



DISCOVERY BANK | UPDATE

30 March 2022



Key attributes of the business model



1 Full service bank at scale



Driving engagement and revenue

2 Shared-value banking model



Attracting high-quality clients and creating value for clients and Discovery Bank

3 Digital Bank scalability



Delivering agile execution and scale economics through operating leverage

Comprehensive product suite



Join in <5 minutes

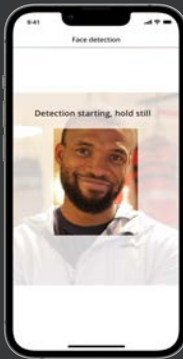
Transactional & credit accounts based on income

Savings and deposits

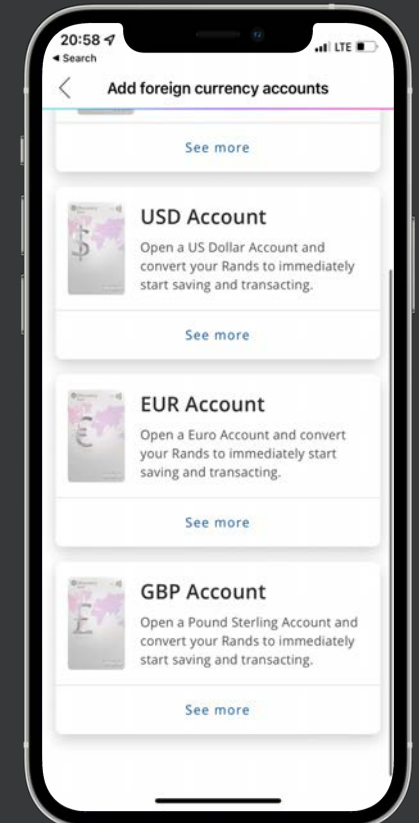
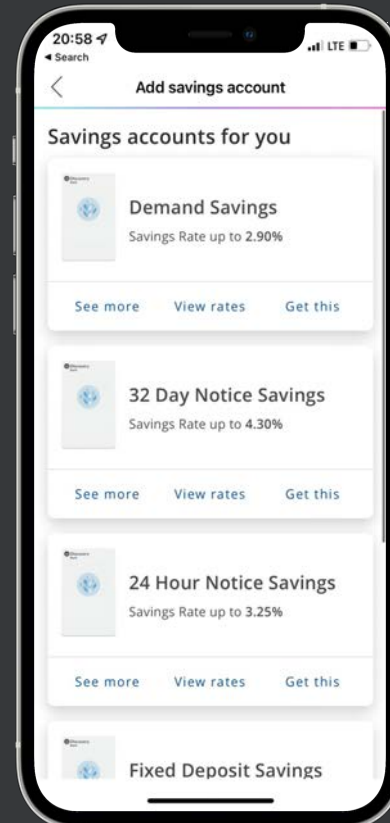
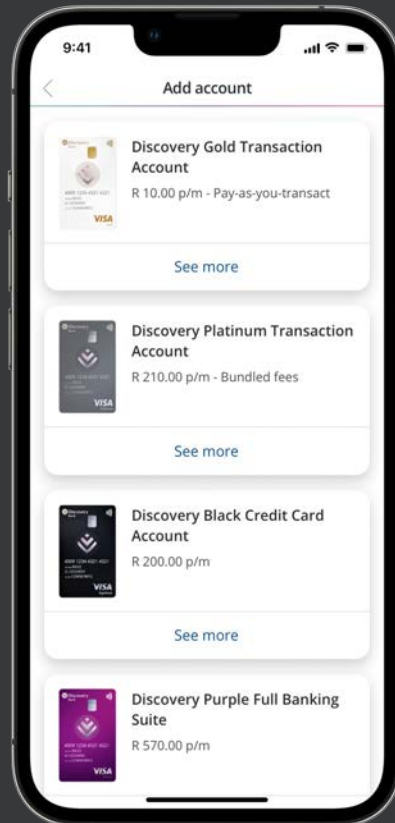
Foreign currency accounts



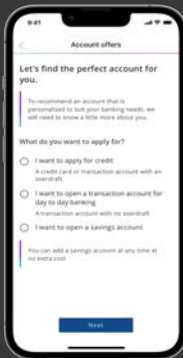
Register



Secure FICA

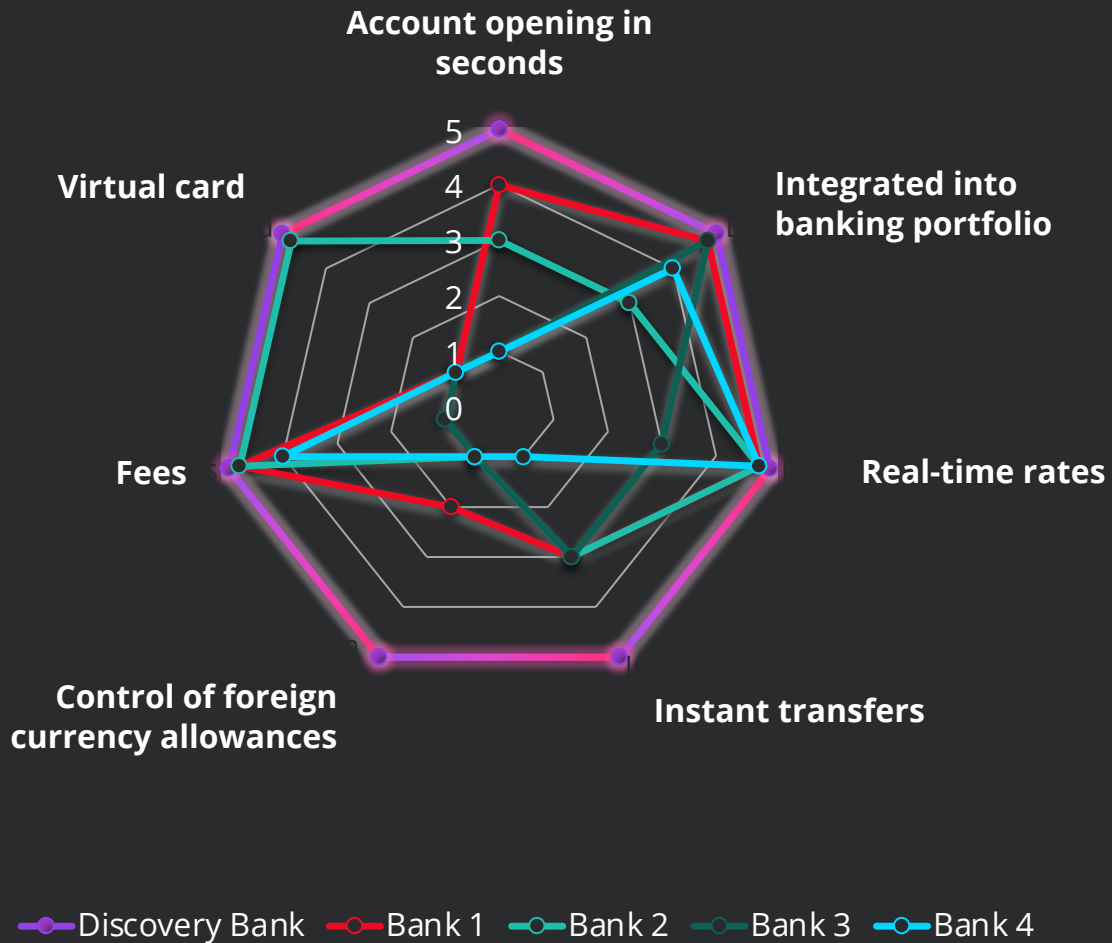


Automatic address verification



Automatic income verification

Comparison of Forex accounts across 7 distinct criteria



	DISCOVERY BANK	Bank 1	Bank 2	Bank 3	Bank 4
Account opening in seconds	Account opening in seconds	Within 24 hours	Manual compliance required	Manual compliance required	Can be opened through banker
Integrated into banking portfolio on app/web	Fully integrated	Integrated with bank app	Separate app but easy to use	Integrated with bank app	Integrated on online banking
Real-time rates	Yes	Yes	Yes	Rates updated periodically throughout the day and available in app	Rates updated periodically throughout the day and available on online banking
Instant transfers	Instant transfers	Delayed transfer from ZAR to FX	Delayed transfer from ZAR to FX	Delayed transfer from ZAR to FX	Delayed transfer from ZAR to FX
Control of foreign currency allowances	Full control and tracking of SDA and Capital allowance in app	Option to make use of SDA when purchasing FX, unable to view limits and manage	No visibility in app	No visibility in app	No visibility in app
Fees*	Account = Free	Account = USD20/year	Account = Free	Account = GBP60/quarter	Account = Free
Virtual Cards	Yes	No	Yes	No	No

Banks that only offer forex for travel purposes were excluded

Discovery Bank Limited. Registration number: 2015/408745/06. Discovery Bank is an authorised financial services and registered credit provider. FSP number 48657. NCA registration number NCRCP9997.

Full-service offering



Full-suite service offering



4.8

Mobile App rating
(Istore)



Website with
unique features
e.g., Smart Vault



24/7/365

Call centre

High-touch service



Live Assist



Relationship bankers



Smart notifications

Exceptional service levels



40 hours

Card delivery TAT*



4.8 CBR score



99.99%

System availability

*Appointment made to delivery

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Shared-value model drives superior interest rates, deposits and rewards



In 2021



Savings



Debt



Insurance



Retirement



Property

Interest rates

4.4% Savings rate	8.75% Credit rate

Personalised savings and borrowing rates



>R50m

Interest boosts on savings & rebates on credit

Dynamic spend discounts

75%	50%

Deep discounts at partners



R240m

Cashbacks on HealthyLiving

Travel discounts

20%	75%
75%	Unlimited

Most rewarding and comprehensive Travel platform



Earn Miles for spending, exercising and driving

Earn rate **€1:R15**

Earn at 100% of fitness points	Earn at 100% of drive points

Miles spend discount

Behavioural rewards currency that is more valuable than cash



>R500m

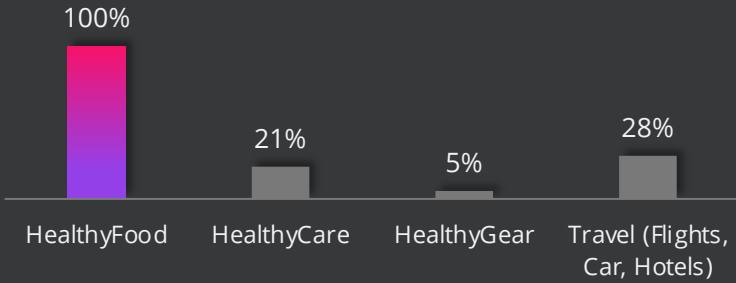
Discovery Miles earned

Vitality clients value travel and benefit from powerful travel rewards



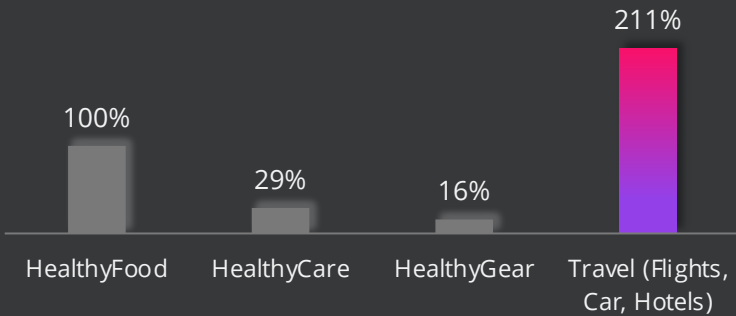
Travel rewards

2019 total retail spend (indexed to HealthyFood)



> 1m
flight tickets
issued a year

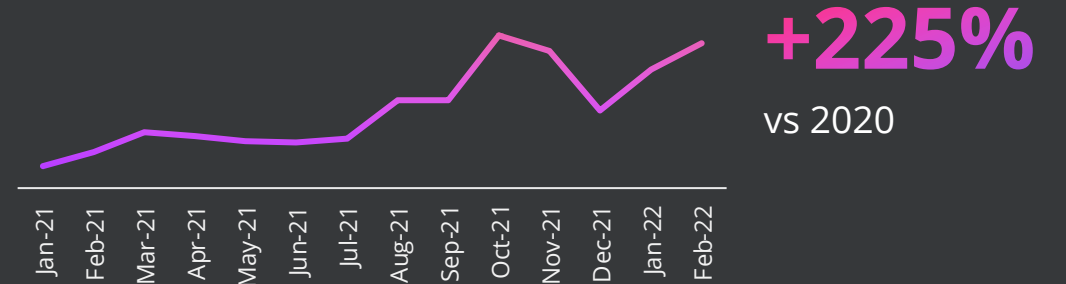
2019 total rewards (indexed to HealthyFood)



