



UNAUDITED INTERIM RESULTS AND CASH DIVIDEND DECLARATION

for the six months ended
31 December 2016



Group Results Overview

New business

+15%

to R 8 245m

+3% incl. DH take-on of new closed schemes to R8 732m

Operating profit

+13%

to R 3 412m

Headline earnings

+14%

to R 2 023m

Normalised headline earnings

+3%

to R 2 184m



Operating Model

Why & How

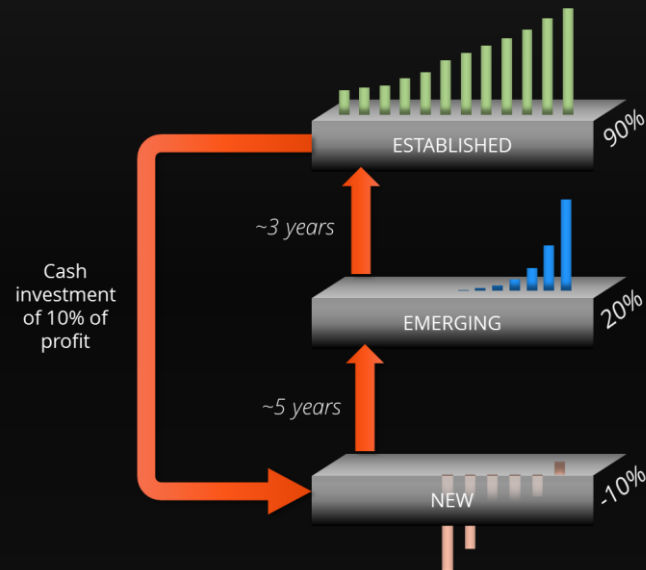
Make people healthier and enhance and protect their lives



Vitality Shared-Value Insurance Model

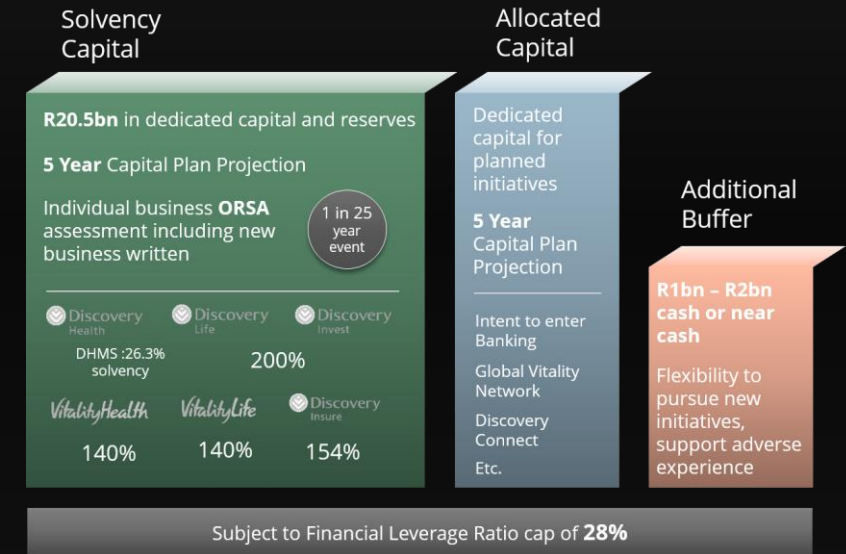


Growth Methodology

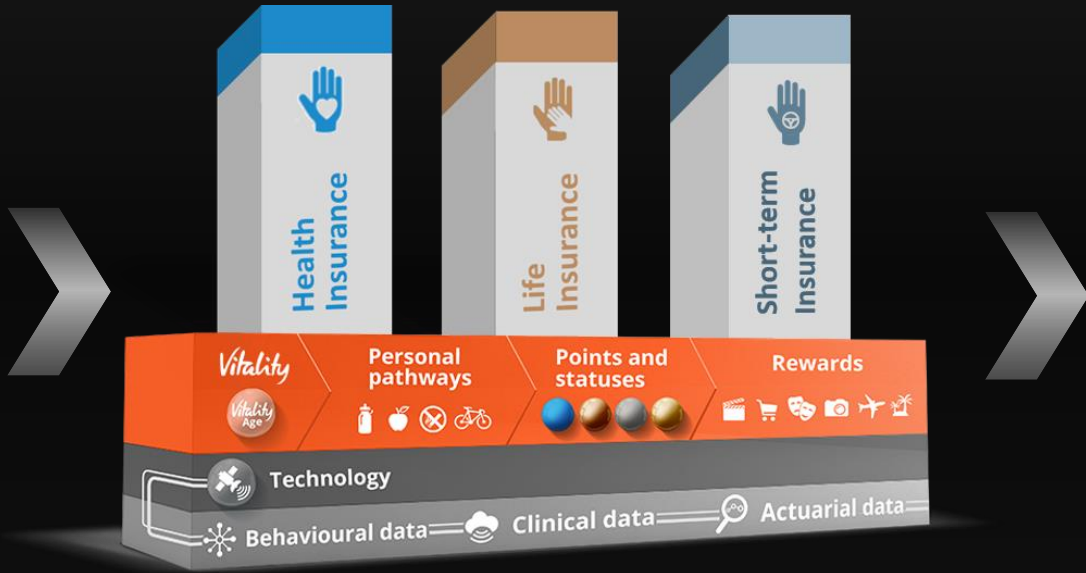


Target group profit growth of **CPI + 10%**

Capital Philosophy



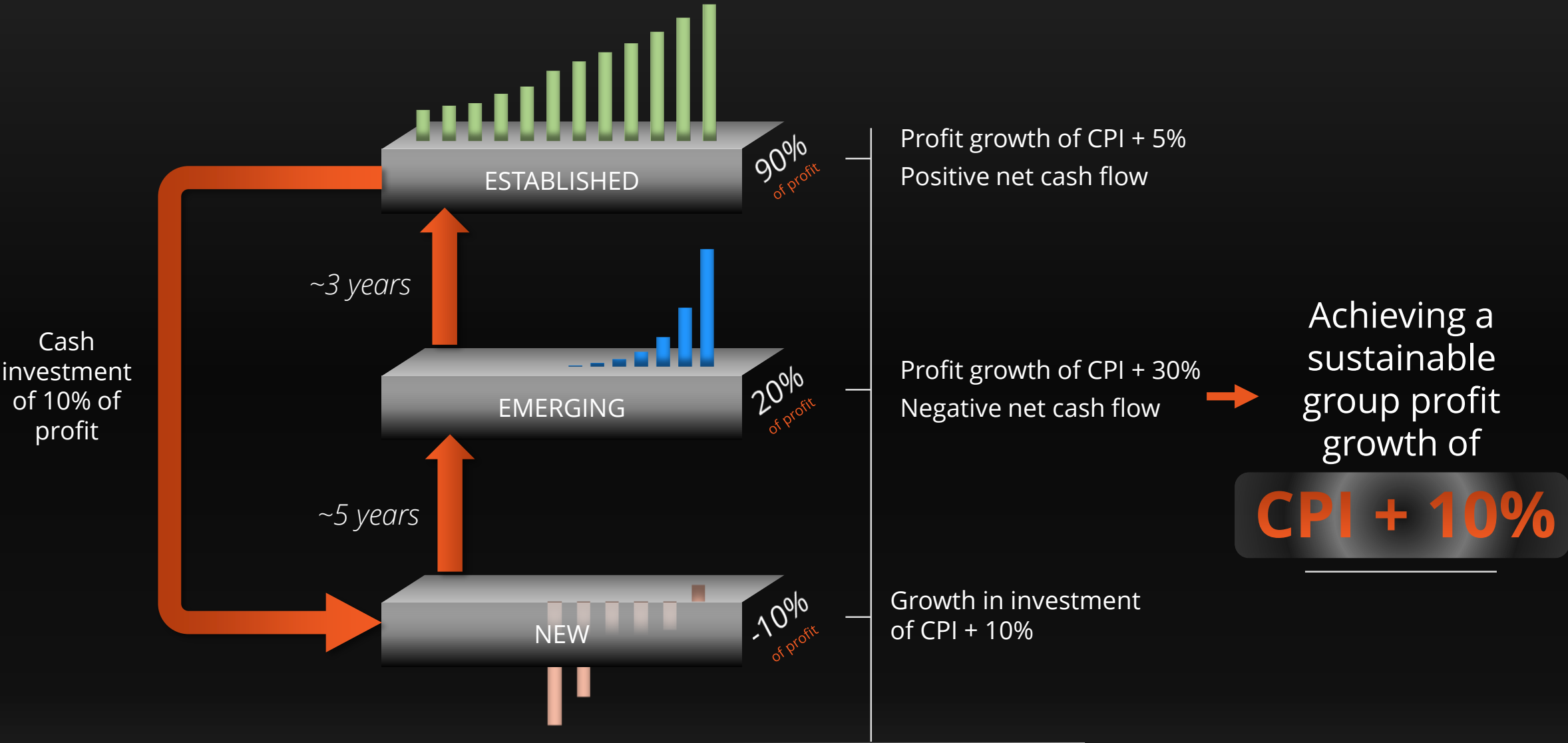
Consequence of the Vitality Shared-Value Insurance Model



- ✓ Competitive advantage
- ✓ Initial selection
- ✓ Selective lapsation
- ✓ Behaviour change
- ✓ Bent lapse and claims experience
- ✓ Healthier society

$$\frac{\text{Value Member}}{\text{Member}} = \frac{\text{Incentive Member}}{\text{Member}} \times \frac{\Delta \text{Behaviour}}{\text{Incentive}} \times \frac{\text{Bent (qx)}}{\Delta \text{Behaviour}} \times \frac{\text{Value Bent (qx)}}{\text{Bent (qx)}}$$

Growth Methodology



Mathematical derivation

$$CPI + 10\% = X(CPI+5\%) + Y(CPI + 30\%) + Z (CPI + 10\%)$$

$$X + Y + Z = 1; Z < 0$$

Discovery Capital Allocation Philosophy

Three pillars of capital



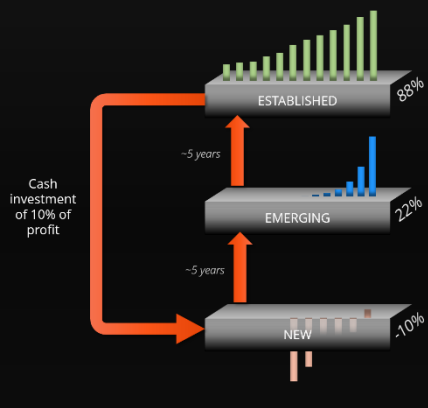
Combination of the Model and Growth Methodology gives us confidence in our 2018 Ambition

Why & How



- ✓ Competitive advantage
- ✓ Initial selection
- ✓ Selective lapsation
- ✓ Behaviour change
- ✓ Bent lapse and claims experience
- ✓ Healthier society

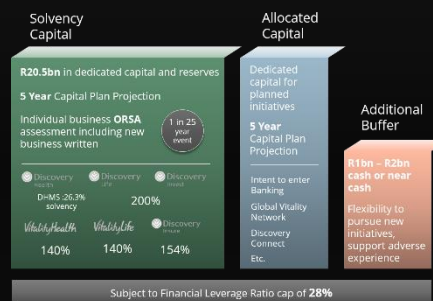
Growth Engine



Achieving a sustainable group profit growth of

CPI + 10%

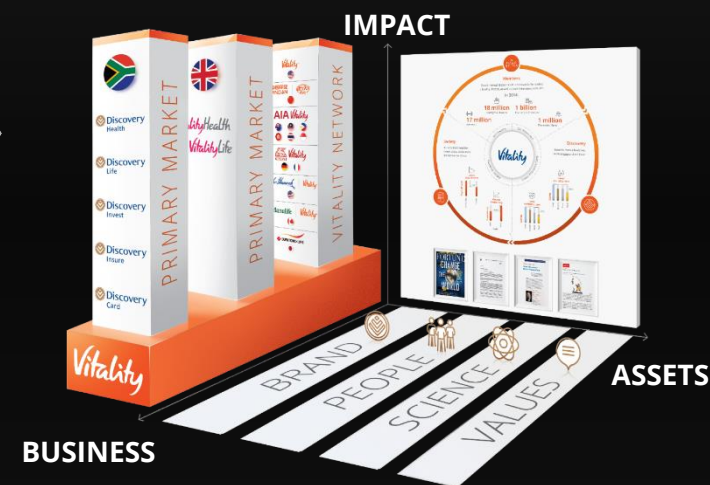
Capital Philosophy



Separation of Solvency Capital, new initiatives and buffer for unplanned events










Risk free + 10%

Ambition 2018



Be the best insurer in the world and a powerful force for social good by 2018

Financial Results and Performance

		New business	Operating profit	
		+15%	+13%	(1) Strong operational performance; (2) Continued investment in new initiatives (7% of earnings); (3) Demonstrable success of growth methodology (DI and PAH profitable on run-rate basis) and Shared-Value Insurance Model
Established businesses	 Discovery Health	+20%	+12%	<ul style="list-style-type: none"> DH: Integrated system delivering strong growth and containment of healthcare inflation; 18 Schemes under management; 3.3m lives in total; DHMS: 2.74m members at year-end; Robust operating surplus; Solvency >25% Product innovation supporting a 20% increase in VNB; Focus on business quality; Exceptional engagement levels ; Actuarial dynamics within expectation; Well capitalised AuM growth of 14% (R64 bn); Increased innovation in the retirement space; Maintaining a position in the Top 6 Retail Asset Takers Excellent actuarial dynamics; Record sales in Individual market; Strong cash generation from existing book; September 2016 product launch as further investment in business model Robust operational performance drowned by Brexit impact. Strong remedial actions taken Strong performance with a 22% increase in profit from the Card JV and a 6% increase in sales
	 Discovery Life	+9%	+13%	
	 Discovery Invest	+9%	+21%	
	 Vitality Health	-14%	+53%	
	 Vitality Life	-10%	-25%	
	 Discovery Card	+6%*	+22%	
		+9%	+11%	
Emerging businesses	 Discovery Insure	+23%	+57%	<ul style="list-style-type: none"> Profitable on a run-rate basis; >160,000 cars; Claims frequency 10% lower than at inception; Combined ratio improvement; Fintech innovation via Crowdsearch RMB 2bn premium income for the year; Profitable equity stake; Aggressive growth targets and investment in PMI from PAG Global franchise; 12 active markets; Vitality penetration high and increasing; Vitality Active launch in 5 new markets
	 中国平安 PING AN	+55%	+88%	
	 Vitality GROUP	+24%**	-12%	
		+43%	+42%	
New initiatives	<i>Intent to enter banking</i>	Investment 7% of earnings	-36%	<ul style="list-style-type: none"> Authorisation received from the Registrar of Banks to establish banking presence Centralised global platform delivering data segmentation and proprietary insurance constructs; Global programme updates and new partners in pipeline Launch of long-term investment products in the UK market towards end of 2017
	Global Vitality Network			
	UK Invest Initiative			

*6% increase in Card sales not included in 9% new business API growth for established businesses

**New business figure includes fees earned from Vitality Group partners

UK business performance impacted by interest and exchange rate headwinds

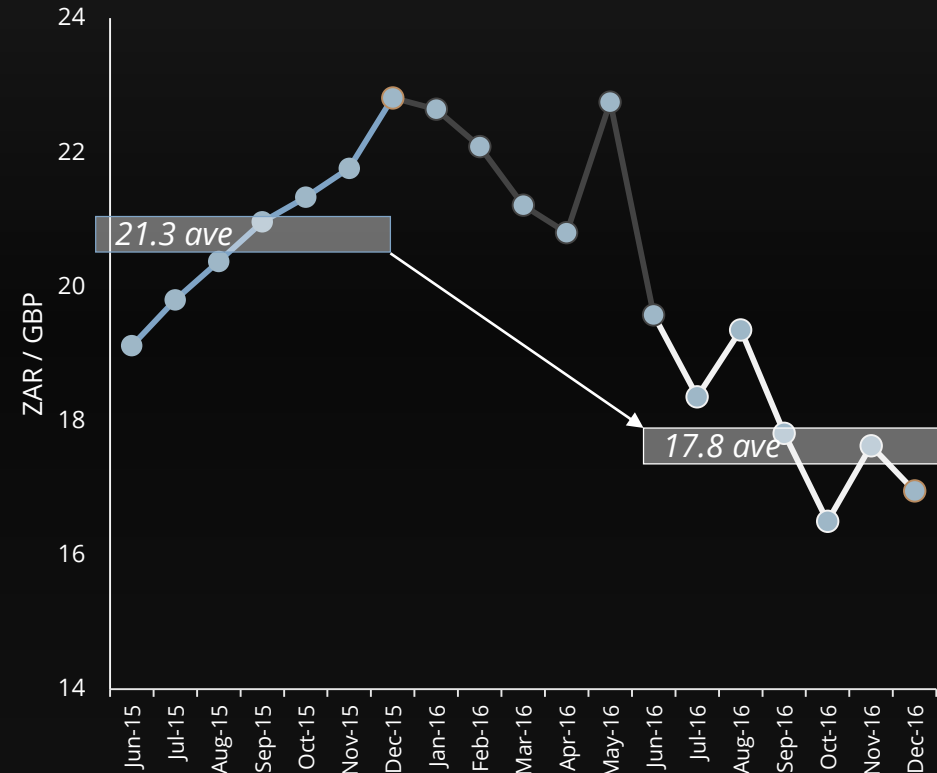
Record low interest rates, negative real rates

22% decrease in VL operating profit, **2%** group impact



Strengthening ZAR to GBP

16% decrease in UK operating profit, **2%** group impact



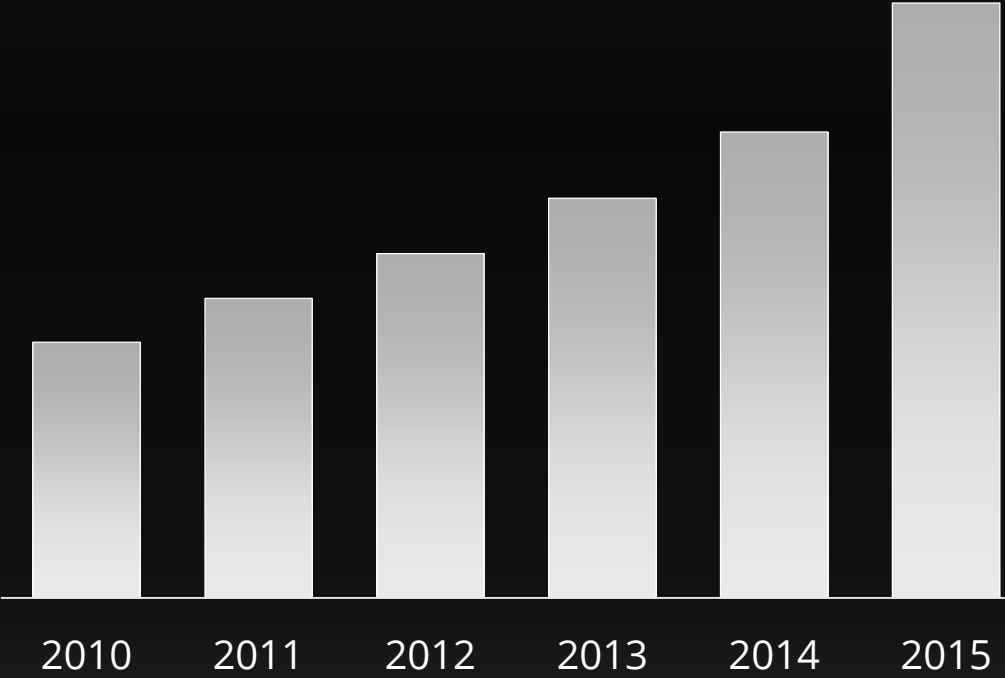
4% decrease in Group Earnings

Strong new business growth

+15%

to R 8 245m

+3% incl. DH take-on of new closed schemes to R8 732m



	Rm	6 months to 31 Dec 2016	6 months to 31 Dec 2015	% change
Established	Discovery Health	3 030*	2 527	+20%
	Discovery Life	1 053	970	+9%
	Discovery Invest	1 278	1 168	+9%
	Discovery Vitality	92	97	-5%
	VitalityHealth	443	513	-14%
	VitalityLife	581	643	-10%
Emerging	Discovery Insure	495	402	+23%
	Vitality GROUP	104**	84	+24%
	中国平安 PINGAN	1 169	752	+55%

Established **+9%**

Emerging **+43%**

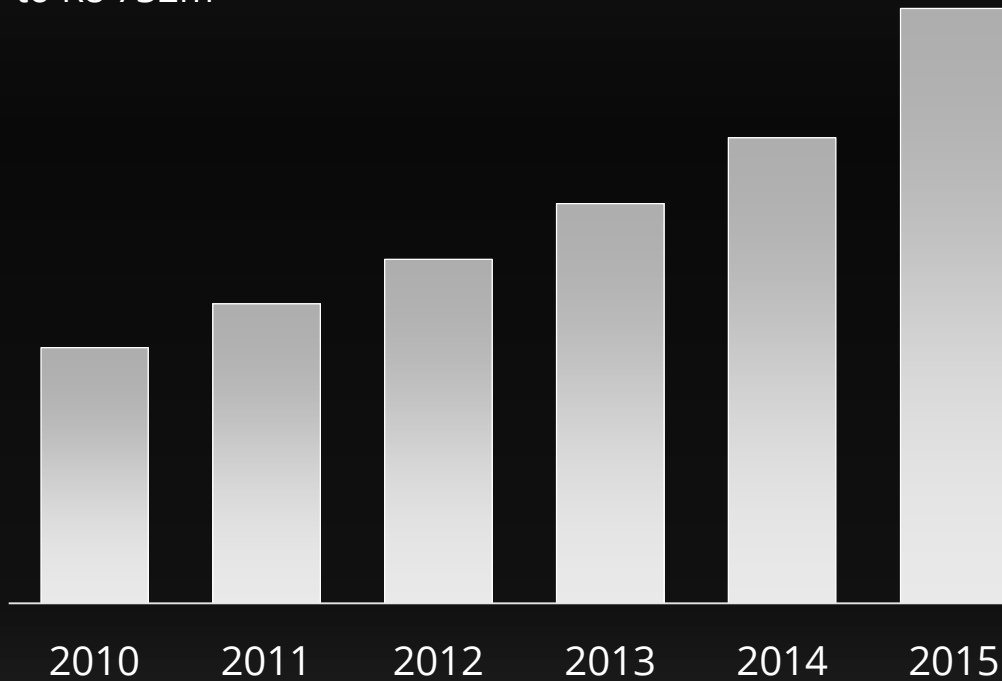
*Discovery Health growth is -8% if take-on of new closed schemes is taken into account
 **figure includes fees earned from Vitality Group partners

New business growth in the UK market impacted by exchange rate headwinds

+15%

to R 8 245m

+3% incl. DH take-on of new closed schemes to R8 732m



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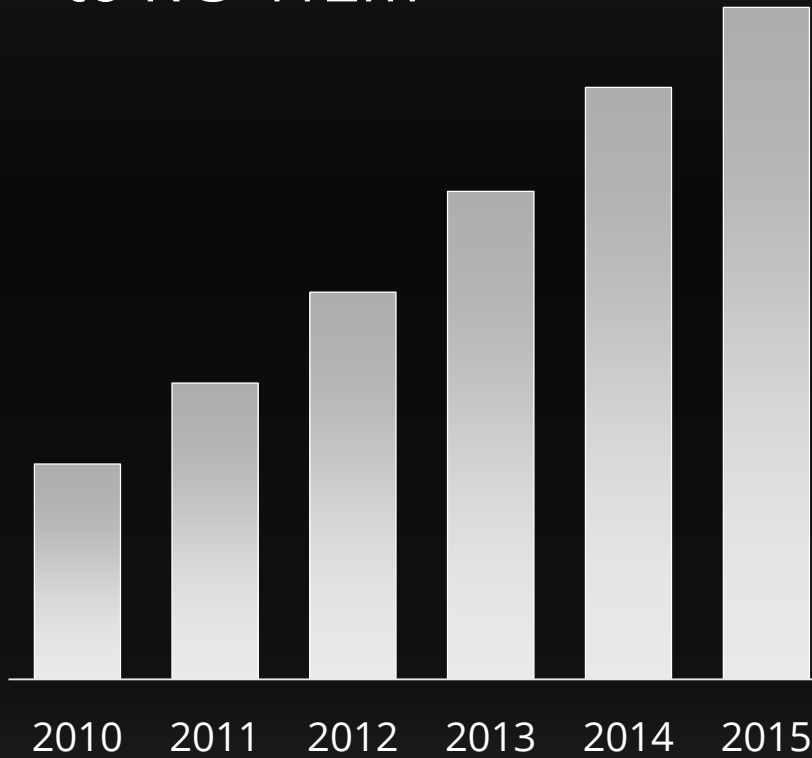
+6% in GBP
-11% in ZAR

*Discovery Health growth is -8% if take-on of new closed schemes is taken into account

**figure includes fees earned from Vitality Group partners

Robust normalised operating profit growth

+13%
to R 3 412m

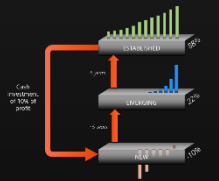


	Rm	6 months to 31 Dec 2016	6 months to 31 Dec 2015	% change
Established	Discovery Health	1 188	1 061	+12%
	Discovery Life	1 768	1 561	+13%
	Discovery Invest	326	270	+21%
	Discovery Vitality	33	31	+6%
	Discovery Card	71	58	+22%
	VitalityHealth	142	93	+53%
	VitalityLife	258	343	-25%
New	Emerging			
	Discovery Insure	(30)	(69)	+57%
	Vitality GROUP	(91)	(81)	-12%
	中国平安 PING AN	(9)	(73)	+88%
OTHER	(244)	(179)	-36%	

Established
> +11%

Emerging
> +42%

New
> 7%
of earnings



Business growth engine benchmark

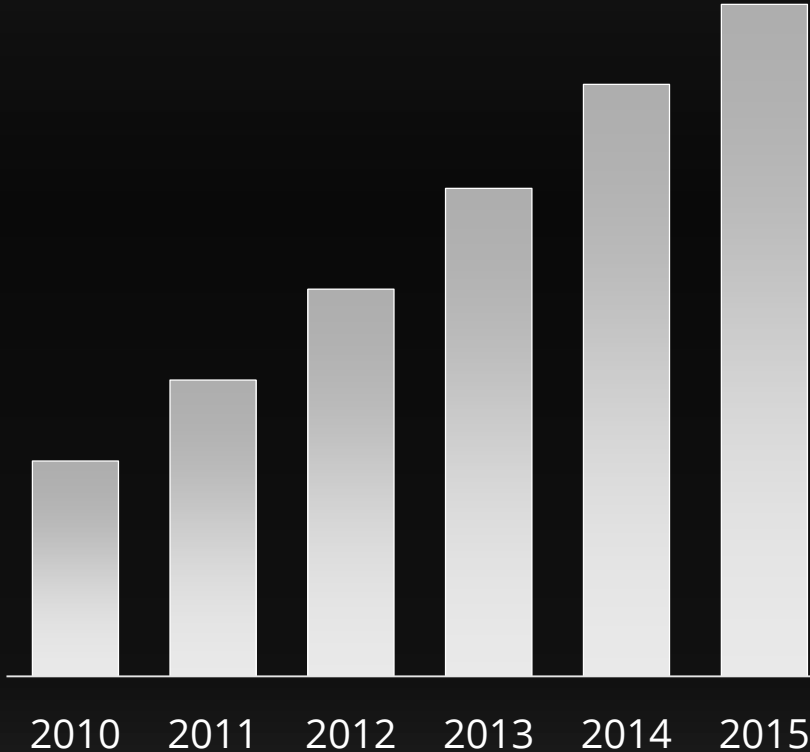
CPI +5%

CPI +30%

Operating profit growth impacted by performance of the UK market

+13%

to R 3 412m

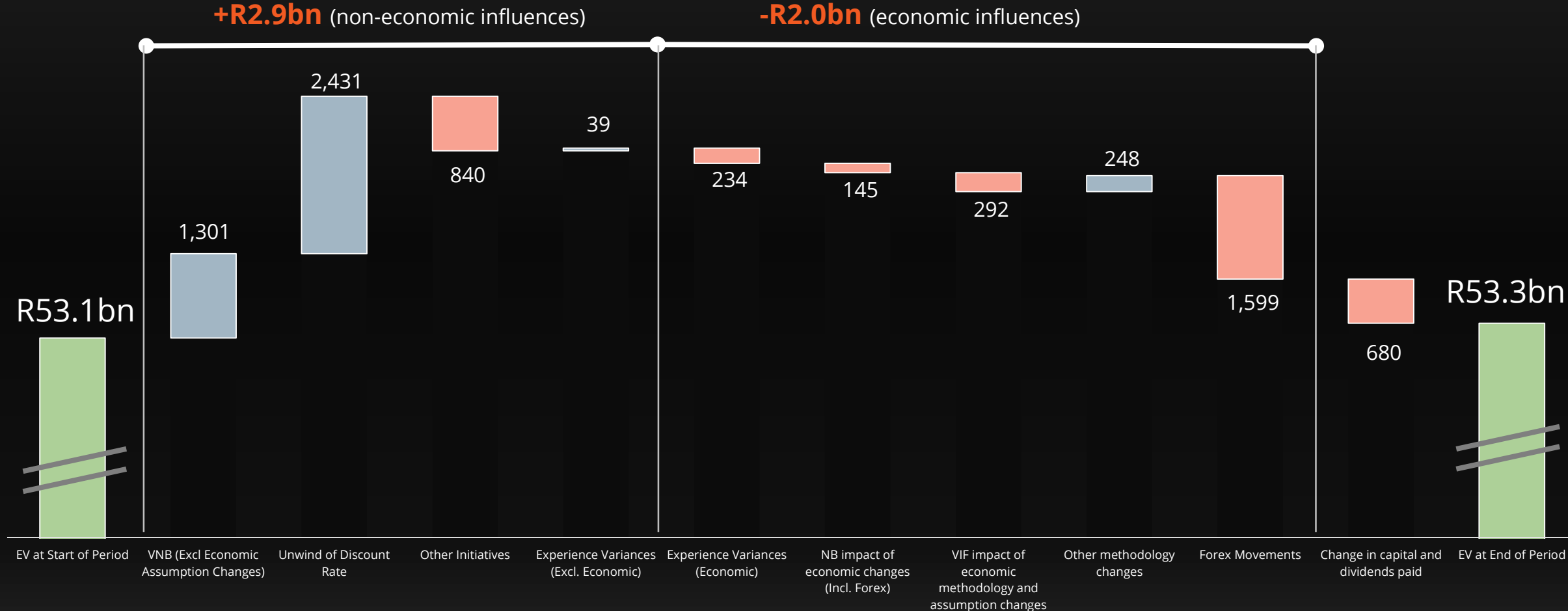


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+10% in GBP | **-8%** in ZAR

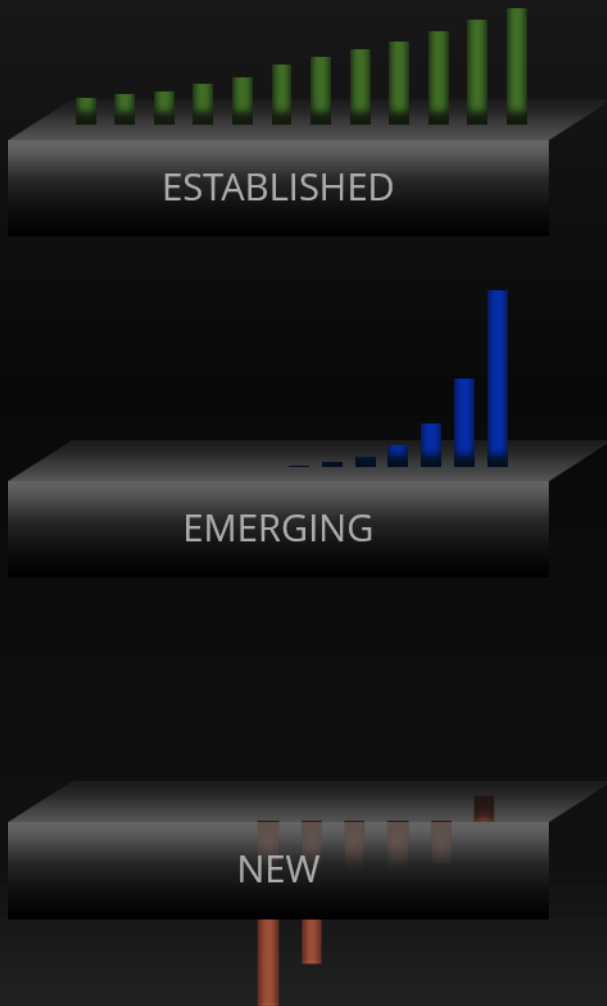
Group Embedded Value to R53.3bn dampened by economic headwinds

+0.4%



Discovery Capital Allocation Philosophy

Three pillars of capital



Solvency Capital

R6.3bn in dedicated capital

5 Year Capital Plan Projection

Individual business **ORSA** assessment including new business written

Solvency 1 in 200 year event

Discovery Health	Discovery Life	Discovery Invest
200%		
<i>VitalityHealth</i>	<i>VitalityLife</i>	Discovery Insure
140%	140%	154%

Allocated Capital

Dedicated capital for planned initiatives

5 Year Capital Plan Projection

Intent to enter Banking
Global Vitality Network
Discovery Connect
Etc.

