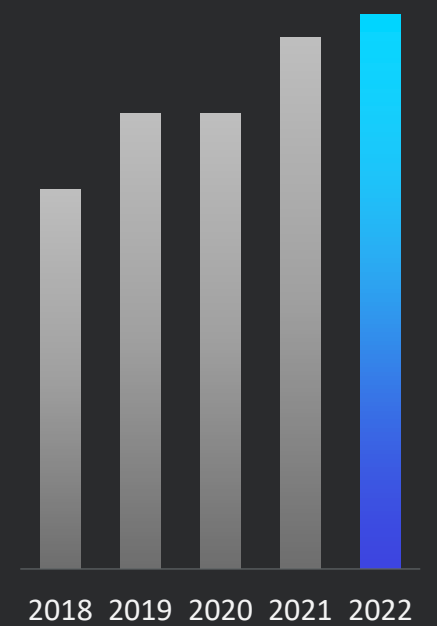
## Normalised operating profit

**-165%**  
to -R162m<sup>3</sup>



## Market share in GWP

**7%**



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

<sup>2</sup> Figures excluding VAT

<sup>3</sup> Normalised operating profit includes Personal lines and Cambridge Mobile Telematics

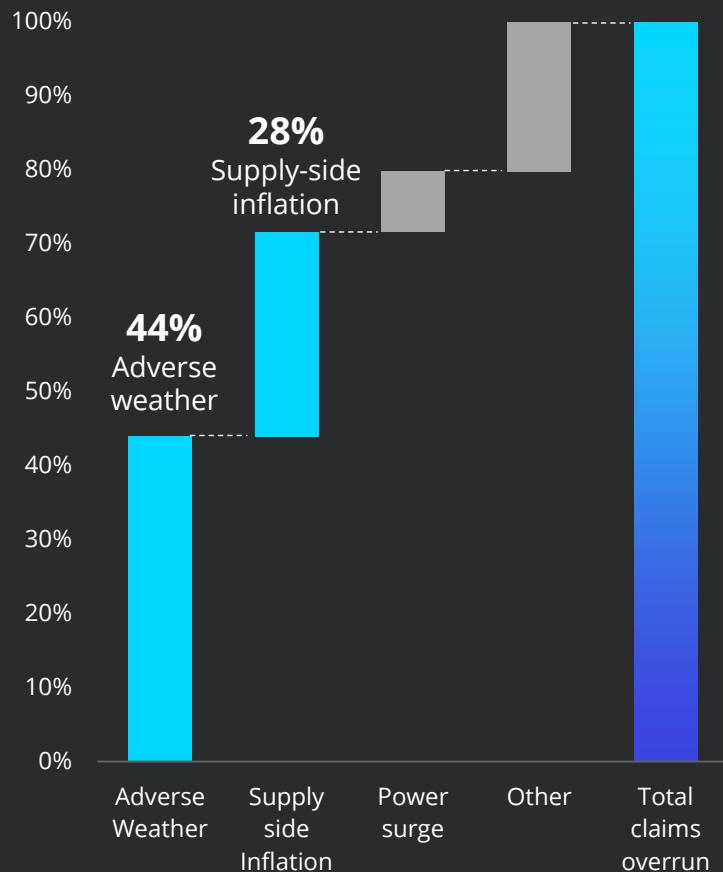
Assuming 6% annual market growth

# Adverse weather and supply-side inflation had the largest claims impact

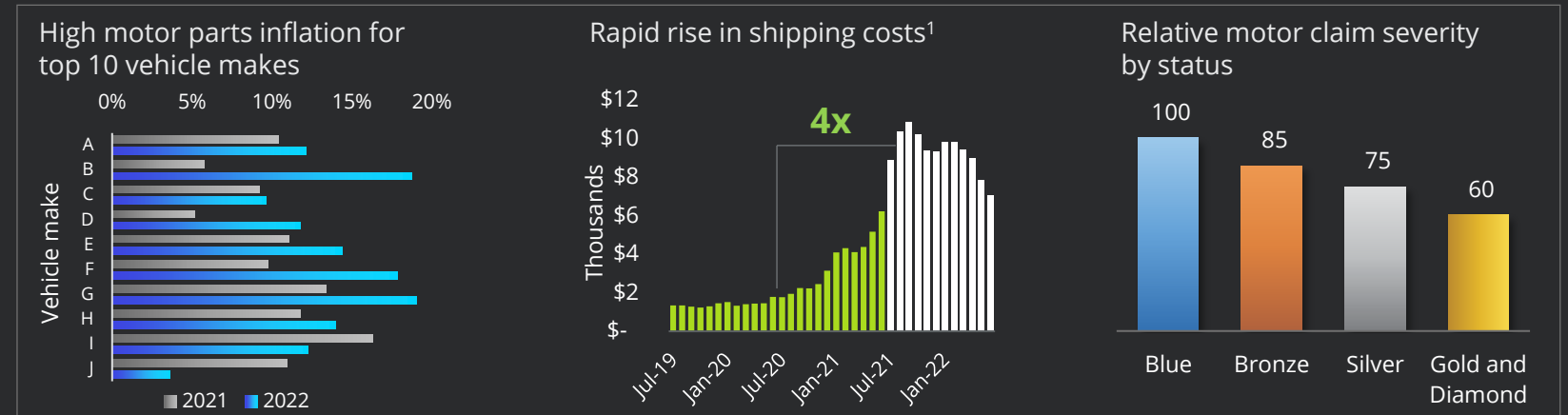


## R369m claims overrun due to adverse claims experience

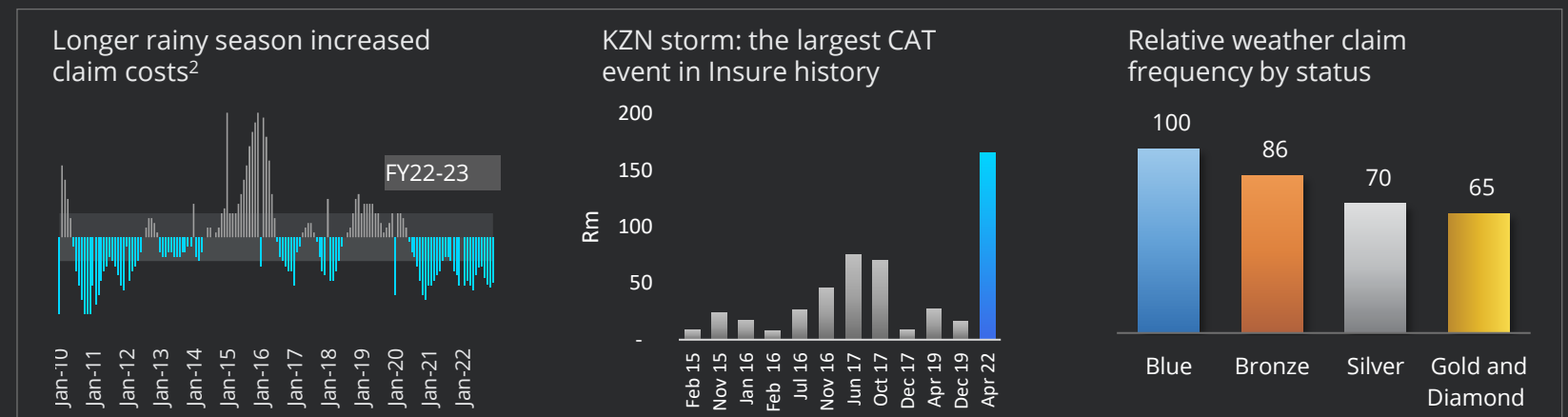
Contribution to total claims overrun



## Supply-side inflation | Motor inflation exceeded expectations



## Adverse weather | Longer rainy season and KZN floods



<sup>1</sup> Shipping cost index: <https://fbx.freightos.com>

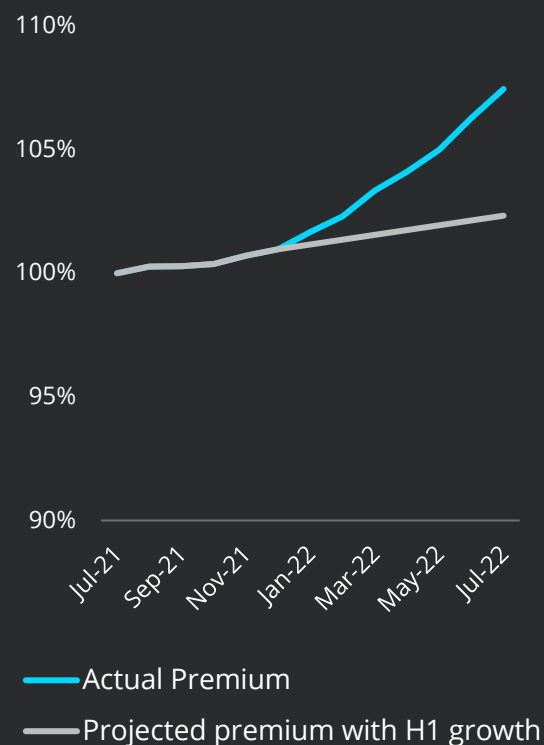
<sup>2</sup> El-Nino Southern Oscillation Index. Jul 2022 to Dec 2022 numbers are predictions: [https://origin.cpc.ncep.noaa.gov/products/analysis\\_monitoring/ensostuff/ONI\\_v5.php/](https://origin.cpc.ncep.noaa.gov/products/analysis_monitoring/ensostuff/ONI_v5.php/)

