Discovery Bank

PILLAR III PUBLIC DISCLOSURES

for the year ended 30 June 2024

Discovery Bank Limited and Discovery Bank Holdings Limited Group

CONTENTS

DISCOVERY BANK'S FINANCIAL PERFORMANCE

SECTION 01
STRATEGY AND BUSINESS MODEL
- The intersection of business, purpose and social good
- Shared value in banking
- A full-service shared-value bank

SECTION 02
RISK MANAGEMENT PHILOSOPHY

SECTION 03
REMUNERATION

SECTION 04
QUANTITATIVE TABLES AND TEMPLATES

The legal entity structure of Discovery Bank

Overview of risk management and risk-weighted assets
- **KM1:** Key metrics (at consolidated Group level)
- **OV1:** Overview of RWA

Composition of capital and total loss absorbing capacity (TLAC) disclosure
- **CC1:** Composition of regulatory capital
- **CC2:** Reconciliation of regulatory capital to balance sheet
- **CCA:** Main features of regulatory capital instruments, and for G-SIBs and other TLAC-eligible instruments
- **LI1:** Differences between accounting and regulatory scopes of consolidation and mapping of financial statements with regulatory risk categories
- **LI2:** Main sources of differences between regulatory exposure amounts and carrying values in financial statements
  - Quantitative information on IRRBB

Leverage ratio
- **LR1:** Summary comparison of accounting assets vs leverage ratio exposure
- **LR2:** Leverage ratio common disclosure template

Liquidity
- **LIQ1:** Liquidity Coverage Ratio (LCR)
- **LIQ2:** Net Stable Funding Ratio (NSFR)

Credit risk
- **CR1:** Credit quality of assets
- **CR2:** Changes in stock of defaulted loans and debt securities
- **CR3:** Credit risk mitigation techniques – overview
- **CR4:** Standardised approach – credit risk exposure and Credit Risk Mitigation (CRM) effects
- **CR5:** Standardised approach – exposures by asset classes and risk weights
  - Exposure amounts and CCFs applied to off-balance sheet exposures, categorised based on risk bucket of converted exposures

Counterparty credit risk
- **CCR1:** Analysis of counterparty credit risk (CCR) exposure by approach
- **CCR2:** Credit valuation adjustment (CVA) capital charge
- **CCR3:** Standardised approach – CCR exposures by regulatory portfolio and risk weights

Market risk
- **MR1:** Market risk under the standardised approach

Remuneration
- **REM1:** Remuneration awarded during the financial year
- **REM2:** Special payments
- **REM3:** Deferred remuneration

SECTION 05
QUALITATIVE TABLES
- **OVA:** B ank risk management approach
- **LIA:** Explanation of differences between accounting and regulatory exposure amounts
- **LIQA:** Liquidity risk management
- **CRA:** Banks must describe their risk management and policies for credit risk
- **CRB:** Additional disclosure related to the credit quality of assets
- **CRC:** Qualitative disclosure requirements related to credit risk mitigation techniques
- **CRD:** Qualitative disclosures on bank's use of external credit ratings under the standardised approach for credit risk
- **CCRA:** Qualitative disclosure related to counterparty credit risk
- **MRA:** General qualitative disclosure requirements related to market risk
- **ORA:** Operational risk
- **IRRBBA – IRRBB** risk management objective and policies
- **REMA:** Remuneration policy

SECTION 06
ABBREVIATIONS

Highlights

South Africa has entered a new period under a Government of National Unity (GNU) and despite some tensions, very pleasing green shoots of structural reform impetus are emerging. Headwinds evident in 2023 are clearly shifting towards tailwinds in 2024, forefront of which is the significant improvement in energy security as exhibited through a much-improved EAF (energy availability factor) and the suspension of loadshedding since March of this year. The turnaround at Transnet continues, albeit under more challenging circumstances.

These tailwinds are anticipated to boost both our muted growth and investment outlook, further supported by the commencement of the rate easing cycle, which is expected to continue into 2025. The recently released October Monetary Policy Review shows a benign inflation backdrop with potential for downside surprises underpinned by rand strength. In addition, there has been a pleasing increase in business and consumer confidence levels, which had fallen sharply in the previous period, and this is anticipated to continue as structural reforms, falling inflation and rate cuts work their way through the economy.

JUNE 2024 HIGHLIGHTS DISCOVERY BANK[1]

Retail advances
R6.596 BILLION
(JUN'23: R5.172 billion)

Retail deposits
R18.467 BILLION
(JUN'23: R14.333 billion)

Common equity Tier I ratio
17.7%
(JUN'23: 16.9%)

Liquidity coverage ratio
2,300%
(JUN'23: 2,730%)

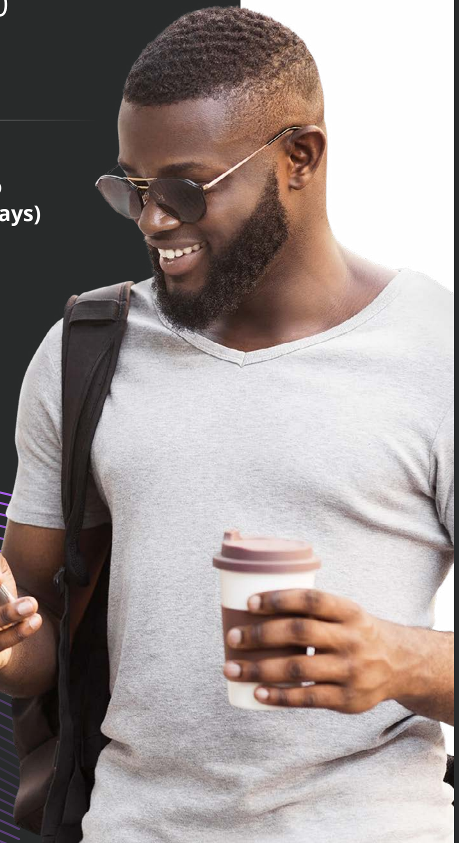
Net stable funding ratio
183%
(JUN'23: 183%)

Capital adequacy ratio
18.37%
(JUN'23: 17.60%)

Foreign exchange exposure (R'000)
R74,996
(JUN'23: R73,278k)

Leverage ratio
6.88%
(JUN'23: 6.37%)

Credit loss ratio (including overlays)
2.77%
(JUN'23: 2.70%)



Discovery Bank's financial performance
Strategy and business model
Risk management philosophy
Remuneration
Quantitative tables and templates
Qualitative tables
Abbreviations

Executive *summary*

During the past calendar year, Discovery Bank has crossed the milestone of one million clients – an incredible achievement from its launch less than five years ago and a result of incredible growth.

The Bank was started with the bold hypothesis that a shared-value, digital, full-service bank, using the Vitality model, could disrupt the banking sector. We entered a complex and competitive market in which few new banks turn out to be successful, showing this hypothesis has proven to be entirely true.

While crossing one million clients is an important milestone, the Bank didn't compromise on the quality of what's being built. The Ask Afrika Orange Index[1], which rates various attributes among South African banks, revealed that Discovery Bank's performance is exceptional across every measure. Measures included:

- Smart, simple and easy products
- Excellent benefits and rewards
- Company with my best interest at heart
- Disruptive Banking, taking innovation a step further
- Transparency for clients
- Tailored product and pricing options to suit your needs
- A wide product range to satisfy my needs
- Company that recognises your family and your family's banking needs

1 https://www.bizcommunity.com/article/discovery-takes-first-2-places-on-ask-afrika-orange-index-winners-podium-257877a.

Best bank brand driven by disruptive products and superior service

At the corresponding awards ceremony, Discovery Bank was formally recognised not just as the leading retail bank in South Africa but separately as the industry winner for private banking. In addition, in the Top 10 Achiever category, which includes over 200 brands across more than 30 industries, Discovery Bank was also announced as the overall winner. Ask Afrika also independently affirmed our customer feedback, with clients rating our calls at a 4.9 out of 5.

Changing the world for the better

Discovery Bank's growth and success are founded on the principles of our Group's Shared-value Insurance model. By concentrating on key behaviours that drive most risks and enhancing these behaviours for the benefit of both clients and the company, we share the value created, which in turn promotes further positive behaviour. This approach results in a banking model that benefits clients, the Bank, and society as a whole.

MANAGING RISK

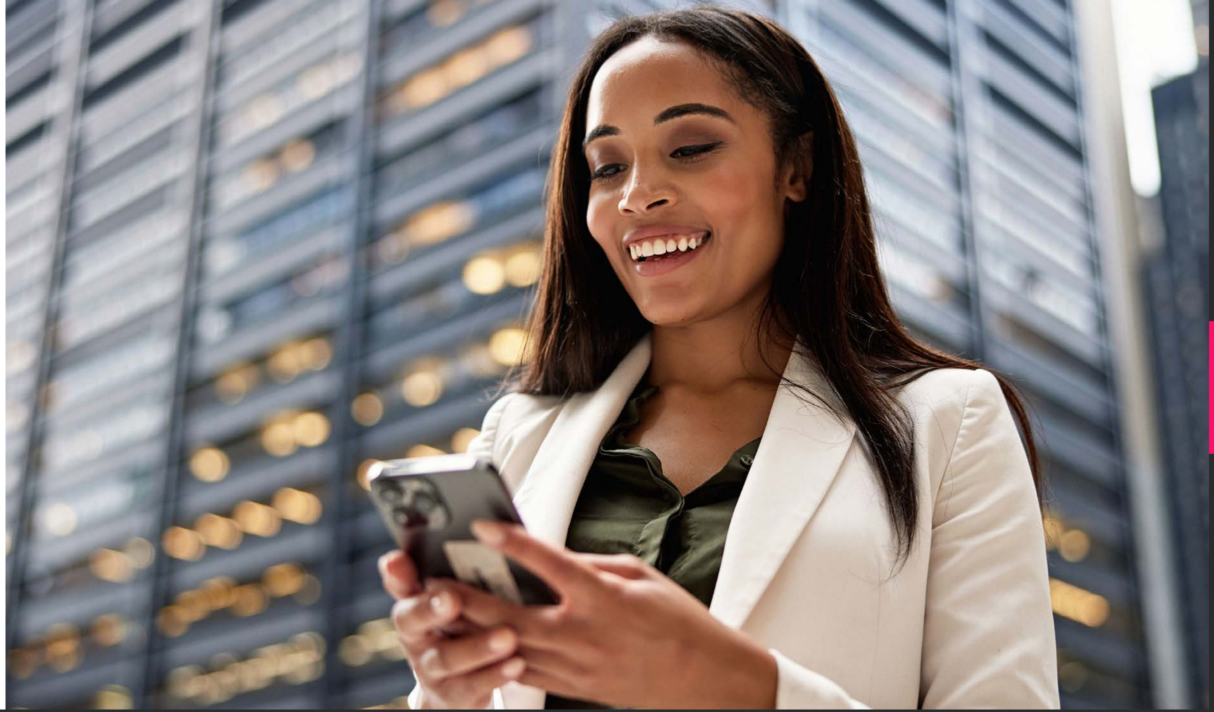
Discovery Bank has established a comprehensive risk management framework that identifies, assesses, and mitigates various risks, including credit, market, operational, and compliance risks. Key practices encompass strong governance, stress testing, and continuous risk monitoring. Additionally, leveraging technology and fostering a culture of risk awareness among employees are integral to maintaining financial stability and regulatory compliance, reflecting the core beliefs of the Bank.

In line with our prudent risk and governance processes, the quantitative tables were based on audited financials and audited regulatory reporting returns, formally signed off by the Discovery Bank Risk and Capital Management Committee.

Discovery Bank's financial performance
Strategy and business model
Risk management philosophy
Remuneration
Quantitative tables and templates
Qualitative tables
Abbreviations

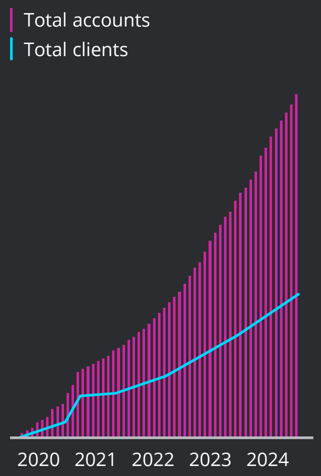
Discovery Bank's *financial performance*

Discovery Bank has built on the strong deposit growth from the previous financial year, increasing its product offering during the past year.

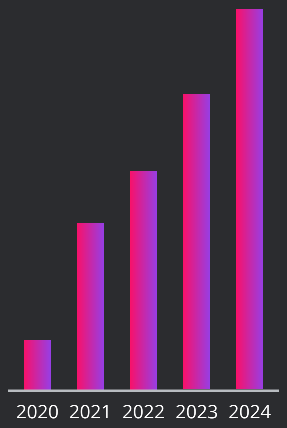


Total clients
+36%
TO >950K

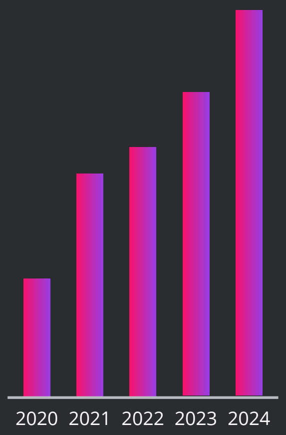
Total accounts
+40%
TO 2.3M



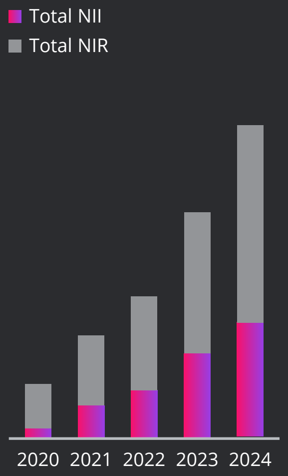
Retail deposits
+29%
TO R18.5BN



Advances
+27%
TO R6.6BN

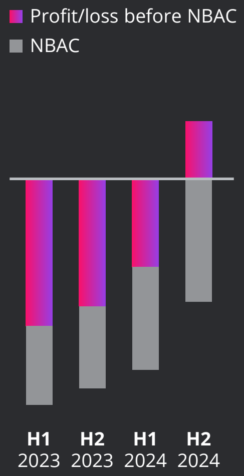


Revenue (NII + NIR)
+41%
TO R2.1BN



Operating result
+41%
TO (R454M)

+89%
TO (R52M)
Before NBAC

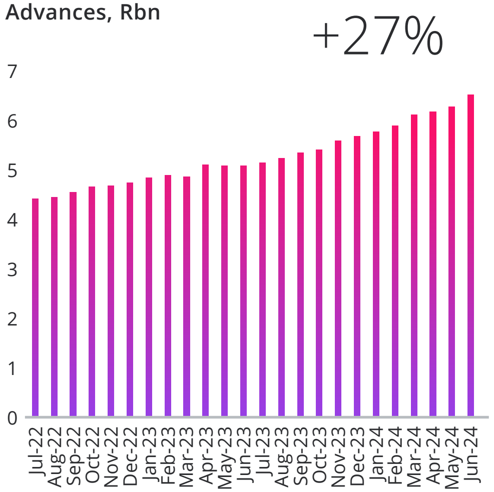


Discovery Bank's financial performance
Strategy and business model
Risk management philosophy
Remuneration
Quantitative tables and templates
Qualitative tables
Abbreviations

The Bank has continued to prioritise both the expansion of its credit portfolio and the quality of its lending practices.

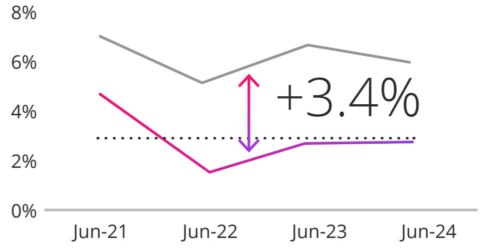
Strong growth in advances book

Advances, Rbn



Better than market credit losses driven SVM

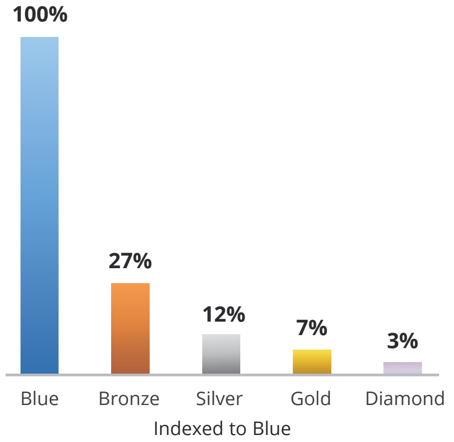
Credit loss ratio vs market[1]



1 Market average Credit Loss Ratio based on the latest results of the top five banks in South Africa.

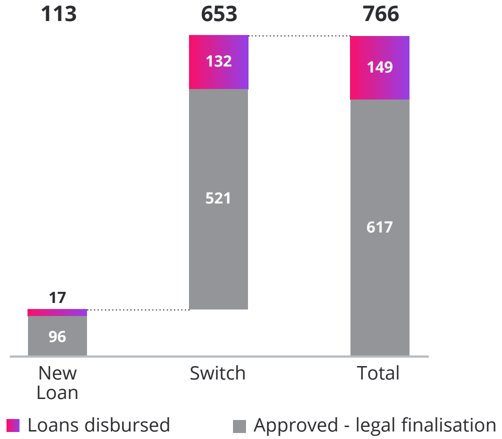
— Market average — Discovery ···· CLR TTC

Credit loss ratio by VM status June 2024



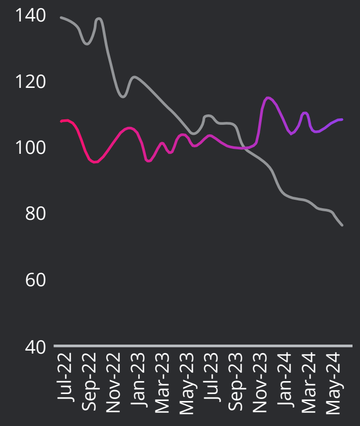
Promising home loans book and pipeline

Value of home loans disbursed, Rm

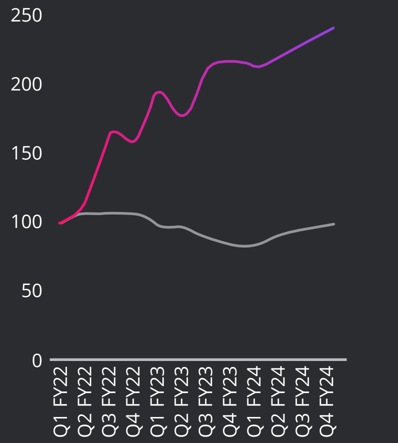


The Bank has worked hard to reduce the costs-to-service ratio to ensure earlier operational breakeven.

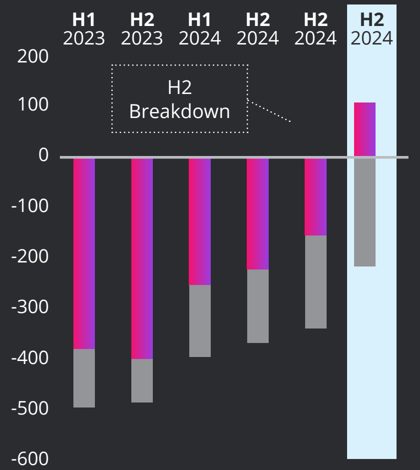
Positive jaws from cost vs income



Stable NBAC per client as the Bank grows

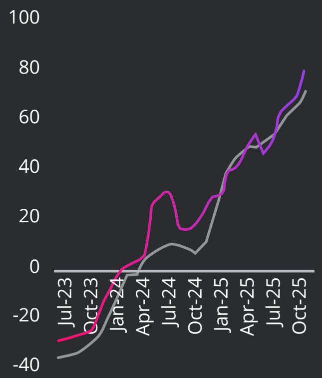


Strong operating profit with H2 breakdown



Reaching breakeven earlier than expected

Profit/loss before NBAC, Rm



Note: Jaws graph indexed to October 2023. New clients and NBAC per client graphs indexed to Q1 FY22.
Forward-looking information on this slide is for illustration and has not been reviewed or reported on by the auditors.

Discovery Bank's financial performance
Strategy and business model
Risk management philosophy
Remuneration
Quantitative tables and templates
Qualitative tables
Abbreviations

For the new financial year, the Bank has set ambitious goals while maintaining its commitment to high-quality standards.

Attributes driving growth

1 High-quality clients
- **±50%** credit, suite and transaction bundled

2 Deposit-led growth
- **Advances to Deposits** ratio less than **40%**; deposit growth rate is 7% higher than the advances growth rate providing a strong funding position
- **±15%** above FY24 target

3 NIR-driven income
- **±8%** growth in **average net income per client** from FY23 to FY24 resulting in **45% NIR growth**

4 Operational scalability
- **Cost-to-income** ratio improvement by **±15%** from FY23 to FY24

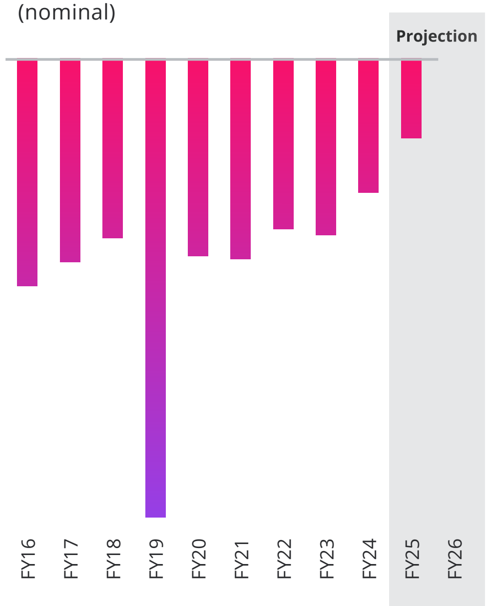
5 Optimised profitability
- **89%** growth in profit/loss before NBAC between FY23 and FY24

Reducing capital needs

Capital invested, Rm

R14.5bn

(nominal)



Driven by bold ambition

R400 MILLION
operating profit growth p.a.

Targeting
2 MILLION CLIENTS
and
R3 BILLION IN PROFITS
in FY29

Capital requirements based on the Bank segmental projections.
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Discovery Bank's financial performance
Strategy and business model
Risk management philosophy
Remuneration
Quantitative tables and templates
Qualitative tables
Abbreviations

Discovery Bank's financial performance

Strategy and business model

Risk management philosophy

Remuneration

Quantitative tables and templates

Qualitative tables

Abbreviations

01

STRATEGY AND BUSINESS MODEL

Strategy *and business model*

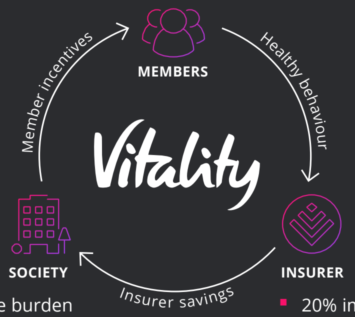
Discovery Bank represents a confluence of technology, social responsibility, and a deep understanding of the nature of behavioural risk, underpinned by a proven shared-value business model. At the core of Discovery's business model is the utilisation of incentives and rewards, backed by advanced analytics and technology, to encourage clients to make positive decisions that enhance their financial wellness. This business model helps clients improve the quality of their lives while also generating sustainable long-term revenues for Discovery.

WHY

Make people healthier and enhance and protect their lives

HOW

Improved wealth, better value through improved price and benefits



SOCIETY
- Reduced healthcare burden
- Improved productivity
- Healthier society

INSURER
- 20% improved Life claims
- 60% lower motor-loss ratio
- 96% lower arrears rates
- ±60% lower healthcare costs

WHAT

- Life insurance
- Health insurance
- Short-term insurance
- Long-term savings
- Banking

Discovery Bank provides the operating system for Discovery's SA Composite strategy. Discovery Health, Life, Insure, Invest, and Vitality leverage the Discovery Bank's architecture to serve its clients better.

The strategic objectives are fully aligned to business targets, thus we can measure our success in achieving set objectives.

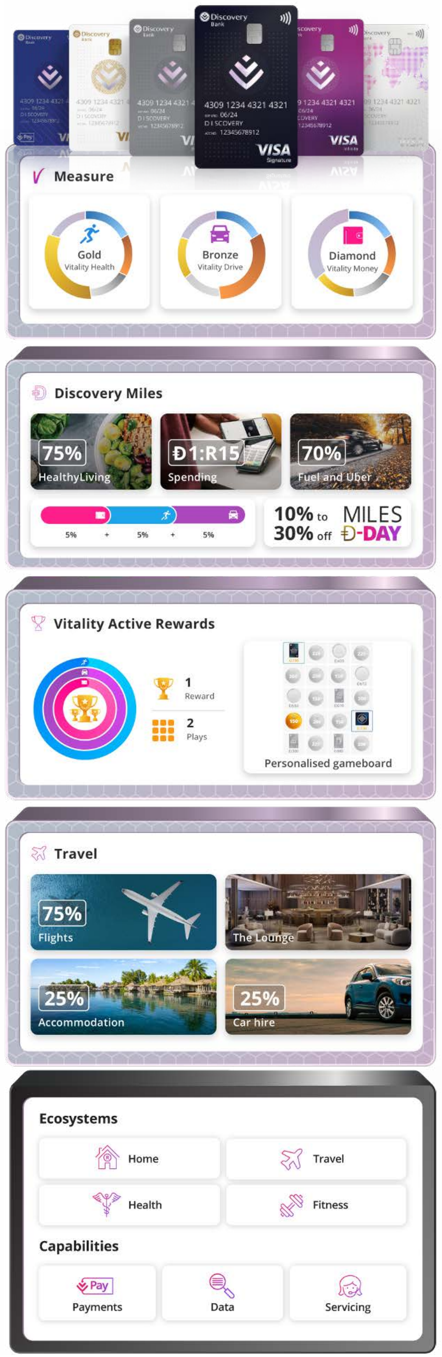
OUR 2026 AMBITION:

- Discovery Bank will be ***the best retail bank*** in SA, recognised for its product innovation, robust digital banking infrastructure, and client impact.
- The ***behavioural shared-value banking model*** will fuel client growth, drive primary account utilisation, increase deposits and mitigate credit risk, resulting in superior margins and value for clients.
- The Bank will offer the most ***secure and advanced payment solutions, financial tools***, and seamless ***digital banking services*** to drive engagement and enable the democratisation of private banking across all the Bank's channels.
- Through the application of ***advanced data and AI***, the Bank will deliver market-leading efficiencies, and the most accurately priced credit, personalised experiences, and brilliant service.
- The Bank will serve as the ***operating system for the Discovery South African businesses***, enabling product integration and access to powerful ecosystems and rewards to deliver superior growth rates, returns, and outcomes for the Bank and each of the Discovery SA businesses.
- Discovery Bank serves as the ***foundational asset to drive integration for Discovery's South African composite*** by creating an ***ecosystem*** through which every client has a Discovery Bank account to access their ***full suite of Discovery products, financial services, and other partners***, resulting in the ***highest levels of client engagement, persistency, and long-term value.***

Discovery Bank's financial performance
Strategy and business model
Risk management philosophy
Remuneration
Quantitative tables and templates
Qualitative tables
Abbreviations

This full-service digital Bank platform is operational as a result of the delivery of continued innovations throughout the financial year.

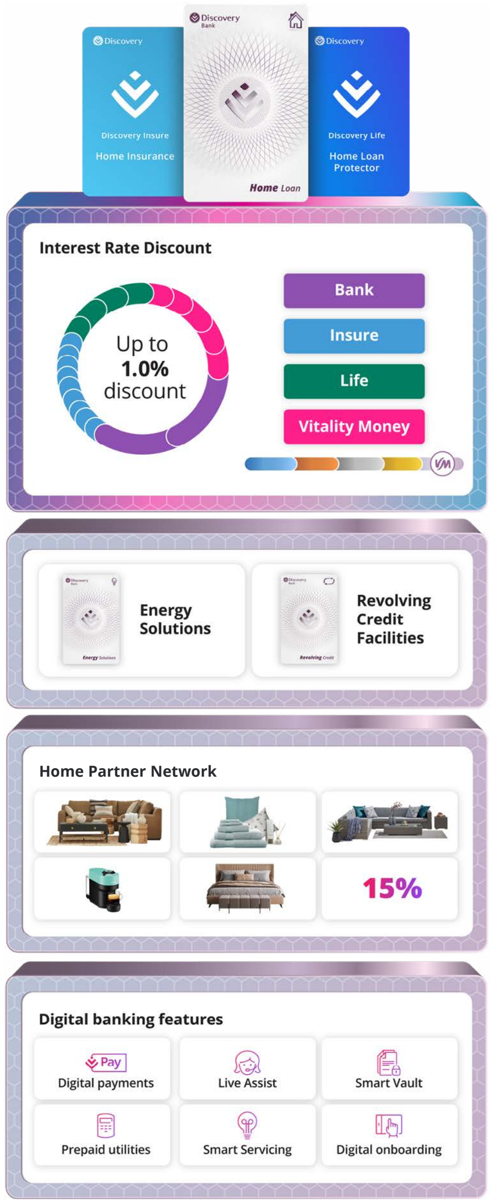
Product innovation, distribution and service are all underpinned by robust data and analytics.



				Changes
Full-service bank	Transaction and credit cards	Foreign currency	Investment Platform	Revolving Credit Facility; Home Loan
Shared-value rewards currency	Shared-value rewards currency	Dynamic partner discounts	Vitality Travel	Home Retail Partner Network
Personalised behavioural change programme	Dynamic interest rates	Vitality Money	Active Rewards 3.0	Value-added Services; Next Best Action
Digital capabilities: Unique Discovery ecosystems	Integrated payments; Personalisation strategy	Live Assist	Group products in the Bank app	Smart Assist; Vitality Fitness

NEW CREDIT PRODUCTS LAUNCHED

The Discovery Bank Home Loan unlocks access to a full home ecosystem.



Up to 100% **home financing** with a seamless digital application process and personalised rates.

Comprehensive **building and contents cover, and home loan protection** in the event of death or defined medical conditions.

A market-first **interest rate discount** that rewards clientsfor managing their money well and protecting their investment.

Access to **alternative energy solutions** for backup power needs, and **additional credit** to cover home expenses.

Discounted **premium home furnishing and accessories** in the Home Partner Network.

Access to **state-of-the-art digital banking features** and servicing.

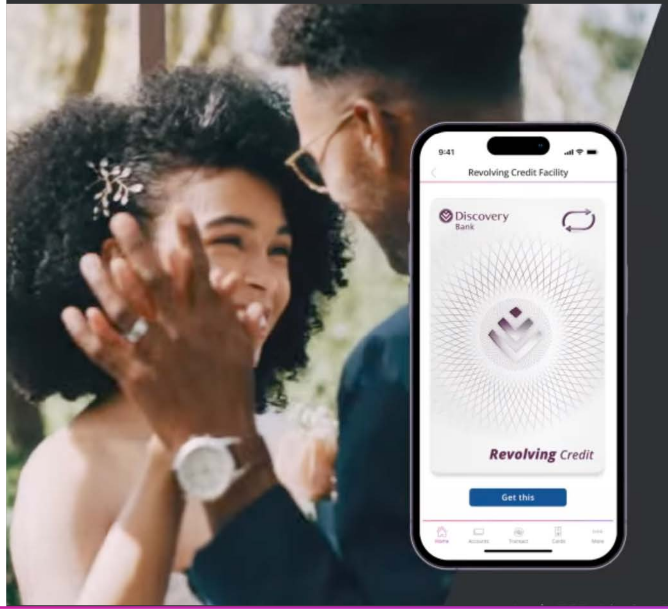
With Discovery Bank Revolving Credit facility, clients get immediate access to credit when they need it. It is affordable repayments with flexible terms, and clients only pay fees when they use it. Whenever they need it, clients simply transfer money to their Discovery Bank credit card or transaction account. Once they have repaid an amount, it's available again.