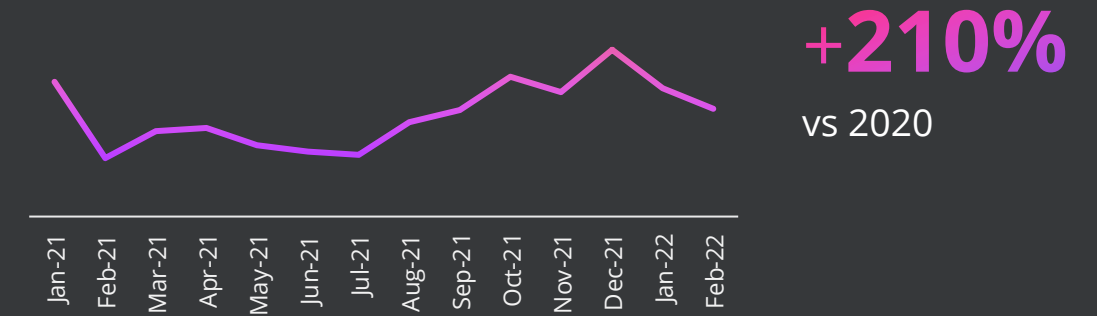
> 70k
room Nights
booked a year

Travel frequency is increasing

Flights



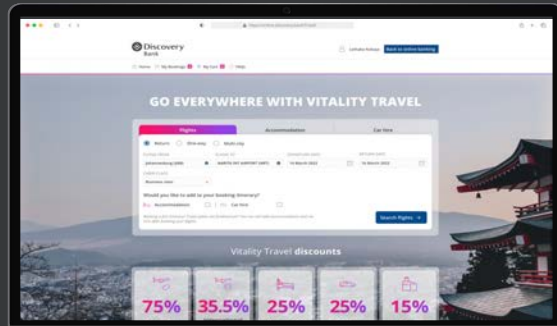
Accommodation



Discovery Bank Travel ecosystem



Seamless and secure payments
platform



>R2.5bn

Travel spend in 2019 by Vitality clients

Integrated loan finance



Discovery Bank

Lethabo Kokoya [Back to online banking](#)

Home My Bookings My Cart FAQs

GO EVERYWHERE WITH VITALITY TRAVEL

Flights Accommodation Car hire

Return One-way Multi-city

FLYING FROM: Johannesburg (JNB) | FLYING TO: NARITA INT AIRPORT (NRT) | DEPARTURE DATE: 14 March 2022 | RETURN DATE: 16 March 2022

CABIN CLASS: Business class

Would you like to add to your booking itinerary?
 Accommodation Car hire

Booking a full itinerary? Travel plans not finalised yet? You can still add accommodation and car hire after booking your flights.

[Search flights →](#)

Vitality Travel discounts

75%	35.5%	25%	25%	15%
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Vitality Travel

Vitality Travel platform



Most rewarding travel platform with discounts on:

Other features:



>40 local destinations



BRITISH AIRWAYS



kulula.com



International Flights



>1,000 Hotels, B&Bs & apartments



Car hire



Cruises & packages



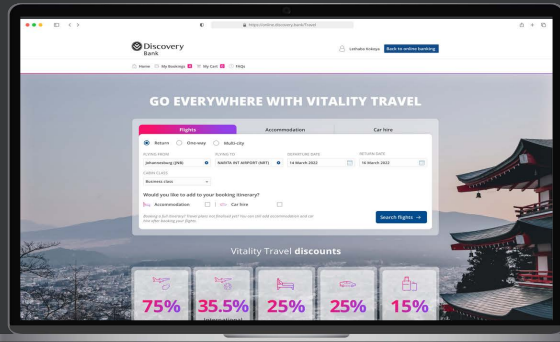
- Compare rates across the entire market with full access to all airlines on the platform
- Safe and secure booking platform and a seamless checkout process
- Simple trip management with all your documents safely stored in a digital vault*
- Free Travel insurance and buy-up additional cover*
- Book vaccinations and request international medical travel benefit documents*

*Coming soon

Discovery Bank Travel ecosystem



Seamless and secure payments platform



>R2.5bn

Travel spend in 2019 by Vitality clients

Integrated loan finance

Differentiated product offering



Priority Fast Track



>1,200
Lounges globally

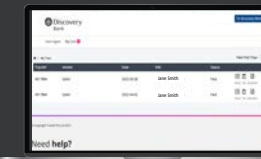
Annual free lounge visits		Domestic*	Inter-national*
TRX bundled and Credit	Platinum	6	2
	Black	12	4
Suite	Platinum	12	4
	Black	24	8
	Purple	Unlimited	Unlimited

* Maximum visits; Actual benefit based on level of engagement

Ancillary value-added services



Free travel insurance
and buy-up cover



Smart Vault
to store all travel-related documents

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Digital banking and payment eco-system



Peer to Peer



Pay as you Gym



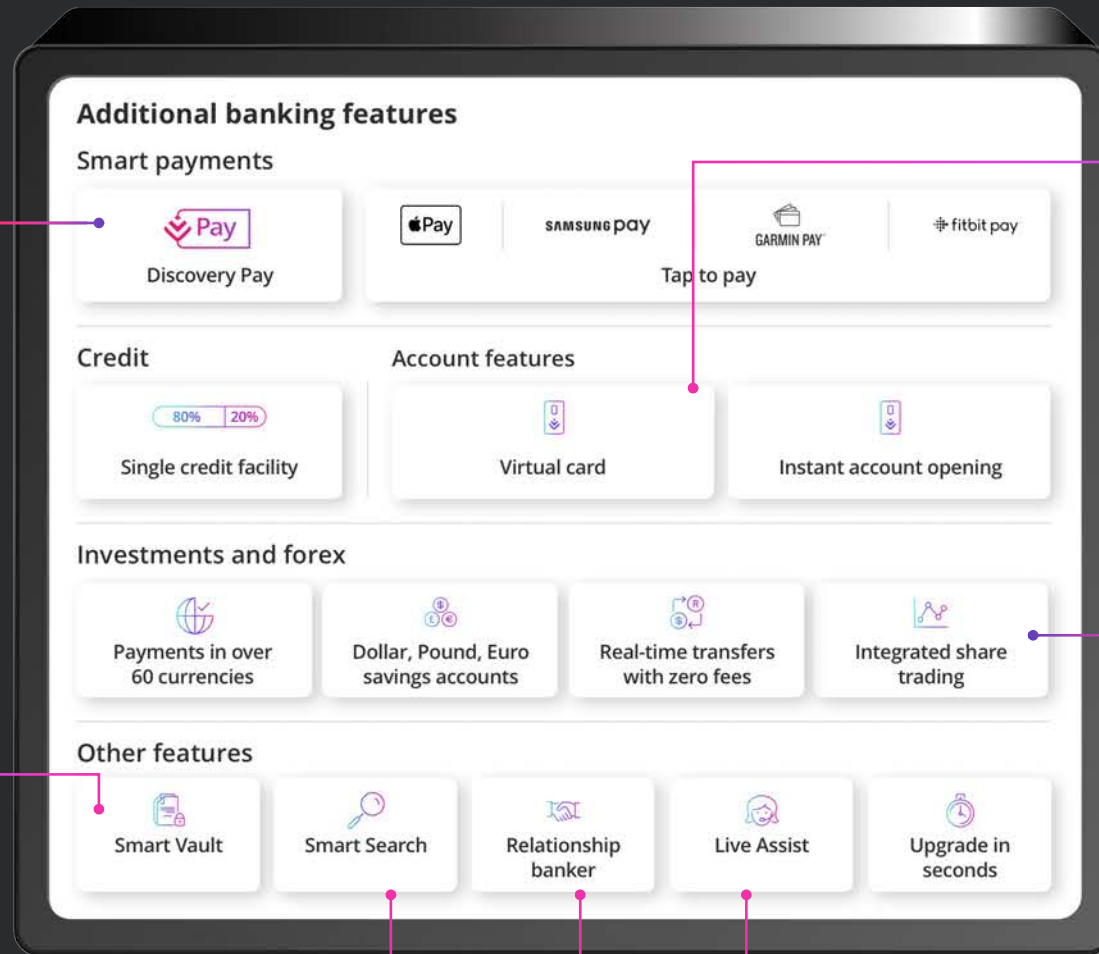
Health Pay



Secure storage



Smart search



Unlimited virtual cards



Easy equities



Invest backed credit



Full service 24/7 offering



Underpinned by robust data and machine learning capability



Powerful single data asset

Enhanced journeys, messaging and value to customer

Client interaction improves algorithms, recommendations and engagement



Personalised in-app Financial Manager, product personalisation & engagement recommendations

- Managing your budget
- Spend trends
- Financial and insurance needs
- Savings, investment, & retirement
- Suitable products, feature engagement and rewards
- Guiding you through onboarding
- Security and protection



Marketing & Distribution

- Determining the optimal message, timing, channel and offer to drive engagement, upsell and bank product take-up
- Structured and personalized approach to increasing take-up among the Discovery base, primarily the VH base



Product, Business & Back-end operations

- Inform product decisions and pricing
- Business monitoring and strategic decisions leveraging unique insights
- Enhancing operations through process optimisation

Unique and powerful Big Data opportunities



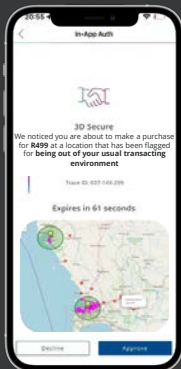
Geolocation

Automated address verification



- Create a geo-fence around the client's indicated address
- Monitor client movements over a certain period to verify the address – eliminates the requirement to submit proof of address documents

Fraud



- Determine a client's usual transacting environment (e.g., within a certain radius from home and office)
- Flag transactions outside of a client's usual transacting environment

Transaction data

Financial Analyser



- Detailed analysis and insights on income, expenses and savings
- Set budgets across categories and levels
- Analyse trends over time
- Intelligent real-time alerts to assist with active financial management

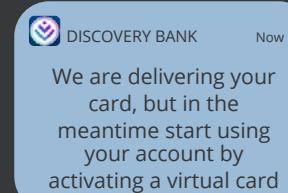
SpendTrend



- How and where clients spent their money in 2021
- How and where clients earned rewards in 2021
- Evolution of spending habits vs 2020

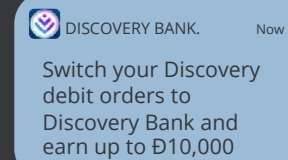
Smart Notifications

First 30-days journey



- Explore and use the app
- Fund your account
- Activate card and start spending
- Deposit salary and set up debit orders
- Activate and earn rewards
- Product color and type upgrades

Engagement and upgrades



- Determine the "next-best-action" and optimal timing, messaging channel and incentive to engage clients and become "top-of-wallet"

