

Unaudited interim results and cash dividend declaration

FOR THE SIX MONTHS
ENDED 31 DECEMBER 2017



Core new business

Normalised operating profit

Normalised headline earnings

+16%

to R9 303m

+10% to R9 705m incl. DH take-on of new closed schemes and gross revenue for the Vitality Group

+19%

to R4 059m

+30%

to R2 829m



WHY

Make people healthier and enhance and protect their lives



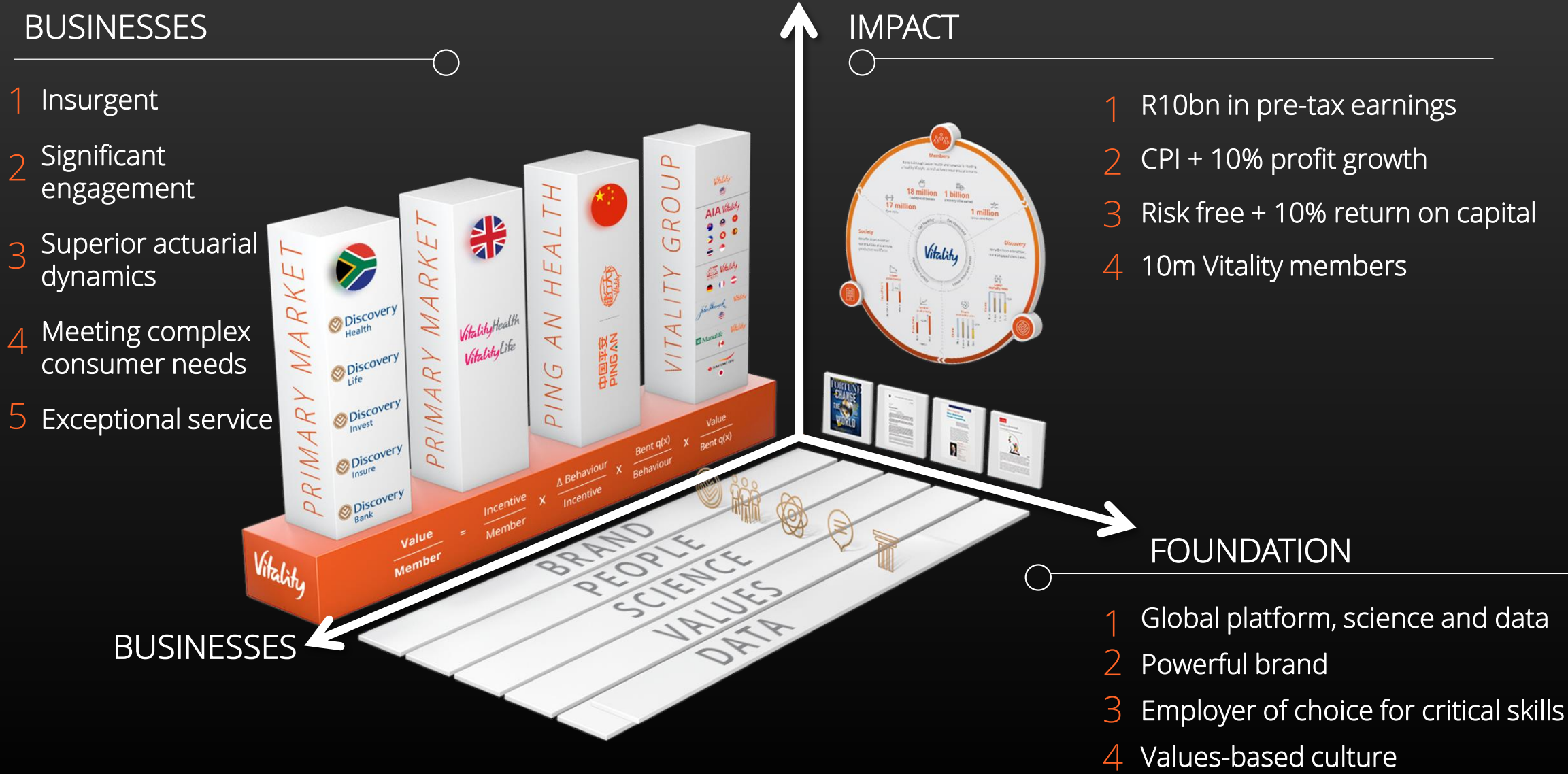
HOW



WHAT

- Life insurance
- Short-term insurance
- Long-term savings
- Health insurance
- Banking

The 2018 Ambition | best insurer in the world and a powerful force for social good



Observations for the period



1

Performance

Group performance exceeded expectation, enabling it to track strongly toward its stated 2018 Ambition. **Normalised operating profit grew 19%, normalised headline earnings grew 30%, while new business grew 16%**

2

Operating model

Results were ahead of the stated growth methodology and capital plan, with **operating profit growth exceeding CPI + 10%** and return on capital exceeding risk free + 10%. The **Financial Leverage Ratio (FLR)** remained below the 28% guidance at **26.5%** while **free cash increased to R2.5bn**

3

Business performance

Established businesses achieved a **combined growth in operating profit of 15%**. The **emerging businesses are all profitable** and larger in scale and potential than expected with a **combined growth rate of 151%**. New developments are all on target for launch and within budget

4

Vitality Shared-Value Insurance

Considerable and continued investment took place through the **Global Vitality Network**, ensuring repeatability and scalability across agencies and new geographies – there are now over **7m Vitality members in 19 countries** with engagement strong across all markets

Impact

Core new business

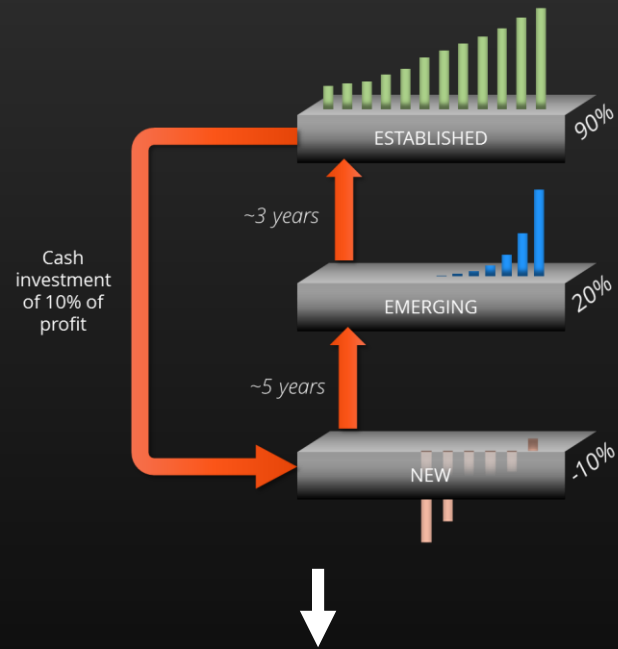
Operating profit

Return on capital

Cash generated

Embedded value

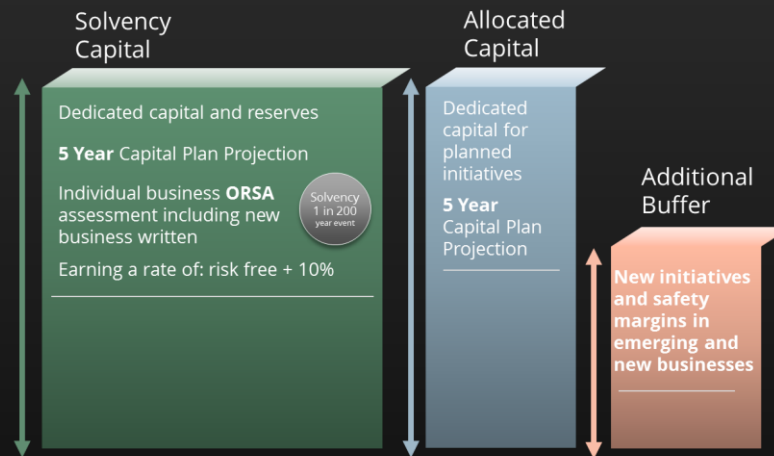
Growth methodology



Group profit growth of
CPI + 10%

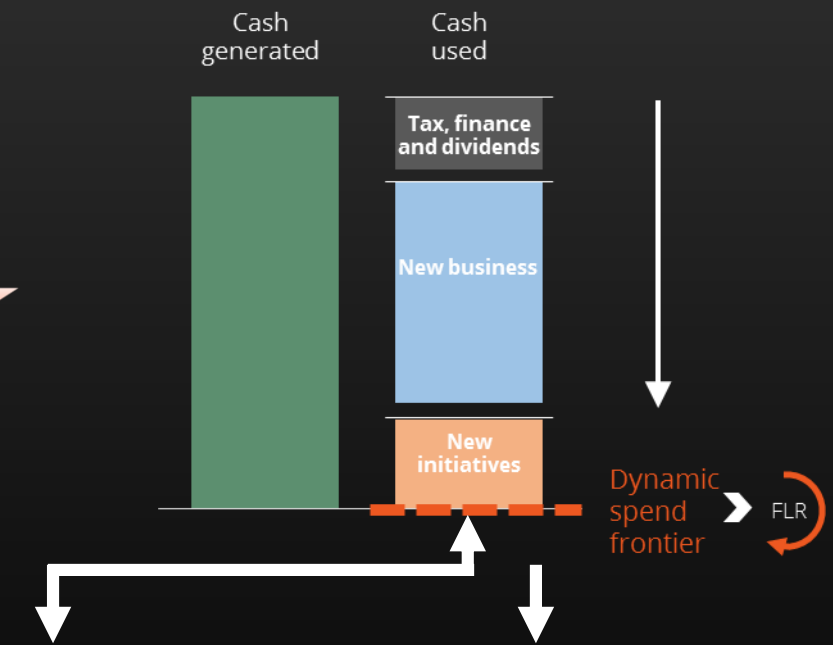
Capital management

Three pillars of capital



Return on capital
risk free + 10%

Cash management



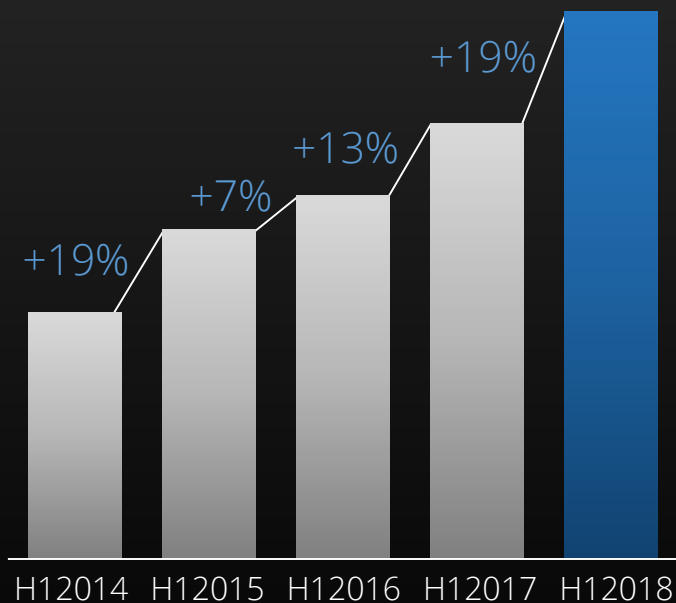
FLR
< 28%

Cash buffer
R1bn - R2bn

Strong operating profit growth

+19%

to R4 059m



	Rm	6 months to 31 Dec 2017	6 months to 31 Dec 2016	% change
Established	Discovery Health	1 332	1 188	+12%
	Discovery Life	1 839	1 768	+4%
	Discovery Invest	419	326	+29%
	Discovery Vitality	57	33	+73%
	Discovery Card	82 ¹	71 ¹	+15%
	Vitality HEALTH INSURANCE	355	142	+150%
	Vitality LIFE INSURANCE	261	258	+1%
Emerging	Discovery Insure	29	(30)	+197%
	Vitality GROUP	1	(91)	+101%
	中国平安 PINGAN HEALTH	36	(9)	+500%
New	Bank, Vitality Invest, commercial insurance, umbrella funds and the GVN	(352)	(244)	+44%
Group		4 059	3 412	+19%

> +15%

> +151%

> 8% of profits

¹ 54.99% share of Discovery Card profits

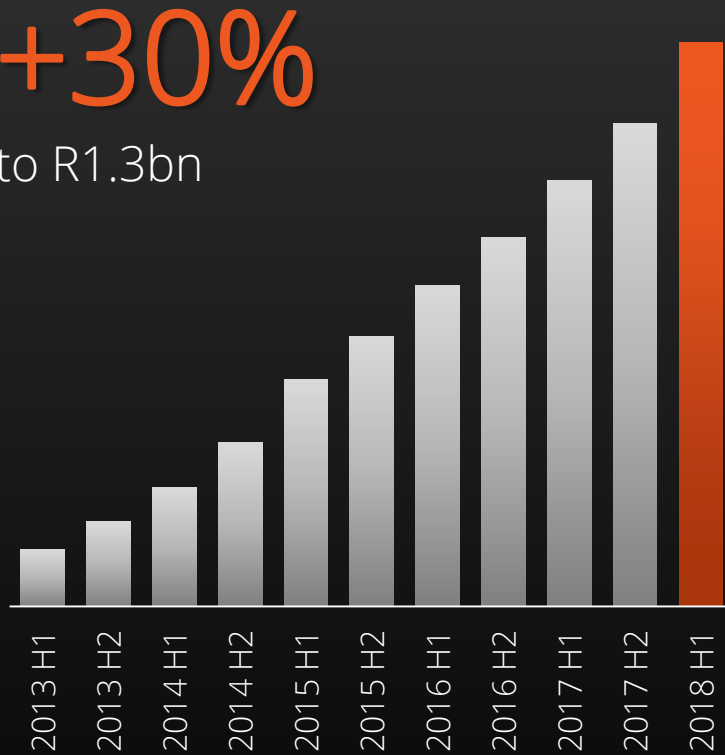
Emerging businesses experienced rapid growth



Discovery Insure gross premium income

+30%

to R1.3bn

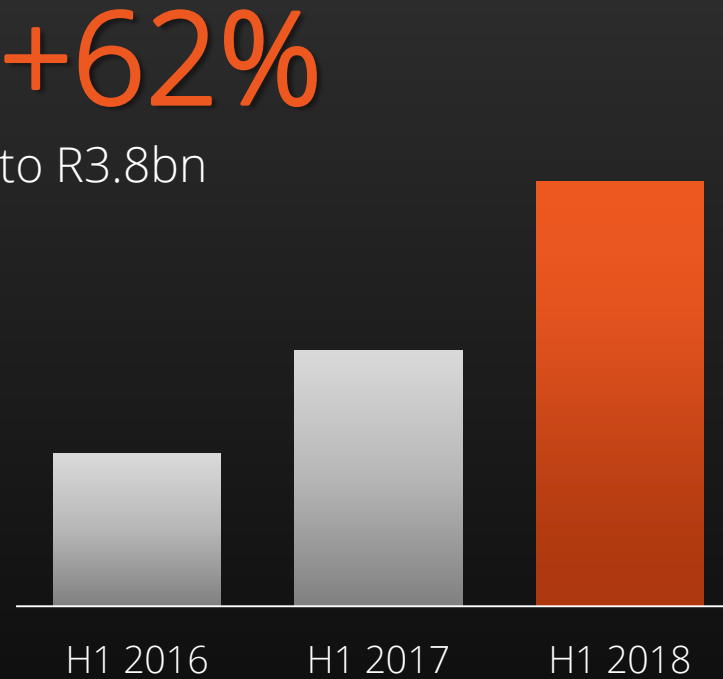


Fastest growing short-term insurer

Ping An Health written premium

+62%

to R3.8bn

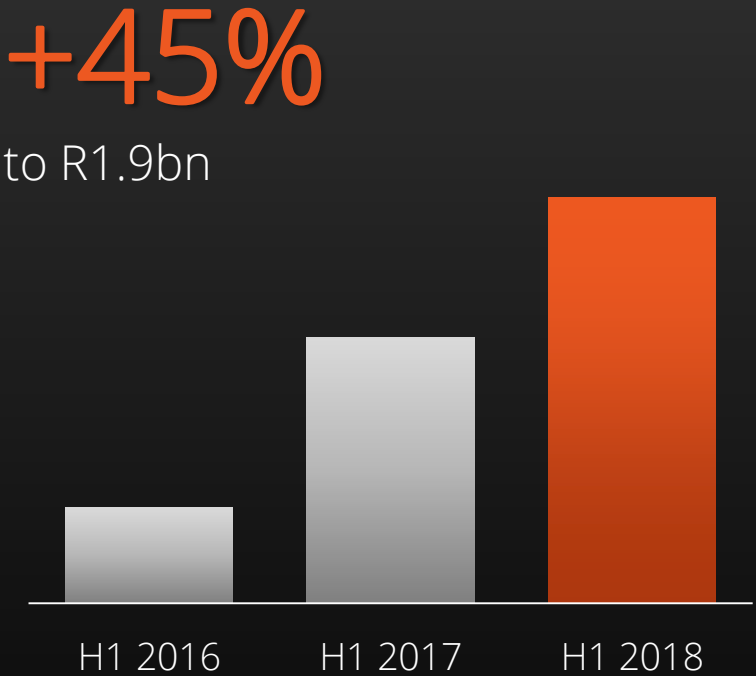


Fastest growing health insurer in China

Validity Group integrated insurance premiums

+45%

to R1.9bn



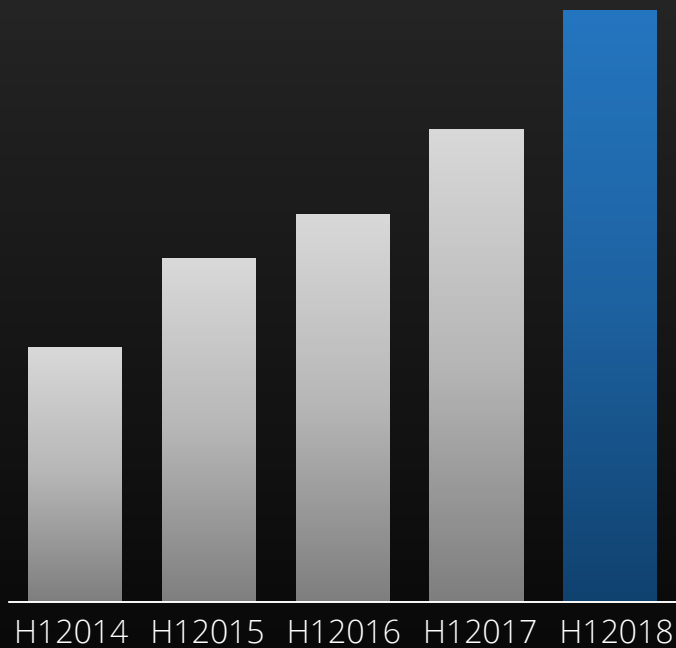
12 integrated insurance markets

Robust core new business growth

+16%

to R9 303m

+10% to R9 705m incl. DH take-on of new closed schemes and gross revenue for the Vitality Group



	Rm	6 months to 31 Dec 2017	6 months to 31 Dec 2016	% change
Established	Discovery Health	3 324 ¹	3 030 ¹	+10%
	Discovery Life	1 121	1 053	+6%
	Discovery Invest	1 220	1 278	-5%
	Vitality HEALTH INSURANCE	522	443	+18%
	Vitality LIFE INSURANCE	557	581	-4%
Emerging	Discovery Insure	495	406	+22%
	Vitality GROUP	123 ²	92 ²	+34%
	中国平安 PING AN HEALTH	1 986	1 169	+70%

¹ Excludes new scheme take-ons

² Vitality Group fee income from insurance partners

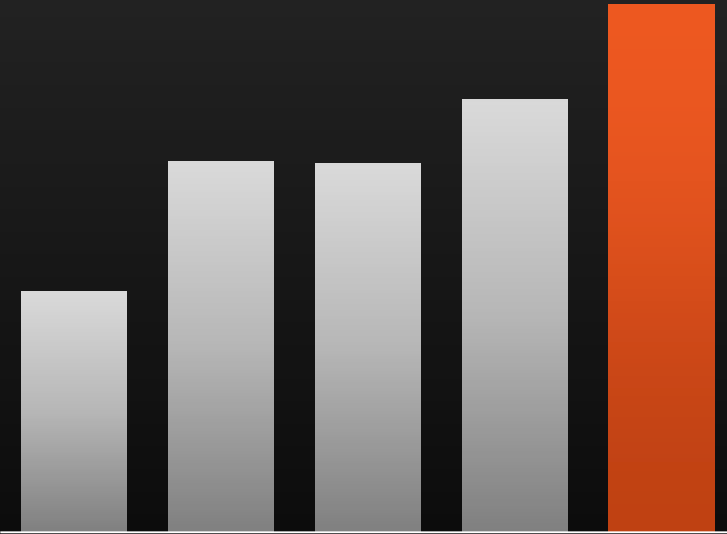
Strong new business growth from emerging businesses



Discovery Insure new business API

+22%

to R495m

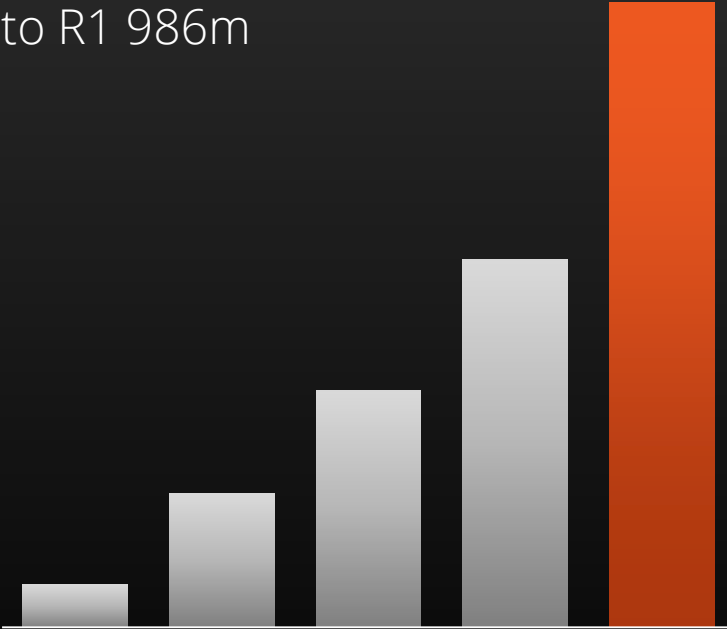


H12014 H12015 H12016 H12017 H12018

Ping An Health new business API

+70%

to R1 986m

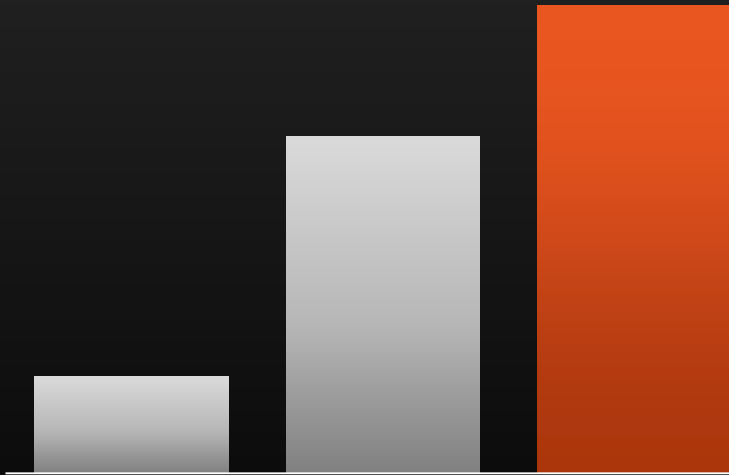


H12014 H12015 H12016 H12017 H12018

Validity Group fee income from insurance partners

+34%

to R123m*



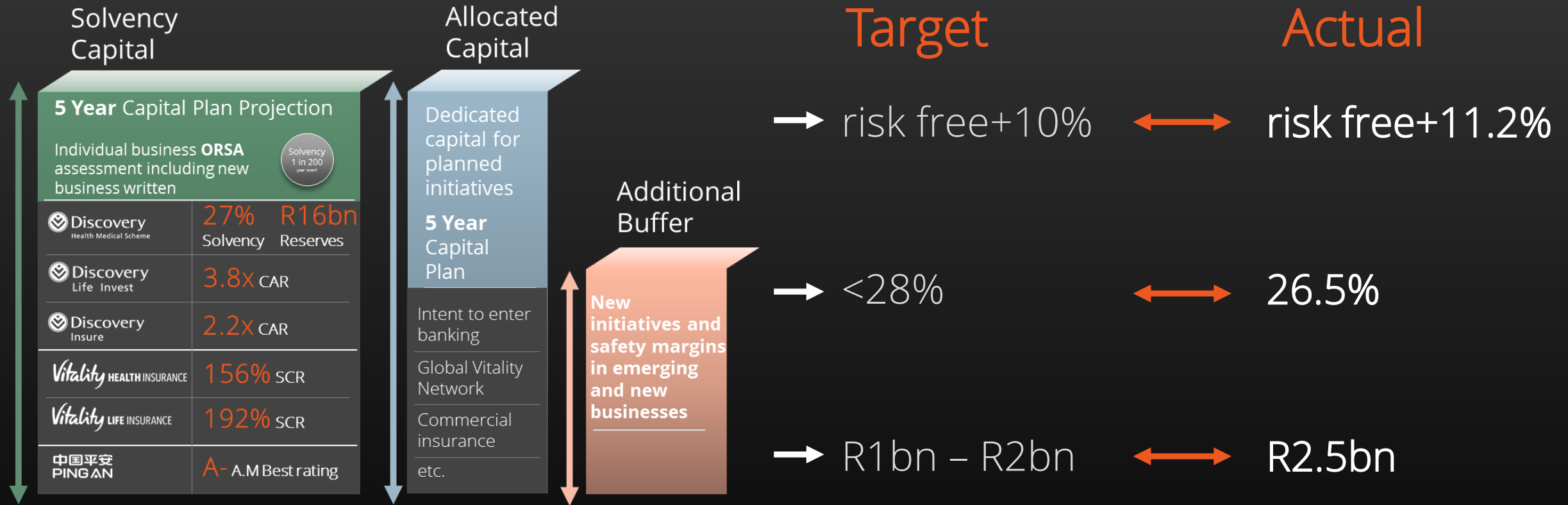
H1 FY2016 H1 FY2017 H1 FY2018

*Excludes US corporate business

Performance exceeded growth engine targets



Tracking in line with capital management philosophy



*Annualised ROE for the six-months based on normalised headline earnings

**Risk-free is calculated as the Group's weighted average risk free across the geographies it operates in

Reconciliation of reported profit to normalised headline earnings

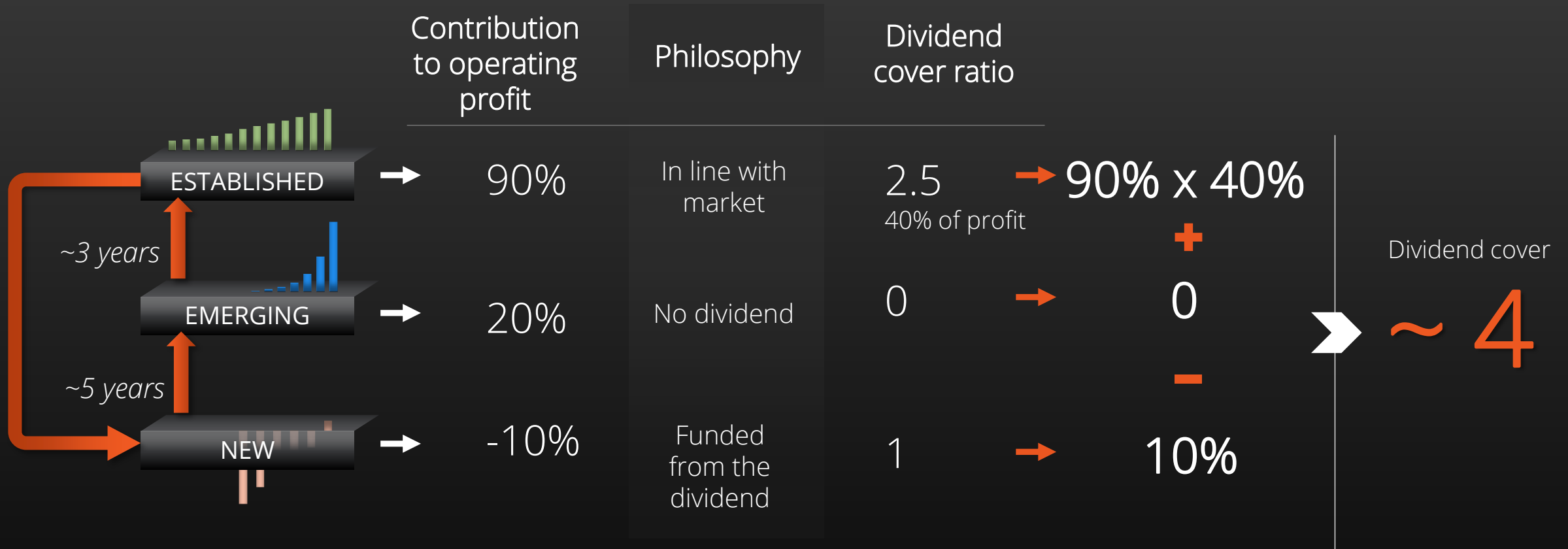
Rm	6 months ended Dec 2017	6 months ended Dec 2016	% change
Profit from operations	3 859	3 249	19
Other (incl. finance costs)	(325)	(233)	
Profit before tax	3 534	3 016	17
Income tax expense	(837)	(947)	
Other adjustments	52	(46)	
Headline earnings	2 749	2 023	36
Rebranding and business acquisition expenses	-	84	
Other	80	77	
Normalised headline earnings	2 829	2 184	30

Includes gearing effect of loss-making businesses turning profitable and a higher effective tax rate in the prior year

UK branding costs carried within businesses

Normalised headline earnings per share (diluted): 438.3c (+29%)

Dividend policy framework

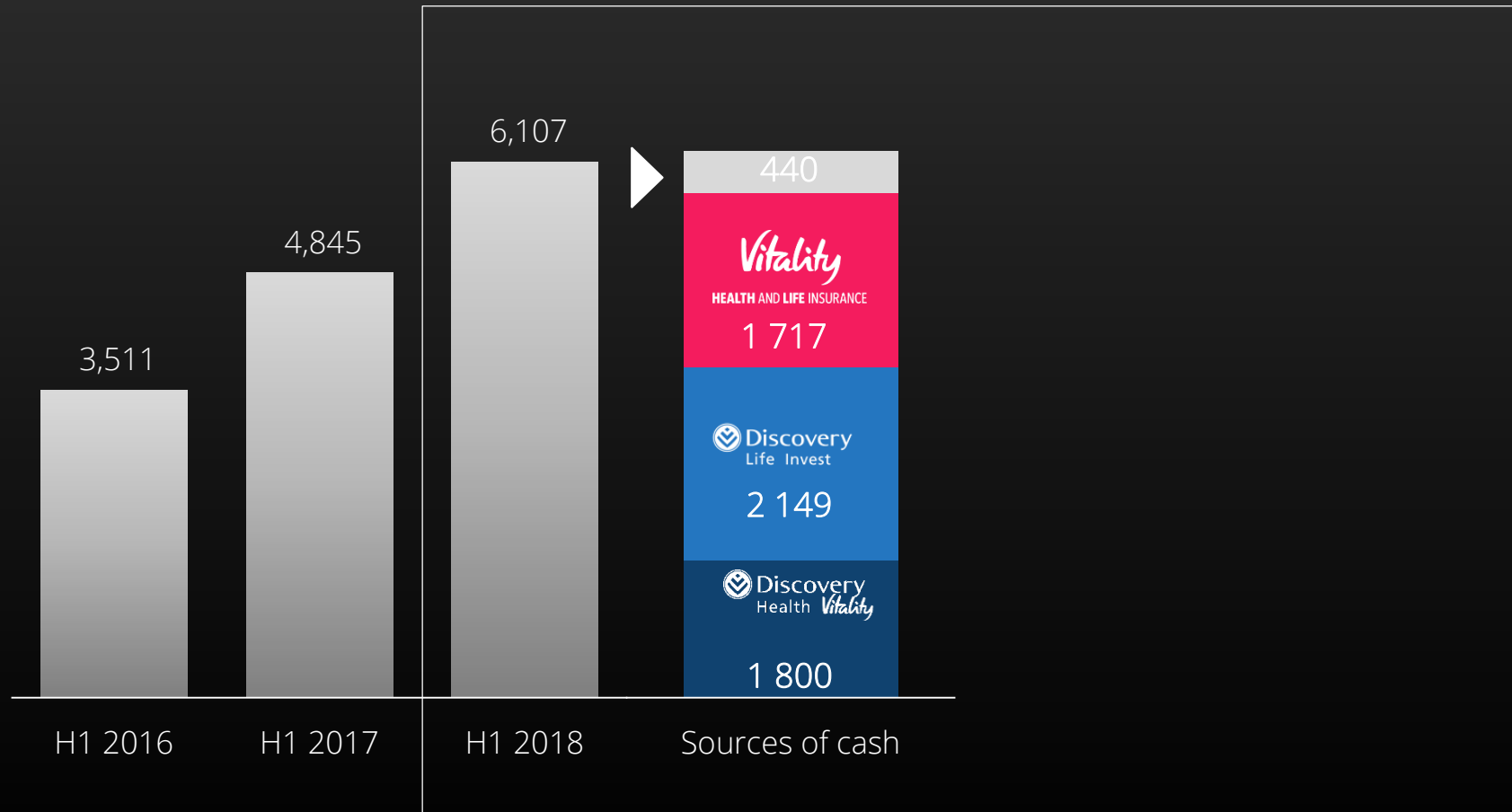


Dividend declaration of: 101cps (+15%)