Clients get credit of **R20,000 to R1,000,000 with immediate access** when they need it.

Clients enjoy affordable repayments **from as little as 2.5%** on their outstanding balance.

Clients experience flexible repayment terms and **only pay fees when they use their facility.**

Clients can reduce their interest rate by up to 7%. They can apply in **less than 5 minutes** in their banking app.



Create unforgettable memories with a **Revolving Credit Facility of up to R1 million.**

Discovery Bank's financial performance
Strategy and business model
Risk management philosophy
Remuneration
Quantitative tables and templates
Qualitative tables
Abbreviations

Discovery has identified three major trends that impact financial services and banking, resulting in clients evaluating the status quo and reconsidering their relationships with their financial services providers more frequently.

1 Nature of risk

Traditional banks segment and price clients based on their socio-economic status. However, the nature of risk in banking is as much behavioural as it is socio-economic. This results in clients who manage their money well often paying more to borrow purely based on their socioeconomic segment and subsidising riskier clients.

2 Technology

Banking has evolved towards digital and contactless onboarding and payment solutions, making it easier for clients to open additional accounts, transact in real time, pay through Apple, Samsung and Google accounts, and invest in forex (FX).

3 Social responsibility

Clients are demanding that the companies they do business with and interact with, including banks, do business with a focus on societal issues as much as profits. Based on our shared-value model, we use our unique approach to deepen societal value. At Discovery Bank in particular, we apply dynamic interest rates to boost savings and lower interest on credit based on a client's risk profile and their success in making smart financial choices.

Our shared-value banking model considers individual financial behaviours to understand how financially healthy clients are. Clients get rewarded for managing their money well with:

- Lower interest rates on borrowings than what would typically apply with traditional risk metrics. Clients can reduce their rates across income segments by managing their money well.
- Higher interest rates on their savings. Clients who manage their money well typically save more over longer periods. Through its Shared-Value model, Discovery Bank rewards clients with demand and short-term deposits with higher interest rates based on how well they manage their money.
- Better behavioural alignment and engagement. Engaged clients can earn multiples of their monthly fees in rewards by using their accounts and managing their money well.

The impact of these factors is a banking model that is better for clients and society.

Discovery Bank's financial performance
Strategy and business model
Risk management philosophy
Remuneration
Quantitative tables and templates
Qualitative tables
Abbreviations

The intersection of *business, purpose and social good*

There has been a growing need and demand for businesses to have a purpose that goes beyond that of maximising profitability, largely to the exclusion of other factors and stakeholders.

This has contributed to a change in capitalism and a move away from a narrow shareholder focus toward a more holistic emphasis on stakeholder value with the understanding that businesses that are aligned with their clients and societies will be more sustainable and profitable in the long term.

PHILANTHROPY
"It's not a problem"

- Let's **ignore or understate** the problem
- Let's **minimise our responsibility**
- Philanthropy is about personal value

CSR
"It is a problem"

- Let's minimise the problem and **throw some money** at it to show we're contributing
- Managing **corporate reputation**

ESG
"Let's solve the problem"

- We need to **add costs to fix the problem** or reduce risks
- We need to report transparently on our results
- We can use our core business capabilities to find solutions

SHARED VALUE
"It's an opportunity"

- We **can lower costs**, grow revenues or differentiate our value proposition by **addressing social** problems
- Even social problems that we don't usually affect, present opportunities

Source: Michael E Porter, Mark Kramer. Creating shared value, *Harvard Business Review*, January–February 2011.

The intersection of business, purpose and social good can take many forms. Traditionally, this has been concentrated in corporate social responsibility (CSR) activities, which operate outside companies' core strategies, leading to criticism for relegating social issues to the fringe. Increasingly, the investment in and societal impact of a business also considers environmental, social and governance (ESG) criteria, which, while necessary, are often treated as a tick-box exercise to manage reputational and regulatory risk. Both these paradigms demonstrate that models that rely on compliance are often lacking in foresight. In contrast, a model built on shared value enables companies to make the transformative link between strategy, higher purpose, and economic value. Shared value, which integrates social impact with core strategy, resonates with the business community and civil society, demonstrating the power of connecting social progress to a profitable, scalable business model.

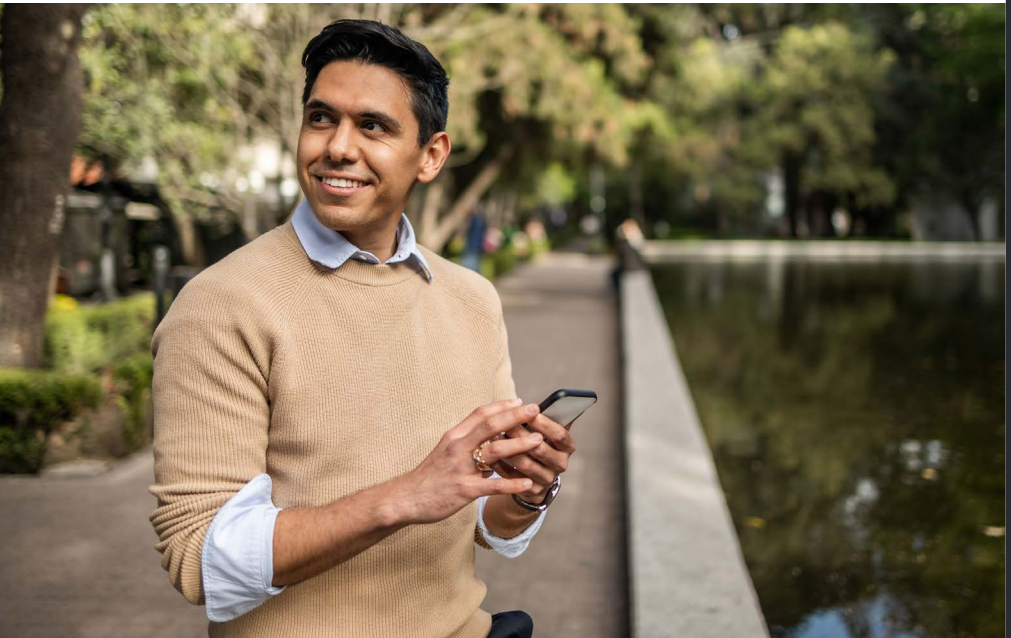
> **"Shared value, which integrates social impact with core strategy, resonates with the business community and civil society, demonstrating the power of connecting social progress to a profitable, scalable business model.**

Discovery Bank's financial performance
Strategy and business model
Risk management philosophy
Remuneration
Quantitative tables and templates
Qualitative tables
Abbreviations

Shared value *in banking*

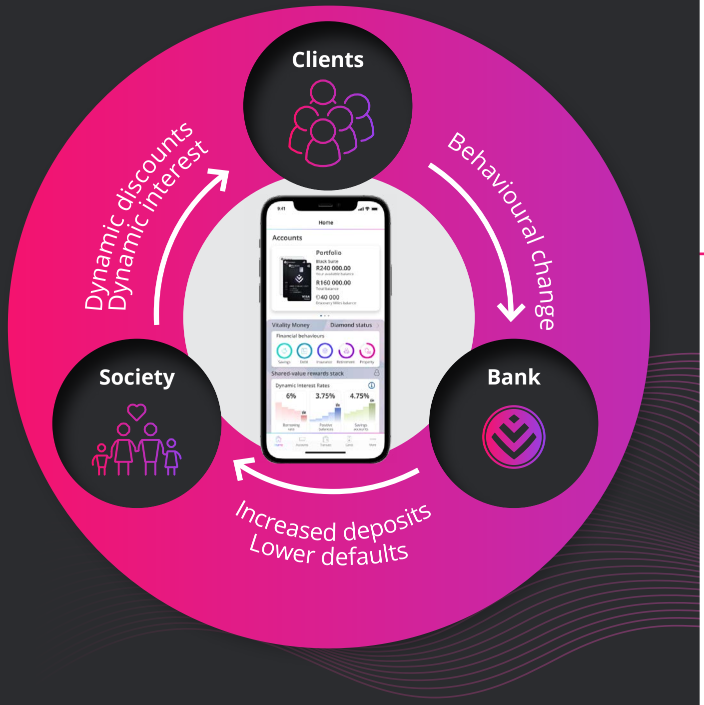
South Africans are big borrowers and poor savers. A combination of habits like reliance on credit and a disinclination for saving leaves people significantly exposed to financial crises in both the short and long term, placing them in a position that's financially precarious, both individually and as a society.

Discovery Bank considers our clients' behaviours. We know that incentivising people to make better financial decisions generates higher savings levels, lower risk and increased wealth for society. Through Vitality Money, Discovery is helping clients to understand and practise five key financial behaviours correctly:



THE FIVE KEY FINANCIAL BEHAVIOURS

1. SPEND LESS THAN YOU EARN
2. INSURE FOR ADVERSE EVENTS
3. SAVE REGULARLY
4. PAY OFF YOUR PROPERTY
5. INVEST FOR THE LONG TERM



Discovery Bank uses these behaviours to measure a client's financial health based on behaviour and not income level, and award them a Vitality Money status – Blue, Bronze, Silver, Gold, or Diamond. A higher Vitality Money status means clients manage their money well and have a lower risk of credit defaults. This is our Shared-Value Banking model in action – through effective interest rates and rewards that incentivise good behaviour, clients manage their money well, and we share the value associated with a low-risk client with them. Discovery Bank clients have access to a range of tools to help them manage their money better and become financially stronger. These include a retirement planner, a financial education video series and access to discounted advanced education courses, debt tools and personalised goals, and the Vitality Money Financial Analyser – all of which help our clients make smarter financial choices.

Rewards can be optimised by joining the broader Vitality programme and integrating across Discovery's product universe.

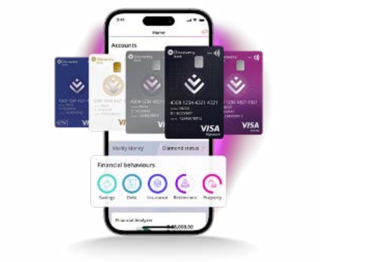
Discovery Bank's financial performance
Strategy and business model
Risk management philosophy
Remuneration
Quantitative tables and templates
Qualitative tables
Abbreviations

A full-service *shared-value bank*

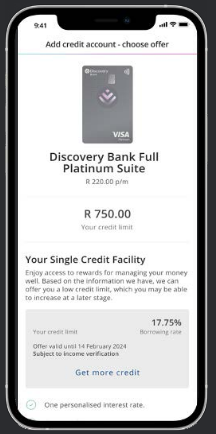
Discovery Bank's shared-value strategies to sustain growth and progress:

- Drive growth through ongoing marketing and product enhancements in the near term, targeting growth in new market segments and business lines in the medium term.
- Drive high-quality advances growth through diversified product lines and operational enhancements while maintaining a prudent risk approach.
- Grow deposits through the shared-value model to optimise the cost of funds. Invest in balance sheet management capabilities to optimise asset and liability mix and return on capital.
- Deliver exceptional service and client experiences through the deployment of data and AI.
- Drive revenue growth through engagement, primary banking relationships, and balanced NIR and NII distribution.

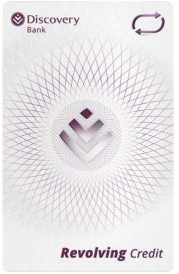
1 SCALE THE BANK



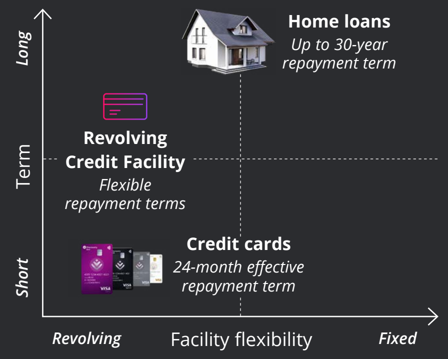
Significant effort has been expended in driving product enhancements and focus areas to drive high-quality growth and leverage Discovery Group segments for growth. One of these products was the low-limit credit offering to increase access to credit while helping clients build or improve their credit profile.



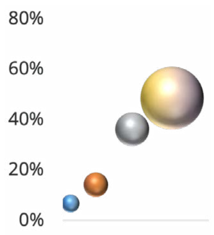
2 GROW ADVANCES



During the financial year, the Bank diversified its lending book by launching a comprehensive mortgage proposition through partnership with SA Home Loans with a unique integration benefit with Discovery Life and Discovery Insure. The Revolving Credit Facility was also launched in December 2023, which is a flexible on-demand facility with immediate access to capital paid down.

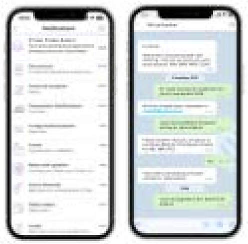


3 BALANCE SHEET MANAGEMENT

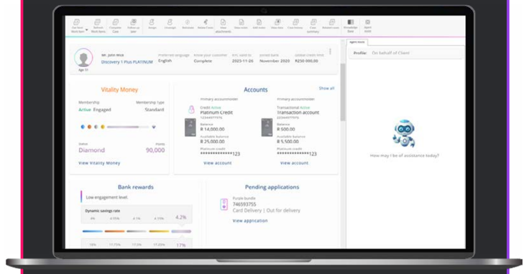


With the Bank's current deposit growth rate, the Bank can fund the high advances growth scenario without recourse to external funding. The Bank has continued to manage the cost of funds and has driven high-quality deposit growth through our shared-value model.

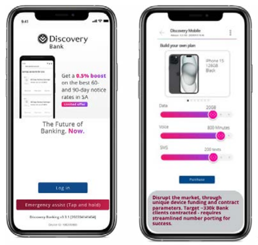
4 DEMOCRATISE PRIVATE BANKING



The Bank is using data and AI to democratise private Banking. Assisting call centre agents respond promptly and accurately to any client queries and have access to knowledge base and question-specific client information.

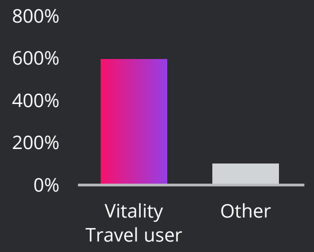


5 REVENUE AND ENGAGEMENT



The Bank has a comprehensive product set to drive engagement and NIR. A significant contributor is the travel usage that is highly correlated with higher client engagement.

Spend per client who uses Vitality Travel vs other



Discovery Bank's financial performance
Strategy and business model
Risk management philosophy
Remuneration
Quantitative tables and templates
Qualitative tables
Abbreviations

Discovery Bank's financial performance

Strategy and business model

Risk management philosophy

Remuneration

Quantitative tables and templates

Qualitative tables

Abbreviations

02

RISK MANAGEMENT PHILOSOPHY

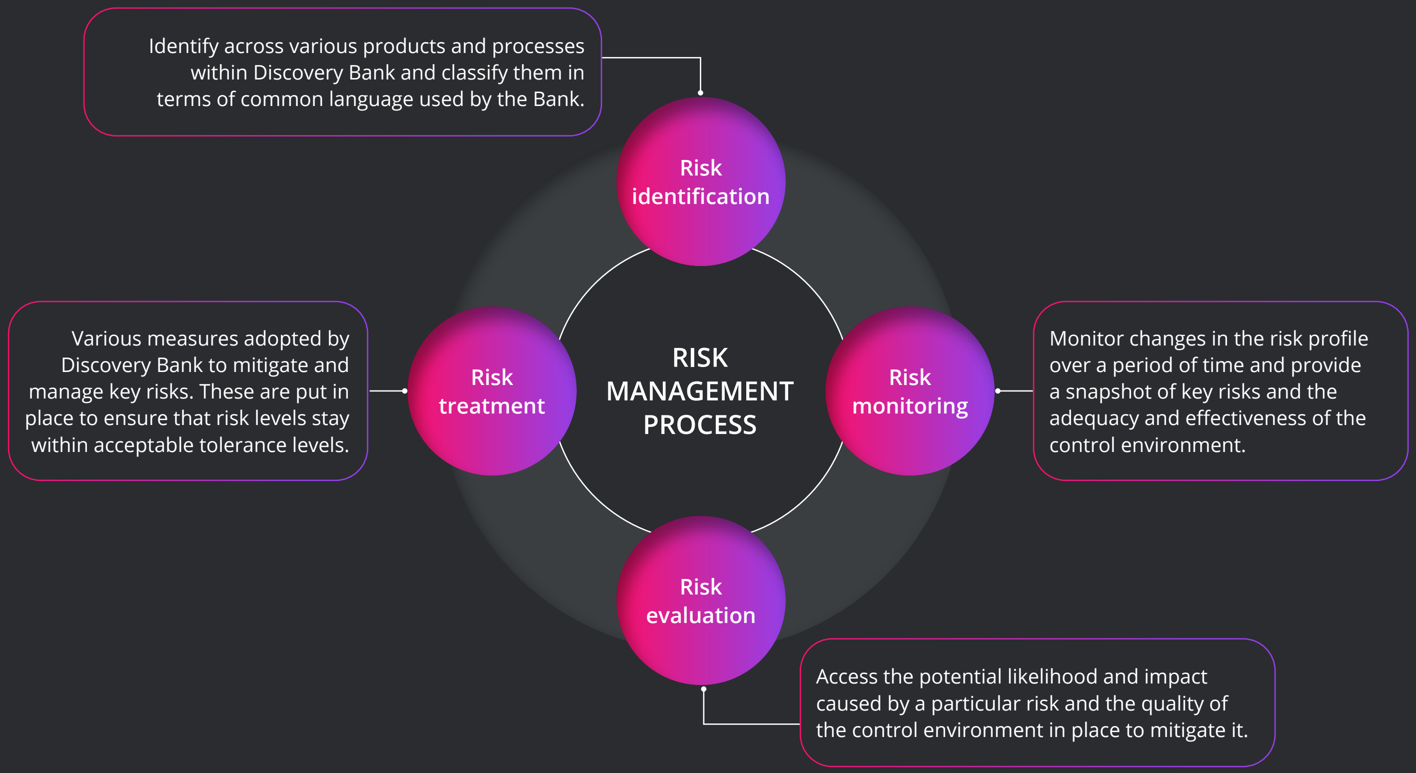
Risk management *philosophy*

The core risk management philosophy of Discovery Bank is to ensure a balance of both risk and reward in supporting decision-making that underpins the delivery of strategic business objectives or opportunities. The Bank seeks to minimise potential losses whilst simultaneously ensuring operating resilience within the Bank's approved risk appetite. The risk framework incorporates the process of identifying potential events relevant to Discovery Bank's objectives, measuring them in terms of impact and likelihood, monitoring the risks, and managing them by developing appropriate risk mitigation strategies.

Discovery Bank defines risk as the possibility of an event materialising that can have a negative (or positive) impact and, as such, encourages risk-based decision-making.

Risk management is a process that is:

- Ongoing within Discovery Bank
- Implemented by all of Discovery Bank's employees
- Applied across Discovery Bank and its various individual operations
- Designed to identify potential threats and opportunities affecting Discovery Bank
- Used to manage risks within the defined appetite and tolerance limits.



For each significant risk type faced by Discovery Bank, a policy framework exists that is divided into policies, standards, and procedural documents. By identifying and proactively addressing these risks and opportunities, Discovery Bank can protect and create value for its stakeholders.

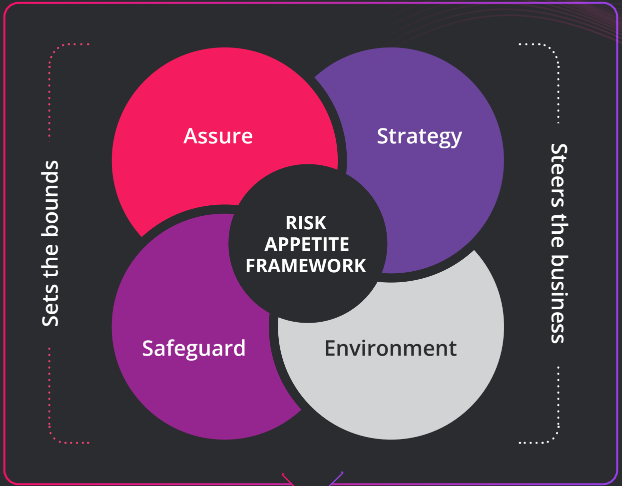
Discovery Bank's risk universe includes the following key risk types:

Strategic risk	Operational risk	Credit risk
Business risk	Technology risk	Market risk *(including Interest Rate Risk in the Banking Book)*
Reputational risk	Regulatory risk	Liquidity and funding risk

Although Model Risk is not currently classified as a level 1 key risk, Discovery Bank recognises it as a significant risk.

Discovery Bank's financial performance
Strategy and business model
Risk management philosophy
Remuneration
Quantitative tables and templates
Qualitative tables
Abbreviations

Discovery Bank has identified and considered all risks currently within our environment to ensure risks beyond our defined appetite are not brought onto the Bank's balance sheet or within its operating environment. These risks are embedded within the Bank's risk environment and form part of the Bank's daily, weekly, and monthly monitoring processes. Any potential breaches are flagged immediately, and remedial actions are agreed upon. All of these are managed through the risk appetite of Discovery Bank.



Each step of the risk appetite is fundamental to the process of ensuring a measurable, executable, and functional framework has been implemented for Discovery Bank. Each core risk appetite component is then developed by considering questions such as the following:

- **What are the risks we are exposed to, and what risks do we need to take?**
- **What risks will we not accept?**
- **What risks are we willing to bear, and to what level?**
- **What resources are required to manage those risks?**

For the 2023/2024 year, Discovery Bank executed its shared-value strategy and ensured the business targets and objectives in each risk area were met. This was managed by the Combined Assurance function.

THREE LINES OF DEFENCE MODEL

Discovery Bank manages its risk using a three lines of defence model, as embedded in our governance framework. Discovery Bank has streamlined its governance framework, ensuring that it is appropriate given the nature, size, complexity and requirements of the business. This enables better standardisation across the Bank in terms of decision making and the ongoing management of risks and incidents. Clarification of roles, responsibilities and mandates for each of the governance committees has been agreed, thereby creating a transparent framework within which to operate and ensuring adequate coverage of the Bank's risks, aligned to the overarching ERM framework. Scope of work included:

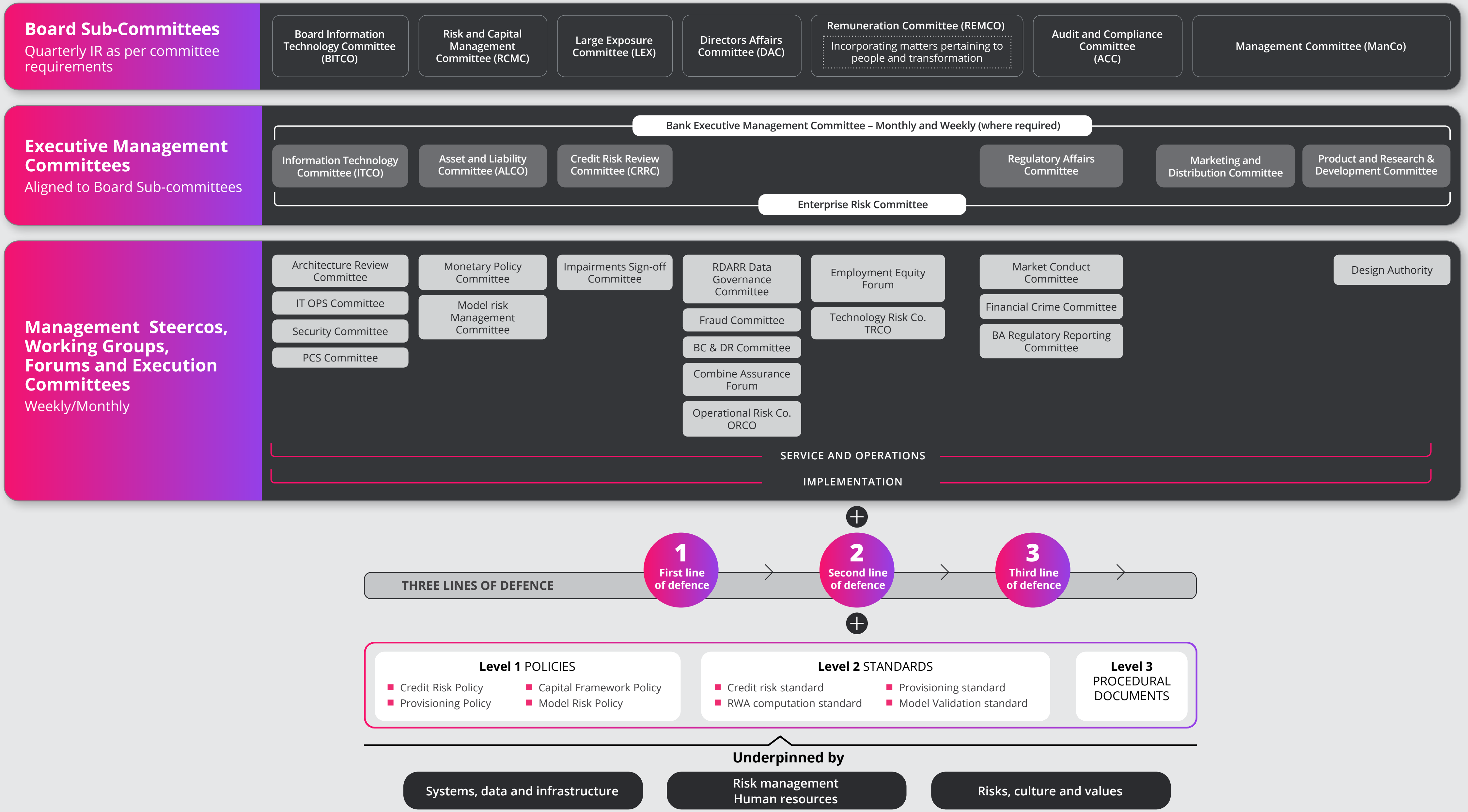
- A revised governance structure with clearly defined levels and escalation paths;
- A documented Terms of Reference for each of the committees within the structure containing the committee mandate, roles and responsibilities, scope, and membership;
- An overarching Terms of Reference for each line of defence within the governance structure to govern how the committees should operate. For example, frequency, quorum, appointment of members, minutes, and reporting;
- Formal adoption of Discovery Group policies wherever possible and Bank specific nuances documented as required;
- Development of work plans for each Executive Management Committee, aligned to the Board sub-committee work plans as well as the relevant terms of reference.

There was also a focus to ensure interaction between Group and Bank CROs to ensure learnings from the highly regulated Bank environment are aligned to the governance processes of the broader Discovery Group.

The Bank governance structure pictorial was simultaneously revisited, aligned and updated where appropriate.

Discovery Bank's financial performance
Strategy and business model
Risk management philosophy
Remuneration
Quantitative tables and templates
Qualitative tables
Abbreviations

GOVERNANCE STRUCTURE – Discovery Bank/Discovery Bank Holdings



Discovery Bank's financial performance
Strategy and business model
Risk management philosophy
Remuneration
Quantitative tables and templates
Qualitative tables
Abbreviations

CHANNELS TO COMMUNICATE RISKS

The three lines of defence risk management model promotes transparency, accountability and consistency by clearly identifying and separating business management from governance and control structures.

The three lines of defence model is used to communicate and manage risks:

1 First line of defence

Business units, through the EXCO committees, act as the **first line of defence** and are:

- Responsible for the day-to-day management of risk and control within the business operations, and
- Deliver the strategy and optimise business performance.

2 Second line of defence

Second-line defence functions comprise of Discovery Bank's risk management function and compliance function.

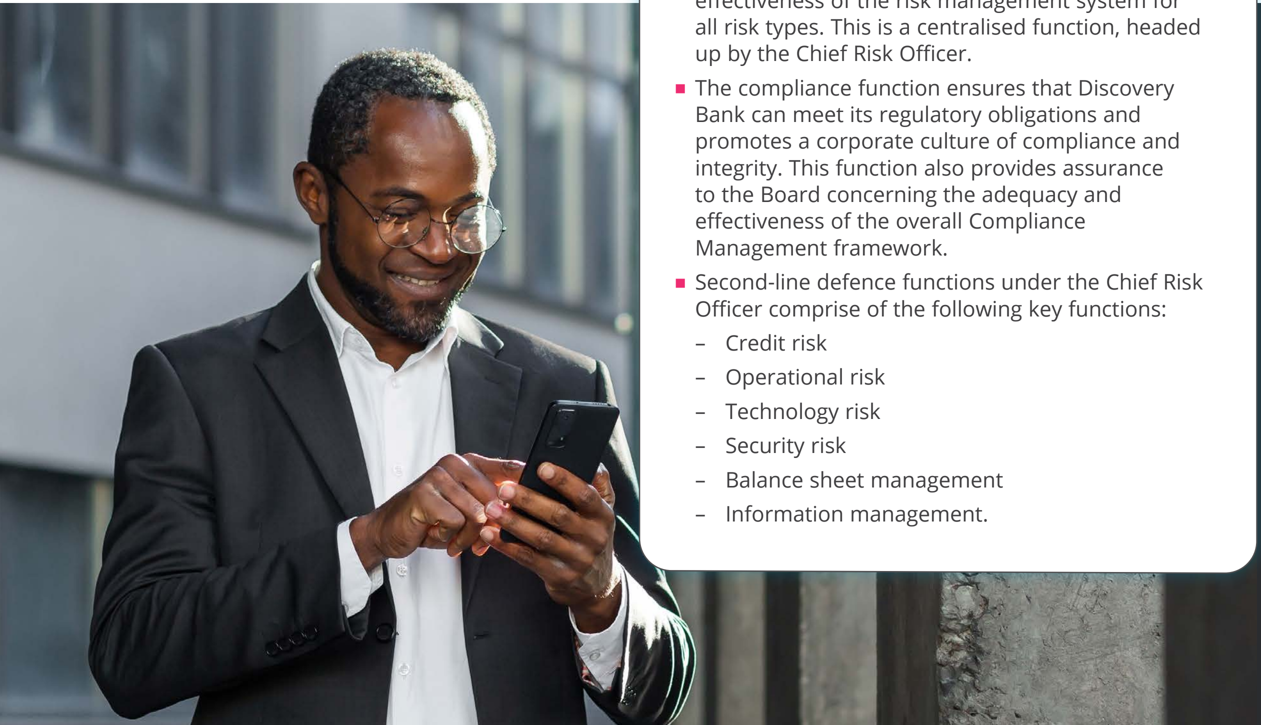
These are independent functions that provide limited assurance to the Board concerning the adequacy and effectiveness of the overall risk management system. These functions have the authority to communicate with any employee and obtain timeous access to any records required to carry out their responsibilities:

- The risk management function is independent (of first-line business management) and is responsible for designing and ensuring the operational effectiveness of the risk management system for all risk types. This is a centralised function, headed up by the Chief Risk Officer.
- The compliance function ensures that Discovery Bank can meet its regulatory obligations and promotes a corporate culture of compliance and integrity. This function also provides assurance to the Board concerning the adequacy and effectiveness of the overall Compliance Management framework.
- Second-line defence functions under the Chief Risk Officer comprise of the following key functions:
  - Credit risk
  - Operational risk
  - Technology risk
  - Security risk
  - Balance sheet management
  - Information management.

3 Third line of defence

The third line of defence comprises of Discovery Bank's independent assurance functions (internal and external audit) that provide an independent and balanced view of the effectiveness of the first- and second-line functions as defined on the previous page.

- Bank internal audit performs an assessment on the effectiveness of the overall control environment on an ongoing basis with a rolling three-year work plan or when requested to do so. The findings from these audits (external and internal) are reported to the Bank Audit and Compliance Committee and various other governance structures across Discovery Bank.



