



Discovery Limited

Domestic Medium Term Note Programme Roadshow

Refinancing of 2024 Maturities

Cape Town – 22nd & 23rd April 2024
Johannesburg – 24th April 2024

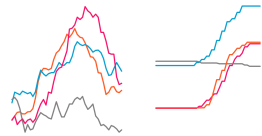
Team introduction



- 01 | Deon Viljoen:** Group Chief Financial Officer
- 02 | Andrew Rayner:** Group Chief Actuary
- 03 | Fareed Chothia:** Chief Financial Officer - South Africa
- 04 | Peter Bolink:** Head of Group Actuarial

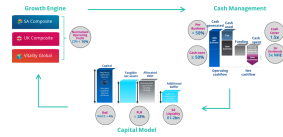


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Overview

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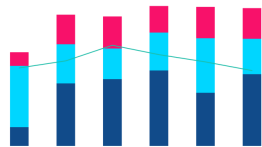
Operating Model

3



Business Model and Financial Performance

4



Debt Overview

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Stock code	DSY01	DSY02	DSY03	DSY04	DSY05	DSY06 & DSY07	DSY08	DSY09	DSY10
Issuance Volume (M)	100	200	300	400	500	600	700	800	900
Term (years)	1	2	3	4	5	6	7	8	9
Date Issued	21 Mar 17	21 Mar 17	21 Mar 17	21 Mar 17	21 Mar 17	21 Mar 17	21 Mar 17	21 Mar 17	21 Mar 17
Maturity Date	21 Mar 18	21 Mar 19	21 Mar 20	21 Mar 21	21 Mar 22	21 Mar 23	21 Mar 24	21 Mar 25	21 Mar 26
Interest Rate	Fixed	Fixed	Fixed	Fixed	Fixed	Fixed	Fixed	Fixed	Fixed
Type of Notes	Fixed	Fixed	Fixed	Fixed	Fixed	Fixed	Fixed	Fixed	Fixed
Pricing Benchmark	3m 30day	3m 30day	3m 30day	3m 30day	3m 30day	3m 30day	3m 30day	3m 30day	3m 30day
Outstanding (M)	100	200	300	400	500	600	700	800	900
Interest Payments	Quarterly	Quarterly	Quarterly	Quarterly	Quarterly	Quarterly	Quarterly	Quarterly	Quarterly

DMTN Issuance

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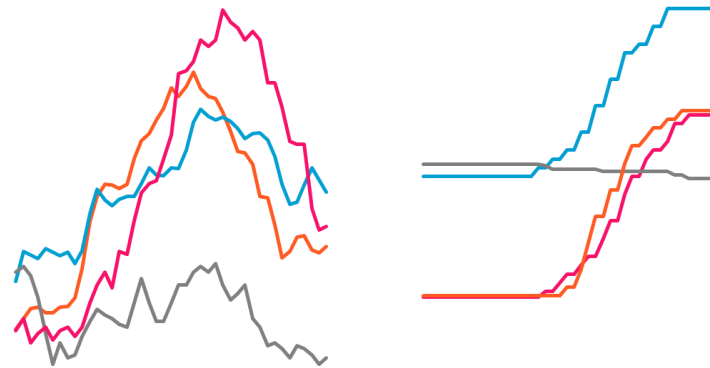


Questions



1

Overview



Purpose of debt raise



Notes Maturing in 2024

Stock code	DSY02	DSY03
Nominal Value (Rm)	2,000	200
Tenor (years)	7	7
Date Issued	21-Nov-17	21-Nov-17
Maturity Date	21-Nov-24	21-Nov-24
Type of Notes	Floating Rate	Fixed Rate
Pricing Benchmark	3m Jibar	10.46%
Clearing spread (bps)	191	
Interest Payments	Quarterly	Semi-annual

Discovery intends to refinance these maturities as they fall due in November, in line with capital plan to keep debt flat in the short term

Economic and timing considerations

Locally

Pre- and post-election uncertainty & rate cycle sentiment

Internationally

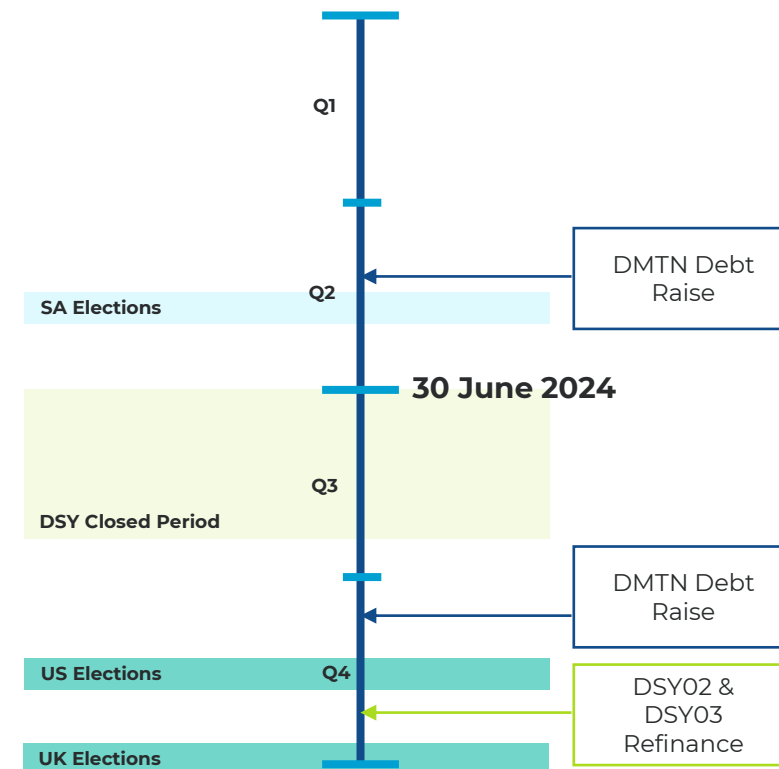
Global election cycle uncertainty & inflationary pressures

Discovery

Closed period around 30 June 2024 reporting limits timing for debt raise

Market has likely already priced a short-term view for local and international uncertainty, which may become more volatile in the coming months

Proposed debt raise



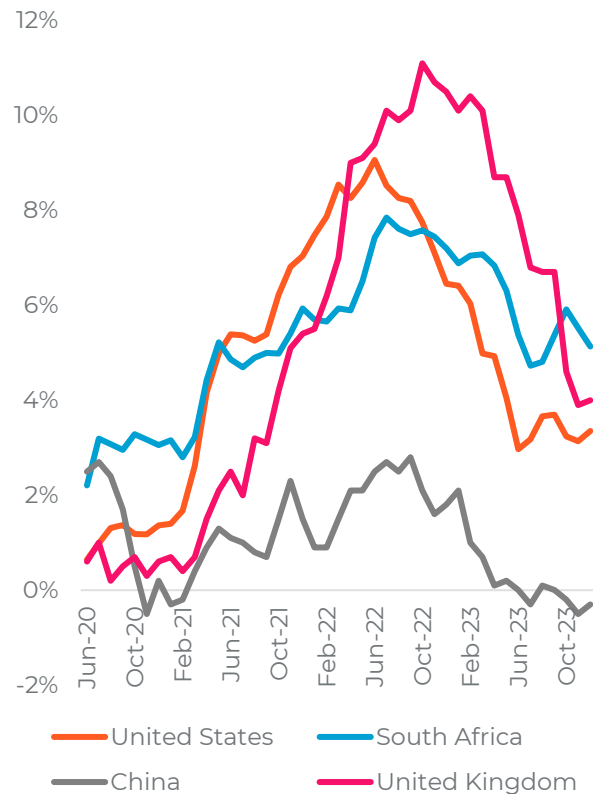
Discovery to stagger the debt raises intended to refinance maturing debt between H1 and H2 of 2024, to manage timing and uncertainty

Navigating a complex backdrop



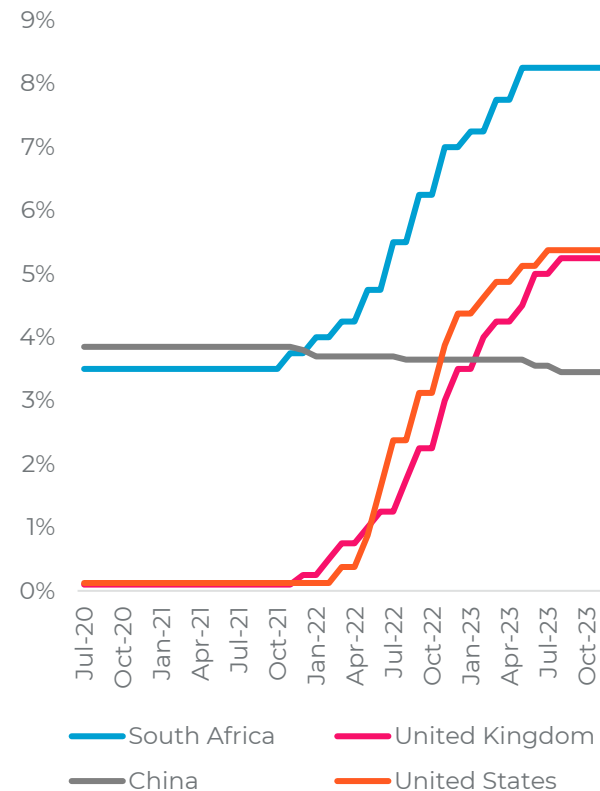
Slowing inflation globally

Inflation rate by market¹



High interest rates

Central bank policy rates²



Market outlook



South Africa

- NHI bill has noble aims but creates uncertainty
- Election permutations create uncertainty
- Widespread power cuts have lessened
- **Building a perfect composite model, number 1 in every industry, along with supporting universal health coverage for all in South Africa**