Additional Buffer

R1bn – R2bn cash or near cash

Flexibility to pursue new initiatives, support adverse experience

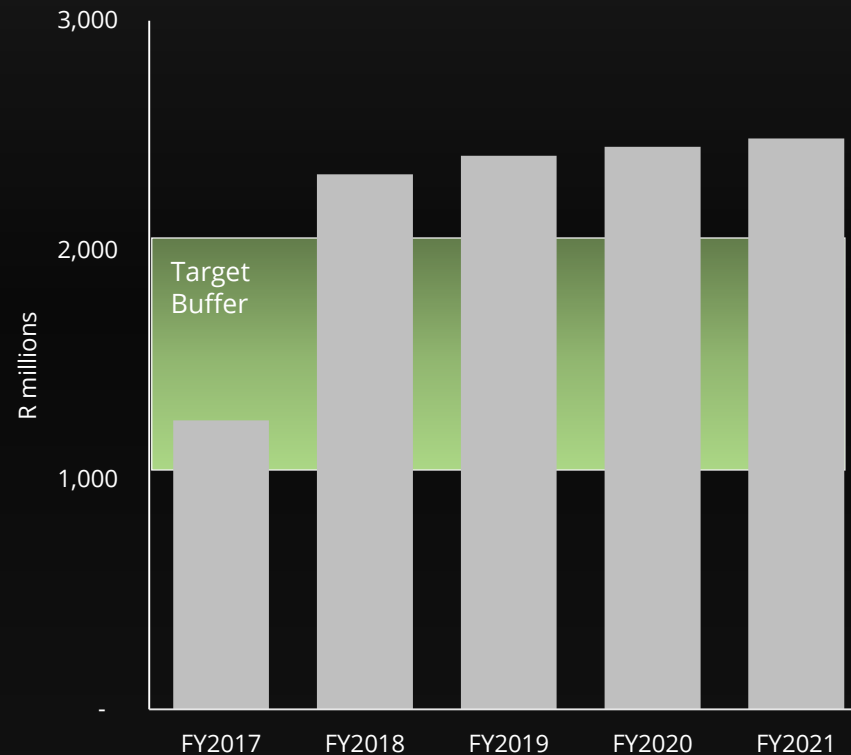
Subject to Financial Leverage Ratio cap of **28%**

Additional Buffer

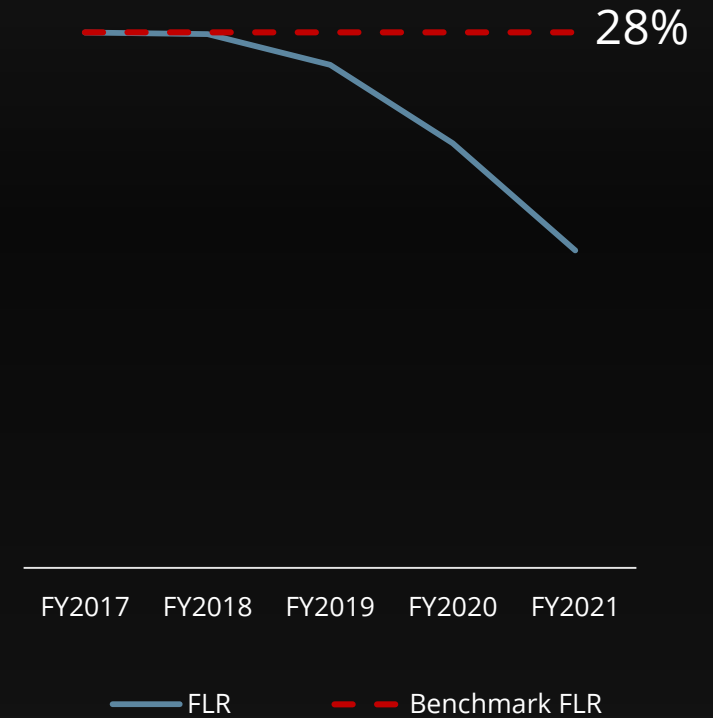
**R1bn – R2bn
cash or near
cash**

Flexibility to
pursue new
initiatives,
support adverse
experience

Projected Buffer for new initiatives



Financial Leverage Ratio



Normalised Headline Earnings distorted in short-term

Reconciliation of Normalised Profit from Operations to Normalised Headline Earnings

R million	H1 2017	H2 2016	Impact on normalised profit from operations
Normalised Profit from Operations	3,412	3,015	13%
Preference share dividends	(42)	(37)	0%
Investment income due to equity holders	62	163	-4%
Finance charges	(210)	(97)	-3%
Foreign exchange (losses)/gains	(17)	25	-1%
Taxation	(1,021)	(945)	-1%
Normalised Headline Earnings	2,184	2,124	3%
Diluted Normalised Headline Earnings Per Share	338.6c	331.9c	+2%

Factors that will ameliorate by financial year end

High interest earned on rights issue cash balance in previous year before investment

Finance cost from writing UK Life business on own licence

Timing differences in Discovery Card profit and interest payments

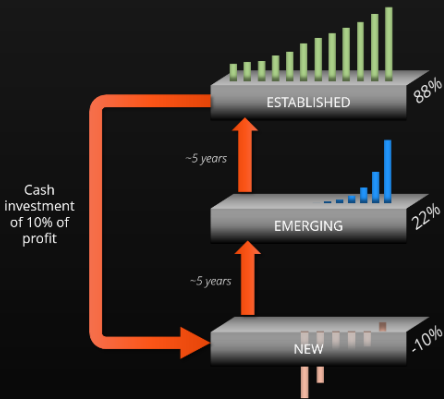
Dividend declaration of 88c per share (+3%) in line with company dividend policy

Tracking performance against Operating Model

Why & How



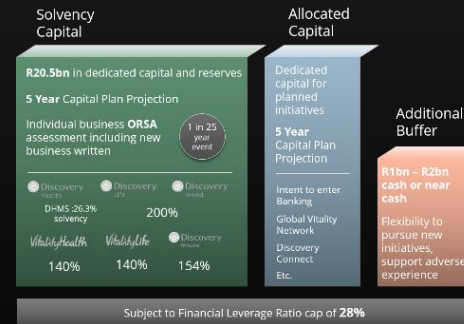
Growth Methodology



Achieving a sustainable group profit growth of

CPI + 10%

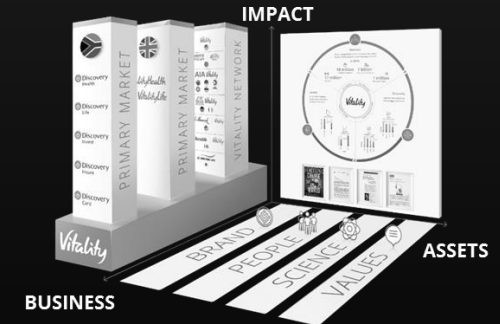
Capital Philosophy



Separation of Solvency Capital, new initiatives and buffer for unplanned events

Risk free + 10%

Ambition 2018


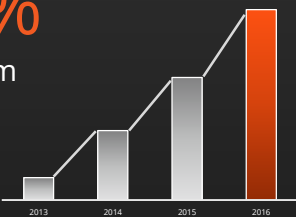
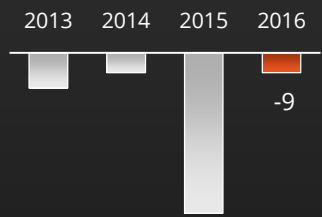

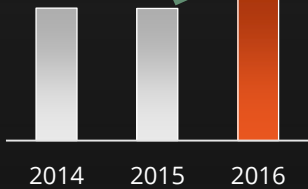


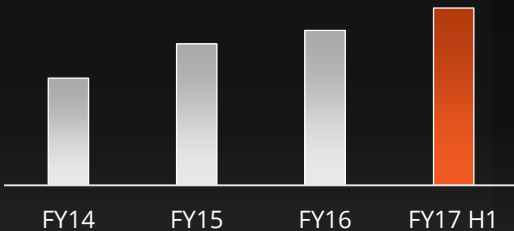
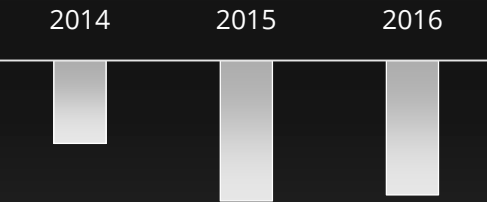


- ✓ Better than expected performance in established businesses (dampened by the impact of Brexit)
- ✓ Delayed profitability in emerging businesses

- ✓ Robust solvency cover for regulated entities
- ✓ Adequate and increasing buffer maintained

Emerging Businesses

Several new initiatives moving to emerging businesses, demonstrating the success of the growth engine

	New business	Operating profit	Progress
 <p>中国平安 PING AN HEALTH</p>	<p>+55% to R 1 169m</p> 	<p>Operating profit (Rm)</p> 	<p>Equity stake profitable</p> <ul style="list-style-type: none"> Leading specialist health insurer Extraordinary growth with an annualised 80% growth in API over 3 years Considerable blue-sky potential
 <p>Discovery Insure</p>	<p>+23% to R 495m</p> 	<p>Operating result (Rm)</p> 	<p>Profitable on a run-rate basis</p> <ul style="list-style-type: none"> Fastest-growing new insurer Over 160,000 vehicles Disruptive use of telematics and incentives to drive behaviour change
 <p>Vitality GROUP</p>	<p>Members* (Millions)</p> 	<p>Operating profit (Rm)</p> 	<p>On track to earn R300m-500m profit in the next 3 years</p> <ul style="list-style-type: none"> Strong membership growth 12 active markets Significant driver of new business and value for insurance partners

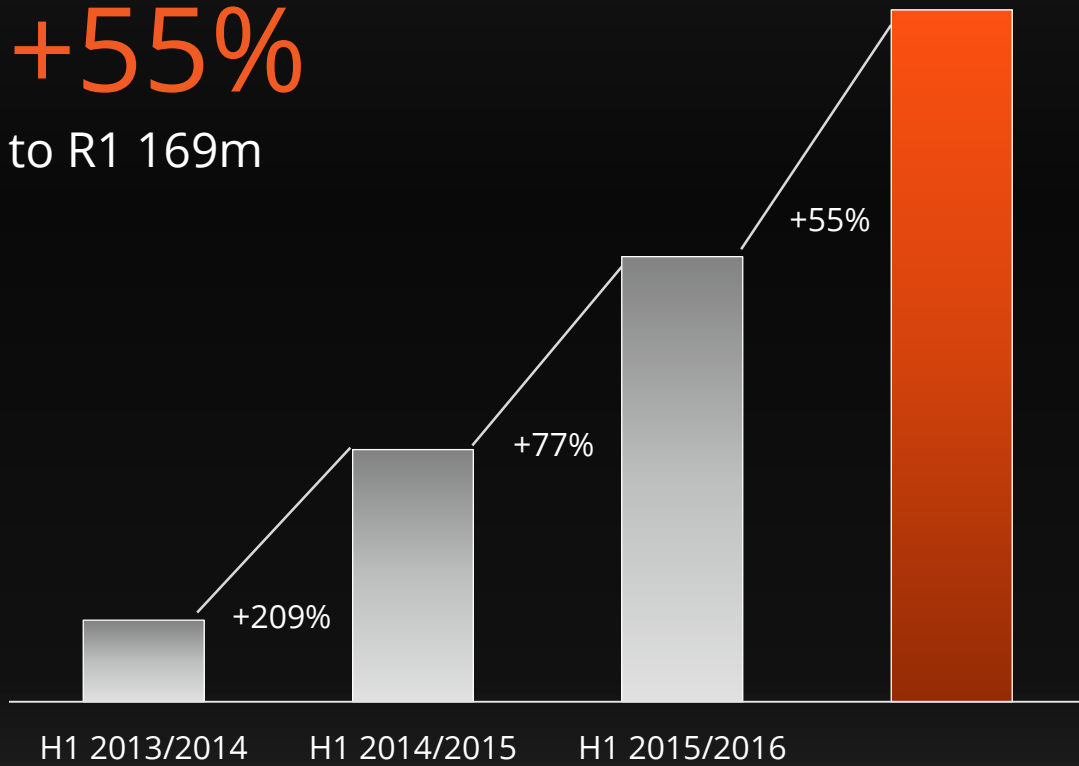
* Includes members on standalone Vitality Active Rewards programme

中国平安
PING AN
HEALTH

New business API (Rm)

+55%

to R1 169m



H1 2013/2014

H1 2014/2015

H1 2015/2016

+104% CAGR

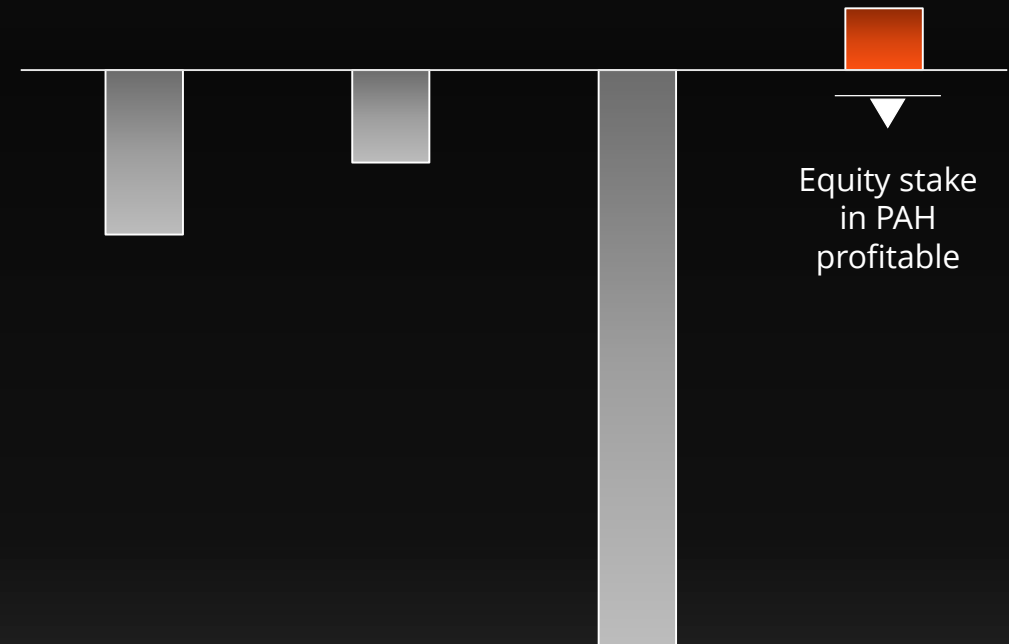
Operating result of equity stake (Rm)

H1 2013/2014

H1 2014/2015

H1 2015/2016

H1 2016/2017



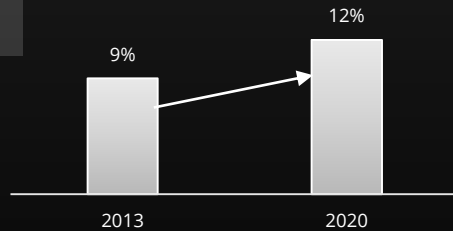
Equity stake
in PAH
profitable

Private health insurance in China expected to be a RMB1 trillion industry by 2020

Trends impacting demand

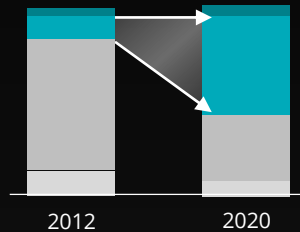
1. Aging population

% of population over 65



2. Rise of mass affluent market

51% of population mass affluent by 2020



3. Increasing disease prevalence

From 1990 to 2015:

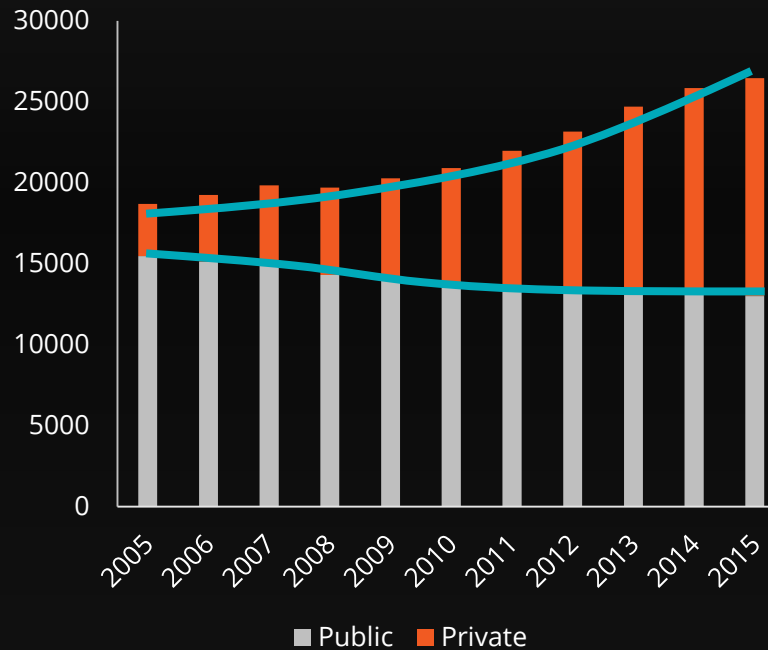
All NCDs	+21%
Heart Disease	+32%
Cancer	+39%
Diabetes	+71%

Highest prevalence of diabetes globally

4. 50% average co-pay on hospitalisation

Government and industry support

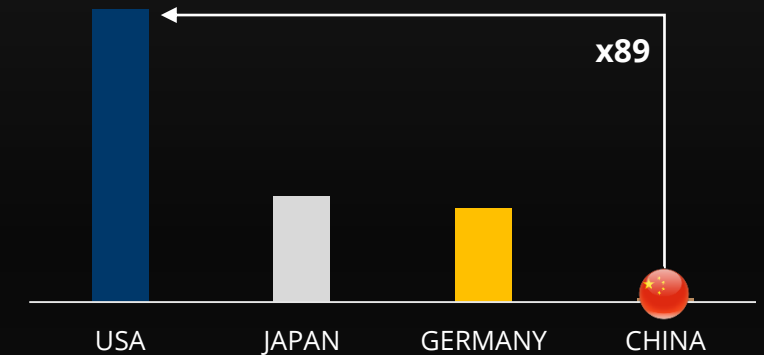
Number of private hospitals exceeds public hospitals



Specific government policies in place to support (1) Hospital co-operation with insurers; (2) Tax incentives; and (3) Value chain integration

Market is in its infancy

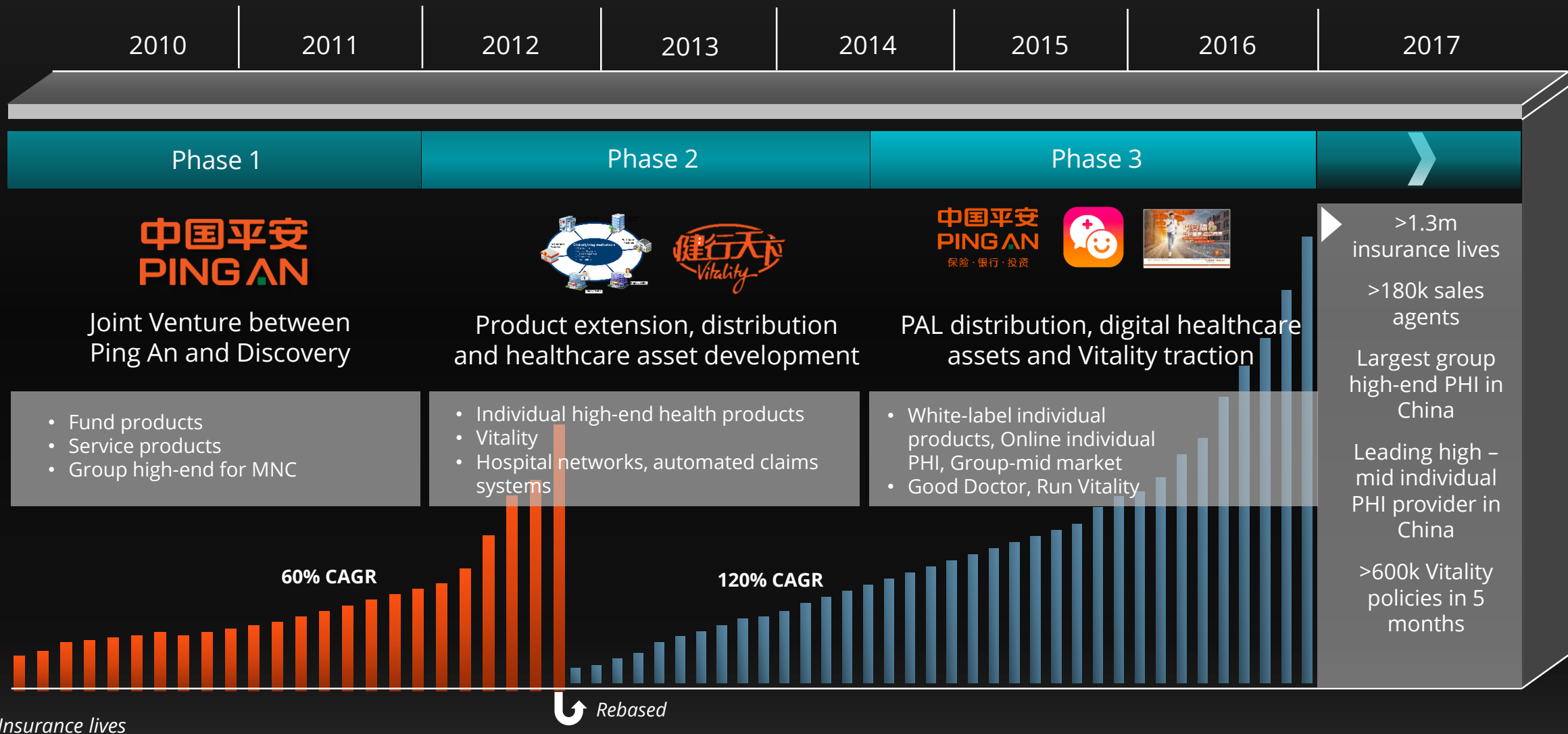
PHI premiums per Capita



PHI coverage of population



Three phases in the evolution of Ping An Health



Insurance lives

Rebased

Ping An Group healthcare ecosystem

Wanjia Clinics Company



> 10 000

Company set up to consolidate and develop the primary care clinics in China

Ping An Good Doctor



80m

Largest global e-health finance deal (\$500m) in 2016
80 million users

Ping An Health

平安健康
PING AN HEALTH

#1

Largest, leading Group high-end and individual PHI provider in China

SHI Company



220

SHI management company set up to administer SHI for over 220 cities in China

Health Cloud Company



>\$30mn

Investment in Health records and health data aggregation

1m Ping An Life Agents

20k Ping An P&C Agents

Ping An Annuity Agents

Ping An Bank

Lufax

Ping AN Puhui

Distribution Channels

Ping An Health performance



Leading PHI writer in China

Group High End

Group Mid Market

Individual Health Insurance

> 1m RMB API in online sales a day



Sophisticated infrastructure

Risk management

Provider Networks

Automated claims

Run Vitality

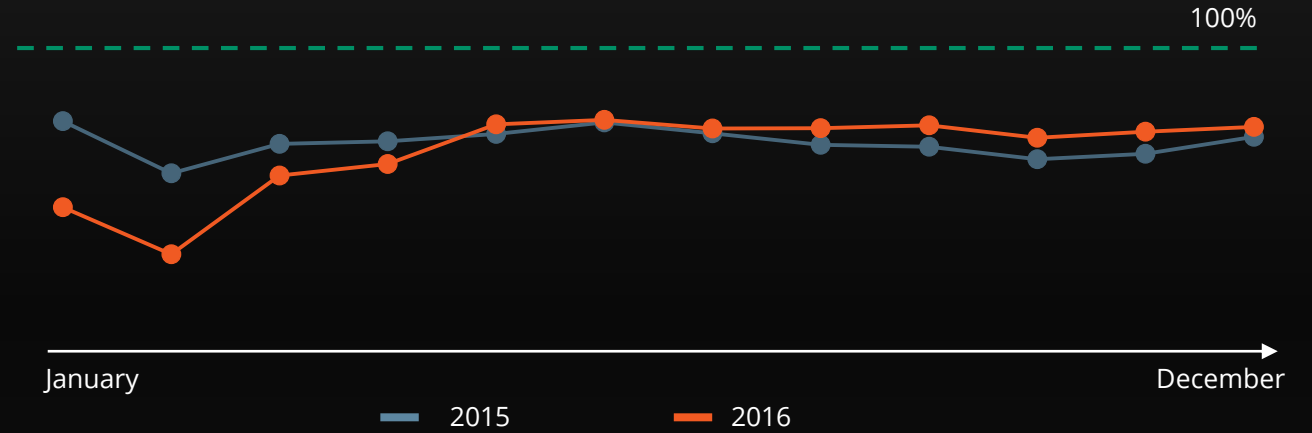


Quality fundamentals

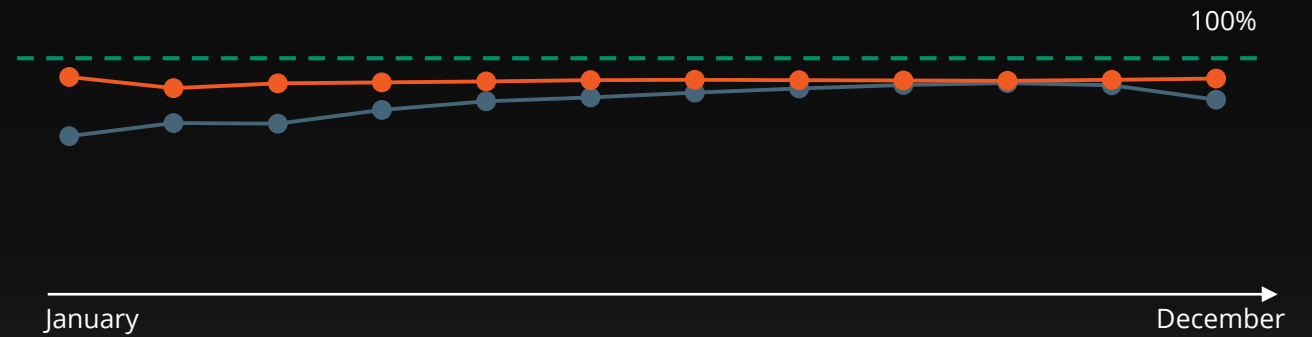


Actuarial dynamics

Loss ratio (Group business)