COMBINED ASSURANCE

Discovery Bank has created a combined assurance approach to better achieve cohesion across the different assurance functions. The purpose of the Combined Assurance approach is not to alter the mandates of the assurance providers but rather to coordinate the efforts of assurance providers in an integrated assurance approach to ensure that material risks are addressed efficiently with the mandate, thereby ensuring that all key risks have controls that are being managed by the different risk areas.

Within the three lines of defence, Discovery Bank has an independent Internal Audit Function, Risk Management and Compliance functions that, while independent, provide combined assurance in a coordinated approach through:

- Aligning risk management activities with assurance activities on a rolling three-year work plan.
- Providing the basis for identifying any areas of potential assurance gaps and duplication of efforts within the Combined Assurance Framework.
- Ensuring an adequate and effective risk control environment that is aligned with risk appetite and ensuring the integrity of risk-related reports in order to inform better decision-making.

The organisational strategy is core and serves as the basis for the identification and formulation of objectives as part of the drive to implement the strategy. To manage risk within acceptable levels, controls associated with the risks are regularly reviewed for relevance and appropriateness. Updates are made as and when required.

Discovery Bank's financial performance
Strategy and business model
Risk management philosophy
Remuneration
Quantitative tables and templates
Qualitative tables
Abbreviations

COMPLIANCE WITH THE PRINCIPLES FOR EFFECTIVE RISK DATA AGGREGATION AND RISK REPORTING (RDARR)

BCBS 239: Principles for Effective Risk Data Aggregation and Risk Reporting was issued in January 2013 and has been incorporated into local bank regulations through Directive 2/2015, which requires all banks to comply with the principles.

The Bank's internal audit function has validated compliance with the RDARR principles (as depicted in the Principle Pillar Overview illustration). RDARR now forms part of the Bank's business-as-usual risk framework. The Bank has further conducted a self-assessment at the end of February 2024 across different businesses with no material gaps identified. The Bank's internal audit function will continue to provide independent validation as a third line of defence through the inclusion of RDARR compliance reviews in its work plan on an annual basis. The Bank continues to assess the appropriateness of its RDARR programme, as aligned with the Board-approved risk appetite (RA), and any updates in the RA will result in updates in the RDARR key metrics identified.

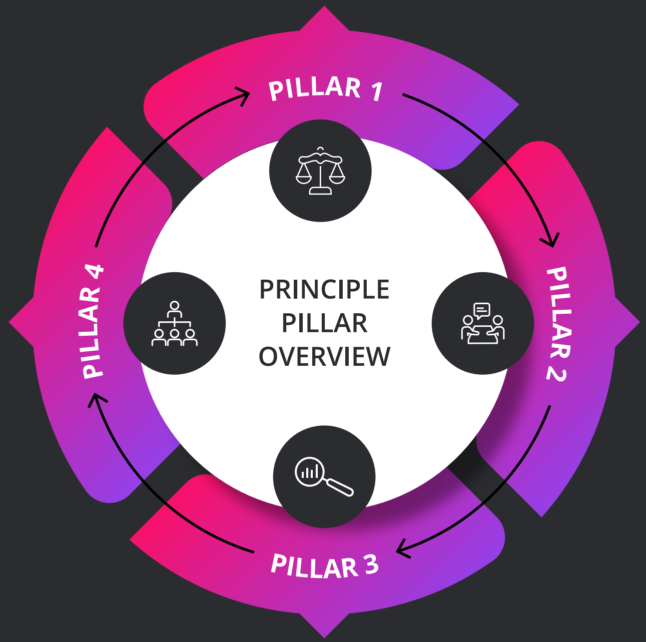
Overarching governance and infrastructure

Build strong governance arrangements consistent with other principles and guidance established by the Basel Committee

The design, build and maintenance of data architecture and IT infrastructure must be in line with RDARR practices

Supervisory review

Supervisory review, tools and cooperation



Risk data aggregation capabilities

Generating accurate and reliable risk data to meet normal and stress or crisis reporting

Generating aggregate and up-to-date risk data in a timely manner while meeting a broad range of on-demand, *ad hoc* risk management reporting requests

Risk reporting practices

Risk management reports must accurately and precisely convey aggregated risk data. Reports need to be reconciled and validated

Reports must communicate information in a clear and concise manner

Discovery Bank's financial performance
Strategy and business model
Risk management philosophy
Remuneration
Quantitative tables and templates
Qualitative tables
Abbreviations

Compliance with the principles for effective Risk Data Aggregation and Risk Reporting (RDARR) continued

Compliance with these principles demonstrated that Discovery Bank is fully compliant and that business areas continue to be fully compliant.

Fully compliant | Largely compliant | Materially non-compliant | Not implemented

RDARR Capabilities and Practices

Pillar	Status	Component	Justification
Governance and architecture	Fully compliant	**Principle 1:** Governance	We have developed a governance committee structure underpinned by clear risk data ownership and responsibilities as well as relevant frameworks and policies.
	Fully compliant	**Principle 2:** Data architecture and IT infrastructure	Real-time and accurate access to a single trustworthy golden source of record exists for most of our risk data. Asset change (enhancement or fix) is centralised and in real time.
Risk data aggregation capabilities	Fully compliant	**Principle 3:** Accuracy and integrity	Our ability to consume, validate the accuracy and monitor the integrity of data in real time throughout the reporting and information landscape is operational.
	Fully compliant	**Principle 4:** Completeness	We have a sufficient level of control in our single enterprise warehouse, across our reporting landscape, and supporting our business operations and analytics.
	Fully compliant	**Principle 5:** Timeliness	Our capability to produce risk data on a timely basis, including the production of rapid risk data to assess critical risk in stress or crisis, is treated the same way as with normal situations.
	Fully compliant	**Principle 6:** Adaptability	The design and configuration of risk reports is predominately a business task, with additional support from IT. The Bank's approach to self-service reporting enables the capability for quick decision-making and supports data customisations (such as dashboards and weekly risk reports).
Risk reporting practices	Fully compliant	**Principle 7:** Reporting accuracy	Where critical reports are concerned, an independent validation process exists, which includes an appropriate sign-off process (regulatory reporting). As we continue to develop this capability across the Bank's risk taxonomy, we are continuously assessing and documenting controls.
	Fully compliant	**Principle 8:** Comprehensiveness	The Enterprise Risk Management Committee (ERCO) and other committees are in place and provide comprehensive reports that allow management to make informed decisions across all in-scope risk areas (credit, market, operational, liquidity, business, and strategic risks).
	Fully compliant	**Principle 9:** Clarity and usefulness	Discovery Bank maintains an appropriate balance between risk data, analysis and interpretation, and qualitative explanation. A higher degree of qualitative interpretation is evident in committee packs that are distributed to senior management and higher.
	Fully compliant	**Principle 10:** Reporting frequency	The purpose of each report is to routinely assess the committee's mandate and whether its frequency is appropriate.
	Fully compliant	**Principle 11:** Reporting distribution	Discovery Bank ensures that reports are distributed to the relevant parties while consciously ensuring that confidentiality is maintained through committee distribution lists.

The Corporation for Deposit Insurance (CODI) was implemented on 1 April 2024, and the Bank has subsequently updated the RDARR programme to include CODI. This approach will be followed for all new products and Bank initiatives.

RISK APPETITE

To execute Discovery Bank's strategy insofar as it applies to the risk appetite framework and achieve an adequate balance between risk and reward, the Bank has adopted the following principles:

- We seek to maintain a financially sound position by ensuring that the Bank is well capitalised, well-funded and will continue to meet the Banks internal and regulatory capital and liquidity requirements.
- We avoid instances where the Bank is exposed to very volatile or potentially extreme outcomes, which could threaten the viability of the business.
- We only accept risks that provide an appropriate balance between risk and reward.
- We only accept risks for which the Bank has the required expertise and is skilled at managing.
- We only accept risks arising from products sold to help clients improve their financial wellness while generating sustainable long-term revenues for Discovery.

Our risk appetite considers all the pertinent risks within the Discovery Bank risk universe to ensure no unnecessary exposure is introduced onto our balance sheet or within our operating environment. The associated parameterisation of this is embedded in our risk response, articulated in the Risk Appetite Statement and forms an integral part of our monitoring processes. Overall, the risk portfolio is "at appetite" with no concerns in terms of risk management.

Discovery Bank's financial performance
Strategy and business model
Risk management philosophy
Remuneration
Quantitative tables and templates
Qualitative tables
Abbreviations

KEY RISKS

Strategic risk

Strategic risk refers to the risk inherent in the chosen strategy of the Bank and the possibility that the strategy may not result in the desired or planned outcome. In the context of Discovery Bank, the strategy encompasses growth optimisation, products, channels, customer value offerings, partnerships, marketing, and systems. Strategic risk is, therefore, the possible source of loss that might arise from the pursuit of an unsuccessful business plan, poor business decisions, substandard execution of decisions, or inadequate resource allocation. Although Discovery Bank is a relatively new entrant to the market with a unique strategy, the period since inception to date, has demonstrated the efficacy of the shared-value model, manifesting through the Vitality Money construct.

Business risk

Business risk refers to the risk caused by uncertainty in the ability of the business to generate sufficient returns given the current challenging economic environment in which the Bank operates. It is the risk that the Bank faces due to fluctuations in earnings, readily observable and driven mainly by volumes, margins and fees. In an extreme event, business risk can be seen as the risk of being unable to cover one's cost base should all or most of an entity's earnings fall away. Banks typically have three major components of business risk in their profit and loss:

Net interest income

- Net interest income is impacted by the Bank's margin management and is dependent on business volumes, funding costs and other external factors. The Bank has shown resilience in interest rate changes.

Non-interest revenue

- Non-interest revenue will be affected by the volatility of the fee and commission income linked to the Bank's lending business. The stability of fee income may also be affected by economic cycles and client activity. However, the Bank remained resilient despite the economic climate's strain on the consumers.

Operating expenses

- The level of operating expenses will depend on the proportion of variable costs to total costs and management's ability to reduce these in times of stress. Predictability of other expenses and adherence to predefined budgets are also key.

Adjacent priorities are: the retention of key individuals (in addition to our overall staff complement) within the Bank, with interventions introduced to alleviate work pressure, managing the blurring of the workday as a consequence of work-from-home realities, and ensuring a healthy work-life balance. This is to ensure longevity within the Bank and appropriate coverage within the business.

Key business risk metrics are managed through the risk appetite, and governance processes are in place to manage any undue risk that might arise from these.

Reputational risk

Reputational risk is a risk of loss resulting from damage to the Bank's reputation consequent to an adverse event that affects the company, irrespective of whether the event is the result of the Bank's own actions or an external party's actions. Reputational risk losses typically manifest through other risk types. For example:

- **Business risk:** Lost revenue due to lower client volumes or client attrition.
- **Operational risk:** Increased operating regulatory costs.
- **Liquidity and funding risk:** Increased funding costs or loss of liquidity.
- **Cyber risk:** Increased operational disruptions.
- **Other:** Destruction of shareholder value.

Reputational risk is difficult to quantify as it arises when one or more of the other key risks manifests and is therefore indirectly captured therein. Operational risk events typically have the greatest propensity to result in damage to the Bank's reputation. The Bank approaches the management of reputational risk in a manner not dissimilar to the other risk types through a process of identification, assessment, monitoring, mitigation, and controls.

The typical sources of reputational risk are related to:

- Regulatory compliance
- Ethical practices
- Financial performance
- Corporate governance

Discovery Bank has a low tolerance for reputational risk. Discovery Bank adheres to best practices in providing quality services to clients. Client grievances, another causal factor of reputational risk, are addressed in a timely and effective manner. Discovery Bank monitors both social media channels and traditional media to track any complaints impacting the brand. Client feedback is monitored through the client contact centre on a real-time basis with clear escalation processes in place should first call resolution not remediate the client concerns. Discovery Bank aims to remain a client-focused, fair and transparent business that delivers a world-class product to clients. If any reputational event occurs, it will be investigated and the results thereof, as well as the proposed response plan, will be escalated through the Crisis Management Framework as appropriate.

Operational risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes and people (for example, human error, fraud, other deficiencies in internal control) or from external events (natural disasters, external crime, etc.). This definition includes compliance, legal and financial reporting, security and execution risk but excludes strategic and reputational risk.

Technology risk

The risk arising from the poor governance of technology, information and cyber functionality, thereby placing at risk the effectiveness of support to the organisation in setting and achieving its strategic objectives. The risk arises from the increased reliance business is placing on technology, information, and security, to enhance and integrate systems and processes to improve efficiencies and remove manual processes, thereby becoming more digitalised and making it more secure.

Discovery Bank's financial performance
Strategy and business model
Risk management philosophy
Remuneration
Quantitative tables and templates
Qualitative tables
Abbreviations

Key risks continued

THE VARIOUS BUSINESS ACTIVITIES THAT ARE UNDERTAKEN BY DISCOVERY BANK EXPOSE THE ORGANISATION TO NUMEROUS TYPES OF OPERATIONAL RISK

Operational risk includes:

Fraud (incl. internal fraud; external fraud)
The risk of financial crime and unlawful conduct impacting on the Bank.

Employee practices and workplace safety
Losses arising from acts inconsistent with employment, health or safety laws or agreements, from payment of personal injury claims, or from diversity/discrimination events.

Clients, products, and business practices
Risk of losses arising from unintentional or negligent failures to meet professional obligations to specific clients (including fiduciary and suitability requirements), or from the nature or design of products.

Execution, delivery, and process management
The risk to organisation's service provision arising from a failure to carry out operational processes in an accurate, timely and complete manner.

It is the Bank's objective to minimize all losses or reputational damage that may arise from these operational risk types. To achieve this objective, the Bank has in place a robust set of processes that enables it to identify operational risks and mitigate potential losses. Operational risk is managed through the 3 lines of Defence model.

Technology risk includes:

Business resilience (incl. damage to physical assets; business disruption and systems failure)
The risk that the Bank will be unable to anticipate, prepare for, and respond and adapt to incremental change and sudden disruptions to survive and prosper.

Information technology (incl. cyber security; information technology)
Risk associated with the use, ownership, operation, involvement, influence, adoption, and development of technology within the Bank. It consists of technology-related events and conditions that could potentially impact the business.

Information security
Risk of accidental or intentional unauthorised use, modification, disclosure, or destruction of information resources, which would compromise the confidentiality, integrity or availability of information assets and personal information.

Fraud risk strategy aims to develop effective mitigation controls that will protect the Bank from the risks of fraud. Therefore, specific focus is placed on fraud strategies that succeed in comprehensive fraud prevention and detection while balancing a frictionless client experience.

Due to the digital nature of Discovery Bank's offering, the necessity to accept some level of security risk has been recognised. However, tolerance for security risk is low, and the Bank ensures that through robust vulnerability scanning and continuous updates, security risk is minimised. We continually aim to ensure that the security risk is minimised by proactively managing the following key risks:

THE STRATEGY AIMS TO DEVELOP EFFECTIVE MITIGATION CONTROLS THAT WILL PROTECT THE BANK AND OUR STAKEHOLDERS FROM THE RISKS OF FRAUD.

Objective

To prevent, detect and respond appropriately to fraud threats, through timely remedial action.

To identify client activities that could give rise to risk with the aim of achieving a frictionless experience and prevent fraud through the support of frameworks, policies, operating protocol and fraud prevention tools.

Protect all stakeholders and minimise the impact from any compromise, intentionally or unintentionally, in real time.

Ecosystem	Fraud strategy, frameworks, policy and processes	▪ Management of fraud risk appetite measures ▪ Policies (Internal anti-fraud culture measures and controls (i.e., financial crime risk management & anti-fraud policies) ▪ Standards & Procedures – protocol
Governance	Fraud oversight through the Enterprise Risk – Fraud governance committees	▪ Regular Fraud Risk Committee ▪ Monthly Industry Fraud Committees and Working Groups: SABRIC, PASA, SAFPS ▪ VISA monthly fraud insights sharing
Anticipate	Fraud trends, fraud rule environment optimisation	▪ Weekly fraud rule performance assessment measuring rule effectiveness ▪ Global and local trend analysis (Bank and industry data) ▪ Projects and initiatives to support the fraud strategy
Prevent	Fraud systems and tools	▪ Fraud Engine VISA, Actimize, SAFPS ▪ Advanced fraud data analytics ▪ Adhoc fraud trend and case investigations ▪ Consultation with business on new products or product enhancements
Respond and Recover	Fraud operations	▪ Client satisfaction and data Management ▪ Management of quality within acceptable levels ▪ Real-time fraud response and client support ▪ Fraud resolution rates and loss management
Resilience	Fraud awareness – stakeholders, clients and staff	▪ Monthly newsletter and adhoc fraud and security awareness campaigns ▪ Dedicated fraud notification through the Banking App

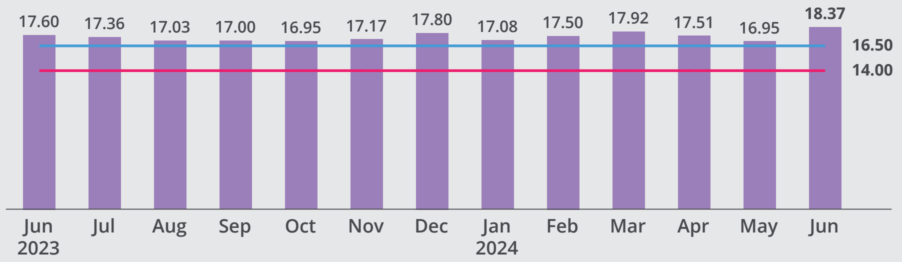
Discovery Bank's financial performance
Strategy and business model
Risk management philosophy
Remuneration
Quantitative tables and templates
Qualitative tables
Abbreviations

Key risks continued

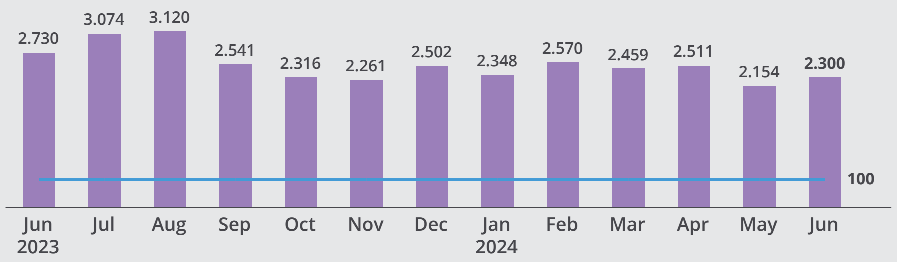
Regulatory risk

Discovery Bank conducts its business activities within a highly regulated environment and has zero tolerance for regulatory risk. Implementation and enforcement of the Protection of Personal Information Act (POPIA) throughout the organisation and across different data platforms was successful. All Bank's Act (BA) Regulatory Risk reports are system generated by design and, in addition, have various checks and balances with appropriate levels of sign-off in place to ensure accurate and timely submissions. All regulatory ratios continue to meet all regulatory requirements.

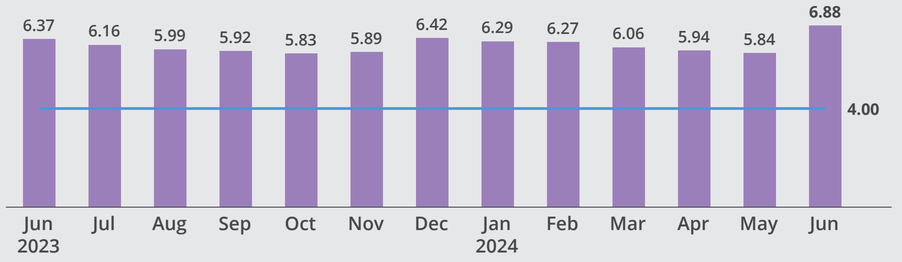
Capital adequacy ratio



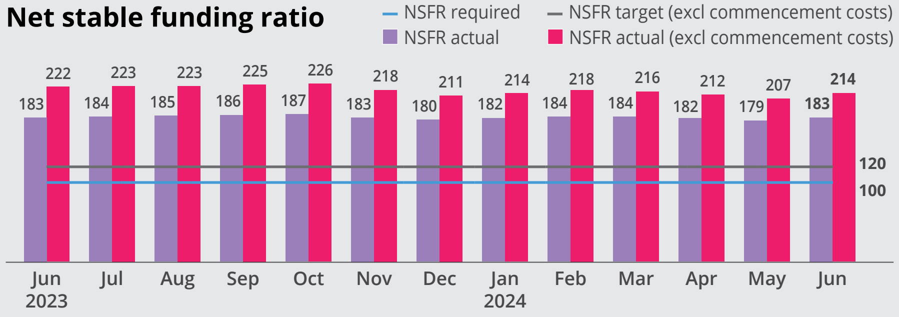
Liquidity coverage ratio



Leverage ratio



Net stable funding ratio



Regulatory compliance and financial crime are both tracked and reported to the Audit and Compliance Committee (ACC) and have remained within the risk appetite for the period under review.

Discovery Bank's financial performance

Strategy and business model

Risk management philosophy

Remuneration

Quantitative tables and templates

Qualitative tables

Abbreviations

Key risks continued

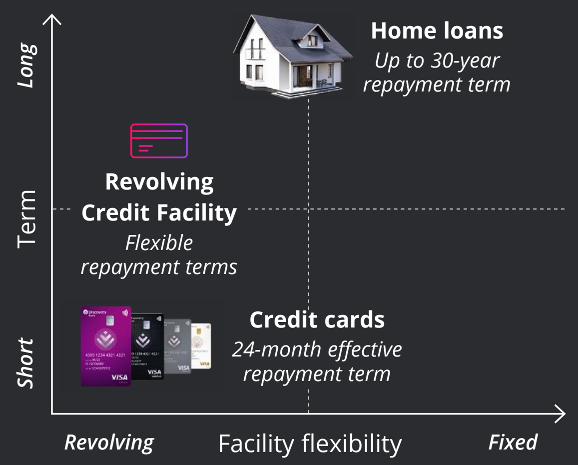
Credit risk

The objective of our credit strategy remains to drive high-quality advances growth through diversified product lines and operational enhancements while maintaining a prudent risk approach.

The team worked on operational enhancement to improve the growth of advances. The key initiative the team is working on is to reduce credit application drop-offs and to improve efficiency using big data capabilities. Both these strategies are front of mind for 2024 deliverables.

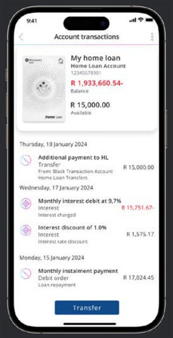
During the past financial year, the Bank diversified their lending products, by adding home loans and revolving credit facilities to the portfolio.

Full lending proposition



Home loans

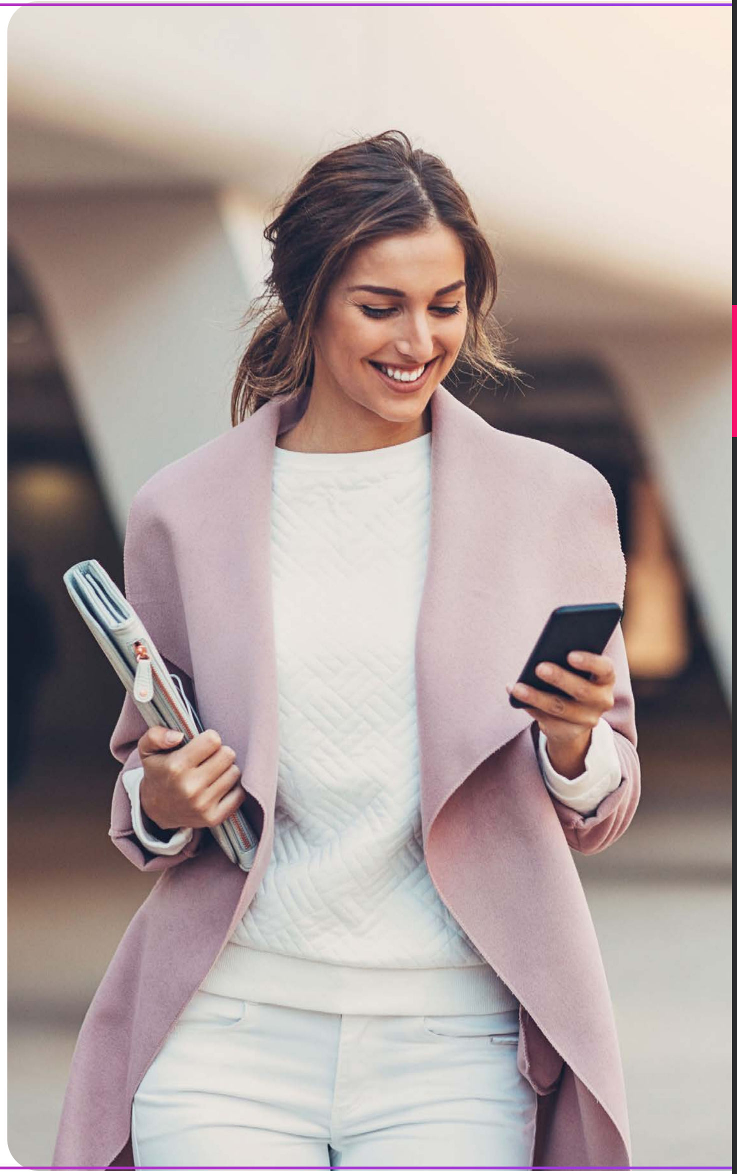
Comprehensive mortgage proposition through partnership with SA Home Loans; and unique integration benefit with Discovery Life and Insure.



Revolving Credit Facility

A flexible on-demand facility with immediate access to capital paid down.

Discovery Bank Home Loans is the latest shared-value offering from Discovery Bank. It rewards you with a market-first reduction of up to 1% off an already personalised interest rate for managing your money well and protecting your biggest asset. With a Discovery Bank Home Loan, you can apply for a new home loan, switch your current home loan to Discovery Bank, or refinance a paid-up property. All home loans with Discovery Bank qualify for the interest rate discount.

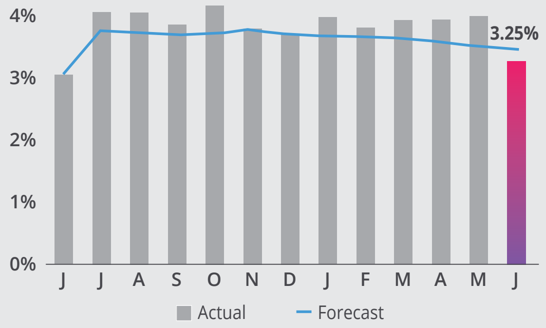


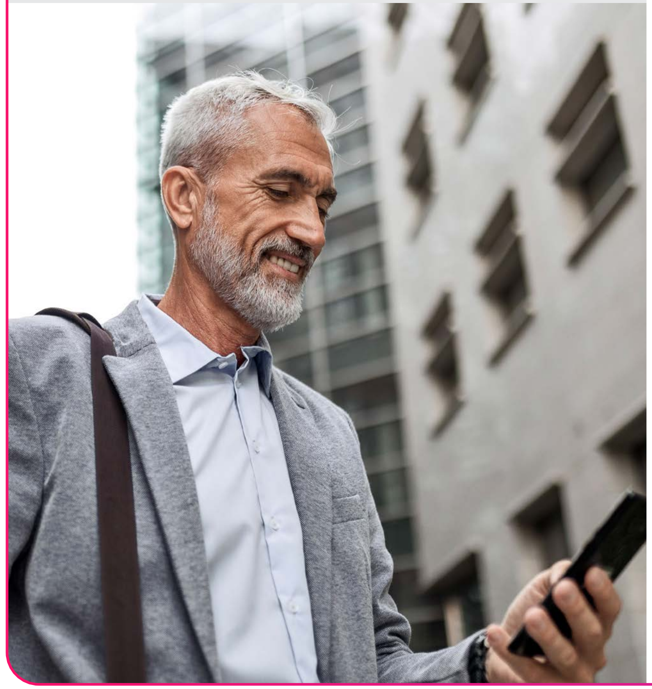
Discovery Bank's financial performance
Strategy and business model
Risk management philosophy
Remuneration
Quantitative tables and templates
Qualitative tables
Abbreviations

Key risks / Credit risk continued

Although macroeconomic pressures continue to place stress on consumers across the portfolio, the Bank has made excellent progress to grow the advances book and managed to end the year 20bps below budget for the unsecured retail credit loss ratios.

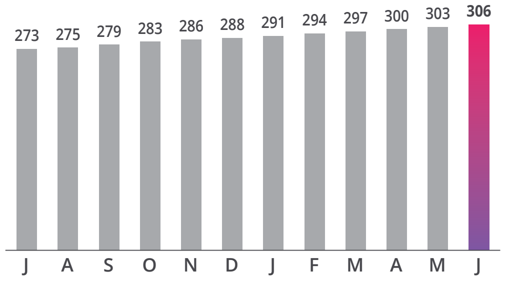
Credit loss ratio (excluding overlays)



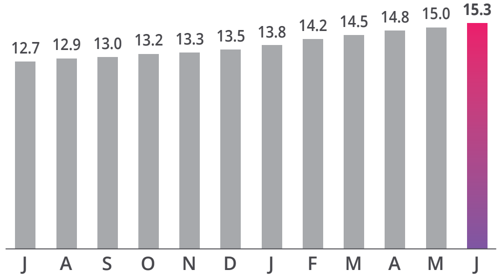


Unsecured retail advances have grown steadily to R6.6bn at the end of June 2024 (27% higher than prior year and 16% below budget), with maximum advances increasing to R6.9bn.

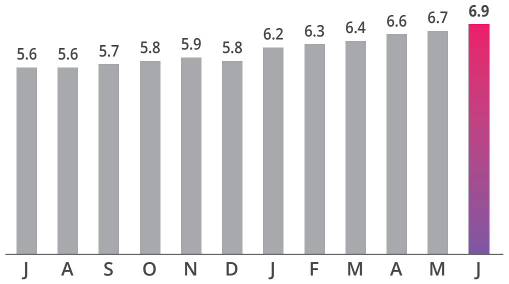
Credit clients
('000) – 13% growth



Total facilities granted
(R'bn) – 21% growth



Maximum advances in month
(R'bn) – 26% growth



Growth in advances has been driven by the following key factors:

- New credit applications received in the second half of FY24, 92% higher versus the prior year. This increase is mainly attributed to the additional RCF applications since go-live in December 2023.
- 44% higher limit increase applications to previous year.
- New credit limits approved and taken up.
- Process optimisation.

One of the requirements for IFRS 9 is to incorporate forward-looking macroeconomic conditions through the identification of strong relationships between macroeconomic indicators, and key model drivers. The Bank considered a few macroeconomic indicators such as the prime interest rate and Consumer Price Index (CPI). The impact of these indicators was determined by performing a statistical regression analysis to understand the relationship between these indicators and the historical observed default rate. A strong positive correlation exists between the Bank's observed default rate and levels of inflation and interest rates.

The Bureau of Economic Research (BER) provides the Bank with a macroeconomic forecast on a quarterly basis. The forecast suggests that the economy is at the peak of the interest rate hiking cycle and that an interest rate-cutting cycle will now follow in the next 12 months. Overall, a cumulative 100bps interest rate cut is expected by June 2025. Given the outlook is now more weighted on a recovery period, the impact of the forward-looking information (FLI) adjustment on the Bank's ECL is less compared to the previous financial year.

However, given the geopolitical uncertainty, both from a domestic and global perspective, and therefore the timing of the interest rate cutting cycle associated with it, the Bank remains vigilant against higher-than-expected credit losses and included an additional "uncertainty" overlay to cater for this possible eventuality.