Cash management supports the growth methodology

R6.1bn

Cash generated by the Group
before tax

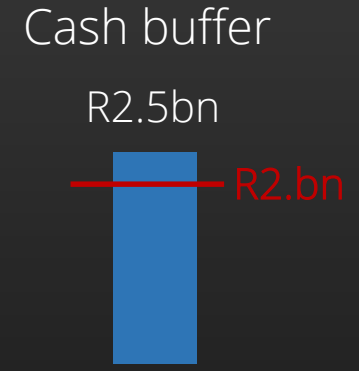
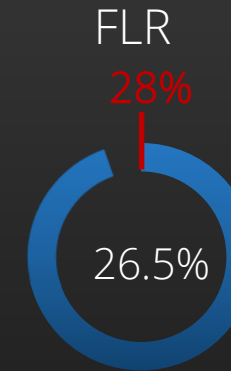
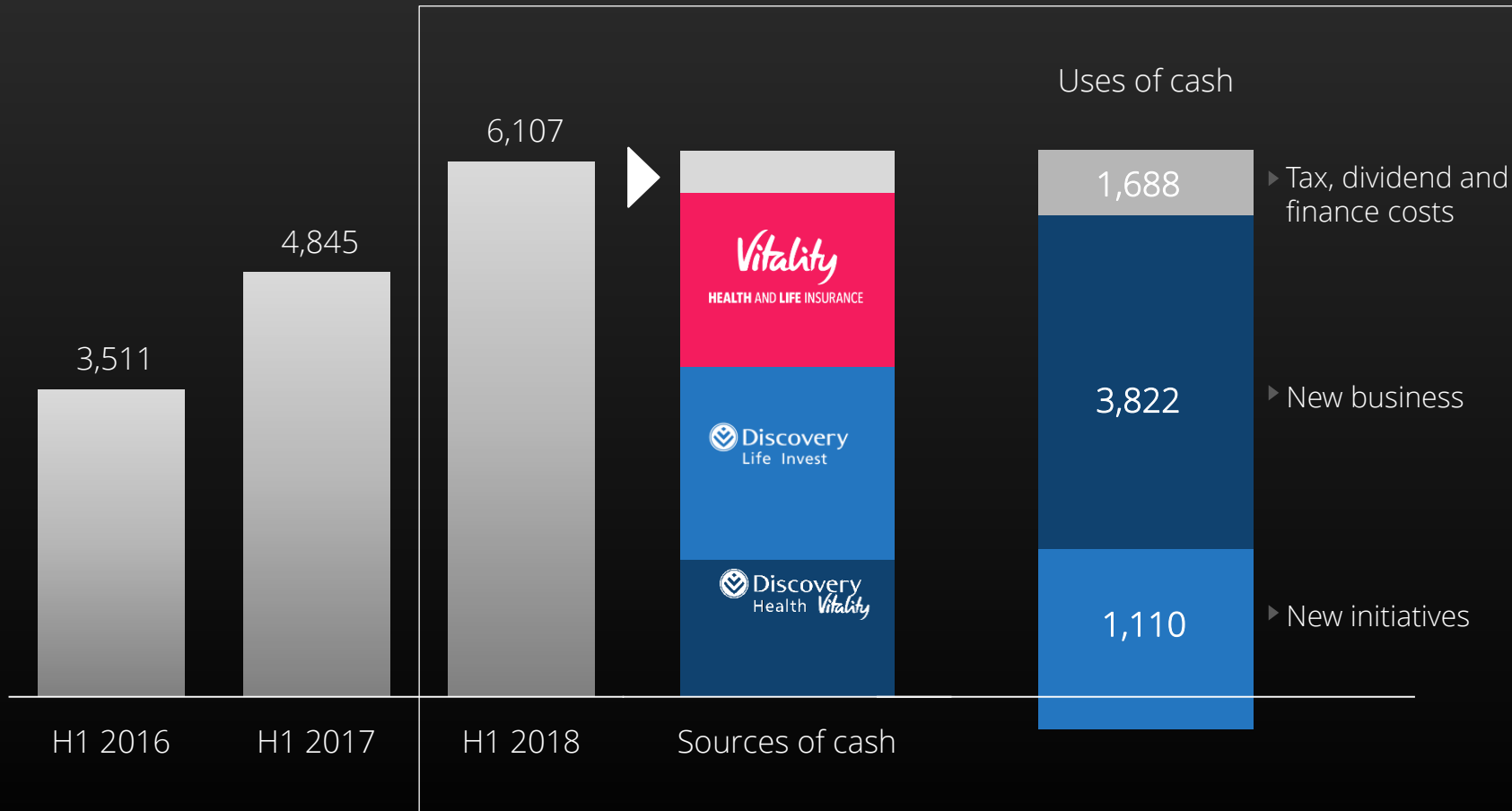


Cash management supports the growth methodology



R6.1bn

Cash generated by the Group before tax



Return on embedded value (EV)

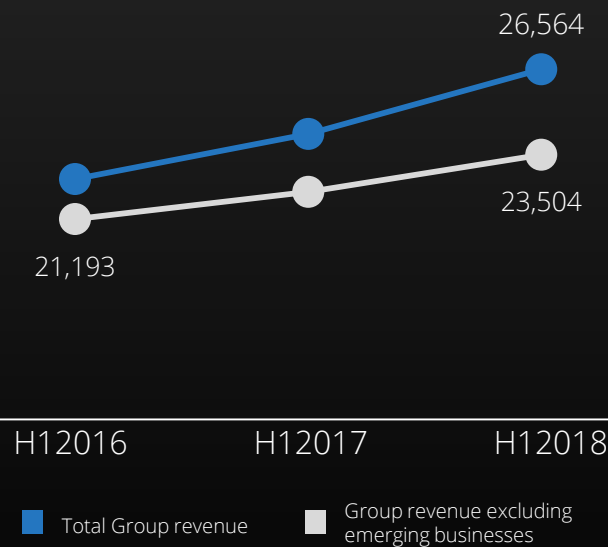
+13%

Annualised growth in EV



~15% of total revenue attributable to emerging businesses which are not included in the EV

Group revenue (Rm)
incl. 25% of Ping An Health written premium



Significant progress towards achieving 2018 Ambition

2013

2018



Operating profit R2 367m	New business R5 854m	Countries 5
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Operating profit R4 059m	New business R9 705m	Countries 19
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Foundation

People

Values

Brand

Business model

Scale and sophistication of the Global Vitality Network



19 countries >7m Vitality members



Vitality™ ONE

>R500m allocated to developing a single global Vitality platform

Sumitomo Life first market to run fully on the platform



+200 000 members each month

40m+ life years of mortality and morbidity data

In every minute

1 000 activities tracked

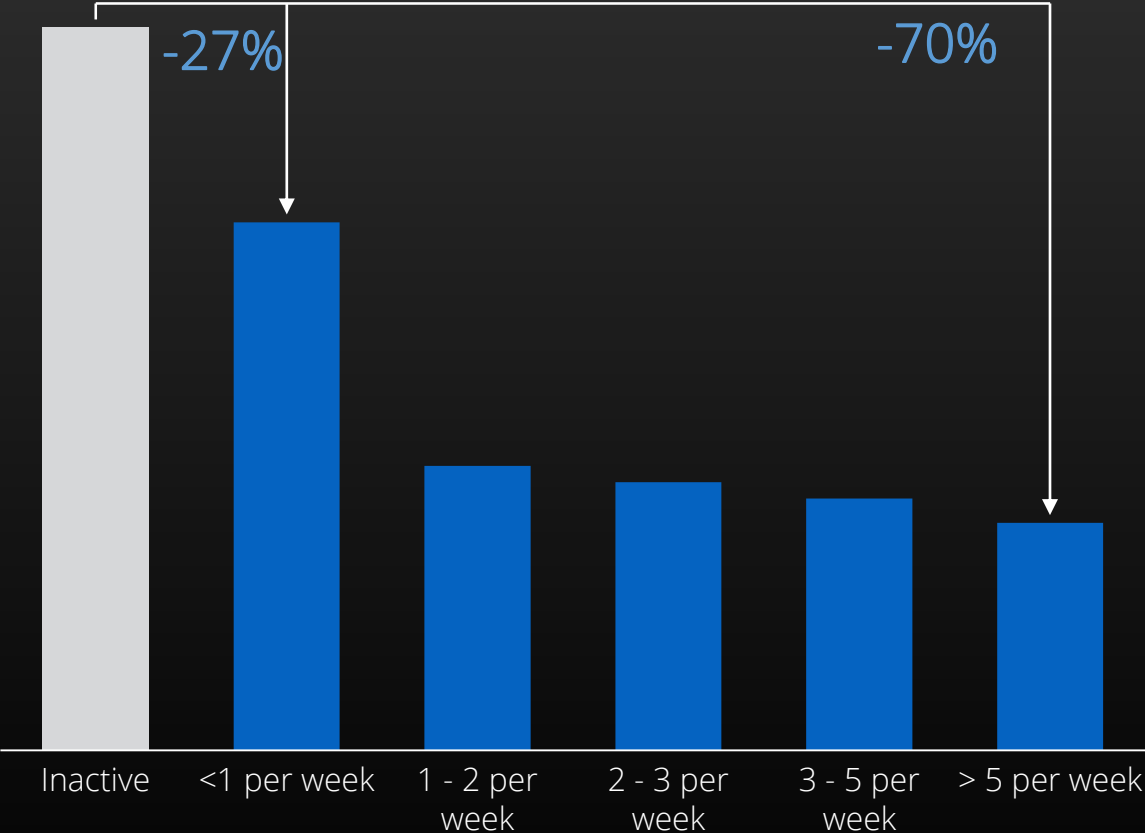
50 biometric readings

Addressing physical inactivity as a first priority



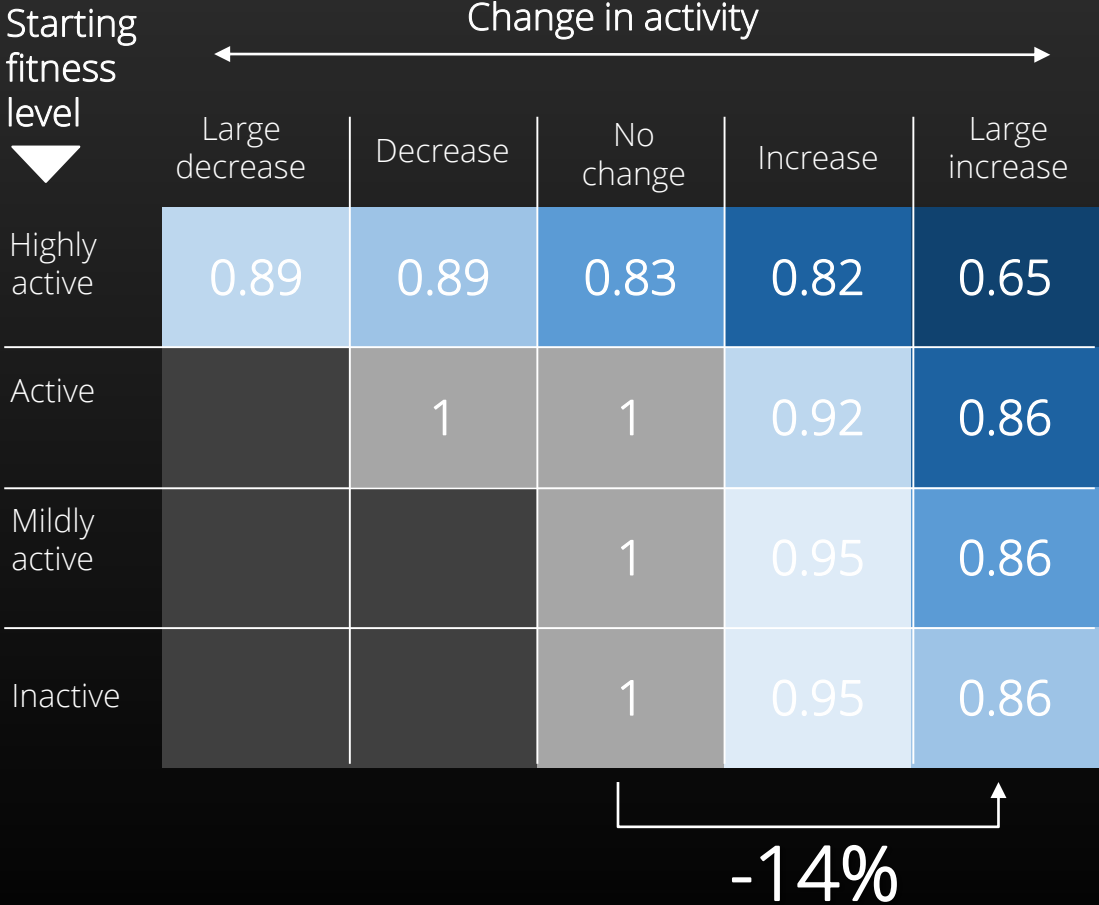
Significant correlations to mortality

Mortality experience by physical activity band (Indexed)



Causal impact on healthcare claims

Morbidity healthcare claims (Generalised linear model results : five-year in-hospital costs)



Two years since the launch of Vitality Active Rewards with Apple Watch



1 Get Apple Watch



Members get the Apple Watch for a once-off activation fee

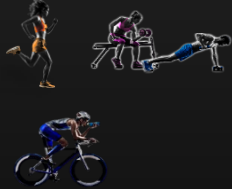
2 Achieve your exercise goal



Personalised

Dynamic

Any exercise



3 Get Rewarded

Weekly rewards



Vitality Active Rewards with Apple Watch

Benefit design (US)

Get active

Achieve your goals

Get rewarded



Watch repayments linked to engagement

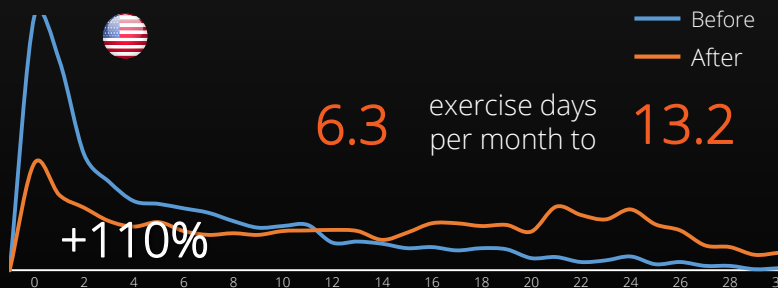
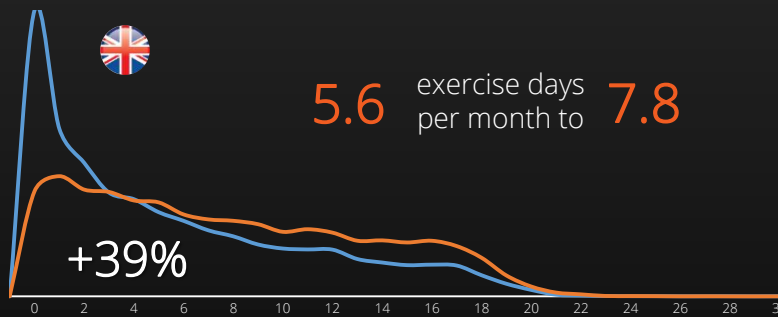
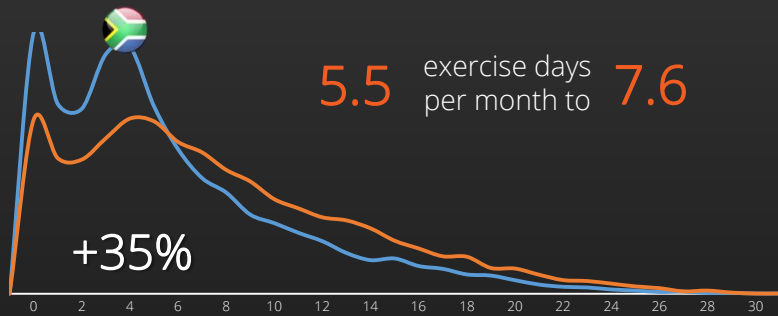


Significant engagement and behaviour change

35% - 110% more active

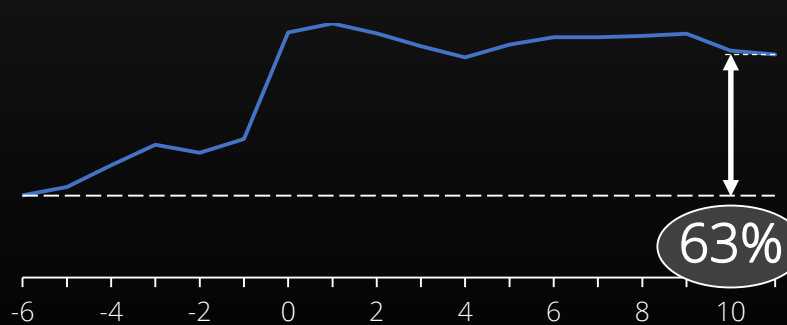
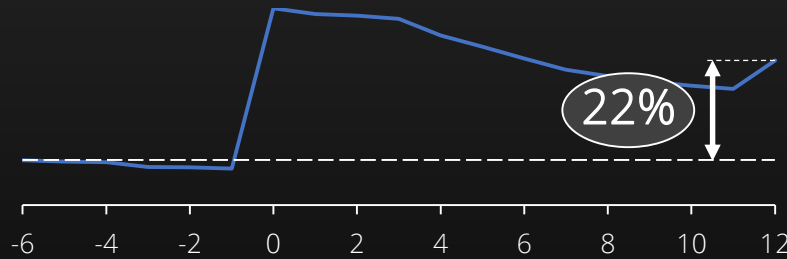
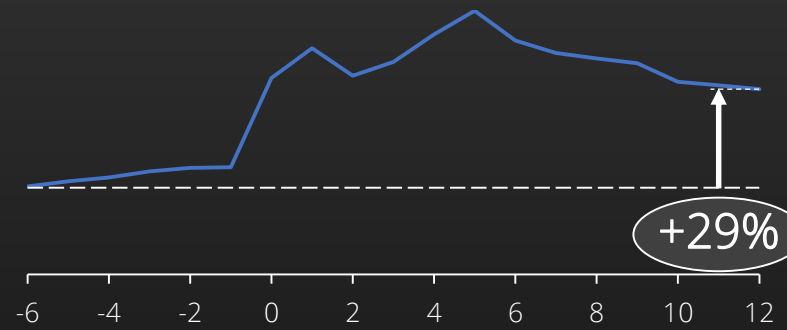
22%-63% more active in the long run

Impact seen across all risks



Number of days of exercise per month

Average exercise days per month after taking up benefit



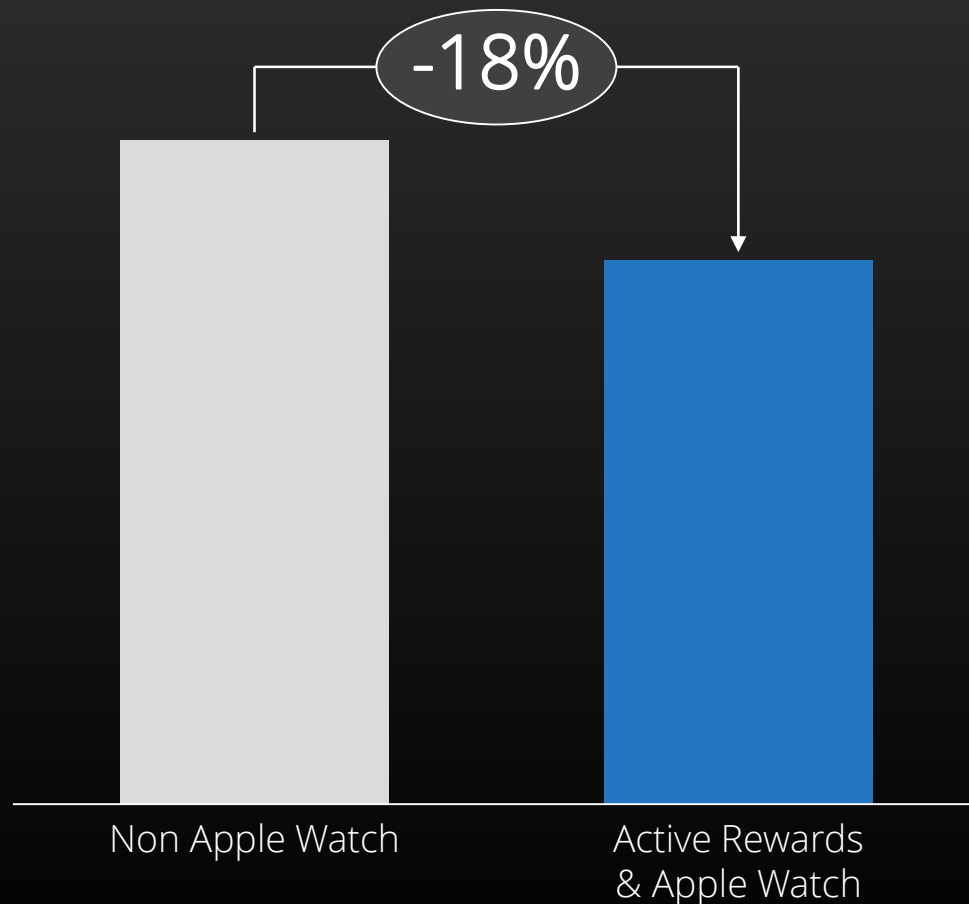
Month after taking Apple Watch

BMI Band			
Low	+28%	+29%	+90%
At risk	+25%	+25%	+51%
High	+34%	+20%	+74%

1 Low Risk (BMI between 18.5 and 24.9), At Risk (BMI between 25 and 29.9), High Risk (BMI >= 30 or BMI < 18.5)

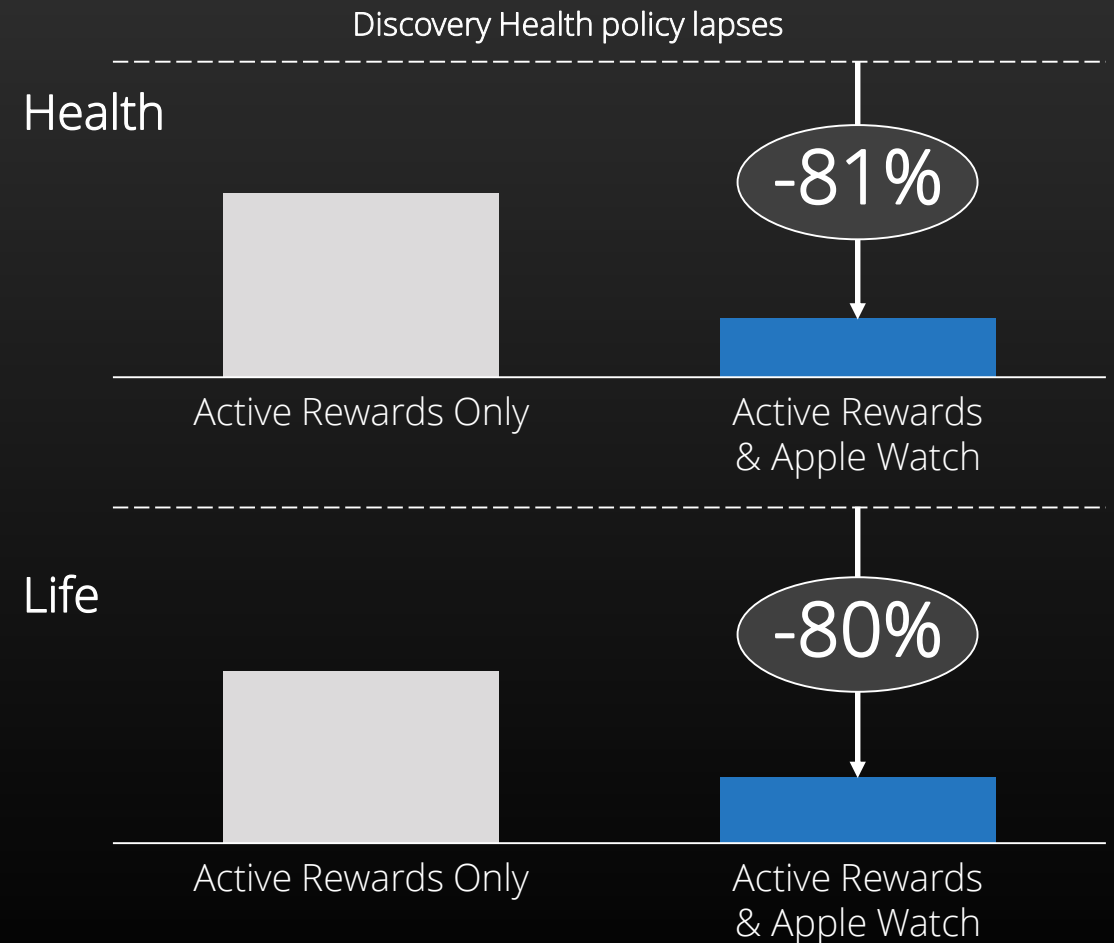
Hospital and chronic costs

Per life per month healthcare costs¹ of Apple Watch members vs other members over Sep'16-Sep'17
Percentage



Better retention

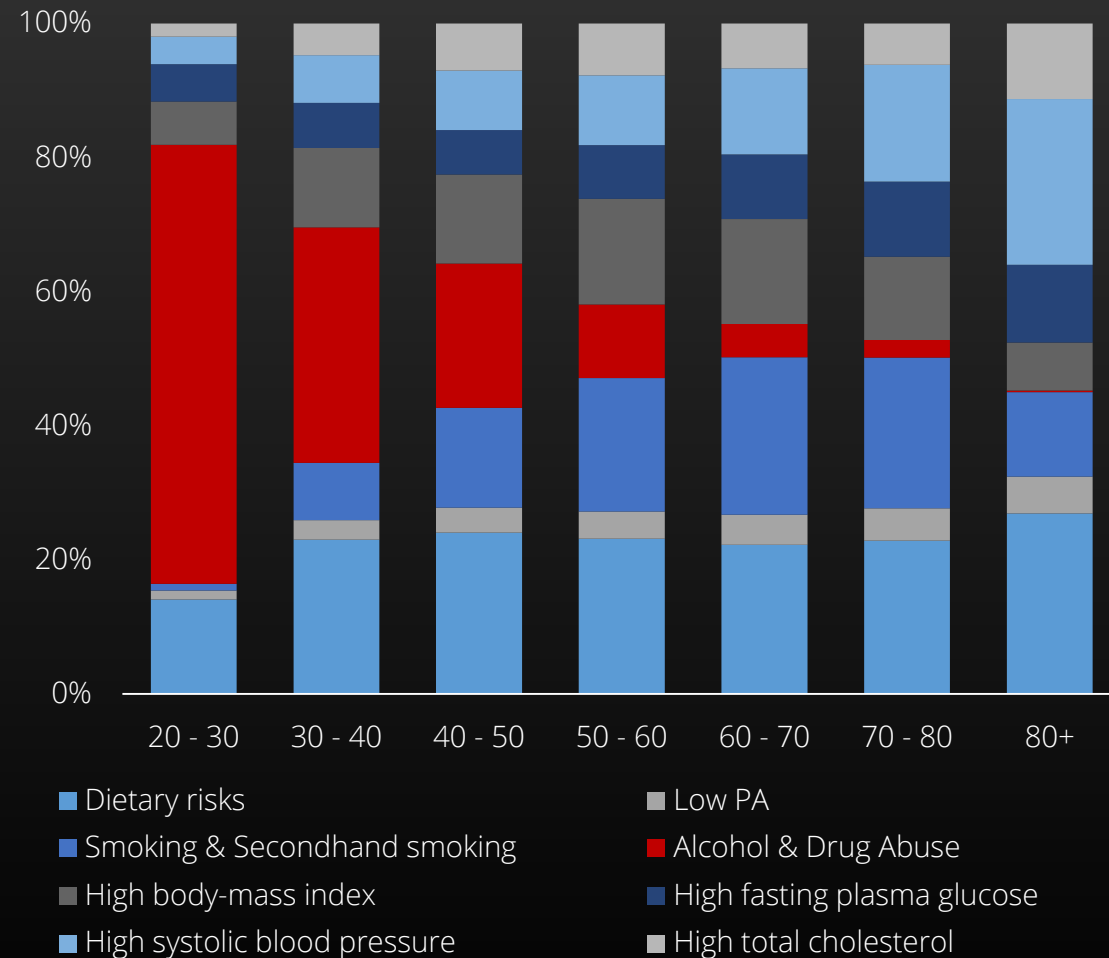
Lapse rate for Health and Life policies
Indexed to members with no Active Rewards benefit



¹ In-hospital and chronic claim costs, risk-adjusted for age, gender, health plan and chronic status. Excludes pregnancy, trauma and certain dental procedures.

Increased disease burden at older ages

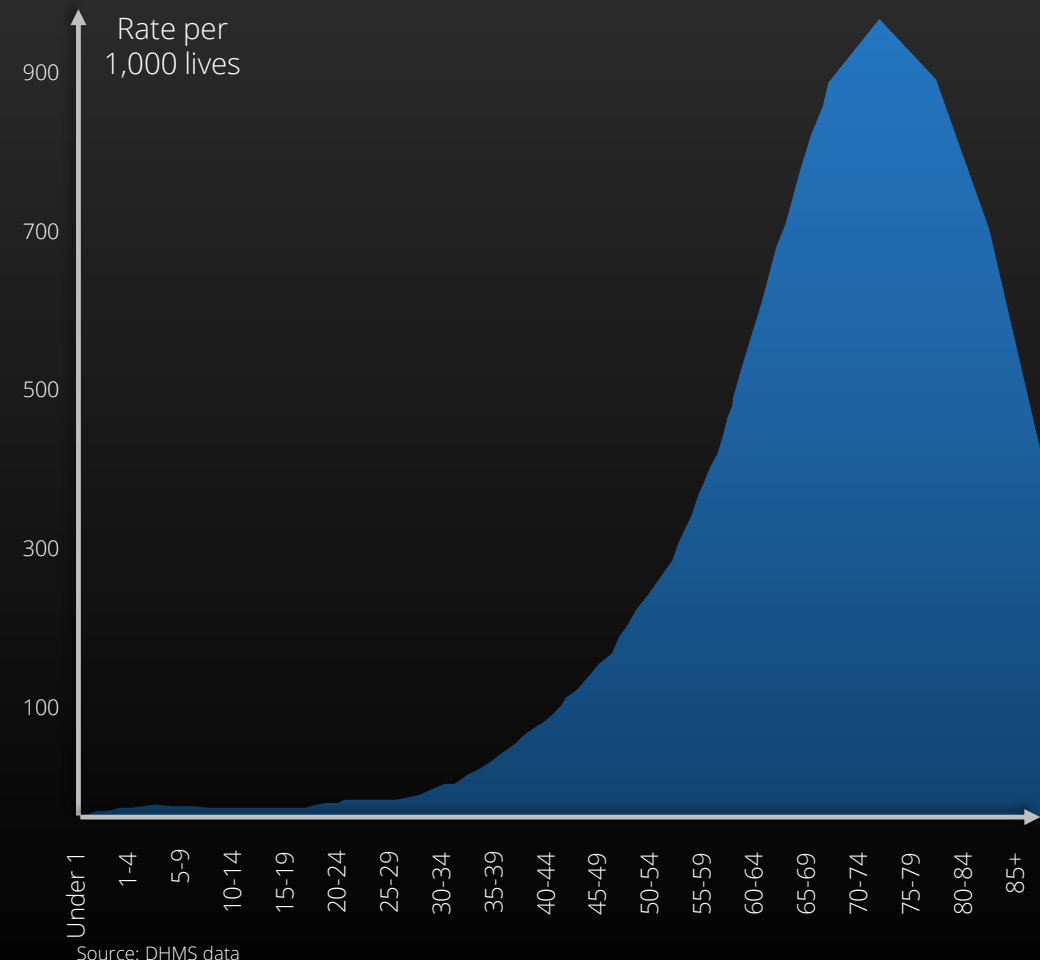
Risk factors vary by age



Source: Risk Factor Associated with Excess Mortality (US 2015, Female). GBD U.S.