United Kingdom

- NHS challenges persist, creating opportunities for responsible growth in private health provision
- High services price inflation continues to keep core inflation elevated
- **Building a new generation life and health insurer, particularly on the back of a complex NHS environment for the latter**



China

- Relationship with the West remains strained
- GDP growth is anticipated to achieve its 5% target, driven by manufacturing led revival
- Economy is still struggling with deflationary pressures, keeping inflation below its 3% target
- **Scaling Ping An Health Insurance in a complex Chinese market**



United States

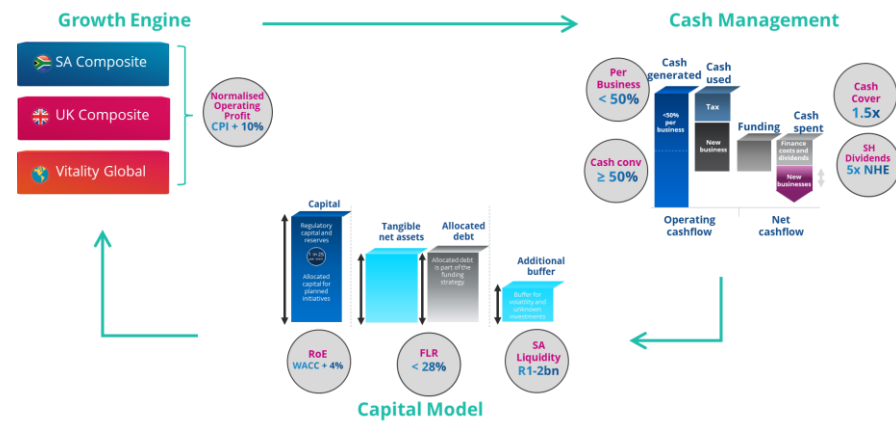
- Economic growth expected to slow in 2024 along with reducing inflation
- Polarised elections raise economic uncertainty
- **Globalising our unique assets**

¹ Sources: StatsSA, Statista, Office for National Statistics, US Bureau of Labor Statistics
² Source: Bank of International Settlements



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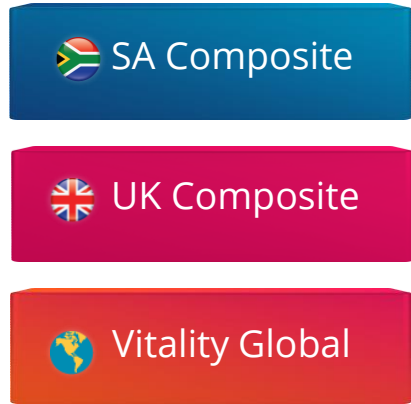
Operating Model



Group Operating Model



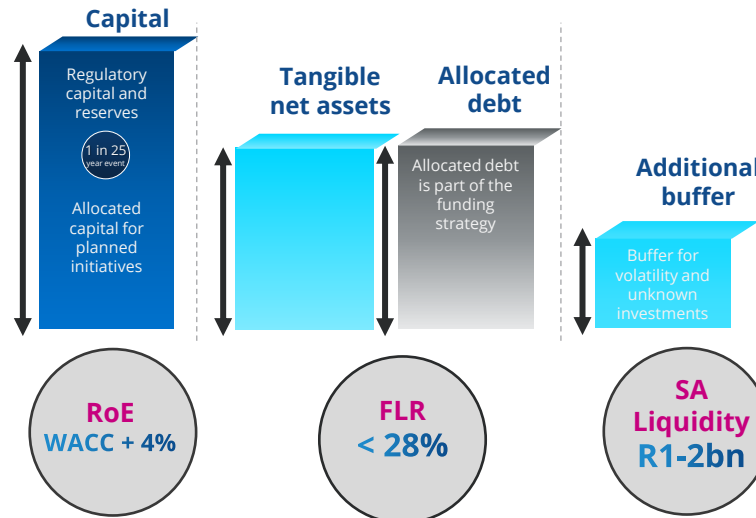
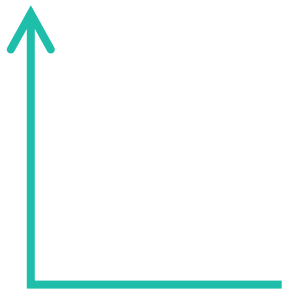
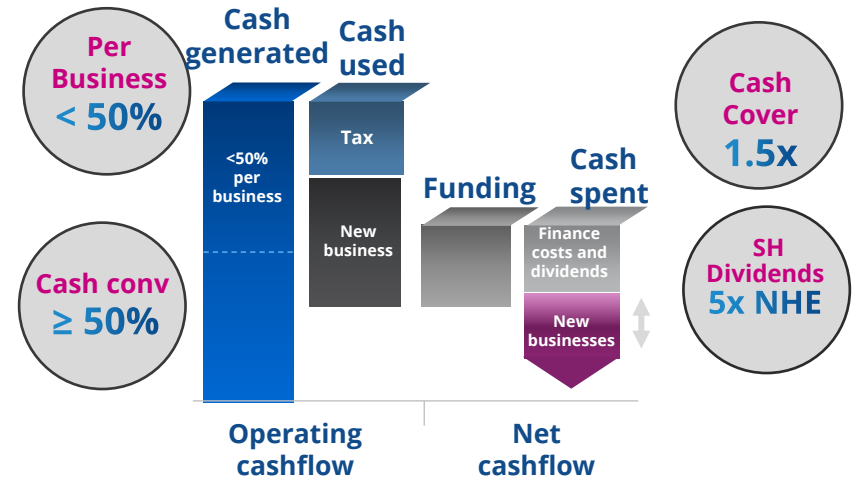
Growth Engine



Normalised Operating Profit
CPI + 10%



Cash Management



Capital Model





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Business Model and Financial Performance



Financial results overview | 6 months to 31 December 2023



<p>Core new business¹</p> <p>+28% to R14 197m</p>	<p>Normalised operating profit</p> <p>+13% to R5 622m</p>	<p>Normalised headline earnings</p> <p>11% to R3 320m</p>	<p>Net cash flow²</p> <p>(R390m) Accrual Basis (R91m)</p> <p>Operating cash flow R2 962m</p>
<p>Return on Embedded Value³</p> <p>+12% closing EV R104bn</p> <p>Normalised Return on Equity³</p> <p>+13%</p>	<p>Earnings investment in new initiatives</p> <p>10%</p>	<p>Interest cover⁴</p> <p>4.7x</p>	<p>Bank & DMTN Debt⁵</p> <p>R16 226m</p>

¹ Applied to core new business.

² Movement in free shareholder cash

³ Annualised return; Normalised Return on Equity calculated as Normalised Headline Earnings / Average IFRS Equity, adjusted for OCI

⁴ Interest Cover = EBIT / Finance Costs; EBIT and finance cost excludes IFRS16 adjustments relating to IDP