Historically, the Bank managed debt review restructures using the budget facility, which had limitations, resulting in arrears not accurately reflecting clients keeping to revised agreements.

The Bank therefore held conservative impairment provisions by not allowing debt review restructures to cure out of default. In May and June 2024, the Bank implemented a new instalment plan solution to cater for unique restructure plans and revised arrears to accurately reflect clients' status. Post implementation of the new installment plan and correction of clients' arrears status in the credit management system, management is now comfortable to allow debt review restructures to cure out of default in line with Regulation D7 of 2015.

The FY24 credit impairment charge (pre-IFRS9 adjustments) is 14% below budget, and the Bank ended the financial year with a credit loss ratio (including overlays, pre-IFRS adjustments) of 3.25%, 6% below budget. Heading into the new financial year, the Credit team will continue to optimise collection strategies while closely monitoring the credit performance. The team remains optimistic that an interest rate cutting cycle in the foreseeable future will positively impact the credit loss experience.

Discovery Bank's financial performance
Strategy and business model
Risk management philosophy
Remuneration
Quantitative tables and templates
Qualitative tables
Abbreviations

Key risks / Credit risk continued

IFRS 9

Discovery Bank calculates all impairments and credit losses based on the International Financial Reporting Standards (IFRS) approach.

In aligning our reporting standards in addition to the adopted "Standardised Approach", Discovery Bank uses the following definitions:

Past due loans: A material amount on the facility is 1-90 days in arrears.

Default/credit-impaired: Default is defined on a facility level and considers both quantitative and qualitative factors as provided in the Basel capital framework. The qualitative criteria require banks to identify credit deterioration before the exposure becomes delinquent, considering "unlikeliness to pay" events, while the quantitative criteria require banks to look at the material delinquency status. Regulation 67 of the Bank's Act defines default as constituting both qualitative and quantitative components. Discovery Bank is guided by this definition and considers the various factors as outlined below:

Qualitative:

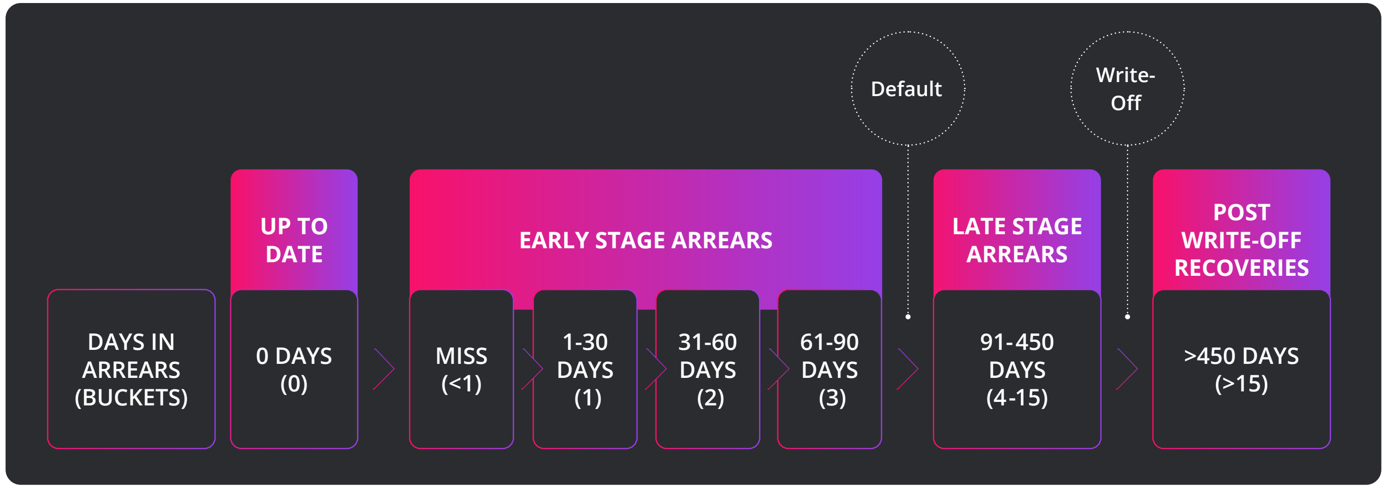
- The borrower is placed in debt counselling/debt review
- The borrower is deceased
- The facility has undergone a distressed restructure/special arrangement
- The facility has been transferred to charge-off/legal status
- The client is under debt review
- The client is insolvent
- The facility is written off

Quantitative:

- A material amount on the facility is 90 days or more in arrears.

Through the risk appetite framework, key risk indicators are established, against which all activity is tracked and measured. This ensures alignment with achieving the business strategy while simultaneously managing the risks taken to do so. Credit risk is an integral part of this risk appetite construct, approved by the Bank Board. Credit risk is actively managed, all exposure and loss tolerance are monitored, thereby mitigating against credit exposure on the book. Monitoring occurs daily with escalation as defined by the governance process. In addition, broader reporting to the various governing bodies, such as the Credit Risk Review Committee or the Risk and Capital Management Committee, or both, occurs either monthly or quarterly.

Considered collectively, the team, the loan strategy, the default definitions, the collections strategy, IFRS 9 accounting standards, governance oversight underpinned by sound risk fundamentals, and Board-approved risk appetite limits, we are comfortable that credit is managed appropriately, and growth is in line with expectations.



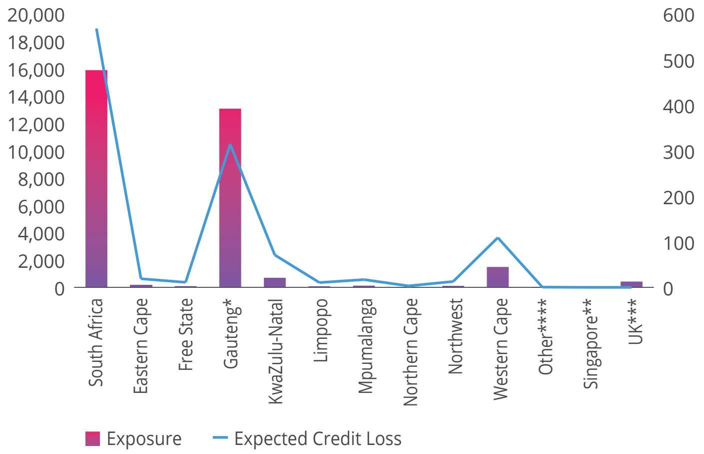
"Through the risk appetite framework, key risk indicators are established, against which all activity is tracked and measured.

Discovery Bank's financial performance
Strategy and business model
Risk management philosophy
Remuneration
Quantitative tables and templates
Qualitative tables
Abbreviations

Key risks / Credit risk continued

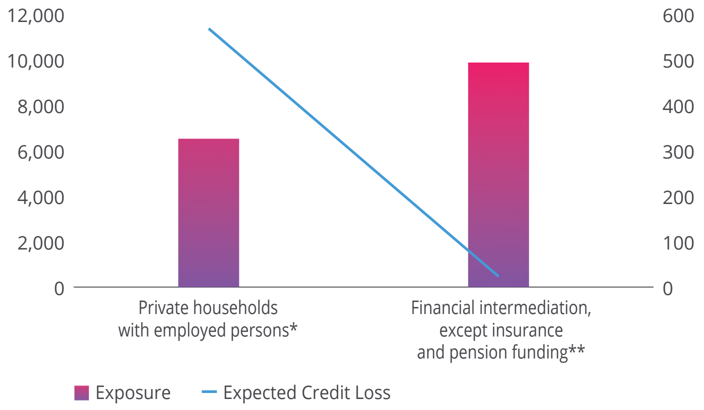
The tables that follow provide an overview of the exposures per industry, geographical area, impairments, as well as an ageing analysis of "accounting past due" exposures, all at 30 June 2024.

Geographic exposure (R'm)



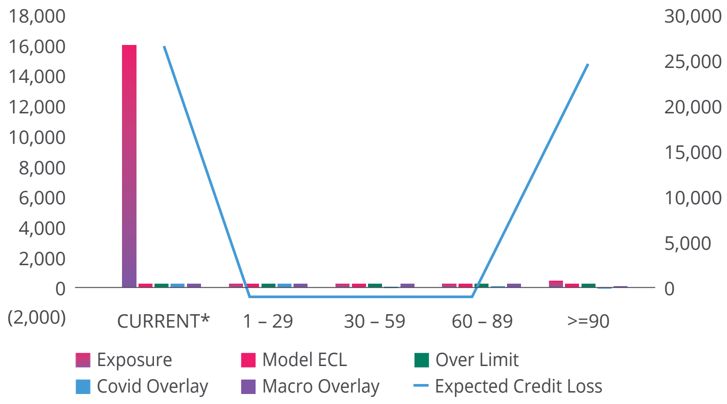
** Includes corporate exposures in South Africa (interbank loans, bonds, debentures, and treasury bills)*
*** Bank exposure in Singapore (collateral placements)*
**** Bank exposure in the UK, including FNB UK*
***** Includes clients who have re-KYC with foreign addresses. They still, however, need to be financial residents of South Africa, i.e., not financially emigrated.*

Exposure per industry (R'm)



** Includes corporate exposures in South Africa (interbank loans and treasury bills) and bank exposure in Singapore and UK (collateral placements).*

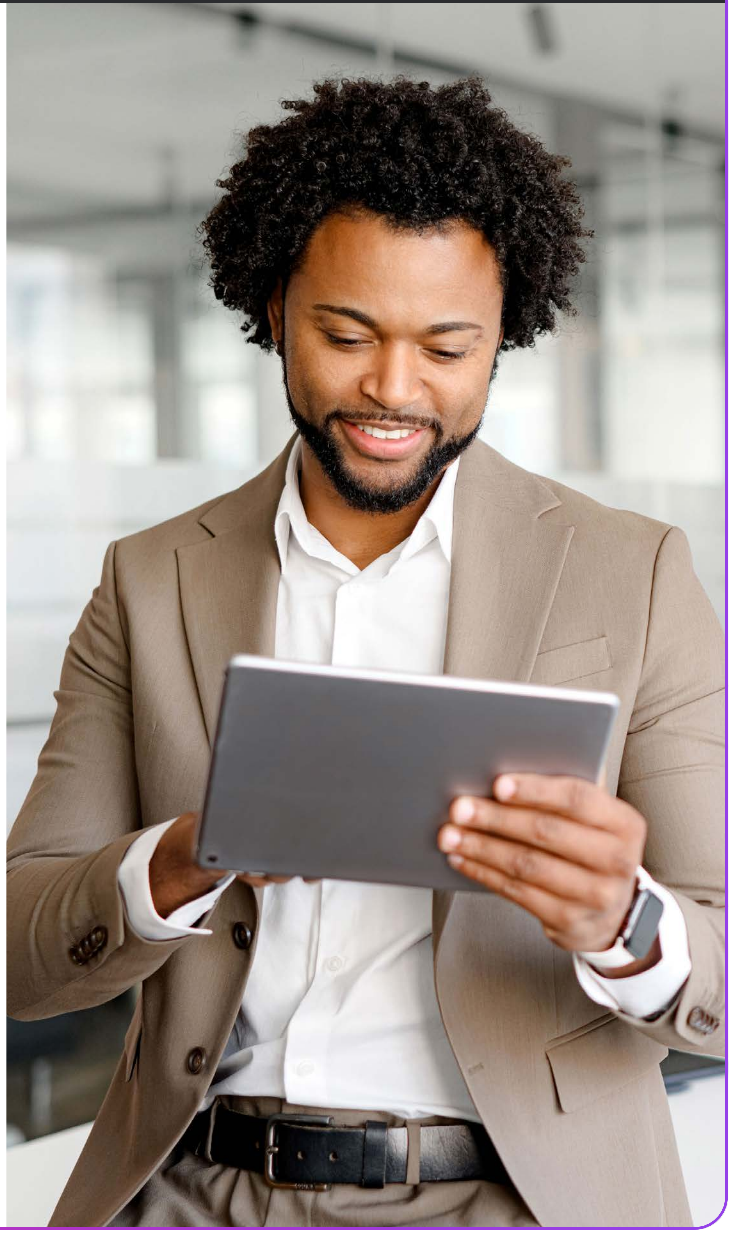
Age analysis (R'm)



** Includes corporate exposures in South Africa (interbank loans and treasury bills) and bank exposure in Singapore and UK (collateral placements)*

The Bank has done some restructures under Directive D7 of 2015:

Restructured Loans (R'm)



Key risks continued

Market risk in the banking book

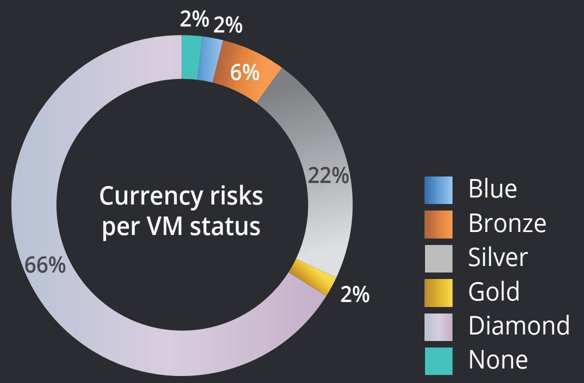
Market risk is the risk arising because of the change in the value of financial instruments due to fluctuations in prices within financial markets. Therefore, the Bank might experience losses due to market price variations that affect the overall performance of the investments in the financial markets. Fluctuations occur because of these movements in the price of underlying assets the Bank invests in (interest rate risk), the currency of the assets (currency risk), and the liquidity of the underlying assets (market liquidity risk).

As a retail-focused bank, Discovery Bank has limited appetite for market risk, and as such, there are no proprietary trading positions and/or transactions involving outright speculation for the period under review. However, in providing its core services and products, the Bank assumes some market risk that is quantified, monitored and hedged.

Discovery Bank launched its multicurrency forex account at the start of 2022, and this product has grown by more than 53% YoY. This includes the ability to convert between currencies, make forex payments or remittances, accept receipts, as well as hold balances in multicurrency accounts. The Bank's Treasury manages a flow book, acting as a liquidity provider to the client's forex activity described alongside.

Currency risk arises from changes in exchange rates between the rand and the foreign currencies in which assets and liabilities are denominated and may adversely affect profitability and shareholders' equity.

Currency risk has materialised with the launch of the forex multicurrency account and is actively managed daily, within approved Net Open Position limits. The limits are designed to facilitate client activity solely and are not for proprietary position taking. The different currencies are also monitored to track materiality as per BA 330 requirements. Currently, our major currencies are well below the 5% materiality threshold. In addition to this, to facilitate offshore card transactions by our clients in foreign currencies, Visa has a requirement that the Bank place foreign currency-denominated collateral in its favour with a designated and highly rated international bank and be closely monitored within appropriate risk limits.



Discovery Bank's financial performance
Strategy and business model
Risk management philosophy
Remuneration
Quantitative tables and templates
Qualitative tables
Abbreviations

Key risks continued

Interest rate risk in the banking book

The nature of Discovery Bank's activities gives rise to continuous exposure to interest rate risk. Interest Rate Risk in the Banking Book (IRRBB) is the potential for financial loss because of the Bank's exposure to adverse movements in interest rates on both its net interest income (earnings) and the economic value of equity. IRRBB is measured and managed through both internal and regulatory lenses.

- Banking regulations (BA 330 returns) monthly submissions and the exposure of both earnings (NII) and value (EVE) to interest rates are calculated. Daily and monthly management of the Supervisory Outlier Test (SOT).
- Internal view includes stresses and scenarios tailored to the structure of our balance sheet and may contain different sets of interest rate permutations.
- Economic and interest rate scenarios are currently forecasted based on the Bureau for Economic Research.

The sources of interest rate risk include:

1 Gap risk

Arises from the term structure of banking book instruments and the timing of rate changes (for example, the rate of interest paid on liabilities increases before the rate of interest received on assets).

- Exposure to parallel shifts is measured looking at impacts on both NII and EVE and managed within risk limits.
- Exposure to non-parallel shifts has increased since purchasing longer-dated bonds; however, the exposure in the long-end is limited and does not extend beyond 10 years.

2 Basis risk

Arises from changes of interest rates for instruments that have similar tenors but are repriced using different rate indices (specifically prime or repo rate versus JIBAR).

The Bank's retail assets are linked to both prime and JIBAR rates. While the risk is minimal due to being fully retail-funded, the Bank continues to measure, monitor and manage it accordingly.

3 Embedded options risk

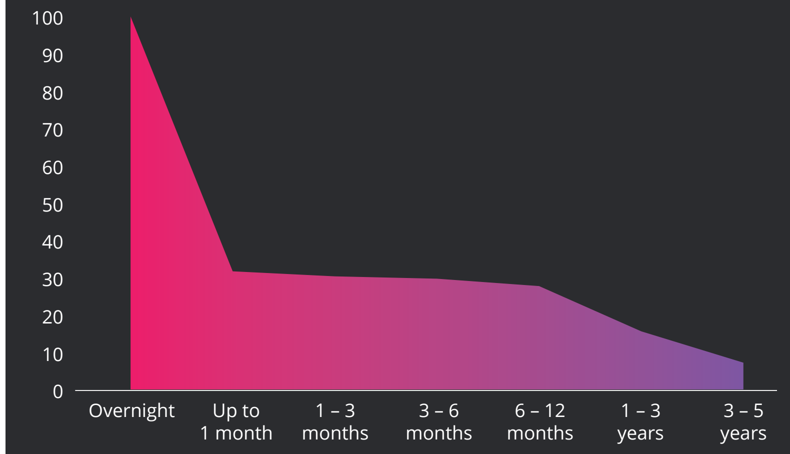
Optionality can be broken down into two sub-types:

- *Automatic option risk arising from standalone instruments, such as exchange-traded and over-the-counter option contracts, or explicitly embedded within the contractual terms of an otherwise standard financial instrument and where the holder will almost certainly exercise the option if it is in their financial interest to do so, and*
- *Behavioural option risk arising from flexibility embedded implicitly or within the terms of financial contracts, such that changes in interest rates may effect a change in the behaviour of the client (for example, the rights of a borrower to repay a loan, with or without penalty, or the right of a depositor to withdraw their balance in search of higher yield)*[1].

Currently, Discovery Bank has limited optionality within our current environment, as our product offering for the period under review consists of only retail products and no standalone instruments. Discovery Bank first launched home loans in April 2024 with limited exposure in this portfolio, and our fixed deposits risk of early withdrawal is limited due to the contractual obligations that are in place. We also charge a penalty fee for early breakages, which can compensate for the loss of interest between the date of withdrawal and the economic cost of breaking the contract.

The standardised framework also considers if the customer has an option that, if exercised, will alter the timing of a bank's cash flows. Factors that might influence exercising this option can be due to changes in interest rates. Typically, Discovery Bank reviews rates weekly, and if conditions necessitate, effect interest rate adjustments. We also track all the outflows of volatile money over time to determine if we can see an uptick in outflows. Recent Non Maturing Deposit (NMD) analysis has shown that even with a reduction in the base rate in both the credit card and transactional accounts, the Bank did not see a flattening or decline of balances. During the period under review, the Bank also agreed to keep the behavioural assumption equal to the contractual values until hedging capabilities are in place.

NMD repricing profile (%)



The average repricing maturities calculated on NMDs are 6.67 months, with the longest repricing maturity seen in credit cards, amounting to 14.4 months.

1 Interest Rate Risk in the Banking Book Standards – April 2016

Discovery Bank's financial performance
Strategy and business model
Risk management philosophy
Remuneration
Quantitative tables and templates
Qualitative tables
Abbreviations

Key risks / Interest rate risk in the banking book continued

The Bank used various analytical techniques to measure interest rate sensitivity daily on earnings and economic value basis, as well as the prescriptions as outlined by the Supervisory Outlier Test SOT. The analysis includes the application of both parallel and non-parallel interest rate shocks.

NII SENSITIVITY

- Net interest income sensitivity measures the change in nominals expected over the specified horizon (up to 12M) in response to an instantaneous (parallel) shift in interest rates.
- Earnings are assuming a constant balance sheet.
- The risk and size of risk can be inferred from the static re-pricing gap.
- Earnings risk per bucket = cumulative gap × bucket length (years) in the case of a Parallel Shock (to Yield Curve) × interest rate shock (%).

EVE SENSITIVITY

- Economic value of equity (EVE) is the net of the economic value (EV) of the bank's assets and liabilities.
- Static EV sensitivity analysis examines the impact of interest rate changes on the EV of the contract.
- The contract's projected cashflow stream is discounted to present value, using a suitable discount curve, and revaluations are performed under the assumption of an instantaneous shock to interest and forex rates and curves.
- EVE scenarios take into consideration different shocks for different currencies as well as parallel and non-parallel yield curve shocks.

Shock – 30 June 2024	Impact (R'm)
Parallel Shock Up 4%	**(154.199)**
Parallel Shock Down 4%	**183.925**
Short Shock Up	**(101.285)**
Short Shock Down	**105.666**
Steepener	**13.384**
Flattener	**(42.719)**

Supervisory outlier test	R'm
Maximum loss	**154.199**
Tier 1 Capital	**1,470.477**
Max (loss) % of Tier 1 Capital	**10.49%**

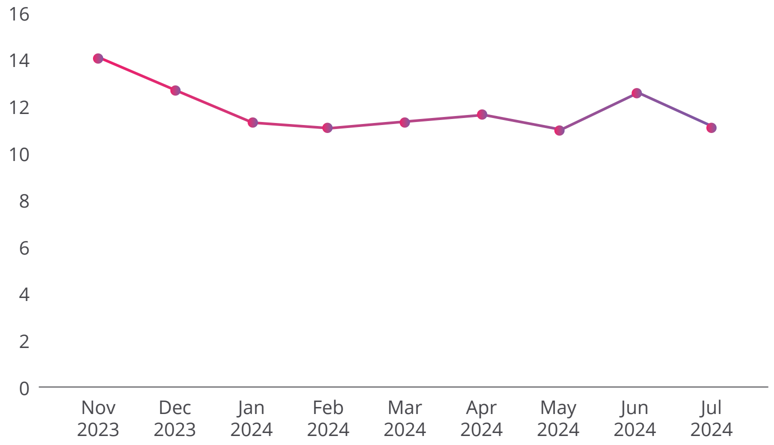
SOT CALCULATIONS

- The Supervisory Outlier Test (SOT) in the context of interest rate risk in the banking book (IRRBB) refers to a supervisory assessment tool used by supervisors to evaluate a bank's exposure to changes in interest rates that could adversely affect its safety and soundness. The BIS defines an outlier bank as a bank that's EVE changes by more than 15% under a set of prescribed interest rate scenarios. Principal 12 in the BIS interest rate risk in the banking book framework states:

"Banks identified as outliers must be considered as potentially having undue IRRBB. When a review of a bank's IRRBB exposure reveals inadequate management or excessive risk relative to capital, earnings or the general risk profile, supervisors must require mitigation actions and/or additional capital."

As a result, the interest rate risk limit should be calibrated to the change in EVE, with the limit not exceeding 15% of CET1. In addition, a management buffer should be maintained to ensure that the interest rate risk limit is not breached. This buffer should also be sufficient to deal with reductions in CET1 while not impacting the risk limit available to the Treasury department potentially resulting in changes to open positions. The Bank has continued to keep SOT well below 15% for 2024.

SOT (%)

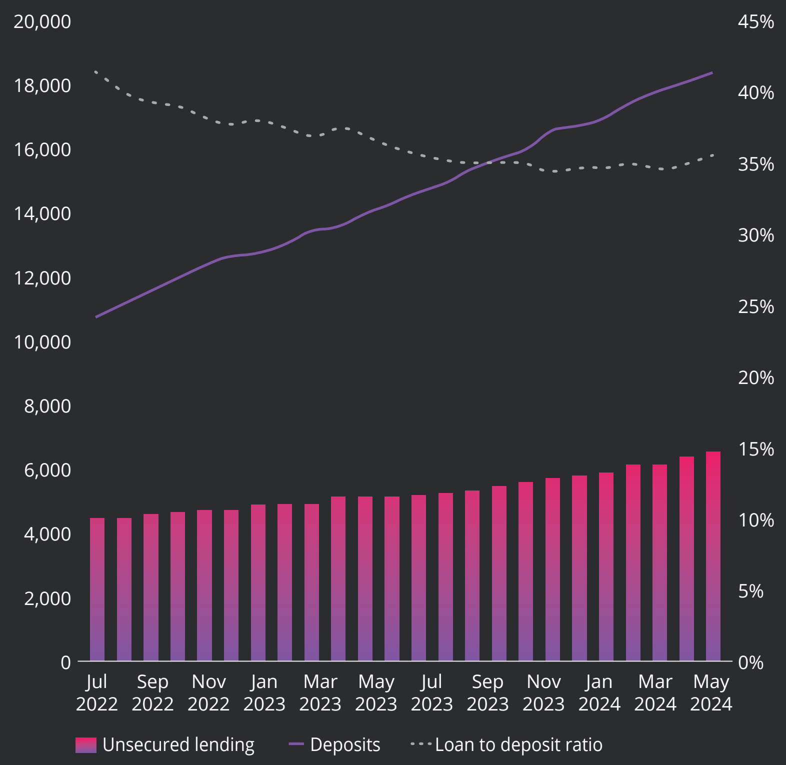


Liquidity and funding risk

Liquidity risk is the risk that the Bank will not be able to effectively meet expected and unexpected current or future cash flows, or collateral needs without affecting daily operations of the Bank.

The Bank continues to hold substantial liquidity surpluses amounting to R9.286bn at the end of June 2024. The Bank has seen continued growth in the Bank's retail deposits and the Bank still holds a large net retail funding surplus of R11.870bn, with retail deposits recorded above the R18bn mark (2023: R14bn) as at 30 June 2024. The Bank remains fully retail-funded.

Advances and deposits (R'm)



Discovery Bank's financial performance
Strategy and business model
Risk management philosophy
Remuneration
Quantitative tables and templates
Qualitative tables
Abbreviations

Key risks / Liquidity and funding risk continued

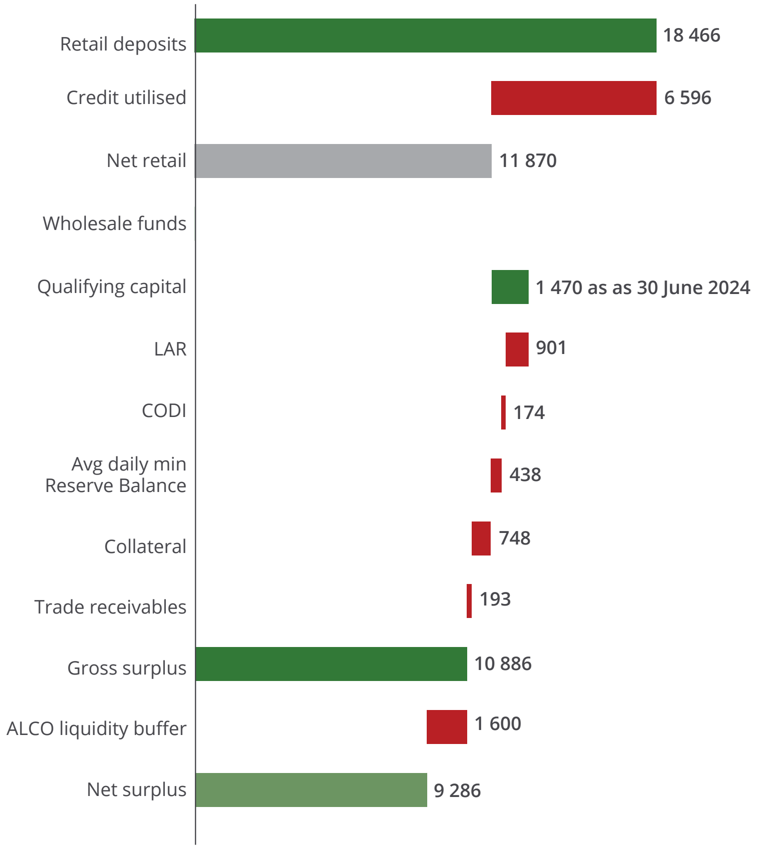
The Bank continues to calculate the survival period of the book to ensure the Bank can manage a liquidity stress. The survival period is defined as the number of days for which Discovery Bank would be expected to survive a prolonged liquidity stress. This, together with LCR and NSFR forms a critical liquidity measure for the Bank.

The strategy remains to leverage the shared-value model to grow advances through high-quality lending and continue to attract deposits. We continue to strategically target steady growth in deposits as well as managing the cost of deposits with a deliberate maturity profile and margin-enhancing strategy.

The combination of the ALCO liquidity buffer and net surplus indicates that the Bank is still very well-funded to support its growth strategies and mitigate an extremely severe liquidity stress scenario. The waterfall represents a conservative view of the Bank's surplus funds without making use of the available Liquid Asset Requirement (LaR), average minimum daily reserve with the Reserves Bank (RES), and collateral reserves at the SARB for any funding.

The BSM team frequently tests liquidity sensitivity by stressing different outflows on both stable and volatile deposits. The bank has excess liquidity and stable funding as measured by the LCR (2300% at 30 June 2024) and NSFR (183% at 30 June 2024).

Funding position (R'm)

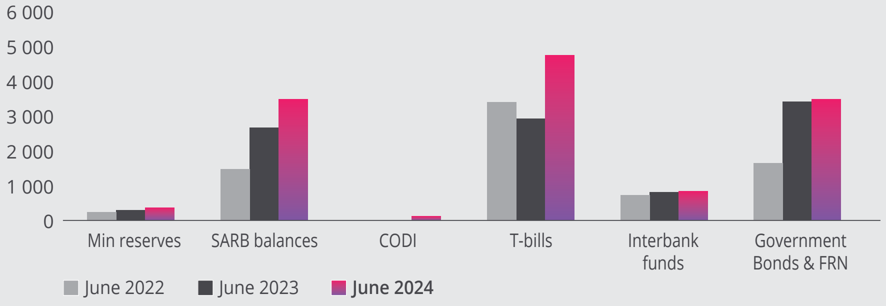


The Bank's wholesale funds consist of high-quality liquid assets a mix of South African government bonds in a held to maturity portfolio, T-bills, interbank funds, newly added CODI and SAMOS balances, as shown below.