# Corrective actions implemented to manage impact



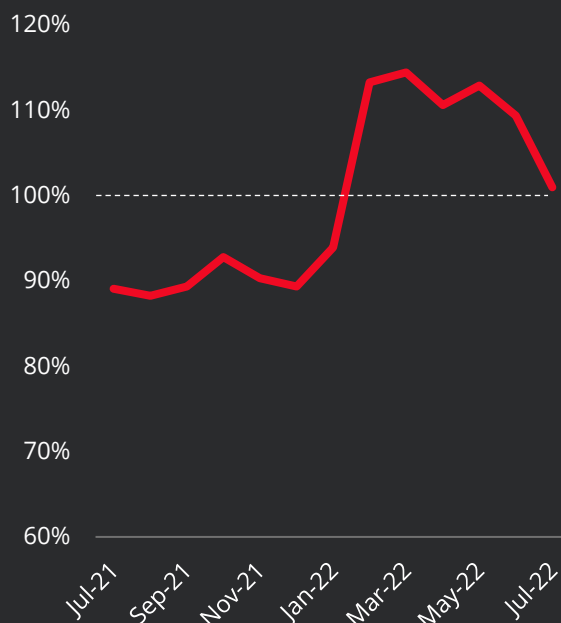
## Higher average premium growth

Premium growth



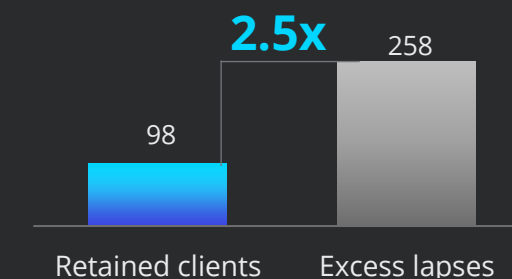
## Selective lapsation experienced

AvE lapse experience

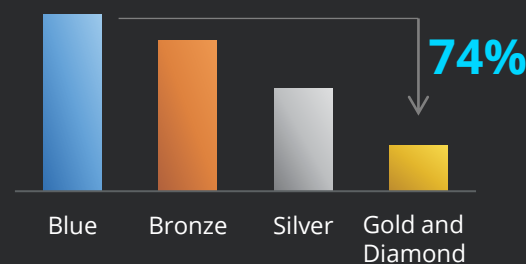


## Quality client base retained

Relative historical loss ratios

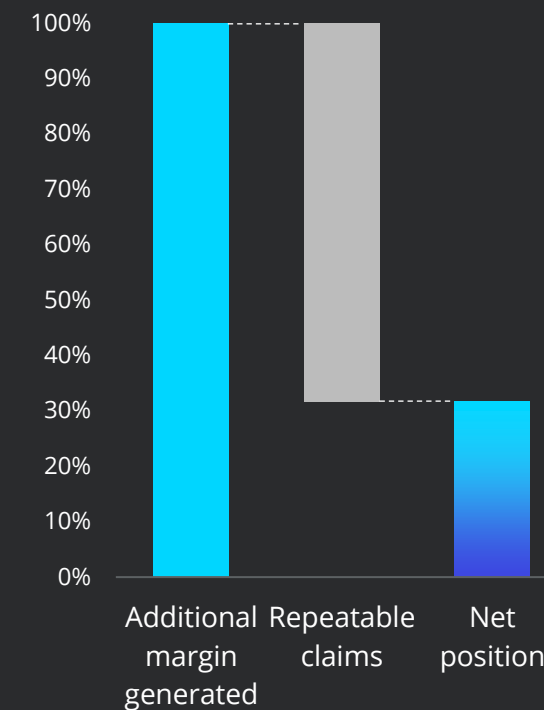


Lapses by status



## Actions generated additional margins

Claims relative to margin





**Discovery**

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

**Vitality**

- Vitality Health
- Vitality Life
- Vitality Car

**Vitality GLOBAL**

- HEALTHIER, LONGER, BETTER LIVES
- التعاونية Tawuniya
- John Hancock
- Saludsa
- Manulife
- Equivida
- GENERALI
- Vitality
- SUMITOMO LIFE
- IGI Life
- Prudential
- BBVA
- A.S.I.
- Medifé
- MULTICARE
- 平安健康保险 PING AN HEALTH INSURANCE
- amplifyhealth
- Vitality USA
- quantum
- Vitality AFRICA

**Vitality**

# Vitality UK Composite

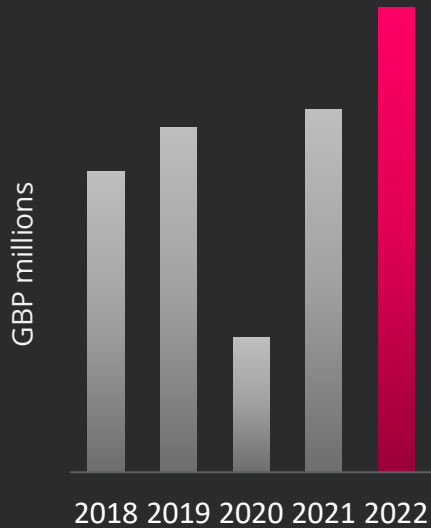


Best-in-breed products across businesses and operating as a fully integrated composite business with a seamless One Vitality client journey