Key attributes of the business model driving strong performance



1 Full service bank at scale

2 Shared-value banking model

3 Digital Bank scalability

=

Growth and quality

x

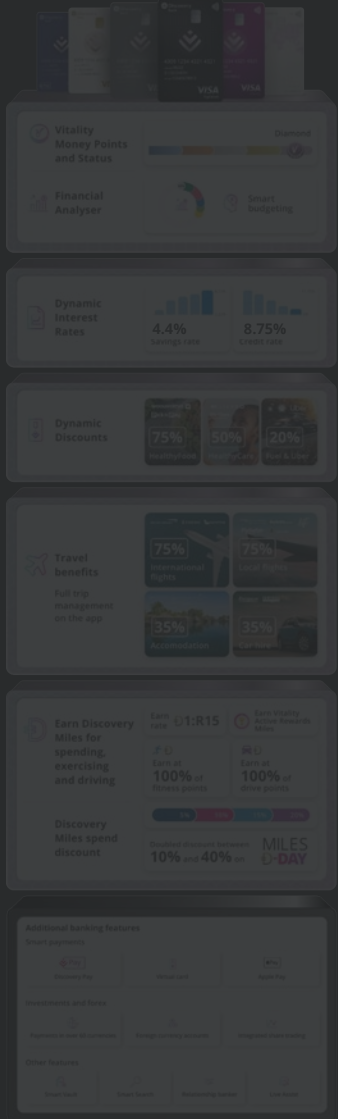
Revenue/client (NII and NIR)

x

Behavioural correlations

Expense ratio

Key attributes of the business model driving strong performance



1 Full service bank at scale

2 Shared-value banking model

=

3 Digital Bank scalability

Growth and quality

x

Revenue/client (NII and NIR)

x

Behavioural correlations

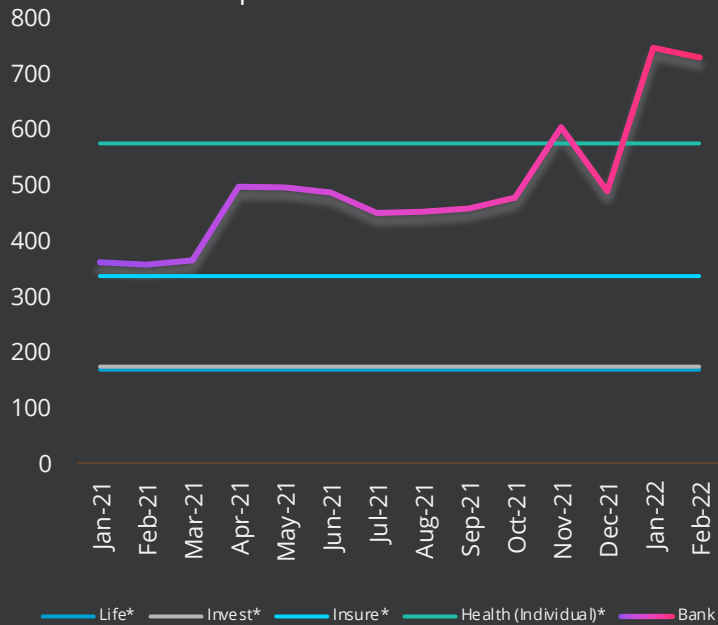
Expense ratio

±750 clients join the Bank daily and the growth rate is accelerating



Average daily new business

~750 average daily sales; highest new business levels across the SA Composite

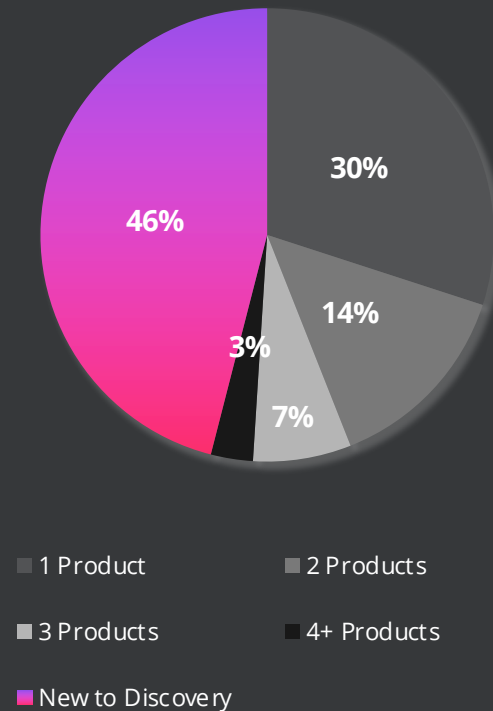


>425k clients

>900k accounts

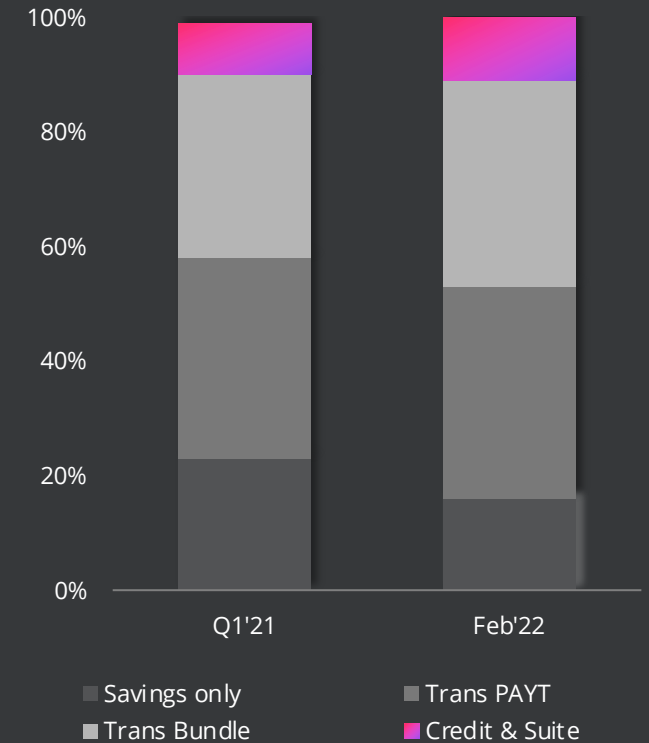
New business composition

Healthy distribution of "Discovery" and "new-to-Discovery" clients



Product type mix

±50% Credit and Transaction Bundled sales



* Average daily new business from July 2021 to Jan 2022

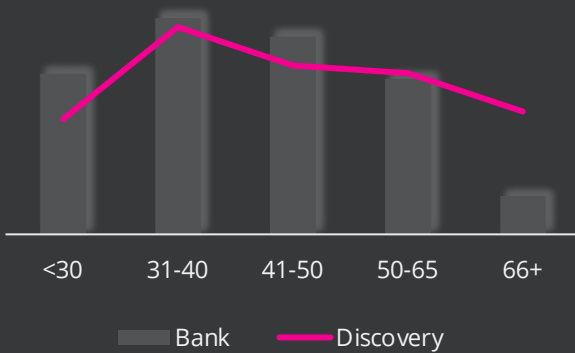
Discovery Bank Limited. Registration number: 2015/408745/06. Discovery Bank is an authorised financial services and registered credit provider. FSP number 48657. NCA registration number NCRCP9997.

Client insights and characteristics reflect quality and engagement levels of the base

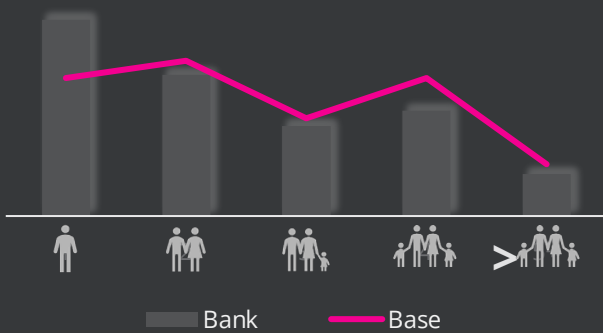


Client demographics

Age distribution

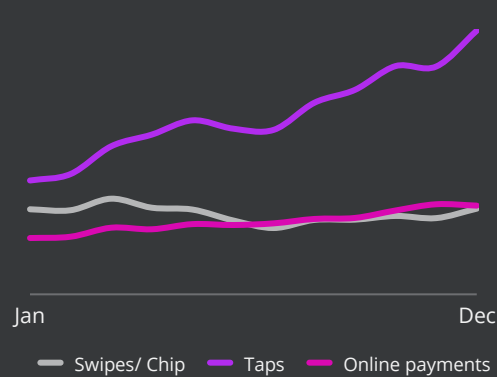


Family structure



2021 spend trends

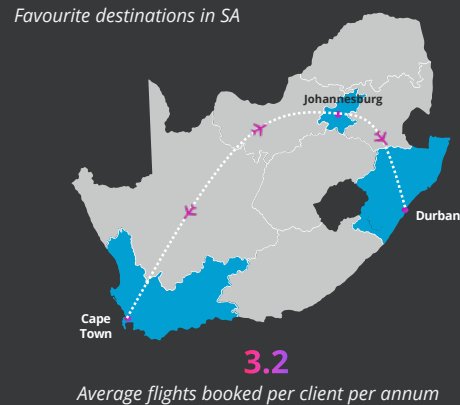
Spend by payment method



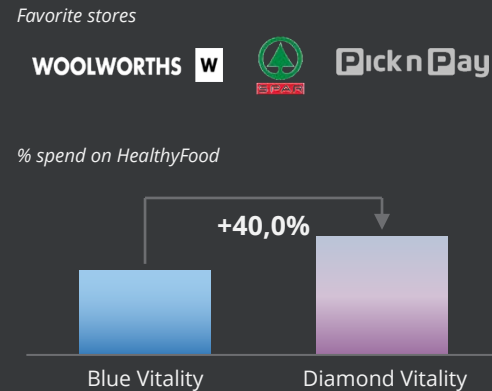
% of Spend in 2021 vs 2020

- ▲ Eating out & takeout
- ▲ Recreation
- ▲ Flights & accommodation
- ▼ Groceries
- ▼ Home

Travel



Groceries



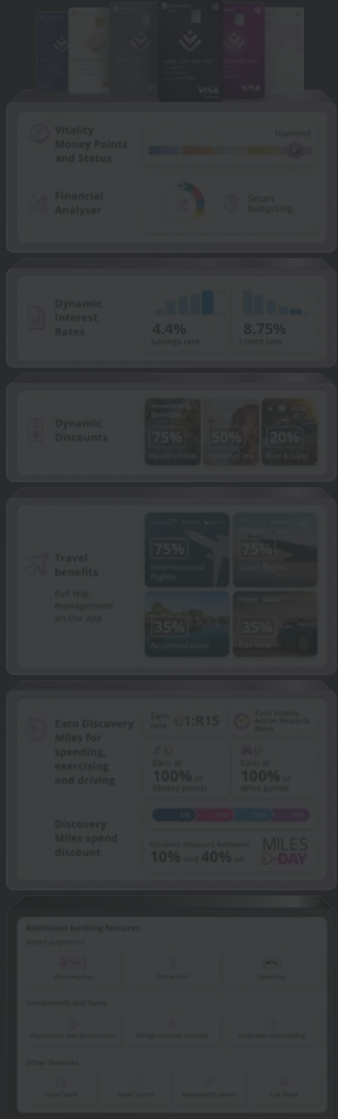
TYPICAL WEEK in Discovery Bank

Favourite days for transacting

Day	Activities
MONDAY (M)	Online shopping, Utilities, Data
TUESDAY (T)	Fuel, Flights
WEDNESDAY (W)	Event tickets, Bank app logins
THURSDAY (T)	Alcohol
FRIDAY (F)	Takeaways, Health products
SATURDAY (S)	Groceries, Clothing, DIY
SUNDAY (S)	Religious donations, Ice cream

Discovery Age distribution include principal, spouse and adult dependents, single parent households included under family with one child