Retention rates



Ping An Health is gearing up for strong growth

Growth strategy for PAH



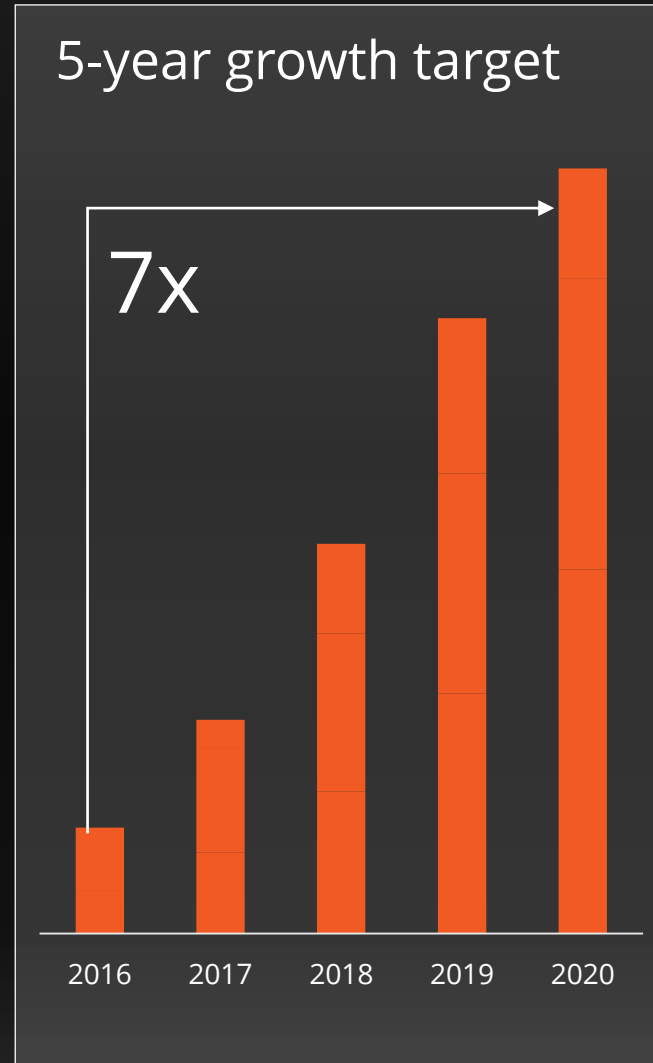
Expand distribution footprint

180k to 1m agent potential



Broadening online sales capability

Current run rate of
> RMB 1m a day with
massive upside



Support required

1. Boost balance sheet (A- rating)
2. Fund new business strain
3. Sales platforms and support



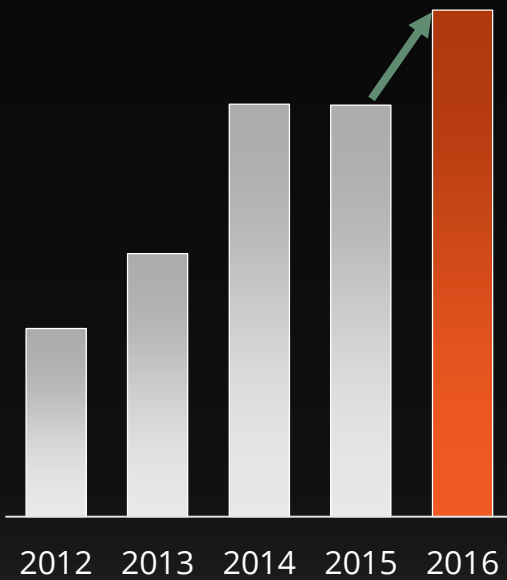
Discovery
Insure

New business growth

+23%

to R495m

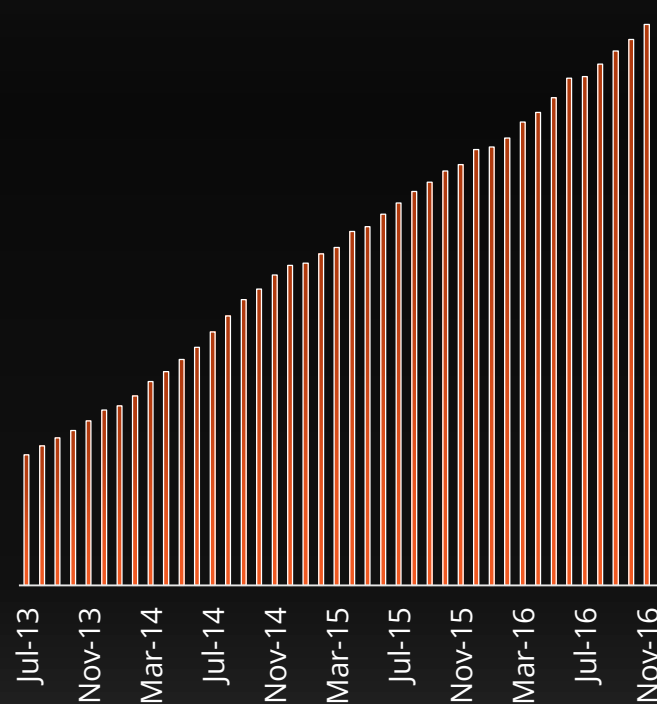
New business API (Rm)



Gross Written Premium

+33%

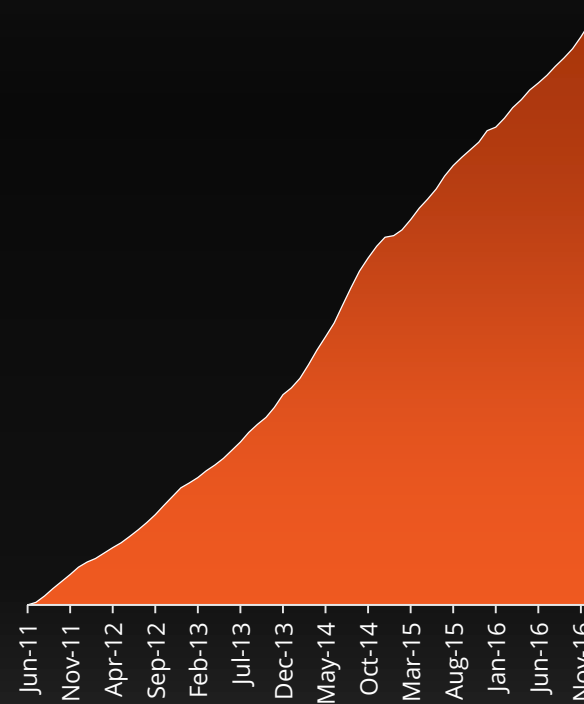
to over R997m



Vehicles covered

+22%

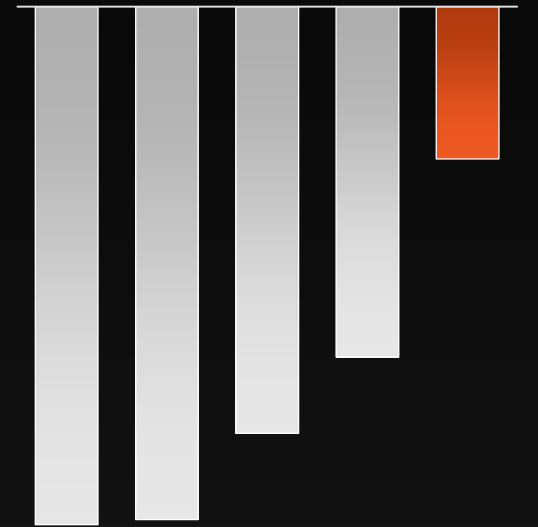
over 160 000



Turning loss signature

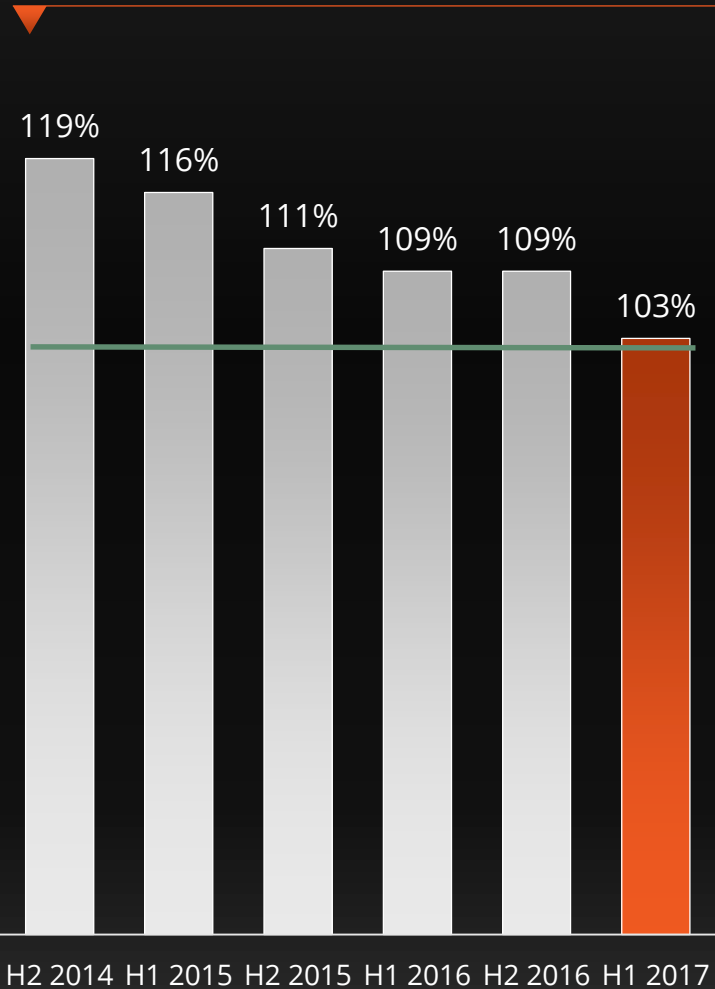
Operating result (Rm)

2012 2013 2014 2015 2016

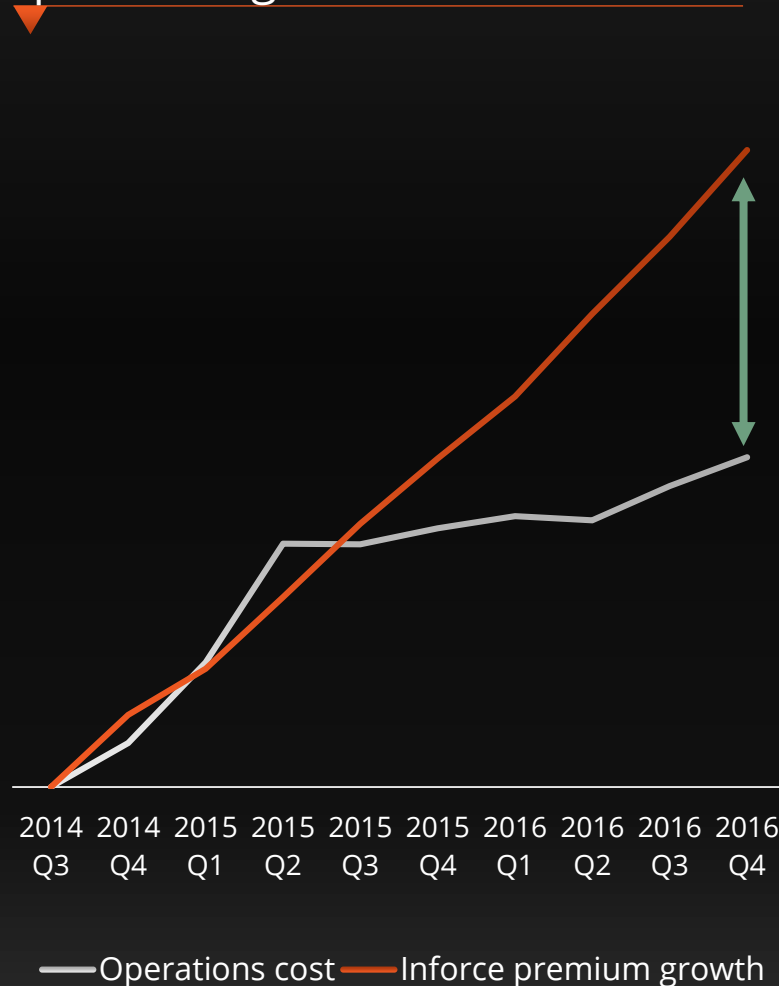


Efficiencies emerging with duration effect impacted by a high growth rate

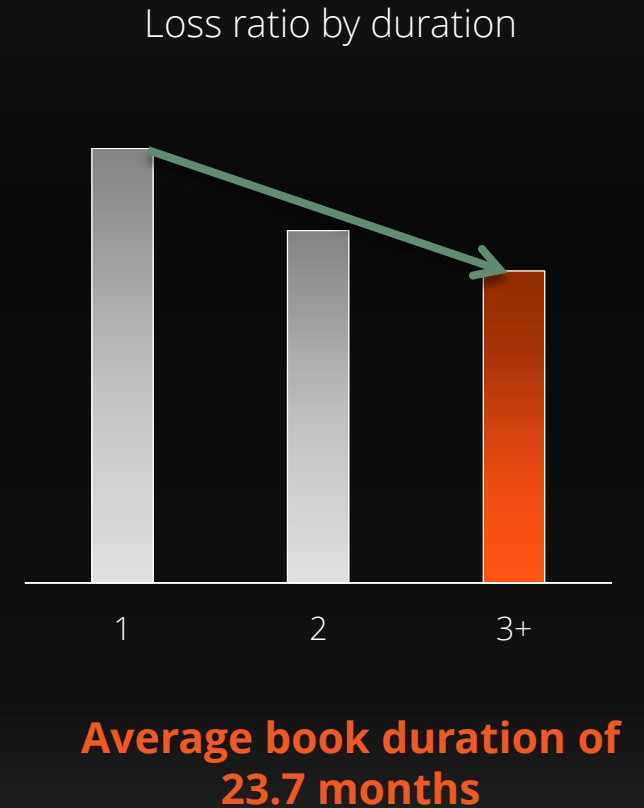
Combined ratio



Operating cost versus premium growth

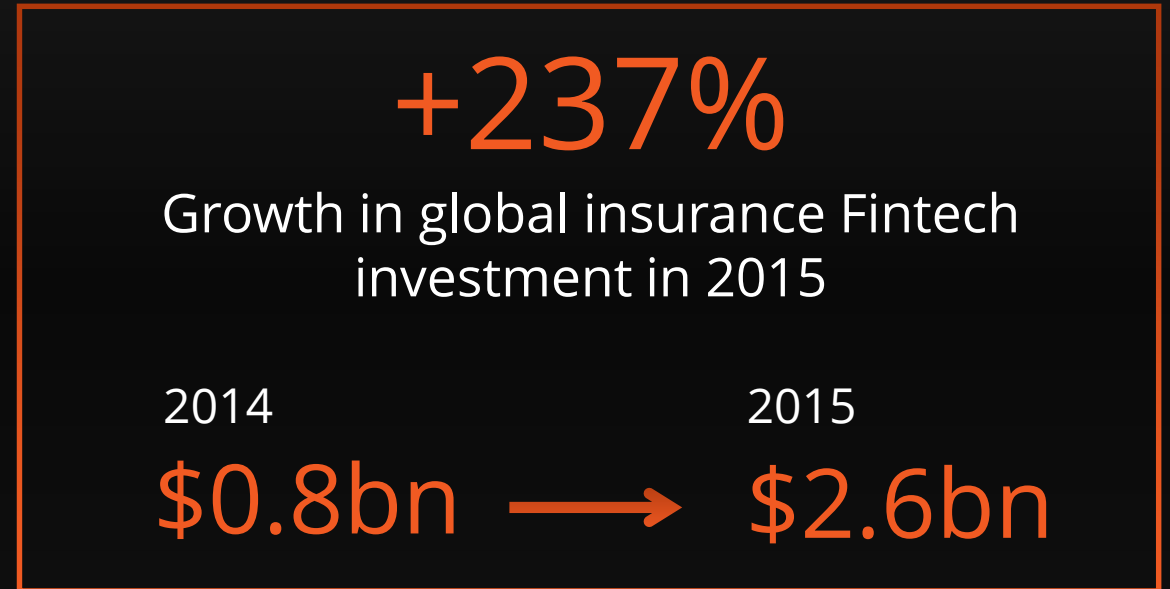
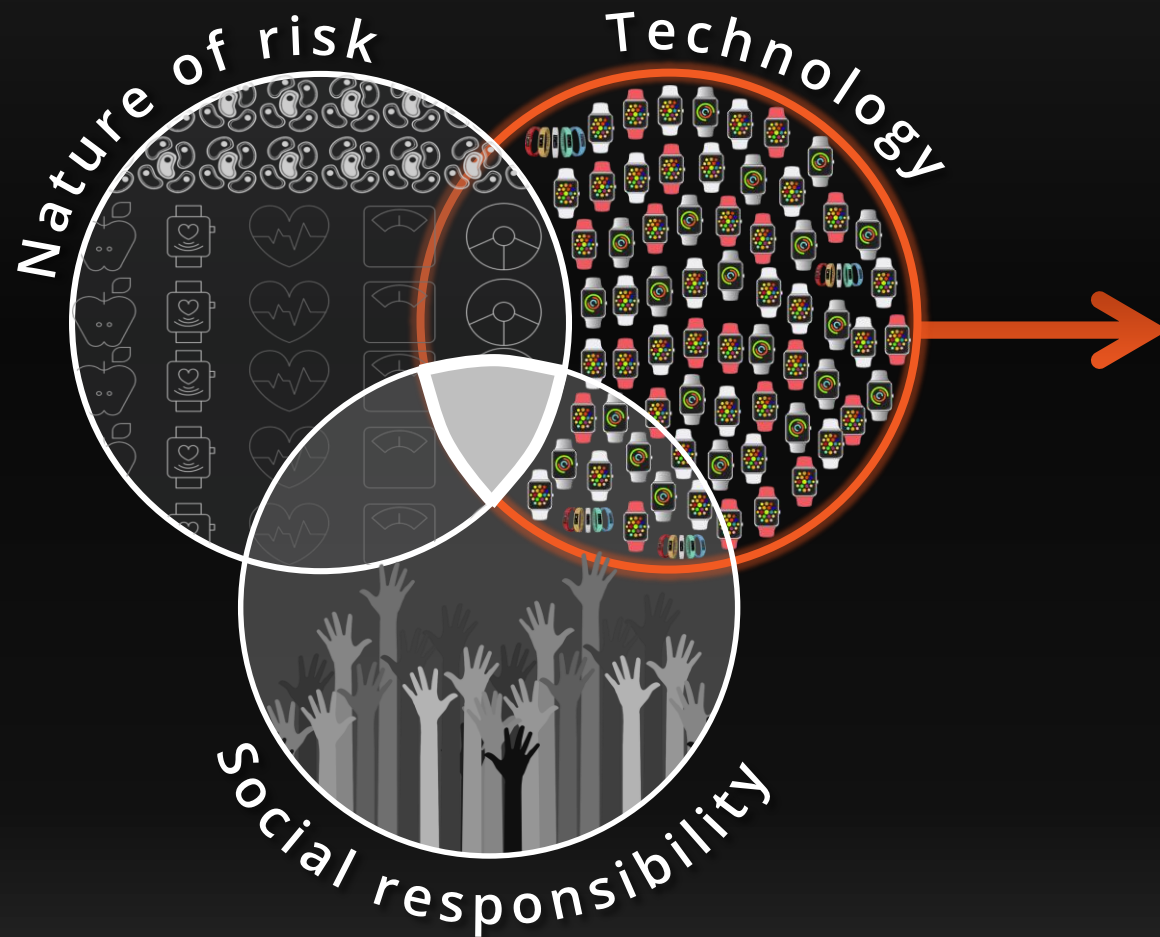


Durational impact



The world of vehicle insurance is shifting towards an increasingly digitised, FinTech environment

Trends impacting insurance companies



Drivers of competitive advantage

Extensive data capabilities

Over **5.4 billion km** of data

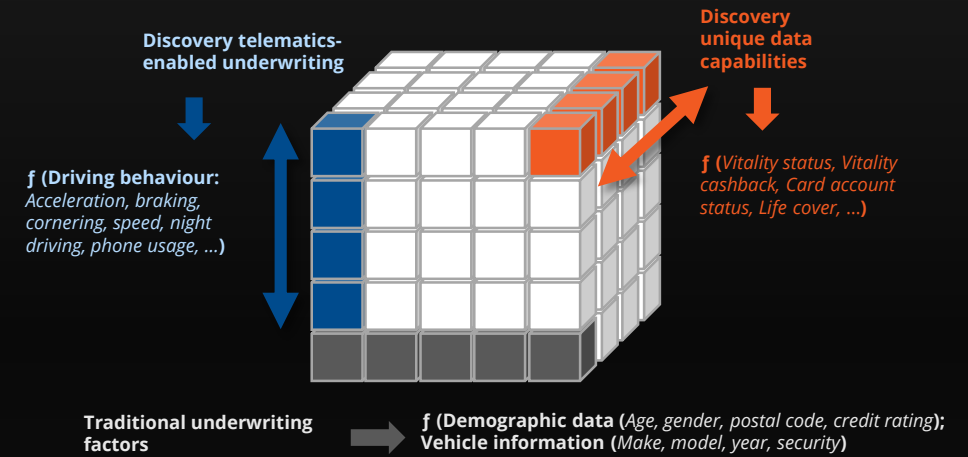
Data sent **15 times per second**

 Acceleration	 Distance	 Age
 Braking	 Location	 Gender
 Cornering	 Time	 Car type
 Speeding	 Cellphone usage	

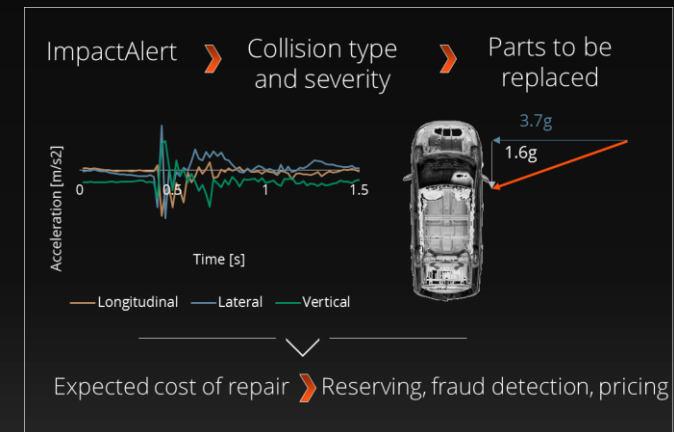
Powerful analytics

Examples of analytics applications

1. Added dimension of pricing

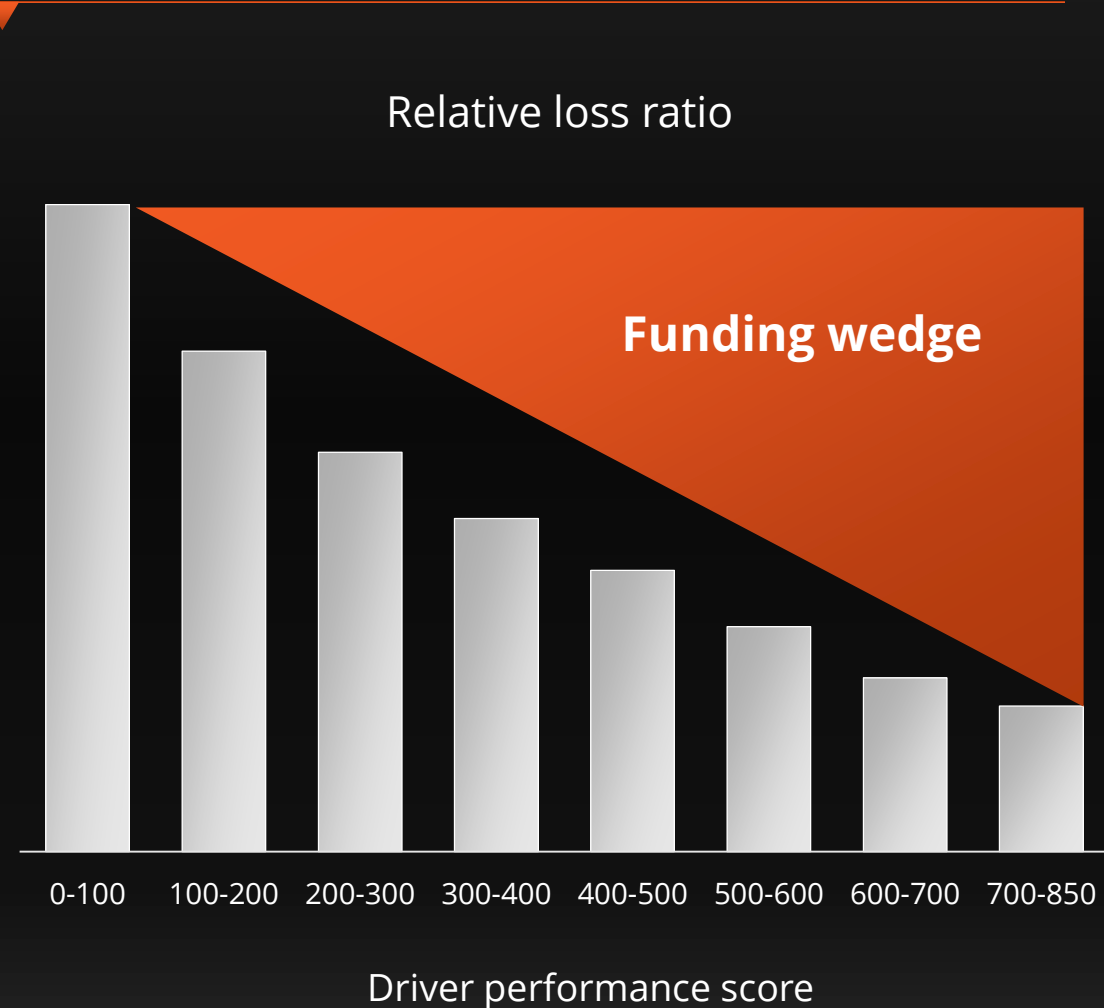


2. Accident reconstruction



Drivers of competitive advantage: product and pricing allowing the selection and retention of risks

Funding Wedge



The Dynamic Plan

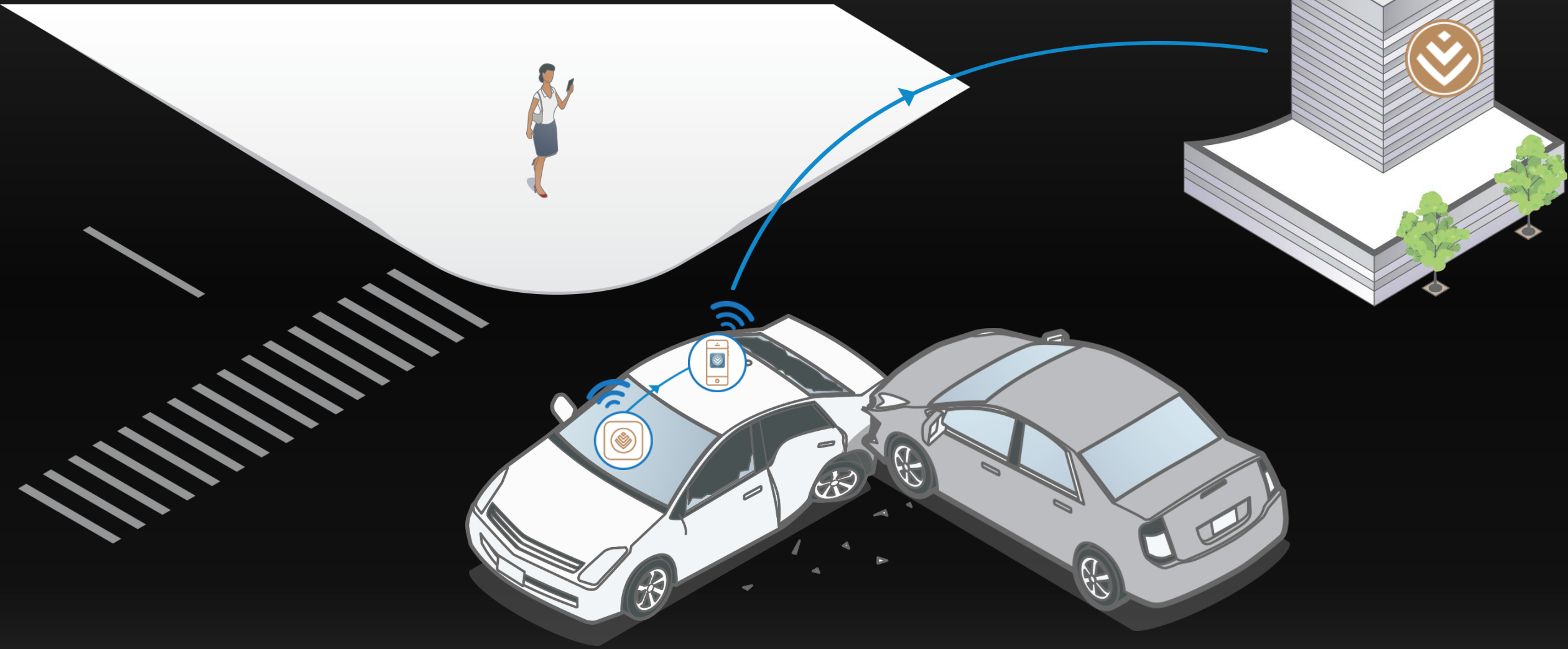
Driver behaviour price



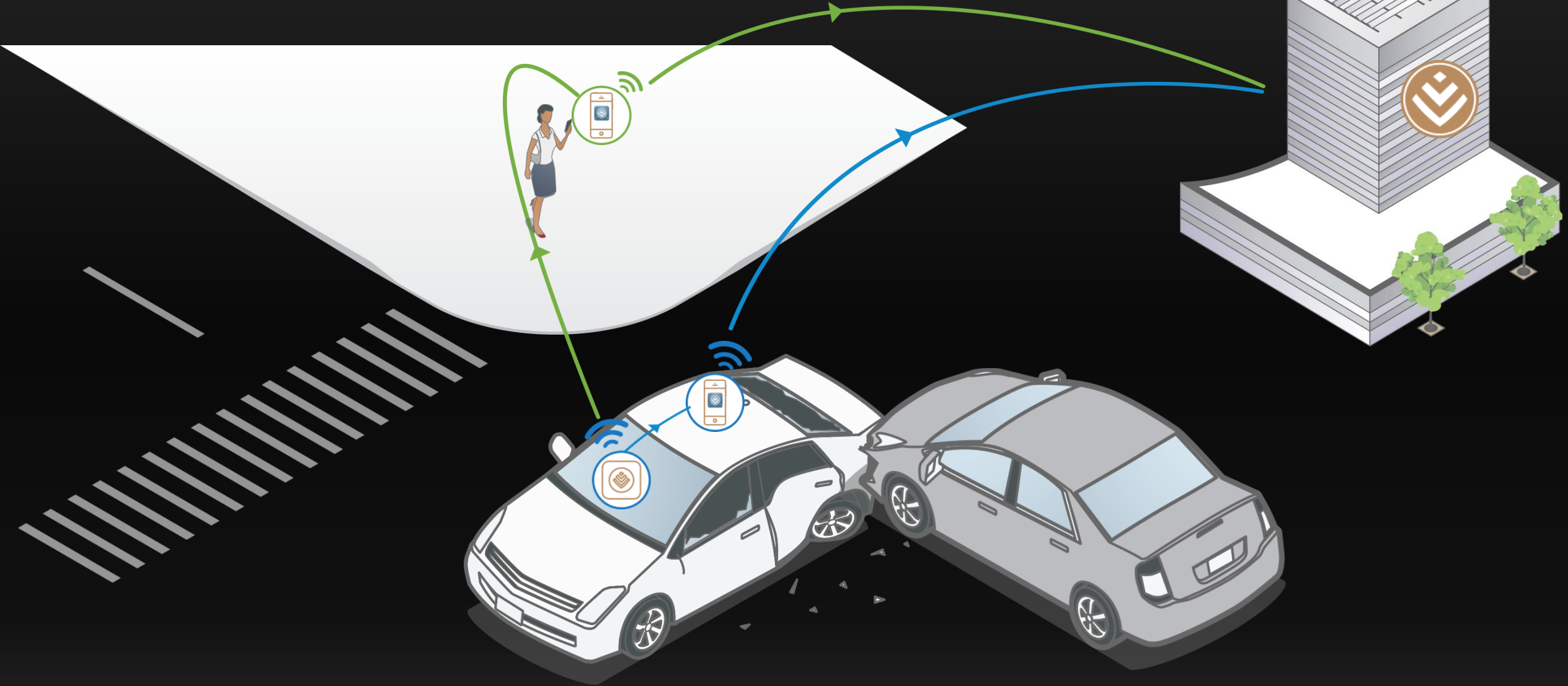
Disruptive use of technology ensuring a fully digital customer journey