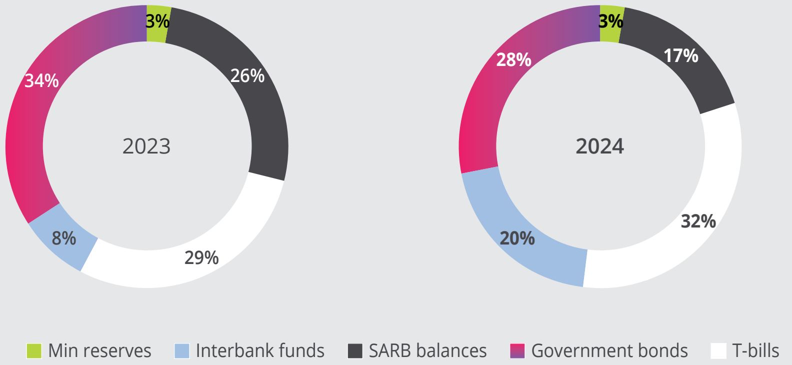
Government bond exposure (R'm)

Treasury assets held (R'm)

The Bank holds a mix of R186 and R2032 South African government bonds in a ***held-to-maturity*** *portfolio.*

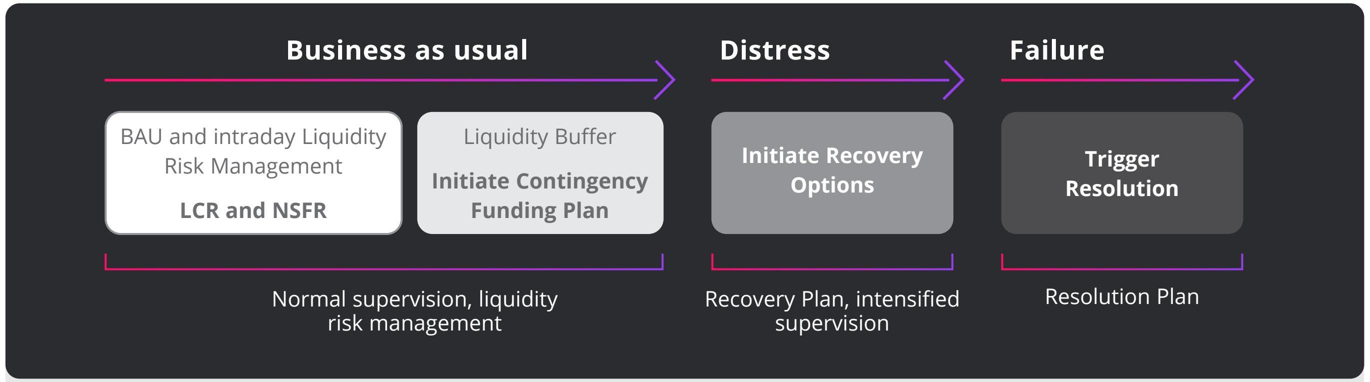


Treasury assets

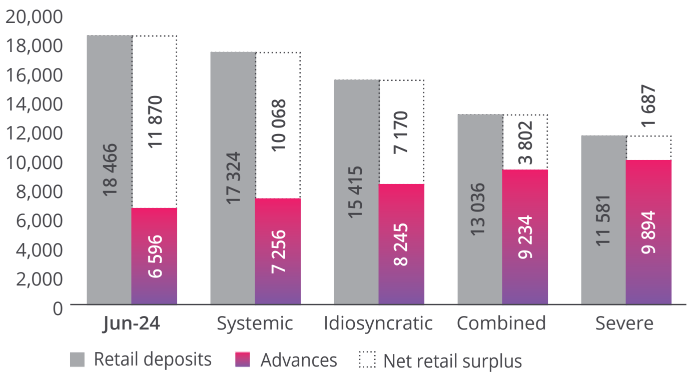


Key risks / Liquidity and funding risk continued

Liquidity and funding risk are governed through a robust Liquidity Risk Management Framework through the Asset and Liability Committee (ALCO). The contingency funding plan is an important component in the liquidity risk management of the Bank. It describes the approach to be followed by the Bank to identify the occurrence of contingencies and the management of liquidity risk during a range of stress events. It sets out the strategies for addressing liquidity shortfalls in emergencies. Different approaches were defined to follow different liquidity stresses.



Liquidity stresses
June month-end (R'm)

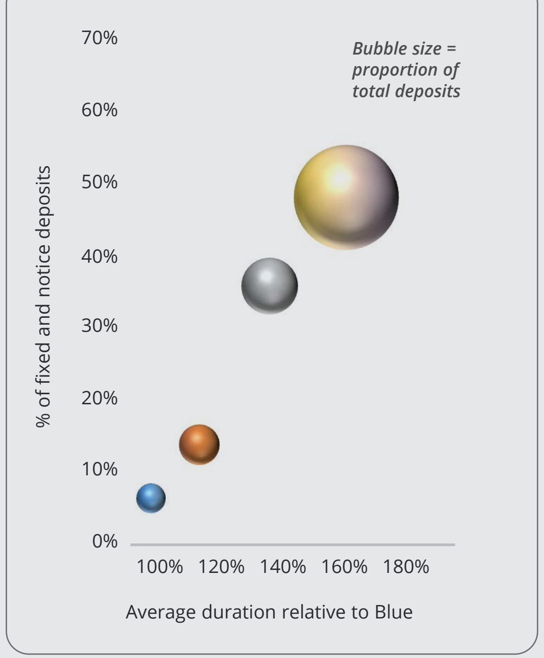


The contingency funding plan incorporates the following areas:

- Determining any likely occurrence of a stressed liquidity scenario by measuring qualitative and quantitative early warning indicators.
- Determining the level of stress based on an adverse liquidity scenario.
- Formulating the action plan to be followed by various teams within the Bank to manage a liquidity event to ensure the financial integrity of the Bank.
- Providing guidelines for the utilisation of liquidity buffers and sources of funding during a contingency liquidity event.

Funding and liquidity stress scenarios are currently managed in our funding and liquidity management system based on regulatory guidelines. This system collectively looks at different stress scenarios for different rate changes in the maturity of a product and overlays this with the Vitality Money (VM) and Vitality Health statuses to give a true reflection of the actual exposure the Bank is faced with. Behavioural analysis has shown that highly engaged VM status clients (i.e., Gold and Diamond status) tend to withdraw their deposits at a slower velocity than unengaged clients, contributing to sticky money and providing funding.

Deposits by Vitality Money status



Key risks continued

Model risk

The Bank ensures that all models conform to the bank-wide model risk governance process. This includes risk rating the various models in terms of materiality and complexity and establishing the associated validation efforts required.

Fundamentally, Model Risk Management (MRM) aims at ensuring that the Bank implements the right level of controls for all material models supporting business and decision-making processes. The MRM framework enhances the Bank's ability to identify models that are not fit for purpose, consider and prioritise model development and enhancement requirements while ensuring appropriate governance is maintained.

All three lines of defence have a role to play in MRM, and a clear delineation of responsibilities is articulated for each control activity throughout the lifecycle of the model, from origination to retirement. The design of this framework endorsed an optimum allocation of responsibility, ensuring efficient and effective control of model risk.

The Bank has adopted a risk-based approach to the management of model risk. The nature and scope of the model governance requirements are dependent on the model rating, which is derived from an assessment of the complexity and materiality of the models being used.

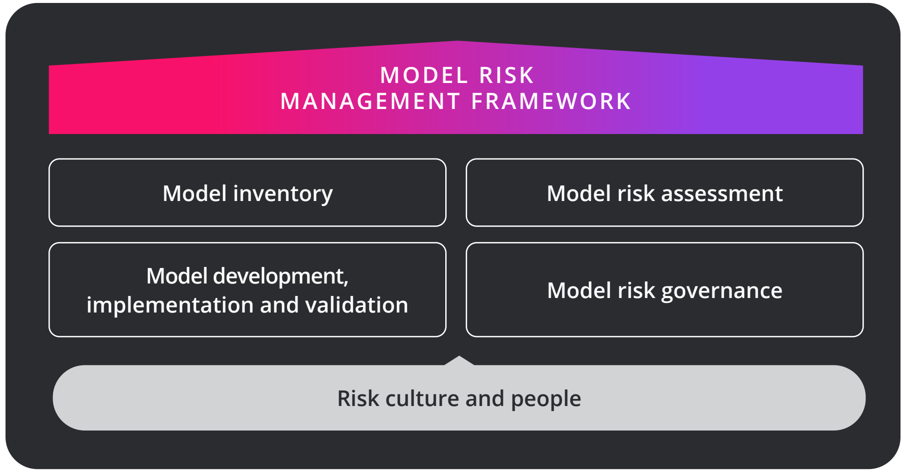
The Model Risk Management Framework has been developed, approved, and operationalised. The Model Risk Committee (MRC) is currently chaired by the Deputy CEO. The MRC creates and oversees the comprehensive framework for model risk governance within the Bank and reports on model risk issues and trends to the Bank Executive Committees and the Board of Directors.

The model risk management framework has been developed based on the following core principles.

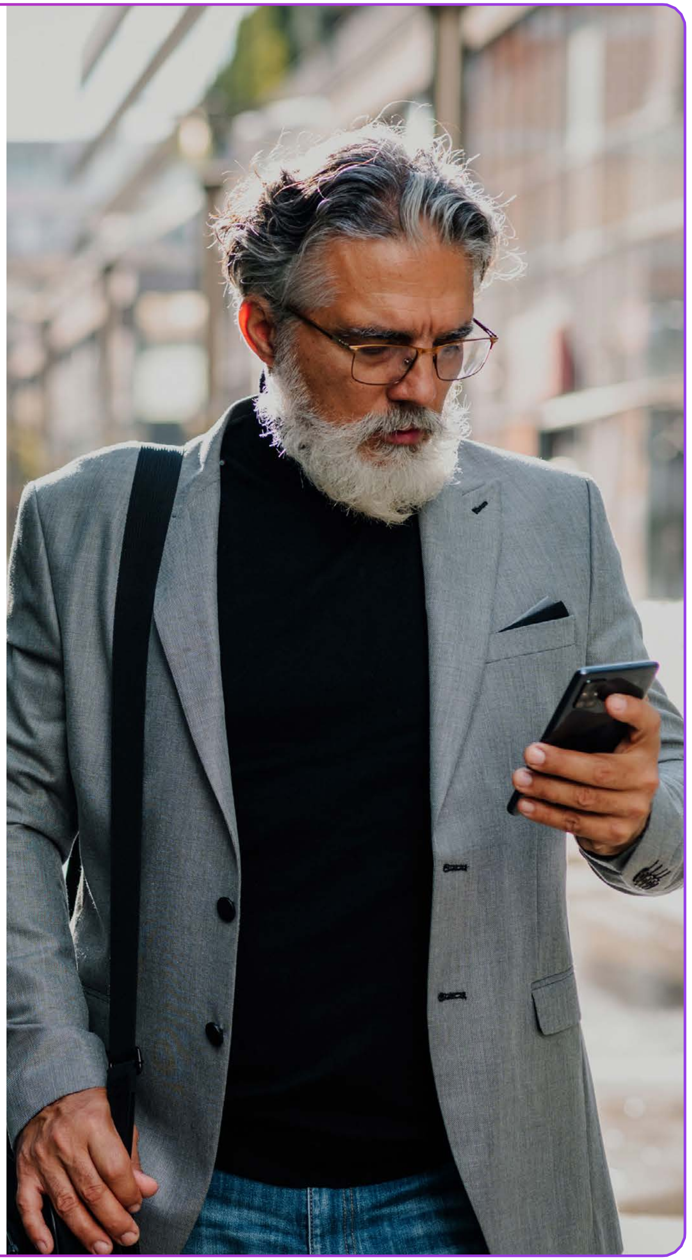
- **Responsibility** – Each model should have a single owner (ideally, this should not be the developers of the model).
- **Explainability** – The model outcomes, including their dynamics and limitations, should be understandable to all the model users.
- **Performance** – The performance and stability of the model outputs should be tested in proportion to their materiality.
- **Auditability** – Interested parties should be able to probe, understand, and review the behaviour of the model through disclosure of information and detailed documentation.

To achieve these core principles, the Bank's model risk management framework has four dimensions:

1. Model Inventory Management.
2. Model Risk Assessment.
3. Model Lifecycle Management.
4. Model Risk Governance including document control and reporting.



We have successfully compiled a full model inventory with the relevant model risk ratings for the Bank and have updated it. The current focus is the constant refresh of the model inventory while working through the models that need full validation and rating.



Discovery Bank's financial performance
Strategy and business model
Risk management philosophy
Remuneration
Quantitative tables and templates
Qualitative tables
Abbreviations

Key risks continued

Capital management

Discovery Bank is committed to holding adequate capital to absorb unexpected losses, protect our depositors, and meet the expectations of our key stakeholders. The Bank aims to manage its capital efficiently and adequately to balance risk and reward.

The key principles of capital management are described below:

PRINCIPLE 1: Risk and capital management

Discovery Bank will always be adequately capitalised to mitigate its short-term risks and will always have an appropriate capital plan to meet its long-term strategic objectives.

- **Risk identification and quantification:**

Discovery Bank has implemented and operationalised a comprehensive risk management framework where the risk universe is well defined and roles and responsibilities for the management of each risk type have been set (according to the three lines of defence risk management model).

- **Capital adequacy:**

Discovery Bank holds sufficient capital to meet the minimum regulatory capital adequacy requirements, as specified by the Prudential Authority.

	Discovery Bank June 24 %	Discovery Bank Holdings June 24 %
Basel Minimum	8.000%	8.000%
Systemic risk add-on (Pillar 2A)	1.000%	1.000%
Conservation buffer	2.500%	2.500%
Additional CET1 capital	6.132%	6.167%
Common Equity Tier 1 ratio (%)	**17.632%**	**17.667%**
Total Capital Ratio (CAR)	**18.371%**	**18.408%**

Currently, Discovery Bank has set its internal capital in line with the following standardised regulatory capital approaches:

1 CREDIT RISK: The Standardised Approach (SA).

2 OPERATIONAL RISK: The Standardised Measurement Approach (SMA).

3 MARKET RISK: The Standardised Approach (SA) using the building block method.

Discovery Bank also adheres to the high-level Internal Capital Adequacy Assessment Process (ICAAP) requirements as set out in Guidance Note 4/2015 issued in terms of section 6(5) of the Banks Act 94 of 1990.

PRINCIPLE 2: Capital plan and forecast

Discovery Bank operates a capital management and planning process that is integrated with its strategic planning and forecasts its capital adequacy positions over the longer term. This ensures its capital supply is adequately, timeously, and appropriately managed. A thorough forecasting process is required to measure available capital against capital demand and is frequently updated based on any changes in assumptions to the forecasting model, as well as prevailing operating and economic conditions.

PRINCIPLE 3: Capital raising

For the first few years following the launch of Discovery Bank, it was forecast that the Bank will be unprofitable and therefore reliant on the sole shareholder as a provider of capital. Discovery Bank is approaching operational profitability, which will be followed by full profitability.

Discovery Group has agreed to support the Bank's capital requirement in line with the Bank's business plan. Throughout the year the Bank remained within the capital plan agreed with Group and Board. The expected capital required, as well as any additional capital required under adverse stress scenarios, has been factored into the group's ORSA (Own Risk and Solvency Assessment) and capital forecasts.

The Discovery Group makes available capital for Discovery Bank's operational and development costs and other regulatory capital demands. Once the Bank has become profitable, consideration will be given to an alternative capital-raising plan.

Management formally assesses the capital position of Discovery Bank monthly and issues ordinary shares prior to the end of the month in anticipation of capital requirements determined by estimated growth in retail lending, movements in treasury liquidity cash placements, and operational losses for the month. The drawdowns of capital are performed within the capital plan and framework approved by Discovery Bank's board.

THE CAPITAL MANAGEMENT TEAM PROCEDURE TO OBTAIN CAPITAL FROM DISCOVERY GROUP

1. Month-end finalised
BA 700 prepared
Previous month capital estimate calculations compared to month-end actuals.
2. Review variances from previous month's capital estimate to actual.
3. Make estimations for the current month capital requirements using best available information and expectations including credit impairments expectations from the credit risk division.
Prepare estimation of financial performance and balance sheet growth to calculate estimated capital requirements.
4. The Capital Management team meet with the Risk division and CFO to discuss expected month-end capital requirements. Make revisions if required. Agree on estimated numbers to maintain targeted capital ratio of at least 16.5% and confirm in line with pre-approved directors' resolution.
5. The CFO contacts the CEO to advise on expected capital requirements and obtain approval. Obtain approval to issue shareholders' resolutions. CFO advises Discovery Group Finance and Discovery Group Risk on capital requirements for the end of month. They advise Group of the date to pay capital, usually two to three working days before month end, per directors' resolution.
6. Shareholders' resolutions issued.
(Directors' resolutions are approved quarterly in advance for each month at Board meeting, providing approval for a specified range of amounts based on monthly estimation calculations).
7. On the due date, capital is paid to Discovery Bank by Discovery Group Finance.

This includes estimating the growth in retail lending considering current strategies and movements in treasury liquidity cash placement, discussing forecasted impairment numbers and any notable movers, and discussing movements in other assets and capital deductions.

Discovery Bank's financial performance
Strategy and business model
Risk management philosophy
Remuneration
Quantitative tables and templates
Qualitative tables
Abbreviations

Key risks continued

PRINCIPLE 4: Capital quality

Discovery Bank maintains its capital structure such that it meets the minimum regulatory requirement with respect to the highest quality of capital, Common Equity Tier 1. The composition and structuring of the Bank's capital will initially prioritise the highest quality, but in the future it may consider the most cost-efficient and effective forms of capital where appropriate.

PRINCIPLE 5: Capital buffer

Discovery Bank aims to ensure that the level of capital resources will always be in excess of the total regulatory capital requirement. In addition to the internal management buffer to cater for future unexpected growth and volatility in risk-weighted exposures, the Bank also holds an estimation risk buffer.

ICAAP

Discovery Bank has robust and effective risk and capital management processes that were developed and implemented in the early formation phase of the Bank. These processes have matured in line with the Bank's evolution. The ICAAP document provides evidence of the fit-for-purpose and well-governed risk and capital management process that ensures capital supply adequately meets capital demand, and that this capital adequacy approach is embedded within the Bank's decision-making process.

Input: Board approved financial plan and stress scenario assumptions

BSM to coordinate Internal Capital Adequacy Assessment Process and produce the ICAAP document

ICAAP submitted to Internal Audit for independent validation

Submitted to **ALCO** for review, approval and recommendation to RCMC

Submitted to **RCMC** for review, approval and recommendation to the Board

Final sign-off of ICAAP by the Board

ICAAP submission to the Prudential Authority

Stress testing

Discovery Bank employs stress-testing techniques to estimate the Bank's possible losses under adverse conditions and better prepare for such situations. These stresses are aligned to the size and complexity of Discovery Bank's balance sheet. Apart from considering the effects of exceptional (but plausible) events, the Bank looked at various other levels of adversity (for example, by including mildly stressed scenarios) to assess its vulnerability under differing conditions. Discovery Bank's stress testing framework considers the nine revised BCBS[1] principles.

ST 1	Stress-testing frameworks should have clearly articulated and formally adopted objectives.
ST 2	Stress-testing frameworks should include an effective governance structure.
ST 3	Stress-testing should be used as a risk management tool and to inform business decisions.
ST 4	Frameworks should capture material and relevant risks and apply stresses that are sufficiently severe.
ST 5	Resources and organisational structures should be adequate to meet stress-testing objectives.
ST 6	Stress tests should be supported by accurate and sufficiently granular data, and by robust IT systems.
ST 7	Models and methodologies to assess the impacts of scenarios and sensitivities should be fit for purpose.
ST 8	Stress-testing models, results and frameworks should be subject to challenge and regular review.
ST 9	Stress-testing practices and findings should be communicated within and across jurisdictions.

Stress testing enables Discovery Bank to assess the likely impact of unlikely but plausible events. The financial impact indicated by stress testing is compared with tolerance limits, and necessary remedial actions are initiated for any breach of limits over the period. Since it is not possible to envisage all possible stress situations in advance, remedial actions are considered on a case-to-case basis commensurate with the level of perceived risk by the relevant committee. Currently, stress-testing practices are aligned to the size and complexity of our book. Once the Bank has a larger client base and a complex product suite, consideration will be given to more sophisticated stress testing scenarios.

Discovery Group has undertaken to support the Bank's capital requirements in line with Discovery Bank's future (five-year) business plan. The expected capital required as well as any additional capital that it might potentially require under adverse stress scenarios have been incorporated into the Group's ORSA (Own Risk and Solvency Assessment) and capital and funding forecasts. The Bank submits over 20 stresses to the Group to ensure that capital planning remains sufficient and available during adverse scenarios.

The Bank also does various other liquidity stresses of the book to ensure the Bank remains viable even in difficult circumstances.

1 The Basel Committee on Banking Supervision Stress Testing Principles (d450), October 2018.

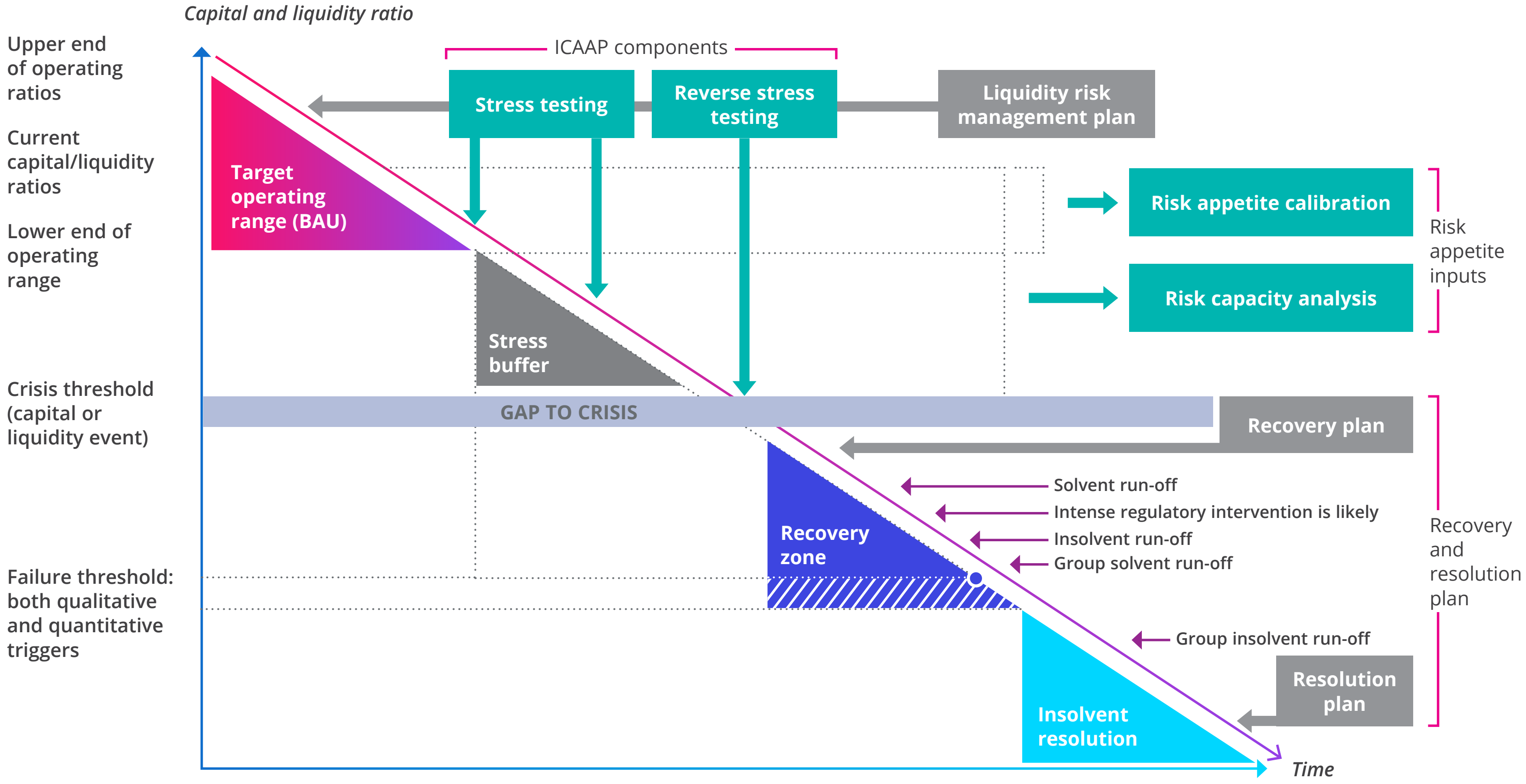
Discovery Bank's financial performance
Strategy and business model
Risk management philosophy
Remuneration
Quantitative tables and templates
Qualitative tables
Abbreviations

Recovery plan

The recovery plan considers actions that management could implement should a capital or liquidity shortfall occur due to an extreme stress event to maintain Discovery Bank as a going concern. As such, it builds upon many existing components of the Bank's risk management framework and is an integral element of this framework.

We see recovery planning as an integrated part of how institutions should manage their day-to-day business. Our approach fully incorporates existing components of the Risk Management Framework, such as Internal Capital Adequacy Assessment Process (ICAAP), Contingency Funding Plan (CFP), Key Risk Indicators (KRI's), stress tests, and Board risk appetite. This ensures that the recovery plan is consistent with the framework and is more credible. This is depicted below in the "slippery slope" diagram shown.

POSITIONING THE RECOVERY ZONE OF A FINANCIAL INSTITUTION



Recovery Zone framework was developed by E&Y and shared with Discovery Bank.

The Bank's contingency funding plan is typically executed above the gap to crisis line and early warning indicators (EWI), calibrated to proactively signpost stress events are managed daily. This is seen as the early part of the slippery slope diagram. Depending on the reason or severity of the EWI triggered, either the ALM response team and/or the Crisis Management Team will respond and execute on the crisis.

The contingency funding plan triggers would have been activated before the **Gap to Crisis** threshold, this is through the Risk Appetite triggers (**the BAU pink zone**) and the early warning triggers (**grey zone**).

The target operating range (BAU) is where we monitor our early warning indicators. These indicators are calibrated to prevent the Bank from entering the stress buffer. The stress buffer needs to be available over a defined short period of time (the survival period). The Bank's recovery plan fits in specifically in the **navy zone** – just past the stress buffer zone but before the point of non-viability.

The term "survival period" does not imply that the Bank only plans to survive for those periods but that it would maintain buffers as "insurance" for such periods to assure our ability to cope with a crisis while taking other measures in line with the Bank's overall survival. (capital and liquidity policies and risk appetite).

The last step in the process (insolvent resolution or point of resolution – POR) occurs If the SARB determines, in its assessment, that the Bank has reached a POR, then recommends to the Minister of Finance that the institution be placed in resolution. The recommendation will include a high-level description of the proposed resolution strategy and actions that the SARB intends to take. In addition, an overview of how these actions should result in an orderly outcome for the institution with minimum impact on the clients.

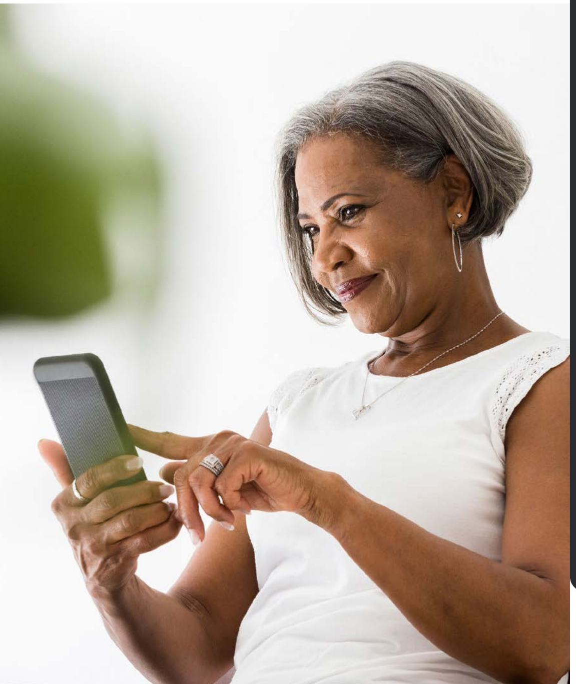
Discovery Bank's financial performance
Strategy and business model
Risk management philosophy
Remuneration
Quantitative tables and templates
Qualitative tables
Abbreviations

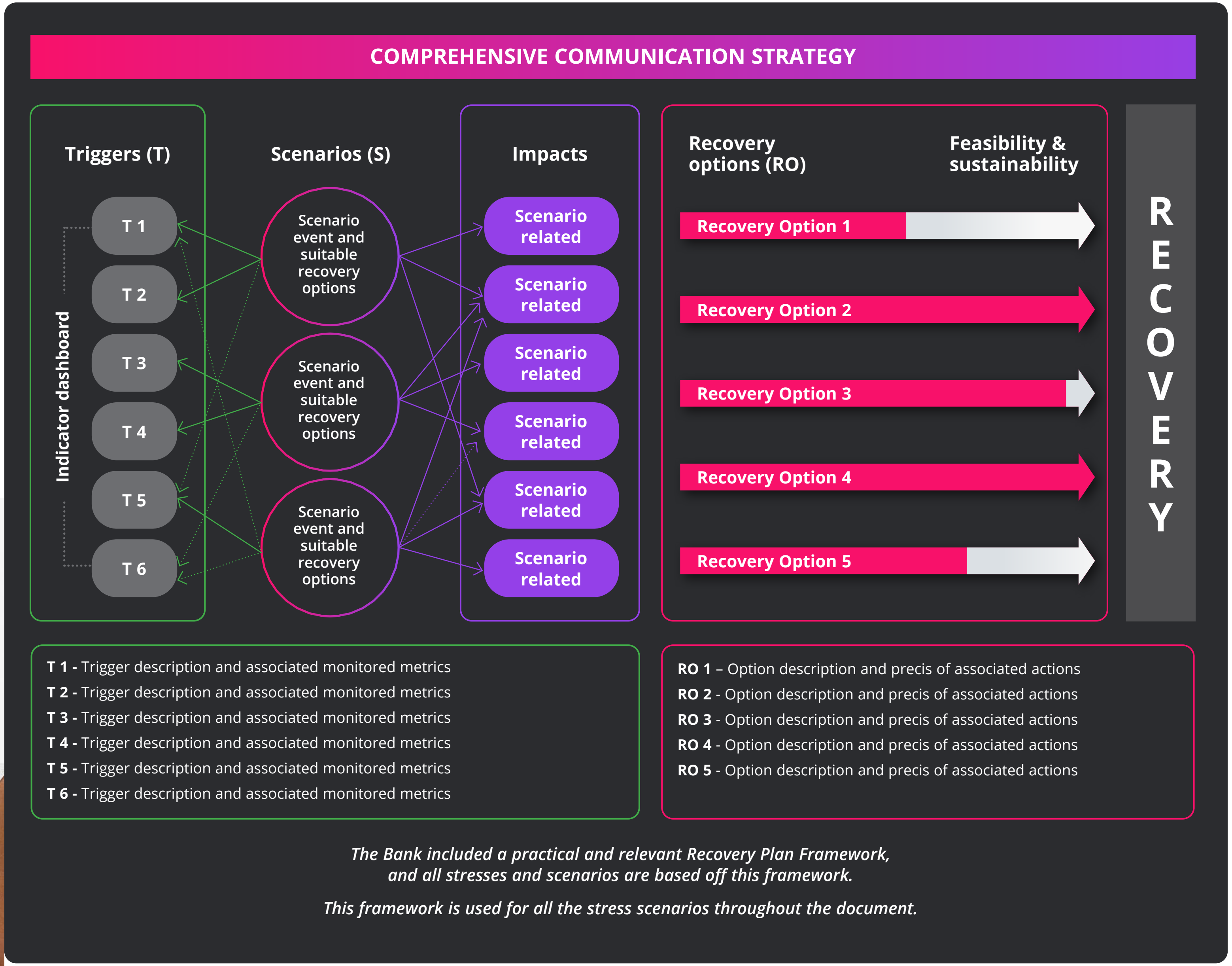
Recovery plan continued

The recovery plan describes the approach followed by the Bank to:

1. Identify the occurrence of stressed events.
2. Identify a risk event that can lead to the collapse of the Bank.
3. The management of operational, capital and liquidity risk during a range of stress events.

The Bank uses the below framework when considering a response to events that may give rise to Discovery Bank entering the Recovery Zone as depicted in the “slippery slope” diagram.





This Strategy was developed by E&Y and shared with Discovery Bank.

During the 2023 financial recovery plan submission, the Bank identified potential stress scenarios resulting in a liquidity, capital, and operational disruption of such a severe nature that it could lead to the Bank’s failure. The impact of each scenario was evaluated, resulting in the formulation of relevant and appropriate recovery options (ROs). These ROs are assessed on the feasible and sustainable measure basis and explained the actioning thereof, ultimately resulting in the Bank’s recovery from the severe event. Lastly, consideration was given to the development of pro-active “triggers” that would activate the recovery plan for liquidity, capital, and operational purposes. These triggers are an extension of the Bank’s risk appetite and consistent with our risk profile.