⁵ Excludes non-guaranteed deposit facilities and finance leases

Strong operating performance

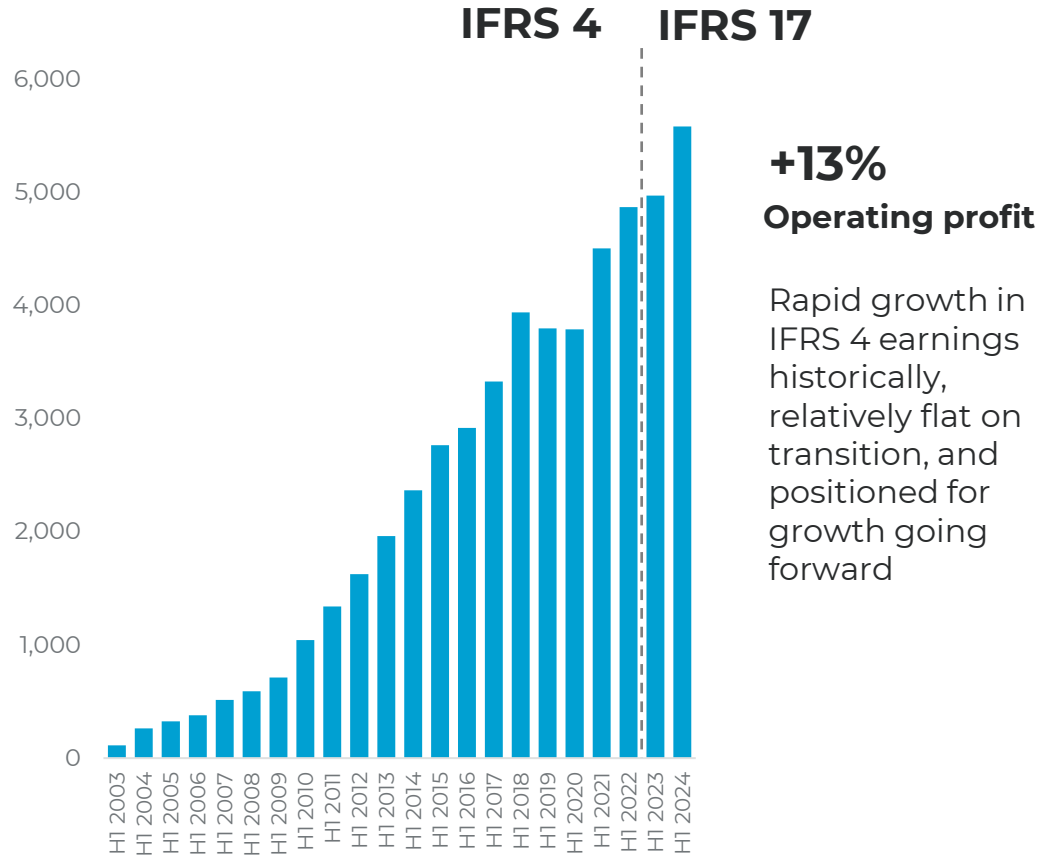


ZARm	R5 622m +13% Operating profit		R14 197m +28% New business²		R2 942m +15% Non-insurance income		
Health	1 874	+7%	6 835	+52%	592	+3%	New business boosted by successful take-on of Sasolmed
Life – Individual	2 128	+12%	1 444	+7%			Strong earnings and improving new business margins
Life – Group	139	-42%	75	-42%			Declined off prior period's exceptional performance
Invest	620	+11%	1 629	+8%			Benefited from higher market levels
Insure	20	+150%	666	+8%			Profit curtailed by two severe weather events
Bank	-339	-15%			933	+32%	Achieved operational break-even on a monthly basis, excellent performance across all metrics
Other SA ¹	-87	+12%	451	-13%			
SA composite	4 355	+9%	11 100	+29%	1 525	+19%	
VitalityHealth	527	-20%	1 135	+28%			Increased demand from backlogs in NHS drove higher new business, along with an increase in claims experience
VitalityLife	390	+97%	935	+17%			Earnings increased from higher interest rates and once-off variances, VNB margins under pressure
VitalityInvest	-57	-48%					
Other initiatives and central costs	-48	+85%					
UK composite	812	+13%	2 070	+22%			
Vitality Network	296	+49%			942	+25%	Strong growth and margin expansion
VHI – Ping An Health Insurance	344	+305%	1 027 ³	+28%			Excellent operating metrics, new business exceeded expectation
VHI – Other and central costs	-185	+928%			475	-8%	Continued investment into VHI
VG composite	455	+71%	1 027	+28%	1 417	+11%	

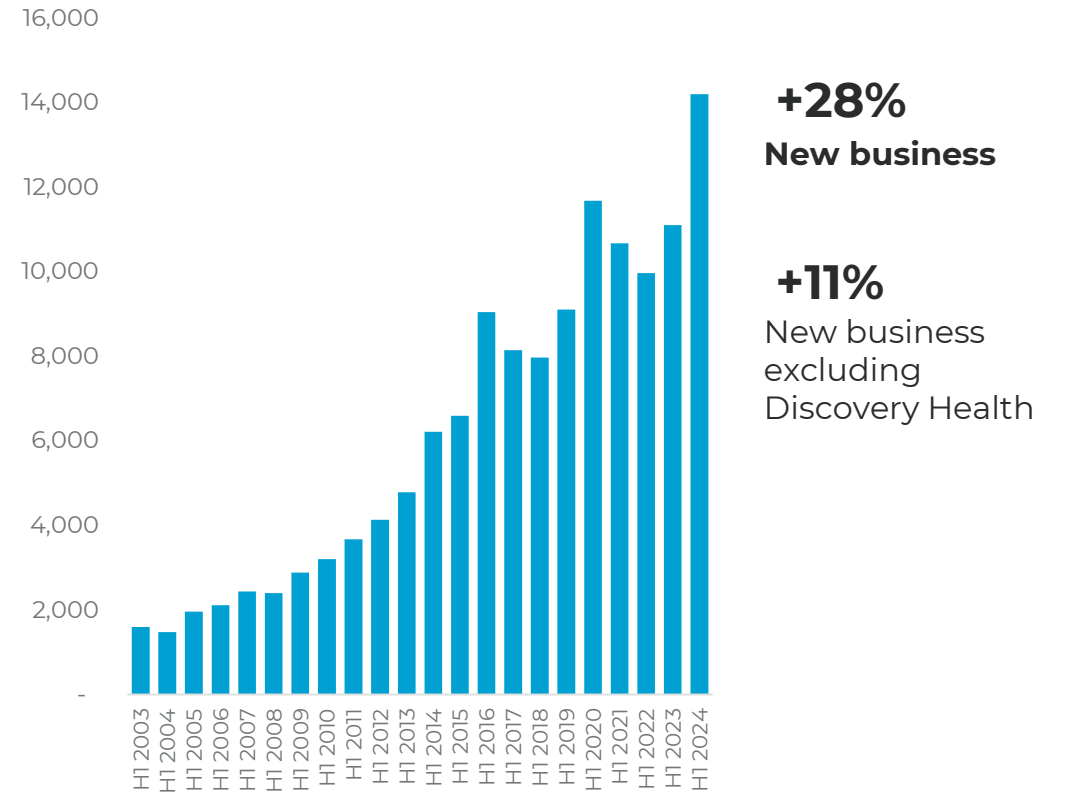
Significant operating profit and new business growth over time



Operating profit



New business



IFRS 17 performance H1 FY23 to H1 FY24



R million	Actual H1 2024	Actual H1 2023	%
Normalised profit from operations	5 622	4 973	+13%
Forex losses/gains	-40	28	
1 DP finance lease impact	-59	-73	
Finance charges excl. 1DP finance lease	-881	-778	
Investment income and fair value gains on financial instruments	195	132	
Other	-72	-50	
Profit before fair value gains on VL swaption	4 765	4 232	+13%
Fair value gains on VL swaption	-	391	
Profit before tax	4 765	4 623	+3%
Taxation	-1 422	-1 385	
Profit after tax	3 343	3 238	+3%
Profit not attributable to ordinary shareholders	-89	- 31	
loss on impairment and derecognition of assets net of tax	6	69	
Headline earnings	3 260	3 276	0%
Amortisation of intangibles from business combinations, net of tax	45	39	
Economic assumptions adjustment - VL	-	-311	
Restructuring costs	15	-	
Normalised headline earnings	3 320	3 004	+11%

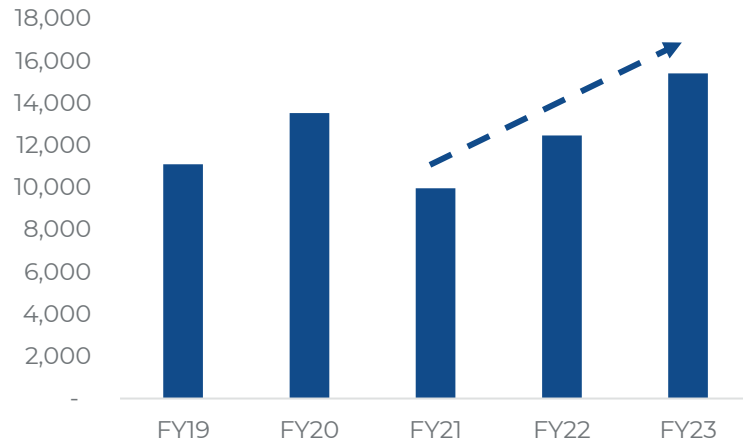
The prior reporting period includes a considerable fair value gain from the swaption, which was realised towards the end of the previous financial year

