Announcement of Discovery partnership with Ping An Group of China

Discovery set to acquire 24.99% of Ping An Health to enter the Chinese health insurance market
Strategic drivers of the agreement

1. The Chinese private health insurance market, while in its infancy, presents a unique opportunity for growth and scale.
2. Ping An Group is a leader in the Chinese insurance market, providing immediate scale, brand and distribution.
3. Ping An Health provides an established, scalable entry point into the Chinese private health insurance market.
4. The structure will leverage the unique and complementary assets of both Discovery and Ping An.
5. Discovery has built executive capacity over the past 18-months which enables it to take advantage of the opportunity.
The Chinese private health insurance market, while in its infancy, presents a unique opportunity for growth and scale.
Overview of the Chinese health environment

- SHI covers about 312 million people in cities and towns. The Government is targeting 100% coverage by 2010 (an additional 240 million urban residents)

- Estimated that SHI only covers 40%-50% of total medical costs – outpatient treatment generally not covered

- Average co-pay of 40-50% per event

- Currently, China Insurance Regulatory Commission estimates commercial health insurance covers approximately 10% of society's total medical costs

Penetration of SHI into the Chinese population: Urban areas

- Covered: 40%
- Not covered: 60%

Source: McKinsey
Provision of care under SHI: Healthcare delivery

Gaps in coverage

Social Health Insurance: Universe of care

- Limits
  - Exclusions
    - Branded drugs
    - Medical devices
    - Preventive care
    - Family coverage

Typical coverage levels under SHI

- Covered: 60%
- Out-of-pocket: 40%

Source: McKinsey
Features of the private healthcare system

1. The target market is large and growing

2. Growth is beginning to emerge, but penetration is very low

3. Limited licenses result in more than 90% of premiums being written by life insurers

4. Healthcare reform supports the development of a private sector
1. The target market is large and growing

The total Chinese target market is estimated to be 83m. The target market in the initial entry markets is estimated to be 12m in size.

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1 2000 real Yuan, annual household income; Source: McKinsey
2. Sales of private health insurance are emerging, but penetration is low

Source: China Insurance Yearbook; literature search, McKinsey, WHO 2006

* Note: PHI products with repayment was forbidden in 2007, leading to a major drop in sales
3. Riders and supplementary products are most prevalent

The prevalence of Life insurers impacts full solution delivery, including product design, managed care delivery, system development, marketing, pricing and distribution.

Private health insurance premium breakdown (2007)

- Individual: 77%
- Group: 23%

Product Split: Individual Market

- Critical illness: 81%
- Fixed fee: 6%
- Reimbursement: 13%

Source: China Insurance Yearbook; literature search, McKinsey
4. Healthcare reform is supportive of the private healthcare industry

CIRC has given specific guidelines for insurance companies to participate in the development of medical security system

- Provide diversified PHI products
  - Medical Insurance
  - Disease Insurance
  - Nursing Insurance

- Provide handling and management service to Basic Medical Security, including
  - Project design
  - Consultation
  - Entrusted fund management
  - Medical service survey
  - Medical expenditure audit
  - Reimbursement processing
  - Health management

- Explore and participate in the development of medical service system, including
  - Combination of health insurance and health management
  - Develop medical practicing insurance
  - Explore investment in medical institutions

Source: McKinsey
Strategic drivers of the agreement

1. The Chinese private health insurance market, while in its infancy, presents a unique opportunity for growth and scale.

2. Ping An Group is a leader in the Chinese insurance market, providing immediate scale, brand and distribution.
Overview of Ping An Group:
Group structure

1. HSBC Insurance Holdings Limited
2. HSBC Limited
3. Shenzhen Investment Holdings
4. Shenzhen New Horse Investment Development Co Limited

Ping An Insurance (Group) Company of China, Limited

- Ping An Life Insurance Co of China (99.3%)
- Ping An P&C Insurance Co of China (99.1%)
- Shenzhen Ping An Bank Co (90.0%)
- China Ping An Trust and Investment Co (99.9%)
- Ping An Annuity Insurance Co of China (98.5%)
- Ping An Health Insurance Co of China (95.0%)
- Ping An Asset Management Co of China (96.0%)
- China Ping An Insurance Overseas Holdings (100%)

Ping An Securities Co (86.7%)

Source: 2008 Ping An Annual Report
Ping An is the world’s second-largest insurer, a Forbes 500 & Financial Times 500 company.

Source: 2008 Ping An Annual Report; Bloomberg
Group capital of R111bn; Group assets of R962bn; Market capitalisation of R470bn

* Reversing Fortis impairment of R24.7bn

Strategic drivers of the agreement

1. The Chinese private health insurance market, while in its infancy, presents a unique opportunity for growth and scale.

2. Ping An Group is a leader in the Chinese insurance market, providing immediate scale, brand and distribution.

3. Ping An Health provides an established, scalable entry point into the Chinese private health insurance market.
1. Established presence and infrastructure

Established management team, with sufficient capital to support medium-term growth objectives
2. Robust growth in existing products

Ping An Health new business premiums (RMBm)

Estimated 400% growth: 2007 - 2009

Source: 2008 Ping An Annual Report
Strategic drivers of the agreement

1. The Chinese private health insurance market, while in its infancy, presents a unique opportunity for growth and scale

2. Ping An Group is a leader in the Chinese insurance market, providing immediate scale, brand and distribution

3. Ping An Health provides an established, scalable entry point into the Chinese private health insurance market

4. The structure will leverage the unique and complementary assets of both Discovery and Ping An
Ping An Health will combine the best of Discovery and Ping An
Legal and governance structure of Ping An Health

- 75.01% ownership by Ping An
- 24.99%* ownership by Discovery

* Subject to CIRC approval

Board and sub-committee representation
The Chinese private health insurance market, while in its infancy, presents a unique opportunity for growth and scale.

Ping An Group is a leader in the Chinese insurance market, providing immediate scale, brand and distribution.

Ping An Health provides an established, scalable entry point into the Chinese private health insurance market.

The structure will leverage the unique and complementary assets of both Discovery and Ping An.

Discovery has built executive capacity over the past 18-months which enables it to take advantage of the opportunity.
The conclusion of the transaction is subject to definitive agreement between the parties, following which it would be subject inter alia to the requisite regulatory approvals and other conditions precedent.
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