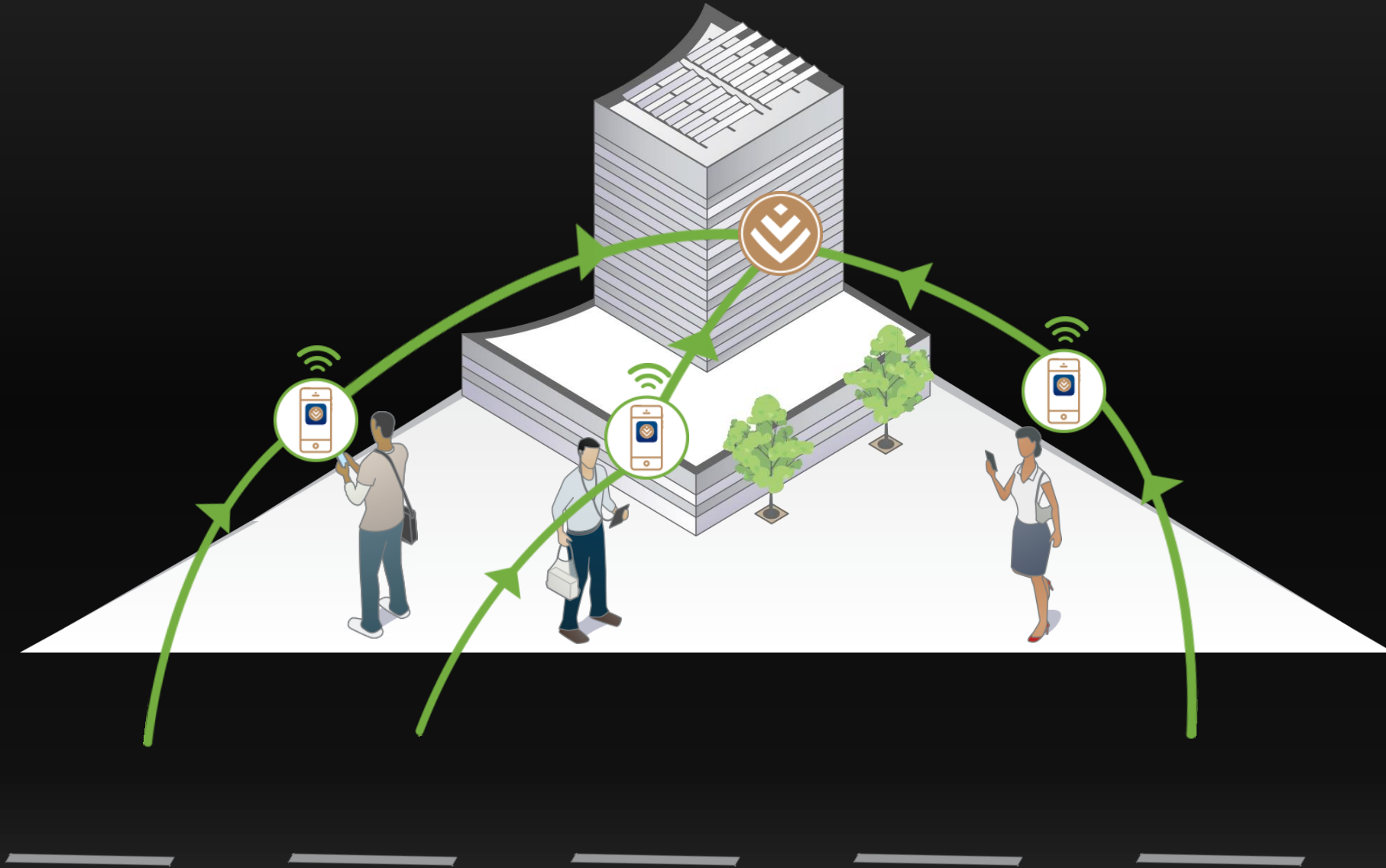
ImpactAlert



CrowdSearch - Second layer of safety



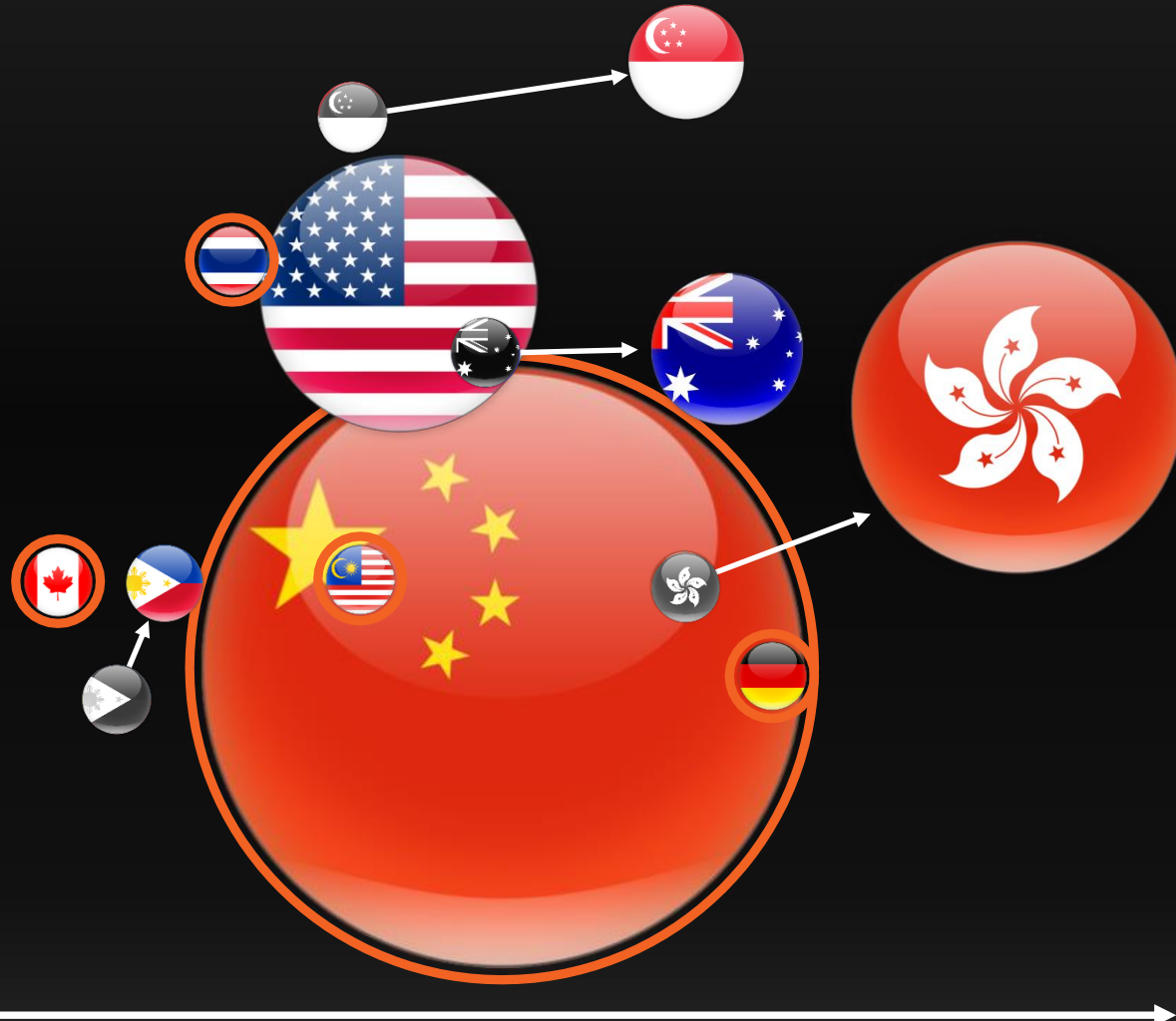
CrowdSearch - Second layer of security



Vitality
GROUP

2015

Number of integrated products



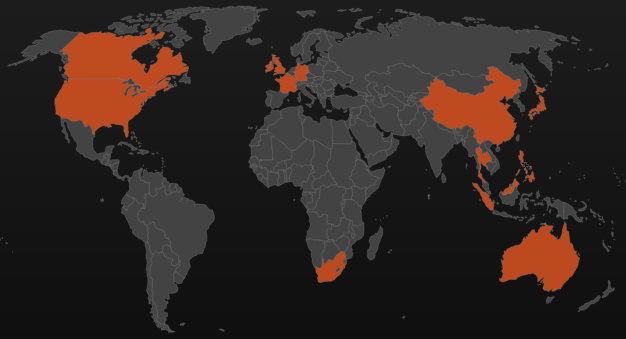
Vitality penetration rate







1. YOY Business revenue growth of 196%
2. Integrated insurance premium increase of 178% to R1.3bn
3. Expected to deliver R300m – R500m in profit in next 3-5 years



New market launched in 2016

Tremendous success of Vitality Active Rewards



	Vitality Active Rewards Members 	Engagement 	Rewards Earned 
	Over 650k in less than 5 months	Over 16m activities completed	Over 0.6m coffees and healthy meals
	300k unique members	19m physical activity events logged	Over 3.6m coffees/smoothie vouchers given
	150k unique members	8-fold increase in engagement	Over 2.5m coffees awarded

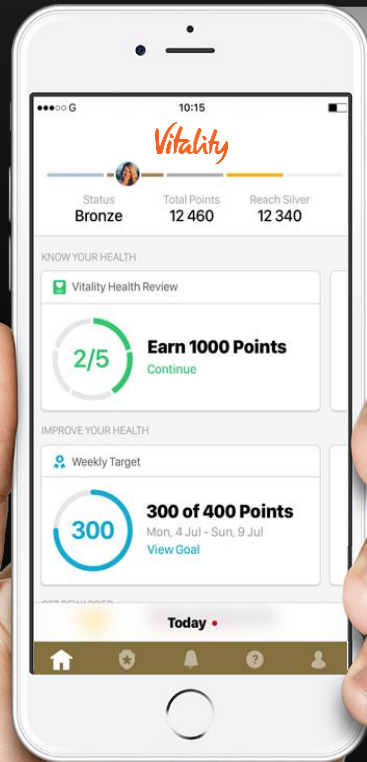
Launched in the US, Hong Kong and Australia

25% increase in physical activity

30% lower lapses and claims experience for engaged members

Vitality Active – strategic partnership between Vitality and Hannover Re

A cloud-hosted Vitality solution, with a lower cost of entry and a quicker time to market



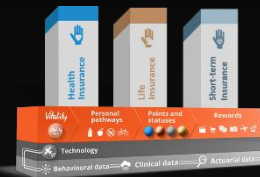
Vitality™

&

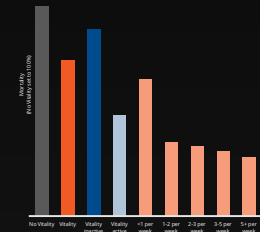
hannover re®



Active Rewards Module



Wellness integrated insurance



35m life years of behavioural data and expertise

3rd Largest reinsurer in the world

150 countries

5 000 clients

Development and Support: Product/pricing support and automated underwriting solutions

Preferential reinsurance terms: Reinsurance premium discounts to insurers based on their members' Vitality status

NEW Network Assets 2017



Incentive Member	Chassis and partners	Apple	THRIVE GLOBAL	VITALITY AGE 2.0	New			
Δ Behaviour Incentive	Programmes	VITALITY ACTIVE REWARDS	SMOKING CESSATION	MENTAL WELLBEING	WEIGHTLOSS	VITALITY FOR SENIORS	New	
Bent (qx) Δ Behaviour	Data and IP	GLOBAL VITALITY NETWORK	CMLE		New			
Value Bent (qx)	Products	15:5:2 DYNAMIC PRICING	VITALITY UNDERWRITING	UNIT LINKED DYNAMIC PRICING	COVER BOOST	FUND BOOST	VITALITY FUND	New
Global brand	FT	HEALTHIEST WORKPLACE	AMBASSADORS				New	



10m+ life years



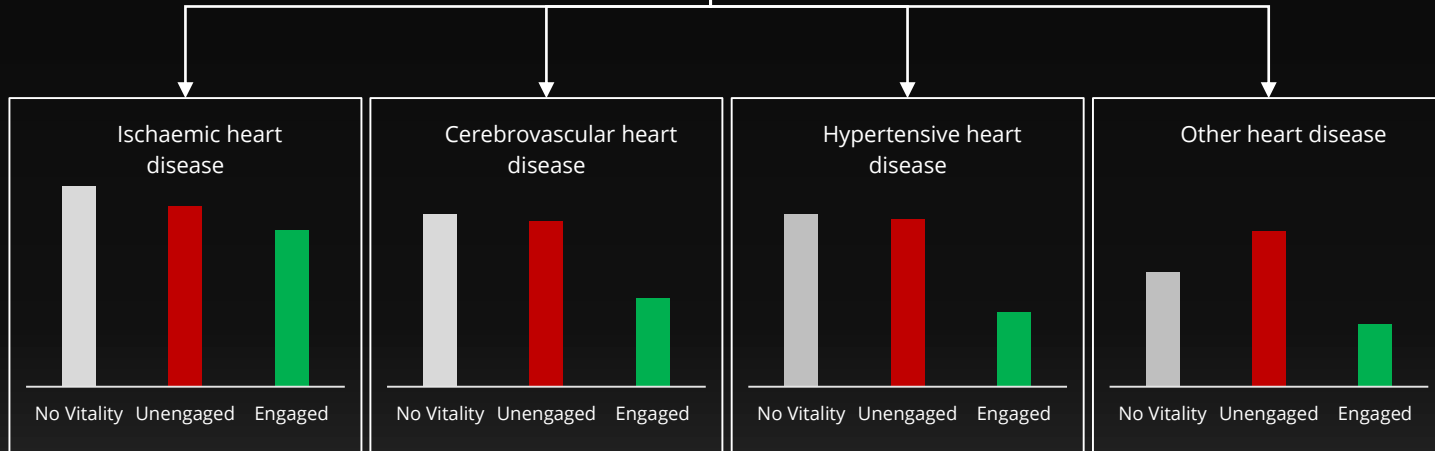
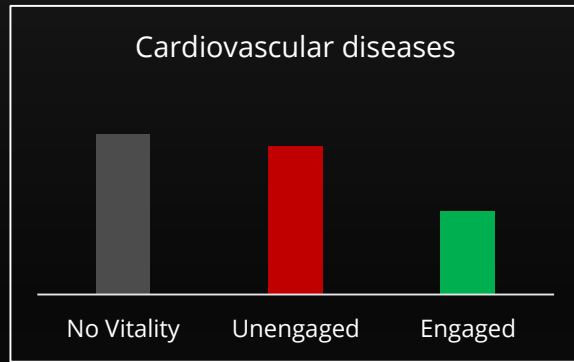
44.5k deaths

Granular view of Vitality impact

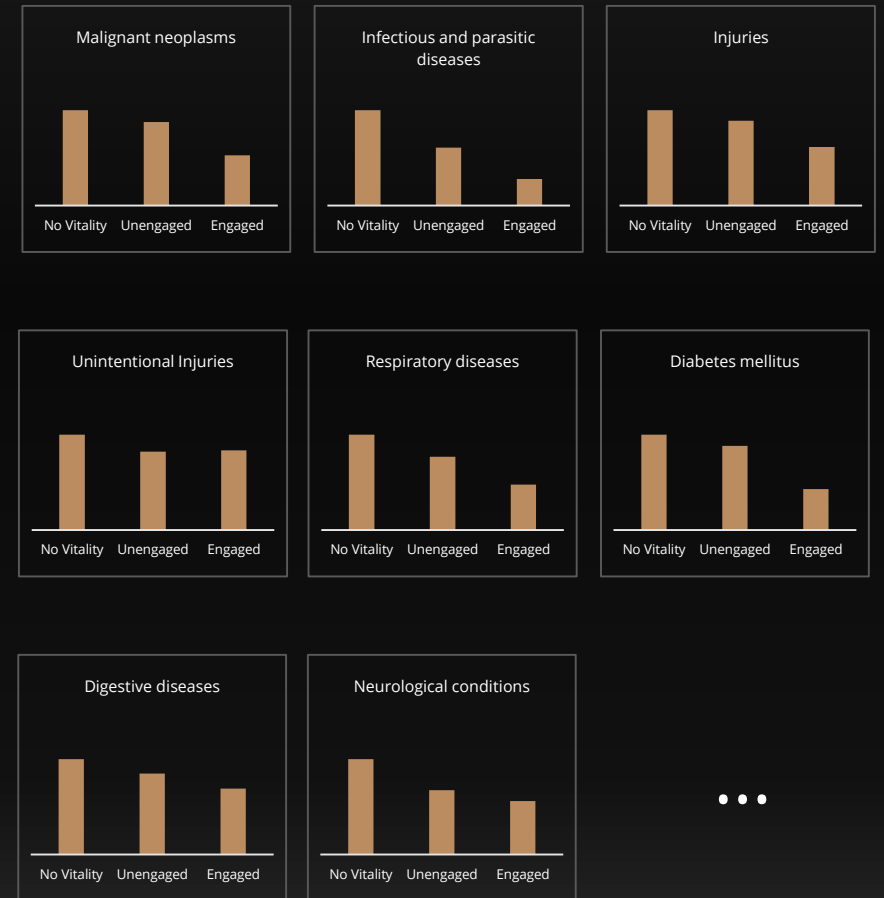
Jan 2012 – Mar 2015; family status; 3 year lag in status

Standardised for Age, Gender, SE Class, Initial RUB; Rebased to Non-Vitality

By disease:



Extensive list of diseases analysed

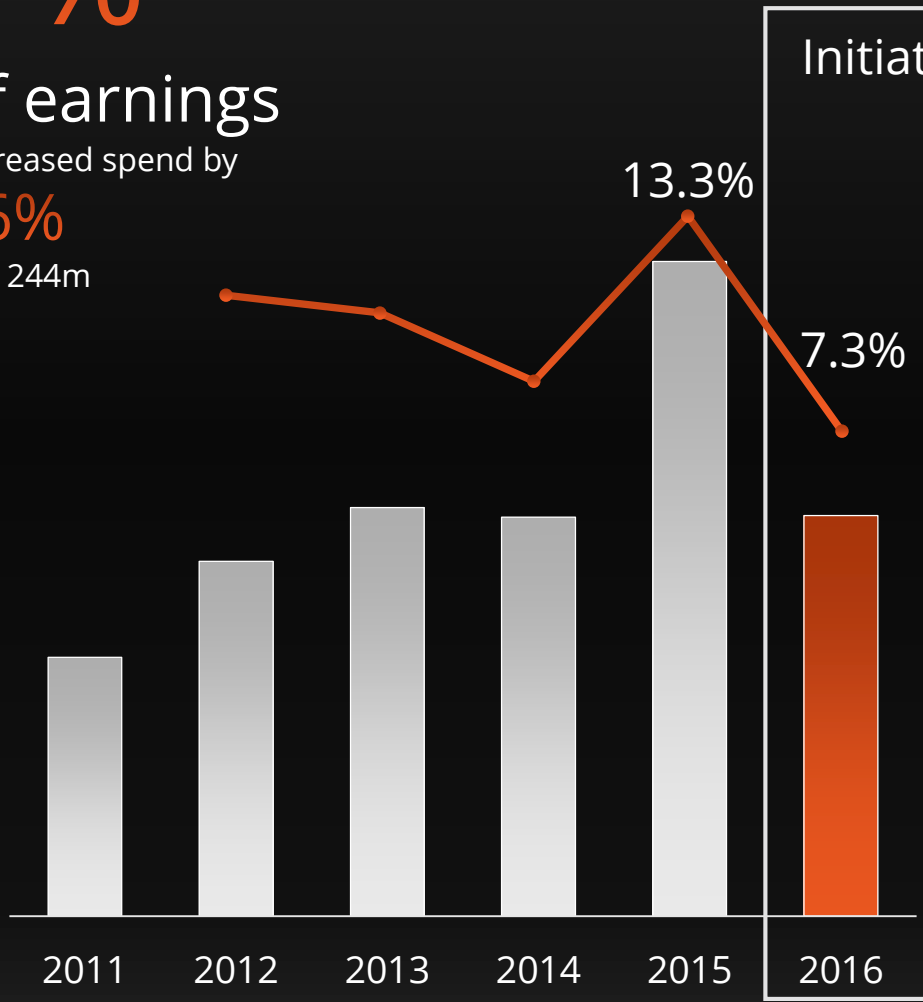


New Initiatives





Investment in new initiatives



7%
of earnings
decreased spend by
36%
to R 244m



Initiatives in the pipeline

Intent to enter banking	<p>Authorisation from the Registrar of Banks to establish a banking presence</p>  <ul style="list-style-type: none"> Gap in the market for investment products designed to support people in leading a healthy life for longer Opportunity to disrupt using Vitality Shared-Value Insurance Model
UK invest initiative	
Commercial Insurance	 <ul style="list-style-type: none"> Commercial insurance makes up 35% of total SA Gross Written Premium Opportunity to disrupt using successful behaviour-based model
Umbrella Fund	 <ul style="list-style-type: none"> Successful use of the Vitality Shared-Value Insurance Model in the retirement industry Increased market share in retirement space Platform to extend retirement offering
GVN	 <ul style="list-style-type: none"> Centralised Global Vitality Network of leading international insurers

Adjacent expansion into the UK investment market



Characteristics of the UK savings market

£162bn

Net retail flow in 2015

1 life year added every 5 years

People are living longer and interest rates are low, putting pressure on savings



Strong incentives for saving and consolidation of pension pots - with tax incentives on contributions, growth and withdrawals

Composite model for investments built on the same chassis



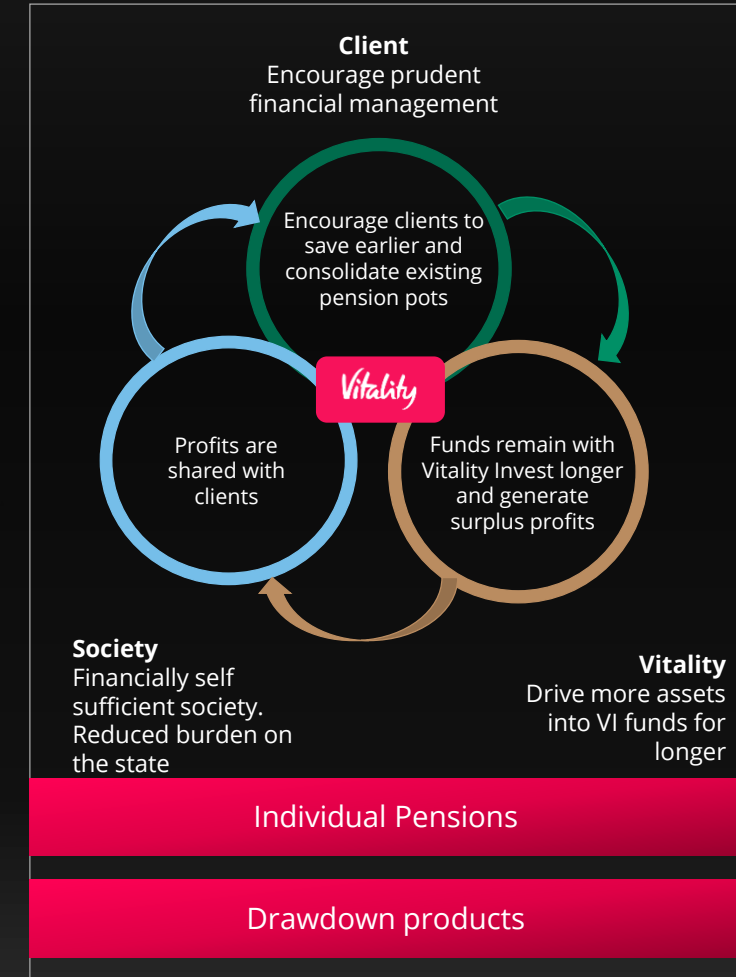
~1m clients

65% of Vitality penetration in VitalityLife


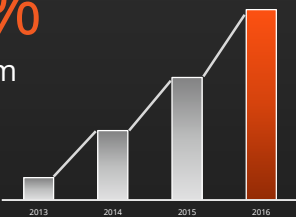
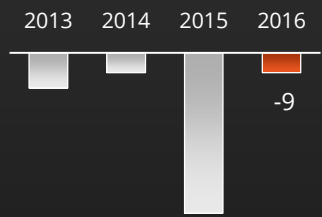

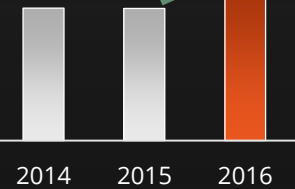


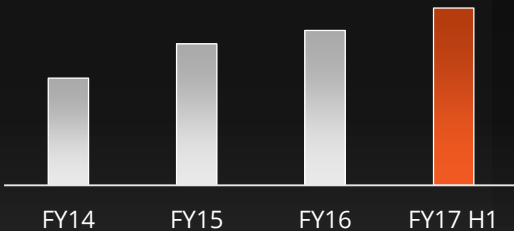
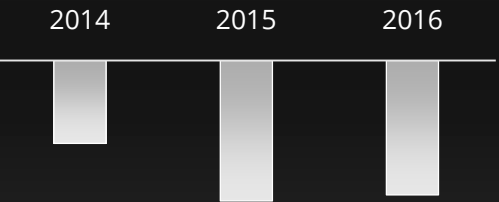


60% overlap with investment advisers through our existing face to face distribution footprint

Vitality Shared-Value Model



Several new initiatives moving to emerging businesses, demonstrating the success of the growth engine

	New business	Operating profit	Progress
 <p>中国平安 PING AN HEALTH</p>	<p>+55% to R 1 169m</p> 	<p>Operating profit (Rm)</p> 	<p>Equity stake profitable</p> <ul style="list-style-type: none"> Leading specialist health insurer Extraordinary growth with an annualised 80% growth in API over 3 years Considerable blue-sky potential
 <p>Discovery Insure</p>	<p>+23% to R 495m</p> 	<p>Operating result (Rm)</p> 	<p>Profitable on a run-rate basis</p> <ul style="list-style-type: none"> Fastest-growing new insurer Over 160,000 vehicles Disruptive use of telematics and incentives to drive behaviour change
 <p>Vitality GROUP</p>	<p>Members* (Millions)</p> 	<p>Operating profit (Rm)</p> 	<p>On track to earn R300m-500m profit in the next 3 years</p> <ul style="list-style-type: none"> Strong membership growth 12 active markets Significant driver of new business and value for insurance partners

* Includes members on standalone Vitality Active Rewards programme

Established Businesses



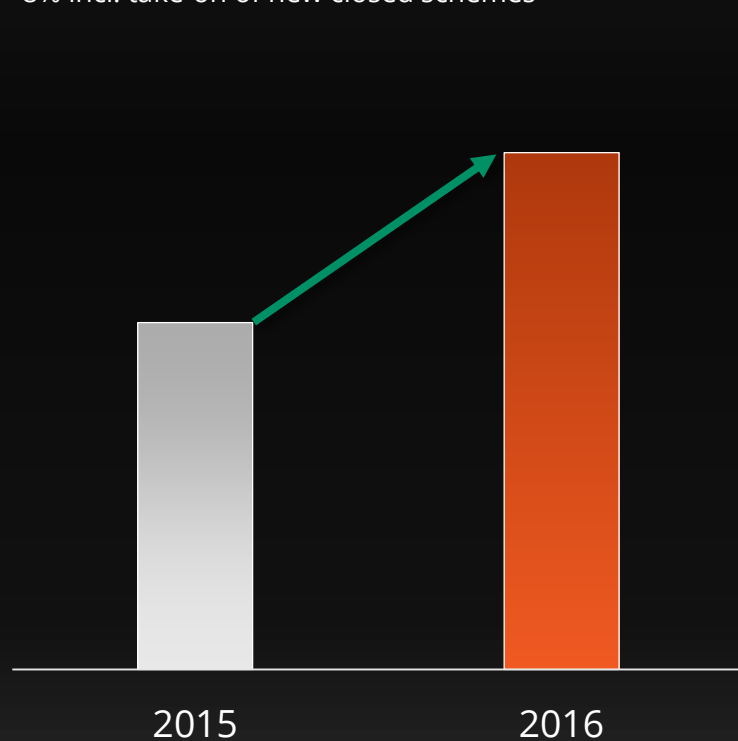
Discovery
Health

Discovery Health - Sustained excellent performance

New business API (Rm)

+20%

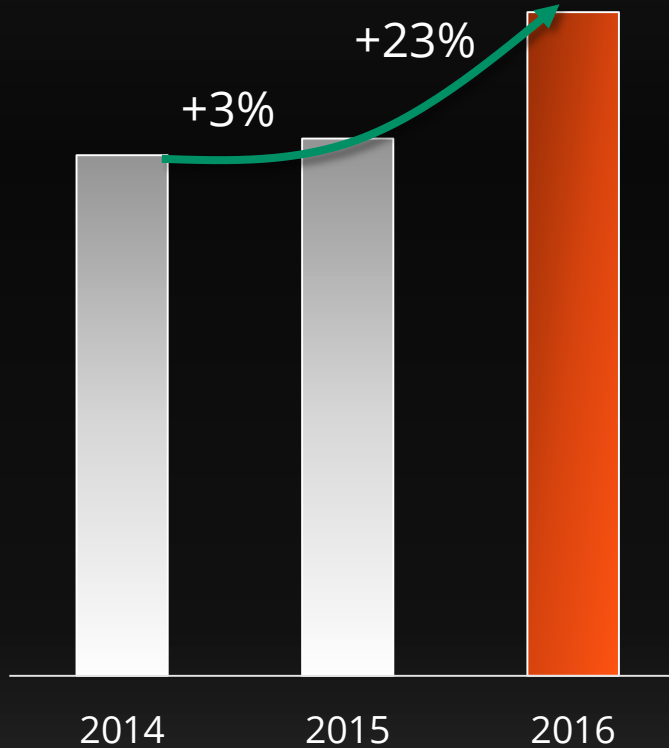
to R3 030m excl. take-on of new schemes
-8% incl. take-on of new closed schemes



Type 1 new business API (Rm)

