

How we create long-term value

Our business model and strategy aim to deliver tangible financial benefits and are implemented through medium- and long-term goal-setting, and a robust growth methodology and capital philosophy. As we expand our business, the combination of the Vitality Shared-Value Insurance model, our Ambition 2018, our growth methodology and capital philosophy gives us confidence in maintaining sustainable profit growth. We track our progress in terms of our short-term objectives, through our Ambition 2018, which energises our drive to create value.

Read more about our progress towards our Ambition 2018 on page 24. Each business review, from page 34, also highlights performance against these targets.

OUR ORGANIC GROWTH METHODOLOGY

Discovery continues to be led by a highly experienced and founder-led management team who has created consistent, successful organic growth and expansion into adjacent geographies and sectors.

Operating profit of **CPI +10%** is targeted through a methodical and substantial investment in new initiatives (set at 10% of earnings), which evolve into emerging businesses (with target profit growth of **CPI +30%**), and ultimately scale into established businesses (with target profit growth of **CPI +5%**).

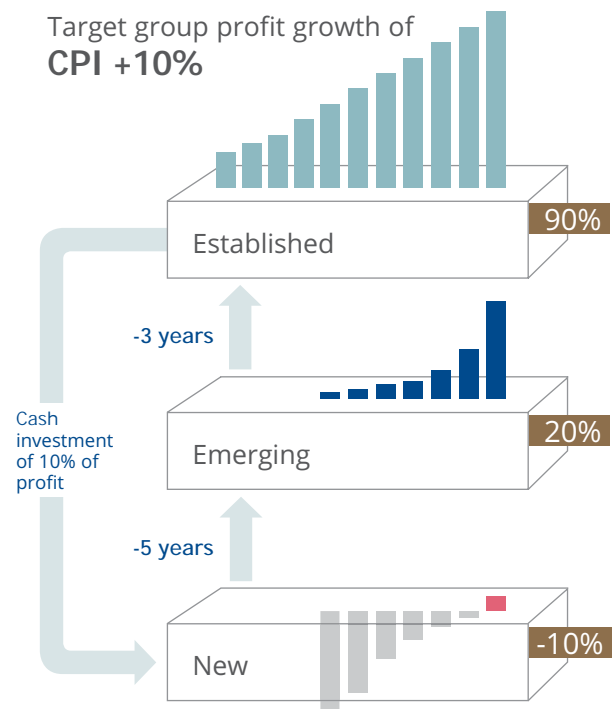
During the period, the established businesses performed well, achieving **CPI +5%**, in constant currency terms.

Emerging businesses showed a strong turn in earnings and traded above target, with operating losses decreasing by **61%** and Discovery Insure achieving profitability for the second half of the financial year.

Investment in new initiatives increased, representing **8%** of earnings for the full year. This is in line with the growth engine and includes sizeable planned initiatives such as Discovery's intent to enter banking, a commercial offering in Discovery Insure, Discovery Invest's Umbrella Fund and the planned UK investment business.

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



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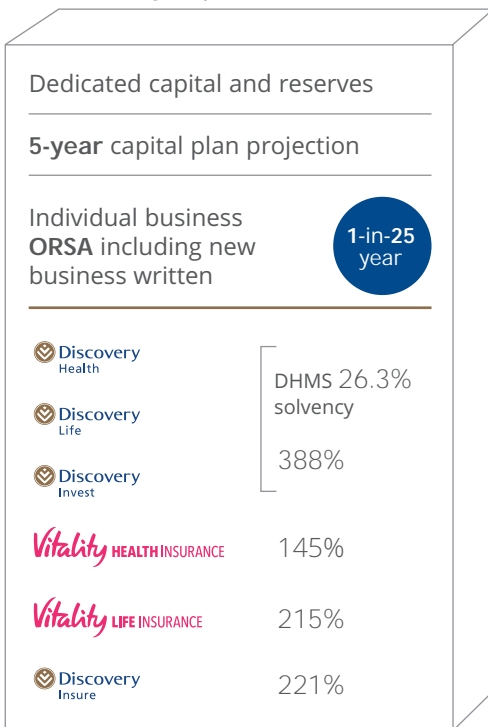
OUR SOPHISTICATED CAPITAL MANAGEMENT PHILOSOPHY

We apply rigorous solvency assessments and standards to our businesses according to a five-year capital plan, as well as a Group-wide buffer. This enables us to provide a safety margin for emerging and new businesses, while additional capital is raised for new initiatives of considerable scale. All businesses meet both their regulatory capital requirements and the additional risk appetite requirement set at Board level, as well as an Internal Rate of Return of risk-free +10% for both new business written and new initiatives undertaken.

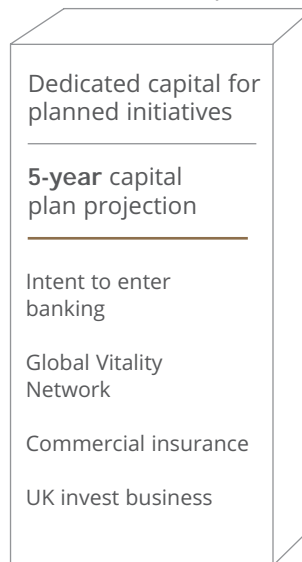
- An unallocated buffer of R1 billion to R2 billion is held at the centre.
- We also ensure a best-practice Financial Leverage Ratio of less than 28% is maintained.
- Cash is managed according to the five-year capital and funding plan.

Measures of success of our business model are shown on page 24.

Solvency capital



Allocated capital



Read more about our capital management philosophy and progress on page 10 in the review from Discovery Financial Director, Deon Viljoen.

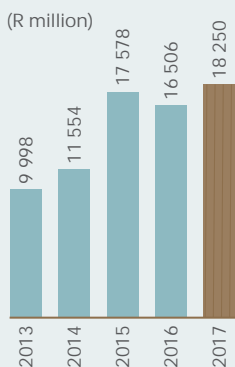
Additional buffer



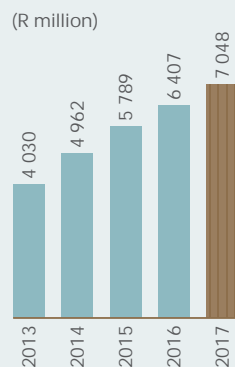
SUBJECT TO FINANCIAL LEVERAGE RATIO CAP OF 28%

DISCOVERY'S LONG-TERM TRACK RECORD

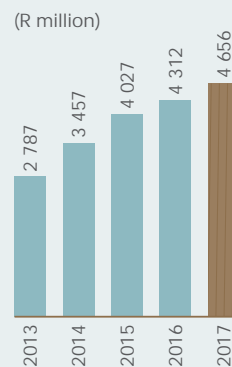
New business annualised premium income (API) and other new business



Normalised profit from operations



Normalised headline earnings



Embedded value