## Normalised operating profit

**+28%**

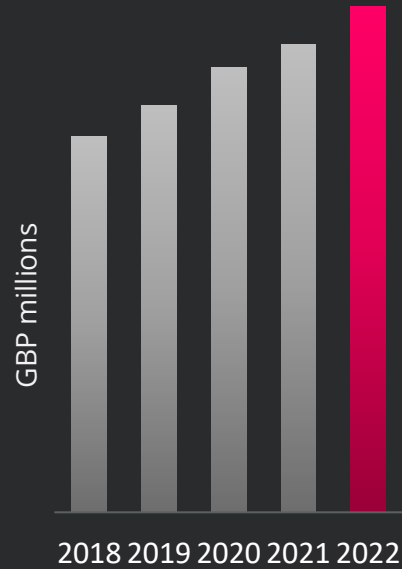
to £98.7m



## Earned premiums<sup>1</sup>

**+8%**

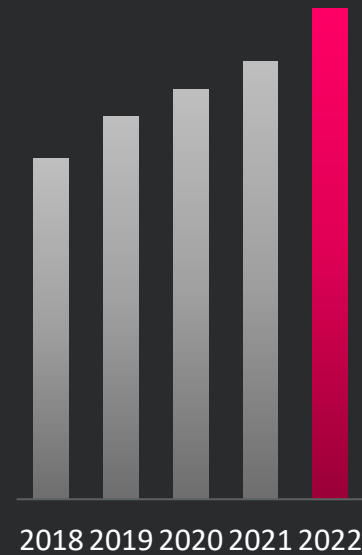
to £893m



## Lives covered

**+12%**

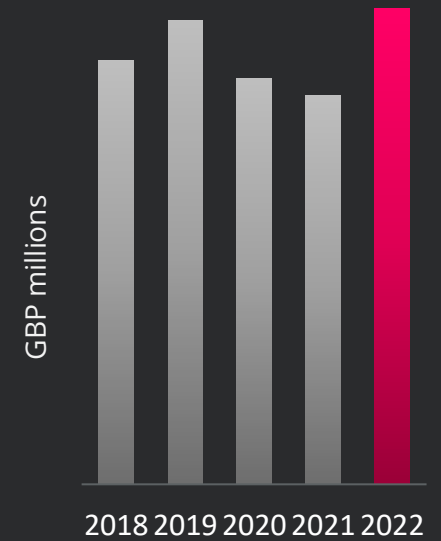
to 1.56m lives



## New business

**+22%**

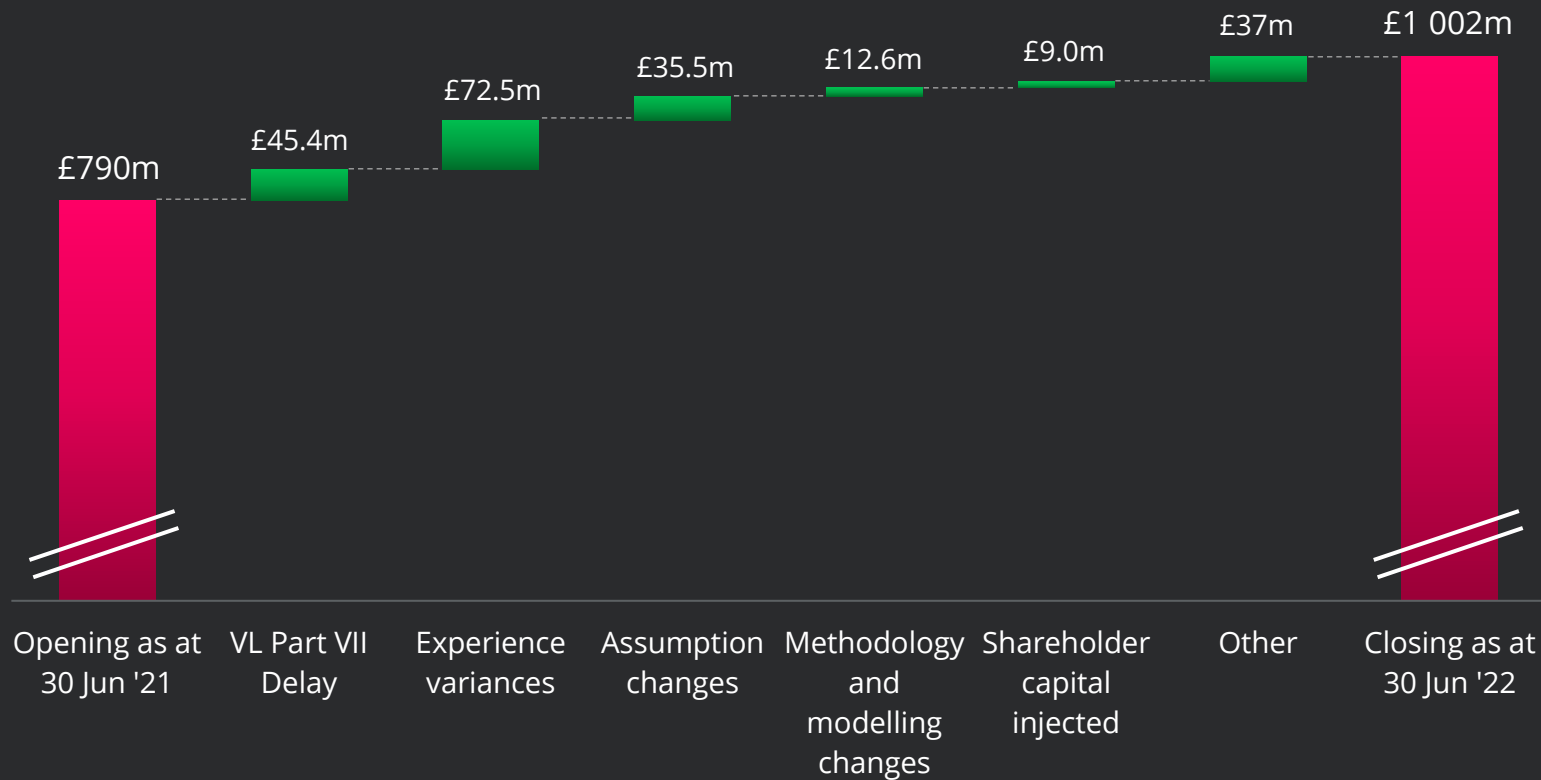
to £148.1m



# Consolidated UK Embedded Value

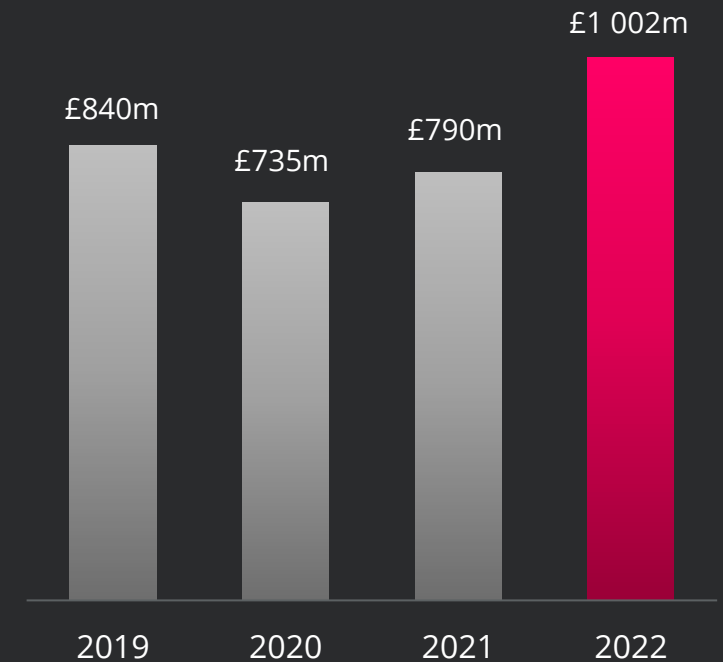


## Exceeding the £1 billion mark



## Robust performance through the pandemic

Consolidated UK EV

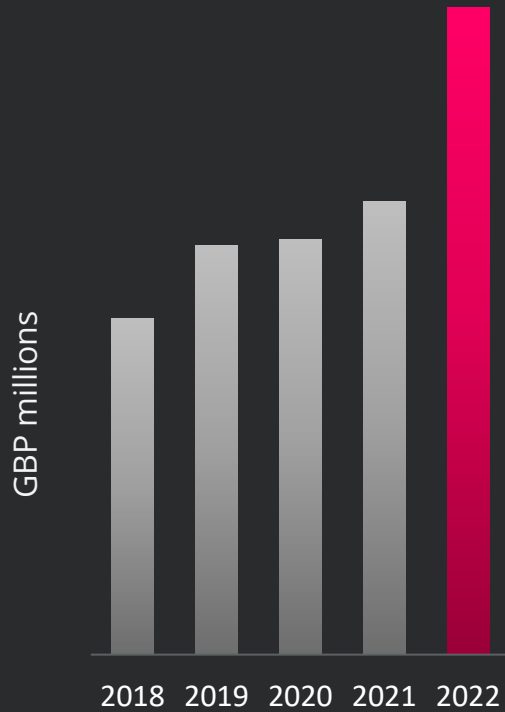






**Normalised operating profit**

**+43%**  
to £65.6m



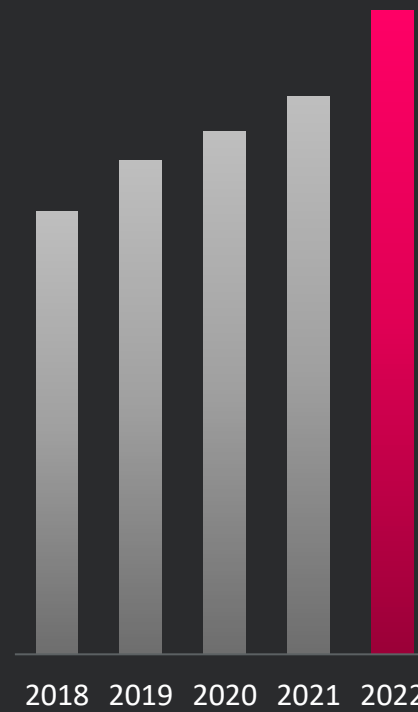
**Earned premiums**

**+9%**  
to £560.2m



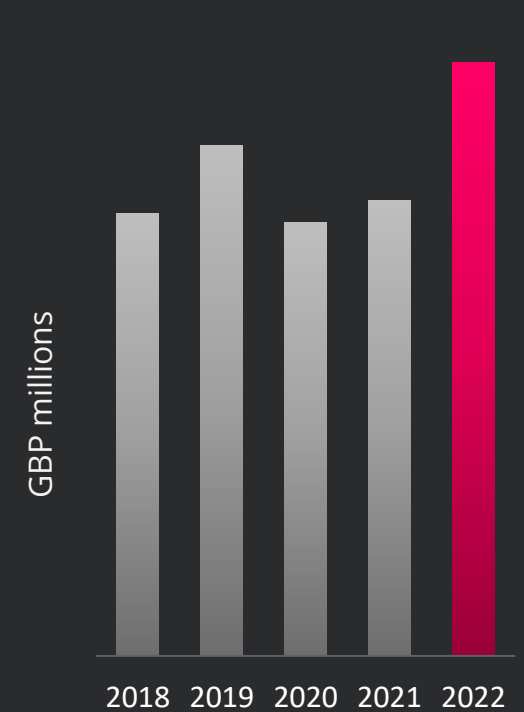
**Lives covered**

**+15%**  
to 839k lives



**New business**

**+30%**  
to £85.8m



# Deploying data-driven approaches in an excellent operational environment to amplify benefits across the value chain



**Attract**  
Advanced analytics and ML models support direct sales activity and advertising investment

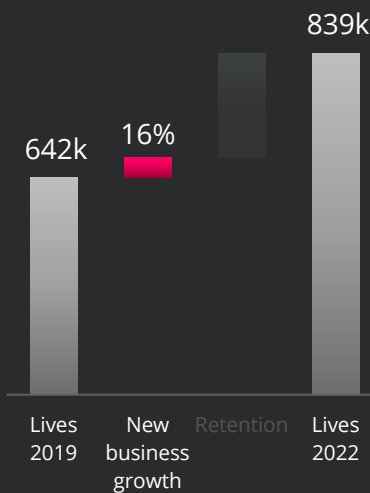
**Price**  
Price optimisation and personalised pricing drive profitable new business and renewals