+23%

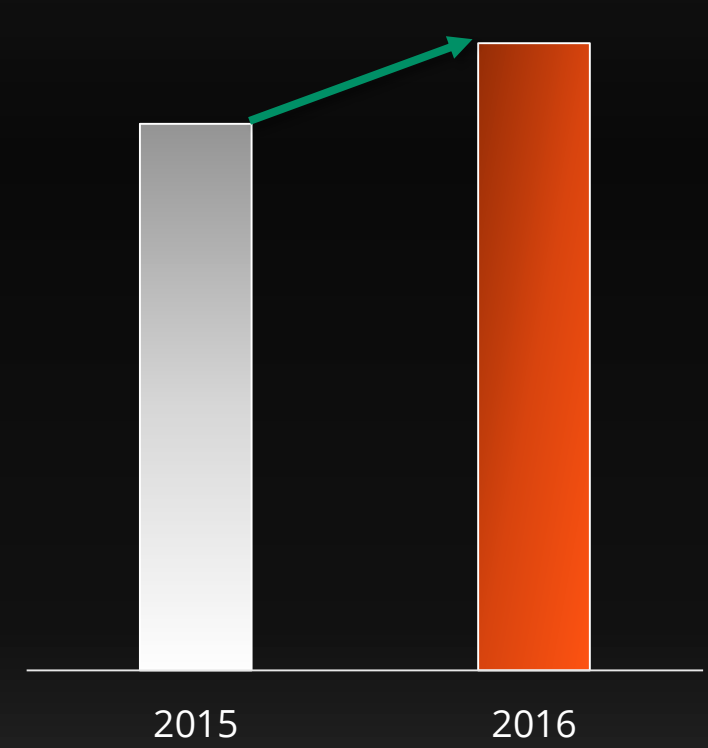
to R1 211m



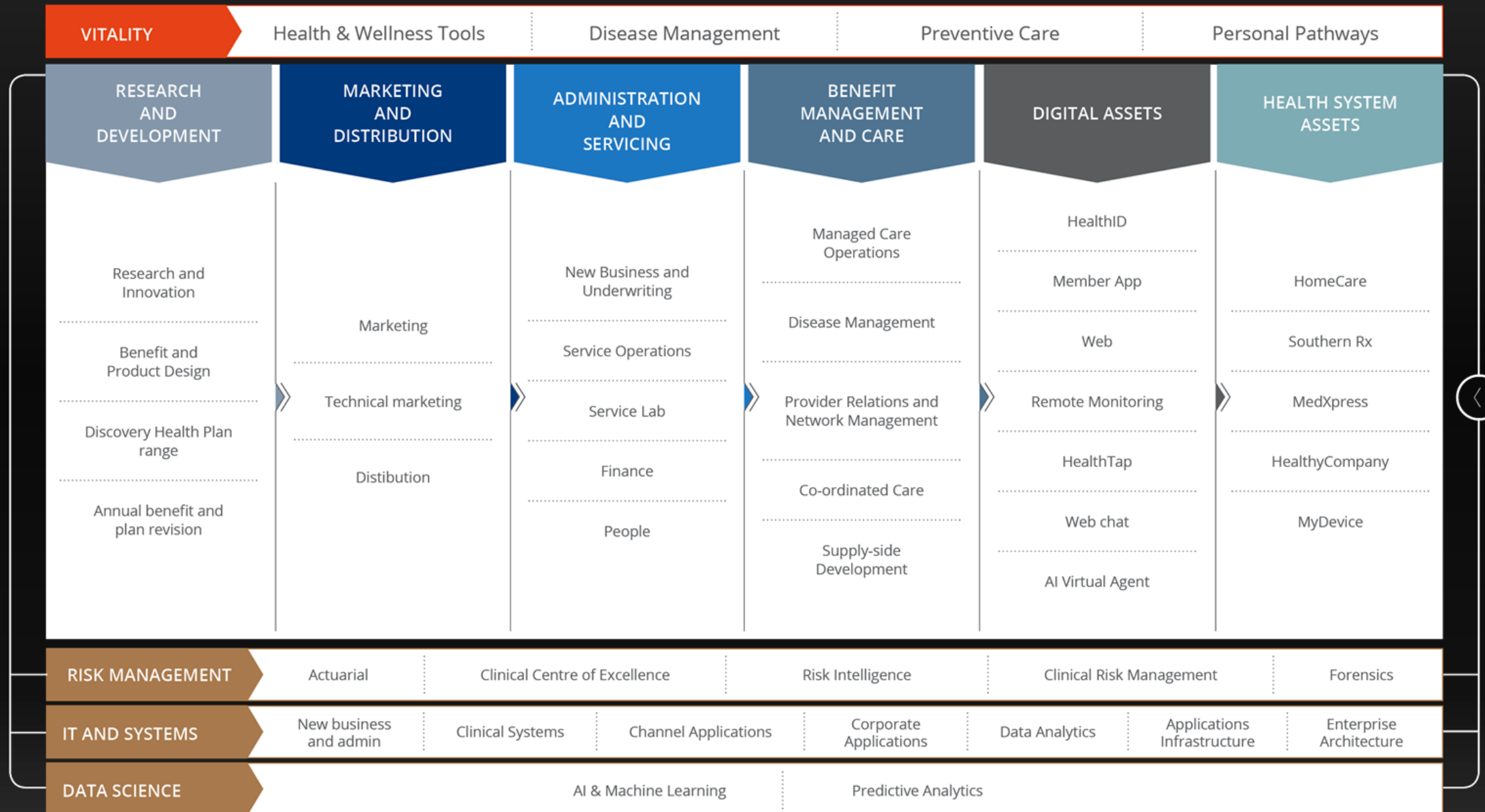
Operating Profit (Rm)

+12%

to R1 188m

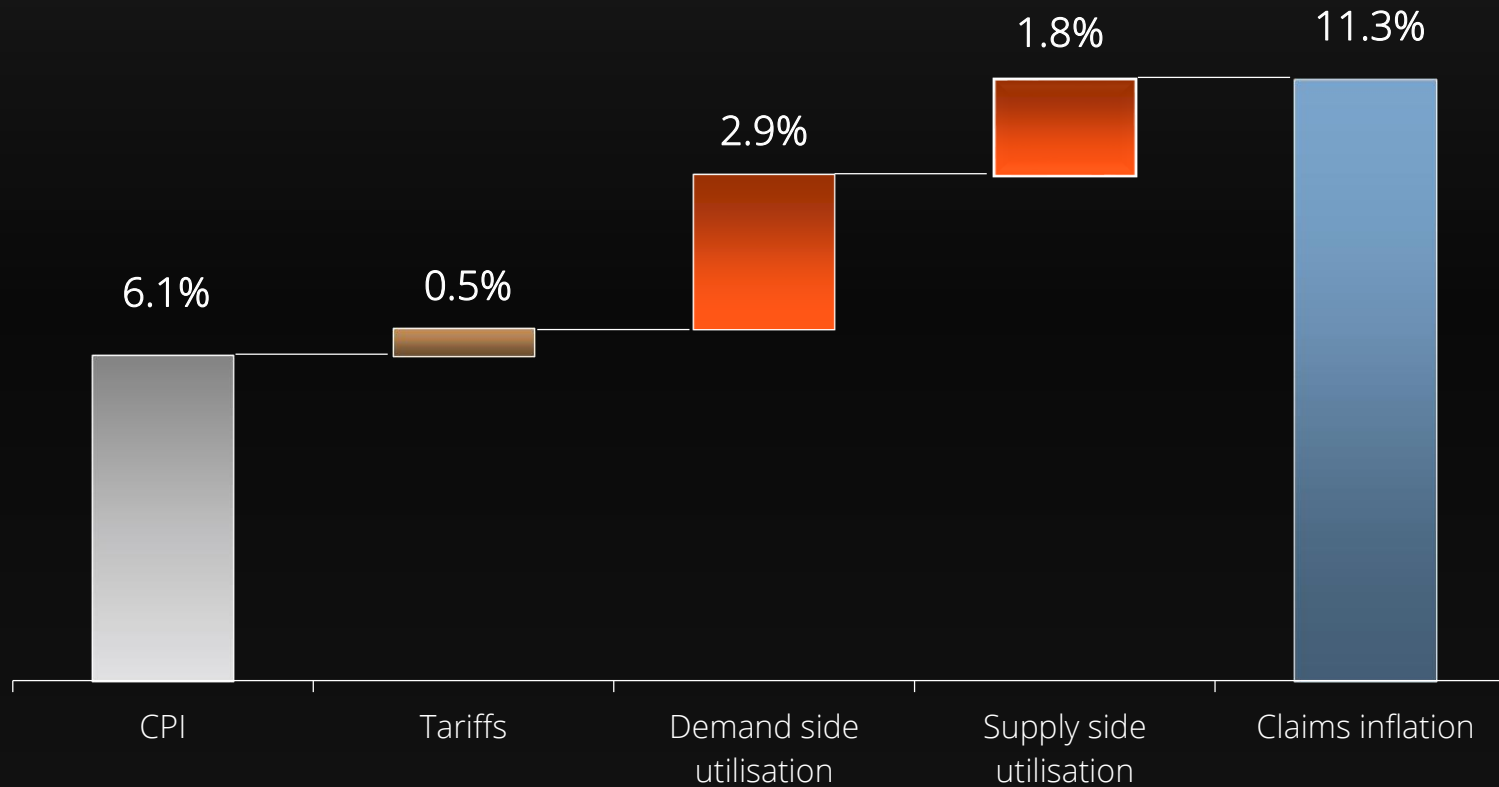


Discovery Health – A fully integrated health system



Discovery Health's social mandate – Curbing medical inflation

Drivers of claims inflation

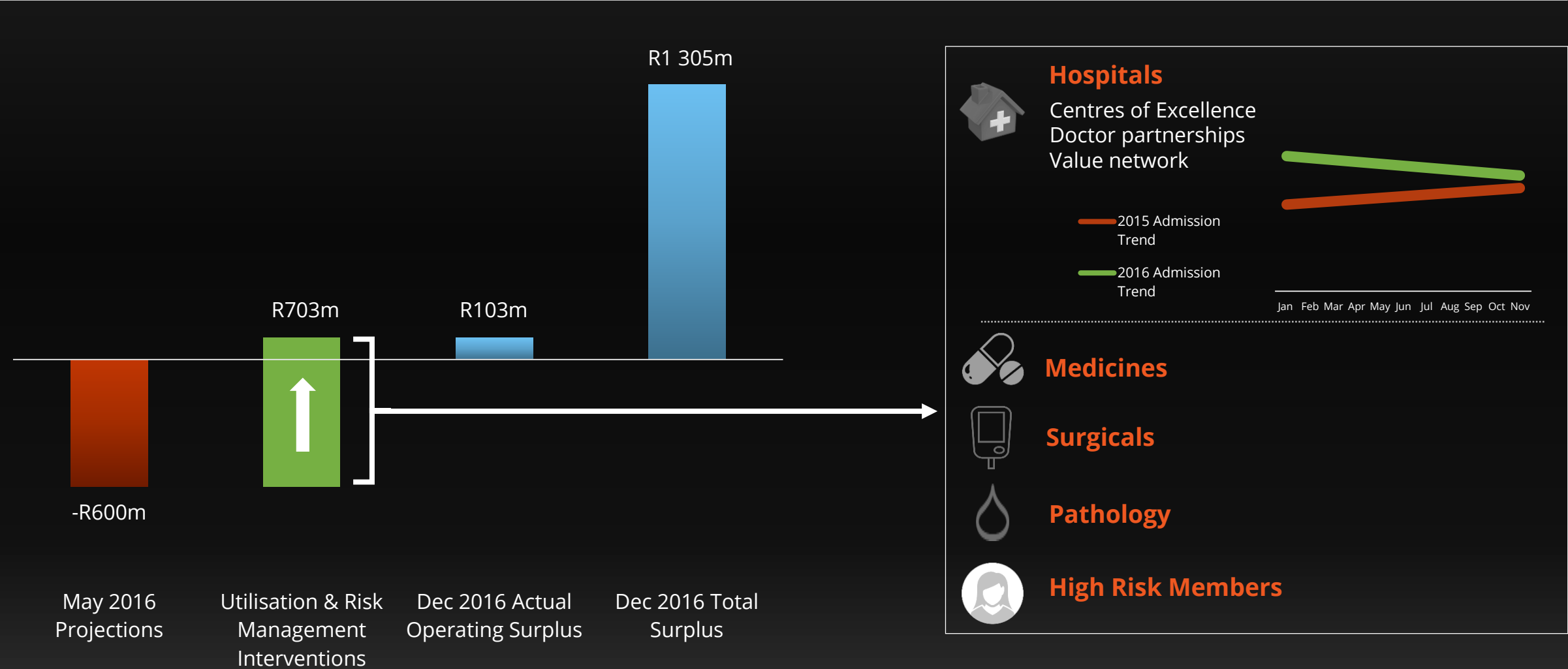


Healthcare inflation is:

- 1 Not just about tariffs but utilisation
- 2 Not just about the sick but also the healthy
- 3 Not just about demand but supply-induced demand
- 4 Technology doesn't reduce costs, it increases them
- 5 Not about non-healthcare expenses but healthcare expenses


Dramatic turnaround in Discovery Health Medical Scheme loss ratio due to effective interventions

R700m turnaround in projected DHMS claims - equivalent to 2% of total premiums

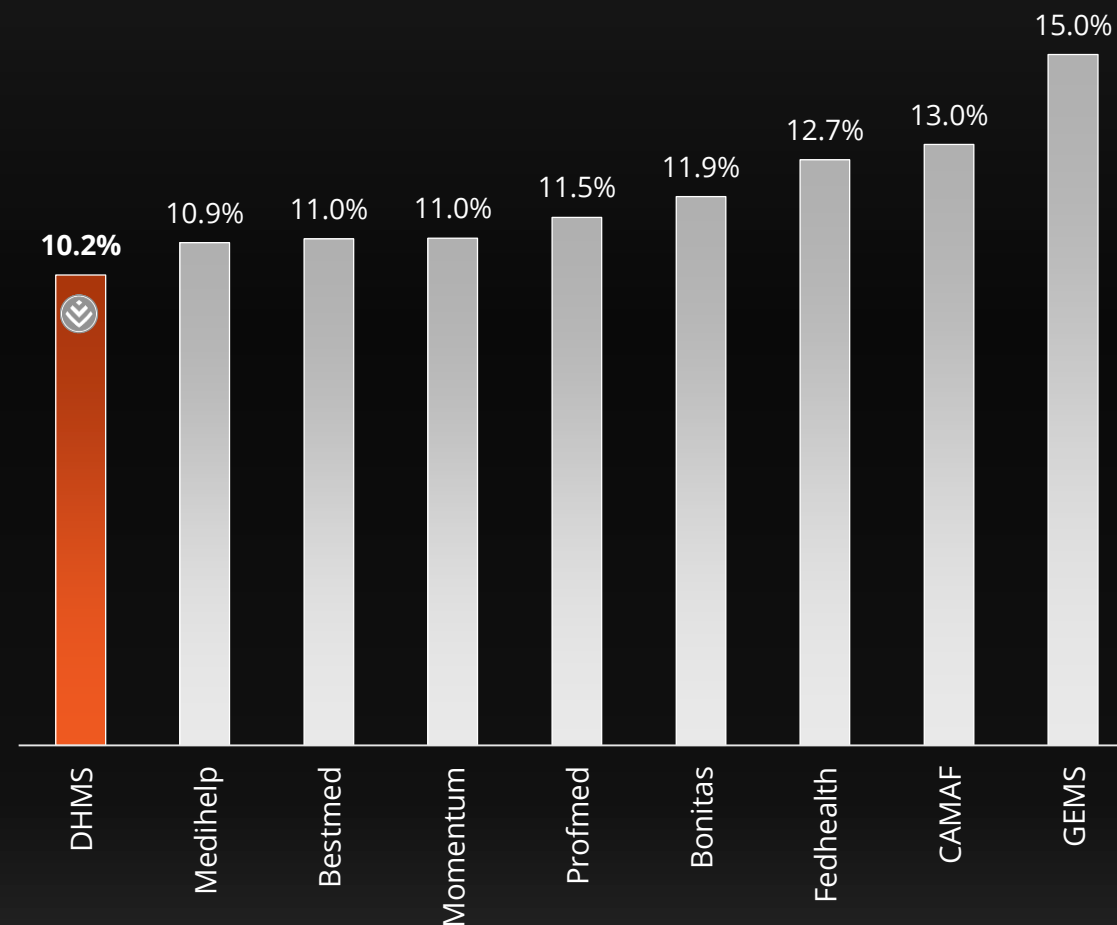


Discovery Health Medical Scheme – Increasing performance gap and competitive advantage against other open schemes

DHMS performance vs the rest of the open schemes market

	DHMS 	Open schemes, excluding DHMS
Membership growth <i>(Sep 15 – Sep 16)</i>	+2.5%	-3.1%
Market share <i>(Sep 16)</i>	55%	45%
Operating result <i>(Dec 16)</i>	R103 m	- R1 522m <i>(year-to-date Sep 16)</i>
Net result, including investment income <i>(year-to-date Sep 16)</i>	+2.8%	-2.0%
Reserves growth <i>(Sep 16 vs Sep 15)</i>	+1.2%	-3.7%
Solvency change <i>(Sep 16 vs Sep 15)</i>	+0%	-1.8%

Low contribution increases (2017)

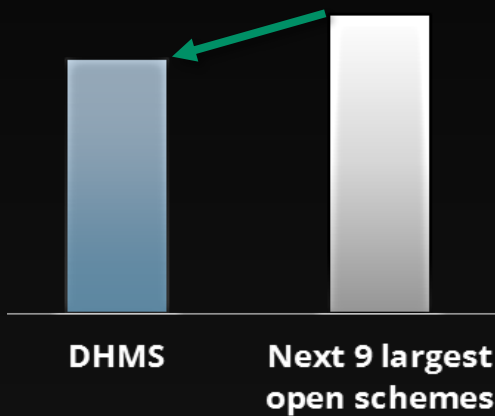


Discovery Health Medical Scheme - Continued excellent performance

Competitive advantage

Lowest premiums in the scheme market

-15%
(2015: -14%)



55% Market share

2.74m Lives

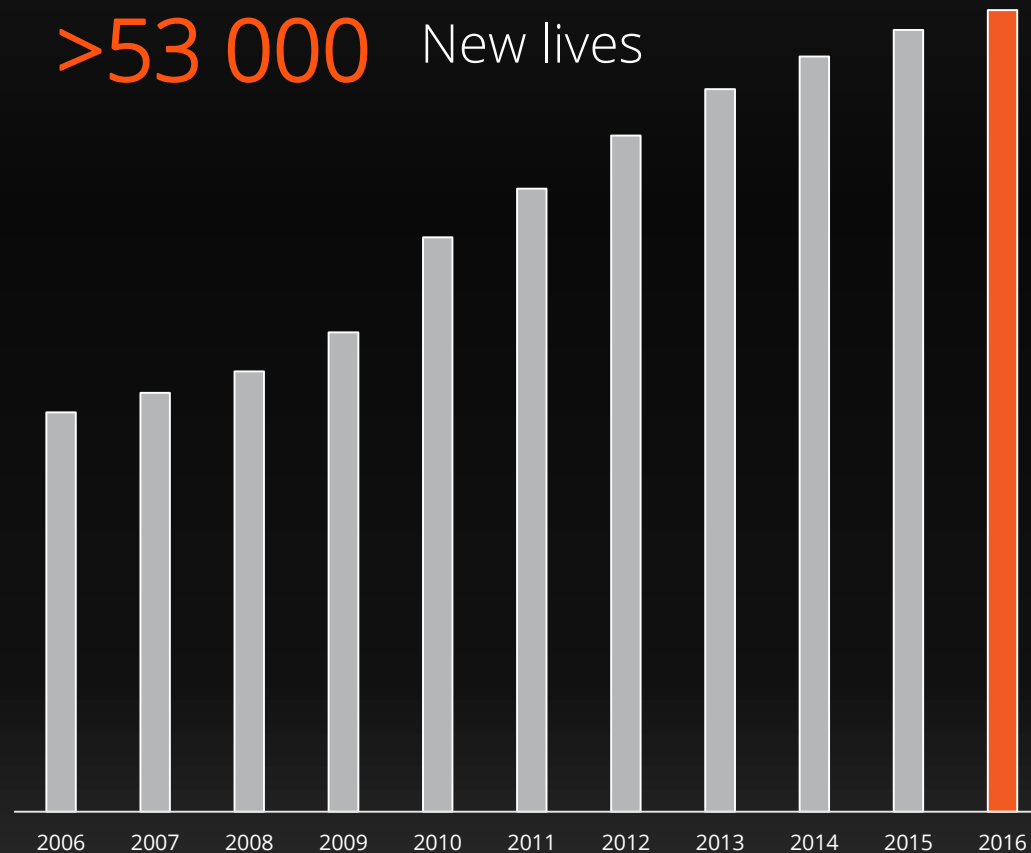
Growth

+2.3%

Membership Growth

>53 000

New lives

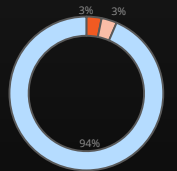


Stability and security

94% No movement

3% Upgrade

3% Downgrade



26.3% Solvency

R14.2bn Reserves

AA+ GCR credit rating

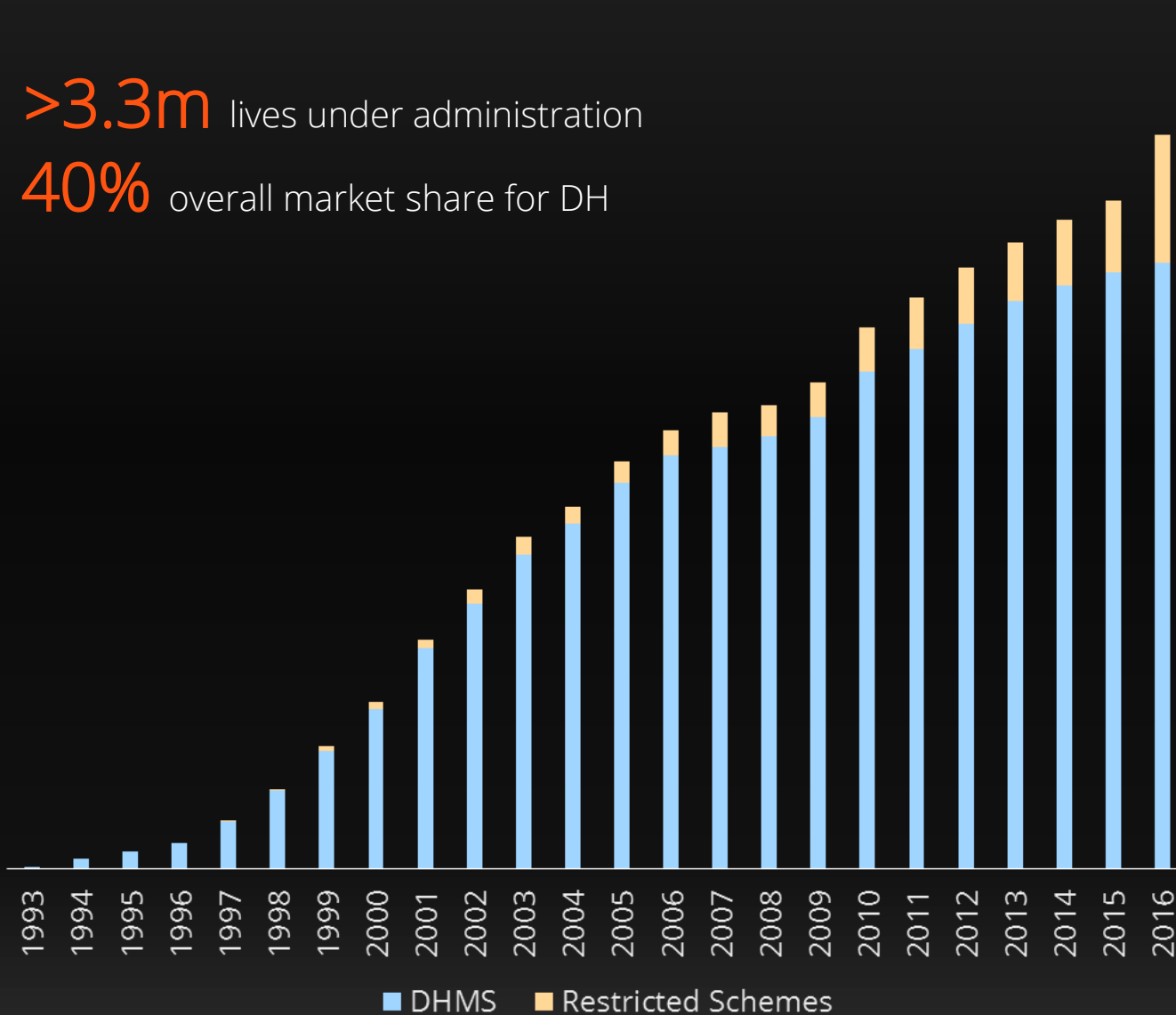
R103m Operating surplus

R1.3bn Net Surplus

Discovery Health – Widening competitive advantage

>3.3m lives under administration

40% overall market share for DH



Restricted schemes



10/11	Closed schemes won over 5 years
18	Restricted schemes
591 616	Restricted scheme lives
30%	Market share Excludes GEMS medical scheme

Discovery Health investing over R800m per annum in technology and digital innovation



500 000+ users

59% YoY user growth

Discovery
Member App

2.6 million+ monthly logins



1st EHR in SA

2,780+ doctors

1.2 million+ member consents



1st in SA healthcare

**94% of queries answered
with 93% accuracy**

AI Virtual
Agent

**5-10% reduction in general
calls and emails**



Big Data and Data Science Hub

2 Peta Bytes of data

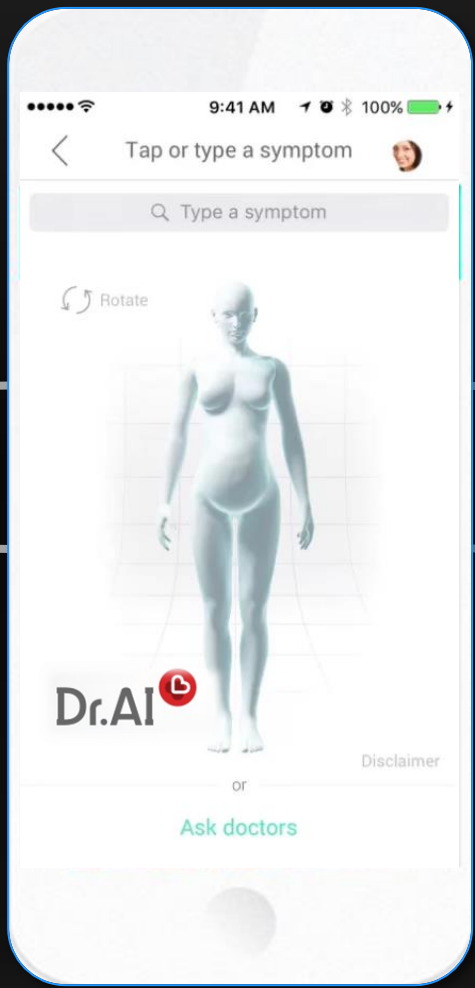
**Predictive analytics for
health risk, mortality risk, fraud
risk, lifestyle choices, etc.**

Substantial new functionality in Member App and HealthID through partnership with HealthTap



Database of 5.5bn answers to medical questions from over 107,000 doctors internationally

Instantaneous indicative diagnoses, with likelihoods and direct access to doctors for further input



Dr AI: Using learning algorithms based on your history and global experience

Mobile, with a direct link into HealthID, and the patient record for the most optimal advice



Discovery Member App



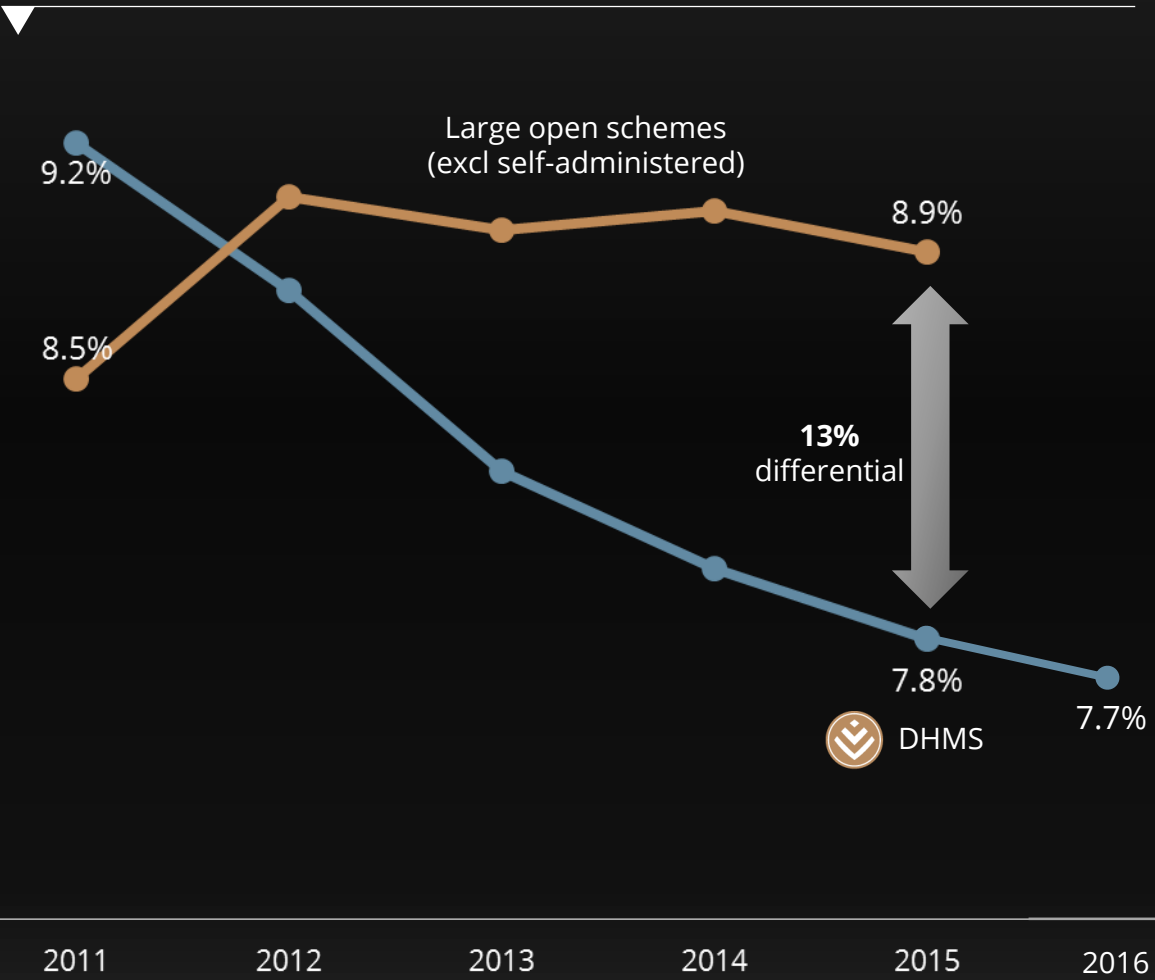
Immediate access to top doctors

Reduced costs, better quality of care

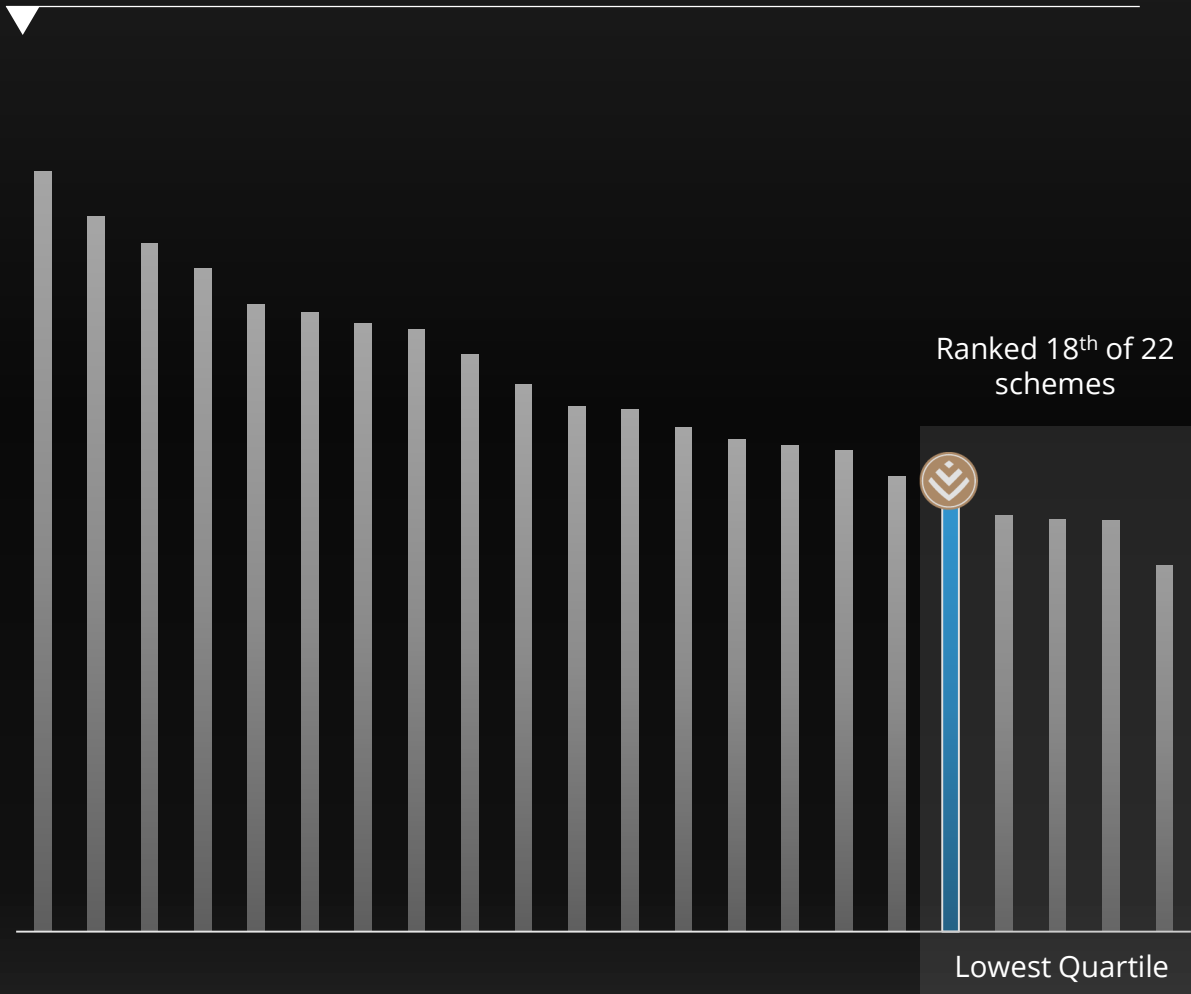
Healthier patients, happier doctors, higher income