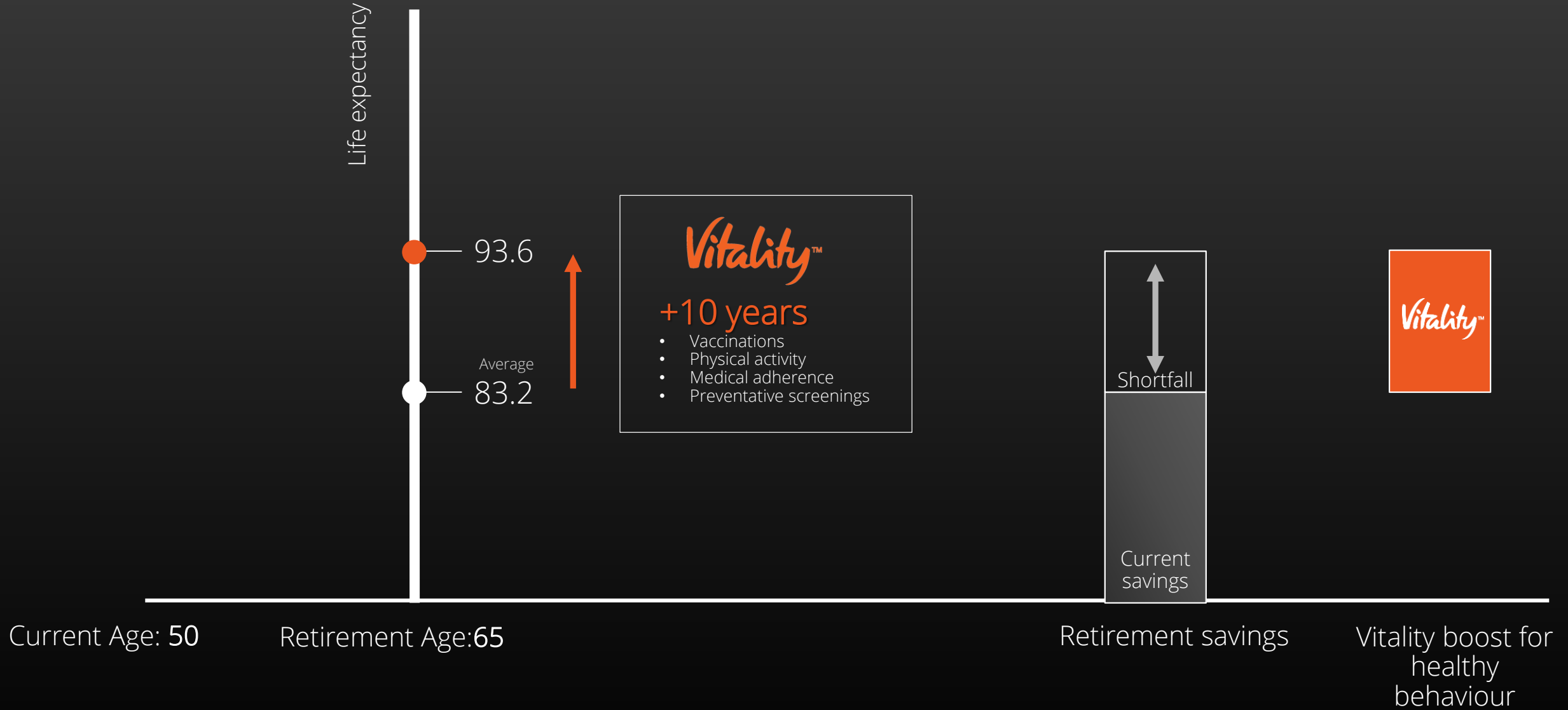
Increased disease burden at older ages

Total chronic disease rate

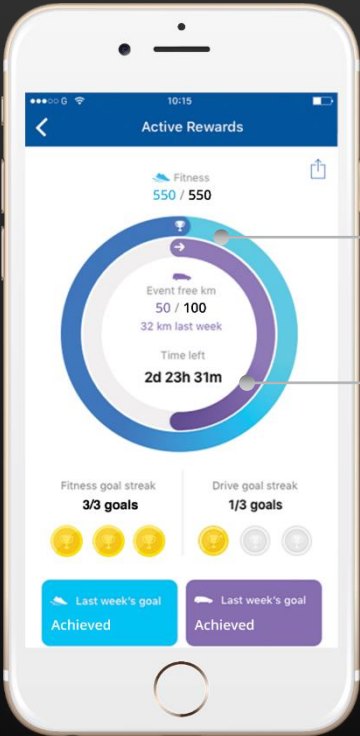
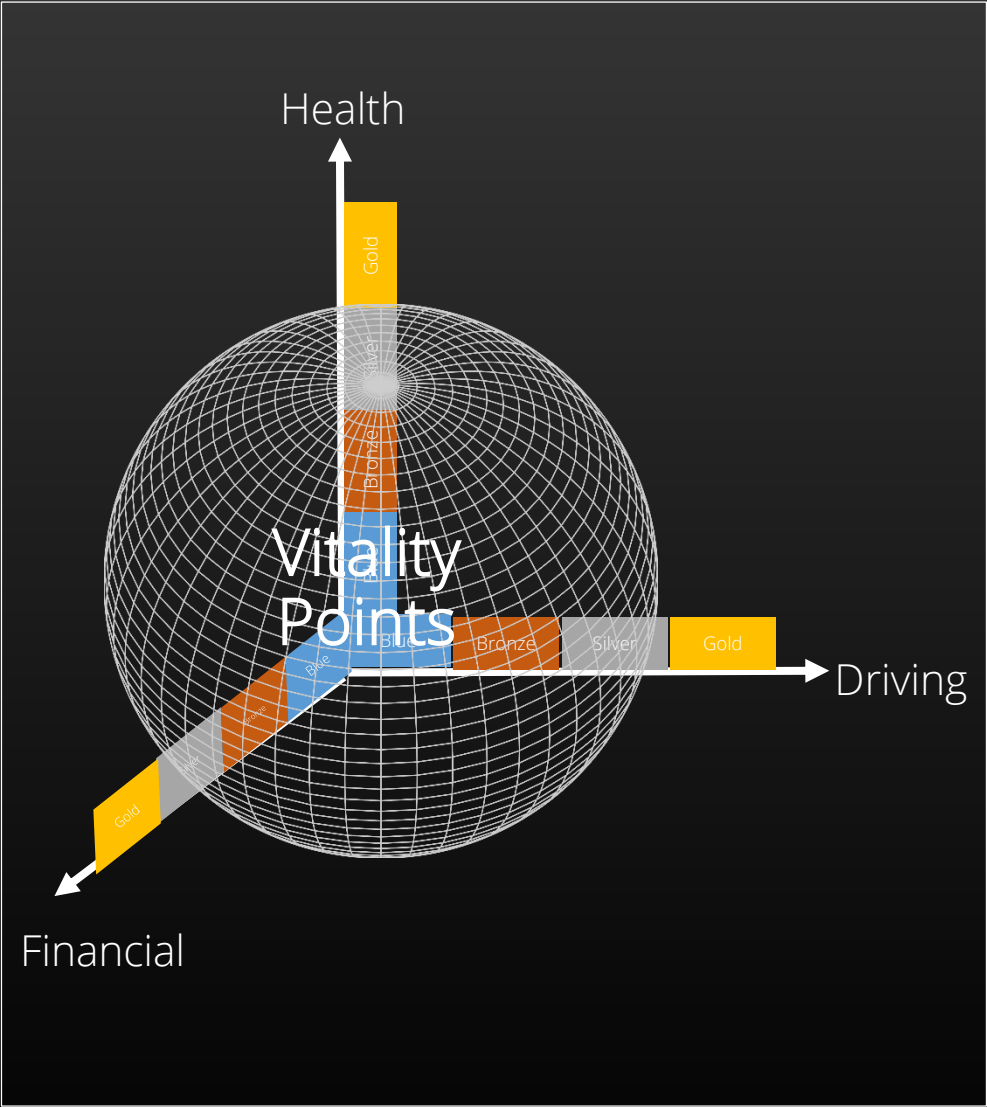


Source: DHMS data

Manifestation in retirement planning



Transitioning to a single behavioural chassis



2018

- Fitness
- Driving

Vitality Shared-Value globalisation



Expansion into adjacent industries

Expansion into adjacent industries

Expansion into new markets and partners



Businesses



Discovery Bank
Vitality Invest
Commercial insurance
Umbrella funds

Emerging

Established

New

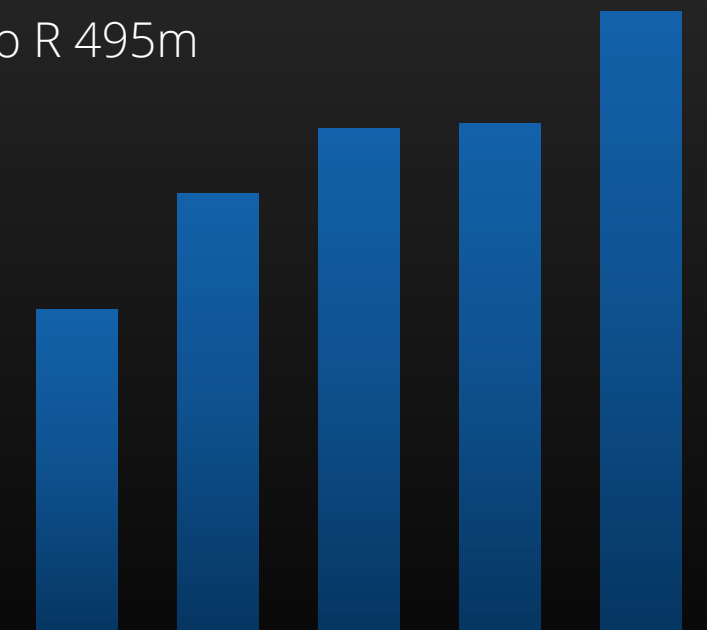


Discovery Insure

New business

+22%

to R 495m

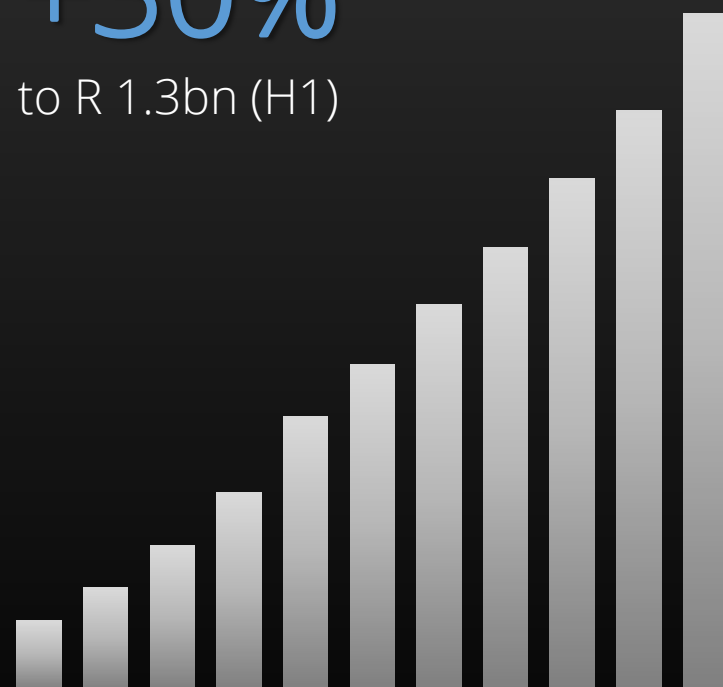


H1 2014 H1 2015 H1 2016 H1 2017 H1 2018

Gross Written Premium

+30%

to R 1.3bn (H1)



2013 H1 2013 H2 2014 H1 2014 H2 2015 H1 2015 H2 2016 H1 2016 H2 2017 H1 2017 H2 2018 H1

Operating result

+197%

to R29m



H1 2014 H1 2015 H1 2016 H1 2017 H1 2018

Drivers of the operating result

Premium income

57%

CAGR

Claims

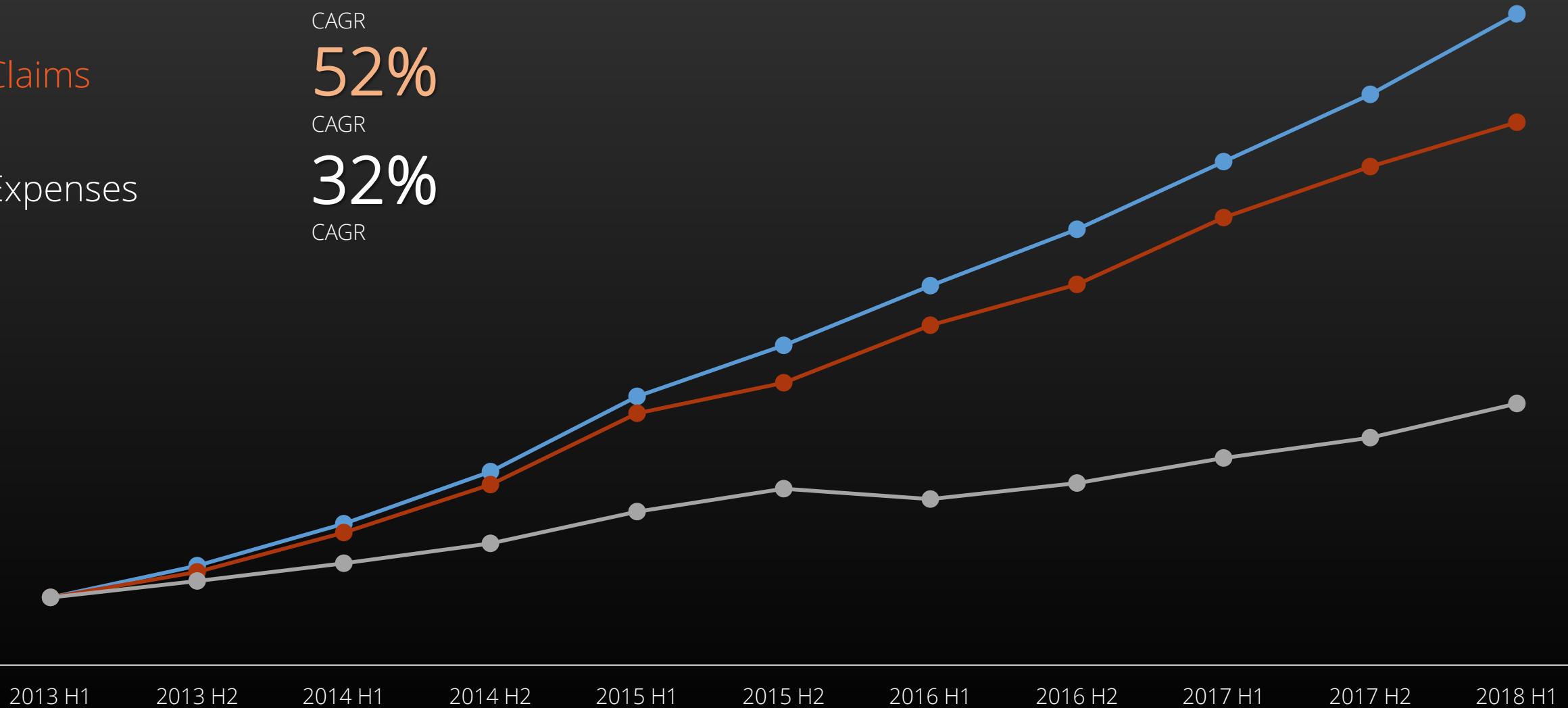
52%

CAGR

Expenses

32%

CAGR



Vitality model for Discovery Insure

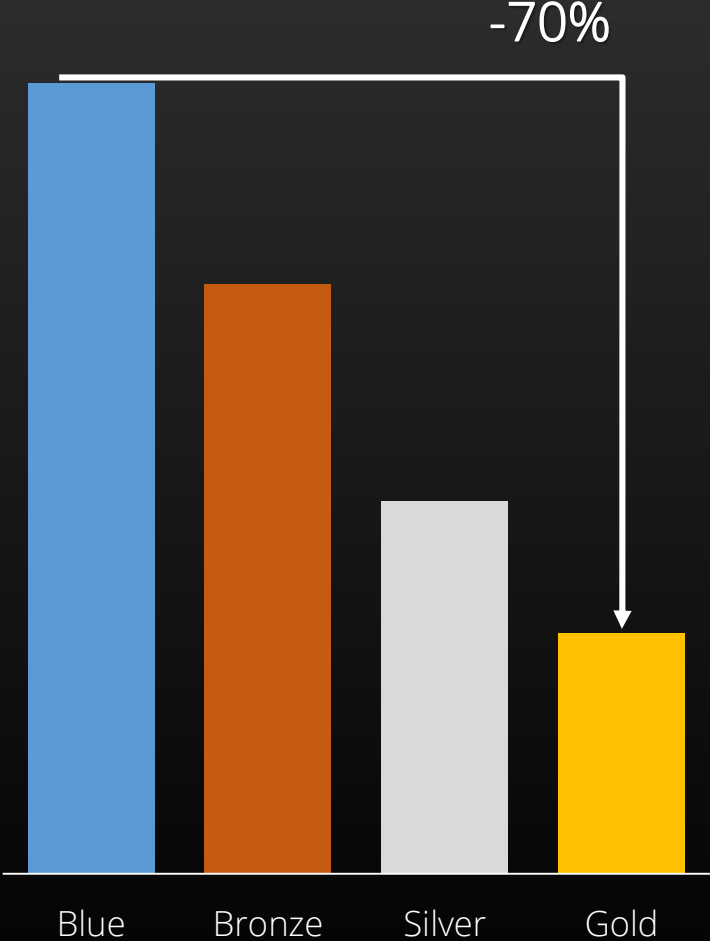
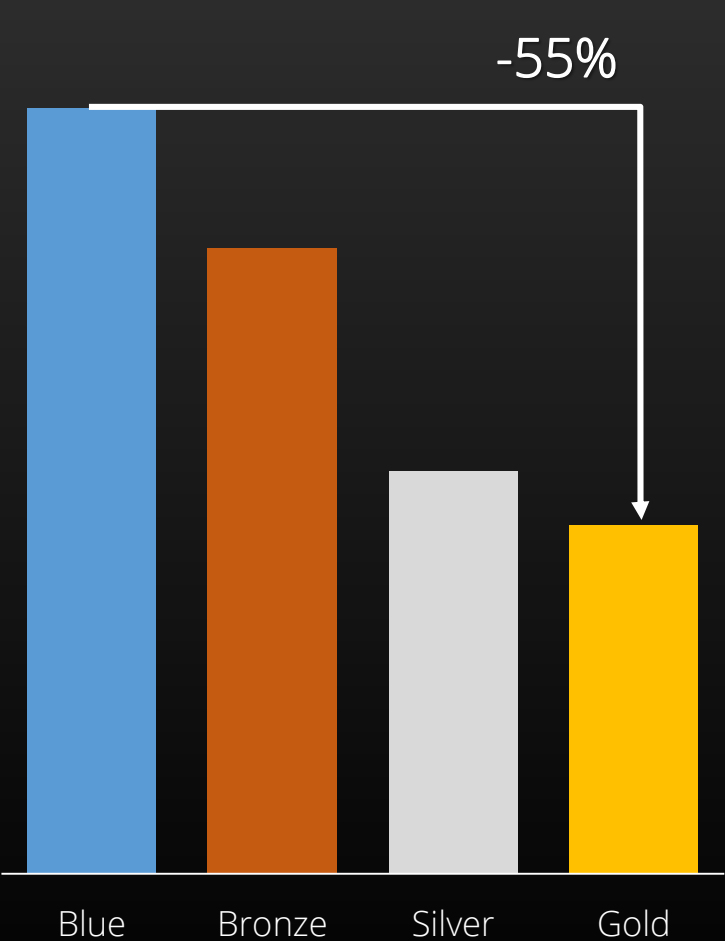
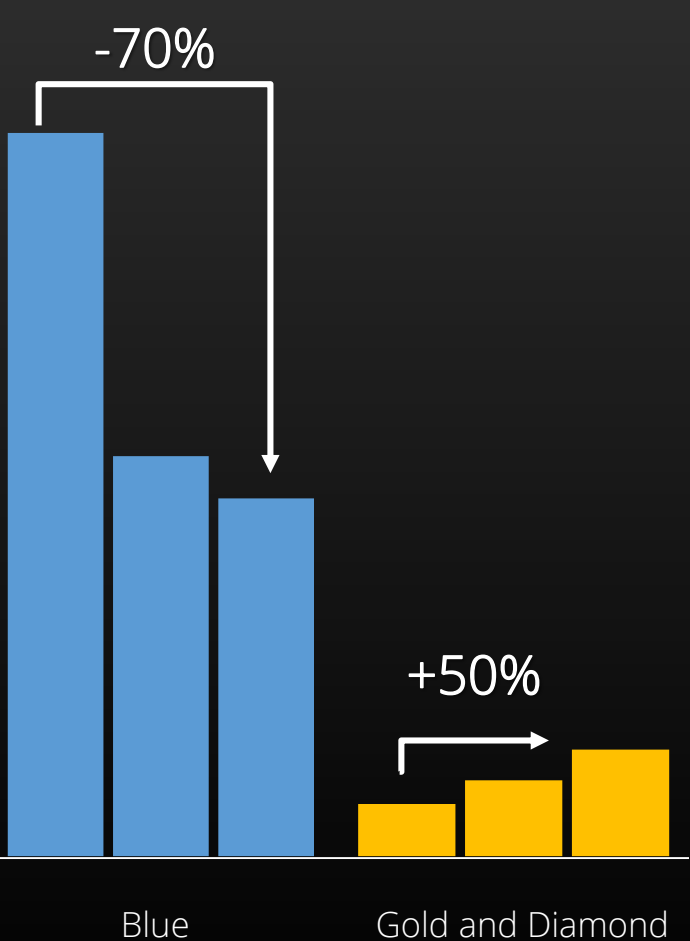


Engagement

Loss ratio

Lapses

Dec 2015 – Dec 2016 – Dec 2017

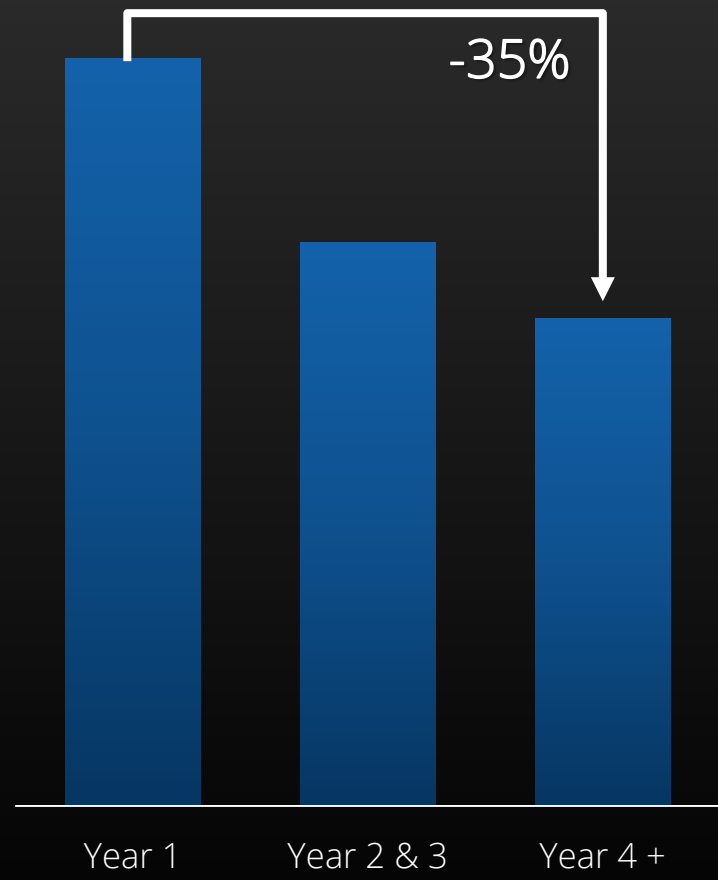


Dynamics manifesting in a strong insurance book

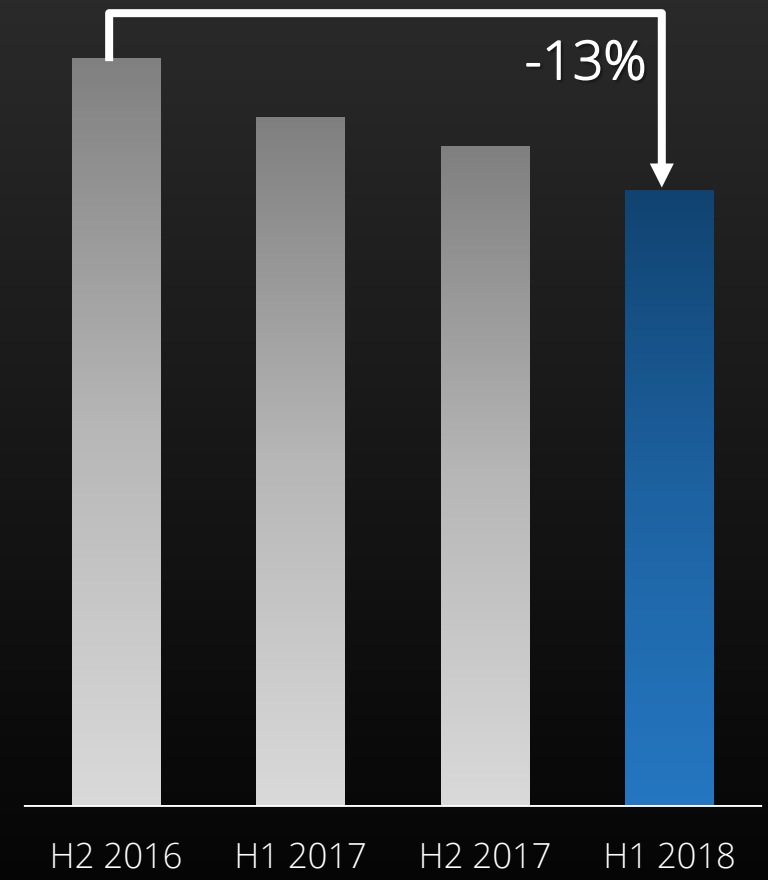


Claims ratio by cohort duration

Average book duration: **23 months**



Claims ratio over time



Profit from existing book (Rm)

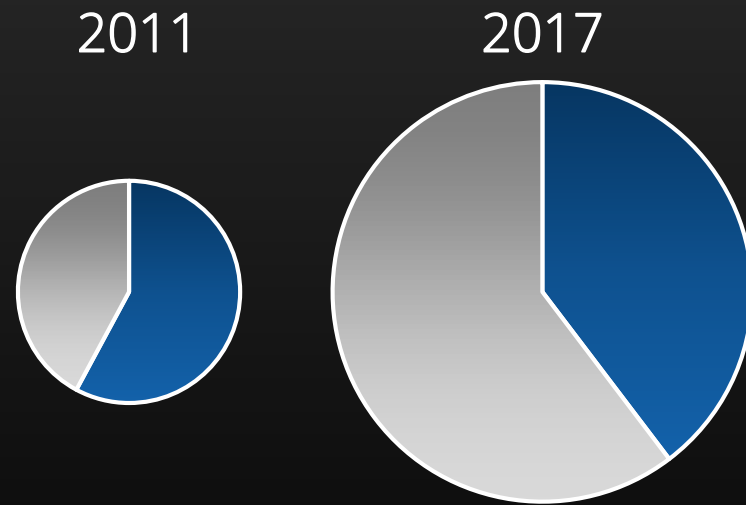
For the 6 months:

Existing Book Premium	R1.1bn
Existing Book Profit Excl. Associates	R99m

Direct and intermediated business offer similar value to clients

Business mix and growth

Direct
Intermediated



R110m

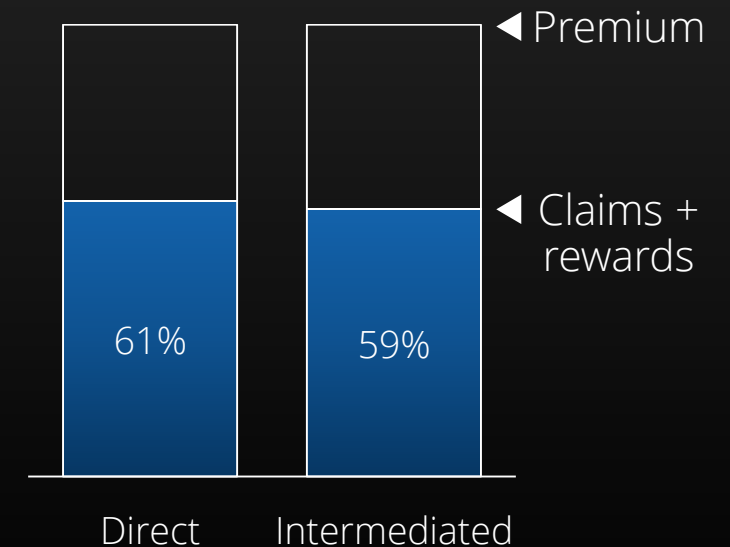
R495m

New business API:

Value of new business

But provide the same value to customer per unit of premium paid

Intermediated business has
30%
higher VNB



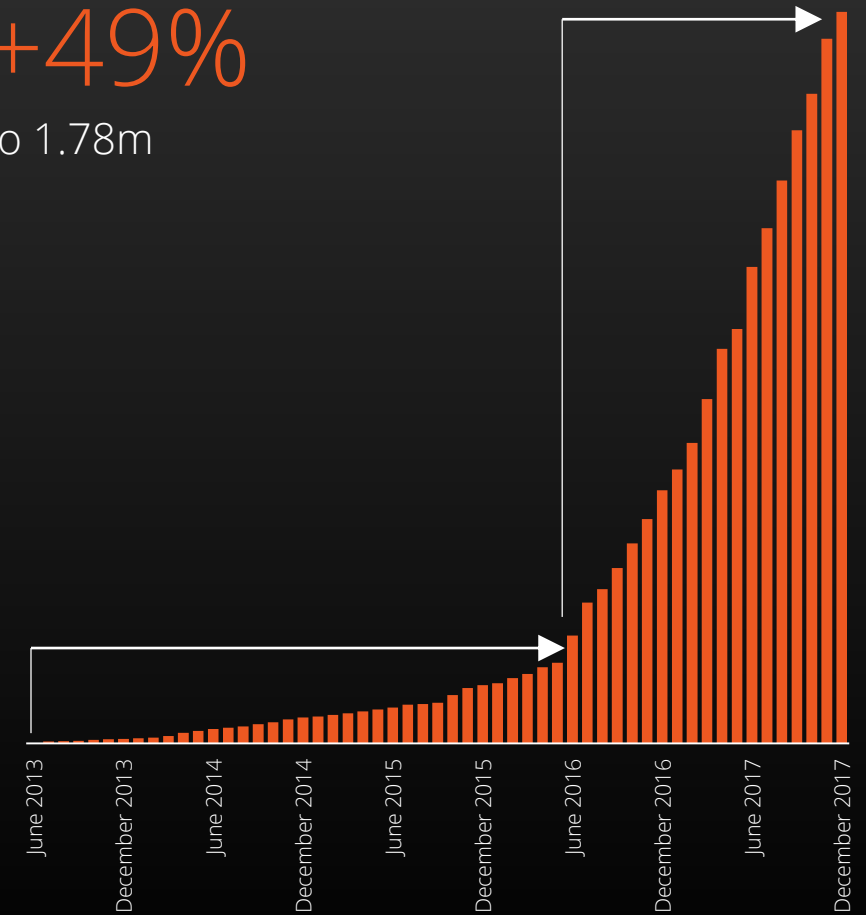
Vitality GROUP

Network



Membership

+49%
to 1.78m



PARTNERS

GYM & DEVICES	GROCERS	TRAVEL	OTHER	ACTIVE REWARDS

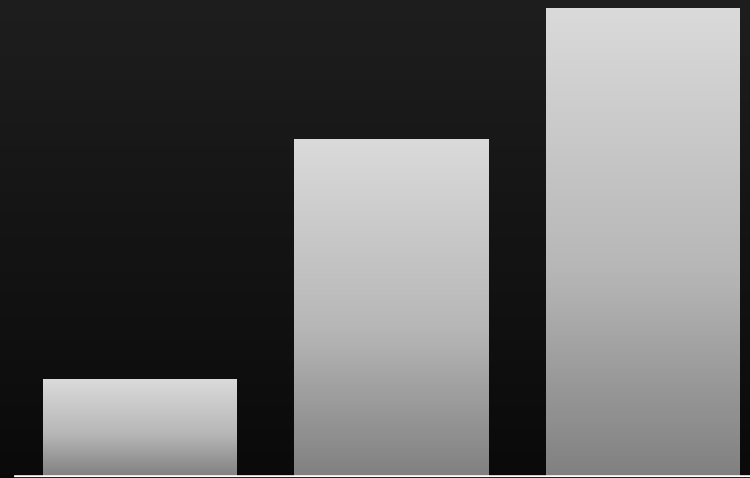
PRODUCTS

LIFE INSURANCE	HEALTH INSURANCE	UNIT-LINKED PRODUCTS	CORPORATE WELLNESS
>60	10	6	4

Fee income from insurance partners

+34%

to R123m*



H1 FY2016 H1 FY2017 H1 FY2018

Operating result

+101%

to R1m

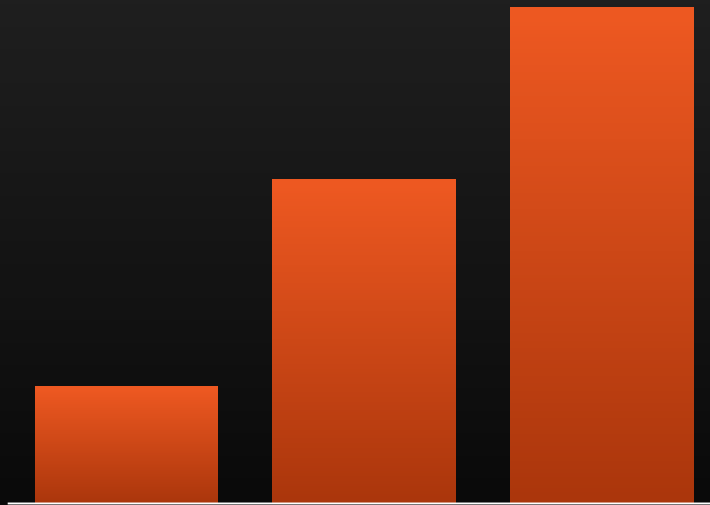


H1 FY2016 H1 FY2017 H1 FY2018

Vitality integrated API

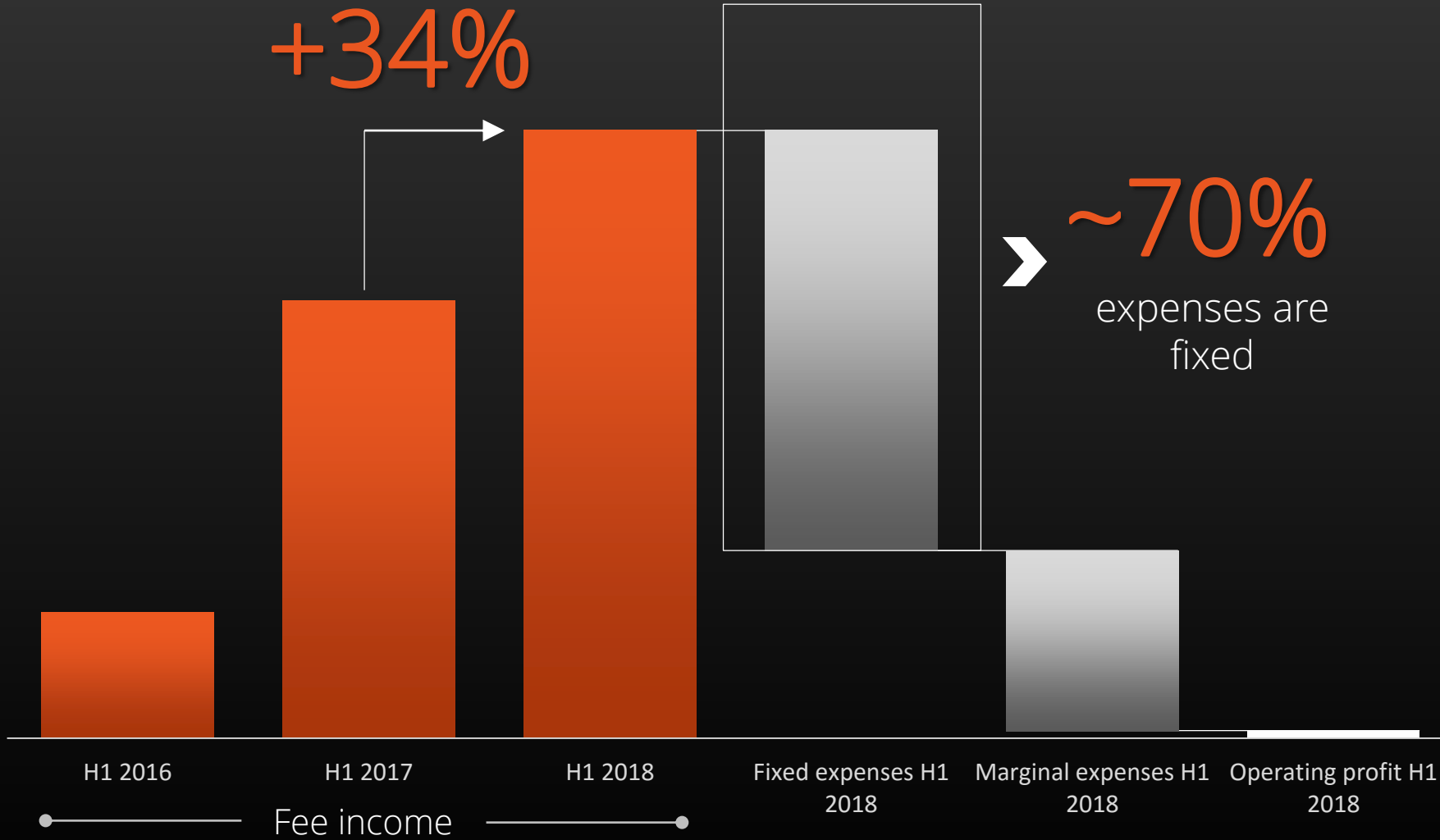
+45%

to R1.9bn*



H1 FY2016 H1 FY2017 H1 FY2018

Gearing of profit

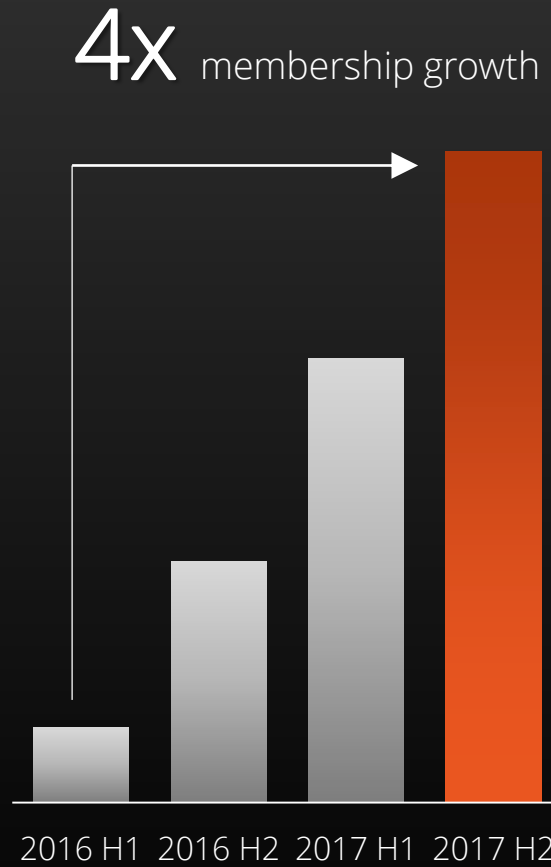


Growth in fee income expected to translate directly to growth in operating profit

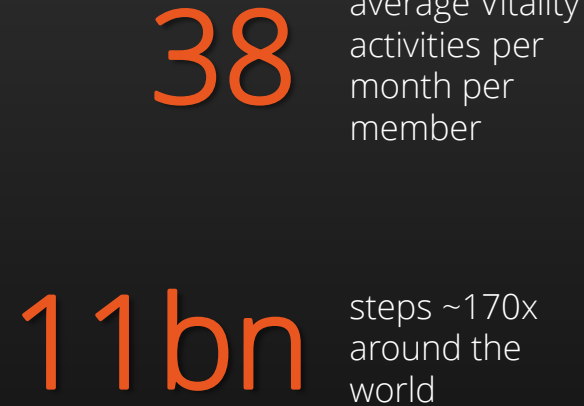
Vitality take-up



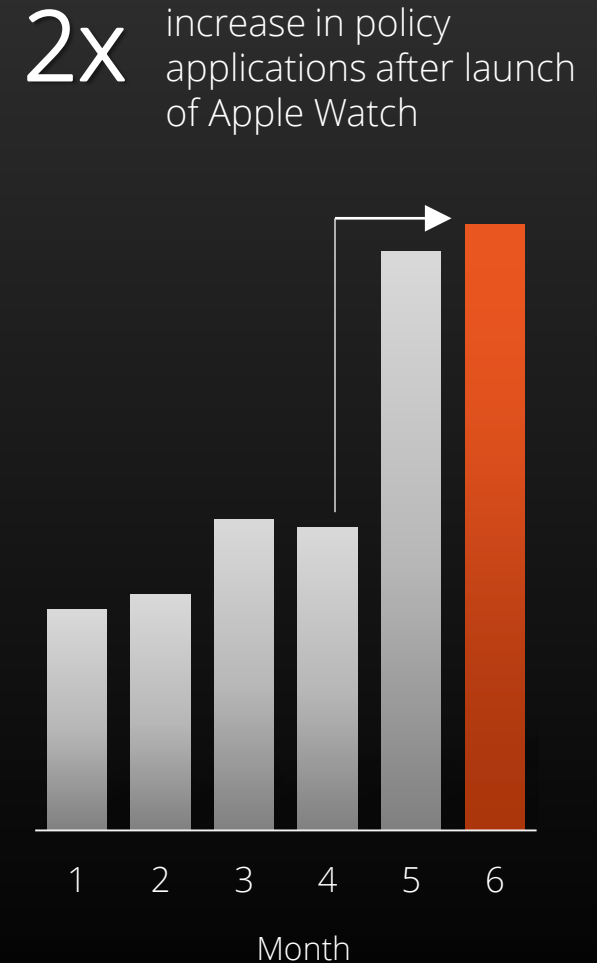
New business growth



Engagement

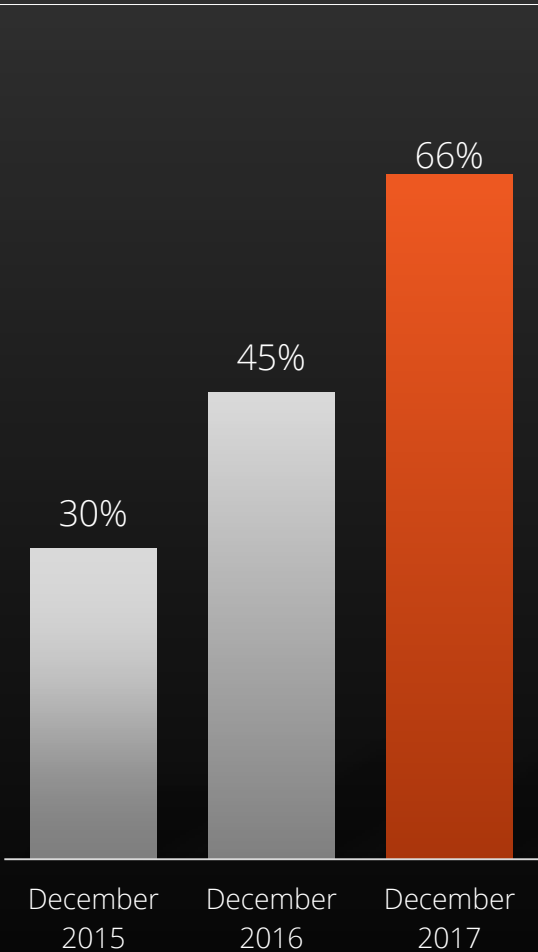


Attractive benefits

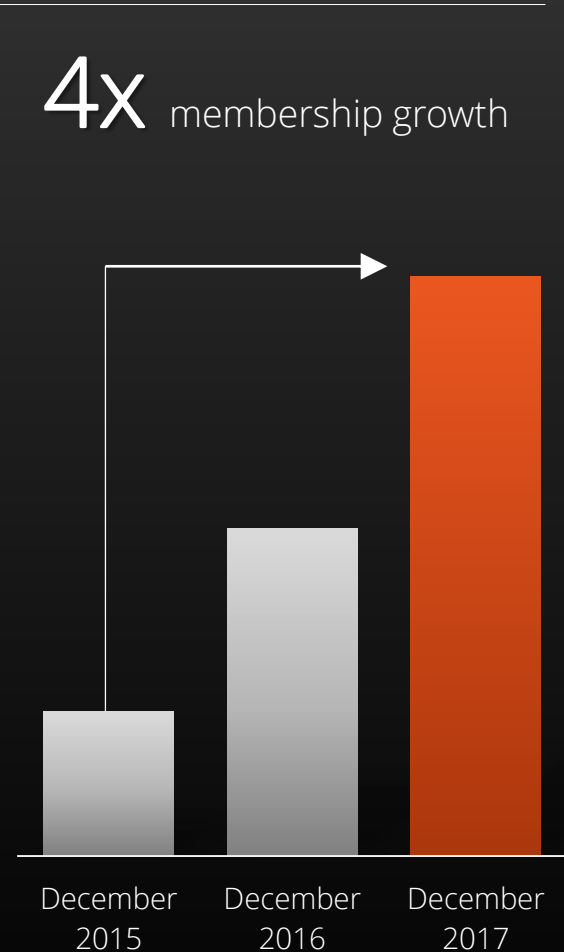


Use case: Market B

Vitality take-up



New business growth



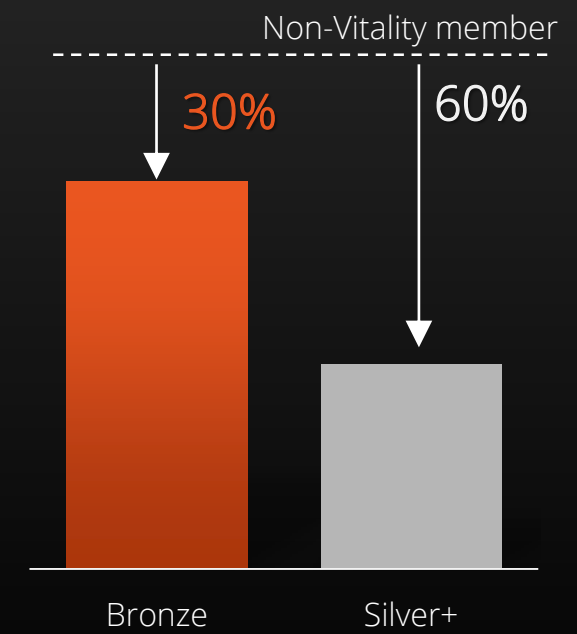
Engagement



Reduced lapses and improved profitability

Vitality members have roughly higher margin than non-Vitality members

22%



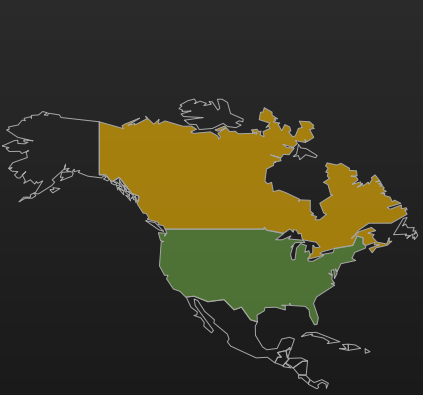
Increasing expansion into new markets and partners



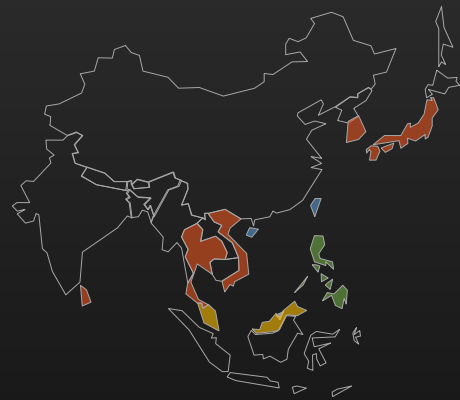
Maturity of market

- < 1 year / New
- 3 years
- 2 years
- 4+ years

Americas



Asia-Pacific



Europe



Australia



Japanese insurance market

World's **2nd**
largest life
insurance
market

152m Policies in-force

\$316bn Gross written premiums





Sumitomo Life

Market rank Policies In-force

4th **8m**

In-force ANP

\$22.9bn

 <p>Launched Austria October 2017</p> <p>Launched DVAG – Germany's largest IFA network which has 30,000 full-time sales representatives servicing 6m clients</p>	<p>AIA</p> <p>Launched Vitality Active in South Korea December 2017</p> <hr/> <p> SUMITOMO LIFE</p> <p>Launching Q3 2018</p>	<p>Vitality™ hannover re</p> <p>ACTIVE INSURERS</p> <p>New market by Q3 2018</p> <p>Strong pipeline</p>
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Ping An Health ecosystem

Expertise

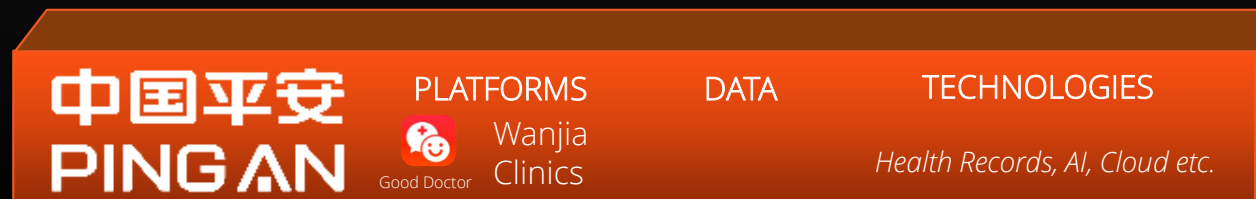
Insurer

Products

Distribution



Support of Ping An Group health assets



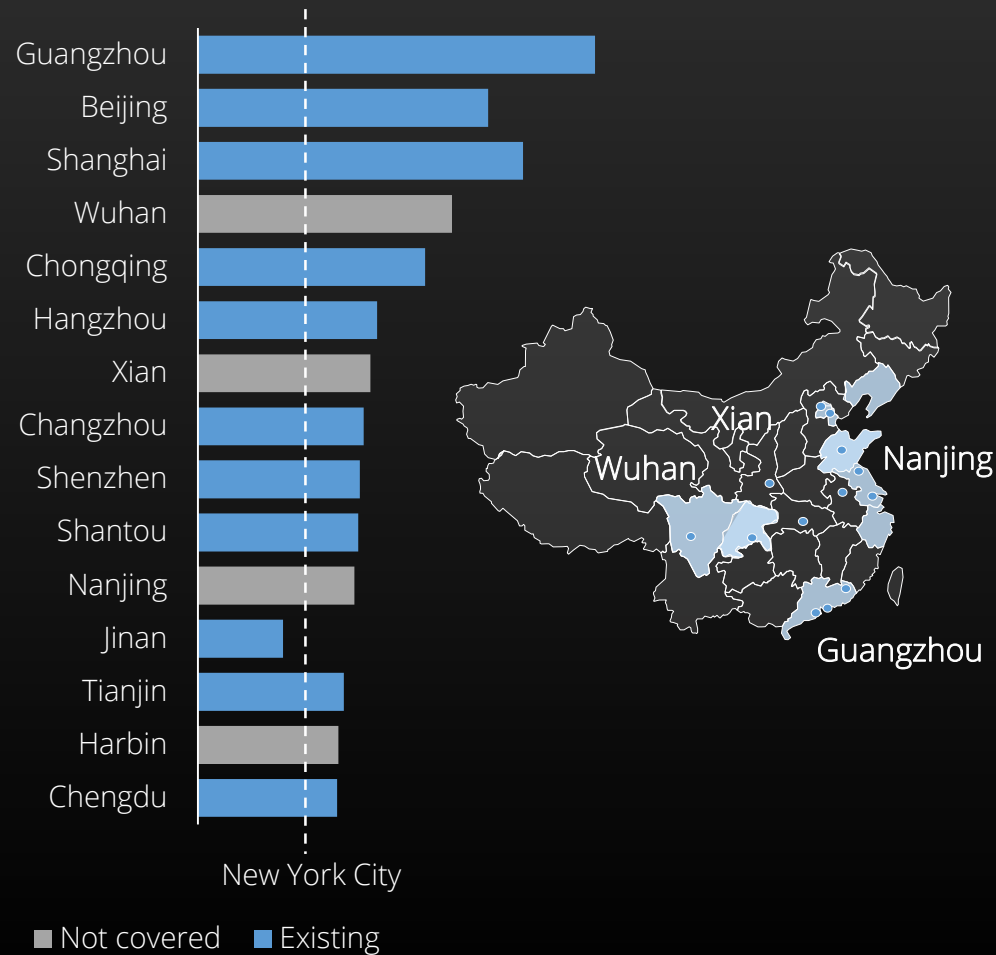
Ping An Group is the largest insurance company and 39th largest company in the world

Ping An Health continues to extend reach



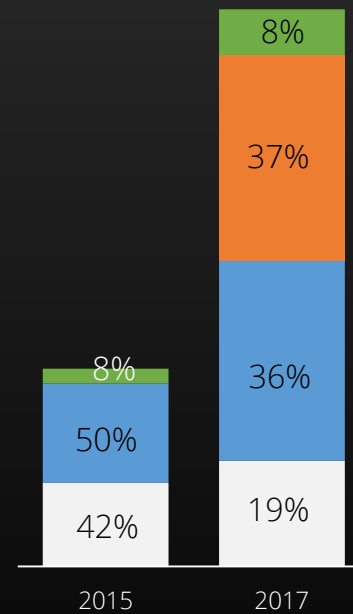
Branch network covers most of largest cities and continues expanding

Population (Millions)

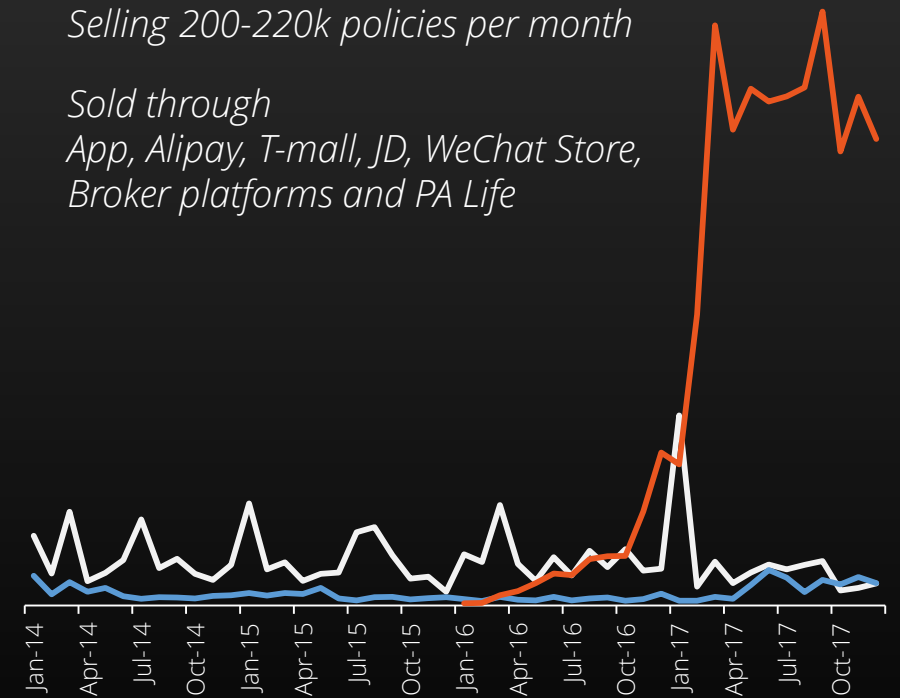


Moving online with explosive growth

Business mix (R revenue)



New business sales (API)



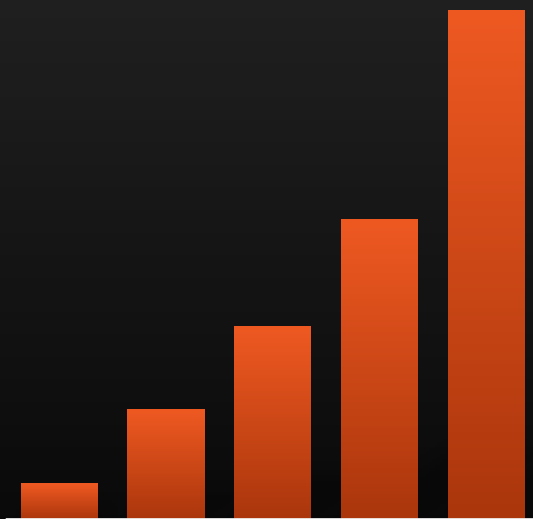
■ Group ■ Intermediated ■ Internet ■ Other

中国平安 PING AN

New business

+70%

to R2bn

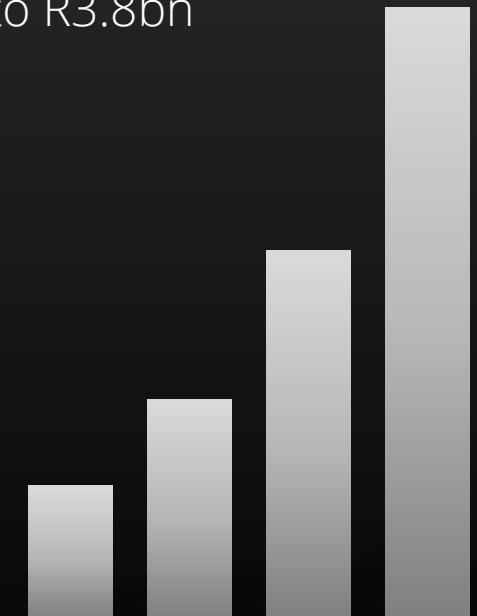


H1 FY2014 H1 FY2015 H1 FY2016 H1 FY2017 H1 FY2018

Written premium

+62%

to R3.8bn

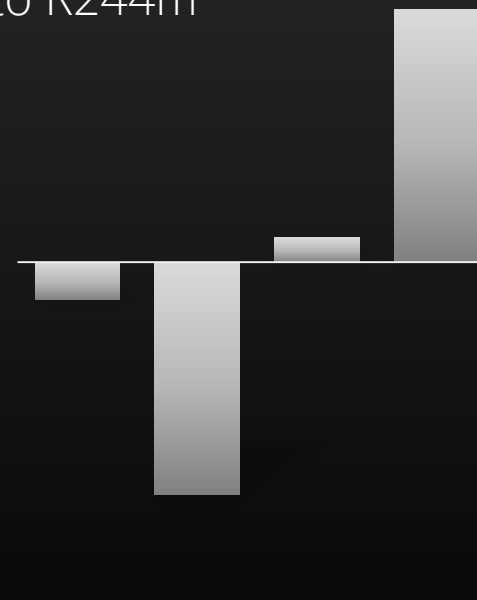


H1 FY2015 H1 FY2016 H1 FY2017 H1 FY2018

Ping An Health operating profit

10x

to R244m



H1 FY2015 H1 FY2016 H1 FY2017 H1 FY2018

Discovery's operating profit

+500%

to R36m



H1 FY2015 H1 FY2016 H1 FY2017 H1 FY2018

After central costs

Businesses



Discovery Bank
Vitality Invest
Commercial insurance
Umbrella funds

Emerging

Established

New

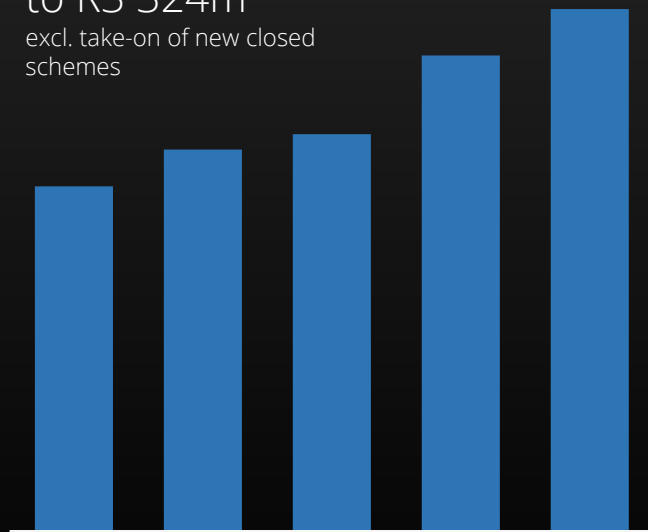


Discovery Health

New business

+10%

to R3 324m
excl. take-on of new closed schemes



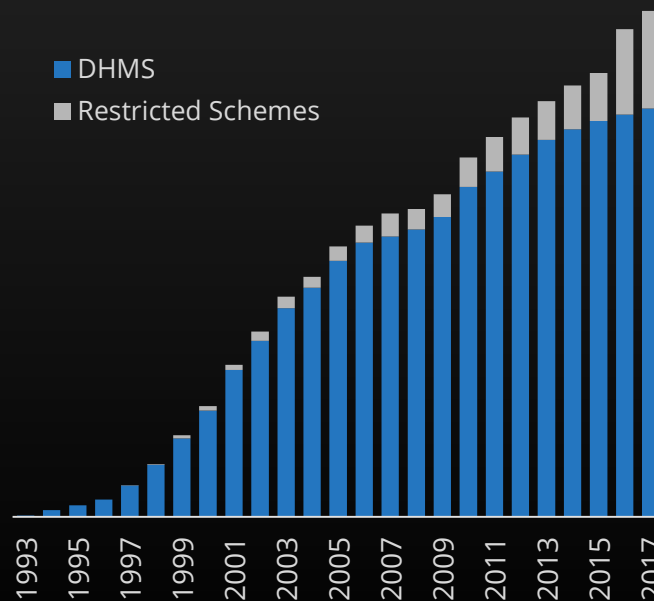
H1 2013 H1 2014 H1 2015 H1 2016 H1 2017

Membership

>3.4m

lives

■ DHMS
■ Restricted Schemes

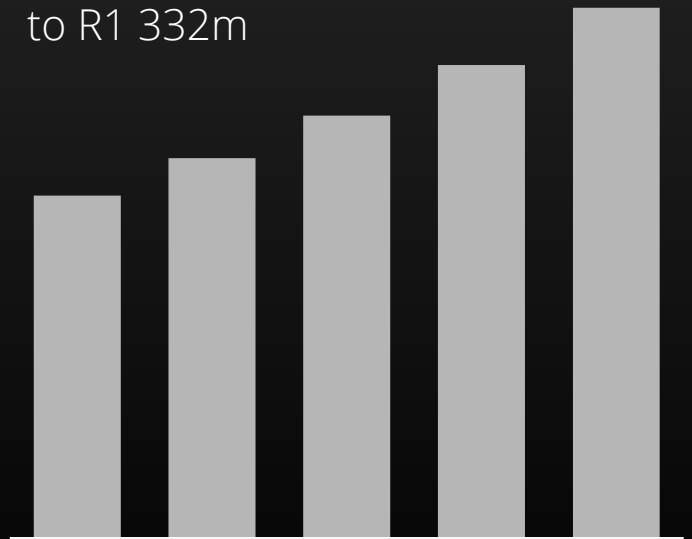


1993 1995 1997 1999 2001 2003 2005 2007 2009 2011 2013 2015 2017

Operating profit

+12%

to R1 332m



H1 2013 H1 2014 H1 2015 H1 2016 H1 2017

Discovery Health Medical Scheme continues to deliver strong and consistent growth dynamics and financial performance