**Engage**  
ML models drive personalised wellness recommendations; sophisticated digital tools aid health system navigation

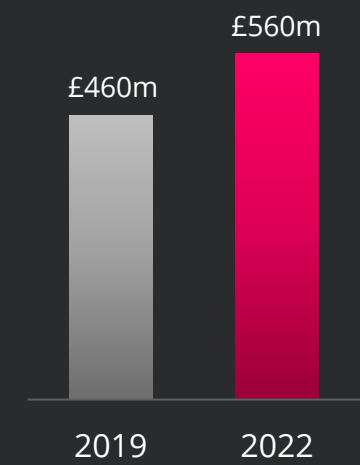
**Retain**  
ML models and advanced analytics drive proactive retention

**Profit uplift**

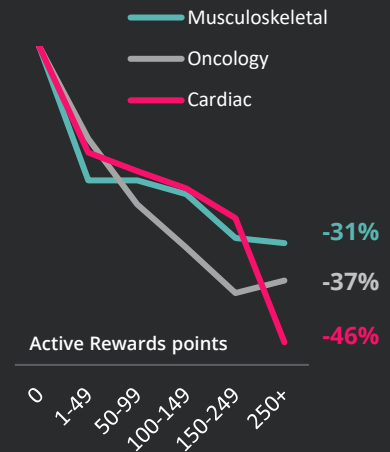
**16%** Of membership growth attributable to new business growth



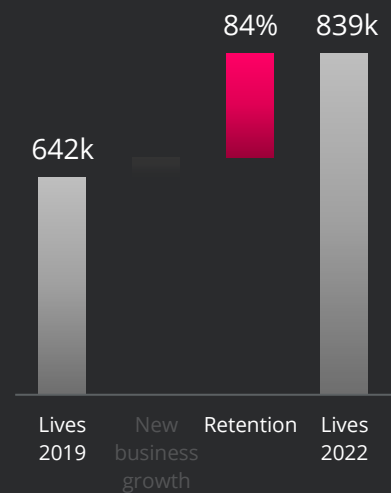
**22%** Increase in earned premium



Engagement driving down healthcare costs



**84%** Of membership growth attributable to retention performance



**22%** Earned premium uplift

×

**30%** Operating margin uplift

=

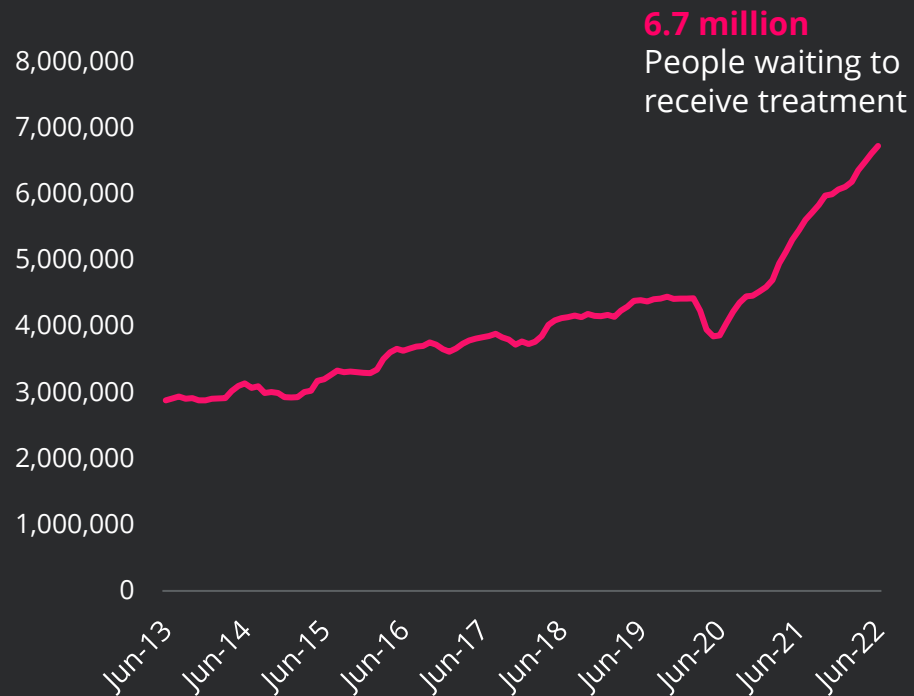
**58%** Increase in normalised operating profit