Ongoing reduction in administration fees despite substantial investments in technology and innovation

Administration expenditure as % of GCI over time



DHMS admin fees in bottom quartile as % of GCI



Source: CMS Annual Reports and DHMS data

GCI = Gross Contribution Income

Expenditure includes administration and marketing costs

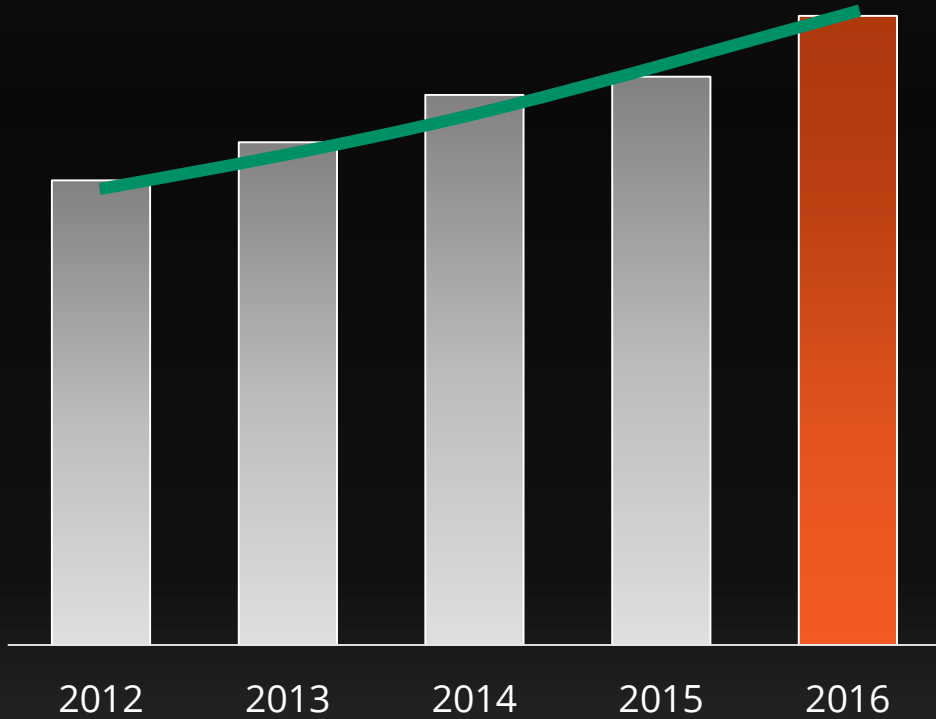


Discovery
Life

New business API (Rm)

+9%

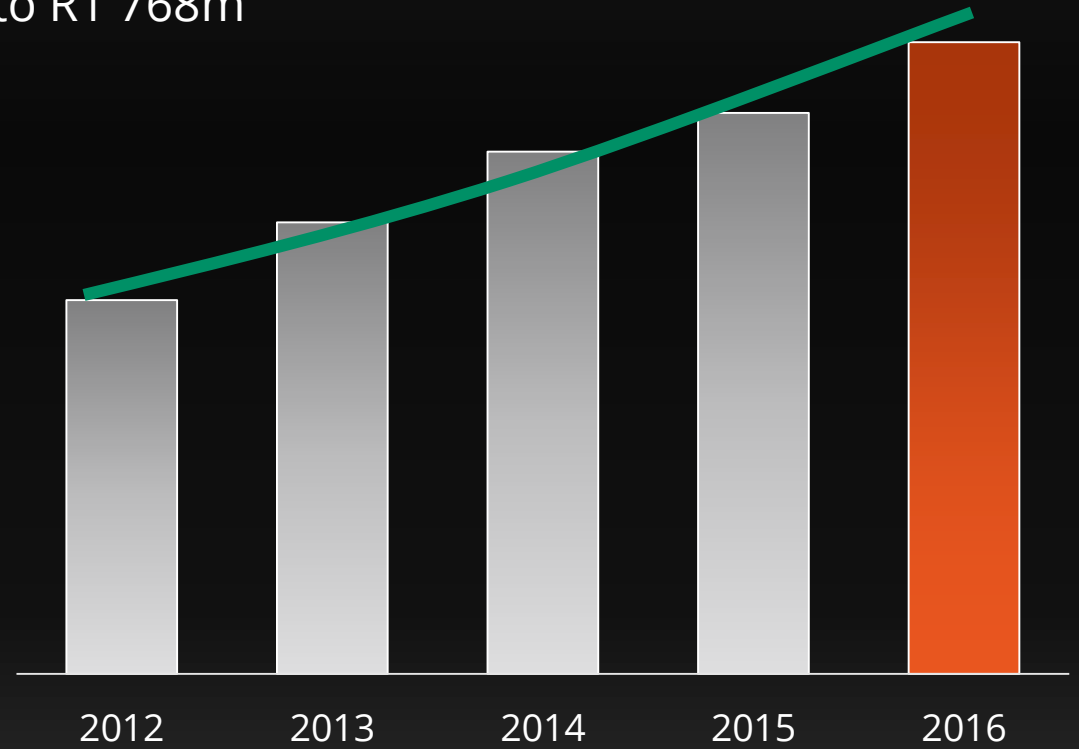
to R1 053m



Normalised operating profit (Rm)

+13%

to R1 768m

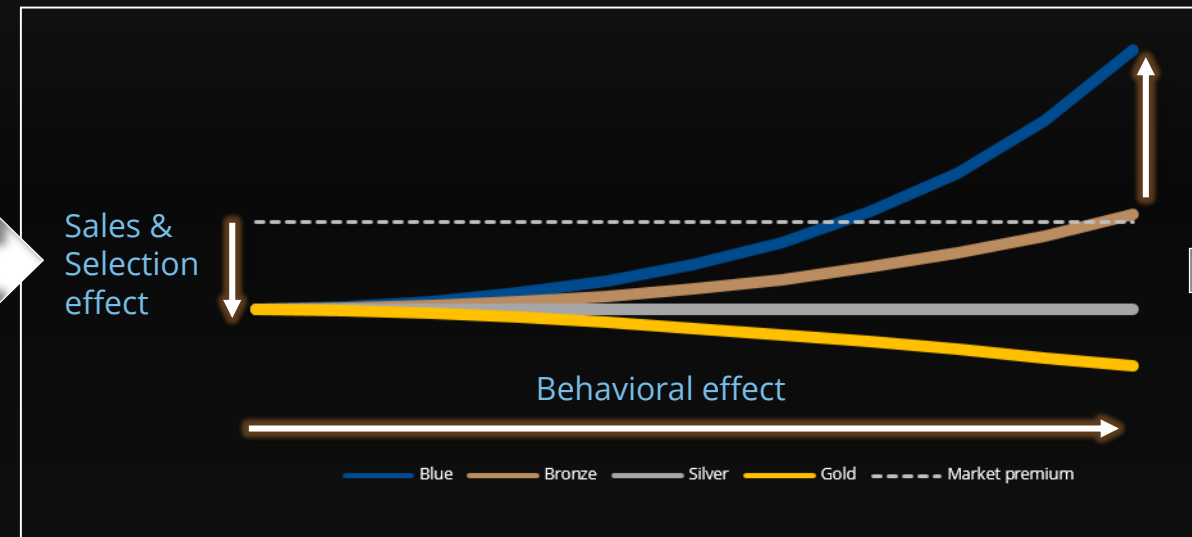


Vitality Shared-Value Insurance Model for Discovery Life

Shared-Value Model



Dynamic Pricing Model



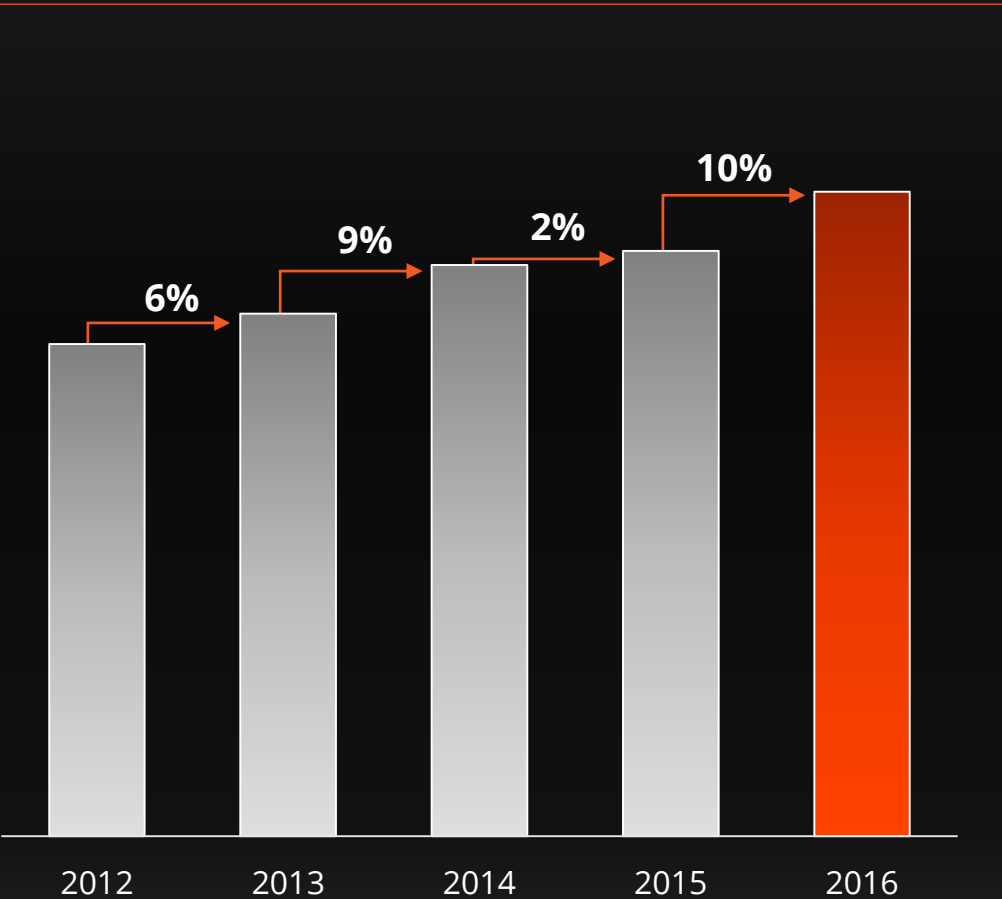
Output

1. New business effect
2. Selection
3. Behaviour change
4. Selective lapses
5. Bent $q(x)$

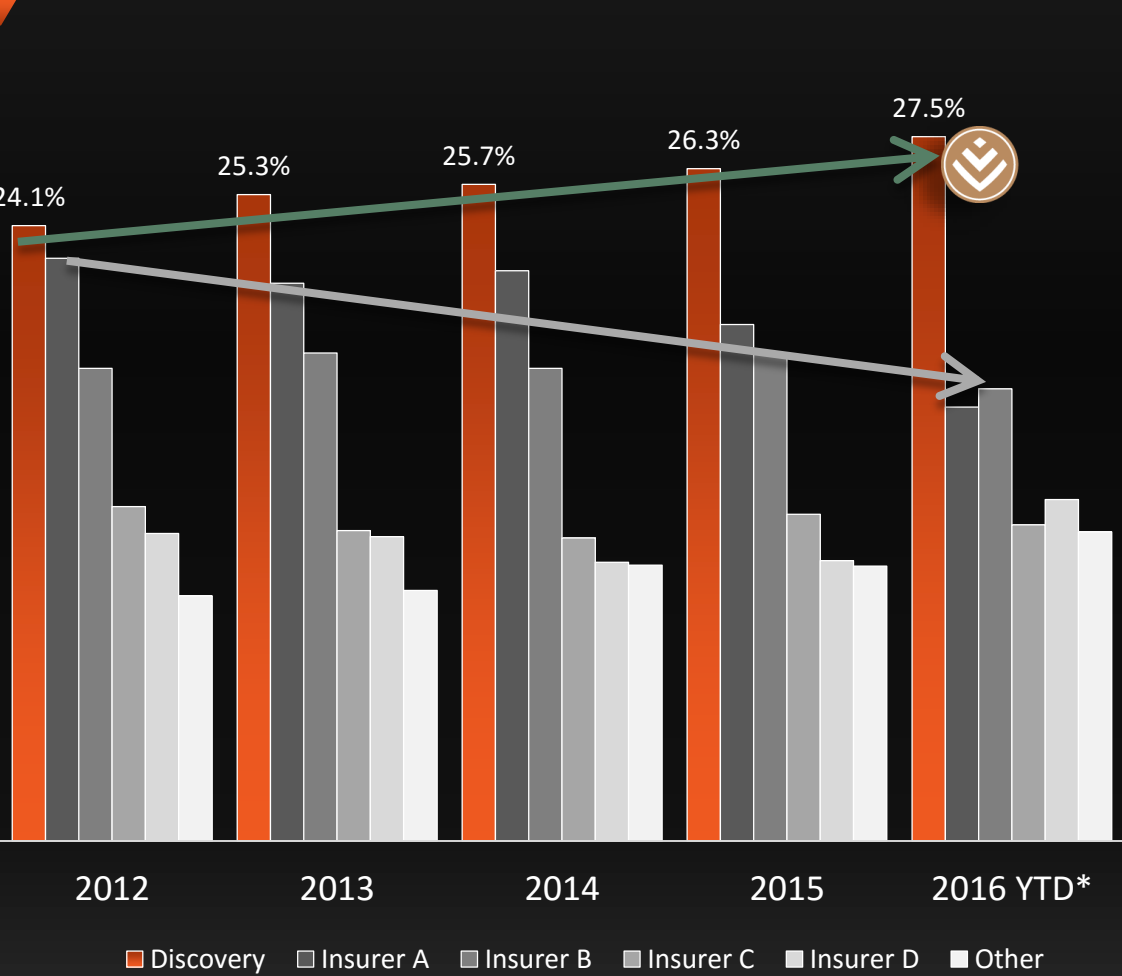
Superior VNB

Strong growth in individual business and further gains in market share

Individual Life new business
API Jul-Dec (Rm)

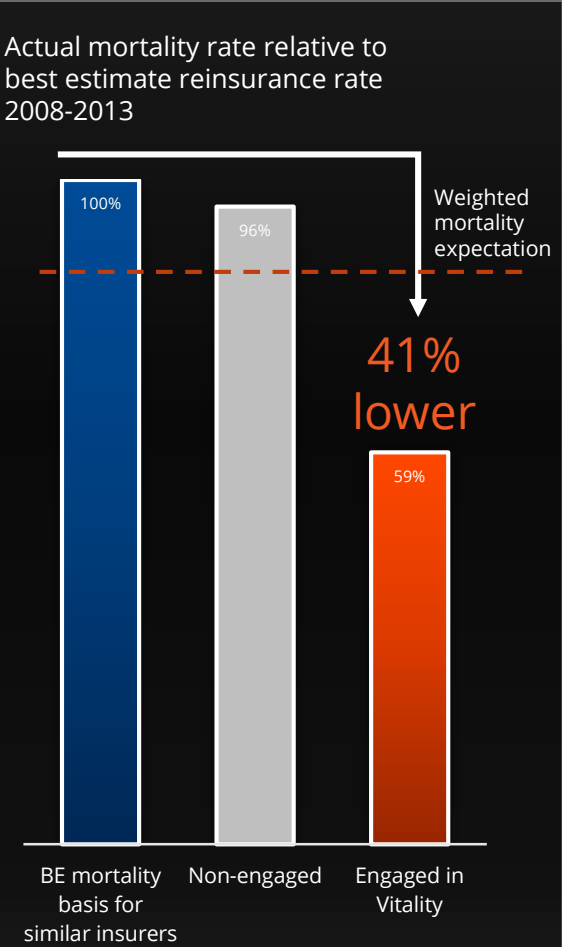


New business market share in the Retail Affluent segment

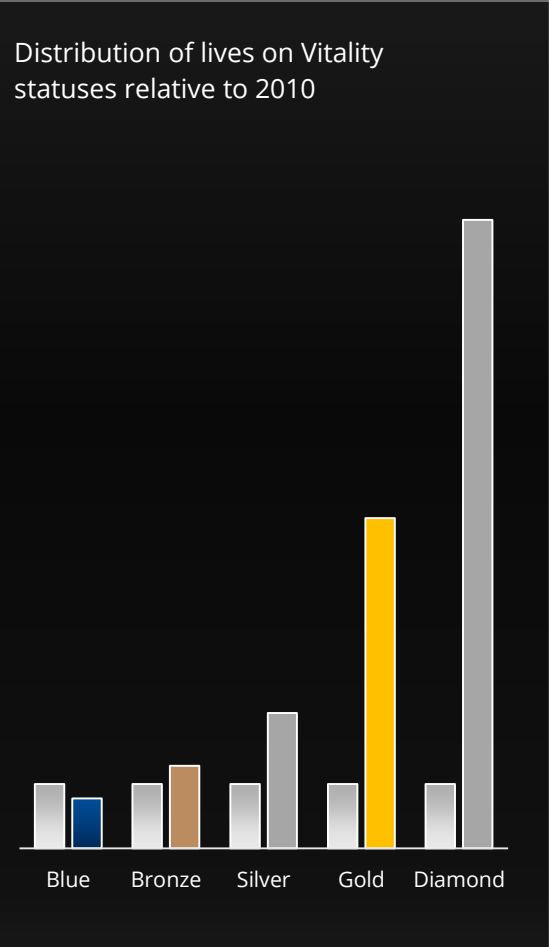


Outputs of the Vitality Shared-Value Insurance Model

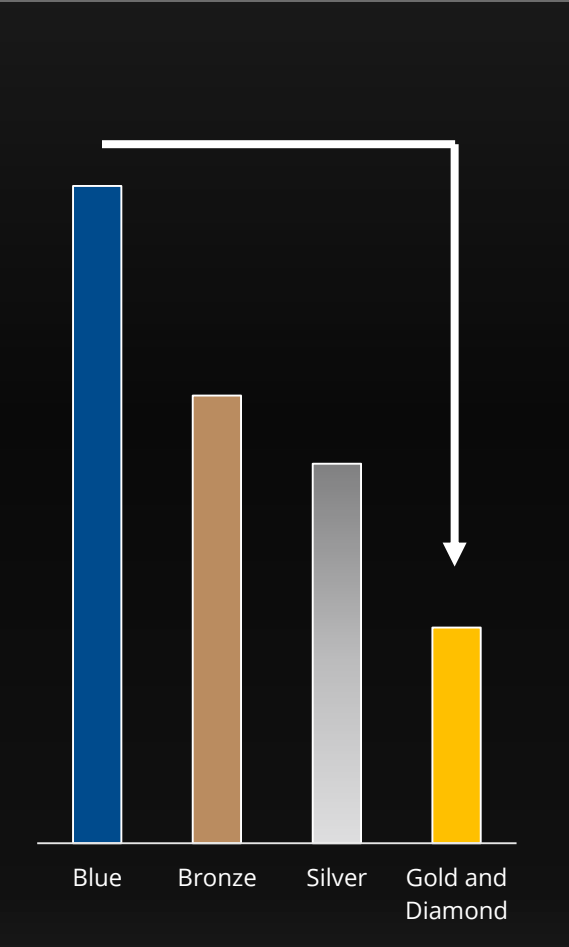
Selection



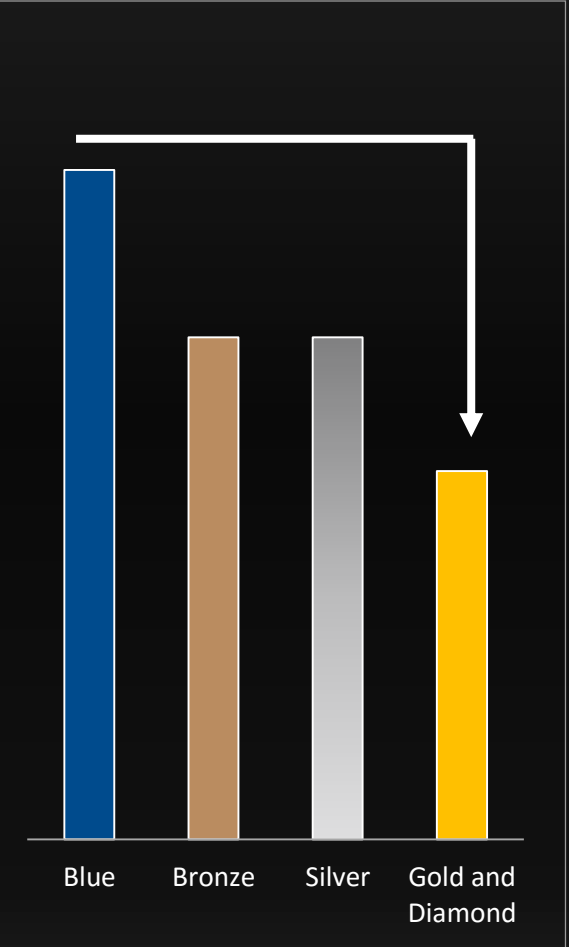
Engagement



Lapses



Mortality



Strong cash generation funding attractive new business

Profit/cash flow reconciliation

Average Negative Reserve X Valuation
interest rate over the period

+

Premium income X Gross margin

R21.8bn * 10% for half year **R1 bn**

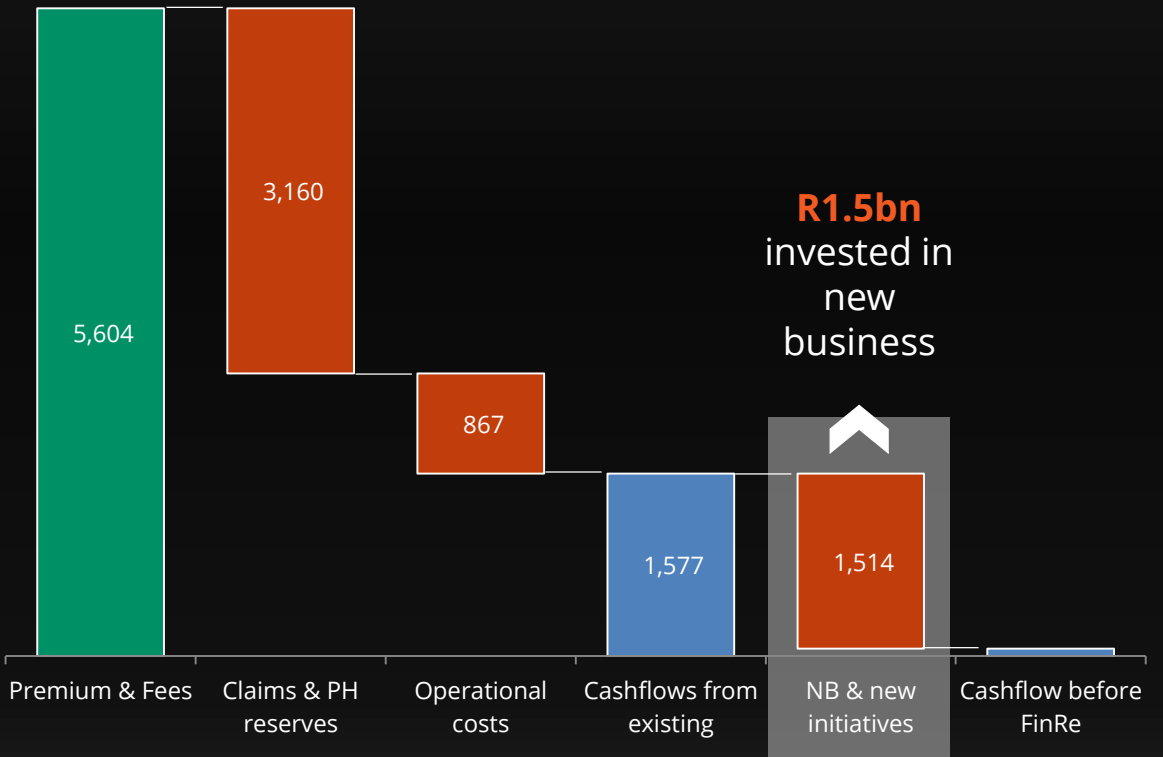
+

R4 035m * [net profit margin % / (1 - tax rate)] **R700m**

~ Gross profit for the period = **R1.7bn**

Cash flow sources and uses

Discovery Life & Invest cash flow
6 months to December 2016
(Rm)

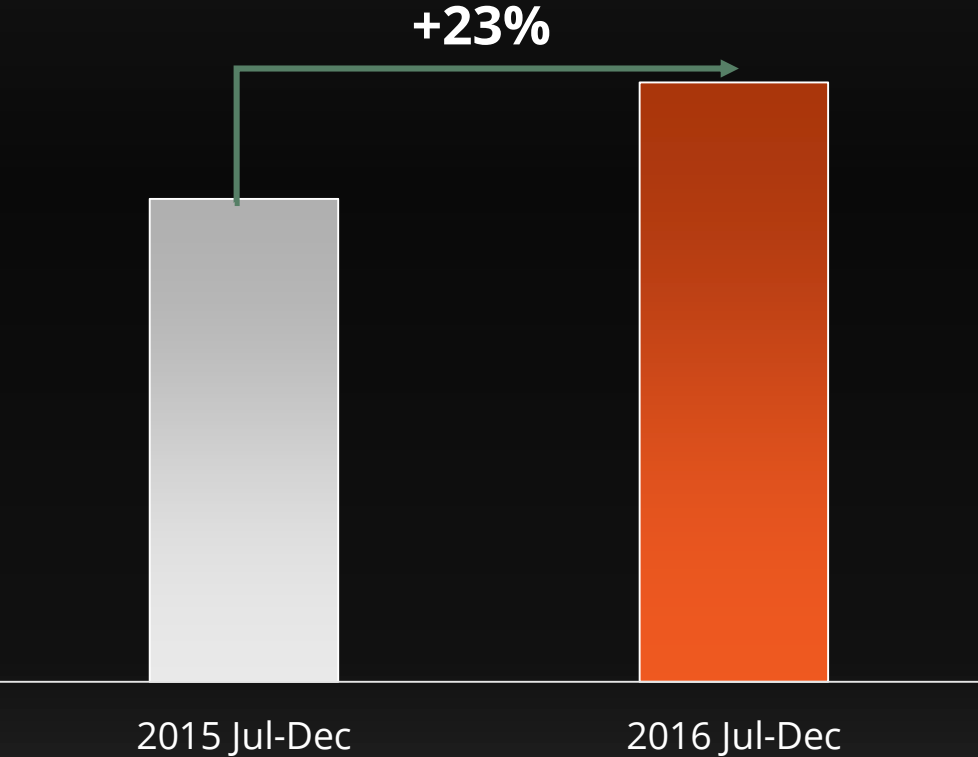


Individual life VNB growth of 23%

Strong cash generation funding attractive new business

Value of new business (Rm)

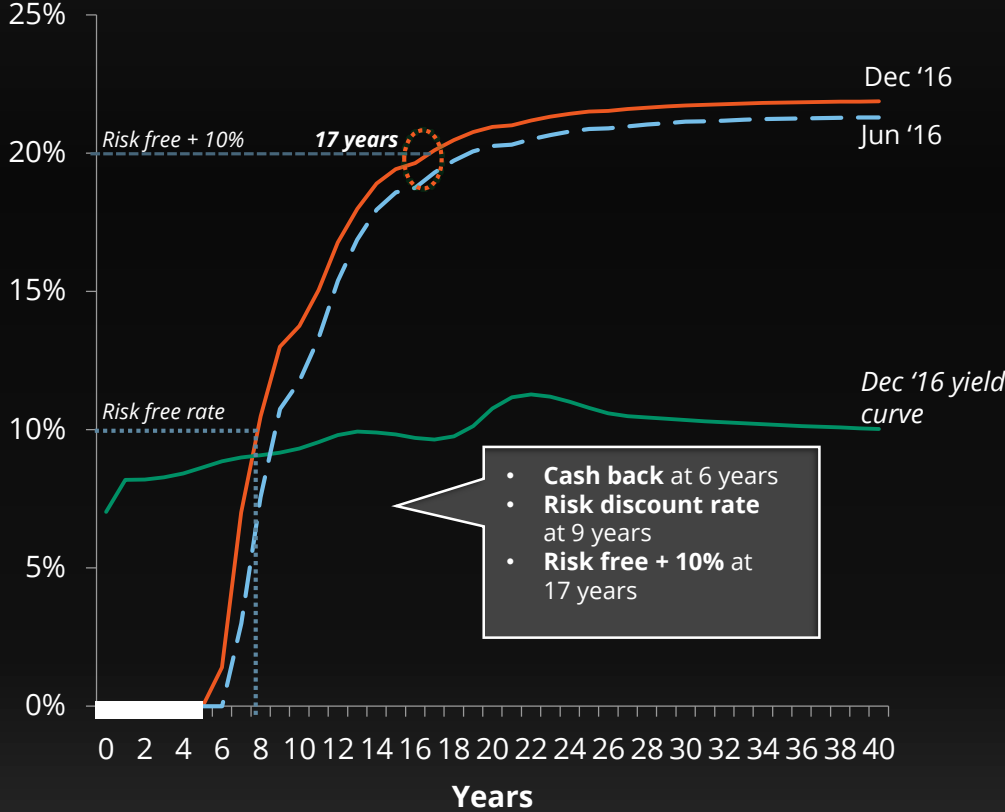
Individual Life VNB
(on a constant economic basis)