Group Shareholder Cash Flow

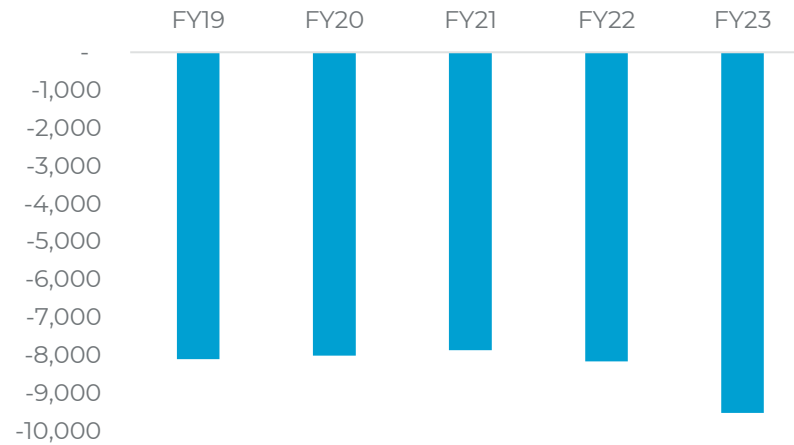


Reducing spend on new initiatives and disciplined capital management

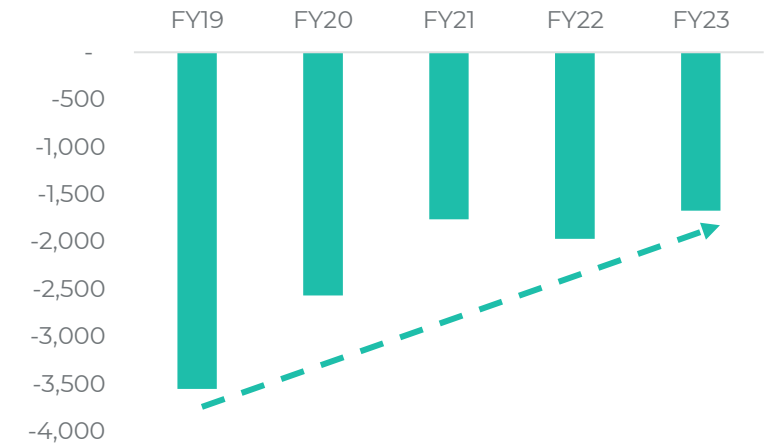
Cash Generation (Rm)



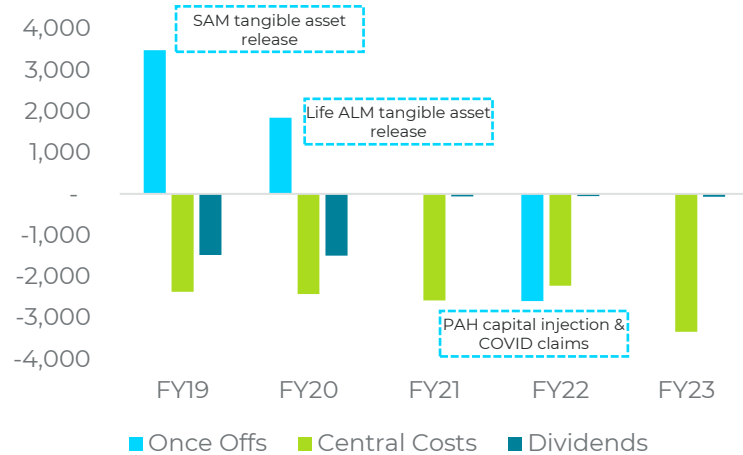
New Business Spend (Rm)



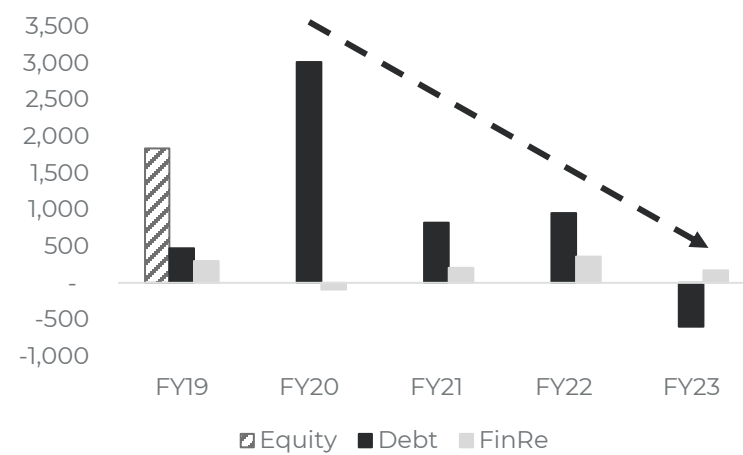
New Initiatives (Rm)



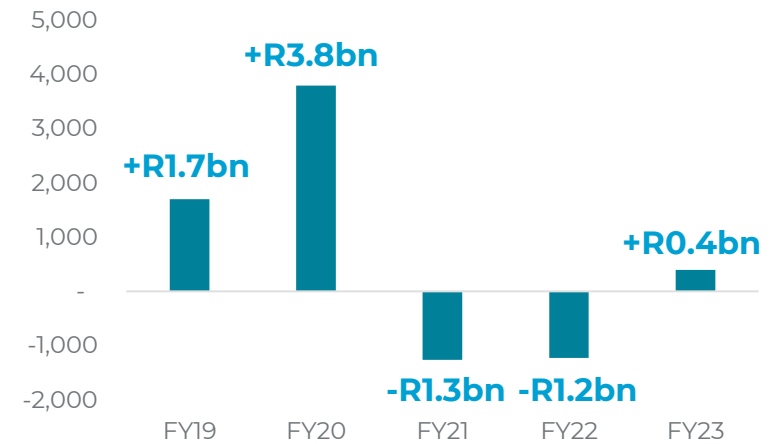
Central Costs (Tax & Finance Costs), Once-Offs & Dividends (Rm)



Funding (Rm)



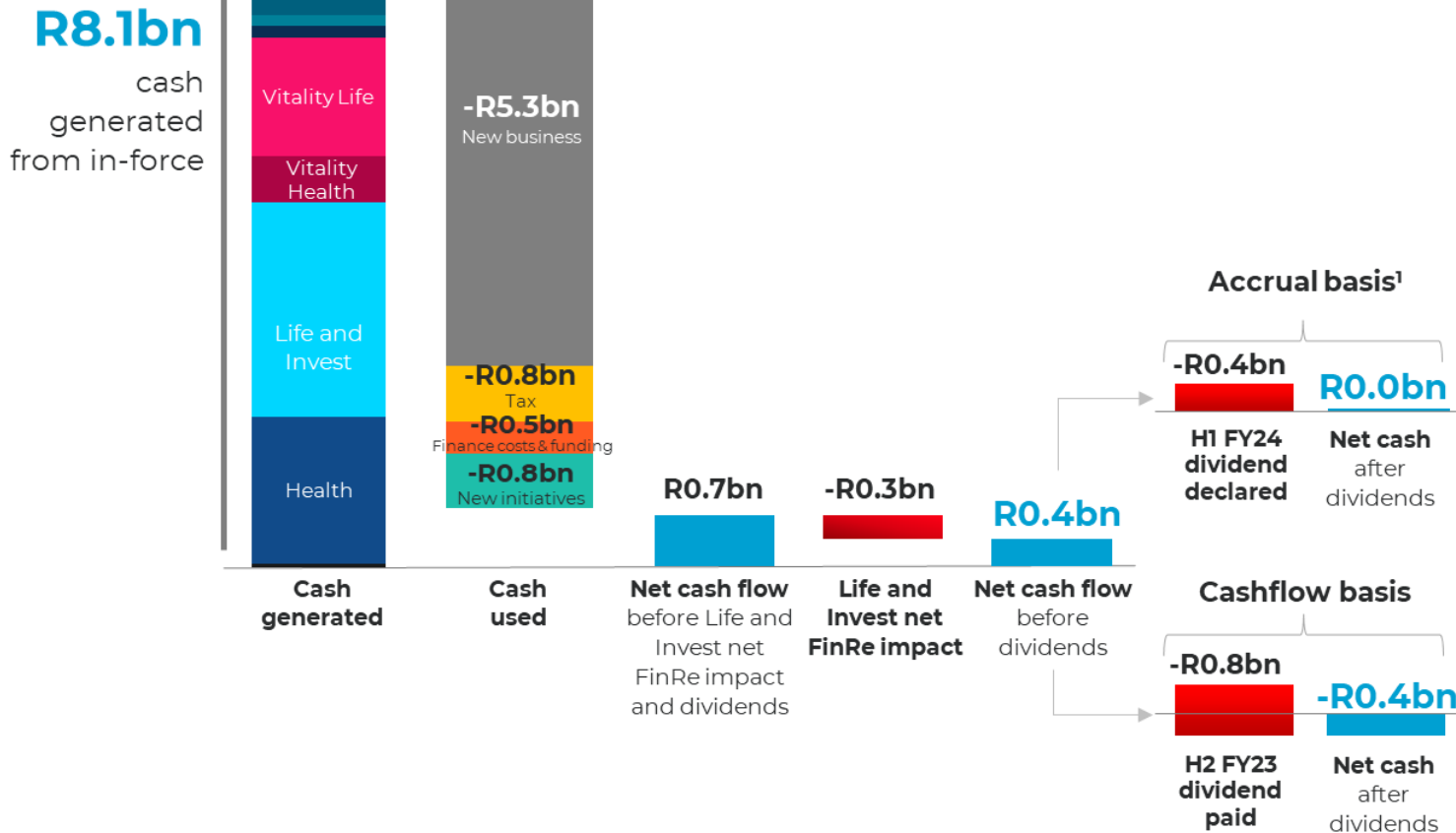
Net Cash Flow (Rm)