# Strategically positioned to further enhance a strong presence in the UK healthcare environment



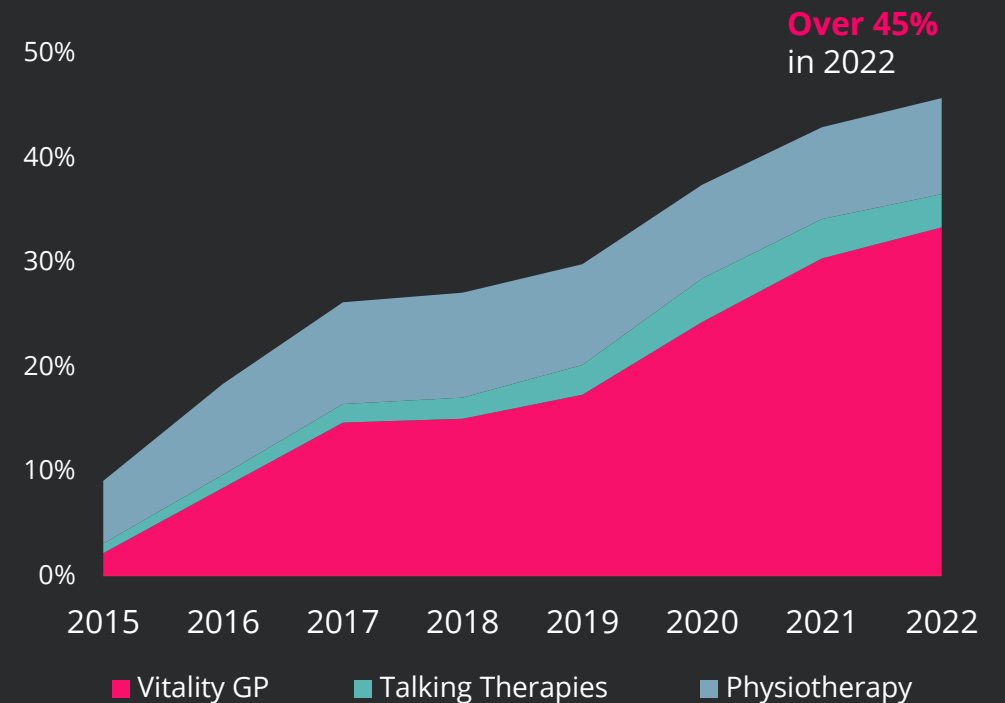
## NHS waiting list has been growing

Total number of people waiting to begin treatment



## Demand for VH's Primary Care services has grown substantially

Percentage of claims that are Primary Care

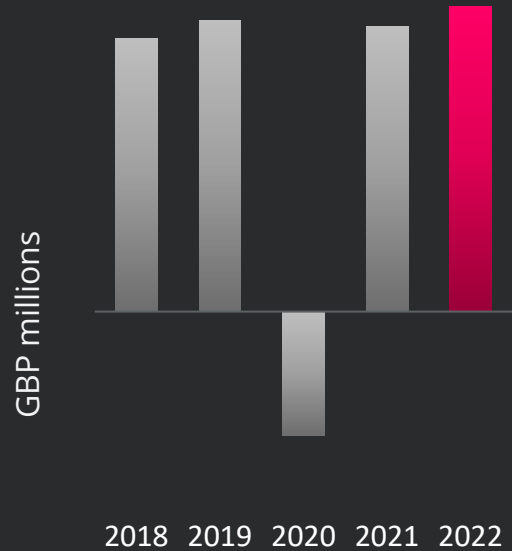




Normalised operating profit

**+7%**

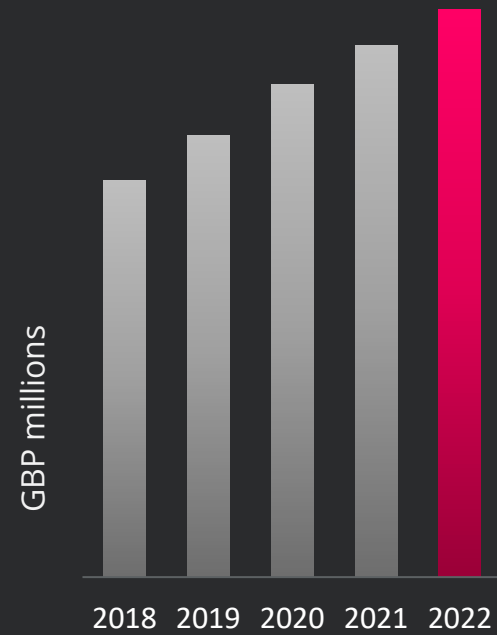
to £33.1m



Earned premiums

**+7%**

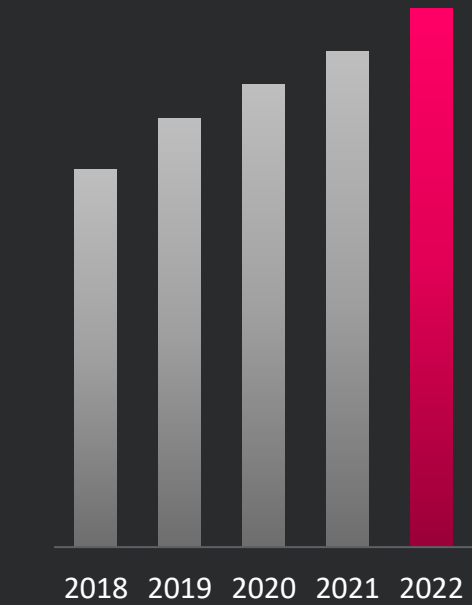
to £333m



Lives covered

**+9%**

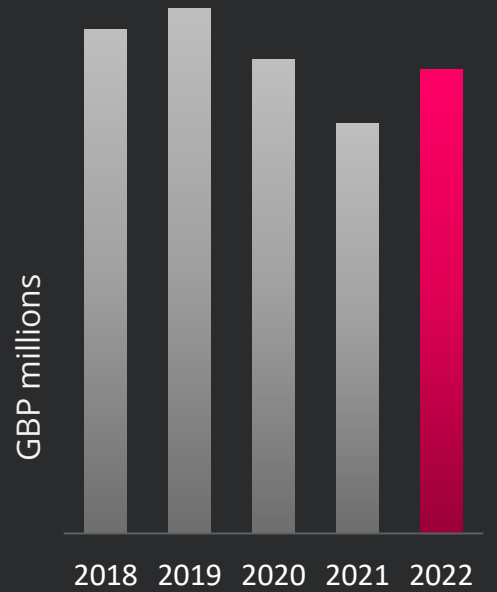
to 722k lives



New business

**+13%**

to £62.3m



# Significantly strengthened the back book



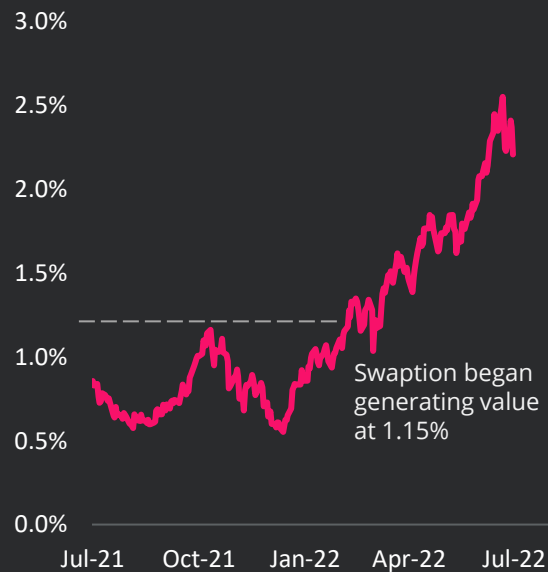
## Successful deferral of Part VII

Part VII transfer now indefinitely deferred, de-risking the business going forward

	Before	After
1 Liquidity timing risk	●	●
2 Effective hedging directly on Prudential Balance Sheet	●	●
3 Capital Risk to do Part VII	●	●
4 Operational complexity	●	●
5 Sustainable commercial terms	●	●

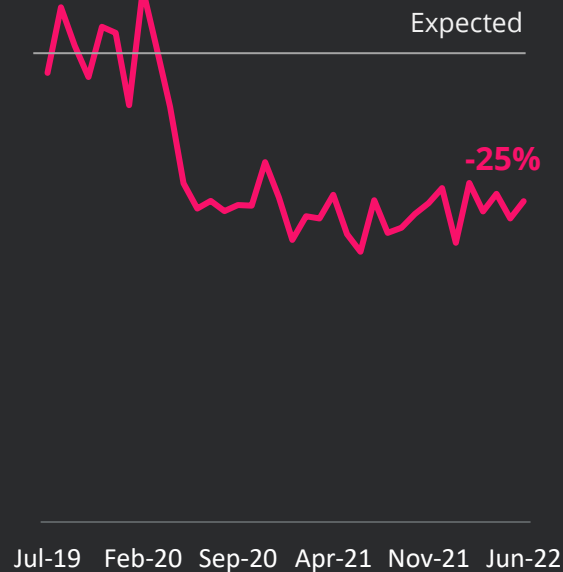
## Hedging strategy recouped past interest rate losses

25 Year Swap Rate for FY22



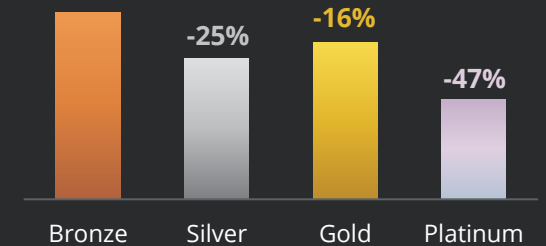
## Exceptionally strong retention performance

Lapses AvE

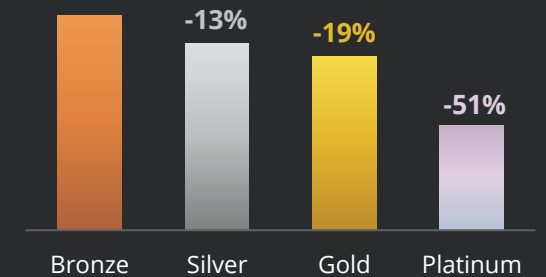


## Strong shared-value dynamics through the pandemic

AvE mortality rates for optimised policies



AvE lapse rates for optimised policies





The graphic shows three product pillars on a base. The left pillar is blue and labeled 'Discovery' with five sub-products: Discovery Health, Discovery Life, Discovery Invest, Discovery Insure, and Discovery Bank. The middle pillar is pink and labeled 'Vitality' with a dog icon and three sub-products: Vitality Health, Vitality Life, and Vitality Car. The right pillar is orange and labeled 'Vitality GLOBAL' with a grid of partner logos including AIP, Tawuniya, John Hancock, Manulife, Generali, Sumitomo Life, Prudential, Q.S.I., Medifé, Saludsa, Equivida, Vitality, IGI Life, BBVA, MULTICARE, Ping An Health Insurance, amplifyhealth, Vitality USA, quantum, and Vitality AFRICA.

**Discovery**

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

**Vitality**

- Vitality Health
- Vitality Life
- Vitality Car

**Vitality GLOBAL**

- AIP HEALTHIER. LONGER. BETTER LIVES
- التعاونية Tawuniya
- John Hancock
- Manulife
- GENERALI
- SUMITOMO LIFE
- Prudential
- Q.S.I.
- Medifé
- Saludsa
- Equivida
- Vitality
- IGI Life
- BBVA
- MULTICARE
- 平安健康保险 PING AN HEALTH INSURANCE
- amplifyhealth
- Vitality USA
- quantium
- Vitality AFRICA

# Vitality Global divided into two pillars, both designed to optimally capture the global potential of Discovery IP



<b>Description</b>	The <b>global manifestation of Shared-value Insurance</b>	Shared-value health insurance approach <b>underpinned by a sophisticated technology stack, assets and expertise</b>
<b>Product/Service</b>	A fully integrated behavioural-change programme underpinned by a supporting tech platform, data & consulting services	HealthTech behaviour-change solutions for public and private payers, and providers Health insurance in fast-growing emerging markets
<b>Commercial Model</b>	<b>Licenses Discovery's Vitality IP &amp; technology</b> to a global network of world-class insurers in a highly cash-focused commercial model	<b>Leverages Discovery's health insurance capabilities and IP</b> through successful equity positions in a select number of high potential HealthTech and health insurance ventures

