



Discovery Ready To Scale Up Its Behavioural Retail Bank

27 June 2019 – Johannesburg – Financial services group Discovery Limited today announced that Discovery Bank had successfully completed its early onboarding period and is now ready to scale up in a phased way.

Discovery Group Chief Executive, Adrian Gore said: “We set out to build the world’s first behavioural bank that would guide and incentivise customers to optimally manage their money, harnessing the shared-value Vitality architecture, global digital and emerging fintech capabilities, and the broader Discovery ecosystem.”

Gore added: “The early onboarding phase – limited to 1,000 clients - was longer than planned, however was vital. We are building a behavioural bank with over 120 distinct and connected systems, and given this, needed to finalise four structural factors relating to the Bank, namely the integration of full-scale digital banking functionality for clients within the Discovery ecosystem, the systems and technology infrastructure, the rewards architecture, and the migration of existing Discovery Card holders.”

Clients in Discovery’s ecosystem are typically mass affluent, characterised by high savings and borrowings and high levels of engagement and integration. Discovery Bank CEO Barry Hore explained: “Discovery Card holders exhibit three times higher spend per card than the market average and have half the bad debt risk relative to industry, with the Discovery Card base being significantly more engaged than the rest of the base and the Discovery Card holder having on average 2.75 insurance and investment products with Discovery.”

“The early onboarding phase confirmed what we knew at the start of the project: that Discovery could build a broad-based and feature-rich bank for these clients – and hence, in time, all South Africans – on day one of transacting,” added Hore. Discovery Bank is mobile-first and deposit-led, while providing clients with sophisticated lending capabilities from the get-go. “This is a unique requirement of a bank start-up,” said Hore.

By implication, the systems build was uniquely complex, bringing together traditional bank and digital system capabilities, with Vitality incentive and Discovery health systems. Hore said: “The system took over 1.5 million hours to build. The early onboarding phase validated that the architecture has been built robustly and manifests in a consumer experience that is intuitive and



entirely mobile, with the aspiration that it takes no more than three clicks to complete any task. A great example is Discovery Bank's proprietary Smart Onboarding process, which sees members fully onboarded, compliance-checked, and transacting immediately – all in under five minutes for existing Discovery Card clients, and for new clients without credit."

Critical to achieving the vision of the Bank, was the ability to develop tools, nudges and rewards that work. "Encouragingly, the early onboarding phase revealed that Vitality Money creates the correct segmentation and drives engagement and change in behaviour," said Gore. Vitality Money is Discovery Bank's industry-first rewards mechanism, whereby interest rates on savings (up to 6.5% on "lazy" balances and 7.5% on demand savings) and borrowings are directly linked to clients' financial behaviour. Added Gore: "Engaged Discovery clients are not only healthier, but also better with their finances, with over 70% of the Bank customer base on Bronze status or above. Clients are also engaging with Vitality Money to get financially healthier as we see them completing goals set for them, validating the compelling nature of the headline rewards, including up to 75% off flights and HealthyFood."

A critical development to the rewards architecture was Discovery Miles transitioning to a universal e-money. Discovery Miles existed in its traditional form on the old Discovery Card structure. A key learning from the early onboarding phase was the opportunity to integrate Discovery Miles as an e-money into Discovery Bank's Rewards Stack – comprising dynamic interest rates and discounts, and over 50 rewards partners in the Vitality Money programme, including Shell, BP, Woolworths, Pick n Pay and Kulula. "Over 2 billion Discovery Miles from Discovery Card are being transferred to Bank," said Hore.

In the next few months, all cashbacks and discounts will get converted into Discovery Miles, which will transition into e-money. Discovery Miles will be able to be used within the Discovery ecosystem and its partners, used more broadly, or converted into cash. Said Gore: "This will offer our Bank clients supreme flexibility in how they convert and apply their rewards, leveraging the ubiquitous nature of our banking system."

Another important aspect of the early onboarding phase was testing the migration of existing Discovery Cards from FNB onto the new Discovery Bank system, with 300,000 cards needing to be seamlessly moved. Hore said: "We needed to build pathways that would meet the needs of Discovery Card clients, and ensure no slippage."

Added Gore: "Discovery Bank is focused on clients not accounts, and has a carefully planned rollout, which will place it in a favourable growth position relative to other banks in the environment." The Bank plans to onboard 1,000 clients per day by the end of August 2019, and scale further thereafter. Despite the long early onboarding period, the Bank's business plan is largely intact and for the Bank to break even roughly 500,000 to 600,000 clients are needed.



Said Gore: “We are encouraged by the substantial show of interest from non-Discovery clients and would like to give those who have already expressed interest, and who are patiently waiting for the opportunity to onboard, the assurance that we will get to them starting 1 July. We have taken the necessary time to ensure we deliver a seamless and world-class digital banking experience. The insights revealed through the rigorous early onboarding phase have put us in a strong position to deliver a uniquely disruptive behavioural bank, off a robust banking platform,” he concluded.