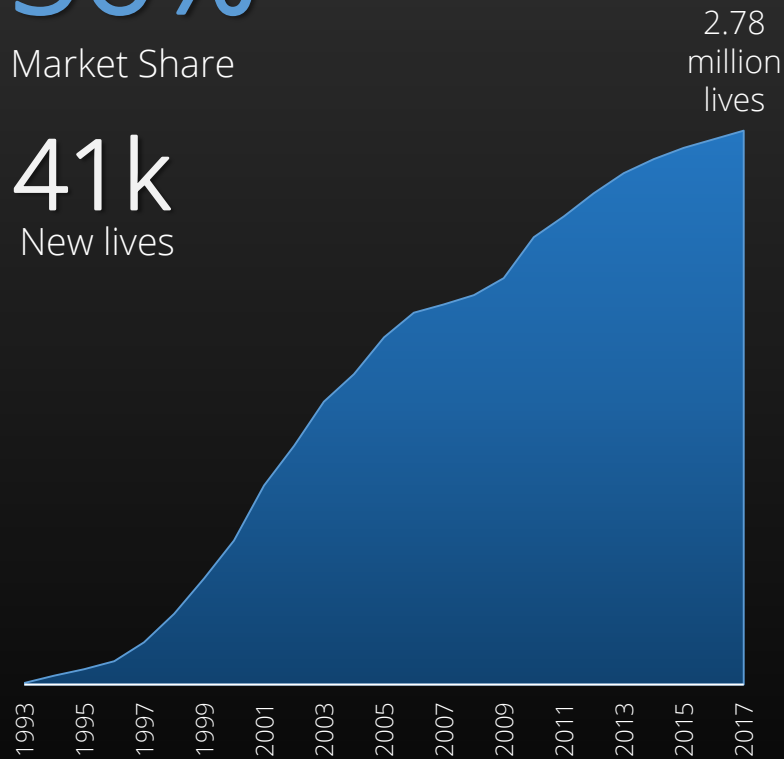
Growth

56%

Market Share

41k

New lives



Stability

94%



No movement

3%



Upgrade

3%



Downgrade

5% Annualised lapse rate

Security

27.45%

Solvency

R16.3bn

Reserves

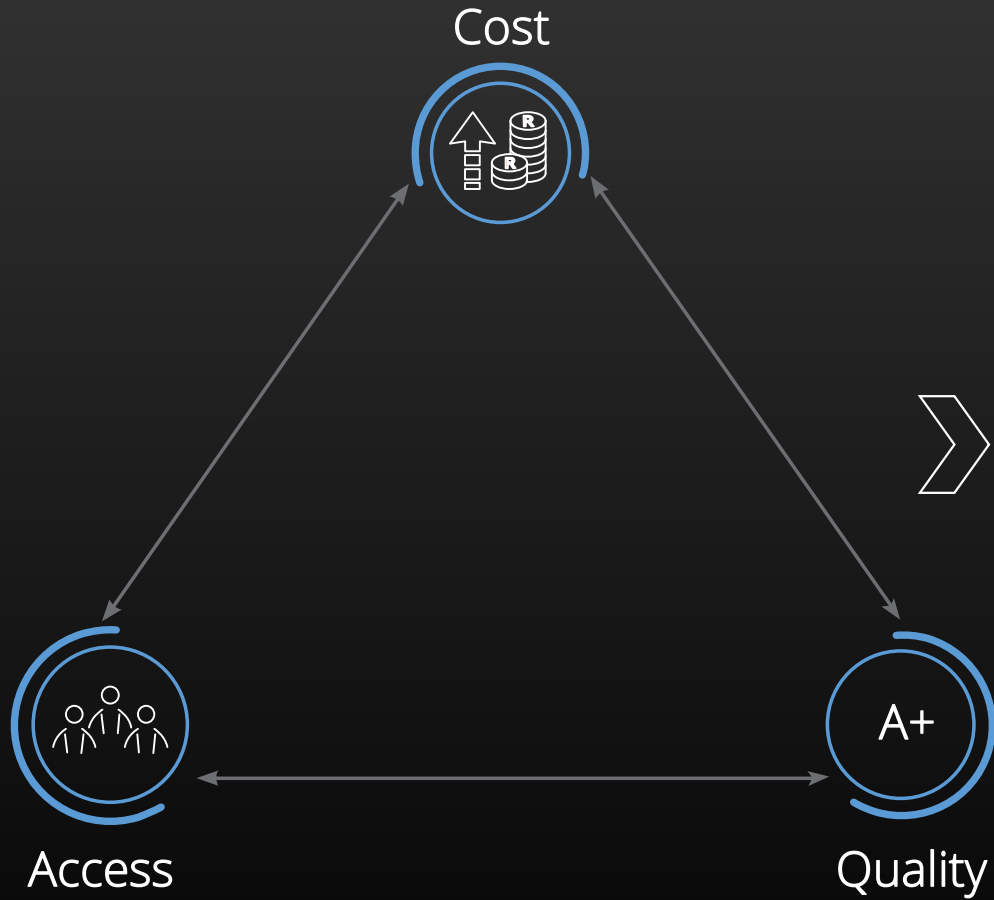
R2.45bn

Net surplus

AA+

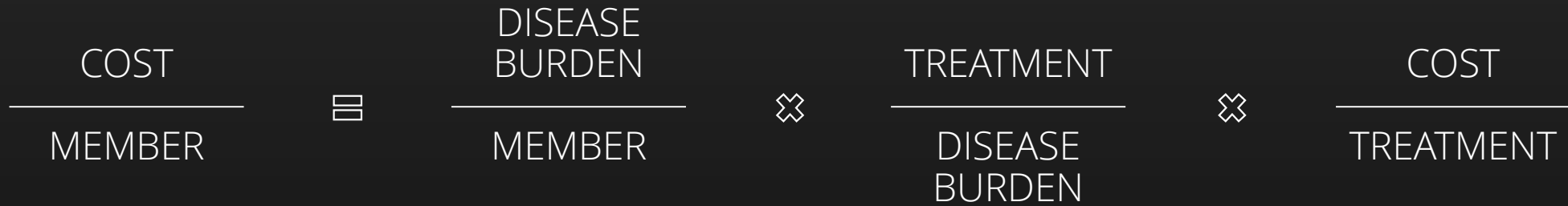
GCR credit rating

The healthcare trilemma

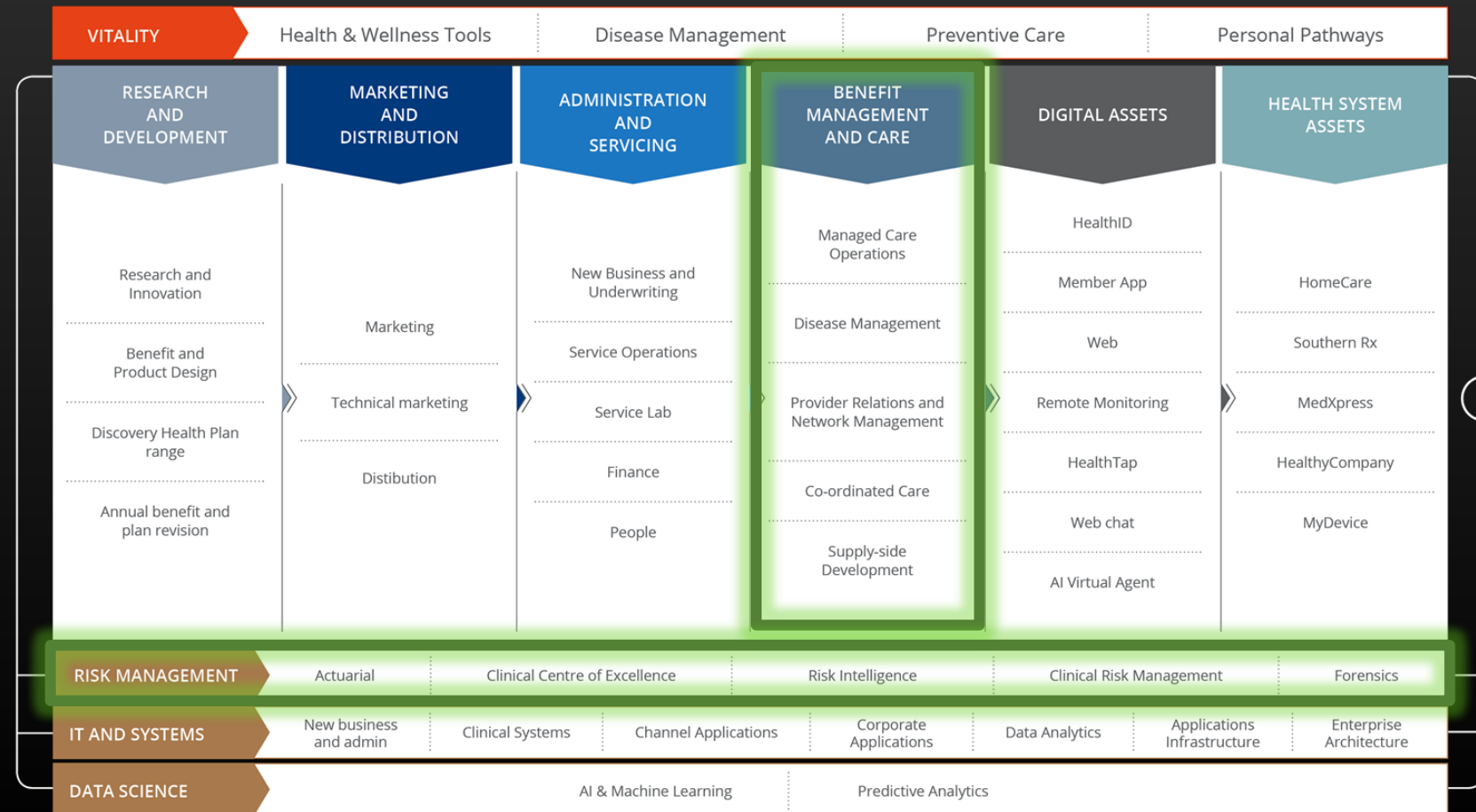


$$\frac{\text{COST}}{\text{MEMBER}} = \frac{\text{DISEASE BURDEN}}{\text{MEMBER}} \times \frac{\text{TREATMENT}}{\text{DISEASE BURDEN}} \times \frac{\text{COST}}{\text{TREATMENT}}$$

PREVENTION
QUALITY
ACCESS AND COST



7.9% contribution increase (DHMS)
16% cheaper than market



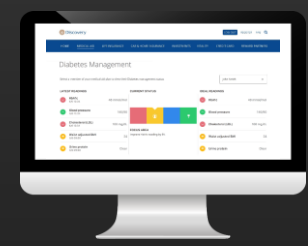
KidneyCare programme

100% of dialysis centres and patients enrolled

Detailed monitoring of key dialysis metrics

Detailed reporting and feedback

DiabetesCare programme



Enrollment unlocks additional risk benefits

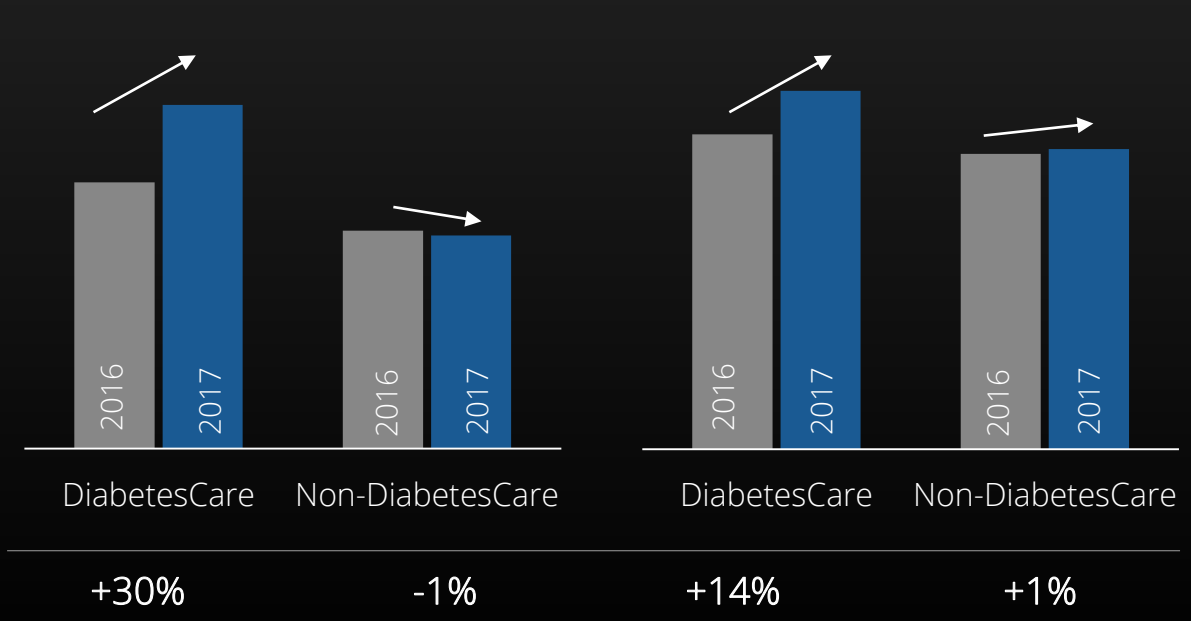
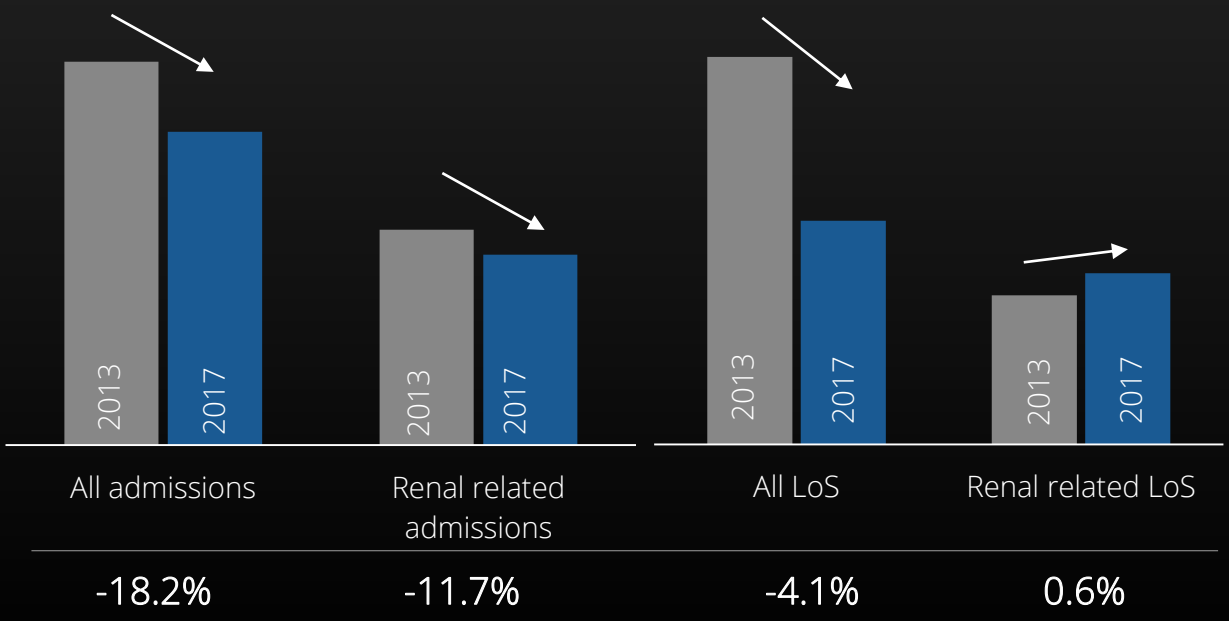
Access to high quality coordinated care

Admission rate

Length of stay per admission

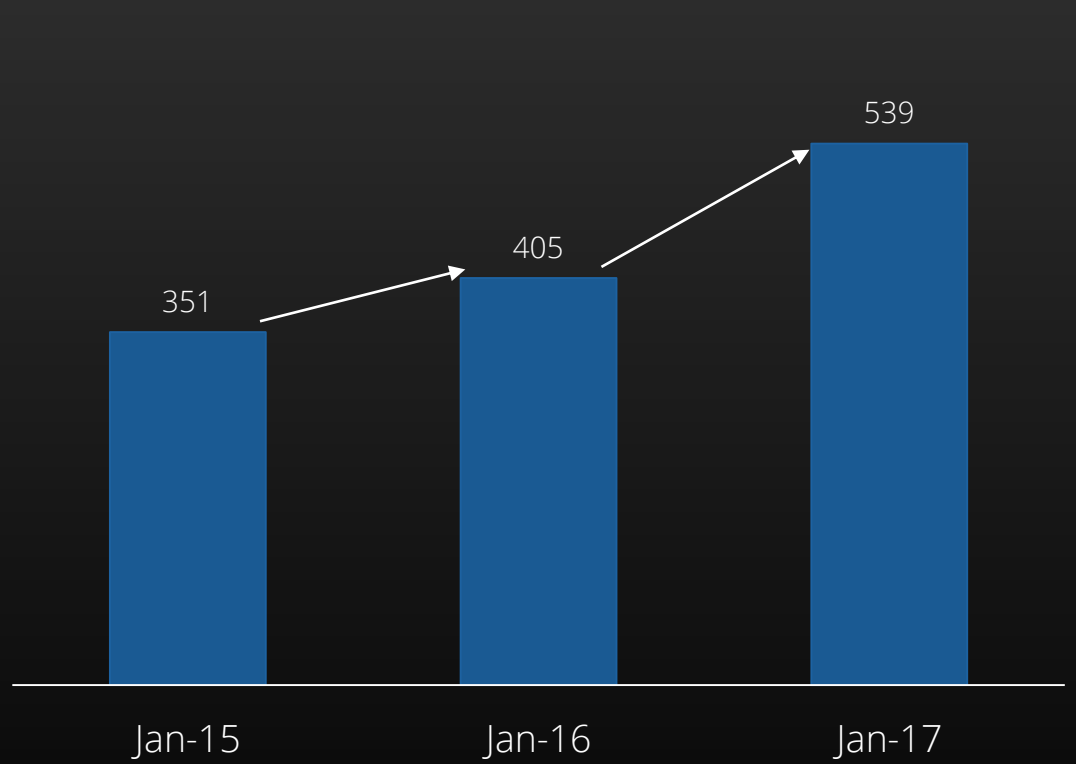
% diabetics who have had an HbA1c test

% diabetics with medication compliance



Significant fraud savings

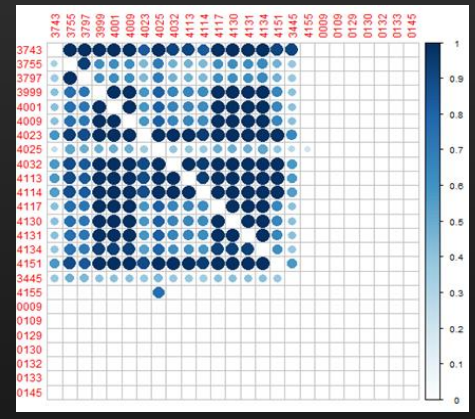
Fraud savings and recoveries in 2017 (Rm)



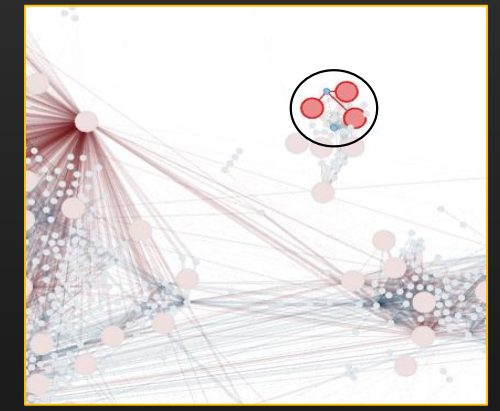
R539m
in savings and recoveries

Sophisticated fraud analytics and tools

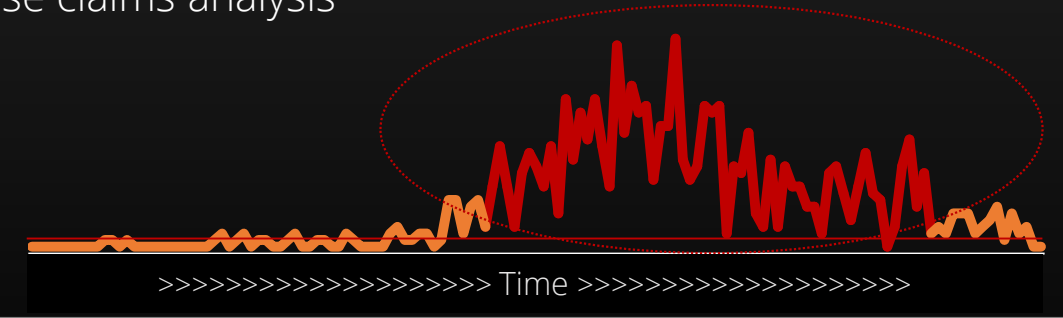
Code gaming



Network analysis



False claims analysis



213
Monthly fraud probes

24m
claims lines processed

2 500
Informa™ reports

Extensive provider networks

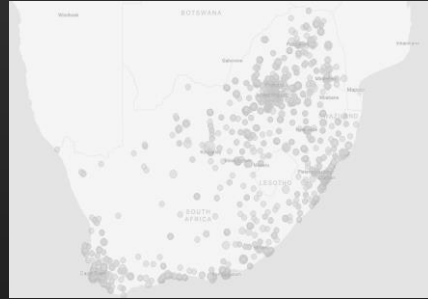
Network

Geographic

Presence

Reach

GPs



>5 700 practices

87%

of total GP visits within the Discovery Health network

Specialists

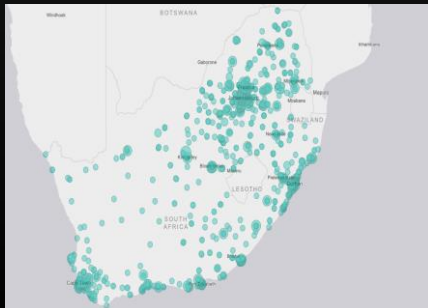


>6 400 specialists

89%

of total specialist visits within the Discovery Health network

Hospitals



>670 facilities

94%

in-hospital coverage ratio

Providing affordable healthcare for members

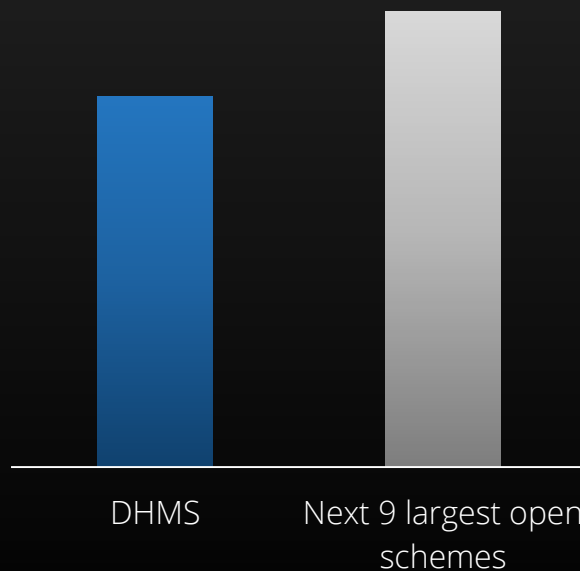
Savings through Vitality and managed care



Competitive contributions for members

DHMS weighted average contribution increase **7.9%**
For 2018

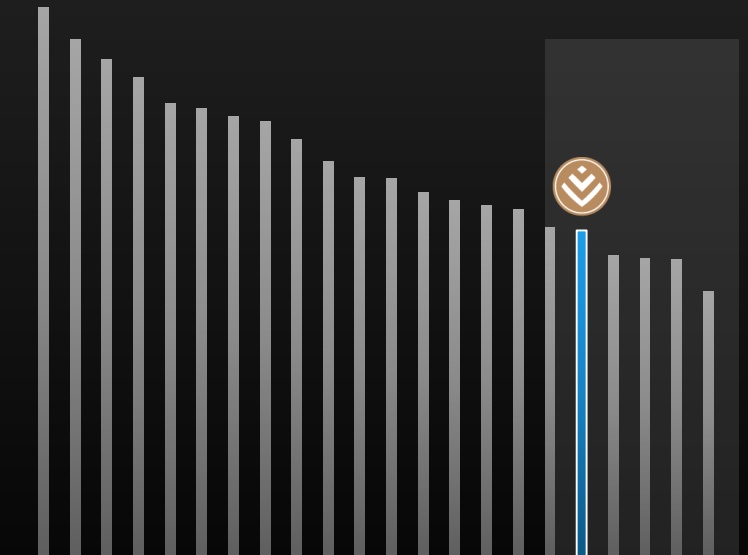
-16% Lower premiums compared to market average (weighted)



Value for money

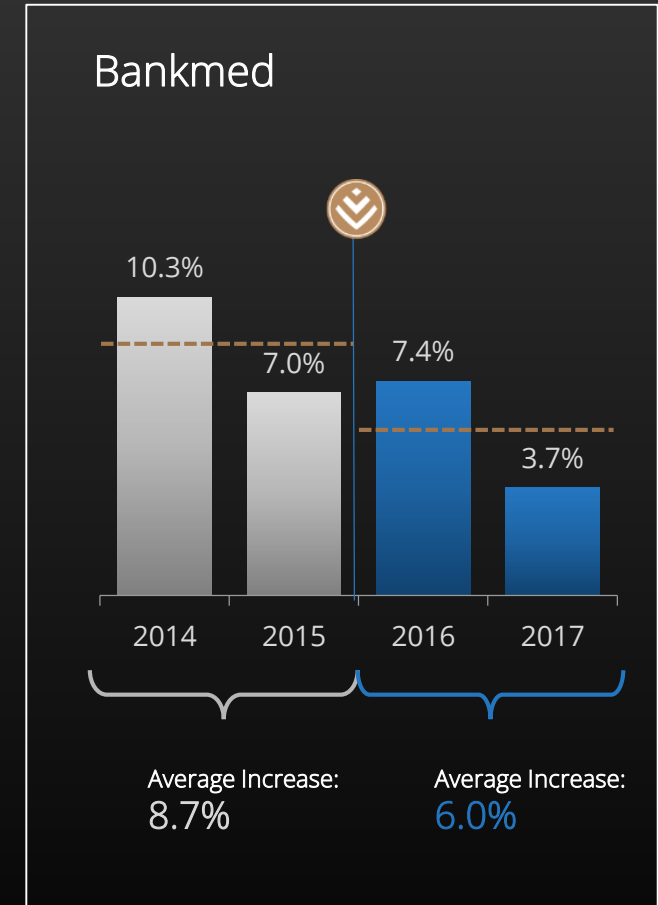
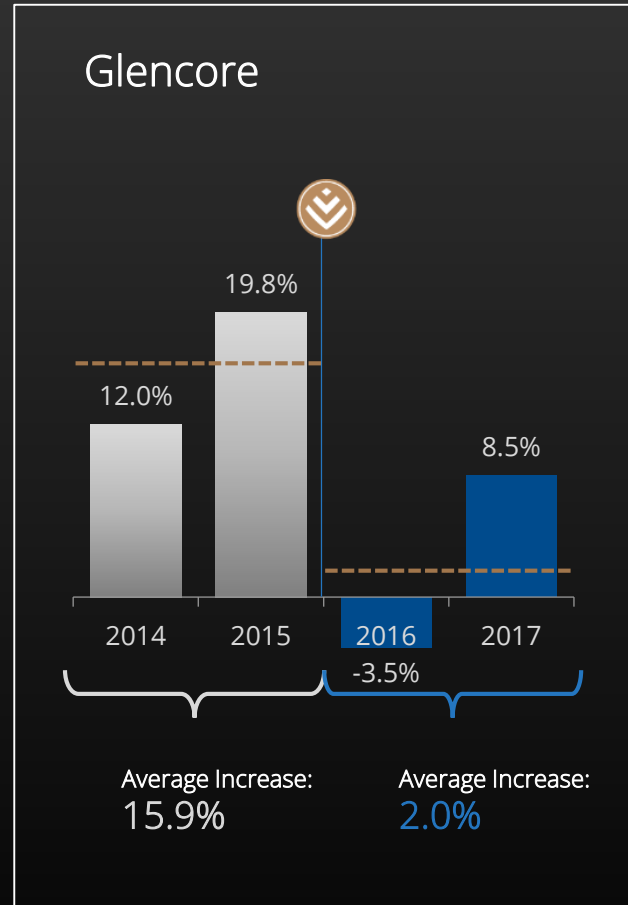
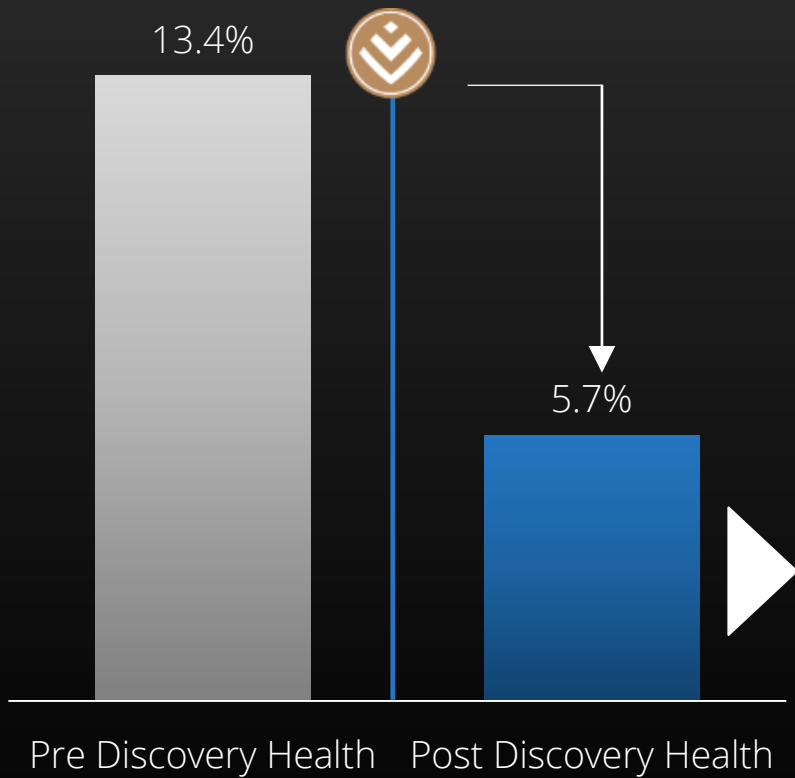
R2 Value generated for every R1 paid to Discovery Health