# Vitality Global excluding Ping An Health



## Vitality Network

### Vitality Global revenue

**+22%**

to \$100.4m

### Vitality Global operating profit

**+15%**

to \$31.4m

### Integrated API by Insurance Partners

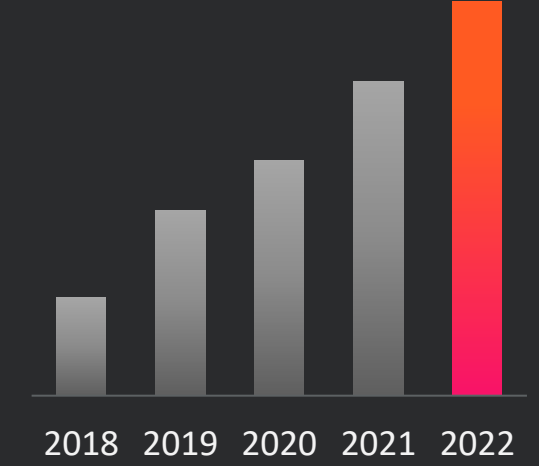
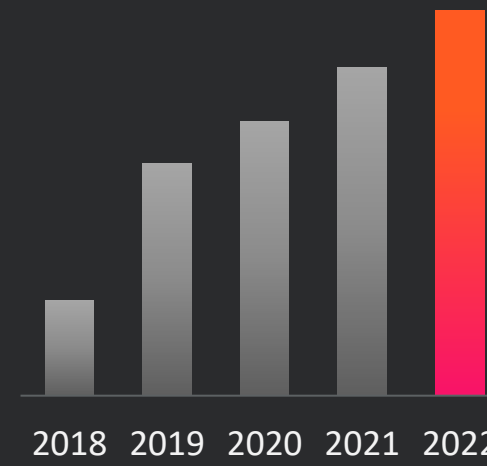
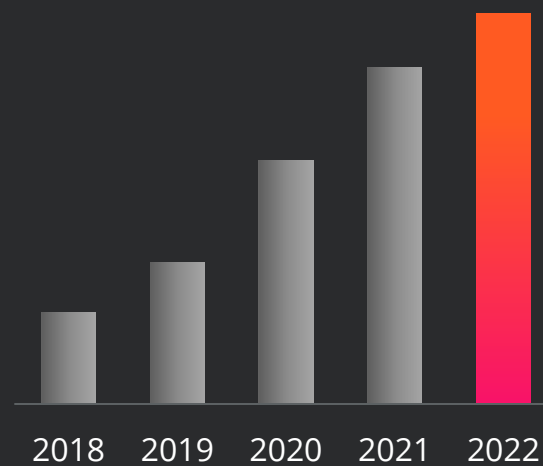
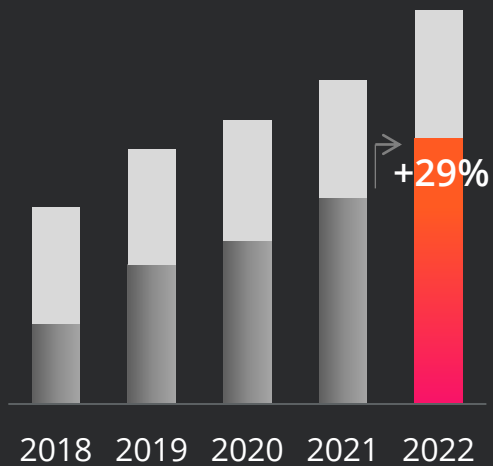
**+10%**

to \$1.4bn

### Insurance partners membership

**+25%**

to 3m



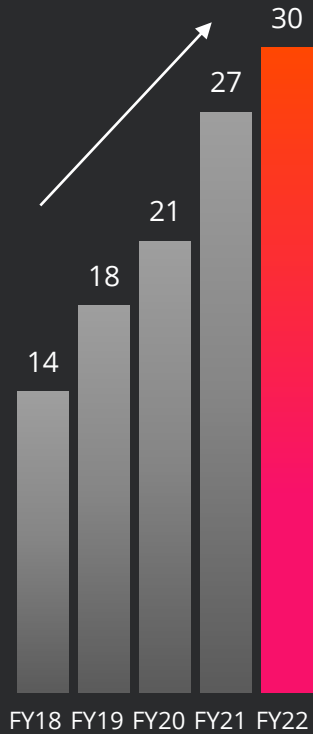
■ Insurance Markets  
■ Vitality USA



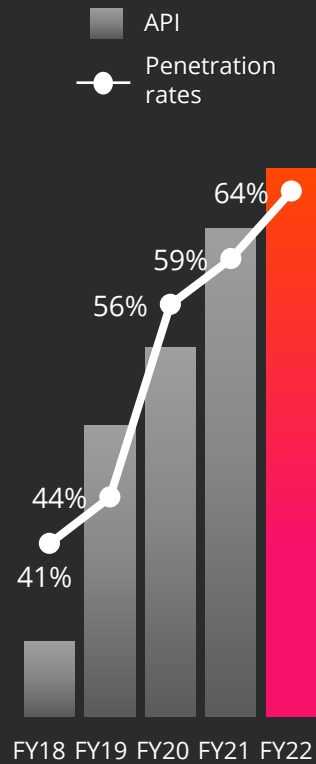
# Vitality Network | Drivers of growth



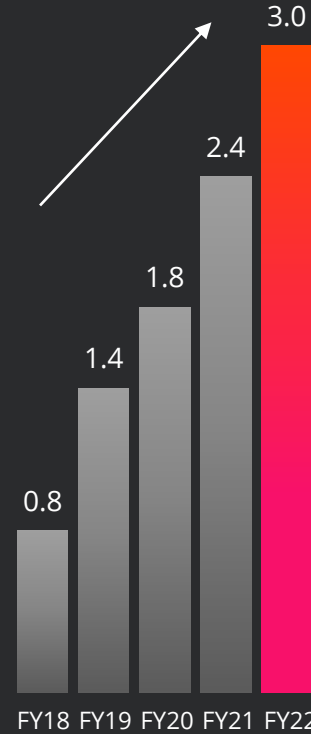
Number of Vitality Network markets



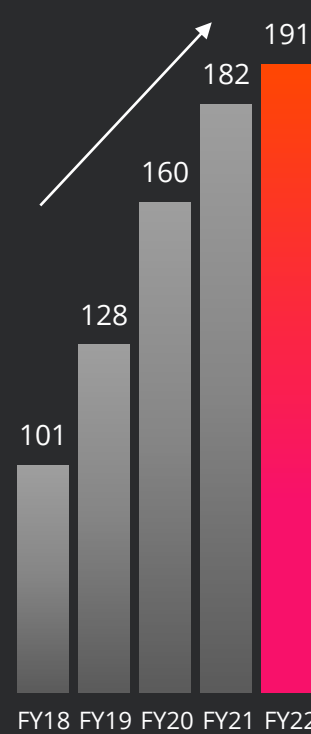
Partner API & penetration rates



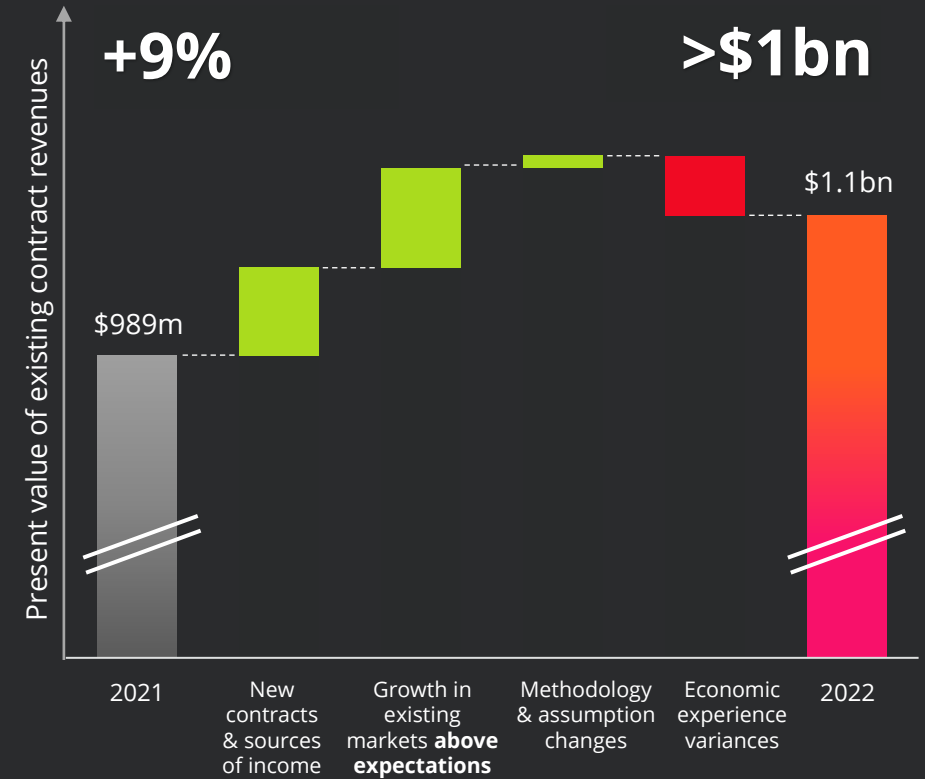
Membership (millions)



Integrated products



Expected PV of revenue from existing contracts



Growth enabled and fuelled by **new products & new channels**

This represents the sum of the future expected revenue from Vitality Group's insurance partnerships based on latest internal forecasts at a discount rate of risk-free + 10% at each point in time for variable revenue and risk-free for guaranteed revenue

# VHI | High potential HealthTech & insurance ventures in key geographies



**平安健康保险**  
PING AN HEALTH INSURANCE

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amplifyhealth

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*Vitality*  
USA

---

*Vitality* AFRICA

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quantium HEALTH

The largest and most profitable health insurer in China, with growth that exceeds competitors

**27m** lives

Digital health technology and solutions business, with an addressable market of US\$100 billion

**200** technology & health-IP assets developed over >30 years with >200 employees building the business

US corporate wellness business expanding into HealthTech

**1.6m** lives with an engagement rate that increased by 30% off an already high base rate

Pan African wholly owned subsidiary operating with local partners in different African countries