Group Shareholder Cash Flow



Shareholder cash generated HY24 used to pay dividends



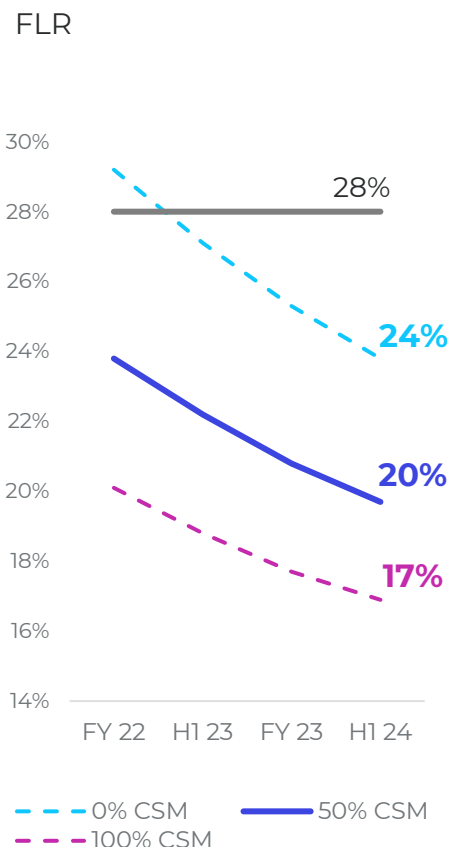
Spend on new initiatives has been steadily reducing and **cash generation from in-force** has returned to pre-COVID levels which has allowed Discovery to **reinstate shareholder dividends**

¹ Accrual basis aligns in-period shareholder cash flow to the expected dividend payable, declared in respect of that period
² Centre cash + undrawn committed facilities

Group well capitalised with robust cash generation



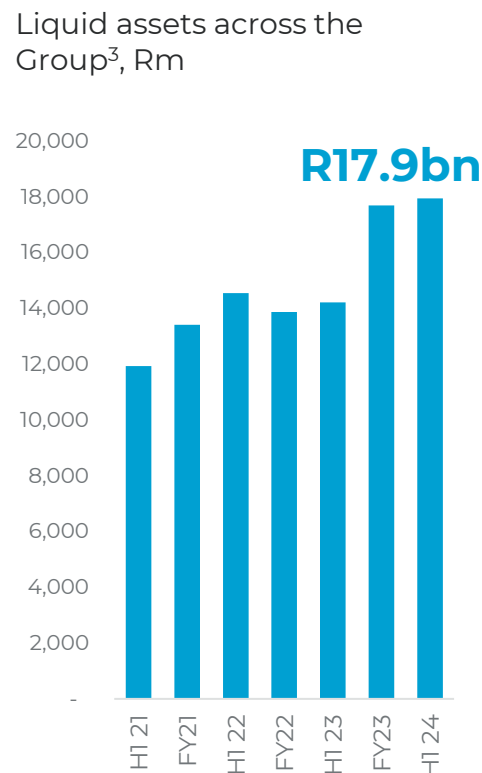
FLR within target



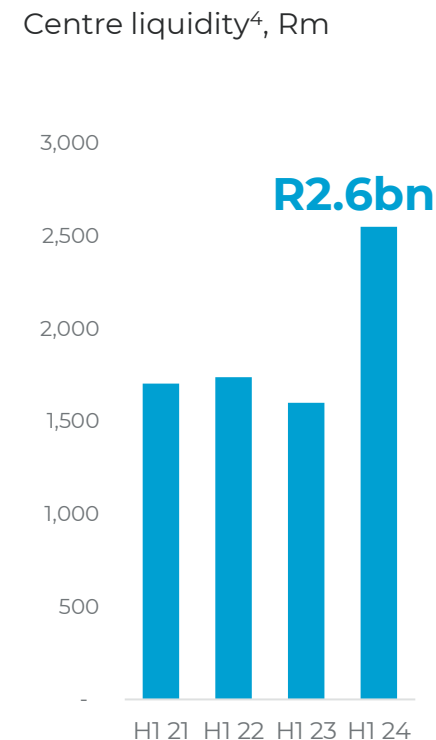
Strongly capitalised

	Dec 22 Cover	Dec 23 Cover
Life	1.8x	1.8x
Insure	1.4x	1.5x
VH	1.5x	1.4x
VL	2.2x	2.3x
Bank ¹	1.2x	1.3x
PAHI ²	2.7x	3.1x
DHMS solvency (unaudited)		30.6%

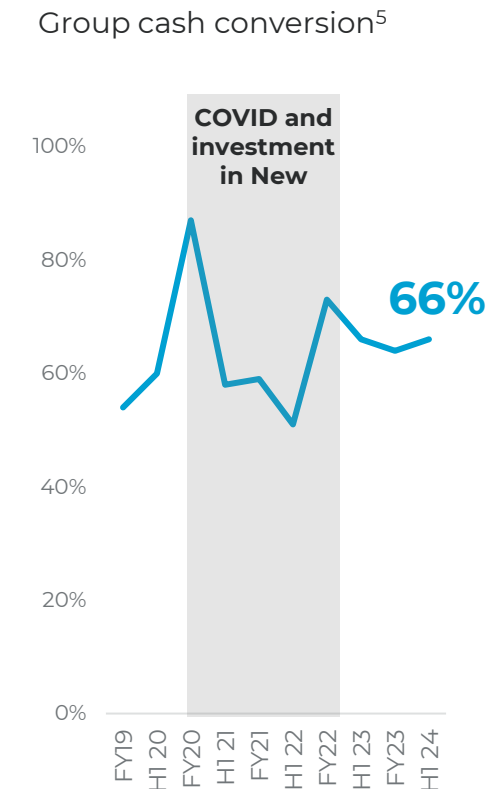
Highly liquid across the Group



Sufficient centre liquidity



Strong cash conversion



¹ Capital Adequacy Ratio

² Comprehensive Solvency Ratio, definition set by China Banking and Insurance Regulatory Commission

³ Considers cash at centre, Discovery Life, Discovery Insure, VitalityHealth, VitalityLife and Discovery Bank

⁴ Centre cash + undrawn committed facilities

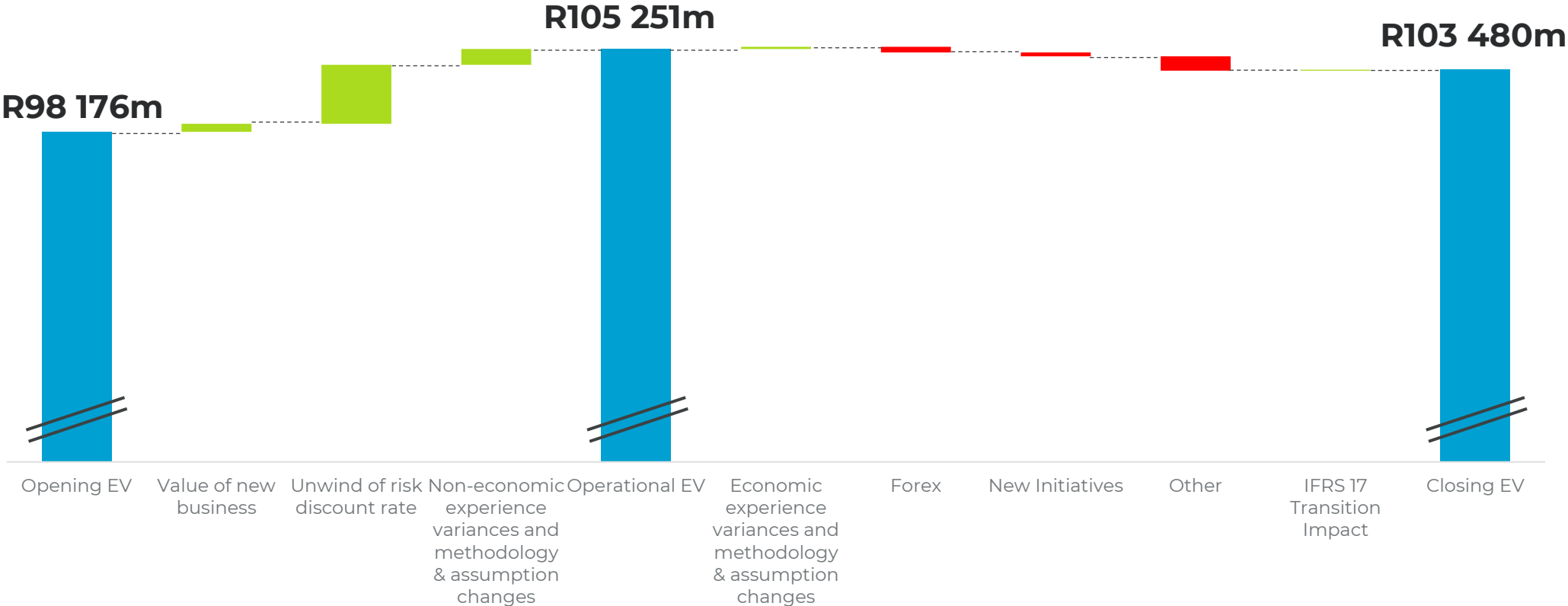
⁵ FY 2022 excludes life COVID claims net of financing