Key attributes of the business model driving strong performance



1 Full service bank at scale

2 Shared-value banking model

3 Digital Bank scalability

=

Growth and quality

x

Revenue/client (NII and NIR)

x

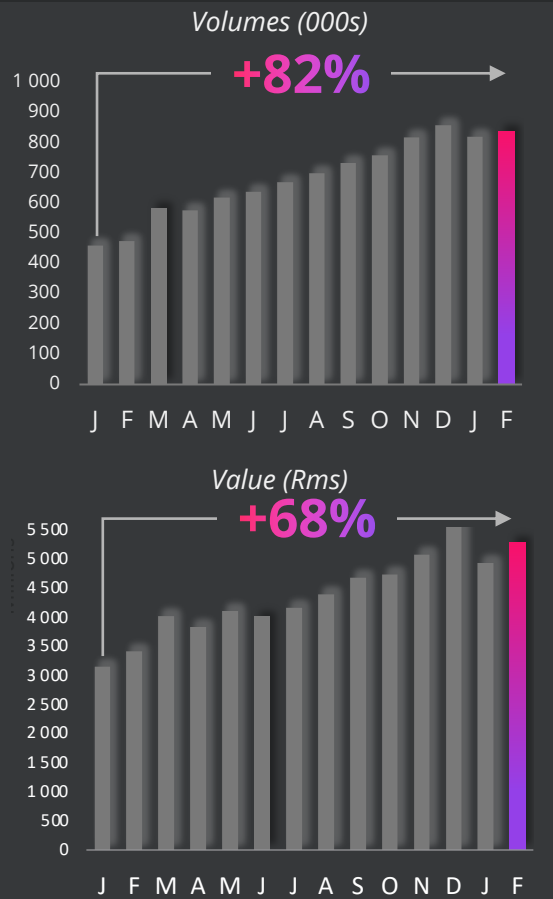
Behavioural correlations

Expense ratio

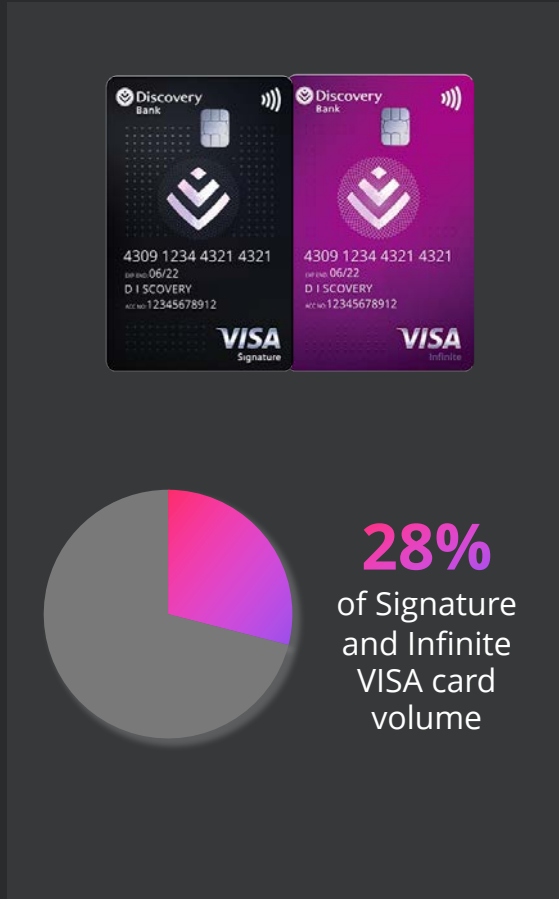
Market-leading NIR per client driven by growing levels of engagement



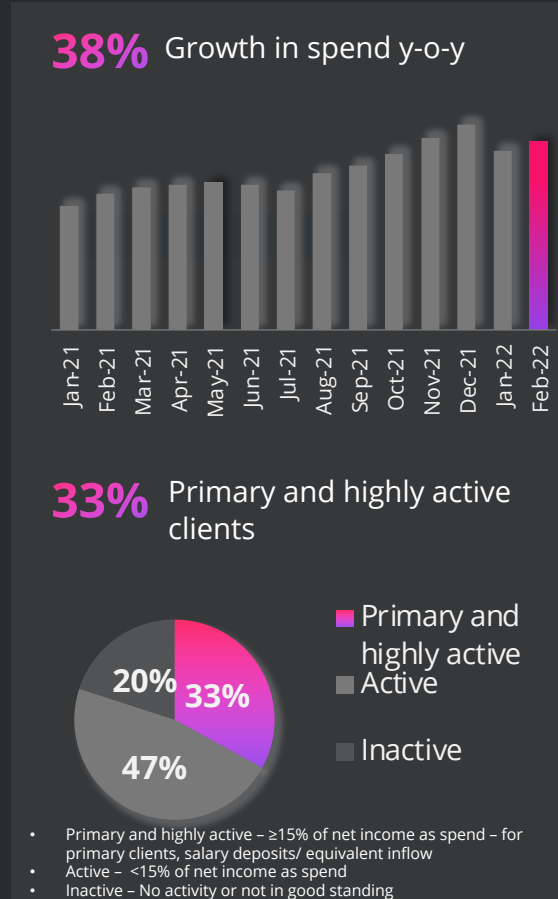
Total payments value and volumes



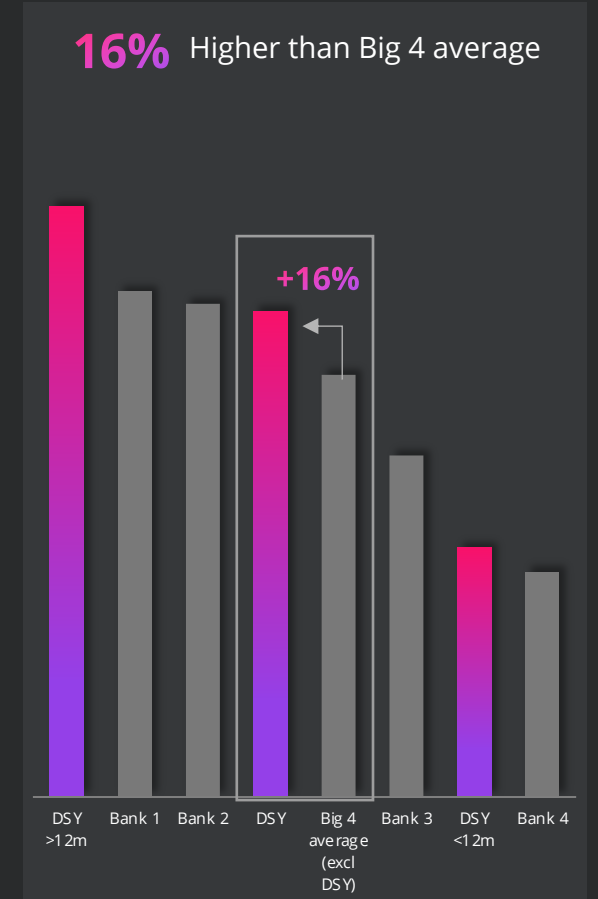
#1 Card volume in HNW segment



Spend and engagement mix



Gross NIR pcpm (DSY vs. market)



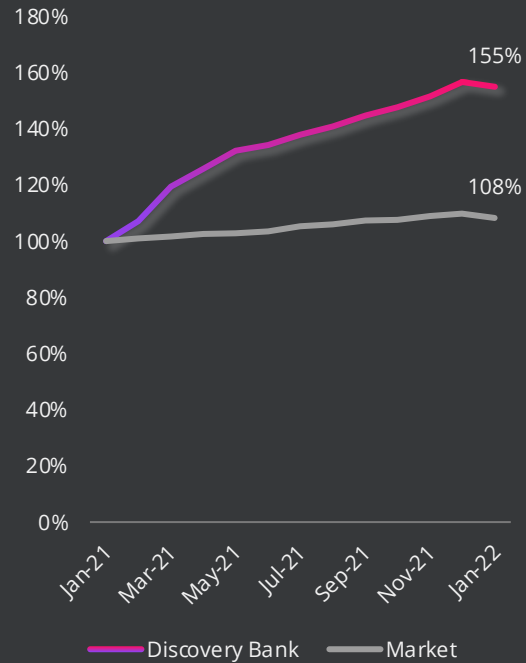
NII | Steady growth in deposits to R9.5bn with improving economics



Strong deposit growth

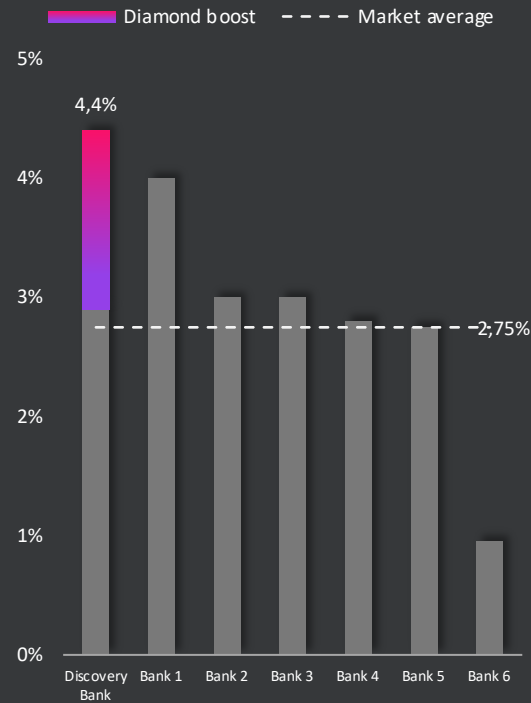
R9.4bn

Bank vs market growth (indexed to Jan'21)



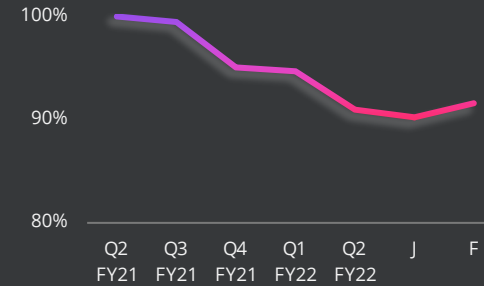
Competitive demand interest rates

Discovery v market – demand interest rates

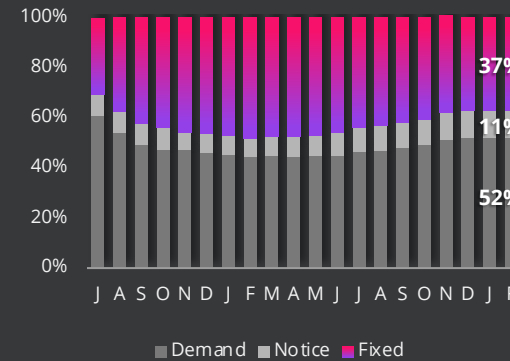


Declining cost of deposits due to maturity profile

Cost of funds (indexed to Q2 FY21)

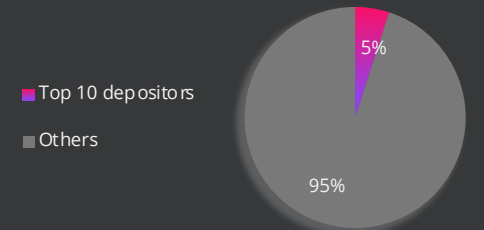


Deposit mix

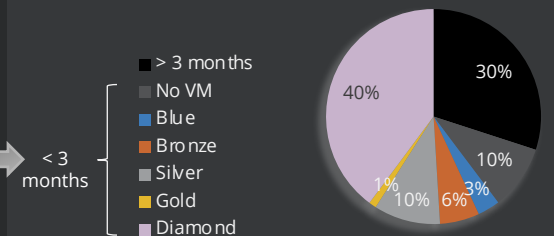


Attributes of deposits

Retail deposits concentration



Duration



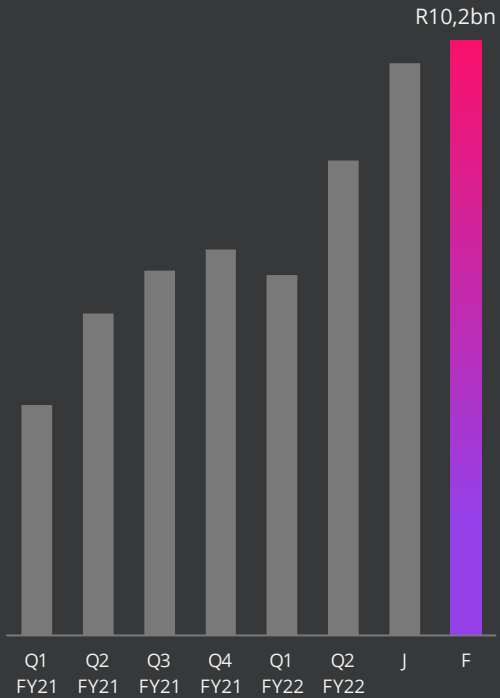
*Q1 FY21 excluded due to billing anomalies during the BIN migrations