**4** markets launched within first 6 months

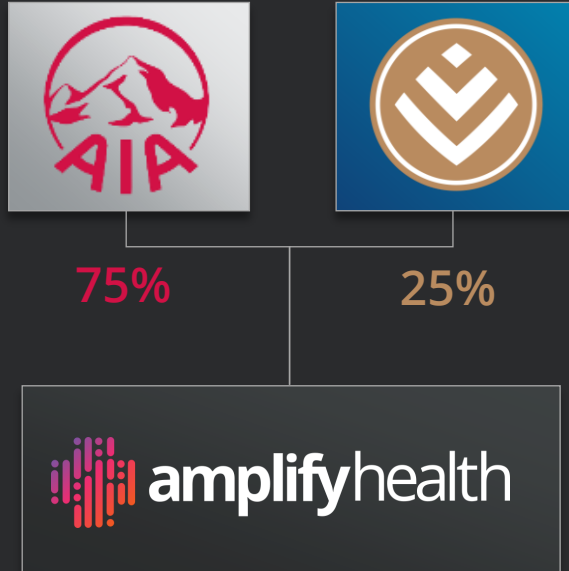


Joint venture providing advanced data science & predictive analytics services to health industry clients in multiple regions

**34%** increase in profits in FY22, with an increase in revenue of 22%

Health insurance

HealthTech



AIA providing initial capital and has a captive base of ~50m clients (>14m health and >160k corporates) across 9 key geographies

Discovery is a global innovator in health insurance with 30 years of experience and execution track record

Capital-light and technology-centric insurtech business

>\$100bn addressable market opportunity in Asia for digital health and technology services by 2030

## Integrated capabilities across the entire health insurance and healthcare value chain

Digital Health Platform and Solutions	Medical Cost Optimisation	Benefits and Policy Management	Data, Analytics and Health Intelligence
Integrated digital health solutions driving engagement, greater convenience and efficiencies	Digital tools and analytics supporting high-quality, cost-effective care	Highly flexible, automated and agile end-to-end policy admin, claims and benefit systems	Advanced data management and analytics for personalisation and value generation
Symptom checker & triage	Disease management	Insurance pricing	Population health insights
Virtual consultations	Advanced illness management	Product design enhancement	Frequency & utilisation
Patient coaching platform	High-risk patient management	Underwriting algorithms	Disease burden indices
Electronic scripts & delivery	Payment options	Health claims processing	Clinical auditing
Integrated patient management	Disease prevention	Contract & tariff mngt	Clinical technology
Medicine adherence	Family history & risks	Clinical data integration	Claims and behaviour
Electronic health records	Care co-ordination	Pharma benefit mngt	Fraud, waste & abuse
Nutrition & weight management	Case mngt automation	Complex benefit STP	Operational improvement
Mental wellness	Provider integration	Digital pre-authorisation	Policy renewal optimisation
AIA Vitality	Pricing optimisation	Formulary mngt	Clinical predictions

### Extensive data sets

**>10TB**  
behavioural data

**>10m**  
hospital admissions

**>500m**  
unique claims

**1bn**  
physical activity data points



## Launched

Officially launched **1 March 2022**

## Talent

**Full executive team and senior management layer appointed**, and best-in-class technology and data science teams appointed

**194** total staff complement

## Tech solutions

Substantial progress in **transfer of 5 major technology platforms** from DSY to AIA – completed by end 2022

**7 technology solutions being developed for implementation in AIA markets** and for external public and private clients in APAC region

## Deployment

First solution **deployment underway in one of AIA's large health insurance businesses**

Extensive market development work with all AIA health insurance businesses almost completed – expected to lead to **substantial programme of solution deployment over next 5 years**

**Active engagement with potential government** and private sector clients in Singapore

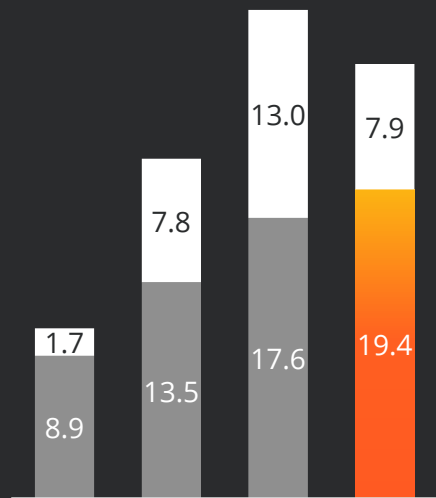
Significant **progress towards acquisition of a leading AI and data analytics business in Singapore** – expected to be complete before end 2022

# Ping An Health



## Lives

**27m**



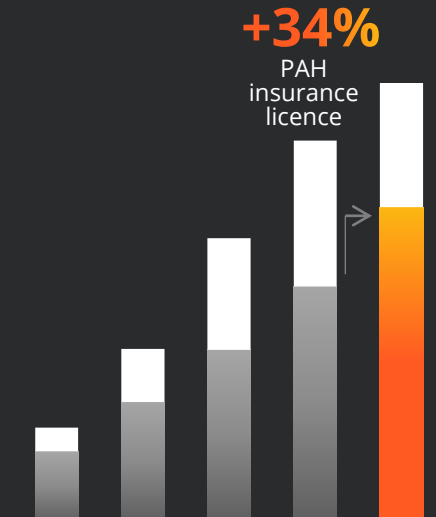
Jun-19 Jun-20 Jun-21 Jun-22

■ PAH insurance licence  
■ Reinsurance

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

**+15%**

to R45.2bn



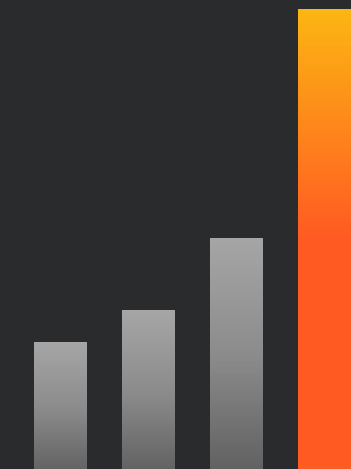
2018 2019 2020 2021 2022

■ PAH insurance licence  
■ Reinsurance

## Net assets

**+97%**

RMB 6.57bn

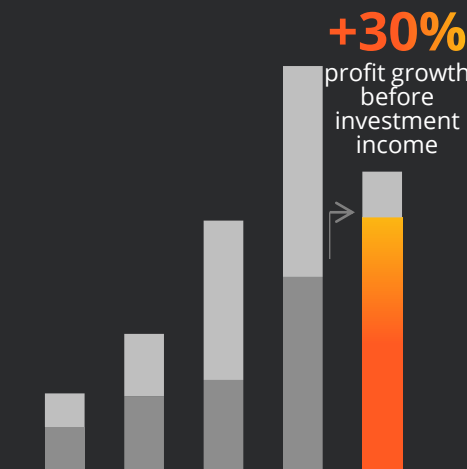


2019 2020 2021 2022

## PAH's operating results pre-tax

**-14%**

to R2.5bn  
(DSY's share is R622m)



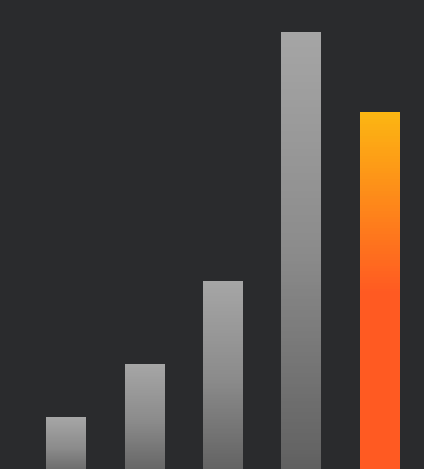
2018 2019 2020 2021 2022

■ Profit before investment income and gains  
■ Investment income and gains

## Discovery's operating result after tax

**-18%**

to R338m




2018 2019 2020 2021 2022


# China's private health insurance prospects remain positive, despite COVID-related headwinds



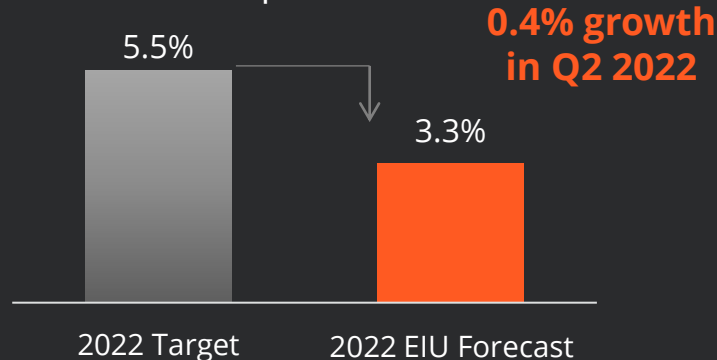
## Short-term economic strain due to COVID-related restrictions on movement and activity