Strong growth in Group Embedded Value



12.1%

Annualised RoEV



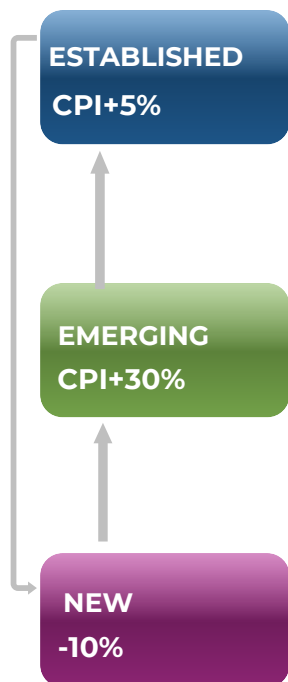
Discovery grows businesses organically



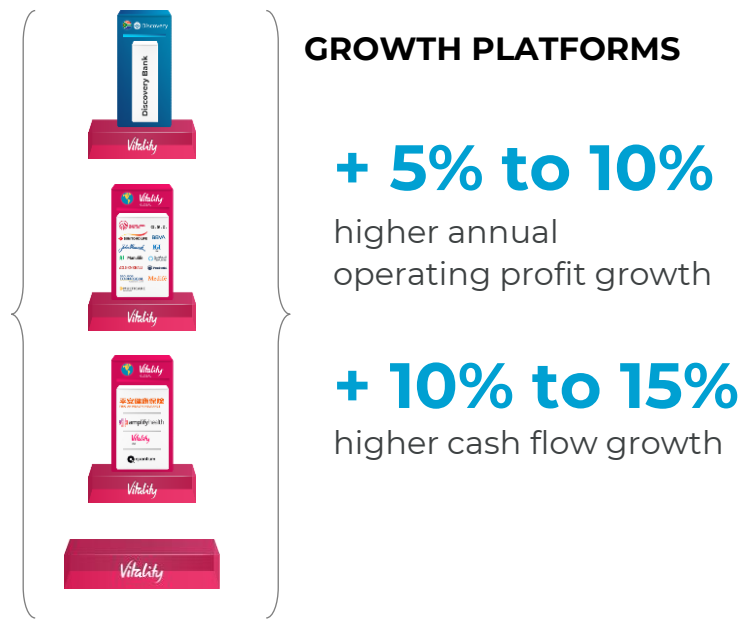
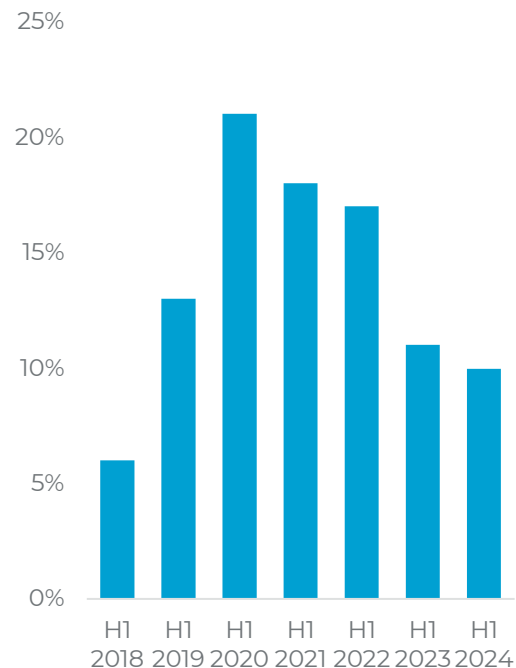
Organic growth model

Focused on streamlining New initiatives

Growth platforms expected to drive material growth



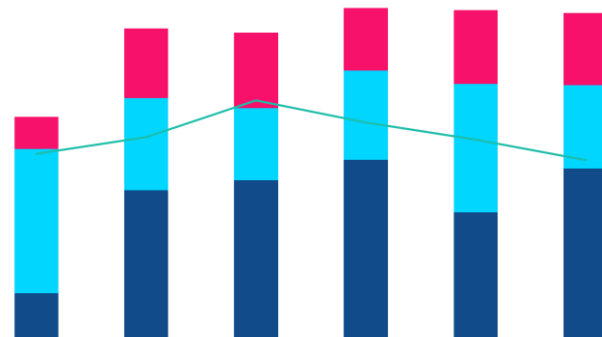
Investment in New % core operating profit





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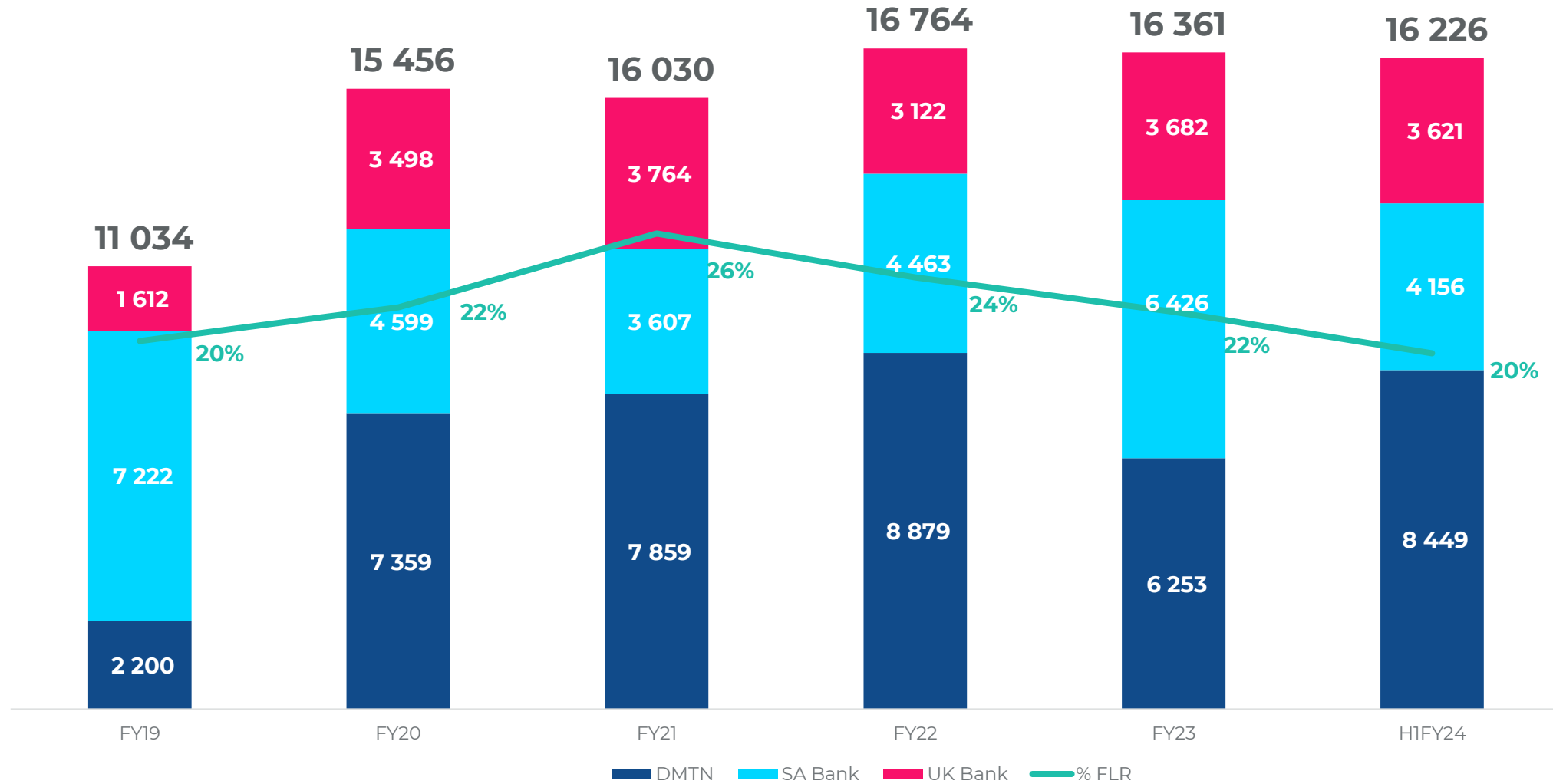
Debt Overview