10.1% DH Total fees as a % of GCI



Impact of the Discovery Health system on restricted schemes claims inflation

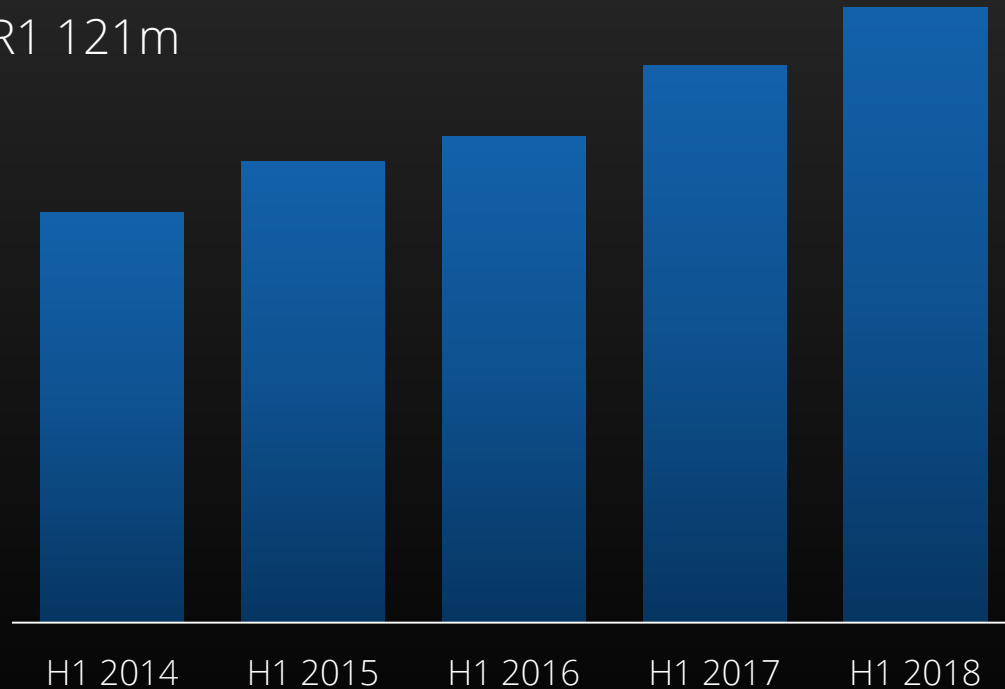
Weighted claims inflation for schemes pre and post Discovery Health administration



New business

+6%

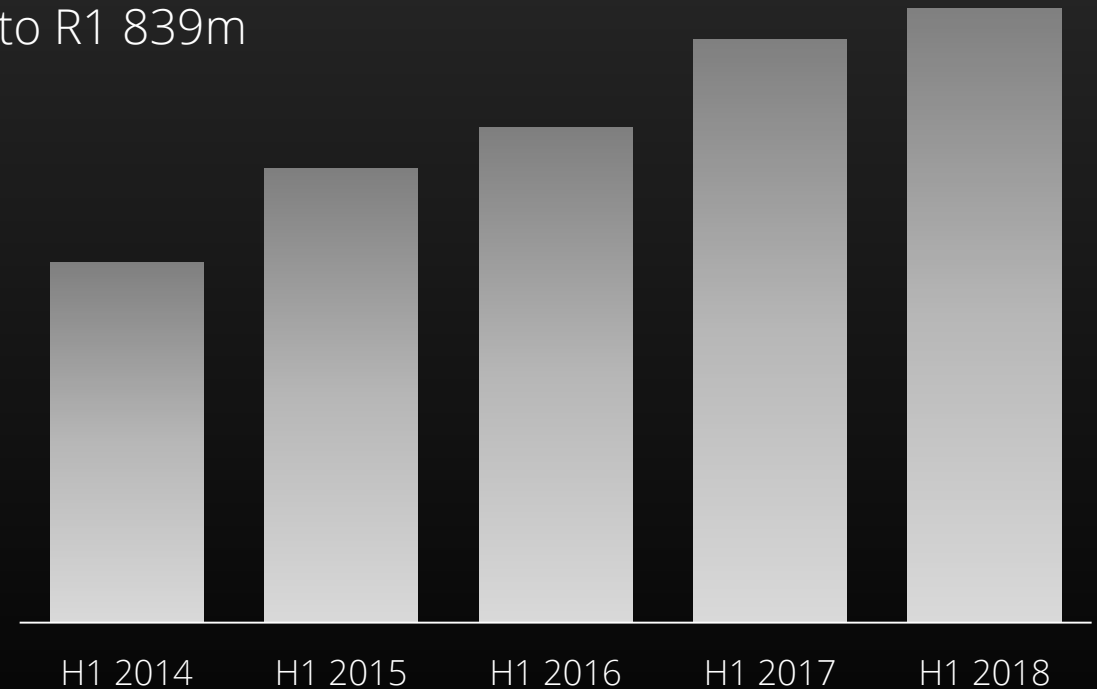
to R1 121m



Operating profit

+4%

to R1 839m



Derivation of profit

Profit

=

Profit margin

1

+

Fluctuations

2

+

Return on Assets

3

DL profit estimate

=

Revenue x VNB margin*

+

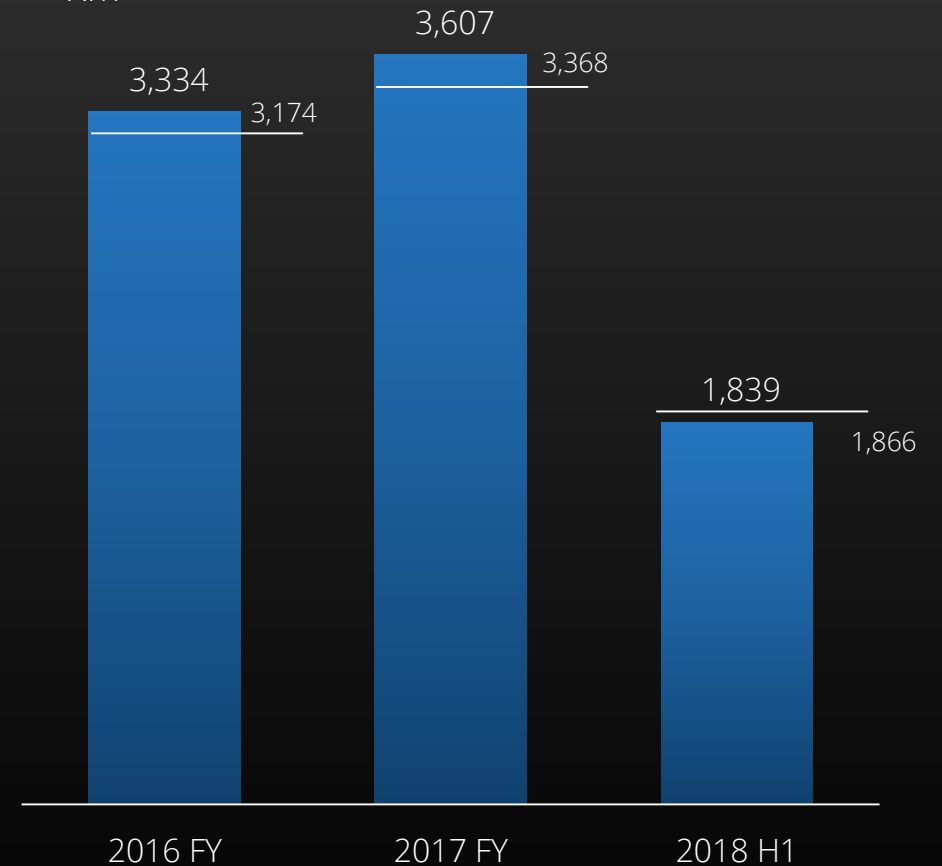
Experience variances

+

Discount rate x Negative reserve

Reconciliation (accounting to estimate)

Rm



* Gross of COC and Tax

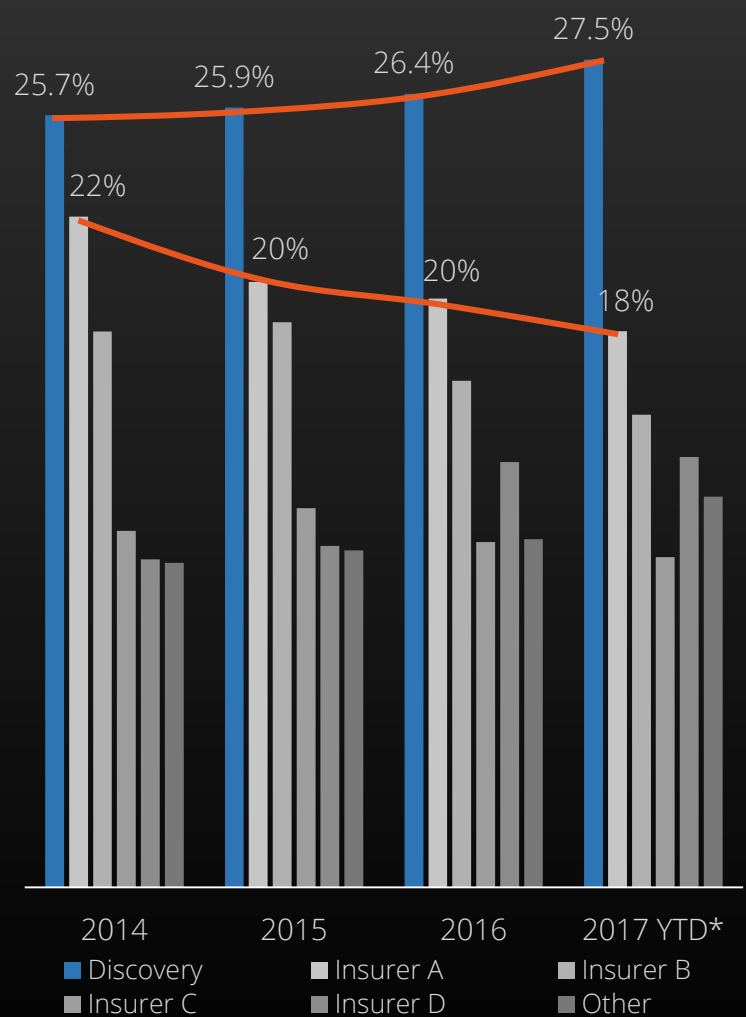
New business dynamics remain strong



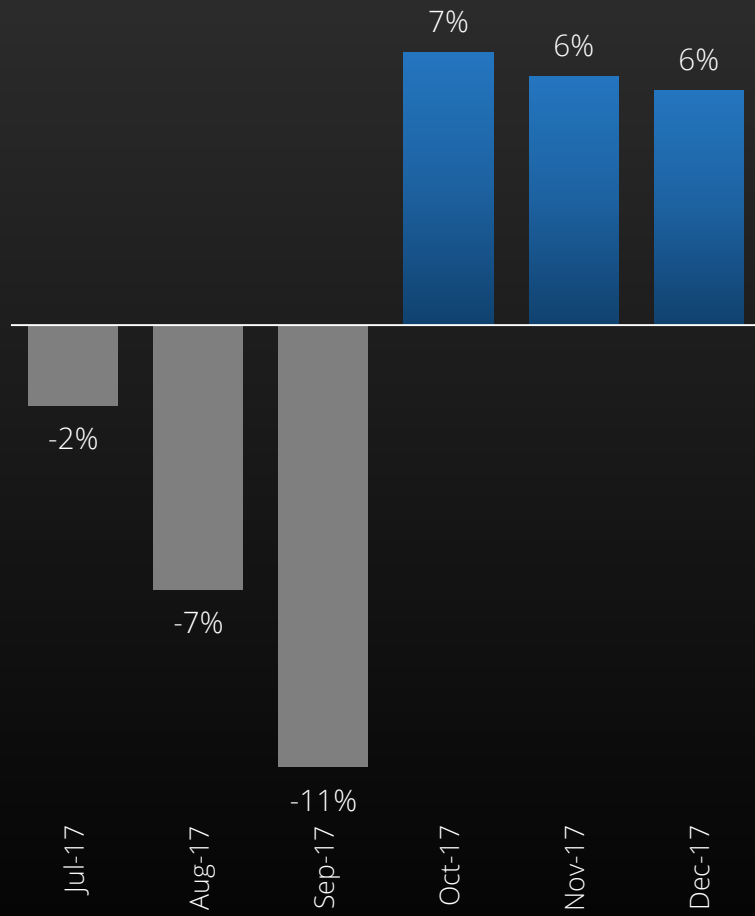
Growth in market share

Acceleration in Q2 post launch

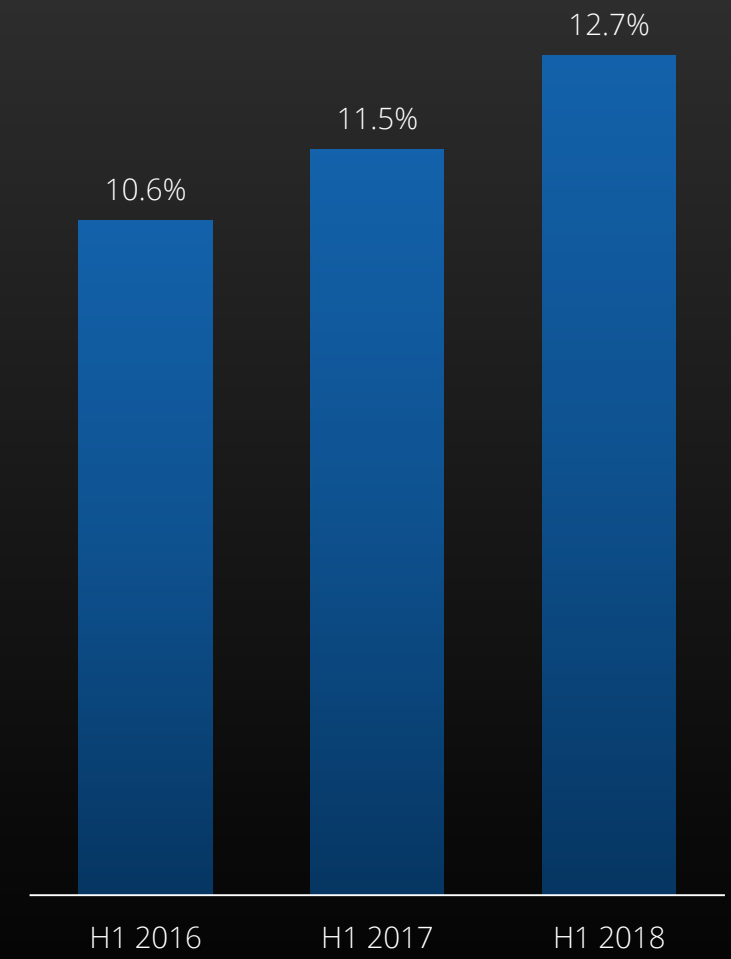
Increasing VNB margin



Individual Life new business growth vs. H1 2017 (incl Servicing, excl ACI's)



Individual Life new business

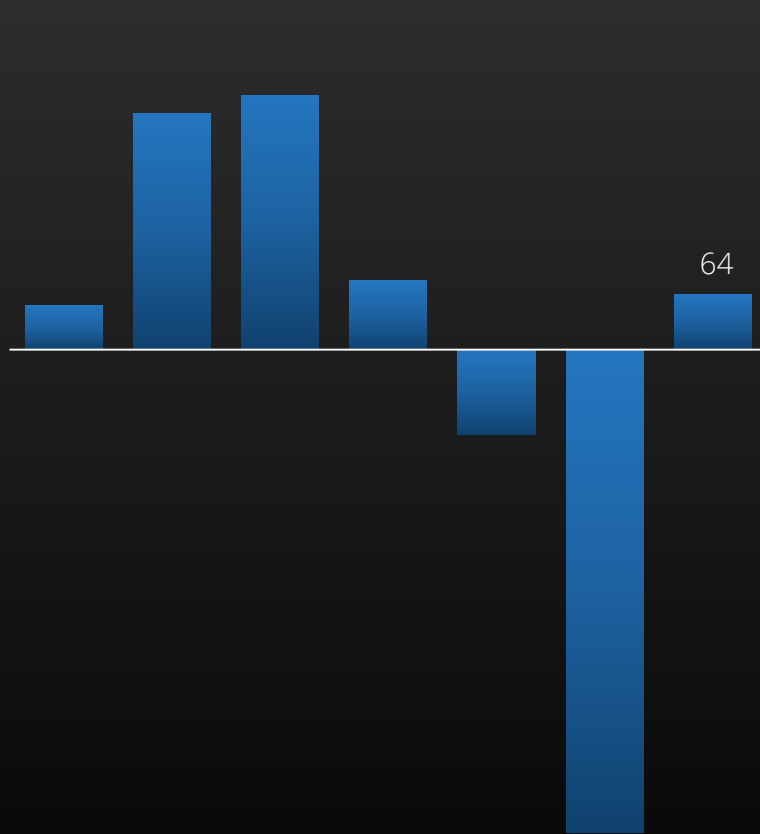


Source: NMG Report *Sep 2017

Positive experience variances for half year

Experience variances over time

Life and Invest experience variances over time

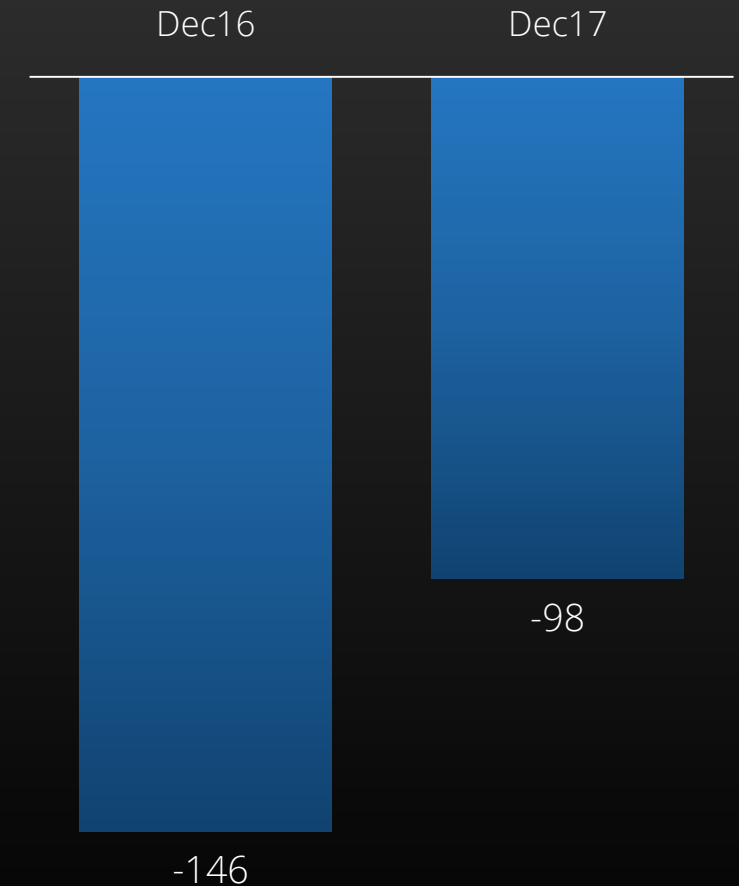


Variances in H1 2018 (Rm)



Trend in policy alterations

Rm



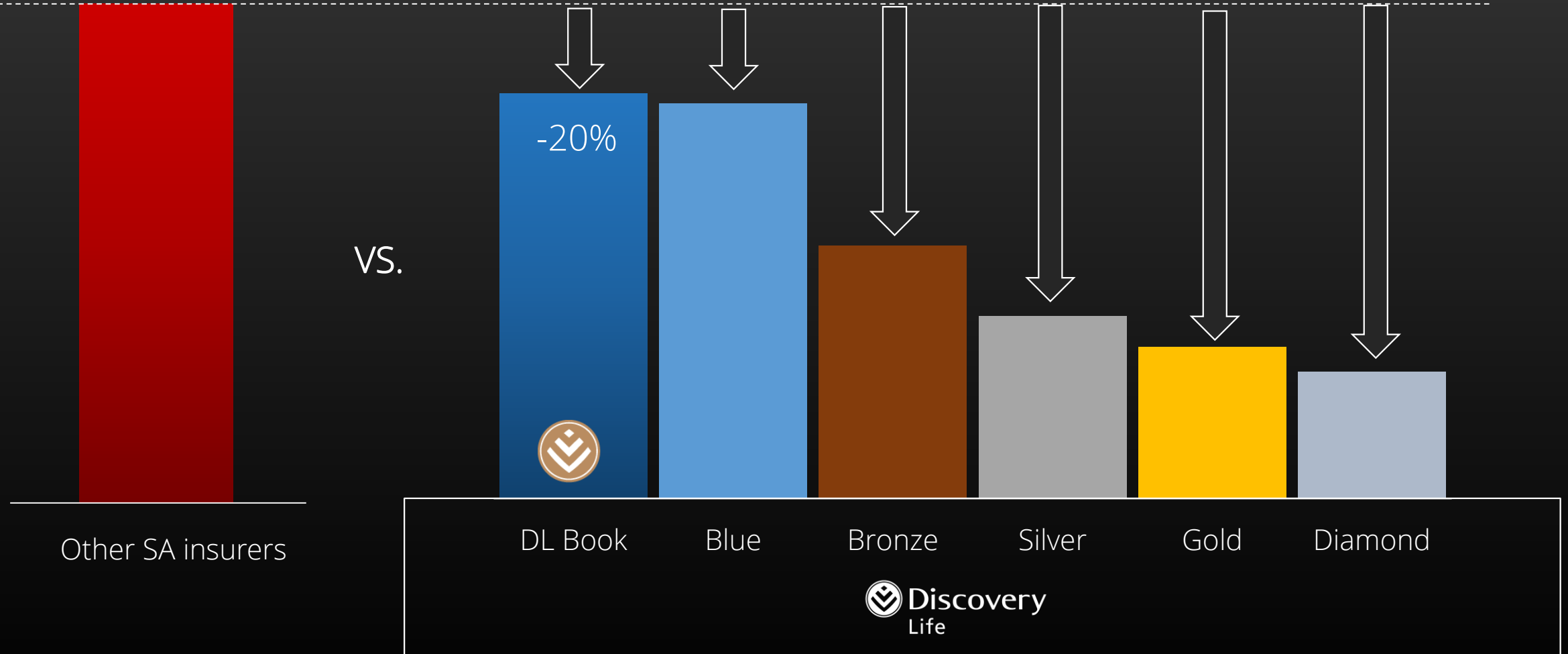
Dec11 Dec12 Dec13 Dec14 Dec15 Dec16 Dec17

Reinsurer validation of the model

Actual experience vs. Standard life $q(x)$

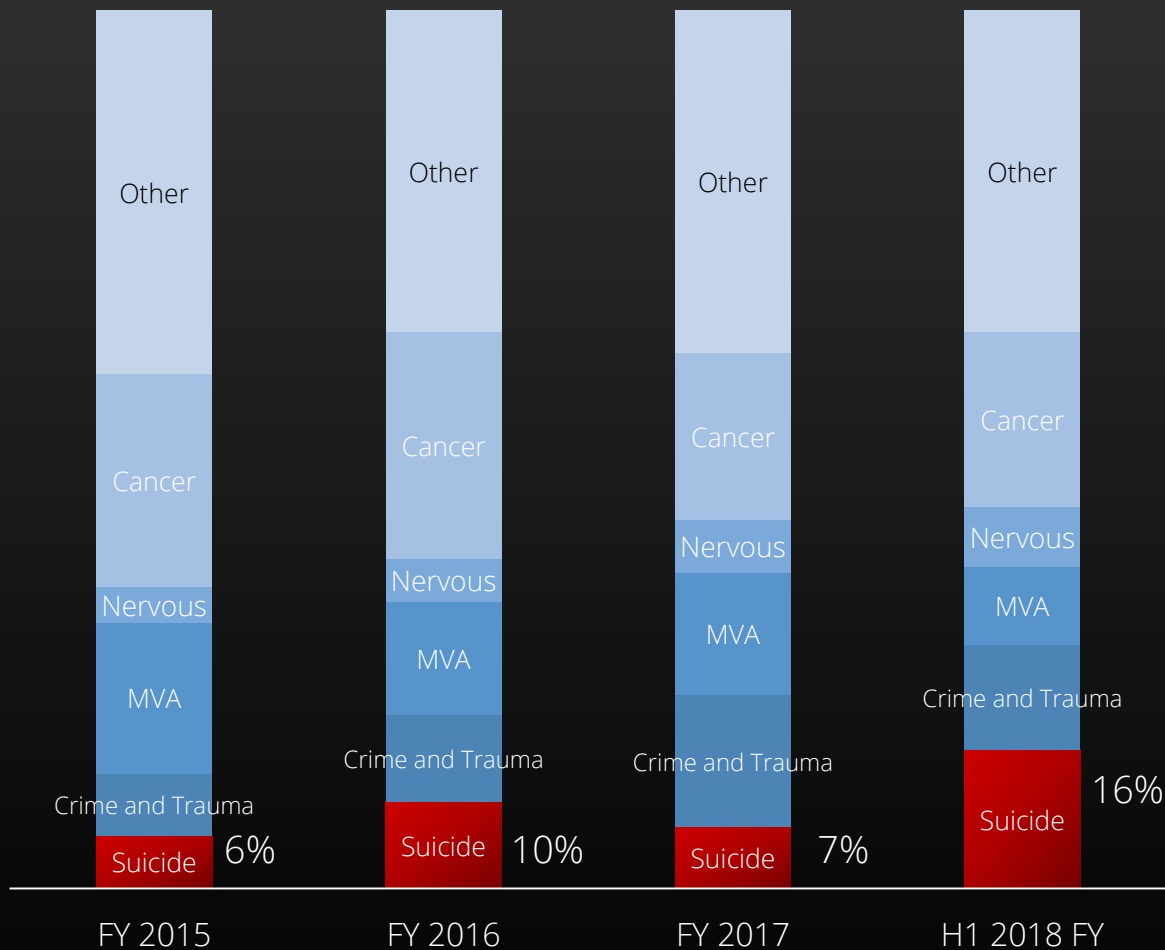
Actual = Expected (Standard life), risk adjusted

vs.



Claims volatility from non-natural deaths

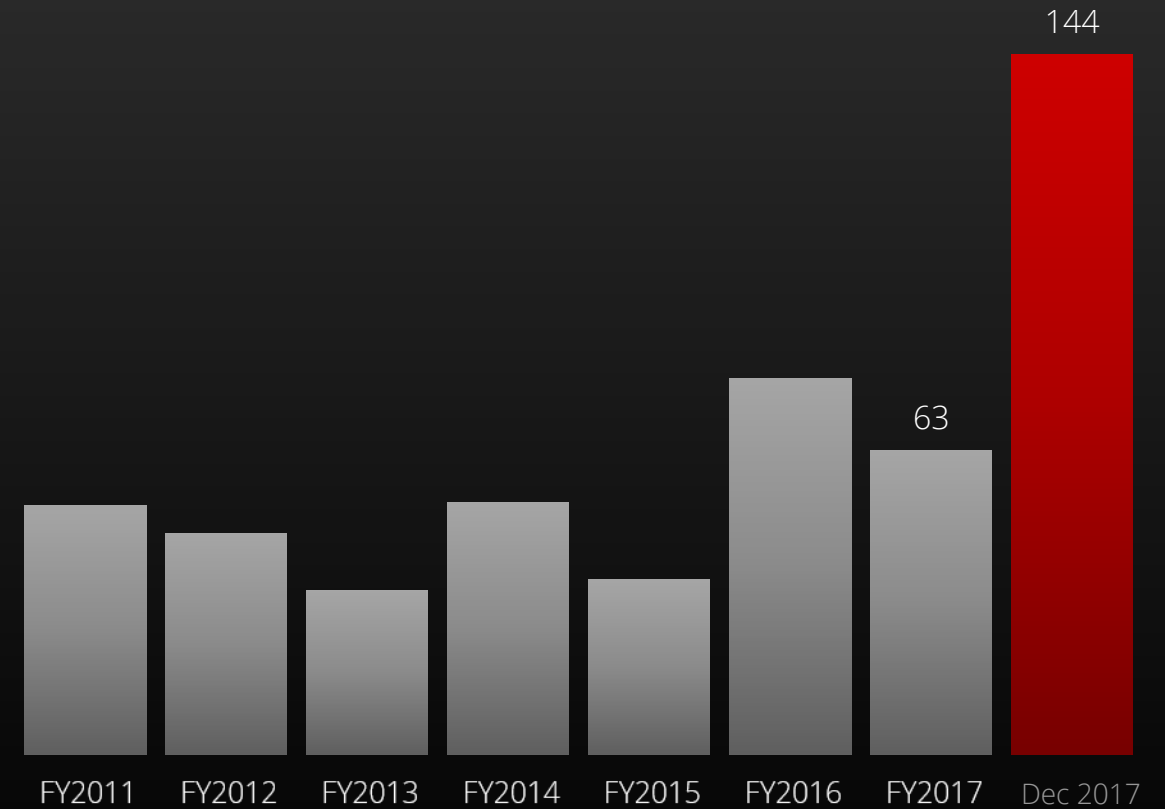
Suicide as percentage of death claims



Small number of large policies

Suicide claims in six months is double historic six month experience

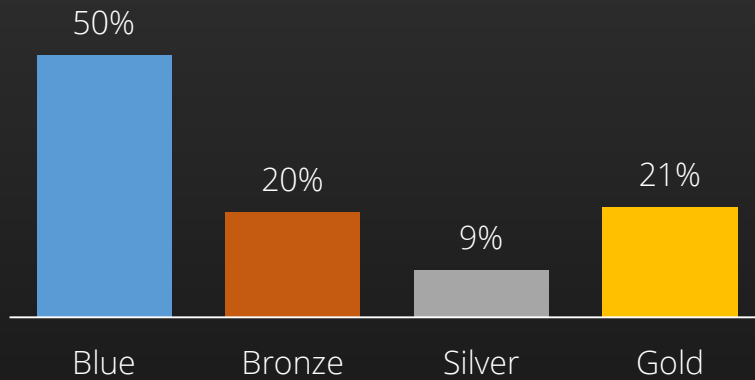
Rm



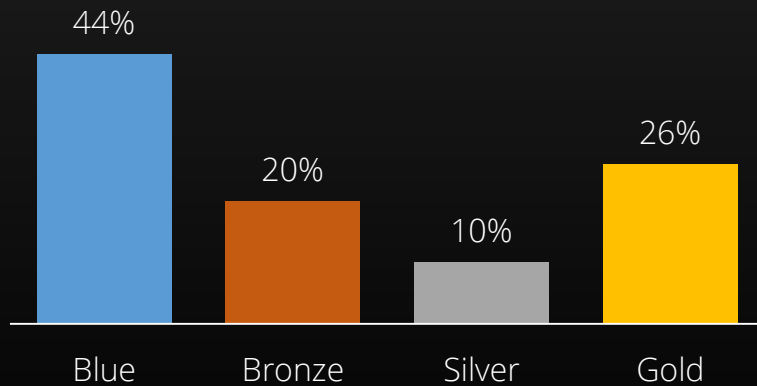
Dynamic pricing leads to dynamic mortality expectations