NII | R4.2bn in advances with >20% market share in >R100k pm income band



Limits granted

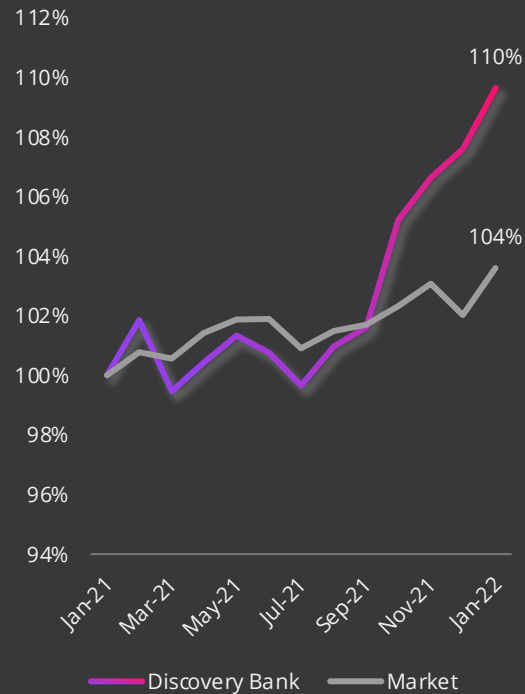
R10.2bn



Advances

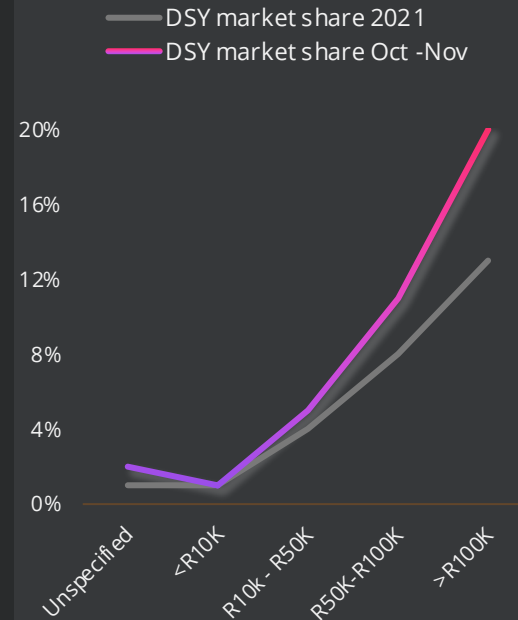
R4.2bn

Bank vs market growth (indexed to Jan'21)



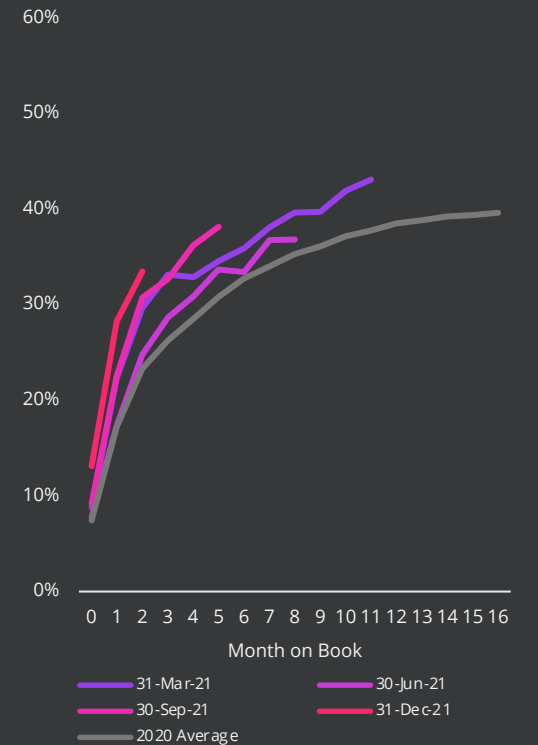
Market share by income

±20% Market share in >R100k pm income band



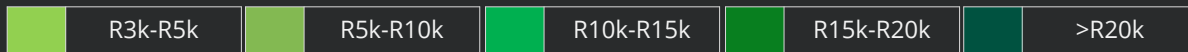
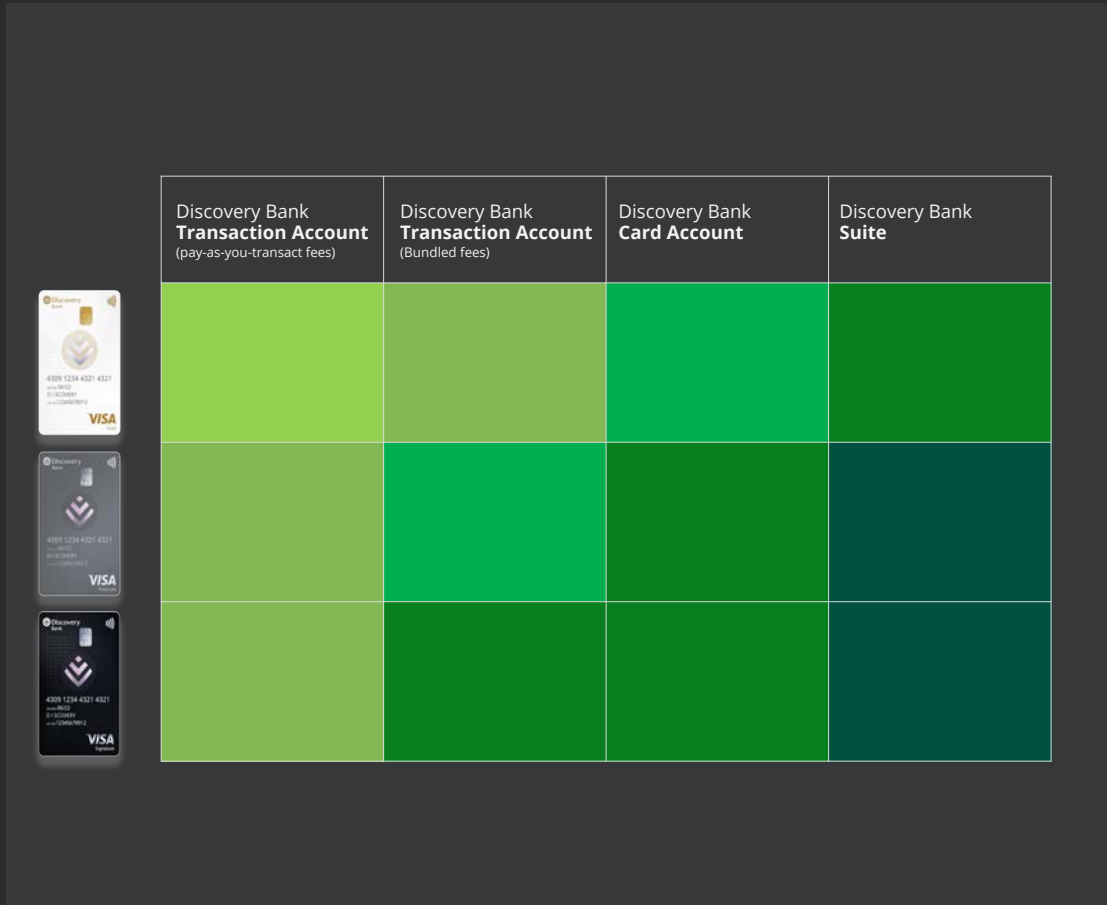
New clients are engaging more quickly

2021 NTB utilisation vintages

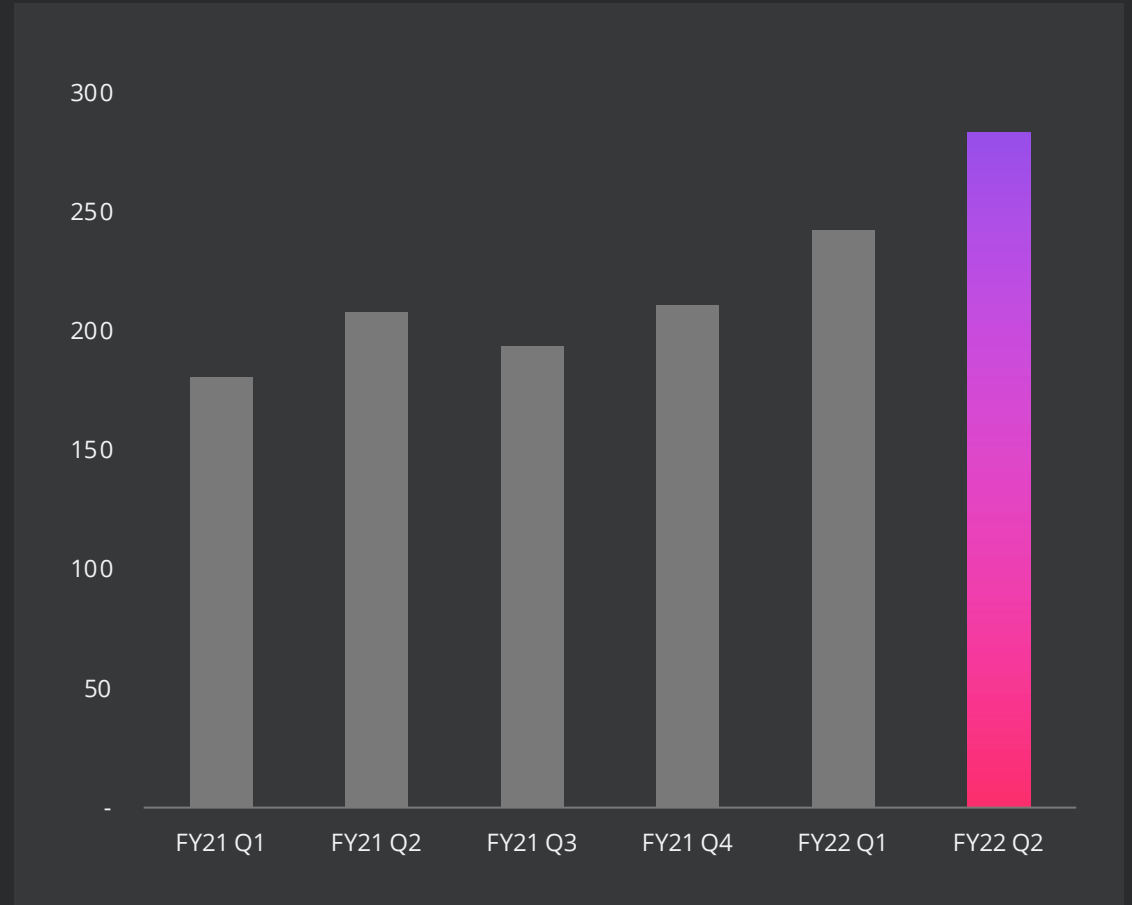


Client profitability and revenue growth

Client profitability (excl fixed costs)



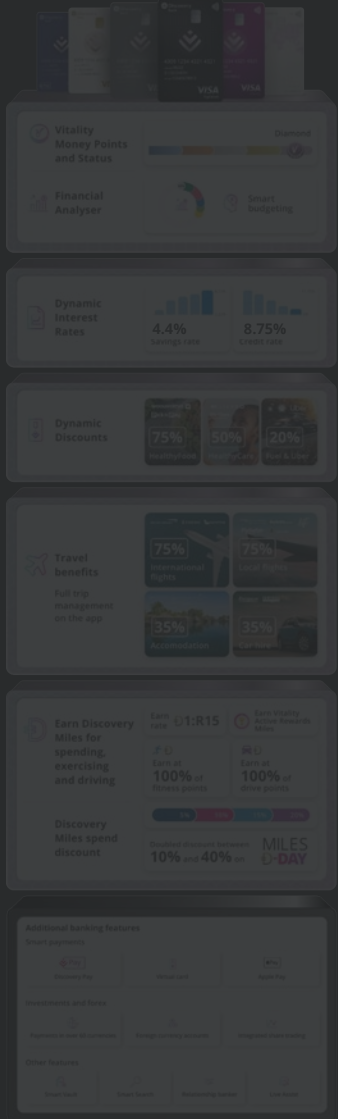
Revenue growth



Key client profitability assumptions:

- 10 years
- Discount rate: 8%
- Inflation: 5% p.a
- Accounts for all transitions e.g., product upgrades, spend levels, inflows levels, VM status etc

Key attributes of the business model driving strong performance



1 Full service bank at scale

2 Shared-value banking model

=

3 Digital Bank scalability

Growth and quality

x

Revenue/client (NII and NIR)

x

Behavioural correlations

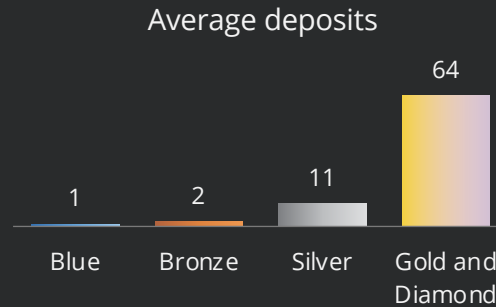
Expense ratio

Shared-value model correlations driving positive client and financial outcomes



Funding

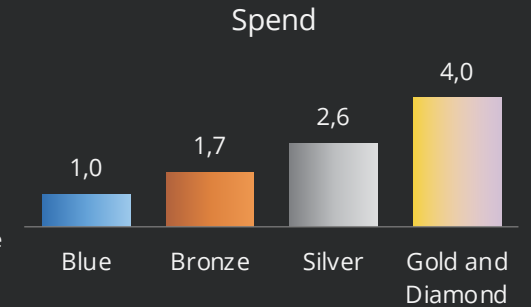
7x
higher average deposit
Gold and Diamond
vs Book average