Discovery Bank’s financial performance
Strategy and business model
Risk management philosophy
Remuneration
Quantitative tables and templates
Qualitative tables
Abbreviations

Climate-related risk management

Oversight of climate change-related strategy, developments, and risks is held at the Group Board level and is more specifically championed by the Group Chief Executive. The Board of Directors has entrusted responsibility to three board committees, which manage information and make decisions related to climate change. The Risk and Compliance Committee of the Board provides oversight of the management of climate-related risks and opportunities and relevant disclosures. It is supported by the Group Chief Risk Officer, who is responsible for ensuring that risk management policies and frameworks adequately allow for climate-related risks, that they are monitored and managed at a business and group level, and that they are included in regulatory reporting. The Social and Ethics Committee of the Board reviews performance against the Group Climate Change Strategy and specific climate-related metrics, such as energy, water, waste, and climate change programmes, and the implementation of targets and action plans. The Remuneration Committee of the Board provides oversight for the Group scorecard, which includes both financial and sustainability performance measures that link back to executive remuneration. Discovery has a well-established and mature Enterprise Risk Management (ERM) framework in place that details the appropriate principles and processes to manage risk within the business.

The process followed to identify, assess, and respond to climate-related risks and opportunities follows the process outlined in the ERM Framework, as for any other risk. The Discovery ERM Policy and ERM Framework set out the principles to use when identifying, assessing, treating, reporting, and monitoring risk exposures. The other relevant policies and frameworks include the risk appetite statements, risk taxonomy and focused policies such as the Responsible Investment Policy. The other risk tools used to identify, assess and respond include:

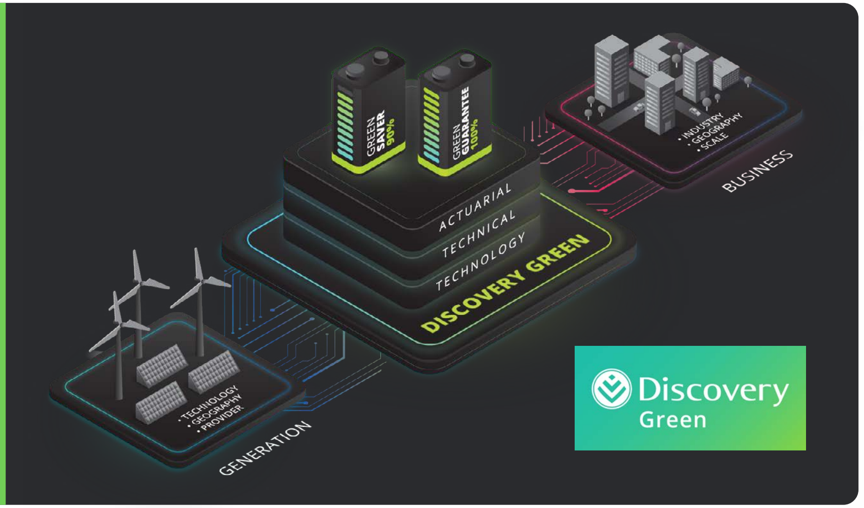
- Top-down risk assessments, bottom-up risk assessments
- Environmental scanning and surveillance
- Key risk indicators
- Risk and assurance reviews
- Incident management
- Operational resilience assessments
- Recovery and resolution plans (currently in place for Discovery Bank as per regulatory requirements)

Overall, these adequately allow for the principles needed to identify, assess, and respond to climate-related risks. The Second Line Risk Management Function within Discovery Group has conducted a formal risk assessment, aligning with the recommendations set out by the Task Force on Climate-related Financial Disclosures (TCFD). The results of this assessment have been used to formulate the Discovery Climate Change Strategy. It has also formed the basis for the risk disclosures and is updated regularly as initiatives within the organisation have taken place or the subject matter is better understood, and policy requirements are developed and communicated within the industry.

DISCOVERY GREEN

Launched in September 2023, Discovery Green revolutionises renewable energy access for businesses. It extends our Vitality shared-value model by making renewable energy accessible, aiding decarbonisation efforts, and offering cost stability.

Over time, it aims to combat South Africa's electricity shortfall. Discovery Green was designed to incentivise sustainable behaviour and provide renewable energy solutions to businesses by 2026. It addresses critical challenges in South Africa's electricity supply, which is heavily reliant on fossil fuels, by facilitating electricity wheeling. With new power wheeling frameworks expected from Eskom, Discovery Green will enable access to renewable energy nationwide.



DISCOVERY BANK'S SOLAR ENERGY PARTNERSHIP

In partnership with Rubicon, a leader in power solutions, Discovery Bank Energy Solutions is advancing sustainable energy access across South Africa by providing solar energy solutions for homes. This initiative not only enhances energy security but also promotes environmental sustainability. The model simplifies access to solar energy with competitive financing options and straightforward terms, including solar-as-a-service and rent-to-own arrangements. An online calculator offers custom quotes, ensuring solutions are tailored to specific household needs. By combining Rubicon's technological expertise with Discovery Bank's shared-value financing, this partnership delivers market-leading solar solutions that help reduce carbon emissions and mitigate the impacts of power outages.

Discovery Bank's financial performance
Strategy and business model
Risk management philosophy
Remuneration
Quantitative tables and templates
Qualitative tables
Abbreviations

03

REMUNERATION

Discovery Bank's financial performance

Strategy and business model

Risk management philosophy

Remuneration

Quantitative tables and templates

Qualitative tables

Abbreviations

Remuneration

Material risk takers:
Material risk-takers are employees whose professional actions have a material impact on the Bank's overall risk exposure. Discovery Bank defines material risk takers as the members of the Discovery Bank Executive Management team that are also Executive Directors of Discovery Bank.

Senior management:
Discovery Bank defines senior management as the CEO's direct reports who are members of the Executive committee, excluding the Executive Directors of Discovery Bank.

At Discovery Bank, we believe that our employees are the foundation of our success. We offer a culture built on innovation, exceptional client service, doing what is right, continuous learning, and providing challenging and meaningful work. By liberating the best in our employees, we believe that we will be able to achieve our ambition of successfully running the best bank in South Africa, globally recognised for its Shared-value Banking model that makes people financially healthier and enhances and protects their lives.

We are committed to offering competitive total rewards that enable us to:

- Attract, retain and motivate high-calibre people from diverse backgrounds who have the right mix of skills, experience and knowledge to deliver on the strategy.
- Encourage and incentivise performance and reward employees who exceed their objectives.
- Align the financial wellbeing of our employees with the economic interest of our shareholders and the needs of our clients to deliver sustained long-term value guided by our shared-value model.
- Provide an environment that encourages innovative thinking and extraordinary performance.
- Bring consistency, transparency, fairness and equity-to-pay principles, which will increase trust and employee engagement.
- Recognise differences in individual performance, value and contribution through a flexible approach that ensures fair pay levels and defensible decisions.
- Align with good corporate and reward governance and our risk management framework.
- Strengthen our desired owner-manager culture that is consistent with our core purpose and values.

We balance a flexible approach that recognises differences in individual performance, value and contribution to the organisation with a consistent framework that ensures fair pay levels and decisions.

REMUNERATION PRINCIPLES

- To succeed, we must have talented people in the right roles, and strive to offer pay packages that are competitive in the market.
- 'Pay-for-performance' is at the heart of our remuneration philosophy, and we encourage all employees to set and achieve ambitious goals that are aligned with the objectives of the company – exceptional performance is recognised and rewarded.
- We believe in pay that is right and fair – we conduct regular salary surveys both internally and externally to ensure fairness and consistency across the business.
- We recognise that pay is not the only reason why employees join and stay at Discovery Bank, but it is of significant concern if it is not right or equitable.
- We are non-discriminatory – all remuneration policies and practices are free from unfair discrimination based on race, gender, age, religion, marital status, sexual orientation, and ethnic or social origin.
- We employ a total Cost-to-Company (CTC) approach to remuneration, which includes both financial and non-financial components.
- Our short-term incentive schemes are designed to encourage, recognise and reward performance and are based on rigorous objective setting and measurement, while allowing sufficient flexibility to respond to different business needs.
- Our long-term incentive schemes create a sense of ownership in the company, and specific schemes are designed for start-ups (to encourage an entrepreneurial mindset) and retention.
- Our remuneration policy empowers managers to make educated and defensible pay decisions.
- All reward policies and practices are governed by the Bank Remuneration Committee (REMCO), a newly formed committee from 1 July 2023 that took over from the Director Affairs Committee.
- We align with the Discovery Group on remuneration matters, except where there is a justifiable reason for taking a different approach.
- We have no contractual commitments to provide any payment to the executives due to change of control or termination of employment, beyond compliance with the applicable statutory requirements, and any amounts due in terms of the applicable conditions of Discovery's share plan.
- The remuneration of heads of control functions will not be predominantly linked to the financial performance of the bank and will be consistent with the long-term strategy and the financial soundness of the bank.

Discovery Bank's financial performance
Strategy and business model
Risk management philosophy
Remuneration
Quantitative tables and templates
Qualitative tables
Abbreviations

REMUNERATION GOVERNANCE

The Bank Board is ultimately responsible for the remuneration policy and has mandated the Bank's Remuneration Committee, a Board committee consisting of non-executive directors, to assist in fulfilling its responsibilities for ensuring that total rewards are fair and responsible.

The purpose of the REMCO is to consider, agree on, and recommend to the Bank Board an overall reward policy and framework for Discovery Bank that recognises the interests of all relevant stakeholders and is aligned with the regulatory environment, long-term business strategy, risk appetite and organisational values. In discharging this purpose, the key responsibilities of the REMCO are to:

- Approve and monitor adherence to the reward policy.
- Ensure alignment with the latest governance standards and risk appetite.
- Review and approve all short- and long-term incentive structures and monitor overall liability.
- Approve targets for short-term incentives to ensure alignment with the Bank's business plan.
- Regularly review incentive schemes to ensure alignment with and continued contribution towards shareholder value.
- Approve and report to the Board all reward elements for the CEO and other directors.
- Review total reward packages for executive management on an annual basis.
- Review and approve the annual salary increase parameters.
- Achieve a balance between alignment with the Discovery Group and alignment with the banking sector, understanding where differences are required and why.
- If appropriate, amend the performance criteria for variable remuneration should extraordinary circumstances arise, in consultation with Discovery's External Remuneration Committee (D-ERC).
- Recommend the base for non-executive directors' fees to the Board for approval.

The REMCO receives input and recommendations from the CEO of the Bank and takes into consideration recommendations from the Discovery Internal Remuneration Committee (D-IRC) (comprising the executive directors and business unit CEOs). The D-IRC is responsible for:

- Providing detailed analysis and research-based recommendations to the REMCO.
- Ensuring the remuneration packages of management and employees in general (except for directors) are in line with the policy.
- Implementing the increase and incentive processes and reporting any anomalies to the D-ERC and REMCO.
- Recommending new Group-wide schemes and scheme restructures to the D-ERC and REMCO.

The REMCO uses the services of several advisors to assist in tracking market trends related to all levels of employees. The following advisors or companies are used for benchmarking purposes:

- Remchannel – used for external market benchmarks on an ongoing basis.
- Bowman Gilfillan – used for benchmarking director and executive remuneration.

TOTAL VALUE PROPOSITION

Our total rewards approach encompasses both financial and non-financial elements. The financial elements are explained in the sections that follow.

Value proposition categories:

FINANCIAL	NON-FINANCIAL
Guaranteed pay	Challenging and meaningful work
Compulsory benefits (medical, group life)	Development and training
Retirement funding (pension and provident)	Discovery culture and environment
Short term incentives	Recognition (Star awards etc.)
Long term incentives	Opportunity to work with great people
	Career opportunities

The mix of the financial pay elements is linked to organisational level, with the proportion of variable pay and pay at risk increasing at more senior levels.

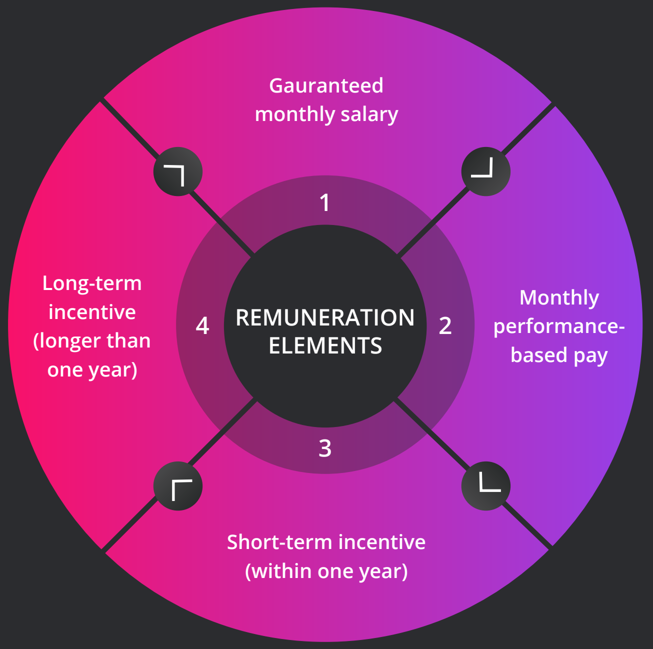
We offer competitive guaranteed rewards (around the market average), with opportunities in many roles to earn additional variable pay-for-performance incentives, that lead to above-market average total rewards for top performers.

Discovery Bank's financial performance
Strategy and business model
Risk management philosophy
Remuneration
Quantitative tables and templates
Qualitative tables
Abbreviations

REMUNERATION ELEMENTS

The remuneration policy covers four remuneration elements, although not all employees participate in all elements:

THE REMUNERATION POLICY COVERS FOUR REMUNERATION ELEMENTS, ALTHOUGH NOT ALL EMPLOYEES PARTICIPATE IN ALL ELEMENTS



1 Guaranteed monthly salary

Our total CTC approach is designed to provide employees with flexibility and choice when it comes to compulsory benefits. All permanent non-sales employees, irrespective of level, receive a guaranteed component of remuneration, consisting of:

- Basic salary
- Compulsory benefits (medical aid, provident and pension funds, group life cover).

Employees select:

- The Discovery medical aid plan that best suits them (Discovery membership is compulsory for all employees unless they are a dependant on their spouse's scheme).
- Their contribution level to the provident fund, ranging from 7.5% to 22.5% of their guaranteed package or base pay. However, their compulsory pension fund contribution is set at 5%.
- The structure of their provident fund portfolio, with a choice of conservative, moderate and aggressive funds.
- Employees who work in sales environments typically receive a variable monthly remuneration linked directly to their sales productivity relative to target. The expected monthly salary or "deemed salary" is used as the basis to calculate benefits.

Discovery engages the services of independent external service providers to benchmark salaries paid to employees against salaries paid by other financial services companies in South Africa. Benchmarking exercises are completed at least annually to keep track of market movements, and these consider factors such as industry, company size (revenue, profit, number of employees), and availability of skills. Discovery does not differentiate pay on arbitrary grounds and strives to ensure that employment processes do not result in unfair pay differentials.

Discovery targets the market-median guaranteed pay level per role. However, guaranteed pay can be:

- Above the median to attract top talent, particularly in scarce and critical skill areas, and to retain top talent.
- Below the median for people who are part-qualified or new to their role and still need to grow fully into the role.

ANNUAL SALARY REVIEW PROCESS

The annual salary review process provides an opportunity to adjust salaries in line with the market and takes place between April and June each year, with salary increases effective from 1 July. The Discovery Group Remuneration Committee (D-ERC) recommends the overall percentage increase to the salary bill, taking into account benchmarking to understand market trends, particularly scarce and critical skills, changes to the national cost of living, and business performance and affordability. Performance is primarily rewarded through incentive structures, not through the salary increase process. An employee must be employed for a minimum of three months to be part of the review process, and any increase may be moderated for length of service and time in the role. This three-month exclusion may not apply in certain instances.

REMCO approves the annual increase parameters for Bank employees, taking cognisance of any specific trends in the banking sector as well as the D-ERC decision.

Interim increases may be awarded during the year at the discretion of senior management under the following circumstances:

- Successful internal recruitment into a higher-paying role
- Achieving a higher qualification for certain skills
- Promotion to a higher level
- Equity considerations to correct unjustifiable income differentials
- Retention of key individuals

Discovery Bank's financial performance
Strategy and business model
Risk management philosophy
Remuneration
Quantitative tables and templates
Qualitative tables
Abbreviations

Remuneration elements continued

2 Monthly performance-based pay

'Pay-for-performance' is at the heart of our pay philosophy, and as a result, most permanent employees also have an opportunity to earn performance-based pay. Employees are encouraged to strive to exceed their objectives while having regard for good regulatory practices and appropriate risk management.

In many of the operational areas of the business where performance is highly measurable, monthly pay is made up of:

- Guaranteed monthly salary
- Performance-based pay.

The performance element ensures alignment between company goals and individual performance and allows top performers to significantly enhance their earnings. Targets are reviewed and adjusted as required at the discretion of management to drive continuous improvement in the areas concerned.

Using this model, top performers earn well above the market benchmark for the role and are thus retained and motivated to keep performing.

3 Short-term incentive schemes

Short-term incentive schemes are designed to encourage and reward performance at every level. Different business areas run different schemes based on business priorities, and, therefore, scheme structures (payout percentages, pay periods, and calculations) vary by scheme. Typically, short-term schemes span six to 12 months. To receive payment, an employee must have been employed for a minimum of three months in the period and have not left at the time of payout. All schemes are performance-based and reward delivery against pre-agreed stretch targets, which may be at an individual, team or Bank or Group level:

- At staff and team-leader levels, payments may be bi-annual or annual, depending on the scheme. Measures are set by management and aligned with business goals and continuous improvement.
- Sales teams participate in production-related incentives applicable to their roles.
- At Manager, Divisional Manager and equivalent specialist levels, employees participate in the bi-annual management incentive scheme, which considers both personal and business performance against objectives and pays a cash award (STI) on a bi-annual basis.
- Based on talent retention considerations, some managers and divisional managers may receive a deferred award (LTI).

4 Single incentive plan (SIP)

During FY 2023, the Single Incentive Plan (SIP) was introduced for deputy general manager and above levels. The scheme rewards the delivery of key financial and non-financial objectives consistent with the Discovery Group and Bank strategy, measured over the short and long term. The SIP pays out in a combination of cash and deferred shares.

The SIP is based on annual performance at Group, Bank and individual level, assessed against financial (quantitative), and non-financial (qualitative), measures. D-ERC sets the Group short and long-term performance measures, targets and weightings annually to reflect Discovery's key financial, operational and strategic priorities. The Group scorecard includes:

- 60% financial measures (Profit, HEPS, ROE and Revenue)
- 40% non-financial measures (Customers, ESG, Strategy and People)

The Group financial measures will be measured on a three-year trailing basis from FY2024 onwards. The threshold and stretch performance levels are generally set symmetrically to the target. A score of 100% is provided for target performance for each measure, with 0% for performance below threshold, 50% at threshold and 150% at stretch and above, with linear interpolation between these levels.

The Bank performance scorecard is approved by the REMCO on a bi-annual basis. Typically, the scorecard will include the following elements:

- Profit/loss
- Business growth (new business)
- Client service perception
- Innovation and product development
- Employment equity

Each measure has a weighting that is applied to the score. If a score of less than 50% is achieved for any individual measure, then the weighted outcome for that measure will be zero. The sum of the weighted scores results in the overall Bank score.

D-ERC retains the discretion to consider performance holistically and, if needed, adjust any formulaic outcomes to ensure that final remuneration awards align with Discovery's sustainable performance and core purpose. Furthermore, the SIP enhances Executive Directors' alignment with shareholder expectations.

Award outcomes are assessed annually after year-end based on the following formula: Annual SIP Value = Annual CTC x SIP % x Performance Multiplier (Group, Individual and Bank).

The Annual SIP Value is then split between a cash portion and a deferred portion, with the mix determined by the level of management. The deferred portion vests in the third, fourth and fifth years for group directors and the first, second and third years for other participants, without further performance conditions and based on continued employment, subject to malus and clawback provisions. Deferred awards are implemented using Group Deferred Shares and are governed by the rules of the LTIP scheme, settled by delivery of Discovery shares on the vesting date. A cash drawdown is paid in March of each year based on H1 business and individual performance.

Once the proposed SIP methodology is applied to determine the single incentive pool for the year, it is tested against the following safeguards:

- "Clip-rate" safeguard: The total cost of the year's SIP – including the value of the cash portion and the at-grant value of the deferred share awards – as a percentage of the normalised operating profit, pre-tax and incentive expenses attributable to the year, should not exceed 12% of normalised profits, except in exceptional circumstances approved by D-ERC.
- "Burn-rate" safeguard: The total number of Discovery share awards included in the deferred awards should not exceed 1% of Discovery issued shares, except in circumstances approved by D-ERC.
- Should either of these safeguards be breached, D-ERC will apply discretion to adjust the cash or deferred share awards of the annual SIP award to address these breaches.

In addition to the SIP, the Bank CEO participates in an Outperformance Single Incentive Plan (OPSI). This plan runs over three years and is linked to the achievement of the Bank's stretch targets. It is intended to motivate and incentivise the CEO for the significant role played in building the Bank into a sustainable and profitable business. The CEO does not participate in the Bank Start-Up Incentive plan.

Note: The Bank Start-Up Incentive is not included in the Single Incentive Plan.

Discovery Bank's financial performance
Strategy and business model
Risk management philosophy
Remuneration
Quantitative tables and templates
Qualitative tables
Abbreviations

Remuneration elements continued

5 Bank start-up long-term incentive plan (equity settled)

Discovery created a bank-specific long-term incentive plan (Bank-LTIP) to enable members of the executive team and other key individuals to share in the success of the business while ensuring their long-term retention. Participants will share in the 'value created', which references the growth in the value of Discovery Bank's business after capital invested and interest, thereby ensuring alignment of participants' interests with the longer-term strategic goals of the Bank. The value created will be settled in Discovery Limited shares.

6 Historical LTIP awards (made up to 2021): Vesting and vesting conditions

The LTIP allocations up to and including 2021 will continue to vest as per the rules of each award. Vesting is subject to performance conditions, which are measured on a compound basis over the full life of the award.

A portion of the LTIP awards to General Managers, Deputy General Managers, Divisional Managers and Managers is not subject to performance conditions but largely aimed at retention and remaining aligned with the market from a total pay perspective. These awards remain subject to share price increases and decreases. Awards to Directors and Sub-Directors are fully subject to the performance measures for vesting and share price movement for value. The Discovery Group LTIP performance conditions applicable for grants up to and including 2021 are aligned to the organic growth methodology.

Vesting of allocated awards is capped at 100%. Where the performance criteria are not fully met, vesting of the percentage not achieved will lapse in the respective years. As the overall vesting is capped at 100%, outperformance in one measure may only contribute towards mitigating underperformance in another measurement category. Any outperformance "subsidy" is subject to approval of D-ERC.

All bonus schemes are non-contractual and discretionary and may be changed by the REMCO with input from the Discovery Remuneration Committees. To qualify for payment for any incentive, a participant must be employed on the date of payment.

7 Malus and clawback

In accordance with the Malus and Claw-Back Policy subject to a trigger event, Discovery has the right to clawback the incentive remuneration amount from a participant for a period of three (3) years from the date of payment or vesting, as applicable.

The trigger events include, but are not limited to:

- A material misstatement of the financial results resulting in an adjustment in the audited consolidated accounts of Discovery Bank or Discovery Bank Limited
- In the case of awards that are subject to the achievement of performance conditions, the assessment of any performance metric or condition in respect of an award or payment that was based on error or inaccurate or misleading information
- The fact that any information used to determine the quantum of an Incentive Remuneration Amount was based on error, or inaccurate or misleading information, and/or
- Action or conduct of a participant which, in the reasonable opinion of the Board, amounts to serious misconduct or gross negligence, and/or
- Events or behaviour of a participant or the existence of events attributable to a participant that led to the censure of Discovery, Discovery Bank or a member of the Group, by a regulatory authority or have had a significant detrimental impact on the reputation of Discovery and/or Discovery Bank.

8 Vesting after termination of employment

Following an employee's termination of employment, the following vesting criteria will apply:

- Retirement at 65 years or above and Disability: the unvested shares will continue to vest on the original vesting dates and are not prorated for time served.
- Early retirement between 60 and 65 years and Good Leavers: The vesting for good leavers and for early retirement between the age of 60 and 65 years will be discretionary based on, inter alia, tenure and performance, subject to approval by the D-ERC for General Managers and above, and the REMCO for employees below General Manager.
- Resignation: the unvested shares will be forfeited.
- Death: the unvested shares will immediately vest at 100% performance, where applicable.

9 Contract terms for executive directors and prescribed officers

All executive directors and prescribed officers are employed. Employment contracts can be cancelled with between one- and three-months' notice by either the executive or Discovery.

10 Guaranteed bonuses, sign-ons, buy-outs, retention and restraint of trade payments

The Bank remuneration policy provides for additional payments that could be made to employees. All additional payments are made when deemed necessary to attract and retain critical employees. These are approved by the Bank EXCO, and for Executives, by the REMCO and disclosed appropriately.

11 Non-executive directors

Bank Independent Non-Executive Directors receive a combination of fixed and meeting attendance fees for their participation on the Bank Board and Board Committees. Independent Non-Executive Directors do not receive annual incentive awards. The REMCO reviews the fees paid to Non-Executive Directors annually, and, on a three-yearly cycle, fees are benchmarked to other local financial services companies with similar market capitalisations to ensure the fees remain competitive. Recommendations are made to the Bank Board for consideration and recommendation to shareholders.

The Chairperson of the Board receives an all-inclusive retainer and does not receive any other fees or retainer for attendance at Board or Committee meetings.

Discovery Bank's financial performance

Strategy and business model

Risk management philosophy

Remuneration

Quantitative tables and templates

Qualitative tables

Abbreviations

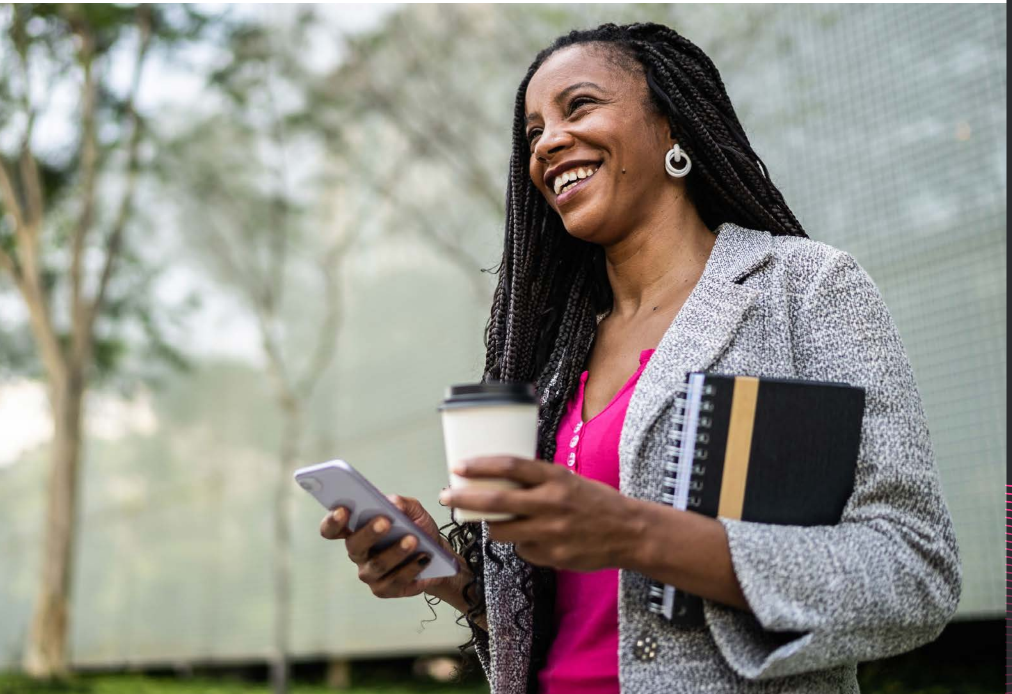
04

QUANTITATIVE TABLES AND TEMPLATES

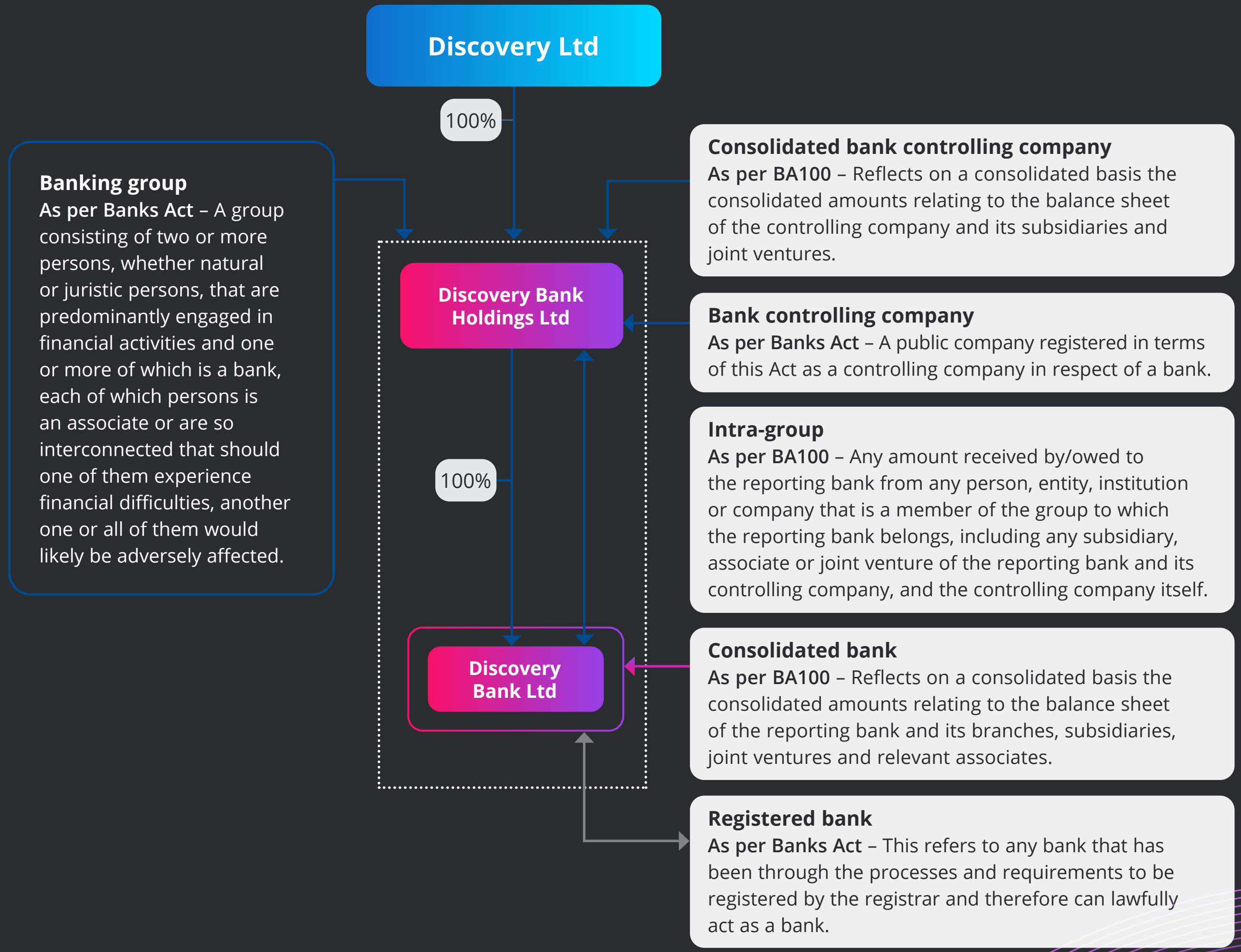
Discovery Bank's financial performance
Strategy and business model
Risk management philosophy
Remuneration
Quantitative tables and templates
Qualitative tables
Abbreviations

Quantitative tables *and templates*

During the past 12 months, Discovery Bank has continued to bring new products to the market and taking us closer to our goal of building the best bank in the country. The liquidity position remains strong, and the retail assets book has grown because of product enhancements. The team has made astounding progress, which is reflected in the numbers presented in the tables.