Vitality status and rewards

By policy count

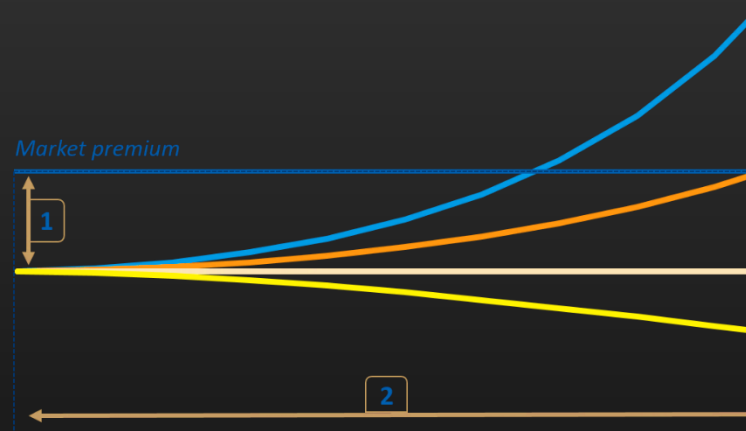


By sum assured



R2.5bn in premium discounts and PayBacks in the last six months

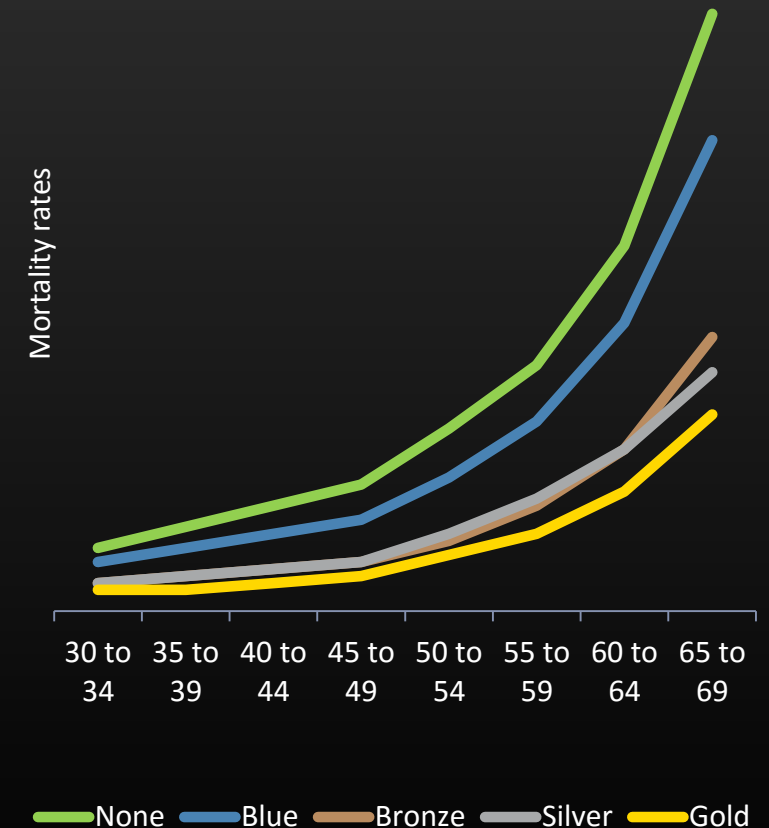
Dynamic pricing



- 1 Significant upfront premium discounts including Vitality
- 2 Dynamic pricing and behaviour change
- 3 Regular PayBacks based on status

Expectations of mortality

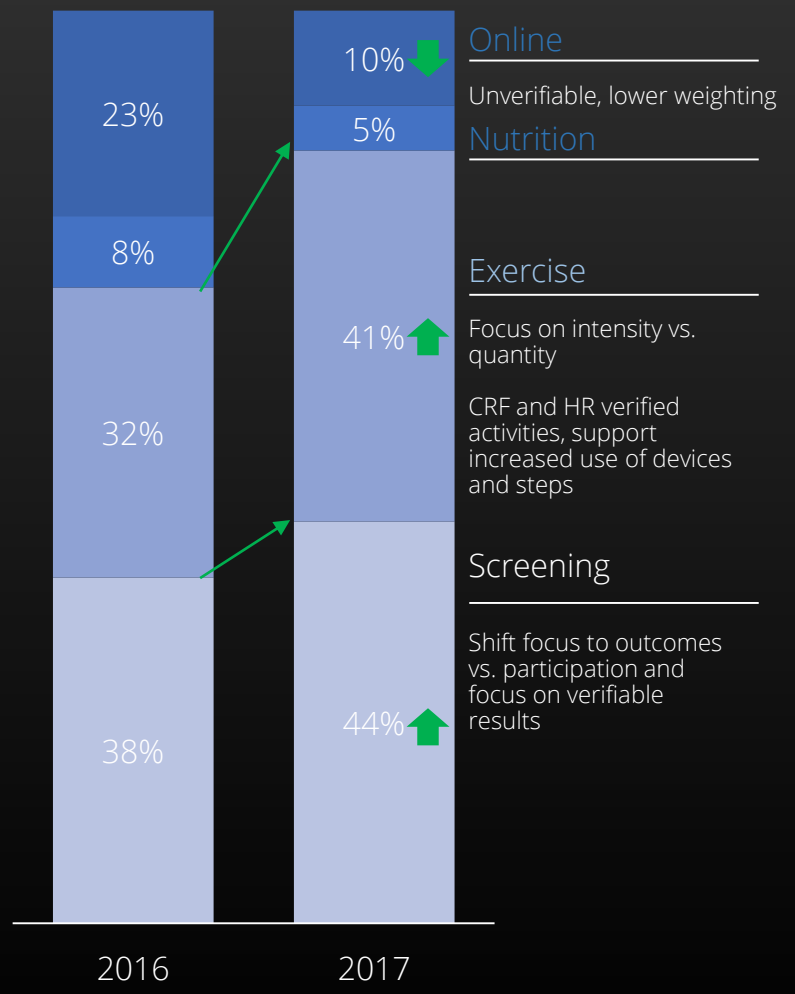
Bent $q(x)$



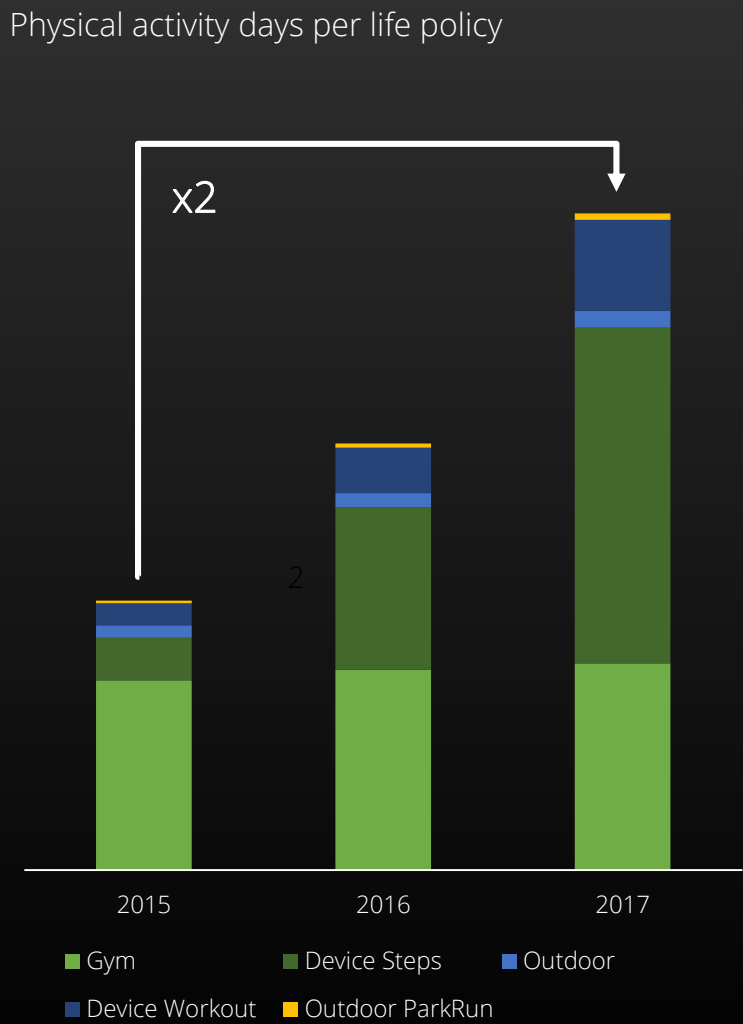
Vitality status driving extraordinary engagement



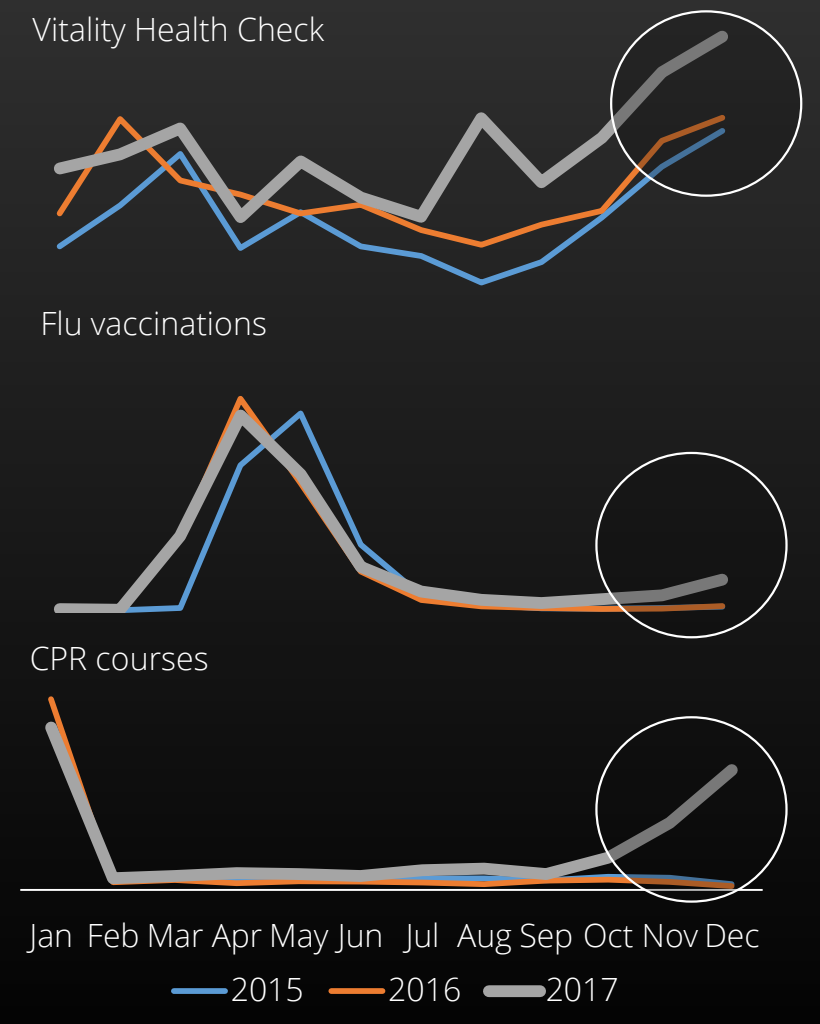
Actuarial refinement



Proliferation of wearables

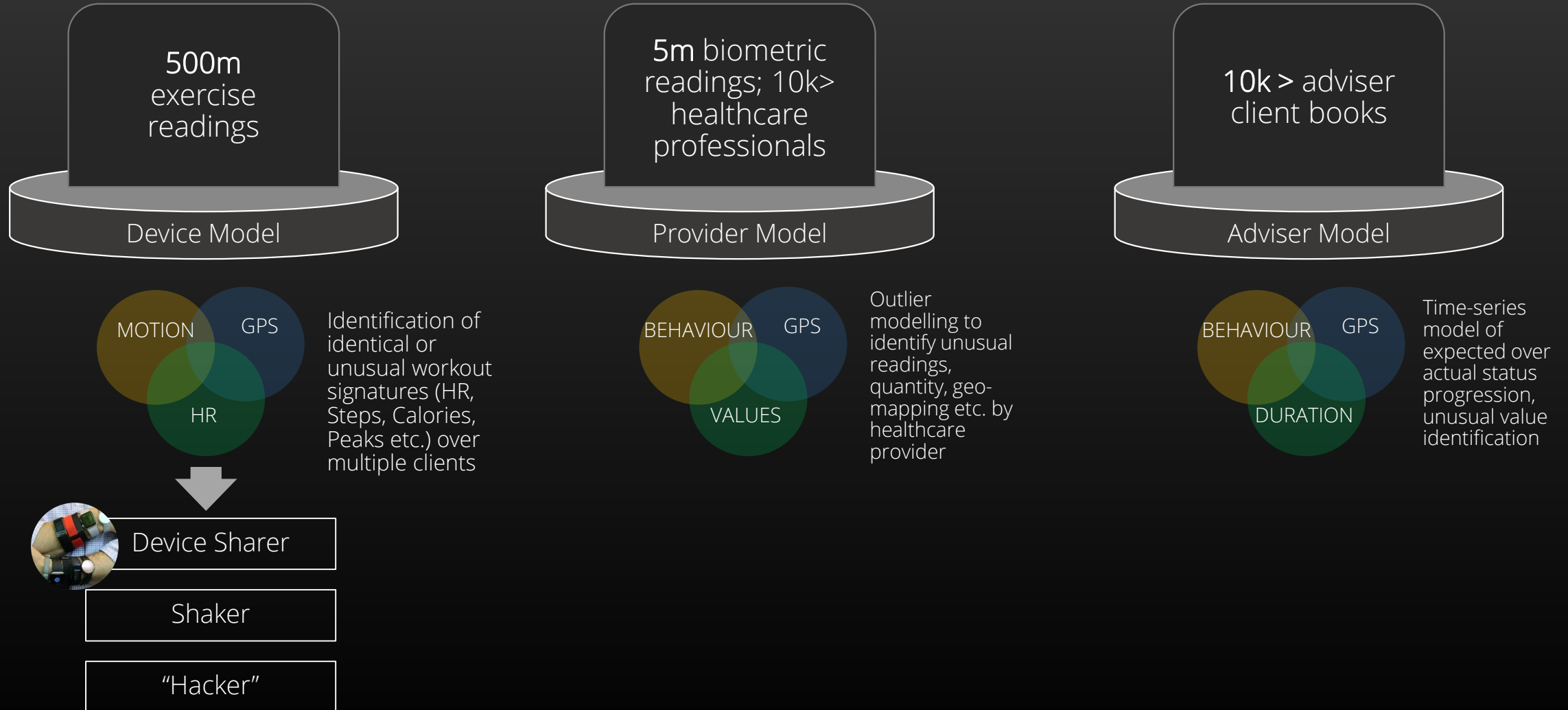


End of year points rush



Fraud detection models and machine learning

99.2% of clients truthful but 3 000 Discovery Life Gold clients confirmed fraudulent Gold



DL profit estimate



Negative reserve robust despite sensitivities in assumptions (Rm)



* Gross of COC and Tax

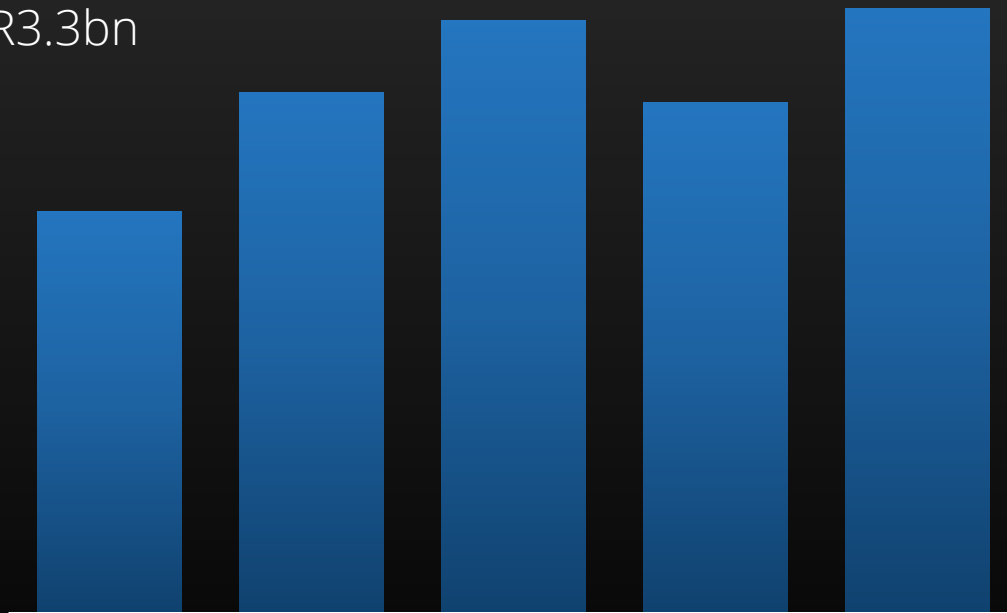


Discovery Invest

Net flows

+20%

to R3.3bn



HY1 2014

HY1 2015

HY1 2016

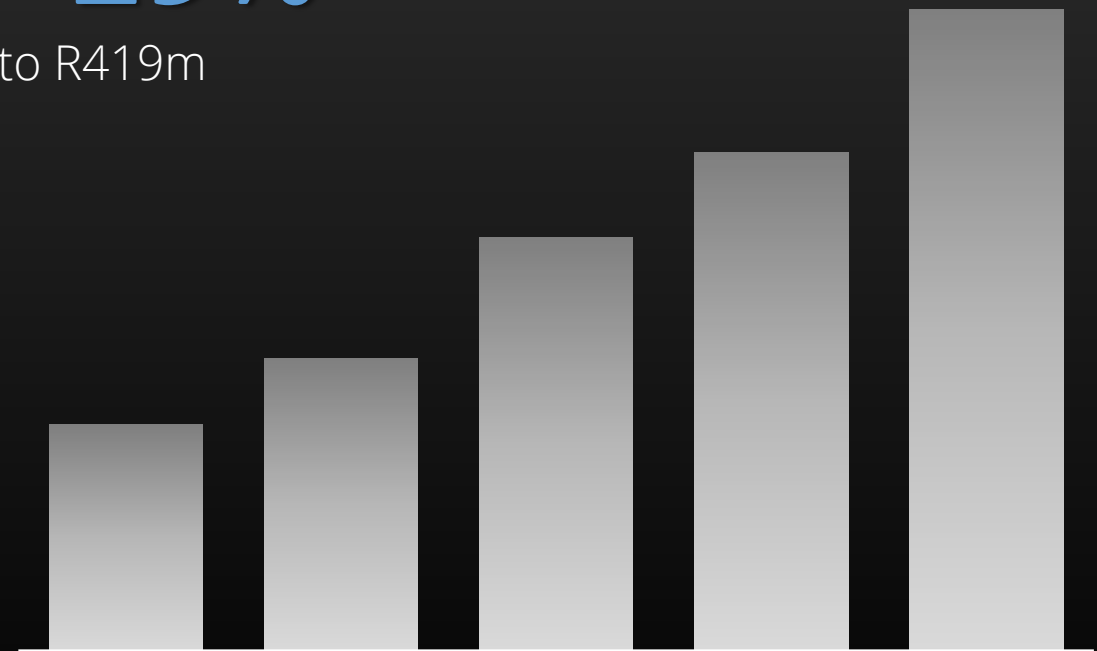
HY1 2017

HY1 2018

Operating profit

+29%

to R419m



H1 2014

H1 2015

H1 2016

H1 2017

H1 2018

Drivers of operating performance

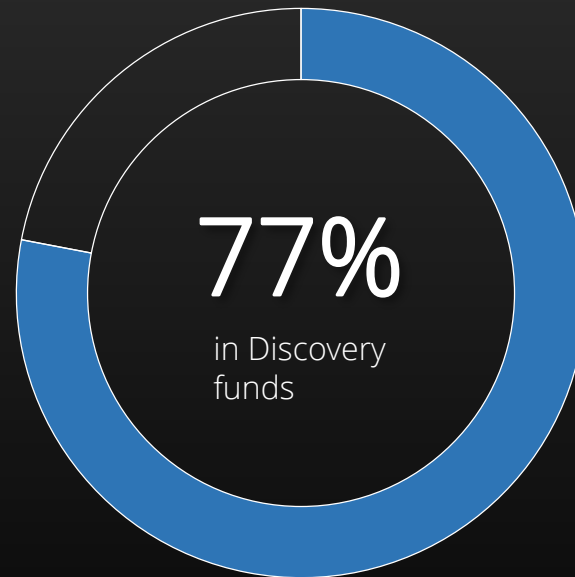
Assets under management

+22%

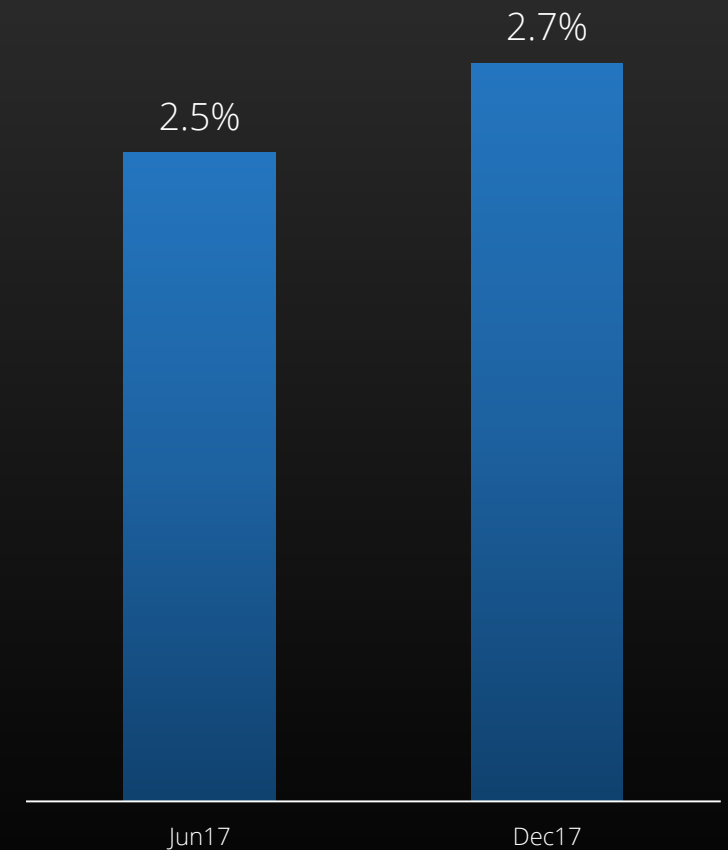
to R77.8bn



Business mix



VNB margin



Dec-07
Jun-08
Dec-08
Jun-09
Dec-09
Jun-10
Dec-10
Jun-11
Dec-11
Jun-12
Dec-12
Jun-13
Dec-13
Jun-14
Dec-14
Jun-15
Dec-15
Jun-16
Dec-16
Jun-17
Dec-17

Brilliant fund performance



Discovery Invest ranked 4th in PlexCrown ratings (Up from 12th)

Fund	Fund Size	1 Year Return	Sector Quartile	3 Year Return (Annualised)	Sector Quartile	5 Year Return (Annualised)	Sector Quartile
Discovery Balanced Fund	R22bn	11.3%	2	8.1%	1	11.5%	1
Discovery Equity Fund	R2bn	13.9%	2	9.1%	1	6.1%	4
Discovery Flexible Property Fund	R3bn	16.3%	2	11.2%	2	13.5%	2
Discovery Moderate Balanced Fund	R0.9bn	11.3%	1	8%	1	11.4%	1
Discovery Cautious Balanced Fund	R1.6bn	10.2%	1	7.5%	1	9.0%	1

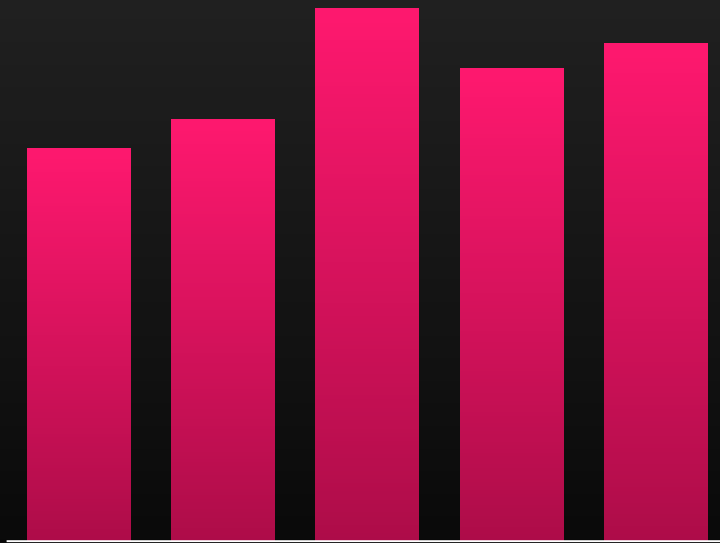
Vitality

HEALTH AND LIFE INSURANCE

New business

+5%

to R1.08bn (£61m)

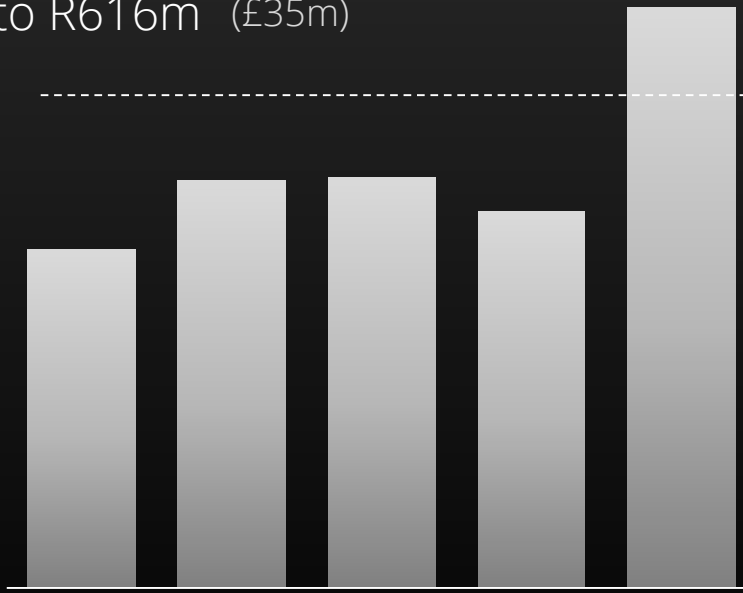


H1 2014 H1 2015 H1 2016 H1 2017 H1 2018

Operating profit

+54%

to R616m (£35m)

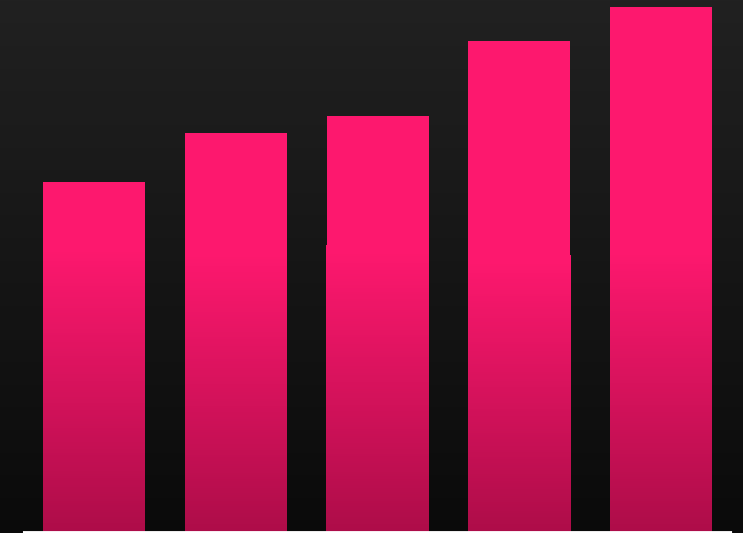


H1 2014 H1 2015 H1 2016 H1 2017 H1 2018

Lives covered

+7%

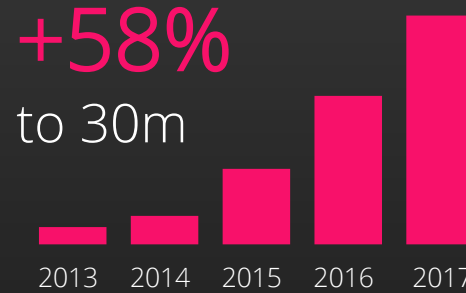
to 1.02m lives



2013 2014 2015 2016 2017

Exceptional engagement

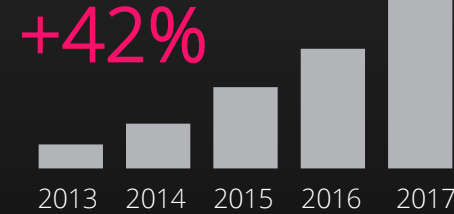
Number of points-earning activities undertaken



52k

Apple Watch sold to date

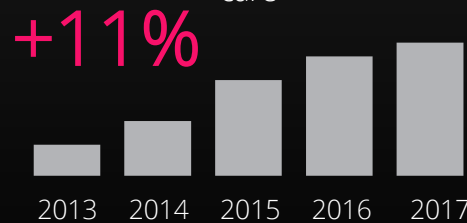
Physical activity events



3.5m

workouts tracked per week

Screening and preventative care



>5m

Starbucks drinks to date



CHANGING HEALTH AND LIFE INSURANCE FOR GOOD

Vitality

Vitality brand competes on its own terms

Antagonist

Stanley

Creates brand tension with charming irreverence for healthy living messaging

I think I'll just stay here actually



I'm not built for squats



My Vitality age is 24.

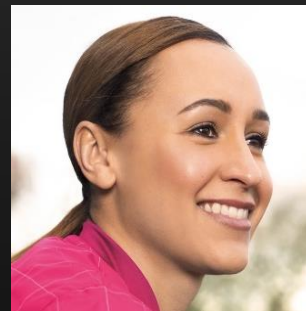
That's 168 in dog years.
Wearing well, Jessica.