Indexed to Blue

Revenue

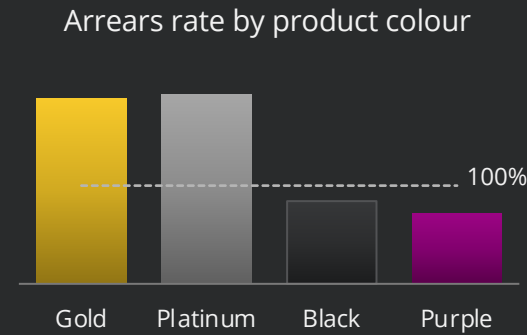
4x
higher spend
Gold and Diamond vs Blue



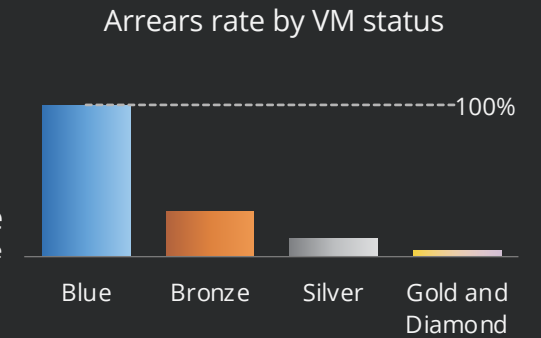
Indexed to Blue

Advances

Vitality Money correlations transcend income bands



96%
lower arrears rate
Gold and Diamond vs Blue

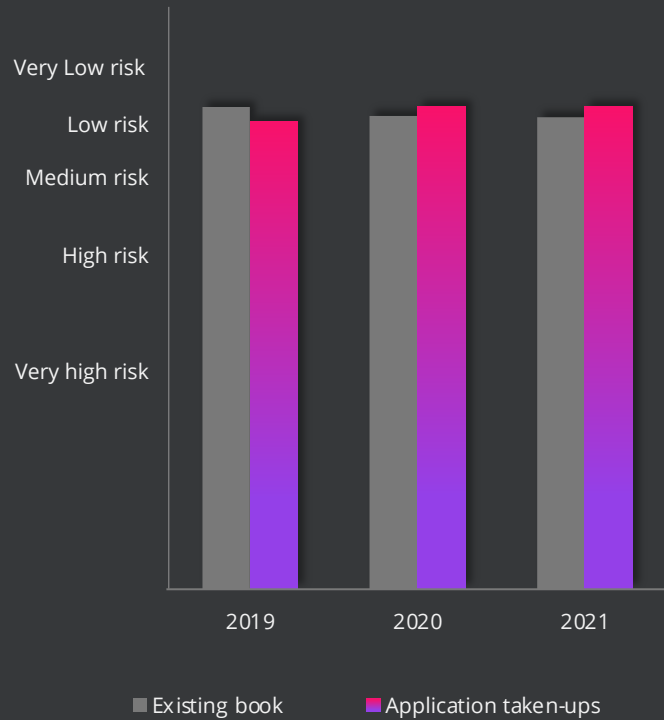


Superior credit loss ratio

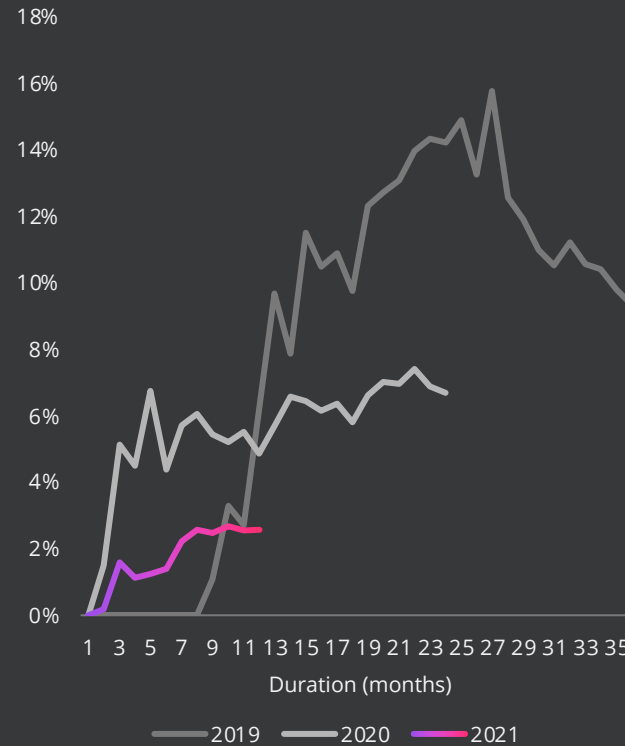


High quality portfolio driving improving credit quality

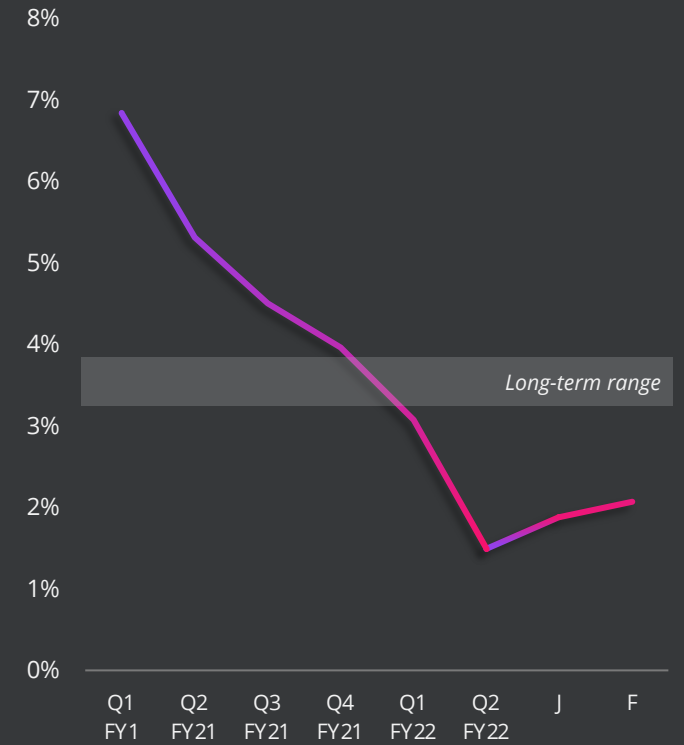
Average delphi scores
(excl. "thin file")



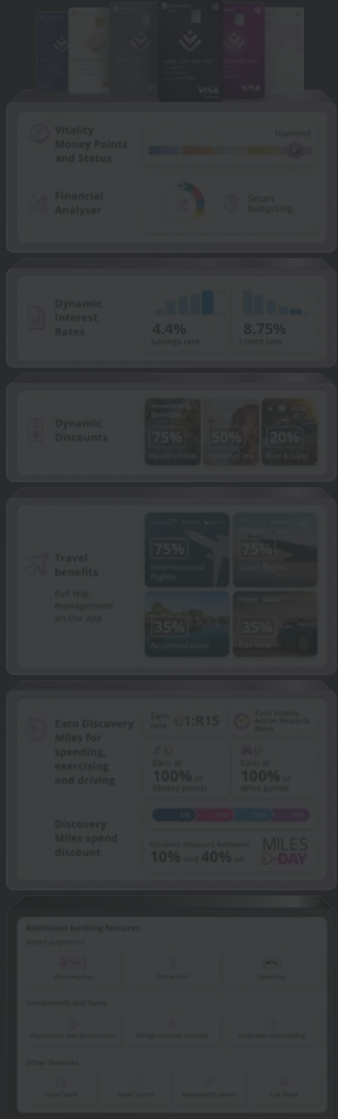
Arrears by origination year
(net of write-offs)



Credit loss ratio



Key attributes of the business model driving strong performance



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2 Shared-value banking model

=

3 Digital Bank scalability

Growth and quality

x

Revenue/client (NII and NIR)