Debt Profile



R Million

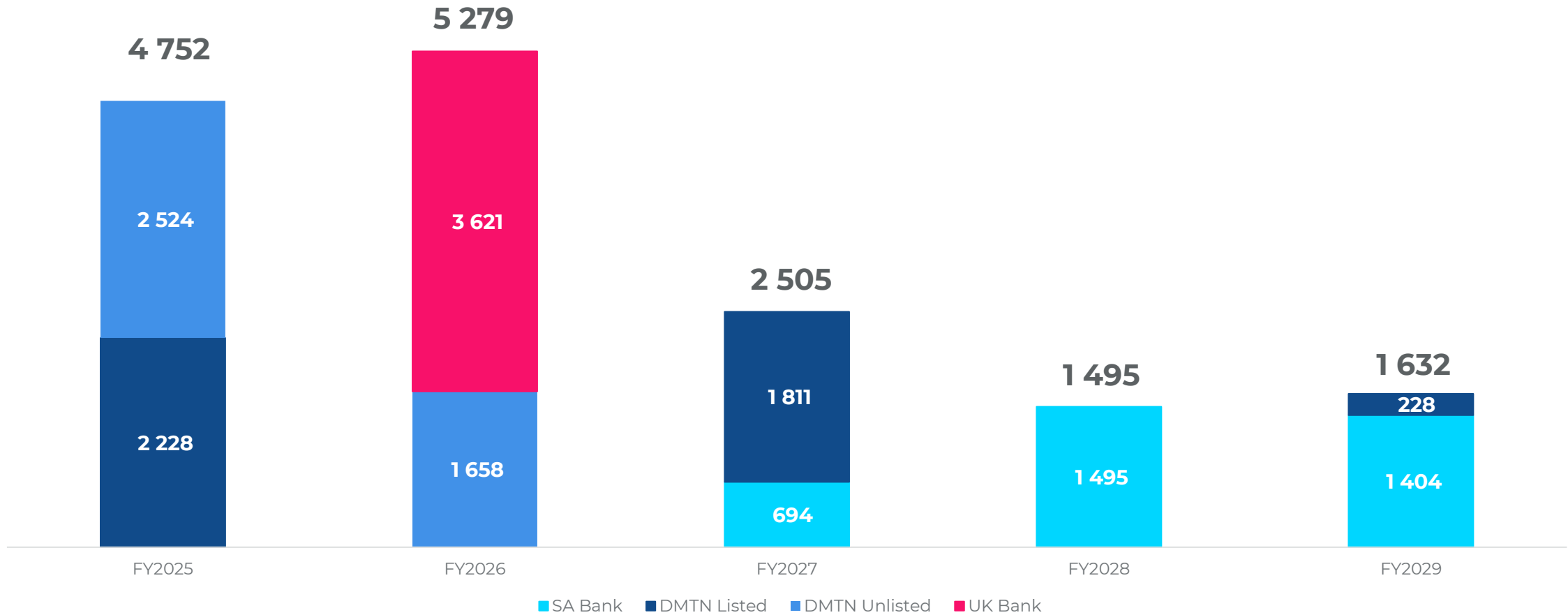


From FY22, FLR is calculated on an IFRS 17 basis accounting for 50% CSM

Debt maturity profile – Financial Year



R Million



*£154m UK Debt maturing December 2025, with options to extend

**DMTN Unlisted debt refers to structured bank debt using DMTN notes issued into commercial paper market

Bank debt covenants



Covenant	Minimum Requirement	31-Dec-23	30-Jun-23
Group Debt to EBITDA ratio	Less than 2.5X	1.4	1.4
Group financial Indebtedness to EV	Less than 30% of Group EV	16.7%	17.6%
Group EV	Greater than R30 billion	ZAR 103 480	ZAR 98 176
Discovery Life SCR Cover	SCR Cover > 1.1	1.8x	1.9x
New Business EV not negative	Positive VNB for 3 consecutive 6-month period	Dec 2023: R684m June 2023: R500m Dec 2022: R940m	June 2023: R500m Dec 2022 R940m June 2022: R1 234m

Discovery's credit rating



Moody's Insurance Financial Strength Rating (IFSR)

- Ba1
- 1 above the Sovereign (Ba2, stable)
Supported by diverse business mix, significant fee income and limited exposure to SA invested assets

Moody's long-term issuer (LT Issuer) rating

- Ba3 (global) / A1.za (national)

Rating outlook

- Stable outlook reflects outlook on South African sovereign, and the linkage between Discovery and South Africa

*Discovery Holdings Europe Limited, the holding company for **Vitality UK's operations**, was rated **A- by Fitch** in October 2023*

Credit strengths

1. Very strong **franchise in South Africa** that the group is leveraging across multiple business lines, and increasingly, **globally through the Vitality franchise**
2. A meaningful, and growing, portion of **profits being generated outside of South Africa**
3. Significant, stable, fee income that places **limited strain on capital** and provides a buffer against the risk of asset price shocks
4. Good **capitalisation and resilience to a range of stress scenarios**, along with very good **access to capital markets**

Credit challenges

1. **Challenging operating environment** with low economic growth in South Africa which could lead to negative persistency, lower volumes of new business value as well as investment volatility
2. **Execution risk** in developing profitability of new businesses, including **Discovery Bank and Vitality operations**
3. Reliance on Discovery's **complex shared value insurance model**, across most areas of its business, raises the stakes in case of a potential disruption of this model, and elevates **regulatory risk due to complexity**



5

DMTN Issuance

Stock code	DSY01	DSY02	DSY03	DSY04	DSY05	DSY10U & DSY11U	DSY12U	DSY06	DSY07	DSY28U
Nominal Value (Rm)	500	2,000	200	1,000	500	2,500*	1,100	792	226	1,650*
Tenor (years)	5	7	7	8	3	5	3	5	7	3
Date Issued	21-Nov-17	21-Nov-17	21-Nov-17	29-Aug-18	28-July-20	21-Feb-20	10-Mar-20	21-Jun-22	21-Jun-22	10-Mar-23
Maturity Date	21-Nov-22	21-Nov-24	21-Nov-24	21-Aug-26	21-Aug-23	21-Feb-25	10-Mar-23	21-May-27	21-May-29	10-Mar-26
Type of Notes	Floating Rate	Floating Rate	Fixed Rate	Floating Rate	Floating Rate	Fixed	Fixed	Floating Rate	Floating Rate	Fixed
Pricing Benchmark	3m Jibar	3m Jibar	10.46%	3m Jibar	3m Jibar	9.615%	8.915%	3m Jibar	3m Jibar	9.550%
Clearing spread (bps)	161	191		180	205			173	180	
Interest Payments	Quarterly	Quarterly	Semi-annual	Quarterly	Quarterly	Quarterly	Quarterly	Quarterly	Quarterly	Quarterly

Key features of the DMTN programme



ISSUER	Discovery Limited
SIZE (NOMINAL AMOUNT)	R10 billion with R8.4 billion in issue
GUARANTORS	Discovery Health and Discovery Vitality (as per current SA Bank Loans)
LISTING	The Interest Rate Market of the JSE Limited
TYPES OF NOTES	<p>Notes that can be issued under the Programme may comprise:</p> <ul style="list-style-type: none"> • Senior notes (the “Senior Notes”); • Subordinated notes which are subordinated to the Senior Notes (the “Subordinated Notes”); and/or • Capital subordinated notes with terms capable of qualifying the proceeds of such Notes as Regulatory Capital. Regulatory Capital Notes will require Prudential Authority (“PA”) approval at the time of Issuance and for redemption at maturity. Key terms include mandatory interest and principle deferral at the election of the PA (only expected to be implemented on a breach of the SCR ratio for Tier 2 qualifying notes and MCR FOR Tier 3 qualifying notes)
CROSS DEFAULT	The cross default will be triggered by a default by Discovery Limited and or its Guarantors in relation to the greater of R50m or 1% of EBITDA
MATERIAL SUBSIDIARY	<p>A material subsidiary is defined as:</p> <ul style="list-style-type: none"> • any Guarantor; and • any Subsidiary <ul style="list-style-type: none"> • of which the Issuer owns more than 50% (fifty percent) of the ordinary shares and • which has EBITDA (calculated on an unconsolidated basis), representing 10% (ten percent) or more of the EBITDA of the Discovery Group (calculated on a consolidated basis), according to the methodology used in the latest audited financial statements of the Issuer, consistently applied, but excluding any Subsidiary
OPTIONAL REDEMPTION EVENTS	<p>Investors will have the option to redeem their Notes should the following events occur:</p> <ul style="list-style-type: none"> • Issuer is no longer listed on a Financial Exchange • The Notes are no longer listed on a financial Exchange • There is no rating assigned to the Notes
EVENTS OF DEFAULT	<p>Standard events of default including but not limited to non-payment, breach of the negative pledge, liquidation or winding up, judicial proceedings, cross default, inability to continue to operate the whole or substantial part of the business</p> <p>Events of default for Regulatory Capital Notes will be in line with Regulatory requirements</p>

DMTN issuances to date



Total of R8.4 billion in issue

Stock code	DSY01	DSY02	DSY03	DSY04	DSY05	DSY10U & DSY11U	DSY12U	DSY06	DSY07	DSY28U
Nominal Value (Rm)	500	2,000	200	1,000	500	2,500*	1,100	792	226	1,650*
Tenor (years)	5	7	7	8	3	5	3	5	7	3
Date Issued	21-Nov-17	21-Nov-17	21-Nov-17	29-Aug-18	28-July-20	21-Feb-20	10-Mar-20	21-Jun-22	21-Jun-22	10-Mar-23
Maturity Date	21-Nov-22	21-Nov-24	21-Nov-24	21-Aug-26	21-Aug-23	21-Feb-25	10-Mar-23	21-May-27	21-May-29	10-Mar-26
Type of Notes	Floating Rate	Floating Rate	Fixed Rate	Floating Rate	Floating Rate	Fixed	Fixed	Floating Rate	Floating Rate	Fixed
Pricing Benchmark	3m Jibar	3m Jibar	10.46%	3m Jibar	3m Jibar	9.615%	8.915%	3m Jibar	3m Jibar	9.550%
Clearing spread (bps)	161	191		180	205			173	180	
Interest Payments	Quarterly	Quarterly	Semi-annual	Quarterly	Quarterly	Quarterly	Quarterly	Quarterly	Quarterly	Quarterly