THE LEGAL ENTITY STRUCTURE OF DISCOVERY BANK



Discovery Bank's financial performance
Strategy and business model
Risk management philosophy
Remuneration
Quantitative tables and templates
Qualitative tables
Abbreviations

OVERVIEW OF RISK MANAGEMENT AND RISK-WEIGHTED ASSETS

1.1 KM1: Key metrics (at consolidated Group level)

	R'000	As at 30 June 2024	As at 31 March 2024	As at 31 December 2023	As at 30 September 2023	As at 30 June 2023
Available capital (amounts)						
1	Common Equity Tier 1 (CET1)	1,473,702	1,228,551	1,238,508	1,061,434	1,062,501
1a	Fully loaded ECL accounting model	0	0	0	0	0
2	Tier 1	1,473,702	1,228,551	1,238,508	1,061,434	1,062,501
2a	Fully loaded ECL accounting model Tier 1	0	0	0	0	0
3	Total capital	1,535,391	1,285,437	1,291,625	1,112,442	1,111,961
3a	Fully loaded ECL accounting model total capital	0	0	0	0	0
Risk-weighted assets (amounts)						
4	Total risk-weighted assets (RWA)	8,341,034	7,155,225	7,238,684	6,526,133	6,300,408
4a	Total risk-weighted assets (pre-floor)	8,341,034	7,155,225	7,238,684	6,526,133	6,300,408
Risk-based capital ratios as a percentage of RWA						
5	Common Equity Tier 1 ratio (%)	17.667%	17.170%	17.109%	16.263%	16.864%
5a	Fully loaded ECL accounting model Common Equity Tier 1(%)	0	0	0	0	0
5b	CET1 ratio (%) (pre-floor)	0	0	0	0	0
6	Tier 1 ratio (%)	17.667%	17.170%	17.109%	16.263%	16.864%
6a	Fully loaded ECL accounting model Tier 1 ratio (%)	0	0	0	0	0
6b	Tier 1 ratio (5) (pre-floor ratio)	0	0	0	0	0
7	Total capital ratio (%)	18.408%	17.964%	17.842%	17.045%	17.649%
7a	Fully loaded ECL accounting model total capital ratio (%)	0	0	0	0	0
7b	Total capital ratio (%) (pre-floor ratio)	0	0	0	0	0
Additional CET1 buffer requirements as a percentage of RWA						
8	Capital conservation buffer requirement (2.5% from 2019) (%)	2.500%	2.500%	2.500%	2.500%	2.500%
9	Countercyclical buffer requirement (%)	0	0	0	0	0
10	Bank G-SIB and/or D-SIB additional requirements (%)	0	0	0	0	0
11	Total of bank CET1 specific buffer requirements (%) (row 8 + row 9 + row 10)	2.500%	2.500%	2.500%	2.500%	2.500%
12	CET1 available after meeting the bank's minimum capital requirements (%)	6.167%	5.670%	5.609%	4.763%	5.364%

Discovery Bank's financial performance
Strategy and business model
Risk management philosophy
Remuneration
Quantitative tables and templates
Qualitative tables
Abbreviations

OVERVIEW OF RISK MANAGEMENT AND RISK-WEIGHTED ASSETS / continued

1.1 KM1: Key metrics (at consolidated Group level) / continued

R'000		As at 30 June 2024	As at 31 March 2024	As at 31 December 2023	As at 30 September 2023	As at 30 June 2023
Basel III leverage ratio						
13	Total Basel III leverage ratio exposure measure	21,386,625	20,231,051	19,258,340	17,878,087	16,634,833
14	Basel III leverage ratio (%) (row 2; row 13)	6.891%	6.073%	6.431%	5.937%	6.387%
14a	Fully loaded ECL accounting model Basel III leverage ratio (%) (row 2a; row 13)	0	0	0	0	0
14b	Basel III leverage ratio (%) (excluding the impact of any applicable temporary exemption of central bank reserves)	6.891%	6.073%	6.431%	5.937%	6.387%
Liquidity coverage ratio						
15	Total HQLA	10,402,819	9,955,025	9,643,710	9,492,166	8,753,199
16	Total net cash outflow	367,151	354,895	353,050	321,649	350,713
17	LCR ratio (%)	2 926.516%	2 817.095%	2 756.873%	2 963.078%	2 565.984%
Net stable funding rw atio						
18	Total available stable funding	26,700,780	25,557,843	24,607,800	23,119,148	21,892,651
19	Total required stable funding	14,555,316	13,908,448	13,706,101	12,410,342	11,953,160
20	NSFR ratio	183.000%	184.000%	180.000%	186.000%	183.000%

Discovery Bank's financial performance

Strategy and business model

Risk management philosophy

Remuneration

Quantitative tables and templates

Qualitative tables

Abbreviations

OVERVIEW OF RISK MANAGEMENT AND RISK-WEIGHTED ASSETS / continued

1.2 OV1: Overview of RWA (2024)

This section provides on overview of the risk-weighted assets of Discovery Bank Limited and Discovery Bank Holdings Limited Group.

		DISCOVERY BANK LIMITED			DISCOVERY BANK HOLDINGS LIMITED		
		RWA		Minimum capital requirement	RWA		Minimum capital requirement
	R'000	As at 30 June 2024	As at 31 March 2024	As at 30 June 2024	As at 30 June 2024	As at 31 March 2024	As at 30 June 2024
1	**Credit risk (excluding counterparty credit risk) (CCR)**	**5,543,397**	**5,149,205**	**637,494**	**5,543,916**	**5,149,834**	**637,550**
2	Of which: standardised approach (SA)	5,543,397	5,149,205	637,494	5,543,916	5,149,834	637,550
3	Of which: foundation internal ratings-based (F-IRB) approach	0	0	0	0	0	0
4	Of which: supervisory slotting approach	0	0	0	0	0	0
5	Of which: advanced internal ratings-based (A-IRB) approach	0	0	0	0	0	0
6	**Counterparty credit risk (CCR)**	**0**	**0**	**0**	**0**	**0**	**0**
7	Of which: standardised approach for counterparty credit risk (SA-CCR)	0	0	0	0	0	0
8	Of which: internal model method (IMM)	0	0	0	0	0	0
9	Of which: other CCR	0	0	0	0	0	0
10	**Credit valuation adjustment (CVA)**	**0**	**0**	**0**	**0**	**0**	**0**
11	Equity positions under the simple risk-weight approach	0	0	0	0	0	0
12	Equity investments in funds – look-through approach	0	0	0	0	0	0
13	Equity investments in funds – mandate-based approach	0	0	0	0	0	0
14	Equity investments in funds – fall-back approach	0	0	0	0	0	0

Discovery Bank's financial performance

Strategy and business model

Risk management philosophy

Remuneration

Quantitative tables and templates

Qualitative tables

Abbreviations

OVERVIEW OF RISK MANAGEMENT AND RISK-WEIGHTED ASSETS / continued

1.2 OV1: Overview of RWA (2024) / continued

	DISCOVERY BANK LIMITED			DISCOVERY BANK HOLDINGS LIMITED		
	RWA		Minimum capital requirement	RWA		Minimum capital requirement
R'000	As at 30 June 2024	As at 31 March 2024	As at 30 June 2024	As at 30 June 2024	As at 31 March 2024	As at 30 June 2024
15 **Settlement risk**	**0**	**0**	**0**	**0**	**0**	**0**
16 Securitisation exposures in banking book	0	0	0	0	0	0
17 Of which: securitisation internal ratings-based approach (SEC-IRBA)	0	0	0	0	0	0
18 Of which: securitisation external ratings-based approach (SEC-ERBA), including internal assessment approach (IAA)	0	0	0	0	0	0
19 Of which: securitisation standardised approach (SEC-SA)	0	0	0	0	0	0
20 **Market risk**	**74,996**	**67,226**	**8,625**	**74,996**	**67,226**	**8,625**
21 Of which standardised approach (SA)	74,996	67,226	8,625	74,996	67,226	8,625
22 Of which internal model approaches (IMA)	0	0	0	0	0	0
23 Capital charge for switch between trading book and banking book	0	0	0	0	0	0
24 **Operational risk**	**2,332,514**	**1,604,797**	**268,239**	**2,332,514**	**1,604,797**	**268,239**
25 Amounts below the thresholds for deduction (subject to 250% risk weight)	388,875	332,610	44,721	389,608	333,368	44,805
26 Aggregate capital floor applied	0	0	0	0	0	0
27 Floor adjustment (before application of transitional cap)	0	0	0	0	0	0
28 Floor adjustment (after application of transitional cap)	0	0	0	0	0	0
29 **Total (1+6+10+11+12+13+14+15+16+20+23+24+25+26)**	**8,339,782**	**7,153,838**	**959,078**	**8,341,034**	**7,155,225**	**959,219**

Commentary:

The market RWA increased quarter-on-quarter due to uptake and growth.

The Credit RWA has increase in proportion to the growth in our advances since the launch of the new revolving credit facility and home loans in FY 24. The Operational Risk is calculated using June annual operating income to calculate RWA, whereas March uses estimates.

Discovery Bank's financial performance
Strategy and business model
Risk management philosophy
Remuneration
Quantitative tables and templates
Qualitative tables
Abbreviations

OVERVIEW OF RISK MANAGEMENT AND RISK-WEIGHTED ASSETS / continued

1.2 OV1: Overview of RWA (2023) / continued

This section provides on overview of the risk-weighted assets of Discovery Bank Limited and Discovery Bank Holdings Limited Group.

		DISCOVERY BANK LIMITED			DISCOVERY BANK HOLDINGS LIMITED		
		RWA		Minimum capital requirement	RWA		Minimum capital requirement
R'000		As at 30 June 2023	As at 31 March 2023	As at 30 June 2023	As at 30 June 2023	As at 31 March 2023	As at 30 June 2023
1	**Credit risk (excluding counterparty credit risk) (CCR)**	**4,345,895**	**5,401,193**	**499,778**	**4,346,486**	**5,401,193**	**499,846**
2	Of which: standardised approach (SA)	4,345,895	5,401,193	499,778	4,346,486	5,401,193	499,846
3	Of which: foundation internal ratings-based (F-IRB) approach	0	0	0	0	0	0
4	Of which: supervisory slotting approach	0	0	0	0	0	0
5	Of which: advanced internal ratings-based (A-IRB) approach	0	0	0	0	0	0
6	**Counterparty credit risk (CCR)**	**196**	**1,370**	**23**	**196**	**1,370**	**23**
7	Of which: standardised approach for counterparty credit risk (SA-CCR)	196	1,370	23	196	1,370	23
8	Of which: internal model method (IMM)	0	0	0	0	0	0
9	Of which: other CCR	0	0	0	0	0	0
10	**Credit valuation adjustment (CVA)**	**556**	**779**	**64**	**556**	**779**	**64**
11	Equity positions under the simple risk-weight approach	0	0	0	0	0	0
12	Equity investments in funds – look-through approach	0	0	0	0	0	0
13	Equity investments in funds – mandate-based approach	0	0	0	0	0	0
14	Equity investments in funds – fall-back approach	0	0	0	0	0	0

Discovery Bank's financial performance
Strategy and business model
Risk management philosophy
Remuneration
Quantitative tables and templates
Qualitative tables
Abbreviations

OVERVIEW OF RISK MANAGEMENT AND RISK-WEIGHTED ASSETS / continued

1.2 OV1: Overview of RWA (2023) / continued

	DISCOVERY BANK LIMITED			DISCOVERY BANK HOLDINGS LIMITED		
	RWA		Minimum capital requirement	RWA		Minimum capital requirement
R'000	As at 30 June 2023	As at 31 March 2023	As at 30 June 2023	As at 30 June 2023	As at 31 March 2023	As at 30 June 2023
15 **Settlement risk**	**0**	**0**	**0**	**0**	**0**	**0**
16 Securitisation exposures in banking book	0	0	0	0	0	0
17 Of which: securitisation internal ratings-based approach (SEC-IRBA)	0	0	0	0	0	0
18 Of which: securitisation external ratings-based approach (SEC-ERBA), including internal assessment approach (IAA)	0	0	0	0	0	0
19 Of which: securitisation standardised approach (SEC-SA)	0	0	0	0	0	0
20 **Market risk**	**73,278**	**63,672**	**8,427**	**73,278**	**63,672**	**8,427**
21 Of which standardised approach (SA)	73,278	63,672	8,427	73,278	63,672	8,427
22 Of which internal model approaches (IMA)	0	0	0	0	0	0
23 Capital charge for switch between trading book and banking book	0	0	0	0	0	0
24 **Operational risk**	**1,604,797**	**1,015,164**	**184,552**	**1,604,797**	**1,015,164**	**184,552**
25 Amounts below the thresholds for deduction (subject to 250% risk weight)	274,384	282,495	31,554	275,095	283,213	31,636
26 Floor adjustment	0	0	0	0	0	0
27 **Total (1+6+10+11+12+13+14+15+16+20+23+24+25+26)**	**6,299,106**	**6,764,673**	**724,397**	**6,300,408**	**6,765,391**	**724,547**

The market RWA increased quarter-on-quarter because of the uptake and growth of the forex product offering launched in 2022. The CVA and CCR decrease relates to the derivatives that are used to hedge the price risk on the Discovery Ltd (JSE:DSY) share in respect of the bank's phantom staff share scheme incentive programmes. On 31 March 2023, one of the derivatives matured, and in June 2023, the risk weighting on the remaining derivatives changed as a result of the maturity of these derivatives. This contributed to the movement in RWA. The Operational Risk is calculated using June annual operating income to calculate RWA, whereas March uses estimates.

Discovery Bank's financial performance

Strategy and business model

Risk management philosophy

Remuneration

Quantitative tables and templates

Qualitative tables

Abbreviations

COMPOSITION OF CAPITAL AND TOTAL LOSS ABSORBING CAPACITY (TLAC) DISCLOSURE

CC1: Composition of regulatory capital (2024)

	R'000	As at 30 June 2024
	Common Equity Tier 1 capital: instruments and reserves	
1	Directly issued qualifying common share capital (and equivalent for non-joint stock companies) plus related stock surplus	9,634,489
2	Retained earnings	(4,081,481)
3	Accumulated other comprehensive income (and other reserves)	314,539
4	Directly issued capital subject to phase out from CET1 (only applicable to non-joint stock companies)	0
5	Common share capital issued by subsidiaries and held by third parties (amount allowed in group CET1)	0
6	**Common Equity Tier 1 capital before regulatory adjustments**	**5,867,547**
	Common Equity Tier 1 capital: regulatory adjustments	
7	Prudential valuation adjustments	0
8	Goodwill (net of related tax liability)	2,416,821
9	Other intangibles other than mortgage-servicing rights (net of related tax liability)	553,896
10	Deferred tax assets that rely on future profitability, excluding those arising from temporary differences (net of related tax liability)	1,341,328
11	Cash-flow hedge reserve	0
12	Shortfall of provisions to expected losses	0
13	Securitisation gain on sale	0
14	Gains and losses due to changes in own credit risk on fair valued liabilities	0
15	Defined-benefit pension fund net assets	0
16	Investments in own shares (if not already netted off paid-in capital on reported balance sheet)	0
17	Reciprocal cross-holdings in common equity	0
18	Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	0
19	Significant investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions (amount above the 10% threshold)	0

	R'000	As at 30 June 2024
	Common Equity Tier 1 capital: regulatory adjustments / continued	
20	Mortgage servicing rights (amount above the 10% threshold)	0
21	Deferred tax assets arising from temporary differences (amount above the 10% threshold, net of related tax liability)	85,025
22	Amount exceeding the 15% threshold	0
23	of which: significant investments in the common stock of financials	0
24	of which: mortgage servicing rights	0
25	of which: deferred tax assets arising from temporary differences	0
26	National specific regulatory adjustments	0
27	Regulatory adjustments applied to Common Equity Tier 1 due to insufficient Additional Tier 1 and Tier 2 to cover deductions	0
28	**Total regulatory adjustments to Common Equity Tier 1**	**4,397,070**
29	**Common Equity Tier 1 capital (CET1)**	**1,470,477**
	Additional Tier 1 capital: instruments	
30	Directly issued qualifying Additional Tier 1 instruments plus related stock surplus	
31	of which: classified as equity under applicable accounting standards	0
32	of which: classified as liabilities under applicable accounting standards	0
33	Directly issued capital instruments subject to phase out from Additional Tier 1	0
34	Additional Tier 1 instruments (and CET1 instruments not included in line 5) issued by subsidiaries and held by third parties (amount allowed in group AT1)	0
35	of which: instruments issued by subsidiaries subject to phase out	0
36	**Additional Tier 1 capital before regulatory adjustments**	**0**
	Additional Tier 1 capital: regulatory adjustments	
37	Investments in own Additional Tier 1 instruments	0
38	Reciprocal cross-holdings in Additional Tier 1 instruments	0
39	Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued common share capital of the entity (amount above the 10% threshold)	0

Discovery Bank's financial performance
Strategy and business model
Risk management philosophy
Remuneration
Quantitative tables and templates
Qualitative tables
Abbreviations

COMPOSITION OF CAPITAL AND TOTAL LOSS ABSORBING CAPACITY (TLAC) DISCLOSURE / continued

CC1: Composition of regulatory capital (2024) / continued

R'000		As at 30 June 2024
Additional Tier 1 capital: regulatory adjustments / continued		
40	Significant investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions)	0
41	National specific regulatory adjustments	0
42	Regulatory adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover deductions	0
43	**Total regulatory adjustments to Additional Tier 1 capital**	**0**
44	**Additional Tier 1 capital (AT1)**	**0**
45	**Tier 1 capital (T1 = CET1 + AT1)**	**1,470,477**
Tier 2 capital: instrument and provisions		
46	Directly issued qualifying Tier 2 instruments plus related stock surplus	0
47	Directly issued capital instruments subject to phase out from Tier 2	0
48	Tier 2 instruments (and CET1 and AT1 instruments not included in lines 5 or 34) issued by subsidiaries and held by third parties (amount allowed in group Tier 2)	0
49	of which: instruments issued by subsidiaries subject to phase out	0
50	Provisions	61,689
51	**Tier 2 capital before regulatory adjustments**	**61,689**
Tier 2 capital: regulatory adjustments		
52	Investments in own Tier 2 instruments	0
53	Reciprocal cross-holdings in Tier 2 instruments and other TLAC liabilities	0
54a	Investments in the other TLAC liabilities of banking, financial and insurance entities that are outside the scope of regulatory consolidation and where the bank does not own more than 10% of the issued common share capital of the entity: amount previously designated for the 5% threshold but that no longer meets the conditions (for G-SIBs only)	0
55	Significant investments in the capital banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions)	0
56	**National specific regulatory adjustments**	**0**
57	**Total regulatory adjustments to Tier 2 capital**	**0**
58	**Tier 2 capital (T2)**	**61,689**
59	**Total capital (TC = T1 + T2)**	**1,532,166**

R'000		As at 30 June 2024
60	**Total risk-weighted exposure**	**8,339,810**
Capital ratios and buffers		
61	**Common Equity Tier 1 (as a percentage of risk-weighted assets)**	**17.632%**
62	**Tier 1 (as a percentage of risk-weighted assets)**	**17.632%**
63	**Total capital (as a percentage of risk-weighted assets)**	**18.370%**
64	**Institution-specific buffer requirement (minimum CET1 requirement plus capital conservation buffer plus countercyclical buffer requirements plus G-SIB buffer requirement, expressed as a percentage of risk weighted assets)**	**7.000%**
65	of which: capital conservation buffer requirement	2.500%
66	of which: bank-specific countercyclical buffer requirement	0
67	**of which: G-SIB buffer requirement**	**0**
68	**Common Equity Tier 1 available to meet buffers (as a percentage of risk weighted assets) available after meeting the bank's minimum capital requirements**	**6.132%**
National Minima (if different from Basel 3)		
69	National Common Equity Tier 1 minimum ratio (if different from Basel 3 minimum)	5.000%
70	National Tier 1 minimum ratio (if different from Basel 3 minimum)	6.750%
71	National total capital minimum ratio (if different from Basel 3 minimum)	9.000%
Amounts below the threshold for deductions (before risk weighting)		
72	Non-significant investments in the capital of other TLAC liabilities of other financial entities	0
73	Significant investments in the common stock of financial entities	0
74	Mortgage servicing rights (net of related tax liability)	0
75	Deferred tax assets arising from temporary differences (net of related tax liability)	155,550
Applicable caps on the inclusion of provisions in Tier 2		
76	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to the standardised approach (prior to application of cap)	273,756
77	Cap on inclusion of provisions in Tier 2 under the standardised approach	61,689
78	Provisions or credit impairments eligible for inclusion in Tier 2 in respect of exposures subject to internal ratings-based approach (prior to application of cap)	0
79	Cap for inclusion of provisions or credit impairments in Tier 2 under the internal ratings-based approach	0

Discovery Bank's financial performance
Strategy and business model
Risk management philosophy
Remuneration
Quantitative tables and templates
Qualitative tables
Abbreviations

COMPOSITION OF CAPITAL AND TOTAL LOSS ABSORBING CAPACITY (TLAC) DISCLOSURE / continued

CC1: Composition of regulatory capital (2024/2023) / continued

R'000		As at 30 June 2024
Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2018 and 1 Jan 2022)		
80	Current cap on CET1 instruments subject to phase-out arrangements	0
81	Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)	0
82	Current cap on AT1 instruments subject to phase-out arrangements	0
83	Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)	0
84	Current cap on T2 instruments subject to phase out arrangements	0
85	Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)	0

Commentary:

Discovery Banks Target CAR ratio is 16.5% and we strive to maintain a CAR close to our target, while ensuring capital efficiently.

R'000		As at 30 June 2023
Common Equity Tier 1 capital: instruments and reserves		
1	Directly issued qualifying common share capital (and equivalent for non-joint stock companies) plus related stock surplus	8,617,889
2	Retained earnings	(3,570,582)
3	Accumulated other comprehensive income (and other reserves)	251,041
4	Directly issued capital subject to phase-out from CET1 (only applicable to non-joint stock companies)	0
5	Common share capital issued by subsidiaries and held by third parties (amount allowed in group CET1)	0
6	**Common Equity Tier 1 capital before regulatory adjustments**	**5,298,348**
Common Equity Tier 1 capital: regulatory adjustments		
7	Prudential valuation adjustments	0
8	Goodwill (net of related tax liability)	2,416,821
9	Other intangibles other than mortgage-servicing rights (net of related tax liability)	513,048
10	Deferred tax assets that rely on future profitability, excluding those arising from temporary differences (net of related tax liability)	1,270,945
11	Cash-flow hedge reserve	0
12	Shortfall of provisions to expected losses	0
13	Securitisation gain on sale	0
14	Gains and losses due to changes in own credit risk on fair-valued liabilities	0
15	Defined-benefit pension fund net assets	0
16	Investments in own shares (if not already netted off paid-in capital on reported balance sheet)	0
17	Reciprocal cross-holdings in common equity	0
18	Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued share capital (amount above the 10% threshold)	0
19	Significant investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions (amount above 10% threshold)	0

Discovery Bank's financial performance

Strategy and business model

Risk management philosophy

Remuneration

Quantitative tables and templates

Qualitative tables

Abbreviations

COMPOSITION OF CAPITAL AND TOTAL LOSS ABSORBING CAPACITY (TLAC) DISCLOSURE / continued

CC1: Composition of regulatory capital (2023) / continued

	R'000	As at 30 June 2023
	Common Equity Tier 1 capital: regulatory adjustments / continued	
20	Mortgage servicing rights (amount above 10% threshold)	0
21	Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	38,163
22	Amount exceeding the 15% threshold	0
23	of which: significant investments in the common stock of financials	0
24	of which: mortgage servicing rights	0
25	of which: deferred tax assets arising from temporary differences	109,753
26	National-specific regulatory adjustments	0
27	Regulatory adjustments applied to Common Equity Tier 1 due to insufficient Additional Tier 1 and Tier 2 to cover deductions	0
28	**Total regulatory adjustments to Common equity Tier 1**	**4,238,977**
29	**Common Equity Tier 1 capital (CET1)**	**1,059,371**
	Additional Tier 1 capital: instruments	
30	Directly issued qualifying Additional Tier 1 instruments plus related stock surplus	0
31	of which: classified as equity under applicable accounting standards	0
32	of which: classified as liabilities under applicable accounting standards	0
33	Directly issued capital instruments, subject to phase-out from Additional Tier 1	0
34	Additional Tier 1 instruments (and CET1 instruments not included in line 5) issued by subsidiaries and held by third parties (amount allowed in group AT1)	0
35	of which: instruments issued by subsidiaries subject to phase-out	0
36	**Additional Tier 1 capital before regulatory adjustments**	**0**
	Additional Tier 1 capital: regulatory adjustments	
37	Investments in own Additional Tier 1 instruments	0
38	Reciprocal cross-holdings in Additional Tier 1 instruments	0
39	Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued common share capital of the entity (amount above the10% threshold)	0

	R'000	As at 30 June 2023
	Additional Tier 1 capital: regulatory adjustments / continued	
40	Significant investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions)	0
41	National-specific regulatory adjustments	0
42	Regulatory adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover deductions	0
43	**Total regulatory adjustments to Additional Tier 1 capital**	**0**
44	**Additional Tier 1 capital (AT1)**	**0**
45	**Tier 1 capital (T1 = CET1 + AT1)**	**1,059,371**
	Tier 2 capital: instruments and provisions	
46	Directly issued qualifying Tier 2 instruments plus related stock surplus	0
47	Directly issued capital instruments subject to phase out from Tier 2	0
48	Tier 2 instruments (and CET1 and AT1 instruments not included in lines 5 or 34) issued by subsidiaries and held by third parties (amount allowed in group Tier 2)	0
49	of which: instruments issued by subsidiaries subject to phase-out	0
50	Provisions	49,460
51	**Tier 2 capital before regulatory adjustments**	**49,460**
	Tier 2 capital : regulatory adjustments	
52	Investments in own Tier 2 instruments	0
53	Reciprocal cross-holdings in Tier 2 instruments and other TLAC liabilities	0
54	Investments in the capital and other TLAC liabilities of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity (amount above the 10% threshold)	0
54a	Investments in the other TLAC liabilities of banking, financial and insurance entities that are outside the scope of regulatory consolidation and where the bank does not own more than 10% of the issued common share capital of the entity: amount previously designated for the 5% threshold but that no longer meets the conditions (for G-SIBs only)	0
55	Significant investments in the capital banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions)	0
56	**National-specific regulatory adjustments**	**0**
57	**Total regulatory adjustments to Tier 2 capital**	**0**
58	**Tier 2 capital (T2)**	**49,460**
59	**Total capital (TC = T1 + T2)**	**1,108,831**

Discovery Bank's financial performance
Strategy and business model
Risk management philosophy
Remuneration
Quantitative tables and templates
Qualitative tables
Abbreviations

COMPOSITION OF CAPITAL AND TOTAL LOSS ABSORBING CAPACITY (TLAC) DISCLOSURE / continued

CC1: Composition of regulatory capital (2023) / continued

	R'000	As at 30 June 2023
	Tier 2 capital : regulatory adjustments / continued	
60	**Total risk-weighted exposure**	**6,299,105**
	Capital ratios and buffers	
61	**Common Equity Tier 1 (as a percentage of risk-weighted assets)**	**16.82%**
62	**Tier 1 (as a percentage of risk-weighted assets)**	**16.82%**
63	**Total capital (as a percentage of risk-weighted assets)**	**17.60%**
64	**Institution specific buffer requirement (minimum CET1 requirement plus capital conservation buffer plus countercyclical buffer requirements plus G-SIB buffer requirement, expressed as a percentage of risk-weighted assets)**	**7.00%**
65	of which: capital conservation buffer requirement	2.50%
66	of which: bank-specific countercyclical buffer requirement	0
67	**of which: G-SIB buffer requirement**	**0**
68	**Common Equity Tier 1 available to meet buffers (as a percentage of risk weighted assets) available after meeting the bank's minimum capital requirements**	**5.32%**
	National Minima (if different from Basel 3)	
69	National Common Equity Tier 1 minimum ratio (if different from the Basel 3 minimum)	5.00%
70	National Tier 1 minimum ratio (if different from the Basel 3 minimum)	6.75%
71	National total capital minimum ratio (if different from the Basel 3 minimum)	9.00%
	Amounts below the threshold for deductions (before risk weighting)	
72	Non-significant investments in the capital of other TLAC liabilities of other financial entities	0
73	Significant investments in the common stock of financial entities	0
74	Mortgage servicing rights (net of related tax liability)	0
75	Deferred tax assets arising from temporary differences (net of related tax liability)	109,753
	Applicable caps on the inclusion of provisions in Tier 2	
76	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to a standardised approach (prior to application of cap)	231,878
77	Cap on inclusion of provisions in Tier 2 under standardised approach	49,460
78	Provisions or credit impairments eligible for inclusion in Tier 2 in respect of exposures subject to internal ratings-based approach (prior to application of cap)	0
79	Cap for inclusion of provisions or credit impairments in Tier 2 under the internal ratings-based approach	0

	R'000	As at 30 June 2023
	Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2018 and 1 Jan 2022)	
80	Current cap on CET1 instruments subject to phase out arrangements	0
81	Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)	0
82	Current cap on AT1 instruments subject to phase out arrangements	0
83	Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)	0
84	Current cap on T2 instruments subject to phase out arrangements	0
85	Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)	0

Discovery Bank's financial performance
Strategy and business model
Risk management philosophy
Remuneration
Quantitative tables and templates
Qualitative tables
Abbreviations

COMPOSITION OF CAPITAL AND TOTAL LOSS ABSORBING CAPACITY (TLAC) DISCLOSURE / continued

CC2: Reconciliation of regulatory capital to balance sheet (2024)

R'000		Balance sheet as in published financial statements As at 30 June 2024	Balance sheet under regulatory scope of consolidation As at 30 June 2024
Assets			
1	Cash and balances at central banks	4,010,762	4,010,762
2	Short-term negotiable securities	4,827,626	4,827,626
3	Derivative assets	0	0
4	Loans and advances to customers	6,028,001	6,028,001
5	Loans and advances to banks	1,052,257	1,052,257
6	Available for sale financial assets	0	0
7	Interest in subsidiaries	0	0
8	Interest in associate	0	0
9	Intangible assets	3,054,100	3,054,100
10	Investment and trading securities	3,542,179	3,542,179
11	Current income tax assets	0	0
12	Deferred income tax assets	1,498,521	1,498,521
13	Property and equipment	0	0
14	Other assets	608,344	608,344
15	**Total assets**	**24,621,790**	**24,621,790**
Liabilities			
16	Deposits and current accounts	18,466,903	18,466,903
17	Derivative financial instruments		
18	Provisions and other liabilities	287,340	287,340
19	Current income tax liabilities	0	0
20	Deferred income tax assets	0	0
21	**Total liabilities**	**18,754,243**	**18,754,243**
22	**Equity**		
23	Share capital and premium	9,634,489	9,634,489
24	Accumulated profit / (loss)	(4,081,481)	(4,081,481)
25	Other reserves	314,539	314,539
26	**Total equity**	**5,867,547**	**5,867,547**

Table 1	30 June 2024
Common Equity Tier 1 Capital	0
Share capital and premium	9,634,489
Adjusted retained earnings	(4,081,481)
Retained earnings	(4,081,481)
Unappropriated profits	0
Total	**5,553,008**
Share-based payment reserve	314,539
Other reserves	0
Total	**5,867,547**

Commentary:

The assets book has grown due to the new credit products launched during the year, while deposits maintain their strong trajectory.