x

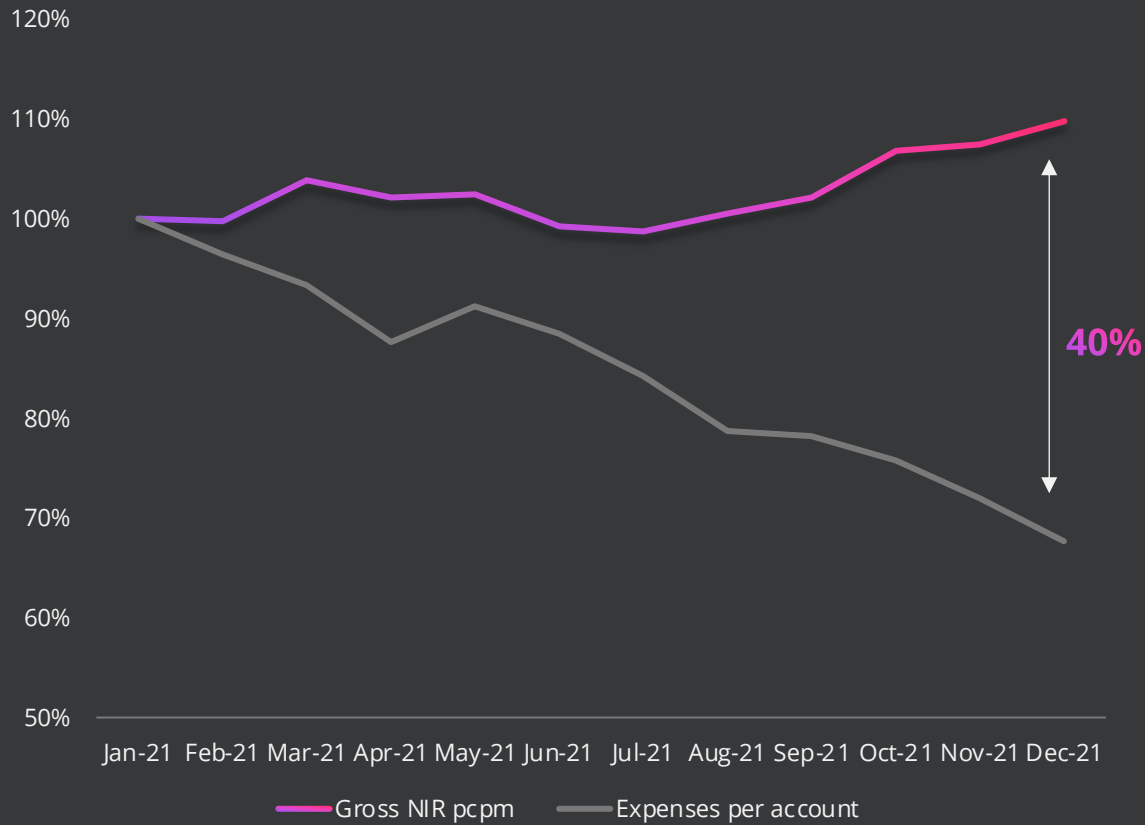
Behavioural correlations

Expense ratio

Digital scalability driving 40% positive operating leverage



Revenue vs expense growth indexed to Jan 21



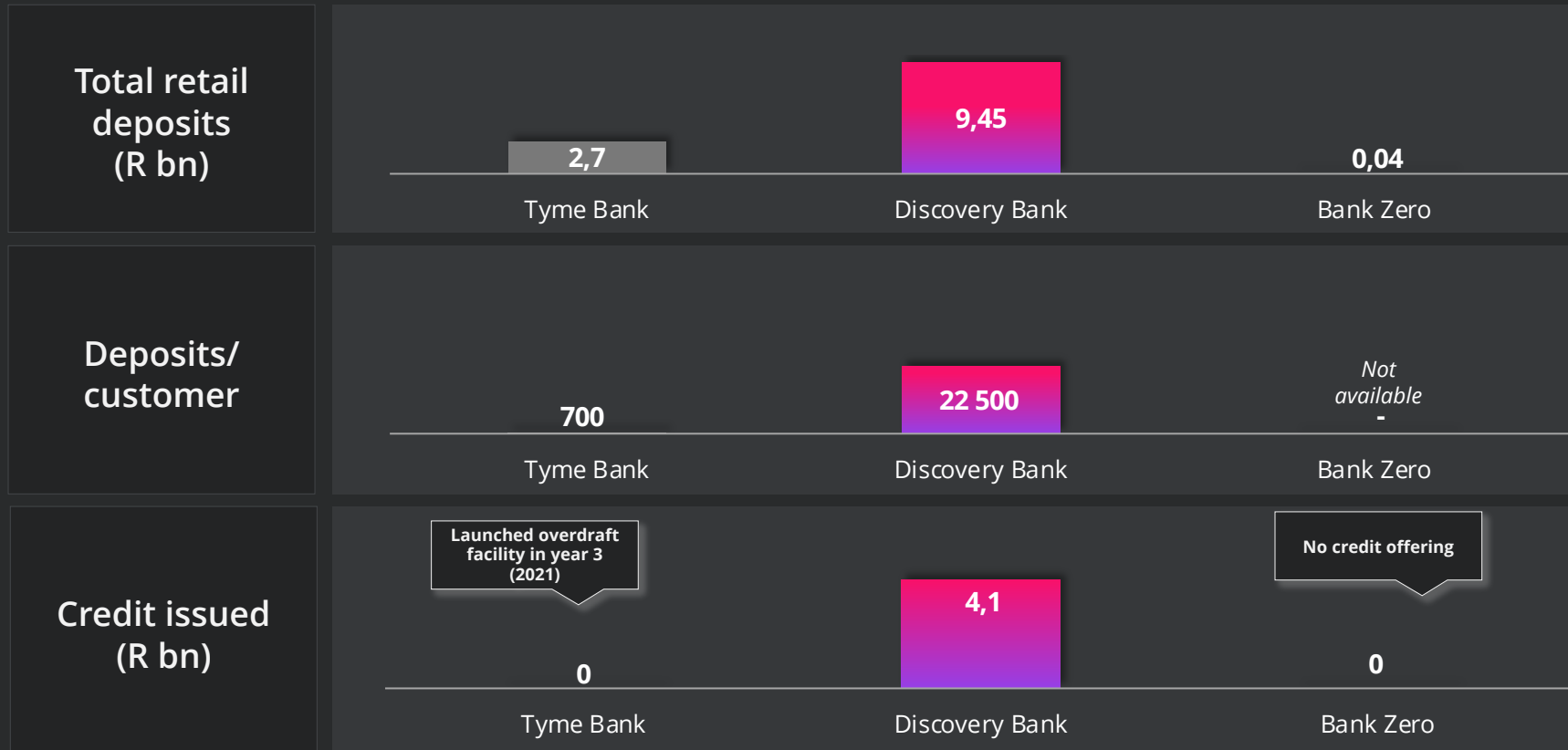
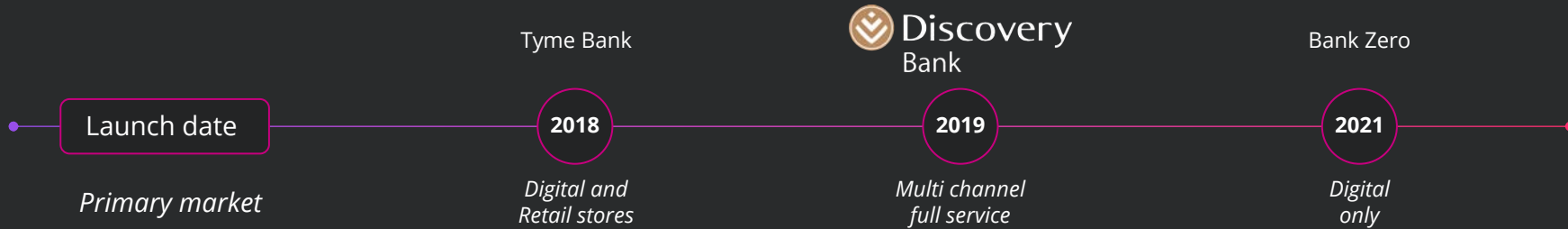
Revenue per client



Expenses per client



Performance contextualized | Discovery Bank's growth is best in class in growth of deposits and advances vs. SA digital banks



Best in class growth after 3 years of operation

Discovery Bank's average deposit levels significantly higher than other entrants reflecting the quality of client base.

Discovery Bank is the only digital bank with sizeable advances

Performance contextualized | Discovery Bank's performance is competitive and outperforms on key financial levers vs. the established SA Banks



Discovery Bank

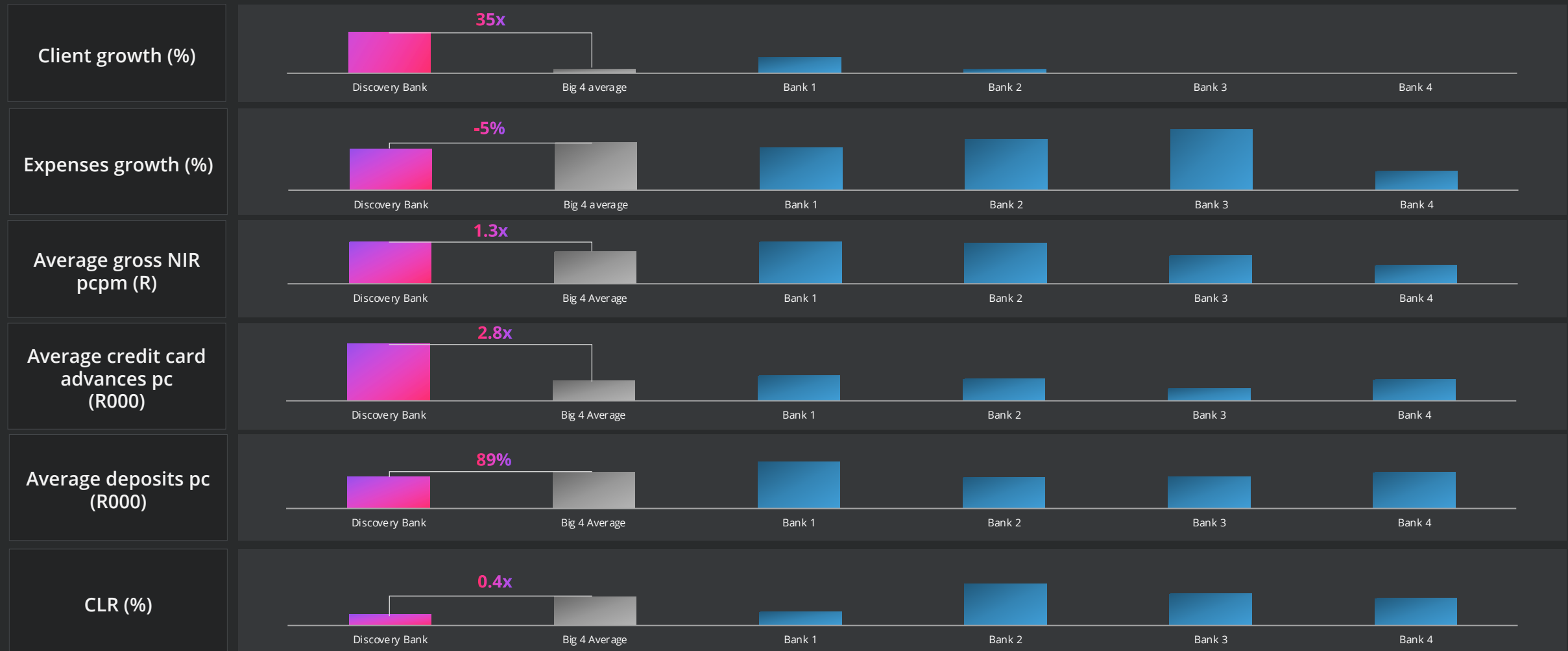
Big 4 average

Bank 1

Bank 2

Bank 3

Bank 4



Summary | Key attributes of the business model driving strong performance



1 Full service bank at scale

2 Shared-value banking model

3 Digital Bank scalability

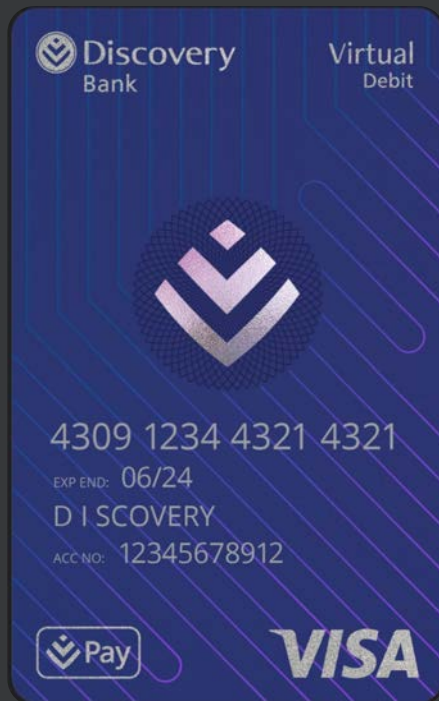
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Short-term growth drivers



Discovery Bank as the SA Composite-maker



Rationale for Bank as the SA Composite-maker



Re-usable applicability for all businesses

Discovery Health
 Discovery Life
 Discovery Invest
 Discovery Insure

All Discovery products housed and accessible through the Bank App

Discovery Health
 Classic Saver
 Total wealth: R16,763.00
 MSA balance: R1,000.00

Discovery Life
 Classic Life Plan
 Total portfolio value: R99,754.43
 Total contributions: R99,754.43

Discovery Invest
 Total portfolio value: R99,754.43
 Total contributions: R99,754.43

Discovery Insure
 Classic Gold
 Annual cashback to date: R8,855.00
 Monthly value: R1,000.00

Single rewards currency; consistent Vitality programmes

Unique features are relevant and available to all Discovery clients



Products
 Portfolio: Black Suite, Invest & shares - R699,699.84
 Total wealth: R736,910.47
 Total balance: R40,000
 Discovery Miles balance: 40,000

Diamond Vitality Money | Gold Vitality Health | Bronze Vitality Drive

Discovery Miles balance: 40,000

Dynamic Interest Rates: 6%, 3.5%, 4.25%

Discovery Pay account provides a ubiquitous integration platform

Enables digital wallet for all Discovery clients

Vitality Money; Single view of finances

Behavioural rewards for financial management

Access world's first shared-value travel platform with embedded discounts

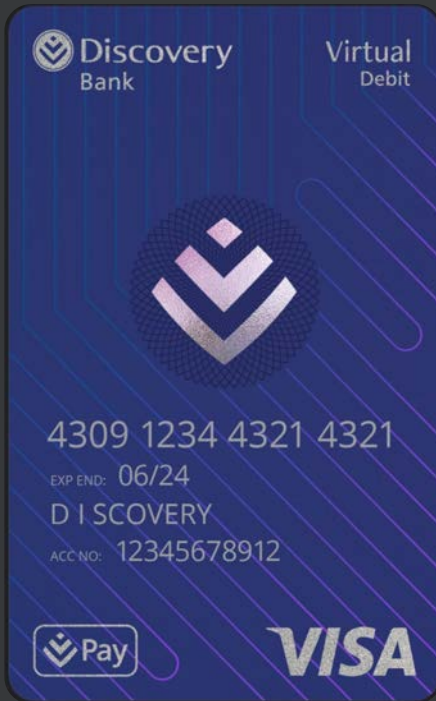
Monetize better behaviours in health, driving and financial management