 High risk population remains under-vaccinated

**52m people > 60 years unvaccinated<sup>1</sup>**

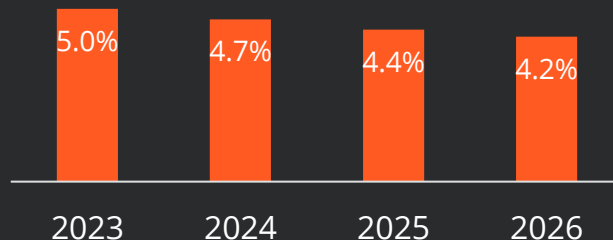
 COVID-related excess deaths potentially reaching 1.5 million<sup>2</sup>

### Severe GDP impact<sup>3</sup>



## Medium-term economic outlook remains positive

### Estimated GDP growth<sup>3</sup>



### Rising middle-class with higher income

- +100%** Middle class expected to double in next decade
- +26%** Higher income for aging population over the next five years

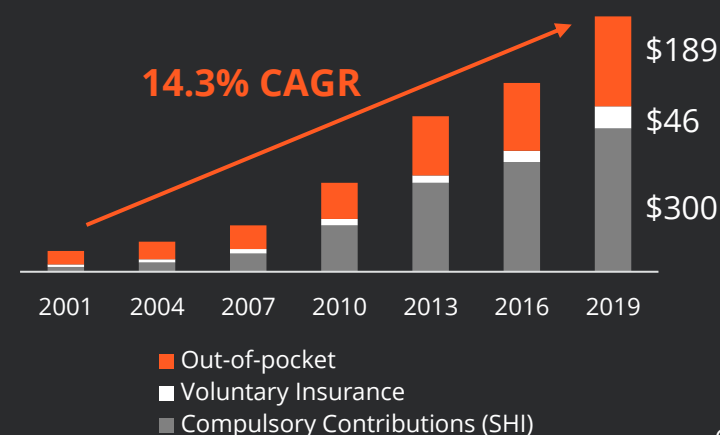
## Private health insurance industry set to build on strong fundamentals

### Healthy China 2030



Policies emphasise developing private healthcare and private health insurance, amongst others

### Healthcare expenditure growing, including private expenditure (Current USD per capita)<sup>4</sup>

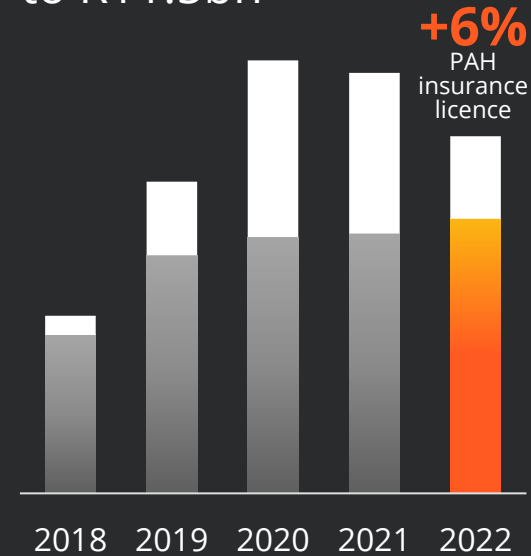




# Diversified distribution channels and continued expansion ensure resilient and persistent growth in sales on PAH's insurance licence

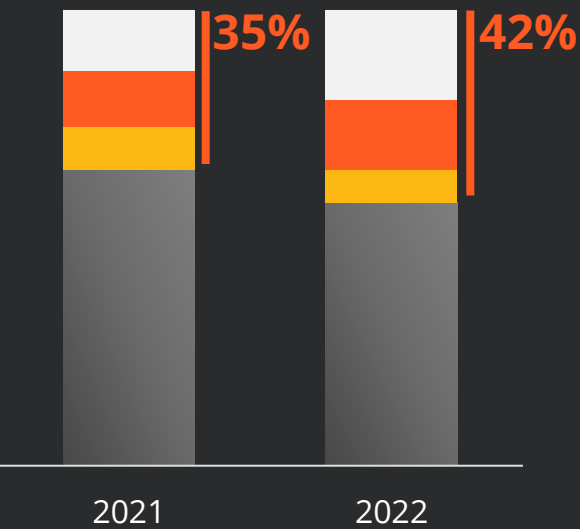
## New business<sup>1</sup>

**-15%**  
to R11.5bn



■ PAH insurance licence  
■ Reinsurance

## Shift towards non-PAL channels



■ Group channel **+51%**  
 ■ Non-PAL cross-selling **+31%**  
 ■ Other **-23%**  
 ■ PAL individual channel **-9%**

## Distribution channels continue to expand both offline and online

### Offline branch network

**16**  
Branches



■ PAH licensed regions  
■ PAH unlicensed regions

PAH licensed regions represent **58% of GDP<sup>2</sup>**

### Multi-channel online distribution



#### Ping An APPs

Partner with online platforms in Ping An Group



#### Ping An Health online

Expand PAH operated WeChat & APP channels



#### SuiShenYi

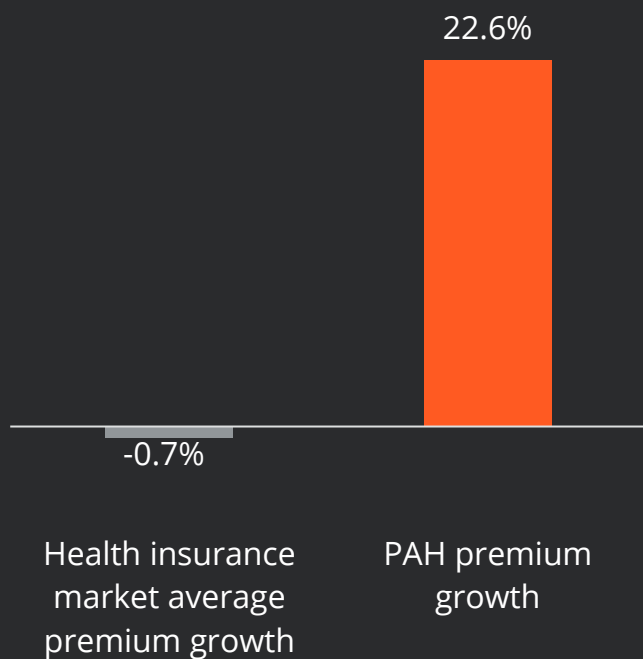
Online management of high-quality advisor network

# Ping An Health's growth rate exceeds the market and profitability is outperforming key competitors



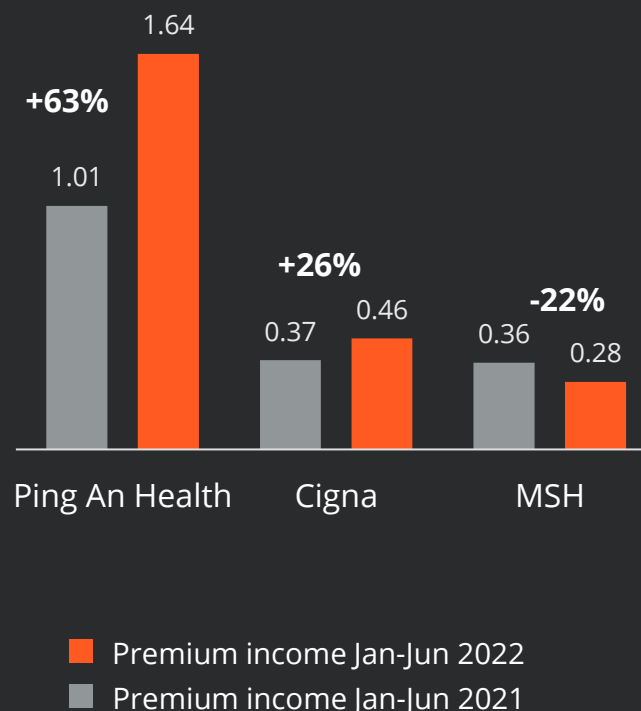
## PAH remains resilient during recent difficult market conditions

Total premium growth rate (%)  
January to June 2022



## 63% group insurance growth rate, ahead of competitors

Premium income RMB billions



## Highest profit margins among leading specialist health insurers

Annual profitability analysis of top 6 specialist health insurers in China at December 2021

Company	2020	2021
Ping An Health Insurance Company	5.4%	6.7%
Kunlun Health Insurance Co Ltd	-19.5%	2.7%
CPIC Health	2.1%	2.3%
PICC Health Insurance Company Limited	0.8%	0.1%
Fosun United Health Insurance Company Ltd	0.6%	-3.4%
Ruihua Health Assurance Corporation	-7.9%	-26.5%

Margin calculated as net profit/operating revenue



# Positioned for growth off a strong foundation



The leading **new generation financial services organisation** which through its **Vitality Shared-value model** makes customers healthier, provides better and more sustainable products, achieves **superior growth and returns for its shareholders** and is a force for good in the communities in which it operates



Normalised operating profit	Core new business	Headline earnings	Normalised headline earnings
<b>+45%</b> to R9 384m	<b>+6%</b> to R21 710m	<b>+74%</b> to R5 204m	<b>+71%</b> to R5 816m

+5% new business API, including DH take-on of new closed schemes and gross revenue for Vitality Group



# AUDITED RESULTS

for the year ended 30 June 2022