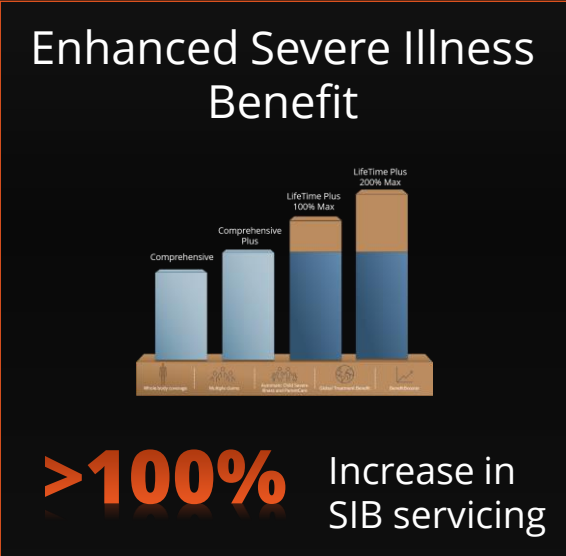
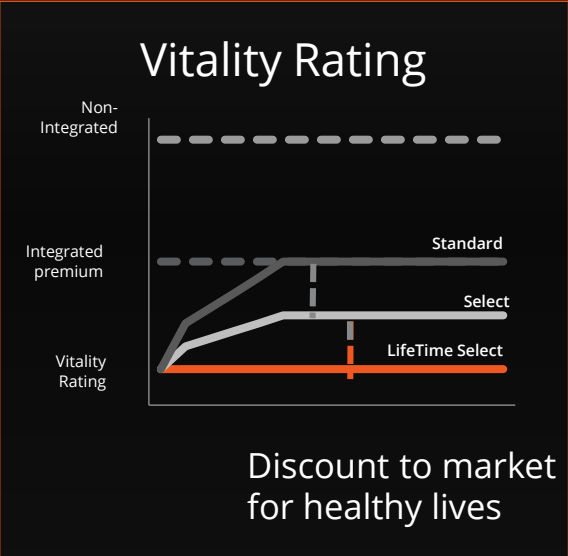
2015 Jul-Dec individual life VNB recalculated on 2016 Jul-Dec economic assumptions

Return on Capital profile over time

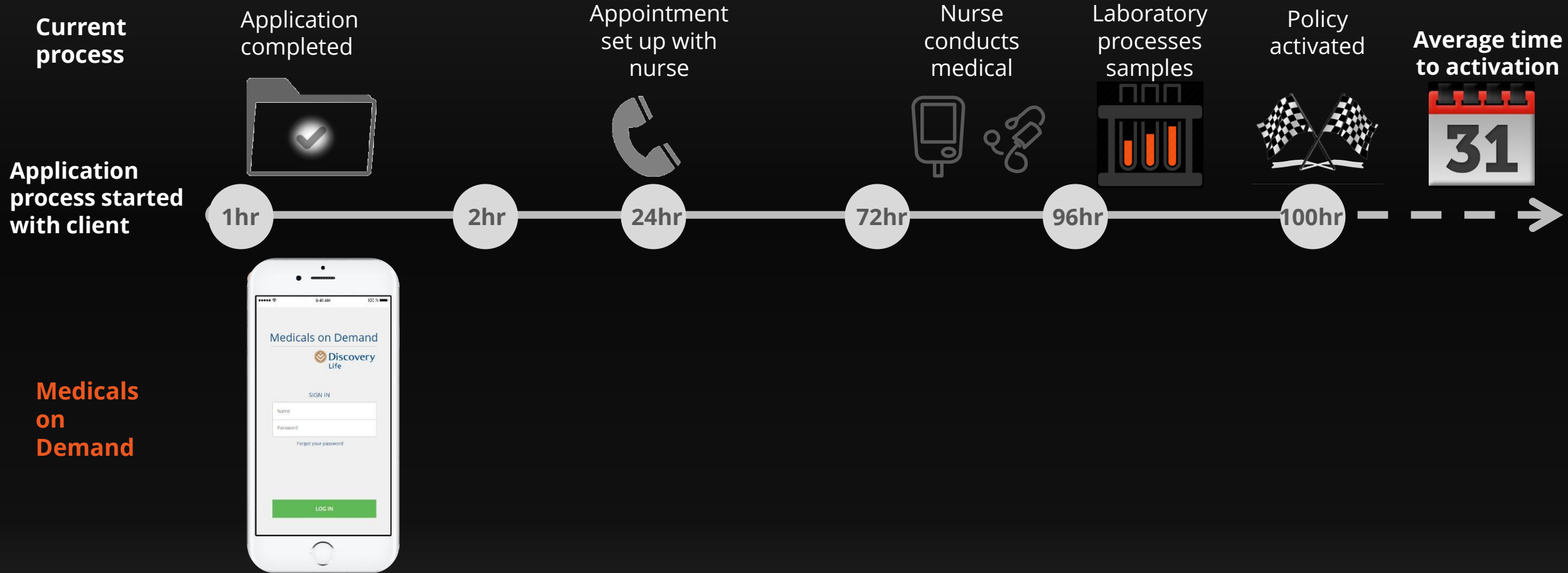
Life and Invest
Dec 2016 IRR

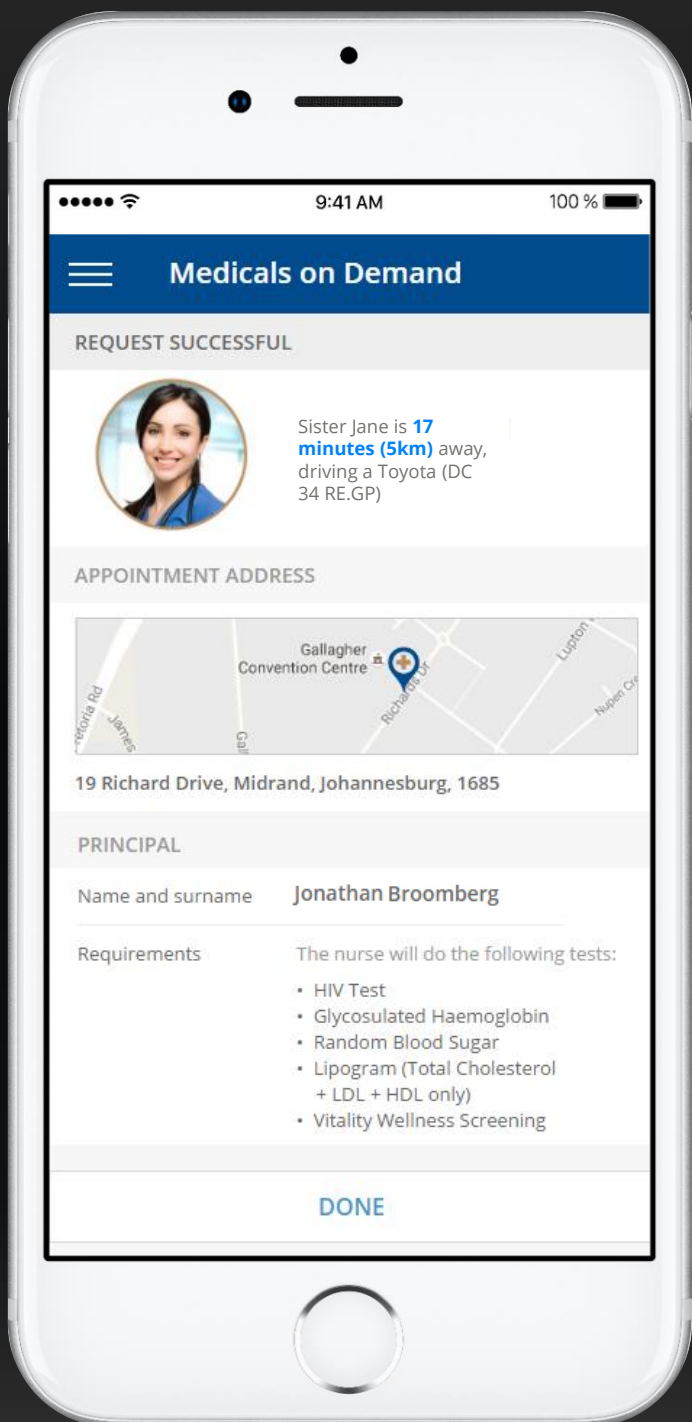


Product innovation evolving the Vitality Shared-Value Insurance Model and enhancing the customer journey

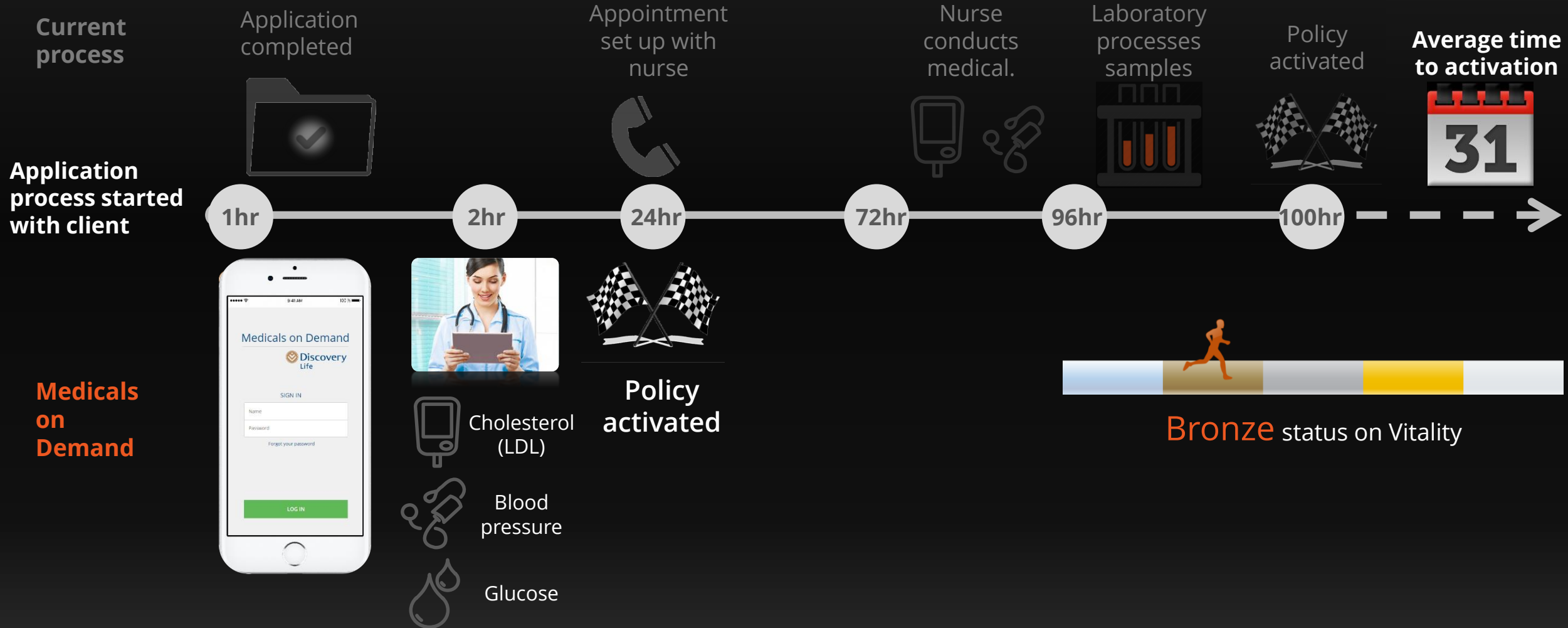


Medicals on Demand reduces application times by 75%





Medicals on Demand reduces application times by 75%

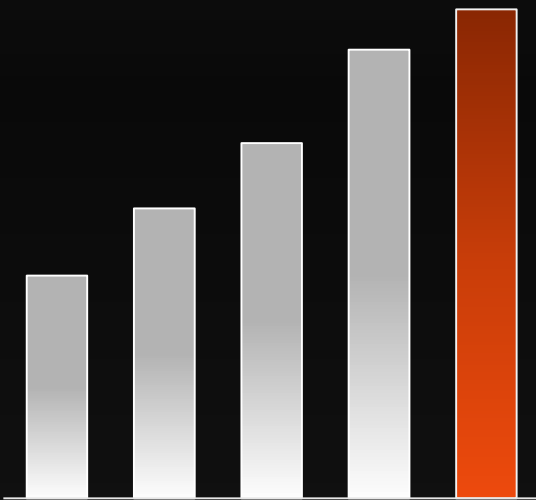




Discovery
Invest

New business API (Rm)

+9%
to R1 278m

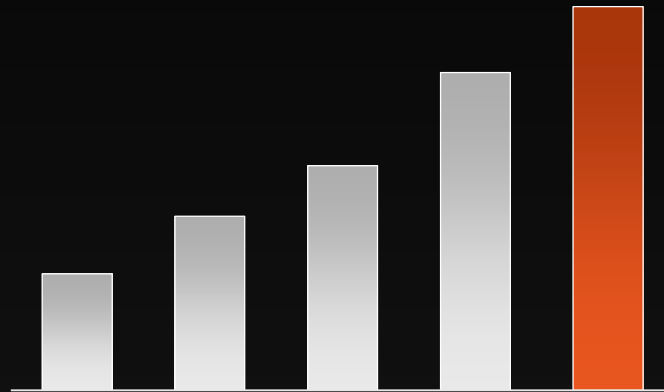


2012 2013 2014 2015 2016

*2012-2014 excludes DROs

Normalised operating profit (Rm)

+21%
to R326m



2012 2013 2014 2015 2016

Assets under Management (Rbn)

+14%
to R64bn



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

Discovery Invest ranked in the Top 6 Retail Asset Takers for 2016

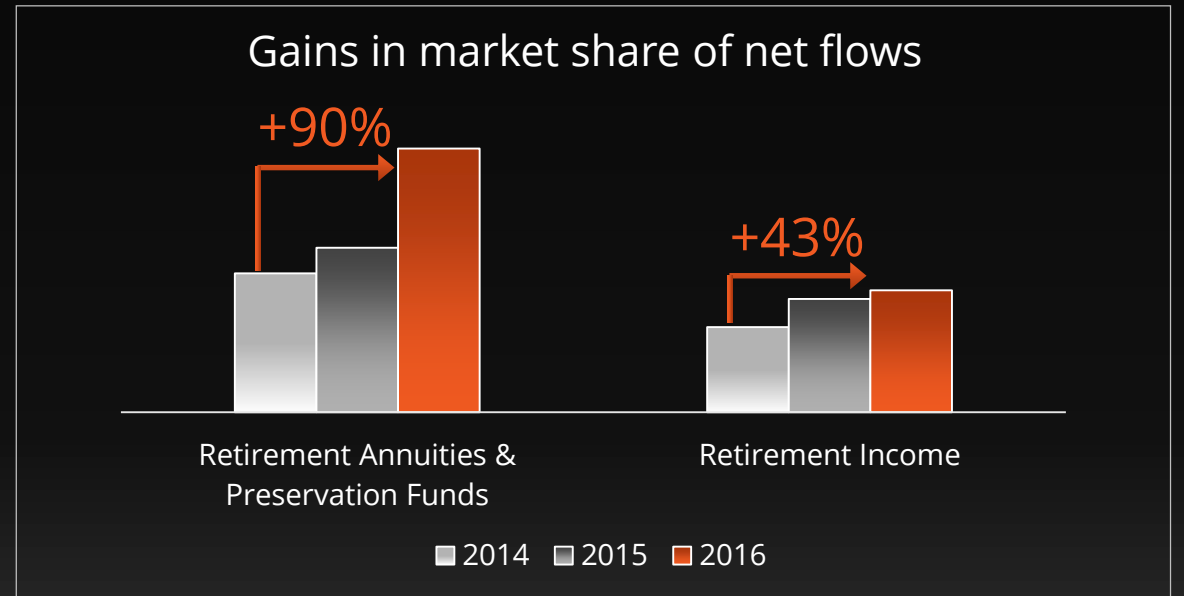
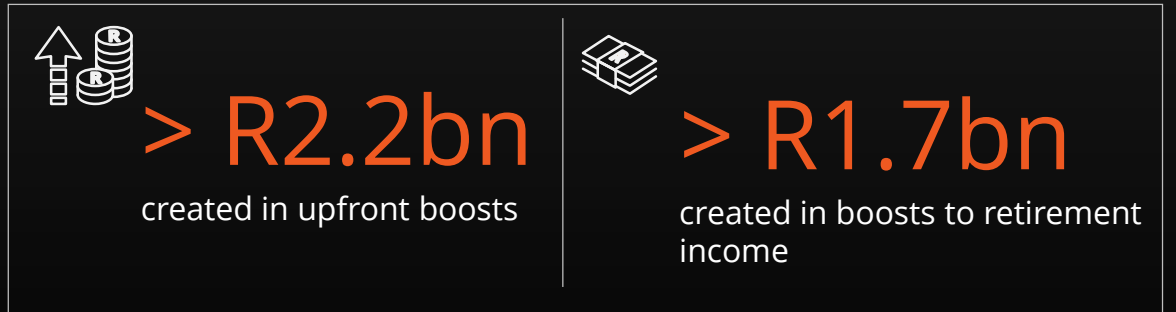
excl. fund of funds & money market

Long-term savings platform harnessing Shared-Value Insurance Model

Comprehensive range of savings solutions



Delivering value to clients, resulting in increased market share



Vitality
Health · Life

Solid performance in a difficult economic climate

UK Primary Market



£22.5m
Operating profit

+10%



£57.7m
Sales

+6%



950k
Lives

+5%

Product innovation: Active Rewards with Apple Watch and HealthyFood with Ocado

Earn your Apple Watch with Vitality Health and Life Insurance

15,000 Number of Apple Watch sold

22% Increase in physical activity points earned*



4 months since launch

Free delivery and up to 25% discount if you eat healthy and exercise

500+ Daily orders

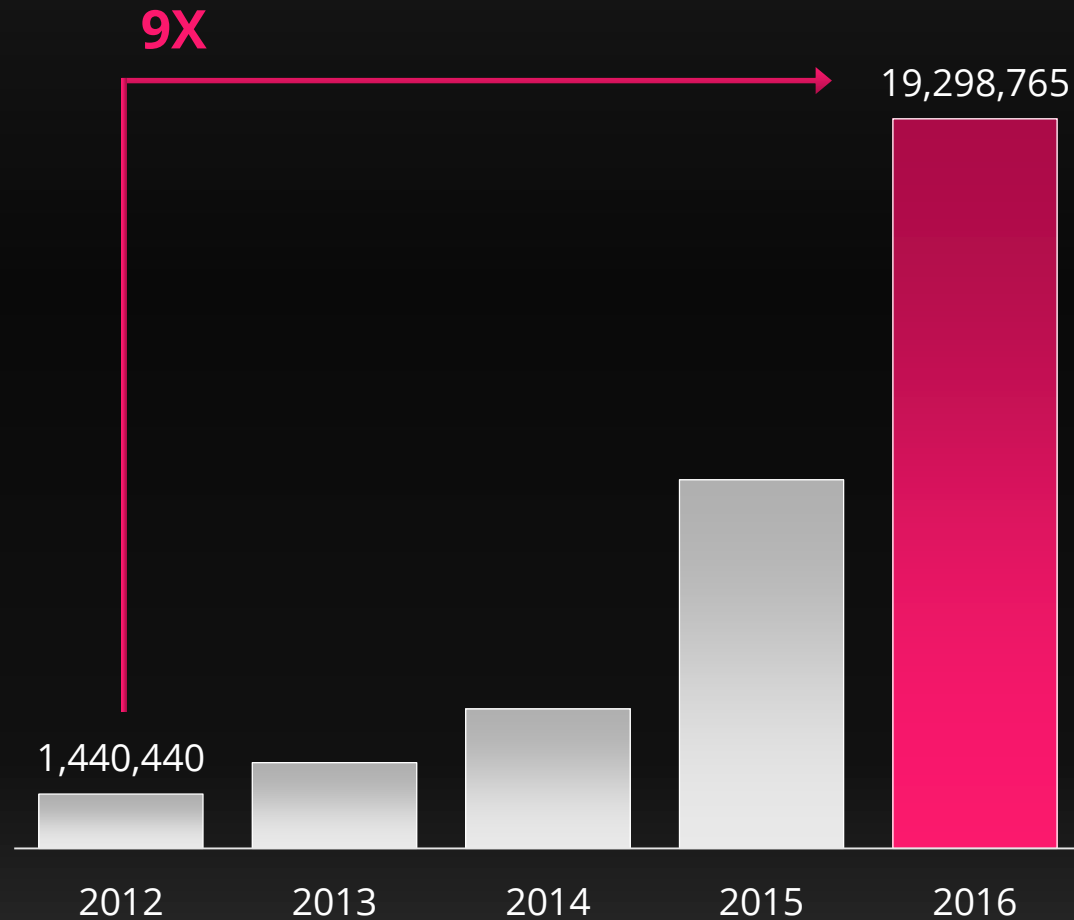
5x Increase in weekly HealthyFood spend



*For the cohort of existing members only

Record levels of engagement in Vitality

Number of point-earning activities undertaken by members



Value for members in 2016

Every day ...

GETTING HEALTHY



9,000
discounted
gym visits



530
Vitality Health
Reviews completed



590 m
steps walked by our
members

GETTING REWARDED



£4,700
spent on
travel



5,100
Starbucks
coffees



3,300
Cinema
tickets

Brand investment: expansion of sponsorship and ambassador portfolio

Ambassadors



The addition of Rugby Union player Maro Itoje, and new initiatives from existing ambassadors.

Sponsorships

The Telegraph
Vitality JUNIOR GOLF CHAMPIONSHIP
HOSTED BY QUINTA DO LAGO ALCARVE-PORTUGAL

England netball, Ladies, WOMEN, Edgbaston, HEADINGLEY, LORD'S, THE 500 SWALEC, TRENT BRIDGE, Vitality BATH HALF, Vitality HALF MARATHON, Vitality BRITISH 10K, Vitality LIVERPOOL HALF MARATHON, Vitality NORTH LONDON, Vitality Oxford Half, Vitality HALF MARATHON, Vitality RUN HACKNEY, Vitality love, Vitality MFL, Vitality KISSERS, Vitality TIGHT TIGHT, VITALITY WOMEN OF THE YEAR AWARDS 2016, parkrun, sky NEWS, sky SPORTS, Vitality STADIUM

A diverse and expanding sponsorship portfolio, focused on sport and mass-participation events.

Advertising

Playing Jackie
Natalie Portman on the role of her life
100 best holidays in the world
THE SUNDAY TIMES
PRINCE'S NEW MISSION: TO BE FULL-TIME ROYAL
Trump wants Putin summit in Reykjavik
Britain fears leak of its secrets to Moscow
Bosses track you night and day
Health insurance that gives you up to 25% off healthy food from Ocado, and free delivery.
So that's what they mean by the 'Big Apple'.

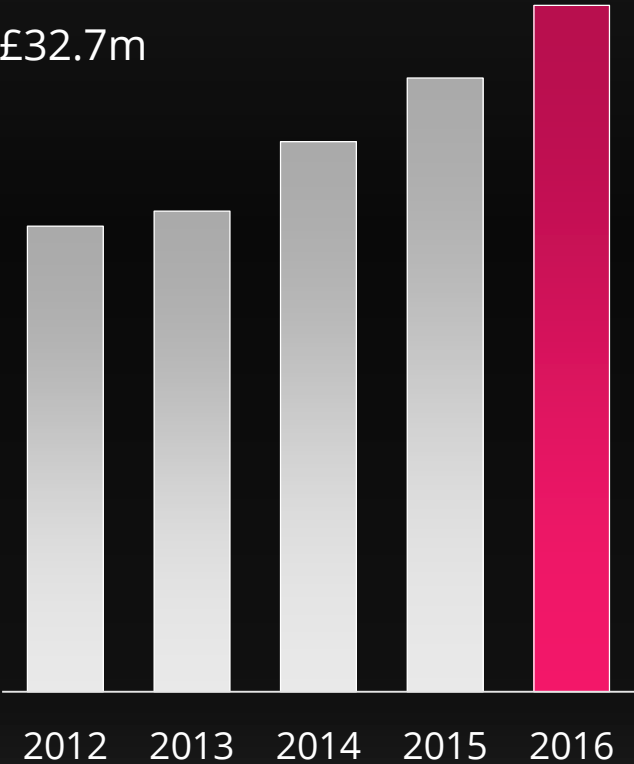
In January Vitality became the first company to run a front-page advertisement in the Sunday Times.

VitalityLife

Robust operational performance

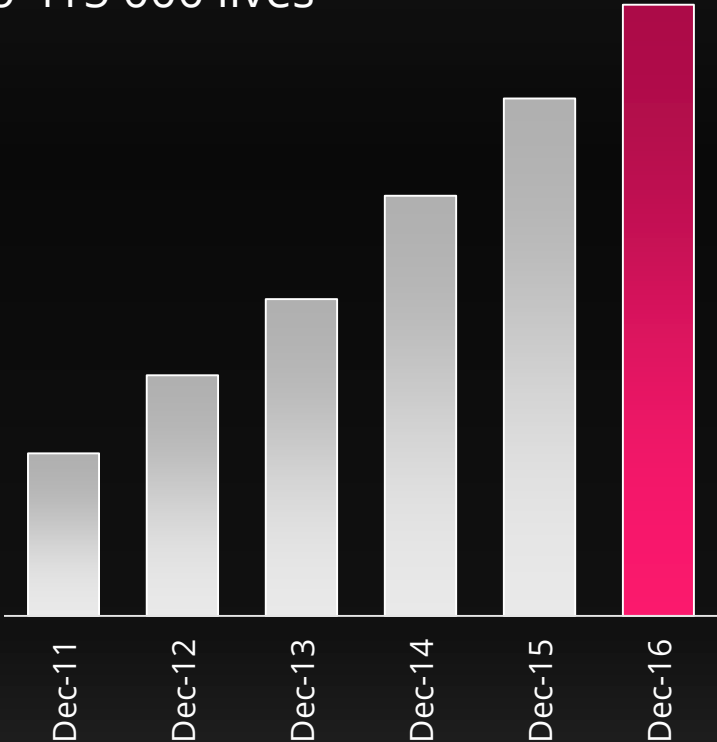
New business API (GBP)