Secure, integrated payment rails

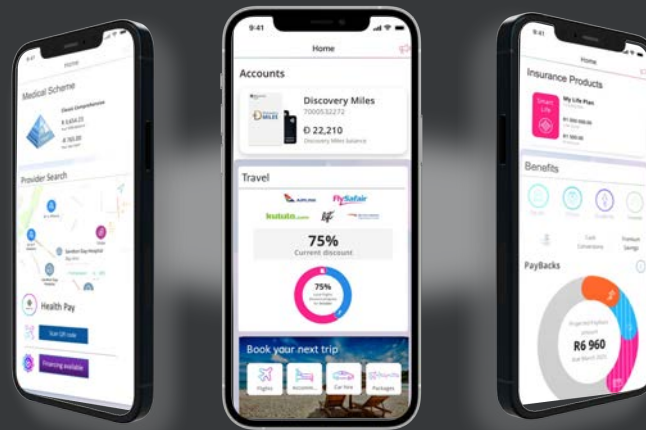
Short-term strategic focus areas



Discovery Bank as the SA Composite-maker

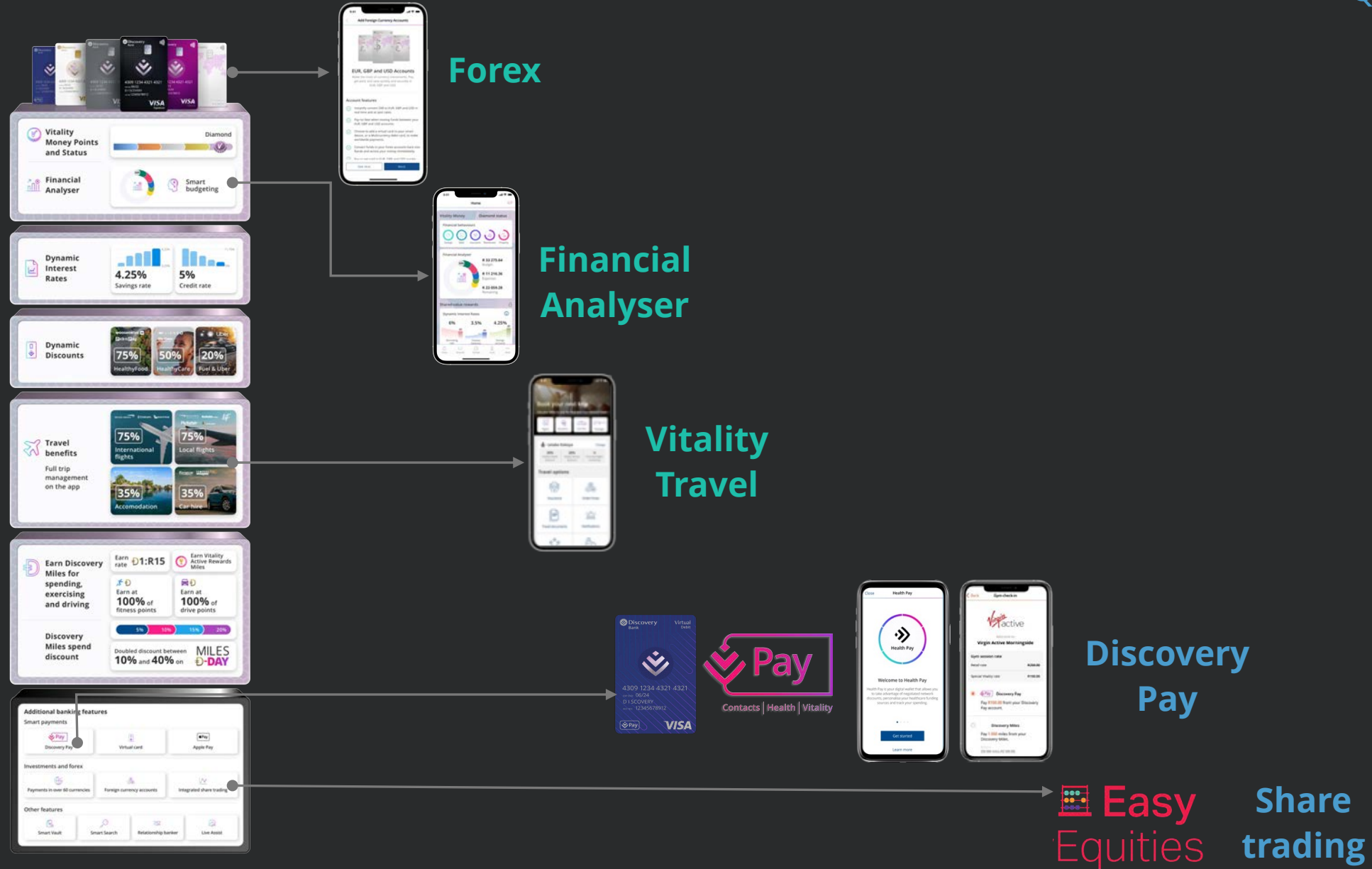


Continued expansion of the digital capability



Continued expansion of the digital capability

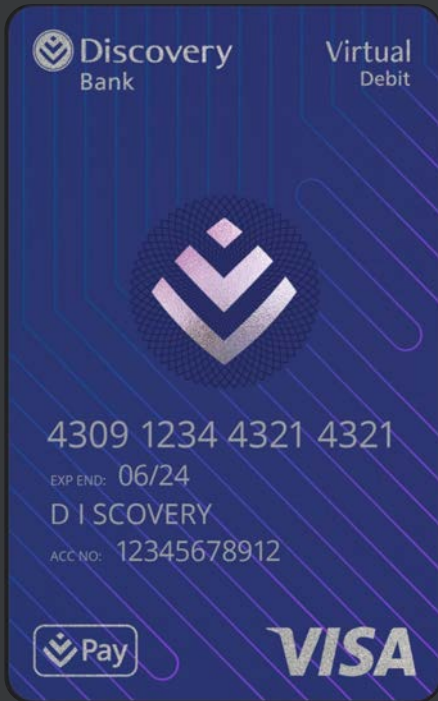
Q1 2022
Q2 2022



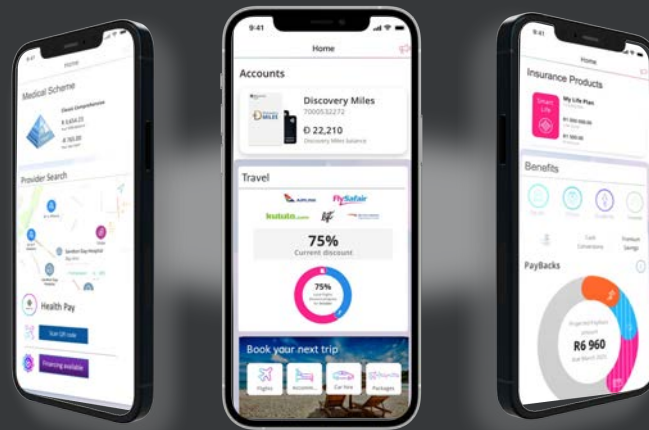
Short-term growth drivers



Discovery Bank as the SA Composite-maker



Continued expansion of the digital capability



Drive core bank fundamentals

Growth and quality → **750 sales per day**

x

Revenue/client (NII and NIR) → **CPI+**

x

Behavioural correlations →

Expense ratio → **Break-even**

Discovery Bank tracking ahead of upside scenarios to deliver attractive returns and profitability

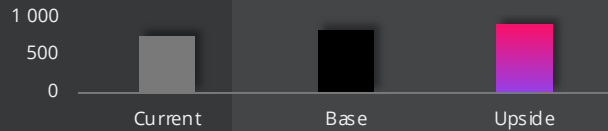


Key financial levers

Long-term economics (FY26)

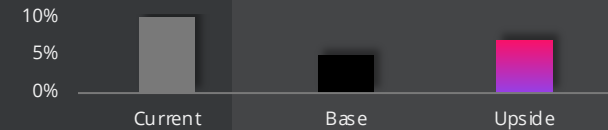
Growth: clients

(average daily new business)



Average gross NIR pcpm

(growth; %, before rewards and expenses, long-term assumptions represent a CAGR between FY22 and FY26)



Average advances pc

(Rands)



Model efficacy: CLR (%)

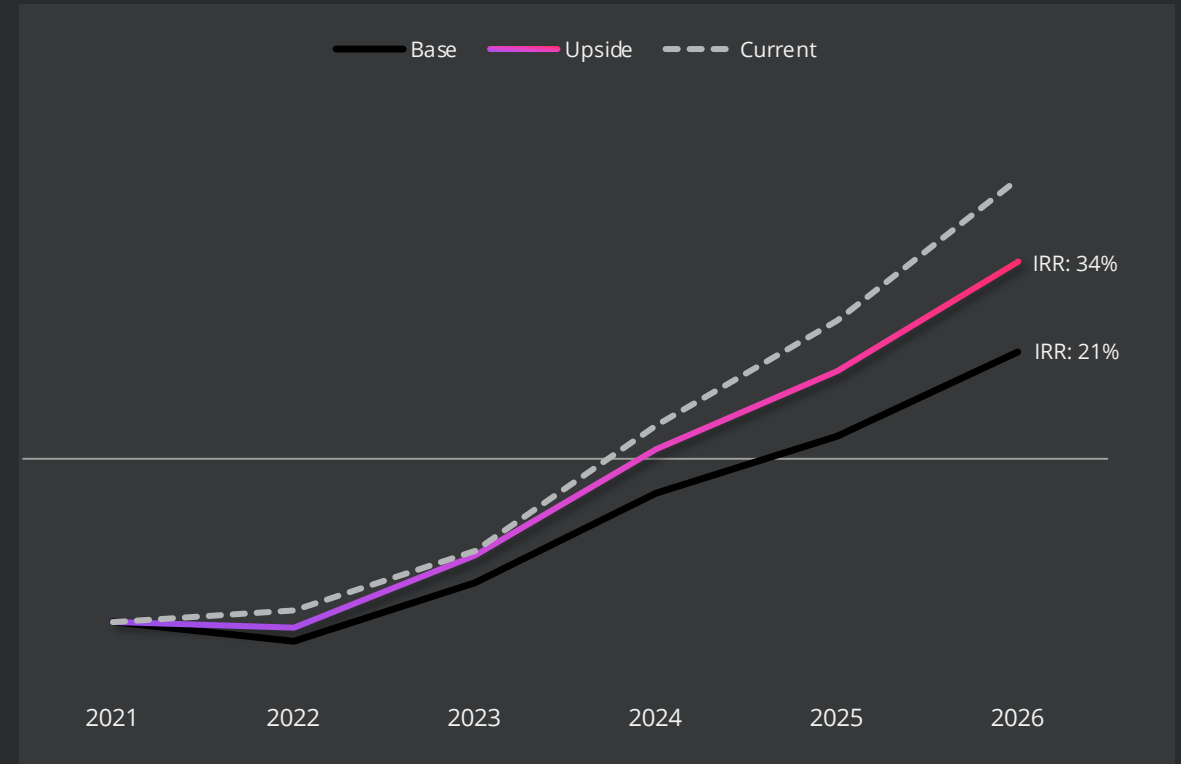


Expenses growth

(%, excl. depreciation/ amortization, Long-term assumptions represent a CAGR between FY22 and FY26)



Business case sensitivities and scenarios



- In addition to the above assumptions, the financials are sensitive to other factors such as the CLR, marketing spend, advances trajectory, deposits trajectory, cost of funds, regulatory capital requirements, inflation etc.
- These sensitivities illustrates the pattern of profit emergence to breakeven and are not intended to be a forecast. Forward looking information on this slide is for illustration purposes and has not been reviewed or reported on by the auditors

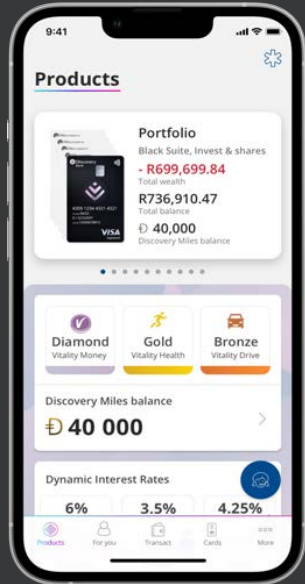
Summary | Short-term growth drivers



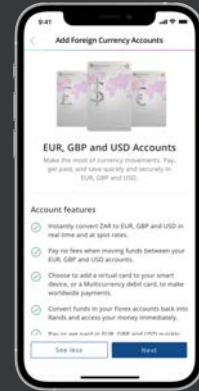
Discovery Bank as the SA Composite-maker

Re-usable applicability for all businesses

Discovery Pay account provides a ubiquitous integration platform



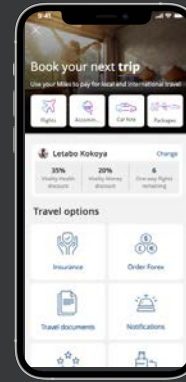
Continued expansion of the digital capability



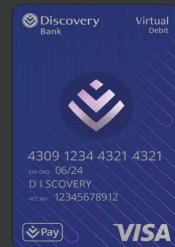
Forex



Financial Analyser



Vitality Travel



Discovery Pay Account



Health Pay and Pay-as-you-gym



Share trading

Drive core bank fundamentals

Growth and quality



750 sales per day

x

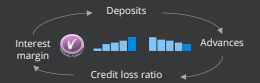
Revenue/client (NII and NIR)



CPI+

x

Behavioural correlations



Expense ratio



Break-even