Inspirational

Vitality ambassadors

Bring fame and credibility as the inspiring embodiment of healthy living



Jessica Ennis-Hill



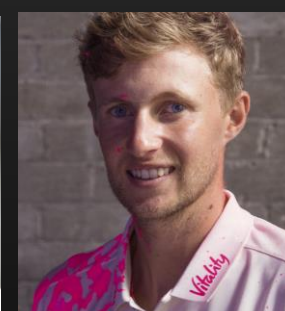
Jonny Wilkinson



Maro Itoje



Ellie Simmonds



Joe Root

Visible

Sporting strategy

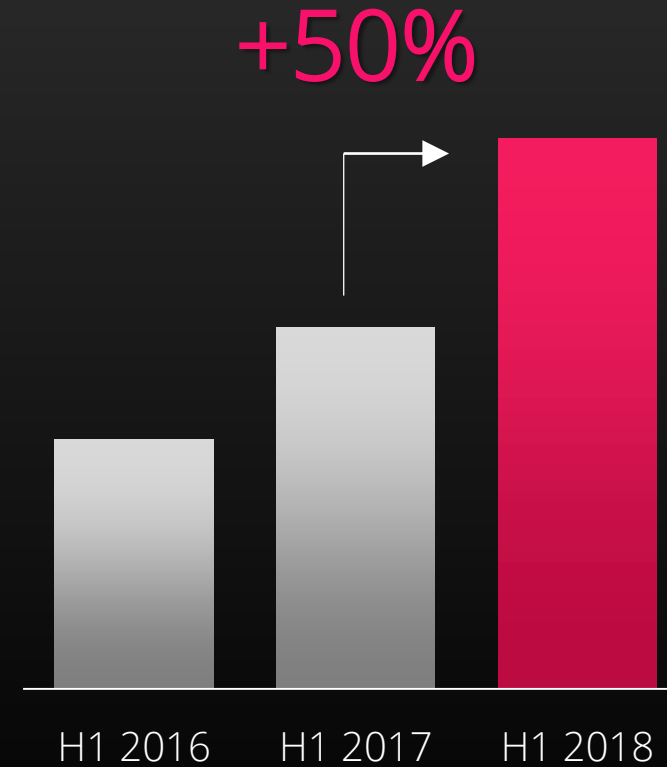
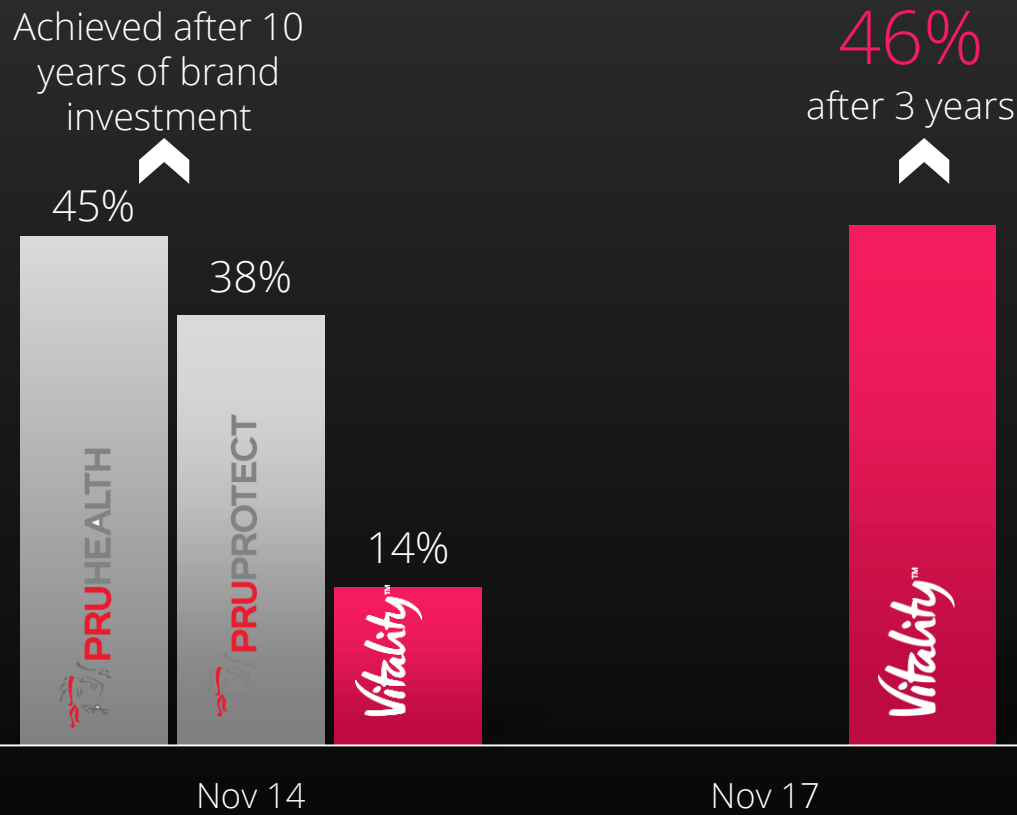
Believe in the power of sport to help inspire people to live a healthy life. Partner with leading teams and events to spread the Vitality message



Brand strategy yields powerful presence

Prompted brand awareness of Vitality

Leads generated through direct channels

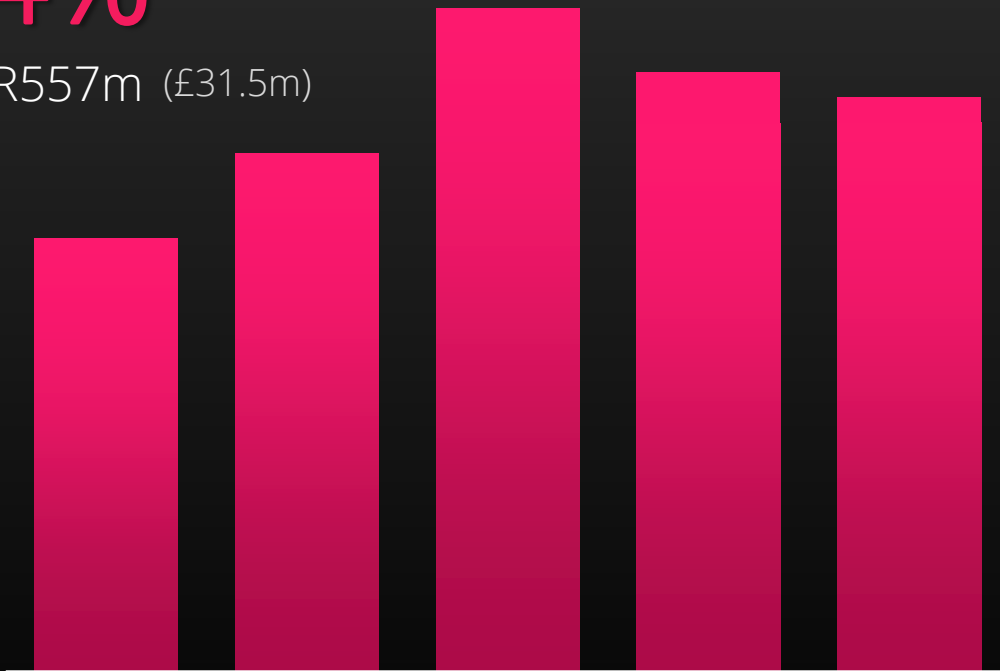


Vitality LIFE INSURANCE

New business

-4%

to R557m (£31.5m)



H1 2014

H1 2015

H1 2016

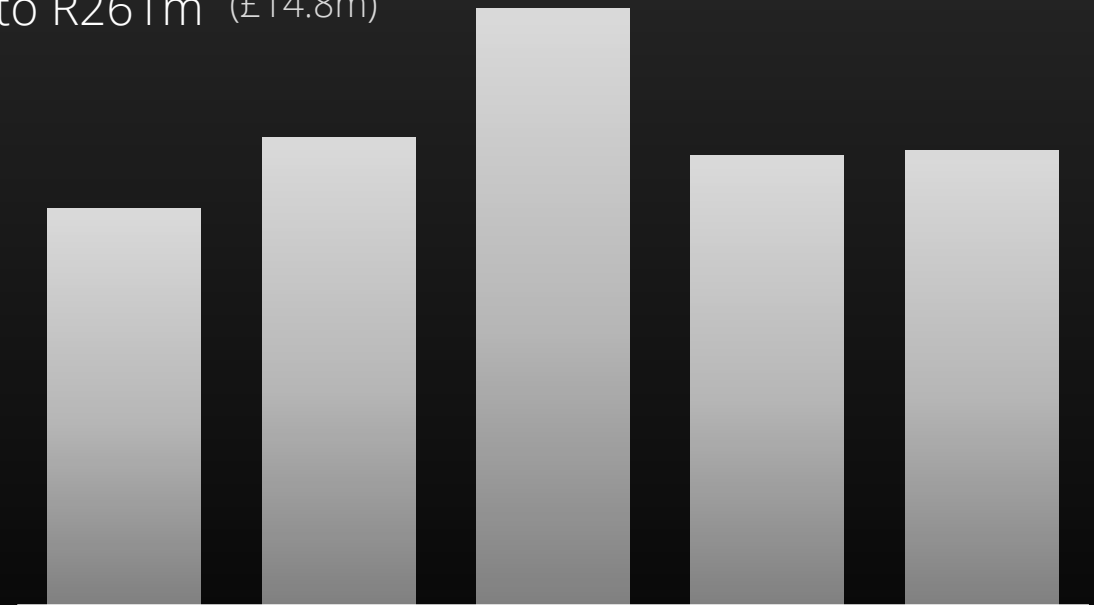
H1 2017

H1 2018

Operating profit

+1%

to R261m (£14.8m)



H1 2014

H1 2015

H1 2016

H1 2017

H1 2018

Interest rate environment

UK spot yields

Monthly interest rate over time

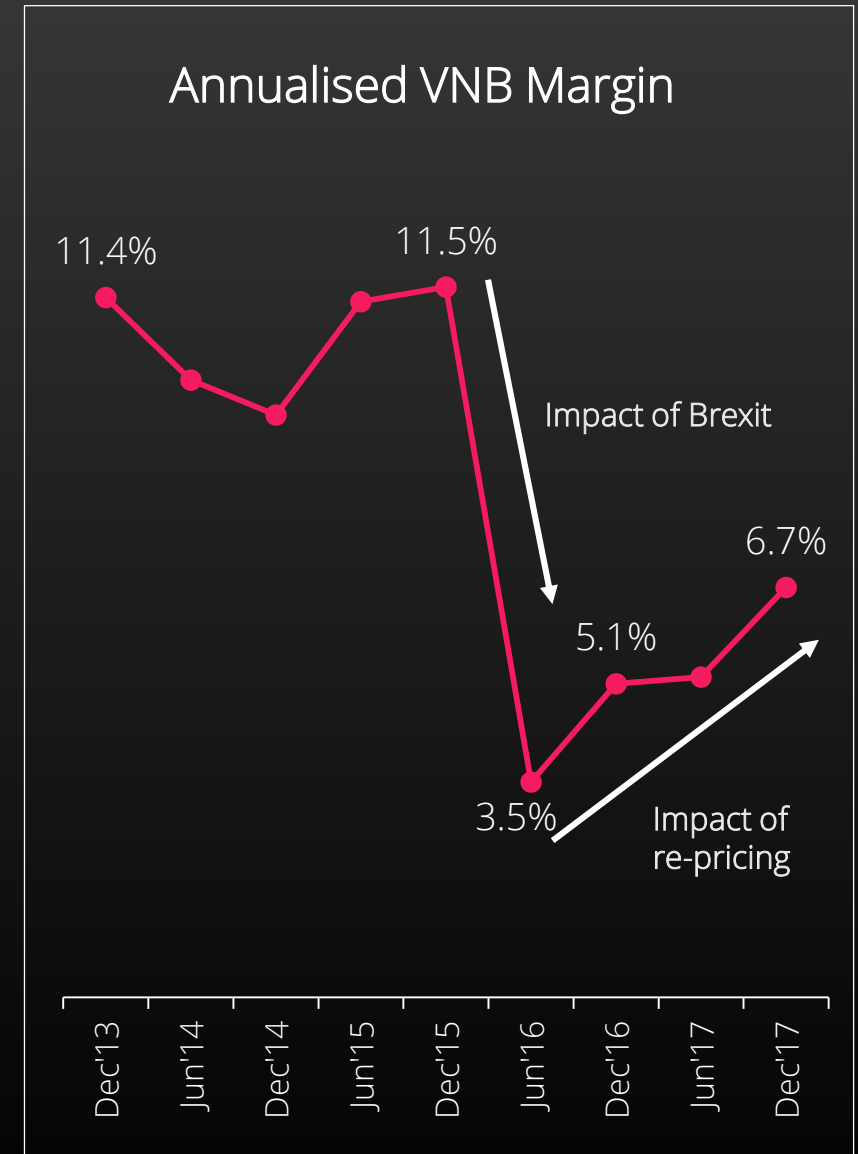
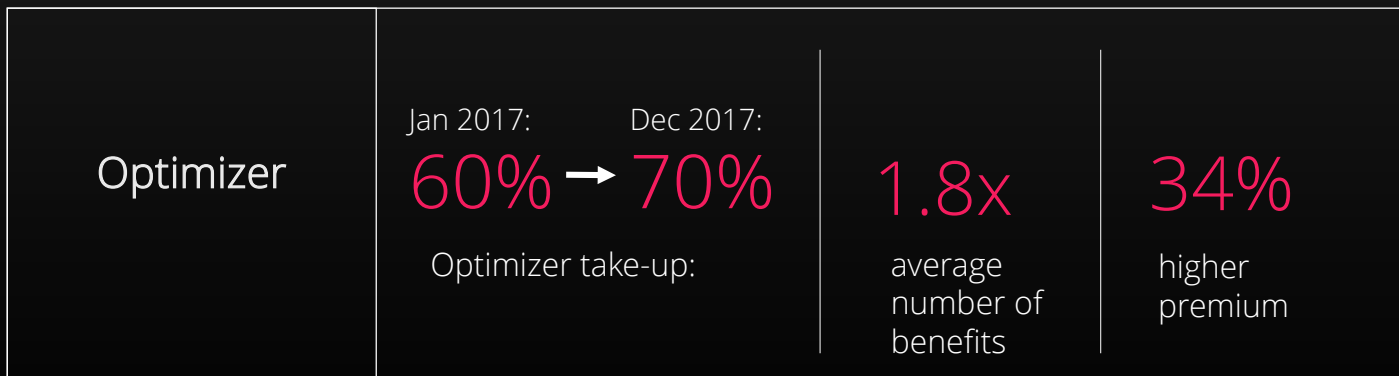
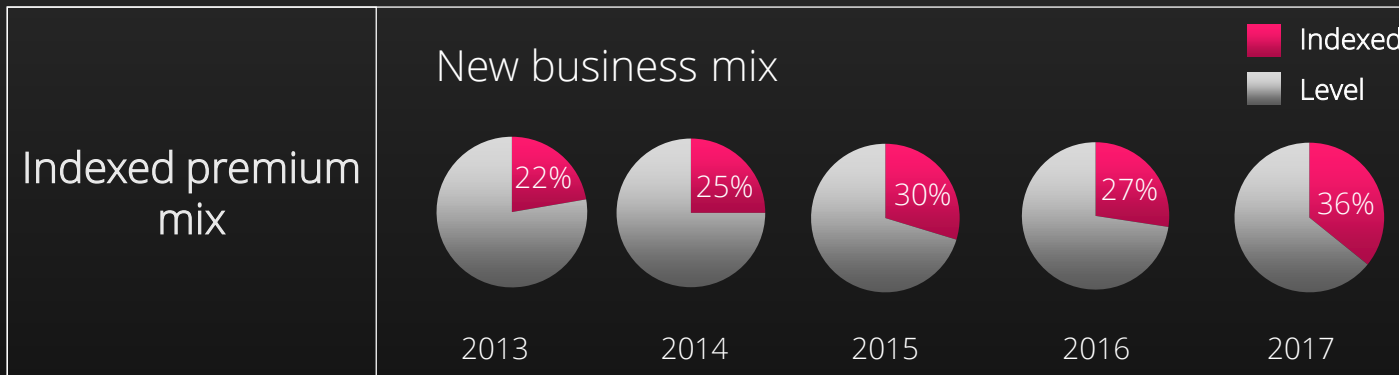
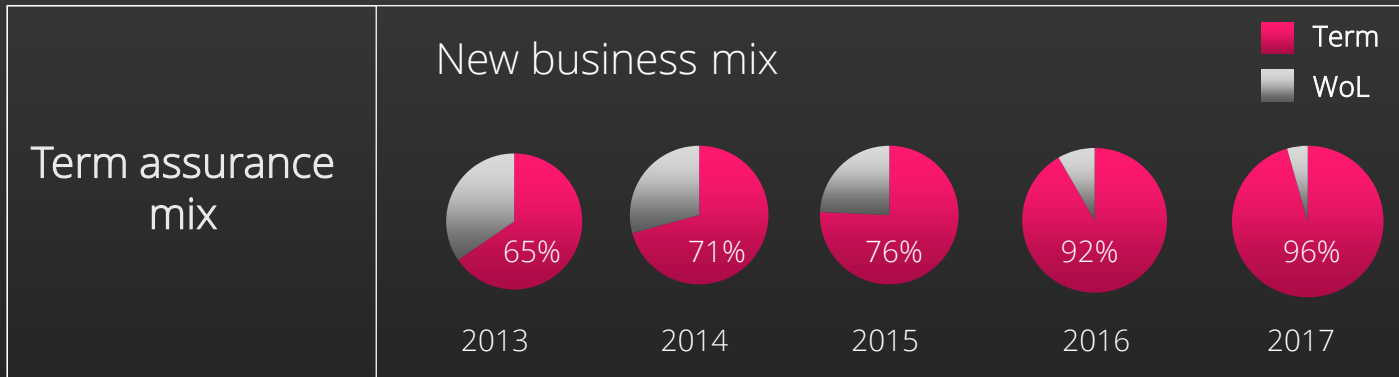


Impacted reserves by approximately

£75m

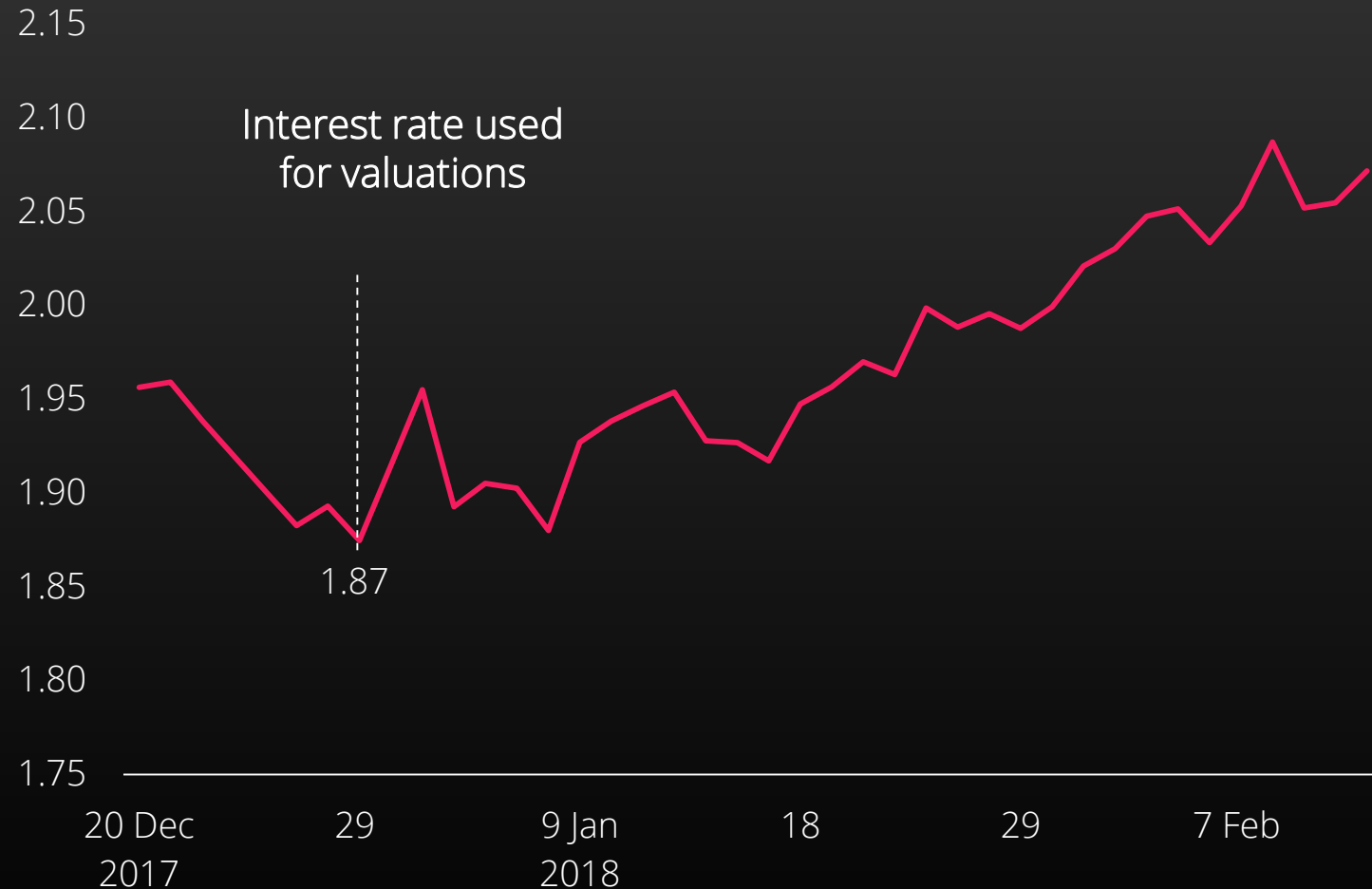
over time

Business has been reconfigured for low interest rate environment



Upside as interest rates rise

UK 25y spot yield



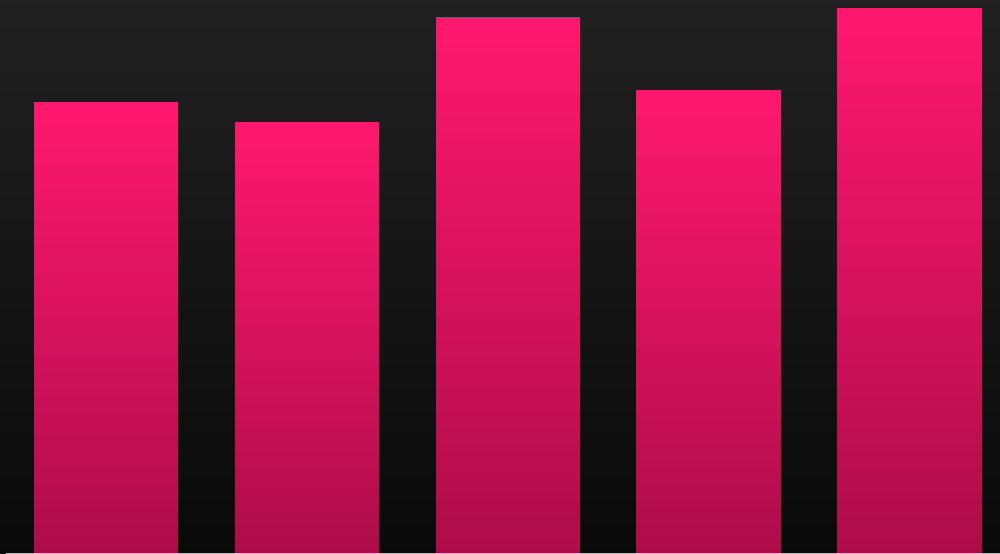
1 bps
increase in interest rate (at current levels)
→
+ £0.9m
Change in reserve

Vitality HEALTH INSURANCE

New business

+18%

to R522m (£29.5m)



H1 2014

H1 2015

H1 2016

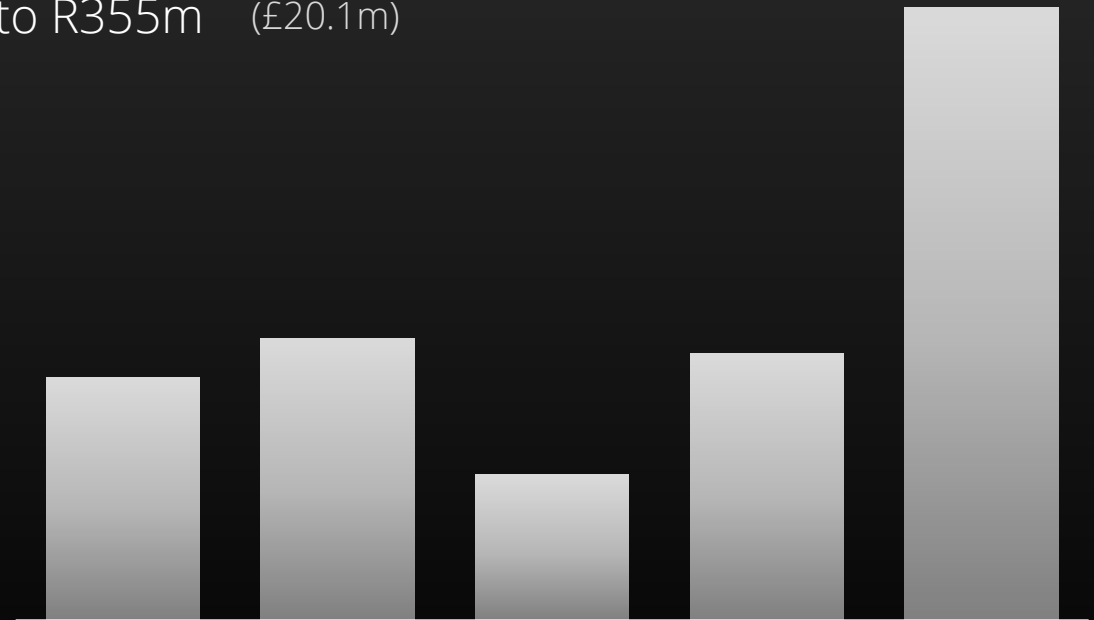
H1 2017

H1 2018

Operating profit

+150%

to R355m (£20.1m)



H1 2014

H1 2015

H1 2016

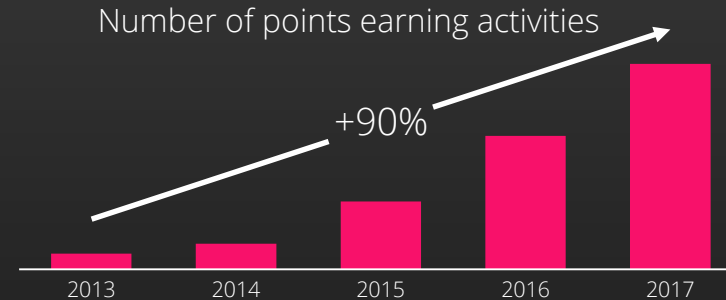
H1 2017

H1 2018

Strong operating performance driven by key factors

Vitality engagement

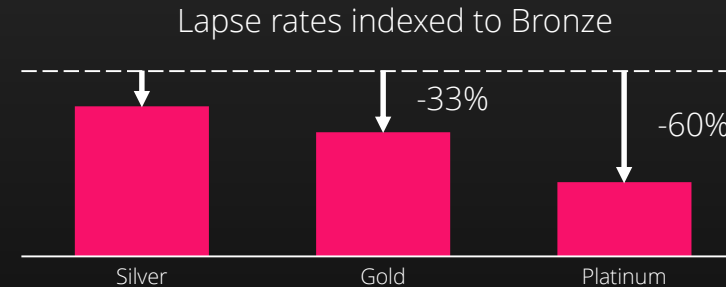
Member engagement continues to increase rapidly



31-45%
reduction in risk factors

Selective retention

Value and retention propensity models used to improve effectiveness of renewal pricing



Contributes **45%**
to loss ratio improvement

Tariff savings and risk management

Tariff savings:

Care pathways:

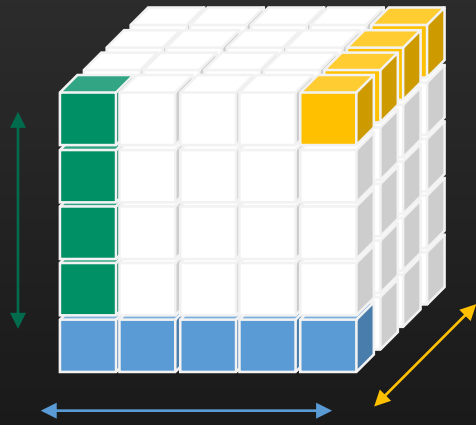
Vitality GP
Vitality CONSULTANT SELECT

~15%
improvement in cost per claim

Unique data set

1 Demographic & health status

(age, health conditions, postal code etc)



3 Health System interactions

(hospital network, referrals etc)

2 Wellness behaviour

(exercise, nutrition, smoking, rewards etc)

> 100

behavioural & geospatial indices

> 100m

possible combinations of risk factors

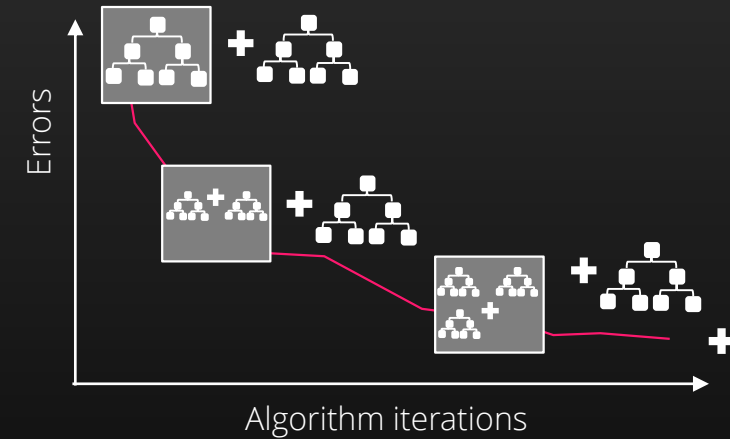
> 2.75 TB

of data

Gradient boosting machines

Model

Learning algorithms that reduce prediction errors as they iterate



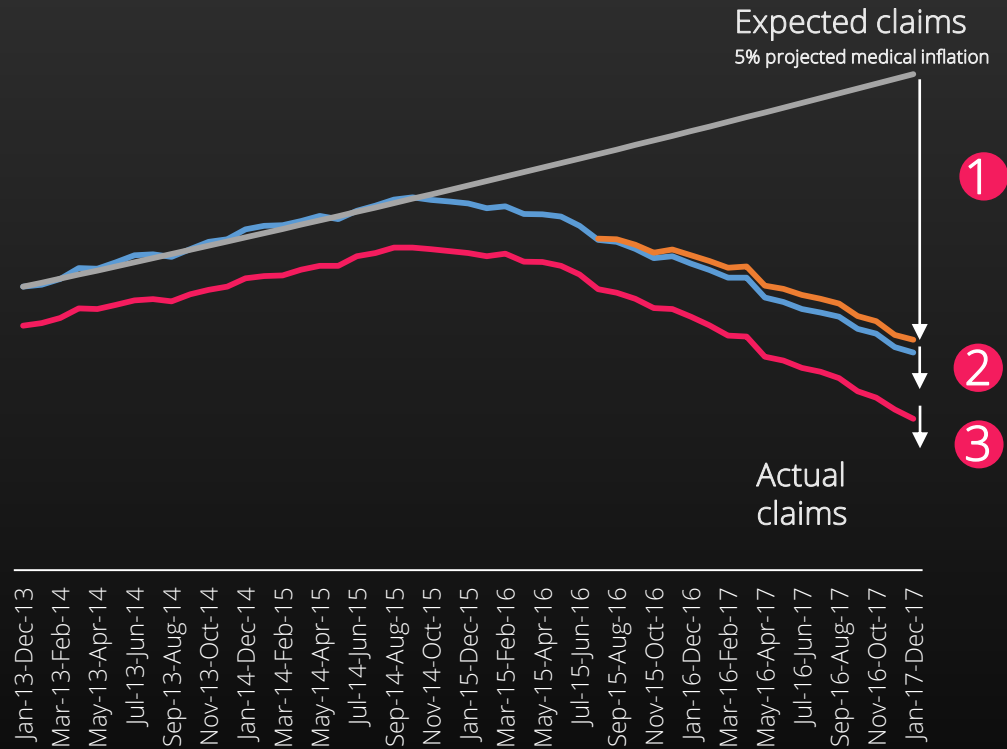
Uses

- new business and renewal pricing
- lapse propensity models
- sales and marketing
- engagement
- risk management
- fraud detection

Significant improvement in risk profit and strong cash generation

Claims per life per month

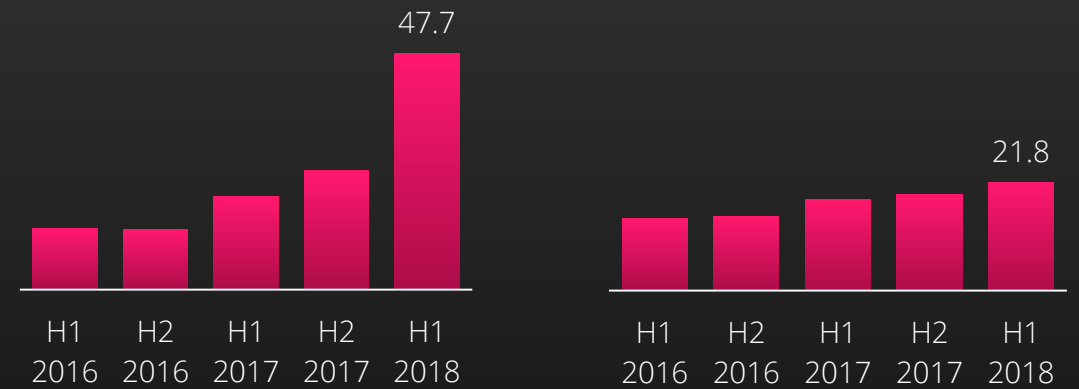
rolling 12-month avg after reserving adjustments



- 1 Quality of the book and increasing Vitality engagement
- 2 Tariff savings
- 3 Clinical risk savings built on sophisticated systems

Cash from in-force (£m)

Acquisition costs (£m)



Net cash generated (£m)



Businesses

 Discovery
Insure

 Vitality
GROUP

 中国平安
PING AN

 Discovery
Health

 Discovery
Life

 Discovery
Invest

 VitalityHealth

 VitalityLife

Discovery Bank
Vitality Invest
Commercial insurance
Umbrella funds

Emerging

Established

New

Observations for the period

1 Performance



Core new business

+16%

to R 9 303m

+10% to R9 705m incl. DIT take-on of new closed schemes and gross revenue for the Vitality Group

Normalised operating profit

+19%

to R 4 059m

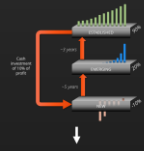
Normalised headline earnings

+30%

to R 2 829m

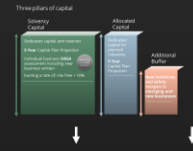
2 Operating model

Growth Methodology



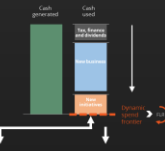
Group profit growth of **CPI + 10%**

Capital Management



Return on capital **risk free + 10%**

Cash Management



FLR **< 28%**
Cash buffer **R1bn - R2bn**

Group profit growth

CPI+15%

Return on capital

rf+11.2%

FLR

26.5%

Cash buffer

R2.5bn

3 Business performance



Discovery Bank
Vitality Invest
Commercial Insurance
Umbrella funds

Emerging
CPI + 10%

Established
CPI + 146%

New
8%

4 Vitality Shared-Value Insurance



>R500m allocated to developing a single global Vitality platform

200k members each month
40m life years of mortality and morbidity data
In every minute
1,000 activities tracked
50 biometric readings

Countries

19

Vitality members

>7m

Life years of data

40m+

Unaudited interim results and cash dividend declaration

FOR THE SIX MONTHS
ENDED 31 DECEMBER 2017