+8%
to £32.7m



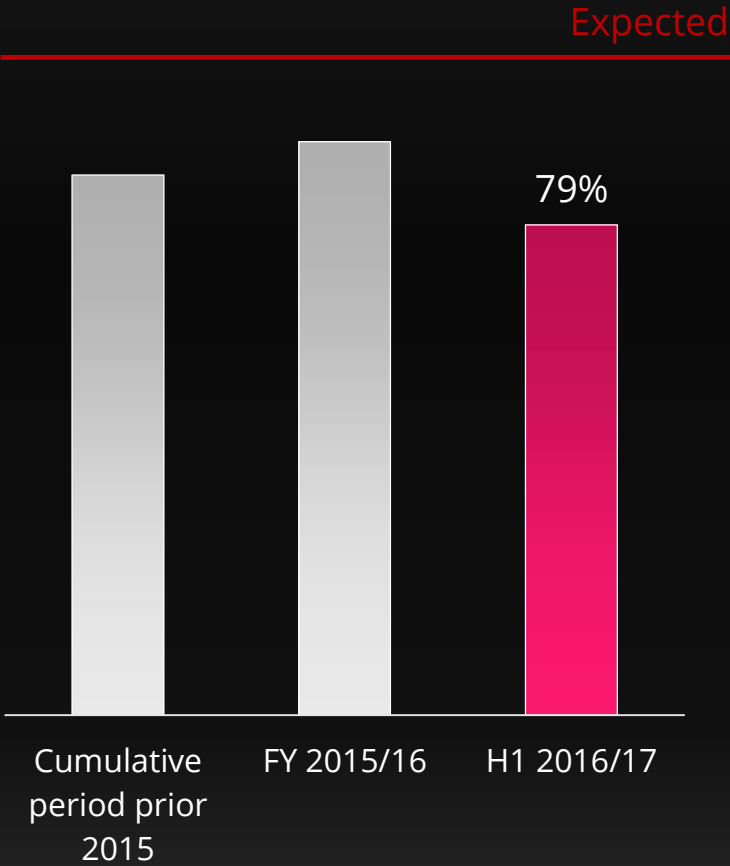
Number of lives covered

+18%
to 415 000 lives



Improved experience dynamics

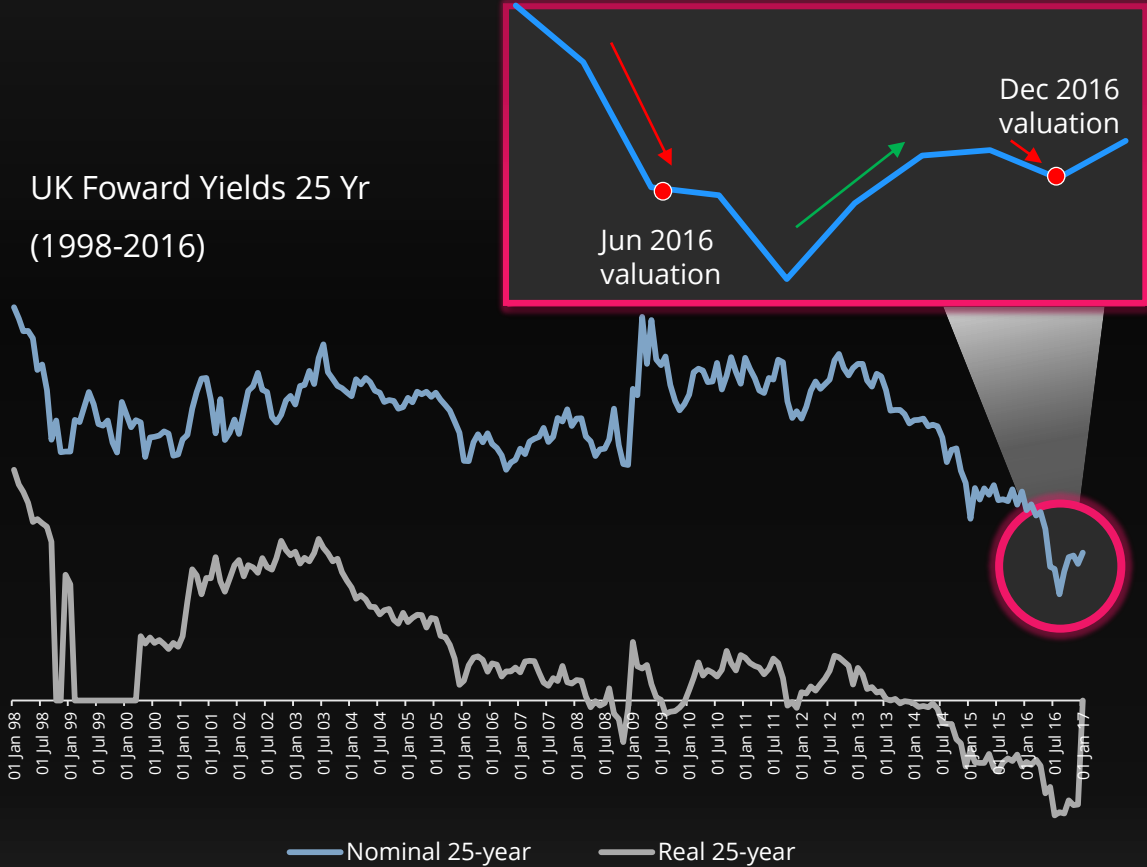
Actual vs Expected Claims*



*Gross claims

Performance impacted by interest rate headwinds

Record-low interest rates, negative real rates



Interest Rate Impact

Impact on earnings – release of 2nd tier margins

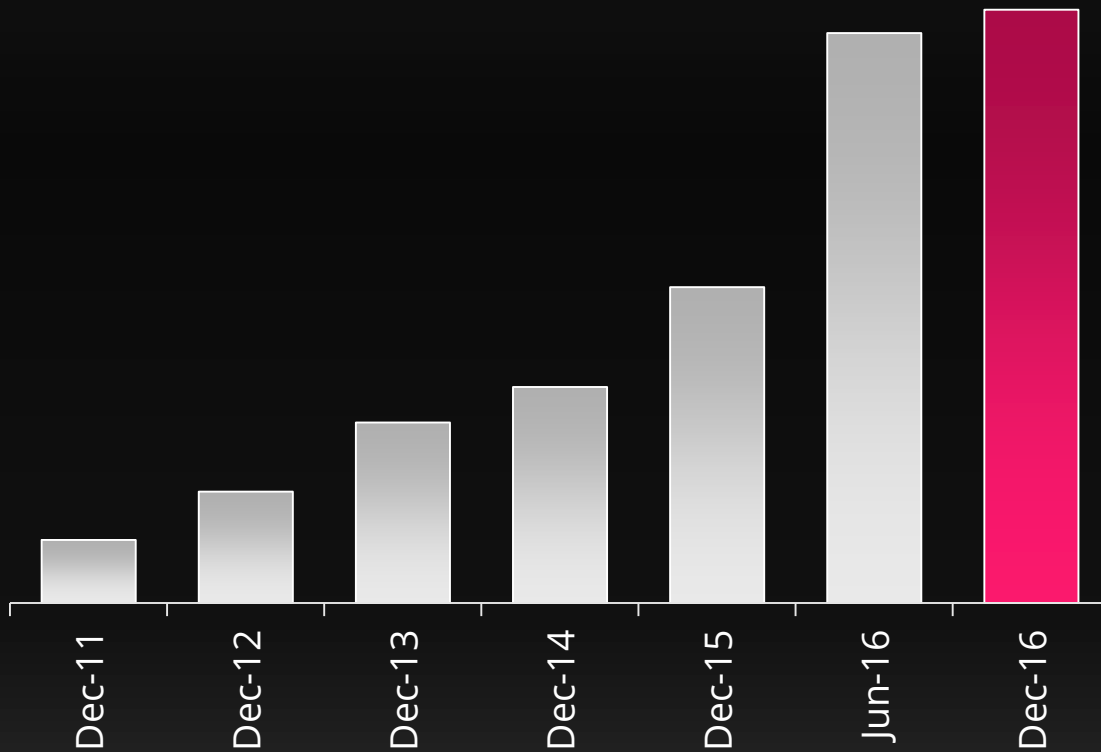
Reduced embedded value

Lower VNB and ROC

Performance dampened by Brexit impact

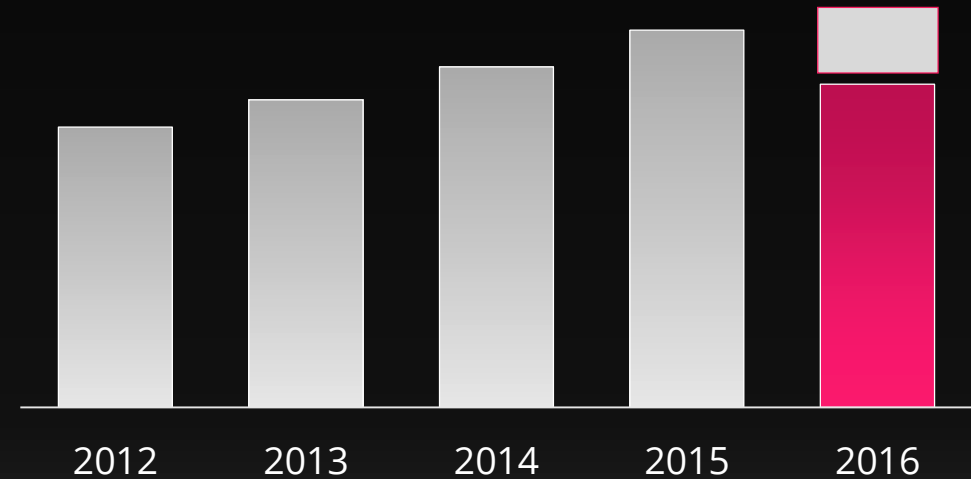
Value of in-force (Rm)

+7%
to R3 934m



Operating profit (GBP)

-10%
to £14.5m



Release of second tier margins due to low interest rate environment:

Reduced future profit by*:

£63m

ä

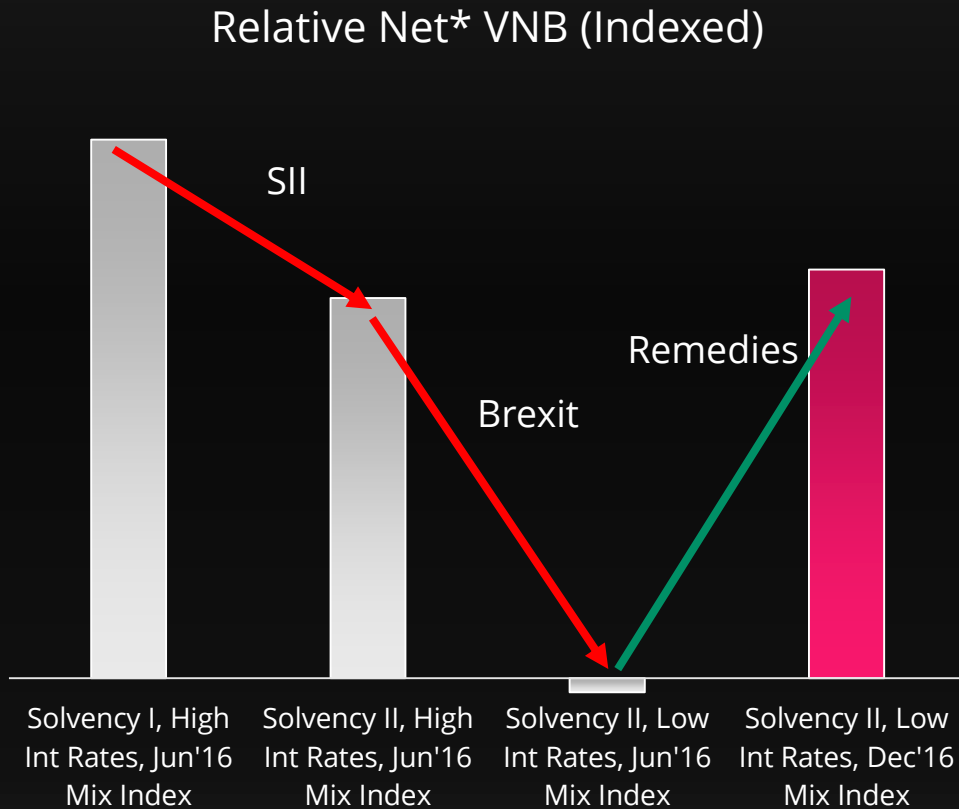
= 22% decrease in VL profits

(GBP terms)

*Estimated impact

Remedial actions taken to mitigate the interest rate impact

Improved profitability on Whole of Life products



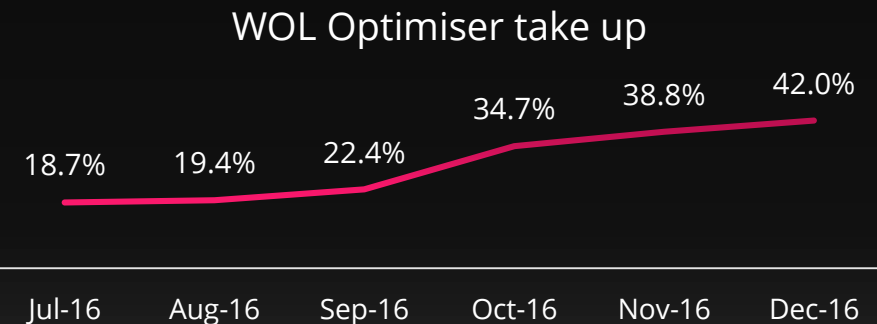
*Net cost of capital

Remedies against adverse impact

1. Reprice of Whole of Life new business

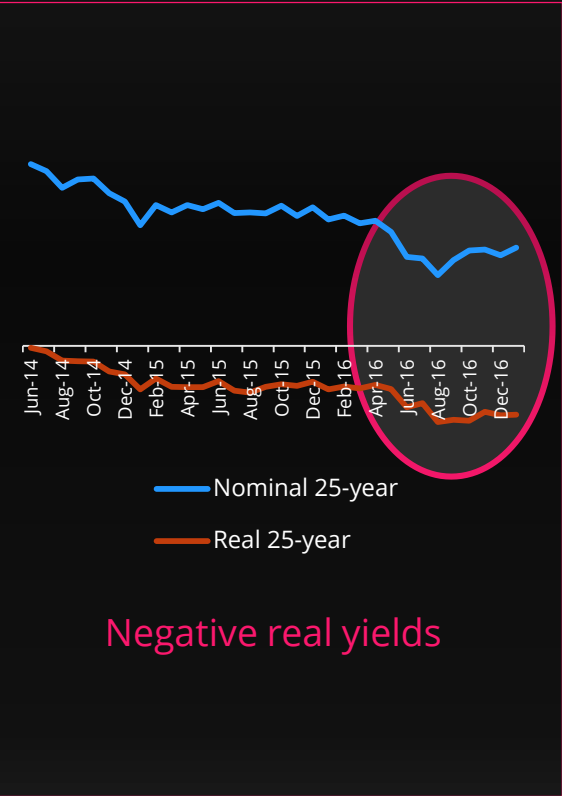
2. Escalating products

3. Increased Optimiser take up



Confidence in the business going forward

Scenarios of future movements in the interest rate:



Increase in interest rates

- Existing block of business returns to previous profitability
- Current new business highly profitable

No change in interest rates

- Existing block of business has new earnings base
- Quality new business will come through

Decrease in interest rates

- Decreased earnings on existing business
- Smaller impact on new business written

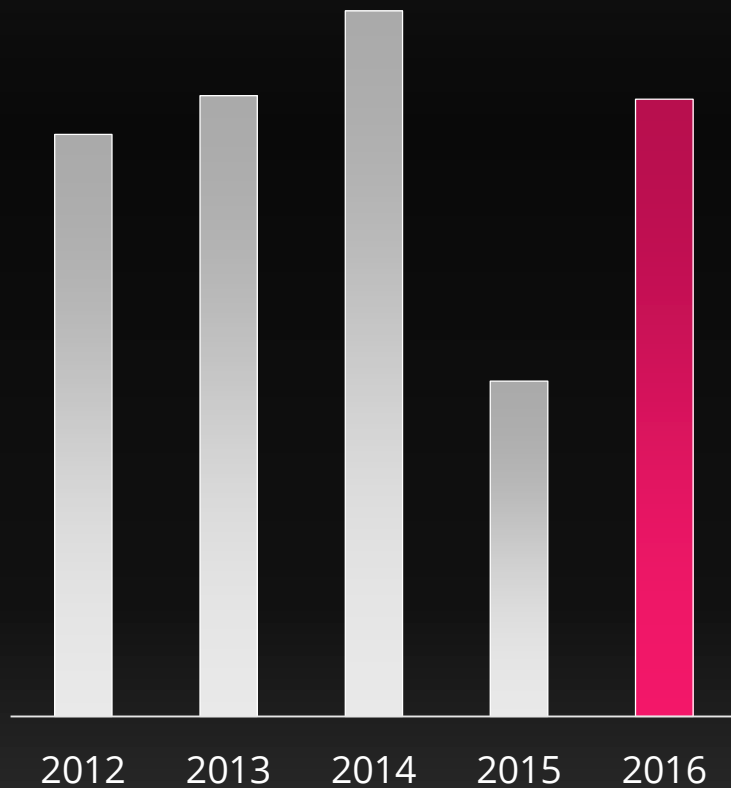
VitalityHealth

VitalityHealth

Operating profit (GBP)

+82%

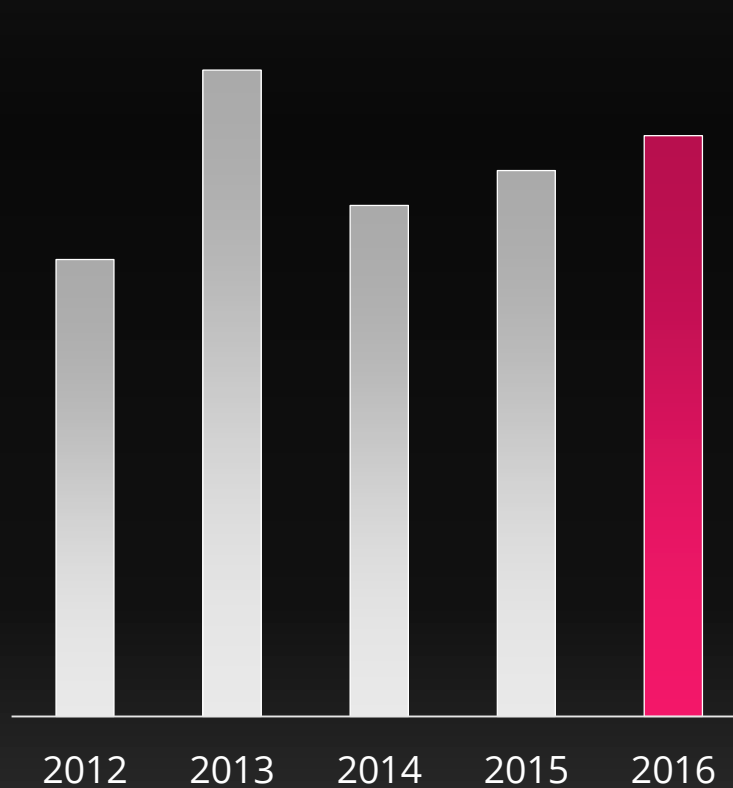
to GBP 8m



New business API (GBP)

+4%

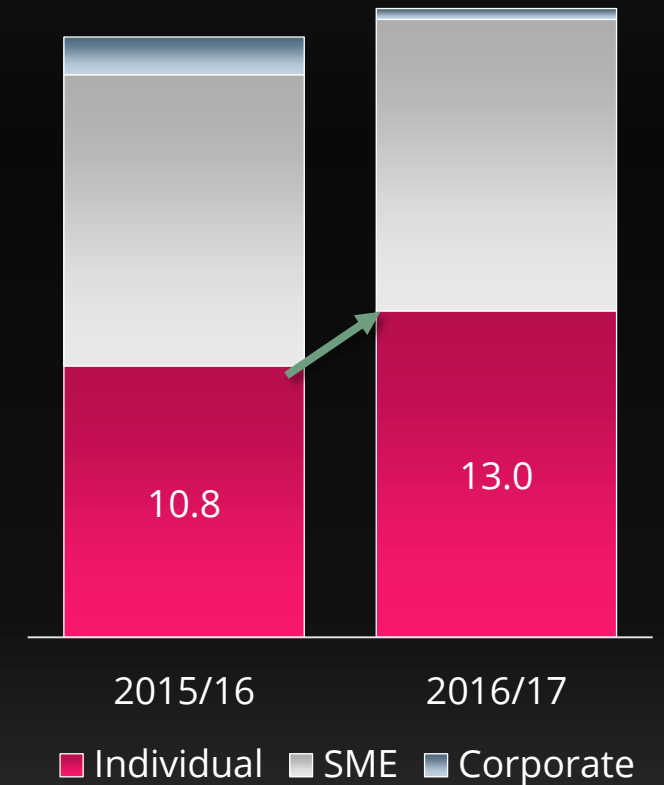
to GBP 25m



New business Split

+20%

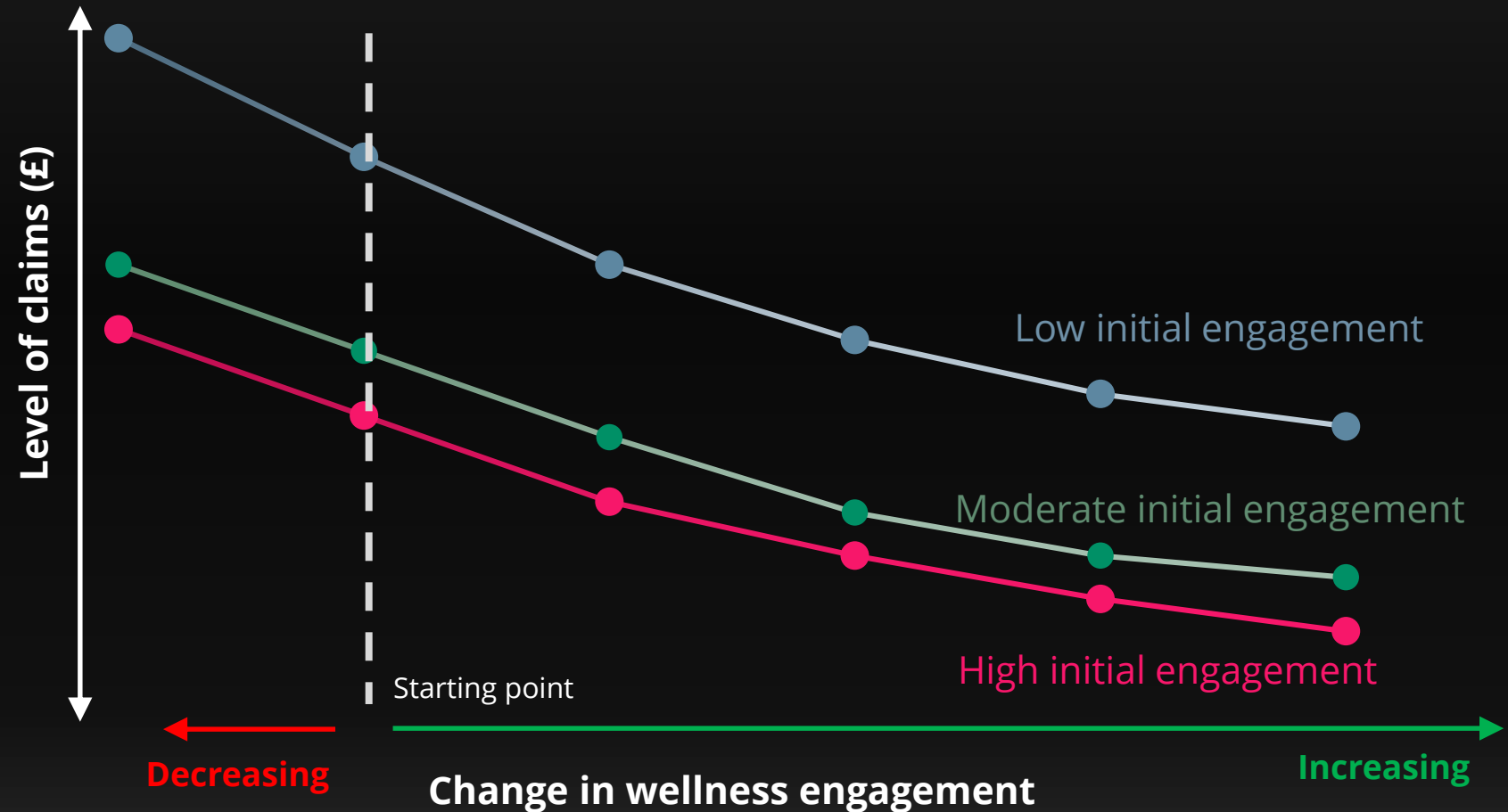
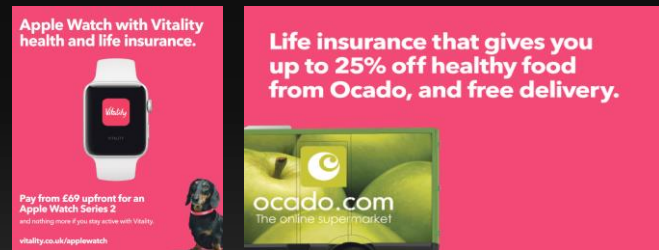
in individual new business



Evidence of the success of the model: impact of behaviour change on claims rates

Record levels of engagement in Vitality

Claims rates for Vitality members based on initial wellness engagement and subsequent changes in wellness engagement



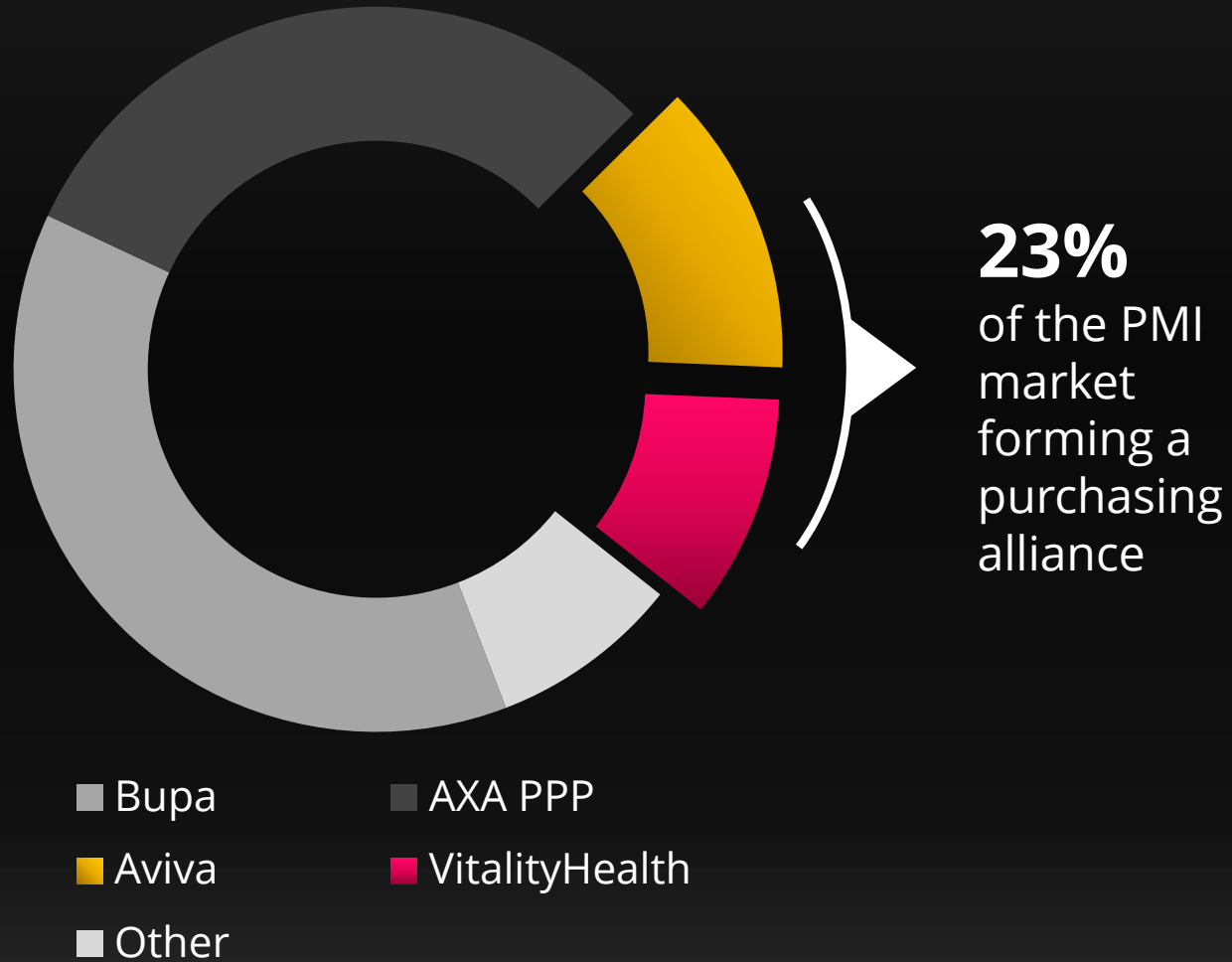
Strong profit generation from inforce book, with an investment in quality new business

For the 6 months ending December 2016
GBP (m)

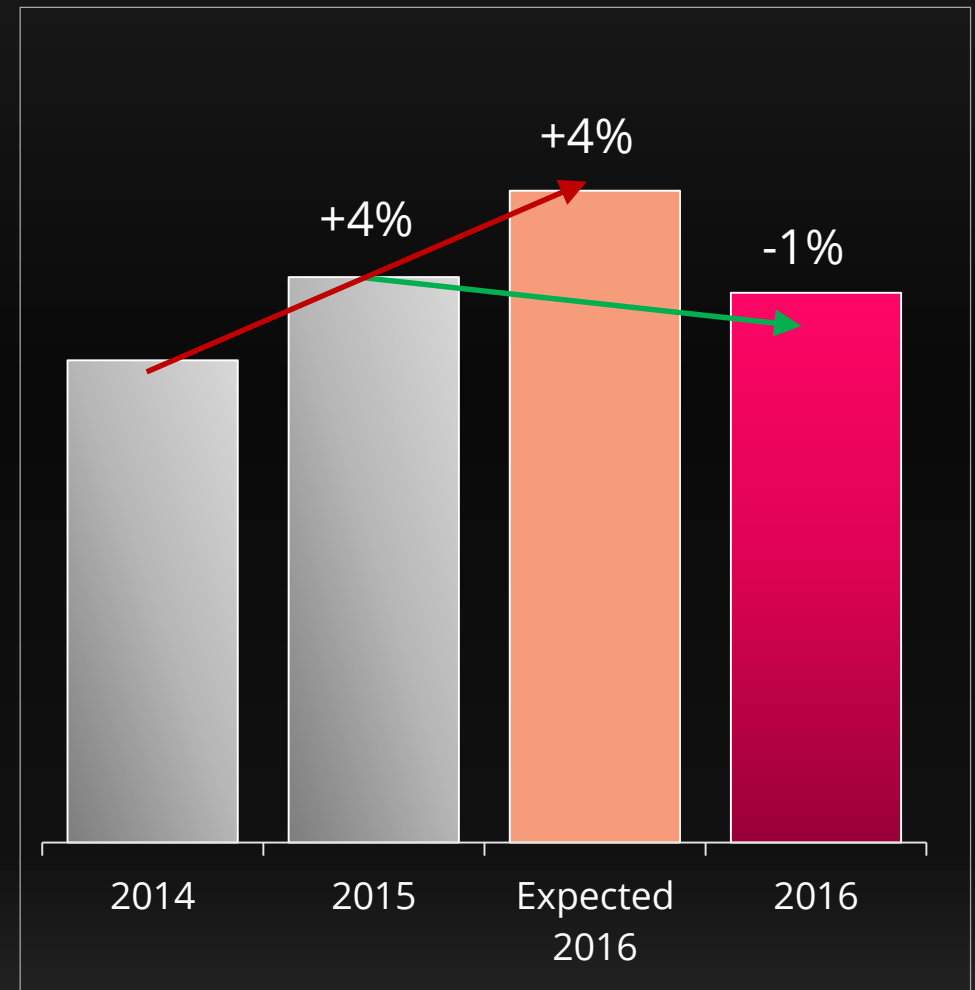


Management of hospital expenditure through purchasing alliances

Market share for PMI



Early signs of positive impact on hospital claims per life



Operating Model

Why & How

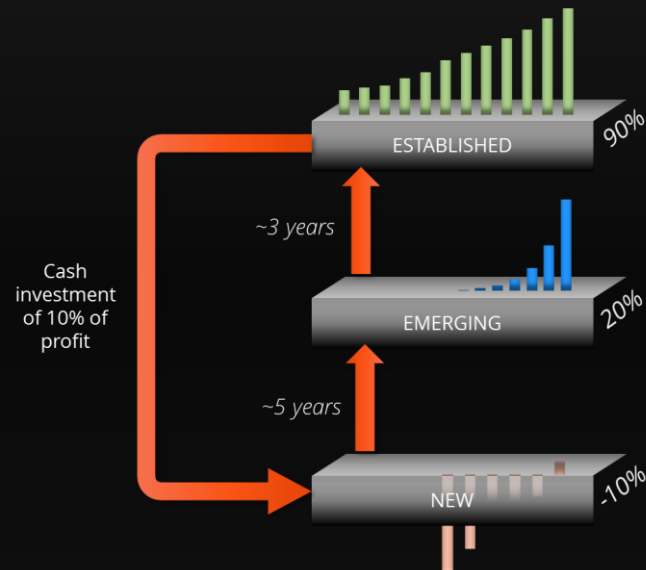
Make people healthier and enhance and protect their lives



Vitality Shared-Value Insurance Model

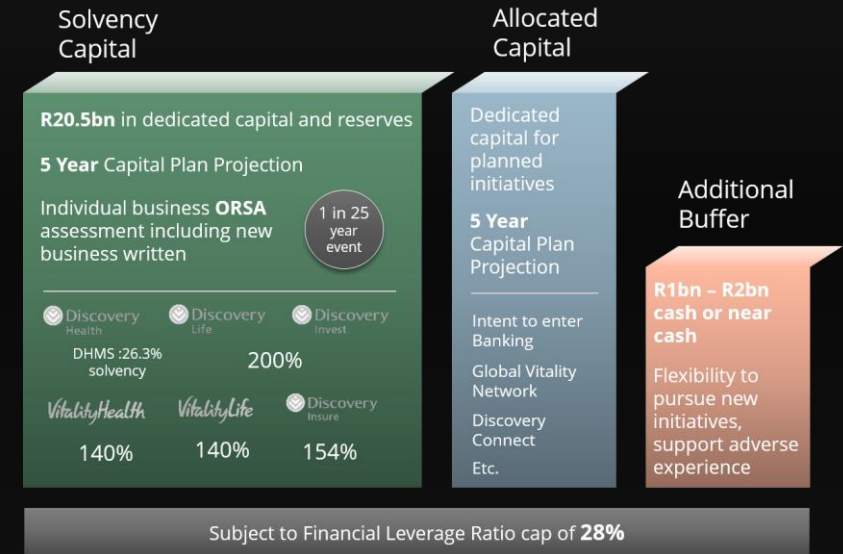


Growth Methodology



Target group profit growth of **CPI + 10%**

Capital Philosophy





UNAUDITED INTERIM RESULTS AND CASH DIVIDEND DECLARATION

for the six months ended
31 December 2016

