

Discovery applies for bank licence

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USING its First National Bank (FNB)-backed credit card as a springboard, Discovery will launch a “full-service” retail bank as soon as it obtains regulatory approval in a bid to diversify its income streams.

The insurer has already put in motion its plan to add a bank to its operations through the acquisition of a nearly 75% interest in DiscoveryCard.

“We have applied for a licence. We don’t know when that will be granted,” said Discovery CEO Adrian Gore yesterday after the group released results for the year to June.

Mr Gore said Discovery’s retail bank would be built from a technology perspective.

He said his group understood the “nature of risk and reward” that drove human behaviour.

“People think they’re healthy when they’re not. They think they’re saving when they’re not,” he said.

Mr Gore said the group’s Vitality wellness and rewards programme had given it some insight into behavioural economics and it could translate well into banking.

The group plans to migrate the DiscoveryCard from FNB to its systems during the next few years, after which it will take operational control and add on

DISCOVERY

Full Year	2015	2014
Net Income (Rbn)	39.3	34.2
Pretax (Rbn)	6.8	4.6
Net Profit (Rbn)	5.5	3.3
HEPS (c)	882.4	527.4
Dividend (c)	174.5	151

other banking products.

Kagiso Asset Management analyst Justin Floor said Discovery’s key challenge lay in overcoming strong competitors.

“Discovery’s key weapons are their brand and ability to use data to drive profitable behaviour in a context of a very good consumer understanding,” he said. “If they get that recipe right, they could be successful, as we think some innovation is overdue in the local banking space,” he added.

Mr Floor said it would take some time before the Discovery banking unit became a material contributor to group earnings. Kagiso expected an “incremental build-out as opposed to a big bang approach”.

South African Revenue Services (SARS) veteran Barry Hore would head the group’s efforts to enter the retail banking sector, Mr Gore said.

A BComm and Harvard advanced management programme graduate, Mr Hore left SARS last year after nine years’ service. Before that, he worked at Nedbank as an executive director, having climbed the



EXPANSIVE: Discovery CEO Adrian Gore yesterday announced the group’s intention to launch a retail bank

Picture: MARTIN RHODES

ranks since joining its corporate banking division in 1983.

The Reserve Bank credits him with starting electronic banking at the bank, where he served as MD for technology and operations. He transformed the revenue service from a paper- to technology-based operation.

Mr Hore has been tasked with recruiting a team to run the bank that needs to be approved by the Reserve Bank.

The recruitment costs will be

funded from an R800m kitty. Some of the cash would be used for the long regulatory process.

Discovery’s earnings for the year to end-June rose 16% to R4bn, while new business annualised premium income grew 51% to R17.5bn. With the Bankmed administration and managed care contract stripped out, premium income grew 8%.

The Bankmed contract makes the administration of closed schemes Discovery’s

largest business now, bringing R5.2bn in premium income compared to Discovery Health Medical Scheme’s R4.4bn.

An analyst who asked not to be named, said the company’s growth in headline earnings were slightly lower than expected at 16%, but its planned entry into retail banking was positive. “It will have to rely on the current customer base,” he said.

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