: Matured

* : Unlisted structured notes issued in the capital market

Key issuance terms



Indicative Issuance Terms

Issuer	Discovery Limited, guaranteed by Discovery Health and Discovery Vitality
Issuer rating	Moody's long term national: A1.za
DMTN Programme size	R10 billion – will be upsized to accommodate the prefinancing of notes maturing
Volume	Up to R1.5bn
Instrument	Senior Unsecured Floating rate notes
Auction date	10 May 2024
Settlement date (T+3)	15 May 2024
Term	3-year/5-year
Interest profile	Floating rate as a margin over the Reference Rate
Reference rate	3-month Jibar, set at 11am on Auction Date

Key dates



Issuance process	Dates
Roadshow meetings	22 – 24 April
Termsheet (without Price Guidance) distributed to the market	[Fri, 26 April]
Investor credit process	[25 April – 9 May]
Termsheet (with Price Guidance) distributed to the market	[Fri, 3 May]
Auction date	[Fri, 10 May]
Settlement (T+3)	[Wed, 15 May]



6

Questions





Appendices

Status quo is unsustainable – universal healthcare is crucial

R200bn

Additional funding required p.a, as indicated by the National Department of Health for narrowed benefit package

31%

increase in personal income tax or;

6.5%

increase in VAT (from 15% to 21.5%) or;

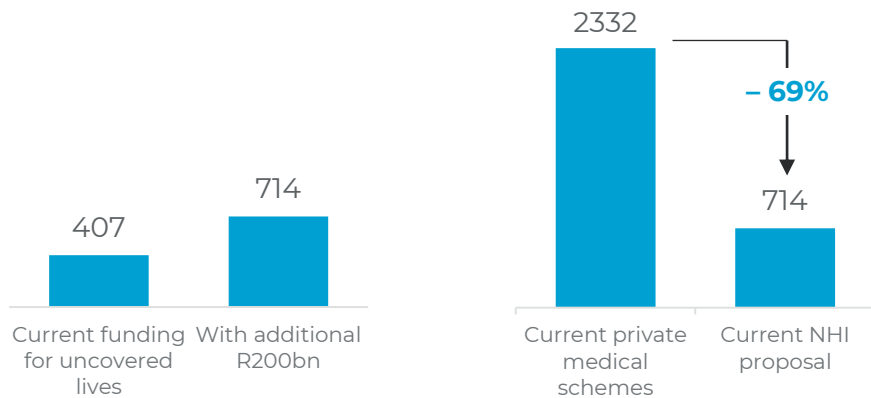
10x

increase in payroll tax (current UIF contributions).

Healthcare funding available per person remains constrained (ZAR)

Public sector

Private sector



Discovery’s position: NHI is not workable without private sector collaboration

A change to Section 33 is required to enable private sector collaboration

“33. Once National Health Insurance has been fully implemented as determined by the Minister through regulations in the Gazette, medical schemes may only offer complementary cover to services not reimbursable by the Fund”

Recap of IFRS 17 key messages

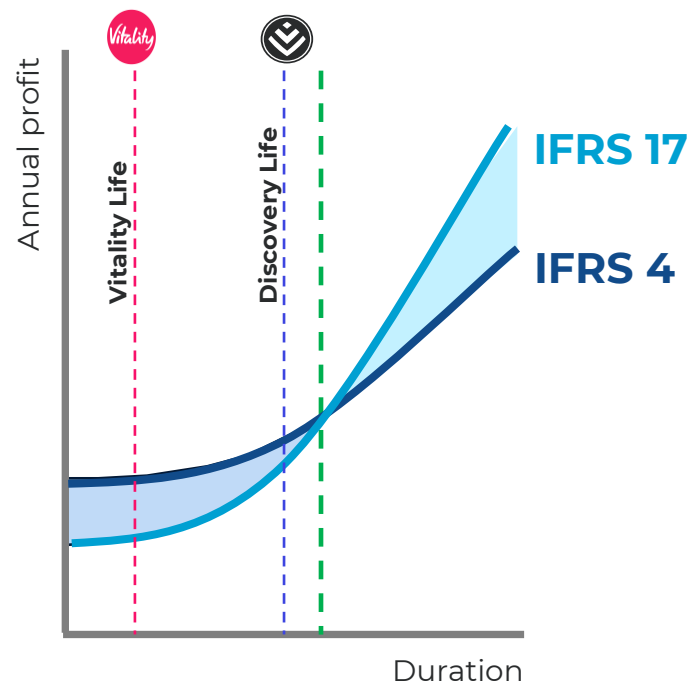


Value unchanged but reallocated

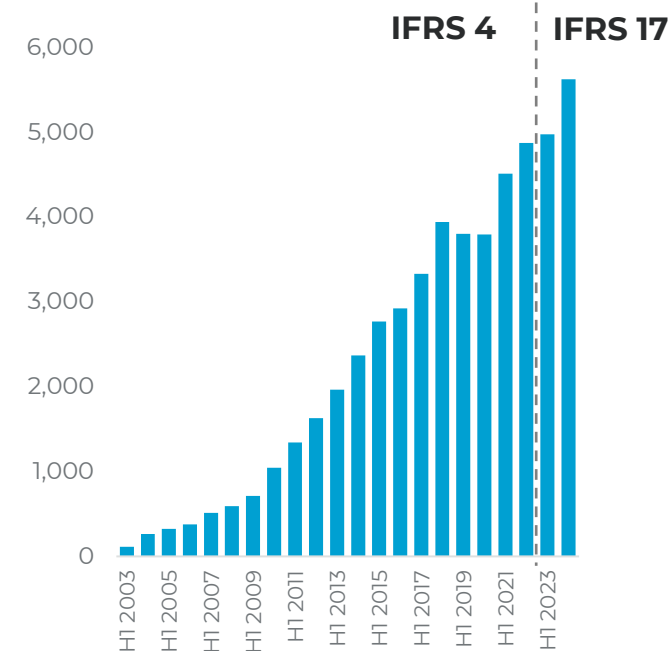
- 1 | No change in underlying value nor underlying economics
 - No direct change to cash flows, underlying risk and reward of contracts. Tax cash flow impact expected to be immaterial
 - No impact on regulatory or economic solvency, capital position or capital management
 - Immaterial impact on Embedded Value
 - Ability to pay dividend unaffected as cash flows and solvency remain unchanged

- 2 | Accounting standard change that affects the timing of profit recognition, therefore affects transitional balance sheet

Group is approaching cross-over



Strong IFRS 4 profit growth





Reconciliation of comparative period from IFRS 4 to IFRS 17





H1 2023 restated from IFRS 4 to IFRS 17

H1 2023 earnings

	Rm	IFRS 4	IFRS 17	%	
	Life	2 518	2 145	-15%	<p>H1 2023 benefited from lapse gains recognised under IFRS 4 whilst deferred in CSM under IFRS 17. This difference narrowed materially over the full restated prior reporting year to 30 June 2023 as the business progresses towards cross-over</p>
	Invest	592	561	-5%	
	VitalityHealth	867	658	-24%	<p>£10m (R204m) reduction in FinRe payments in the H1 2023 emerged as profit under IFRS 4. Under IFRS 17 this value would effectively have been reflected in previous reporting periods, which is included in the reported net asset value</p>
	VitalityLife	536	198	-63%	
	Other	1 417	1 411	0%	<p>£18m (R373m) of premium indexation in the prior period due to higher rates of inflation, which emerged as profit under IFRS 4. Under IFRS 17, this value is presented in other comprehensive income (OCI), which will emerge as profit in the future</p>
Total		5 930	4 973	-16%	

Difference between IFRS 4 and IFRS 17 is volatile in the short-term

IFRS 4 vs IFRS 17 for H2 and FY 2023

		H2 2023	FY 2023	
	Life	-3%	-9%	<p>Invest gap widens due to positive cash flow and lapse experience variances taken to CSM under IFRS 17</p>
	Invest	-26%	-18%	
	VitalityHealth	-111%	-42%	<p>VitalityHealth's FinRe impact increased to £22.1m (R450m) for FY 2023, widening the gap between IFRS 4 and IFRS 17</p>
	VitalityLife	-22%	-43%	
	Other	1%	0%	
Total		-12%	-14%	

IFRS 4 leads to a significant level of volatility that is reduced under IFRS 17 through the use of CSM and OCI
As at December 2023 the Group had R38.2bn of CSM net of reinsurance



Discovery Limited

Domestic Medium Term Note Programme Roadshow

Refinancing of 2024 Maturities

Cape Town – 22nd & 23rd April 2024
Johannesburg – 24th April 2024