Discovery Bank's financial performance
Strategy and business model
Risk management philosophy
Remuneration
Quantitative tables and templates
Qualitative tables
Abbreviations

COMPOSITION OF CAPITAL AND TOTAL LOSS ABSORBING CAPACITY (TLAC) DISCLOSURE / continued

CC2: Reconciliation of regulatory capital to balance sheet (2023)

R'000		Balance sheet as in published financial statements As at 30 June 2023	Balance sheet under regulatory scope of consolidation As at 30 June 2023
Assets			
1	Cash and balances at central banks	3,077,754	3,077,754
2	Short-term negotiable securities	3,003,654	3,003,654
3	Derivative assets	0	0
4	Loans and advances to customers	4,702,463	4,702,463
5	Loans and advances to banks	860,375	860,375
6	Available for sale financial assets	**0**	**0**
7	Interest in subsidiaries	0	0
8	Interest in associate	0	0
9	Intangible assets	3,024,921	3,024,921
10	Investment and trading securities	3,501,331	3,501,331
11	Current income tax assets	0	0
12	Deferred income tax assets	1,323,809	1,323,809
13	Property and equipment	0	0
14	Other assets	389,060	389,060
15	**Total assets**	**19,883,367**	**19,883,367**
Liabilities			
16	Deposits and current accounts	14,332,536	14,332,536
17	Derivative financial instruments	1,978	1,978
18	Provisions and other liabilities	250,505	250,505
19	Current income tax liabilities	0	0
20	Deferred income tax assets	0	0
21	**Total liabilities**	**14,585,019**	**14,585,019**
22	**Equity**		
23	Share capital and premium	8,617,889	8,617,889
24	Accumulated profit/(loss)	(3,570,582)	(3,570,582)
25	Other reserves	251,041	251,041
26	**Total equity**	**5,298,348**	**5,298,348**

Table 1	30 June 2023
Common Equity Tier 1 Capital	0
Share capital and premium	8,617,889
Adjusted retained earnings	(3,570,582)
Retained earnings	(3,570,582)
Unappropriated profits	0
Total	**5,047,307**
Share-based payment reserve	251,041
Other reserves	0
Total	**5,298,348**

Discovery Bank's financial performance
Strategy and business model
Risk management philosophy
Remuneration
Quantitative tables and templates
Qualitative tables
Abbreviations

COMPOSITION OF CAPITAL AND TOTAL LOSS ABSORBING CAPACITY (TLAC) DISCLOSURE / continued

CCA: Main features of regulatory capital instruments, and for G-SIBs and other TLAC-eligible instruments (2024)

	As at 30 June 2024	Ordinary shares (including share premium)
1	Issuer	Discovery Bank Limited
2	Unique identifier (e.g., CUSIP, ISIN or Bloomberg identifier for private placement)	n/a
3	Governing law(s) of the instrument	South Africa
3a	Means by which the enforceability requirement of Section 13 of the TLAC Term Sheet is achieved (for other TLAC-eligible instruments governed by foreign law)	n/a
4	Transitional Basel III rules	CET 1
5	Post-transitional Basel III rules	CET 1
6	Eligible at solo/group/group and solo	Group & Solo
7	Instrument type (types to be specified by each jurisdiction)	Ordinary shares
8	Amount recognised in regulatory capital (currency in millions, as of the most recent reporting date)	9 634
9	Par value of instrument	R1.00 per share
10	Accounting classification	IFRS: Equity
11	Original date of issuance	Thursday, May 19, 2016
12	Perpetual or dated	Perpetual
13	Original maturity date	No maturity
14	Issuer call subject to prior supervisory approval	No maturity
15	Optional call date, contingent call dates and redemption amount	n/a
16	Subsequent call dates, if applicable	n/a

	As at 30 June 2024	Ordinary shares (including share premium)
	Coupons/dividends	
17	Fixed or floating dividend/coupon	Floating
18	Coupon rate and any related index	n/a
19	Existence of a dividend stopper	No
20	Fully discretionary, partially discretionary or mandatory	Fully discretionary
21	Existence of step-up or other incentive to redeem	n/a
22	Non-cumulative or cumulative	Non-cumulative
23	Convertible or non-convertible	n/a
24	If convertible, conversion trigger(s)	n/a
25	If convertible, fully or partially	n/a
26	If convertible, conversion rate	n/a
27	If convertible, mandatory or optional conversion	n/a
28	If convertible, specify instrument type convertible into	n/a
29	If convertible, specify issuer of instrument it converts into	n/a
30	Writedown feature	n/a
31	If writedown, writedown trigger(s)	n/a
32	If writedown, full or partial	n/a
33	If writedown, permanent or temporary	n/a
34	If temporary write-own, description of writeup mechanism	n/a
34a	Type of subordination	0
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument in the insolvency creditor hierarchy of the legal entity concerned).	Any amounts due and payable to creditors
36	Non-compliant transitioned features	n/a
37	If yes, specify non-compliant features	n/a

Commentary:

No significant movement YoY.

Discovery Bank's financial performance
Strategy and business model
Risk management philosophy
Remuneration
Quantitative tables and templates
Qualitative tables
Abbreviations

COMPOSITION OF CAPITAL AND TOTAL LOSS ABSORBING CAPACITY (TLAC) DISCLOSURE / continued

CCA: Main features of regulatory capital instruments, and for G-SIBs and other TLAC-eligible instruments (2023) / continued

	As at 30 June 2023	Ordinary shares (including share premium)
1	Issuer	Discovery Bank Limited
2	Unique identifier (for example, CUSIP, ISIN or Bloomberg identifier for private placement)	n/a
3	Governing law(s) of the instrument	South Africa
3a	Means by which the enforceability requirement of Section 13 of the TLAC Term Sheet is achieved (for other TLAC-eligible instruments governed by foreign law)	n/a
4	Transitional Basel III rules	CET 1
5	Post-transitional Basel III rules	CET 1
6	Eligible at solo/group/group and solo	Group & Solo
7	Instrument type (types to be specified by each jurisdiction)	Ordinary shares
8	Amount recognised in regulatory capital (currency in millions, as at most recent reporting date)	8 618
9	Par value of instrument	R1.00 per share
10	Accounting classification	IFRS: Equity
11	Original date of issuance	Thursday, May 19, 2016
12	Perpetual or dated	Perpetual
13	Original maturity date	No maturity
14	Issuer call subject to prior supervisory approval	No maturity
15	Optional call date, contingent call dates and redemption amount	n/a
16	Subsequent call dates, if applicable	n/a

	As at 30 June 2023	Ordinary shares (including share premium)
	Coupons/dividends	
17	Fixed or floating dividend/coupon	Floating
18	Coupon rate and any related index	n/a
19	Existence of a dividend stopper	No
20	Fully discretionary, partially discretionary or mandatory	Fully discretionary
21	Existence of step-up or other incentive to redeem	n/a
22	Non-cumulative or cumulative	Non-cumulative
23	Convertible or non-convertible	n/a
24	If convertible, conversion trigger(s)	n/a
25	If convertible, fully or partially	n/a
26	If convertible, conversion rate	n/a
27	If convertible, mandatory or optional conversion	n/a
28	If convertible, specify instrument type convertible into	n/a
29	If convertible, specify issuer of instrument it converts into	n/a
30	Writedown feature	n/a
31	If writedown, writedown trigger(s)	n/a
32	If writedown, full or partial	n/a
33	If writedown, permanent or temporary	n/a
34	If temporary write-own, description of write-up mechanism	n/a
34a	Type of subordination	0
35	Position in the subordination hierarchy in liquidation (specify instrument type immediately senior to the instrument in the insolvency creditor hierarchy of the legal entity concerned).	Any amounts due and payable to creditors
36	Non-compliant transitioned features	n/a
37	If yes, specify non-compliant features	n/a

Discovery Bank's financial performance
Strategy and business model
Risk management philosophy
Remuneration
Quantitative tables and templates
Qualitative tables
Abbreviations

LI1: Differences between accounting and regulatory scopes of consolidation and mapping of financial statements with regulatory risk categories (2024)

			Carrying values of items					
As at 30 June 2024 R'000	Carrying values as reported in published financial statements and under the scope of regulatory consolidation	Carrying values under scope of regulator consolidation	Subject to credit risk framework	Subject to counterparty credit risk framework	Subject to the securitisation framework	Subject to the market risk framework	Subject to the other risk framework	Not subject to capital requirements or subject to deduction from capital
1 Cash and balances at central banks	4,814,946	4,010,762	4,010,762	0	0	0	0	0
2 Short-term negotiable securities	8,369,805	8,369,805	4,827,626	0	0	0	0	0
3 Derivative assets	0	0	0	0	0	0	0	0
4 Loans and advances to customers	6,028,003	7,080,258	7,080,258	0	0	674,591	0	0
5 Available for sale financial assets	0	0	0	0	0	0	0	0
6 Interest in subsidiaries	0	0	0	0	0	0	0	0
7 Interest in associate	0	0	0	0	0	0	0	0
8 Intangible assets	3,054,099	3,054,100	0	0	0	0	0	3,054,100
9 Current income tax assets	0	0	0	0	0	0	0	0
10 Deferred income tax assets	1,498,521	1,498,521	240,575	0	0	0	0	1,341,328
11 Property and equipment	0	0	0	0	0	0	0	0
12 Other assets	1,232,001	608,344	0	0	0	0	608,344	0
13 **Total assets**	**24,997,375**	**24,621,790**	**16,159,221**	**0**	**0**	**674,591**	**608,344**	**4,395,428**
Liabilities	0	0	0	0	0	0	0	0
14 Deposits and current accounts	18,466,904	18,466,903	0	0	0	601,431	0	0
15 Derivative financial instruments	0	0	0	0	0	0	0	0
16 Provisions and other liabilities	662,924	287,340	0	0	0	0	0	0
17 Current income tax liabilities	0	0	0	0	0	0	0	0
18 Deferred income tax assets	0	0	0	0	0	0	0	0
19 **Total liabilities**	19,129,828	18,754,243	0	0	0	601,431	0	0
Equity	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
20 Share capital and premium	9,634,489	9,634,489	0	0	0	0	0	0
21 Accumulated profit/(loss)	(4,081,481)	(4,081,481)	0	0	0	0	0	(4,081,481)
22 Other reserves	314,539	314,539	0	0	0	0	0	0
23 **Total equity**	**5,867,547**	**5,867,547**	**0**	**0**	**0**	**0**	**0**	**(4,081,481)**

Commentary for deltas:

1 and 4. Interbank operational deposits are treated as Cash & Cash Equivalents from an IFRS perspective in the Annual Financial Statements.

These deposits are categorised as 'Other loans & advances in the Banks Act returns.

12 and 16. Intercompany balances are disclosed on a gross basis on the Annual Financial Statements despite the legal right to set-off, and the net presentation on the Banks Act returns.

Other minor differences are the result of rounding for reporting purposes.

Discovery Bank's financial performance
Strategy and business model
Risk management philosophy
Remuneration
Quantitative tables and templates
Qualitative tables
Abbreviations

LI1: Differences between accounting and regulatory scopes of consolidation and mapping of financial statements with regulatory risk categories (2023) continued

				Carrying values of items					
As at 30 June 2023 R'000		Carrying values as reported in published financial statements and under the scope of regulatory consolidation	Carrying values under the scope of regulator consolidation	Subject to the credit risk framework	Subject to the counterparty credit risk framework	Subject to the securitisation framework	Subject to the market-risk framework	Subject to the other risk frameworks	Not subject to capital requirements or subject to deduction from capital
1	Cash and balances at central banks	3,865,981	3,077,754	3,077,754	0	0	0	0	0
2	Short-term negotiable securities	6,504,984	6,504,984	6,504,984	0	0	0	0	0
3	Derivative assets	0	0	0	0	0	0	0	0
4	Loans and advances to customers	4,702,458	5,562,838	5,562,838	0	0	73,278	0	0
5	Available for sale financial assets	0	0	0	0	0	0	0	0
6	Interest in subsidiaries	0	0	0	0	0	0	0	0
7	Interest in associate	0	0	0	0	0	0	0	0
8	Intangible assets	3,024,921	3,024,921	0	0	0	0	0	3,024,921
9	Current income tax assets	0	0	0	0	0	0	0	0
10	Deferred income tax assets	1,323,809	1,323,809	147,916	0	0	0	0	1,175,893
11	Property and equipment	0	0	0	0	0	0	0	0
12	Other assets	452,607	389,060	0	0	0	0	389,060	0
13	**Total assets**	**19,874,761**	**19,883,366**	**15,293,492**	**0**	**0**	**73,278**	**389,060**	**4,200,814**
Liabilities		0	0	0	0	0	0	0	0
14	Deposits and current accounts	14,332,536	14,332,536	0	0	0	0	0	0
15	Derivative financial instruments	1,978	1,978	0	0	0	0	0	0
16	Provisions and other liabilities	241,900	250,505	0	0	0	0	0	0
17	Current income tax liabilities	0	0	0	0	0	0	0	0
18	Deferred income tax assets	0	0	0	0	0	0	0	0
19	**Total liabilities**	**14,576,414**	**14,585,019**	**0**	**0**	**0**	**0**	**0**	**0**
Equity		0	0	0	0	0	0	0	0
20	Share capital and premium	8,617,889	8,617,889	0	0	0	0	0	0
21	Accumulated profit/(loss)	(3,570,582)	(3,570,582)	0	0	0	0	0	0
22	Other reserves	251,041	251,041	0	0	0	0	0	0
23	**Total equity**	**5,298,348**	**5,298,348**	**0**	**0**	**0**	**0**	**0**	**0**

LI2: Main sources of differences between regulatory exposure amounts and carrying values in financial statements (2024/2023)

		Items subject to				
As at 30 June 2024 R'000	**Total**	**Credit risk framework**	**Securitisation framework**	**Counterparty credit risk framework**	**Market risk framework**	**Other**
Asset carrying value amount under scope of regulatory consolidation (as per template LI1)	24,621,790	16,159,221	0	0	674,591	608,344
Liabilities carrying value amount under regulatory scope of consolidation (as per template LI1)	18,754,243	0	0	0	601,431	
Total net amount under regulatory scope of consolidation	**5,867,547**	**16,159,221**	**0**	**0**	**73,160**	**608,344**
Off-balance sheet amounts	8,849,263	884,646	0	0	–	
Exposure amounts considered for regulatory purposes	**14,716,810**	**17,043,867**	**0**	**0**	**73,160**	**608,344**
As at 30 June 2023						
Asset carrying value amount under the scope of regulatory consolidation (as per template LI1)	19,883,366	15,293,492	0	0	73,278	389,060
Liabilities carrying value amount under regulatory scope of consolidation (as per template LI1)	14,585,019	0	0	0	0	
Total net amount under the regulatory scope of consolidation	**5,298,347**	**15,293,492**	**0**	**0**	**73,278**	**389,060**
Off-balance sheet amounts	7,539,132	753,913*	0	0	0	
Exposure amounts considered for regulatory purposes	**12,837,479**	**16,047,405**	**0**	**0**	**73,278**	**389,060**

Commentary:

Normal growth of the balance sheet.

Quantitative information on IRRBB (2024)

In reporting currency	**EVE**		**NII**	
Period	**T**	**T-1**	**T**	**T-1**
Parallel up	(154,199)		(34,139)	
Parallel down	183,925		34,139	
Steepener	13,384			
Flattener	(42,719)			
Short rate up	(101,285)			
Short rate down	105,666			
Maximum	**(154,199)**		**(34,139)**	
Tier 1 capital	**1,470,477**		**1,470,477**	

Commentary:

The Bank remains well within the Regulatory Supervisory Outlier Test (SOT).

Discovery Bank's financial performance
Strategy and business model
Risk management philosophy
Remuneration
Quantitative tables and templates
Qualitative tables
Abbreviations

LEVERAGE RATIO

LR1 – Summary comparison of accounting assets vs leverage ratio exposure (2024/2023)

R'000		As at 30 June 2024
1	Total consolidated assets as per published financial statements	25,189,910
2	Adjustment for investments in banking, financial, insurance or commercial entities that are consolidated for accounting purposes but outside the scope of regulatory consolidation	0
3	Adjustment for securitised exposures that meet the operational requirements for recognition of risk transference	
4	Adjustments for temporary exemption of central bank reserves (if applicable)	
5	Adjustment for fiduciary assets recognised on the balance sheet pursuant to the operative accounting framework but excluded from the leverage ratio exposure measure	0
6	Adjustments for regular-way purchases and sales of financial assets subject to trade date accounting	
7	Adjustments for eligible cash pooling transactions	
8	Adjustments for derivative financial instruments	0
9	Adjustment for securities financing transactions (i.e., repos and similar secured lending)	0
10	Adjustment for off-balance sheet items (i.e., conversion to credit equivalent amounts of off-balance sheet exposures)	885,452
11	Adjustments for prudent valuation adjustments and specific and general provisions which have reduced Tier 1 capital	
12	Other adjustments	(4,692,093)
13	**Leverage ratio exposure measure**	**21,383,269**

		As at 30 June 2023
1	Total consolidated assets as per published financial statements	20,352 447
2	Adjustment for investments in banking, financial, insurance or commercial entities that are consolidated for accounting purposes but outside the scope of regulatory consolidation	0
3	Adjustment for fiduciary assets recognised on the balance sheet pursuant to the operative accounting framework but excluded from the leverage ratio exposure measure	0
4	Adjustments for derivative financial instruments	1 396
5	Adjustment for securities financing transactions (meaning repos and similar secured lending)	0
6	Adjustment for off-balance sheet items (meaning conversion to credit equivalent amounts of off-balance sheet exposures)	753,913
7	Other adjustments	(4 ,476,175)
8	**Leverage ratio exposure measure**	**16,631,582**

Commentary:

Discovery Bank strives to ensure that we keep the leverage ratio above the minimum of 4%.

Discovery Bank's financial performance
Strategy and business model
Risk management philosophy
Remuneration
Quantitative tables and templates
Qualitative tables
Abbreviations

LEVERAGE RATIO / continued

LR2: Leverage ratio common disclosure template (2024)

R'000		As at 30 June 2024	As at 31 March 2024
On-balance sheet exposures			
1	On-balance sheet exposures (excluding derivatives and securities financing transactions (SFTs))	24,894,887	23,770,564
2	Gross-up for derivatives collateral provided where deducted from balance sheet assets pursuant to the operative accounting framework		
3	(Deductions of receivable assets for cash variation margin provided in derivatives transactions)		
4	(Adjustment for securities received under securities financing transactions that are recognised as an asset)		
5	(Specific and general provisions associated with on-balance sheet exposures that are deducted from Basel III Tier 1 capital)		
6	(Asset amounts deducted in determining Basel III Tier 1 capital)	(4,397,070)	(4,389,321)
7	**Total on-balance sheet exposures (excluding derivatives and SFTs) (sum of row 1 and 2)**	**20,497,817**	**19,381,243**
Derivative exposures			
8	Replacement cost associated with all derivatives transactions (where applicable net of eligible cash variation margin and/or with bilateral netting)	0	0
9	Add-on amounts for PFE associated with all derivatives transactions	0	0
10	(Exempted CCP leg of client-cleared trade exposures)	0	0
11	Adjusted effective notional amount of written credit derivatives	0	0
12	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)	0	0
13	**Total derivative exposures (sum of rows 4 to 10)**	**0**	**0**

R'000		As at 30 June 2024	As at 31 March 2024
Securities financing transaction exposures			
14	Gross SFT assets (with no recognition of netting) after adjusting for sale accounting transactions	0	0
15	(Netted amounts of cash payables and cash receivables of gross SFT assets)	0	0
16	CCR exposure for SFT assets	0	0
17	Agent transaction exposures	0	0
18	**Total securities financing transaction exposures (sum of rows 12 to 15)**	**0**	**0**
Other off-balance sheet exposures			
19	Off-balance sheet exposure at gross notional amount	8,854,520	8,463,540
20	(Adjustments for conversion to credit equivalent amounts)	(7,969,068)	(7,617,186)
21	(Specific and general provisions associated with off-balance sheet exposures deducted in determining Tier 1 capital)		
22	**Off-balance sheet items (sum of row 17 and 18)**	**885,452**	**846,354**
Capital and total exposures			
23	Tier 1 capital	1,470,477	1,225,219
24	**Total exposures (sum of rows 3,11,16 and 19)**	**21,383,269**	**20,227,597**
Leverage ratio			
25	Basel III Leverage ratio	6.87%	6.05%
25a	Basel III Leverage ratio (excluding the impact of any applicable temporary exemption of central bank reserves)	6.87%	6.05%
26	National minimum leverage ratio requirement	4.00%	4.00%
27	Applicable leverage buffers	2.87%	2.05%

Discovery Bank's financial performance
Strategy and business model
Risk management philosophy
Remuneration
Quantitative tables and templates
Qualitative tables
Abbreviations

LEVERAGE RATIO / continued

LR2: Leverage ratio common disclosure template (2023)

The purpose of the leverage ratio disclosure is to provide a detailed breakdown of the components of the leverage ratio denominator.

	R'000	As at 30 June 2023	As at 31 March 2023
	On-balance sheet exposures		
1	On-balance sheet exposures (excluding derivatives and securities financing transactions (SFTs))	20,115,249	19,634,641
2	(Asset amounts deducted in determining Basel III Tier 1 capital)	(4,238,977)	(4,171,325)
3	**Total on-balance sheet exposures (excluding derivatives and SFTs) (sum of row 1 and 2)**	**15,876,272**	**15,463,316**
	Derivative exposures		
4	Replacement cost associated with all derivatives transactions (where applicable, net of eligible cash variation margin and/or with bilateral netting)	0	0
5	Add-on amounts for PFE associated with all derivatives transactions	1,396	1,891
6	Gross-up for derivatives collateral provided, where deducted from the balance sheet assets pursuant to the operative accounting framework	0	0
7	(Deductions of receivables assets for cash variation margin provided in derivatives transactions)	0	0
8	(Exempted CCP leg of client-cleared trade exposures)	0	0
9	Adjusted effective notional amount of written credit derivatives	0	0
10	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)	0	0
11	**Total derivative exposures (sum of rows 4 to 10)**	**1,396**	**1,891**

	R'000	As at 30 June 2023	As at 31 March 2023
	Securities financing transaction exposures		
12	Gross SFT assets (with no recognition of netting) after adjusting for asle accounting transactions	0	0
13	(Netted amounts of cash payables and cash receivables of gross SFT assets)	0	0
14	CCR exposure for SFT assets	0	0
15	Agent transaction exposures	0	0
16	**Total securities financing transaction exposures (sum of rows 12 to 15)**	0	0
	Other off-balance sheet exposures		
17	Off-balance sheet exposure at gross notional amount	7,539,130	7,312,700
18	(Adjustments for conversion to credit equivalent amounts)	(6,785,217)	(5,850,160)
19	**Off-balance sheet items (sum of row 17 and 18)**	**753,913**	**1,462,540**
	Capital and total exposures		
20	Tier 1 capital	1,059,371	1,100,609
21	**Total exposures (sum of rows 3, 11, 16 and 19)**	**16,631,582**	**16,927,747**
	Leverage ratio		
22	Basel III leverage ratio	6.37%	6.5%

Commentary:

Discovery Bank strives to ensure that we keep the leverage ratio above the minimum of 4%.

Discovery Bank's financial performance
Strategy and business model
Risk management philosophy
Remuneration
Quantitative tables and templates
Qualitative tables
Abbreviations

LIQUIDITY

LIQ1: Liquidity Coverage Ratio (LCR) (2024/2023)

As at 30 June 2024 R'000		Current reporting period Total unweighted (average)	Current reporting period Total weighted (average)	Previous reporting period Total weighted (average)
High-quality liquid assets				
1	Total HQLA	0	10,402,819	9,955,025
Cash outflows				
2	**Retail deposits and deposits from small business customers, of which:**	**10,703,766**	**1,070,377**	**1,015,717**
3	Stable deposits	0	0	0
4	Less stable deposits	10,703,766	1,070,377	1,015,717
5	**Unsecured wholesale funding, of which:**	**0**	**0**	**0**
6	Operational deposits (all counterparties) and deposits in networks of cooperative banks	0	0	0
7	Non-operational deposits (all counterparties)	0	0	0
8	Unsecured debt	0	0	0
9	**Secured wholesale funding**	**0**	**0**	**0**
10	**Additional requirements, of which:**	**0**	**0**	**0**
11	Outflows related to derivative exposures and other collateral requirements	0	0	0
12	Outflows related to loss of funding on debt products	0	0	0
13	Credit and liquidity facilities	2,596,421	64,912	181,558
14	**Other contractual funding obligations**	**0**	**0**	**0**
15	**Other contingent funding obligations**	**0**	**0**	**0**
16	**Total cash outflows**	**13,300,187**	**1,135,288**	**1,197,275**
Cash inflows				
17	Secured lending (e.g., reverse repos)	629,092	0	0
18	Inflows from fully performing exposures	1,350,704	1,193,244	1,593,517
19	Other cash inflows			0
20	**Total cash inflows**	**1,979,796**	**1,193,244**	**1,593,517**

Total Adjusted value		Total Adjusted value	
21	Total HQLA	10,402,819	9,955,025
22	Total net cash outflows	367,151	354,895
23	**Liquidity Coverage Ratio (%)**	**2,927%**	**2,817%**

Commentary:

The HQLA's have seen a slight increase since March 2024. The Bank has well defined strategies in place to manage these assets ensuring it remains within the required SOT limits. However, the outflows have not shown significant movement over the past year. Overall, the LCR remains well above the minimum requirement.

LIQUIDITY / continued

LIQ1: Liquidity Coverage Ratio (LCR) (2024/2023) / continued

Table LIQ1 shows the breakdown of Discovery Bank's expected cash outflows and cash inflows, as well as its available high-quality liquid assets (HQLA), as measured and defined according to the LCR standard.

		Current reporting period		Previous reporting period
As at 30 June 2023 R'000		Total unweighted (average)	Total weighted (average)	Total weighted (average)
High-quality liquid assets				
1	Total HQLA	0	8 753 199	7,883,386
Cash outflows				
2	**Retail deposits and deposits from small business customers, of which:**	**8,279,184**	**827 918**	**790,409**
3	Stable deposits	0	0	(58)
4	Less stable deposits	8,279,184	827 918	790,467
5	**Unsecured wholesale funding, of which:**	**256,977**	**27 554**	**1,825**
6	Operational deposits (all counterparties) and deposits in networks of cooperative banks	0	0	0
7	Non-operational deposits (all counterparties)	256,977	27 554	1,825
8	Unsecured debt	0	0	0
9	**Secured wholesale funding**	**0**	**0**	**0**
10	**Additional requirements, of which:**	**0**	**0**	**0**
11	Outflows related to derivative exposures and other collateral requirements	0	0	0
12	Outflows related to loss of funding on debt products	0	0	0
13	Credit and liquidity facilities	7,259,964	181 499	174,379
14	**Other contractual funding obligations**	**0**	**0**	**0**
15	**Other contingent funding obligations**	**0**	**0**	**0**
16	**Total cash outflows**	**15,796,125**	**1 036 972**	**966,613**
Cash inflows				
17	Secured lending (for example, reverse repos)	0	0	0
18	Inflows from fully performing exposures	979,341	848 481	1,768,148
19	Other cash inflows	0	0	0
20	**Total cash inflows**	**979,341**	**848 481**	**1,768,148**

Total Adjusted value		Total Adjusted value	
21	Total HQLA	8 753 199	7,883,386
22	Total net cash outflows	350,713	310,302
23	**Liquidity Coverage Ratio (%)**	**2,566%**	**2 623%**

The Liquidity Coverage

The liquidity coverage ratio (LCR) measures whether a bank has sufficient high-quality liquid assets (HQLA) to survive a significant stress scenario lasting 30 calendar days.

The LIQ1 table complies with the Pillar 3 requirements as stipulated by BCBS D400 (March 2017) and Directive D8. The values in the table are calculated as the average of the 90-day calendar daily values over the period April to June 2023 for Discovery Bank Limited. Discovery Bank's weighted values are based on business days (excluding public holidays and weekends).

Deposits within the 30-day window are the key drivers of LCR. The weighted outflow is determined by the liabilities falling into the 30-day contractual bucket. The required HQLAs to be held are based on the characteristics of the liabilities within the 30-day bucket to set off modelled stressed outflows.

THE COMPOSITION OF THE HIGH-QUALITY LIQUID ASSETS (HQLA):

The HQLAs held by Discovery Bank are Treasury Bills and Bonds (R2,030, R2,032 and R186) with a maturity profile, spread up to 10 years, as well as the surplus balance within the SAMOS account, based on the new Monetary Policy Implementation Framework (MPIF) model.

Discovery Bank's financial performance
Strategy and business model
Risk management philosophy
Remuneration
Quantitative tables and templates
Qualitative tables
Abbreviations

LIQUIDITY / continued

LIQ2: Net Stable Funding Ratio (NSFR) (2024)

	As at 30 June 2024 R'000	Items subject to: No Maturity	Items subject to: < 6 months	Items subject to: 6 months to < 1 year	Items subject to: >= 1 year	Weighted value
1	**Capital:**	**9,949,028**	**0**	**0**	**0**	**9,949,028**
2	Regulatory capital	**9,949,028**	**0**	**0**	**0**	**9,949,028**
3	Other capital instruments	0	0	0	0	0
4	**Retail deposits and deposits from small business customers:**	**0**	**16,369,725**	**781,789**	**1,315,389**	**16,751,752**
5	Stable deposits	**0**	**0**	**0**	**0**	**0**
6	Less stable deposits	0	16,369,725	781,789	1,315,389	16,751,752
7	**Wholesale funding:**	**0**	**0**	**0**	**0**	**0**
8	Operational deposits	0	0	0	0	0
9	Other wholesale funding	**0**	**0**	**0**	**0**	**0**
10	Liabilities with matching interdependent assets	**0**	**287,340**	**0**	**0**	**0**
11	Other liabilities:	0	0	0	0	0
12	NSFR derivative liabilities	0	0	0	0	0
13	All other liabilities and equity not included in the above categories	0	287,340	0	0	0
14	**Total ASF**	**0**	**0**	**0**	**0**	**26,700,780**
15	Total NSFR high-quality liquid assets (HQLA)	0	7,027,466	1,849,202	3,503,899	440,035
16	Deposits held at other financial institutions for operational purposes	0	0	0	0	0
17	Performing loans and securities:	0	2,482,937	1,184,776	3,391,235	4,409,063
18	Performing loans to financial institutions secured by Level 1 HQLA	0	0	0	0	0
19	Performing loans to financial institutions secured by non-Level 1 HQLA and unsecured performing loans to financial institutions	0	878,125	0	0	131,719
20	Performing loans to non-financial corporate clients, loans to retail and small business customers, and loans to sovereigns, central banks, and PSEs, of which:	0	1,604,812	1,184,776	3,391,235	4,277,344
21	With a risk weight of less than or equal to 35% under the Basel II standardised approach for credit risk	0	0	0	0	0
22	Performing residential mortgages, of which:	0	0	0	0	0
23	With a risk weight of less than or equal to 35% under the Basel II standardised approach for credit risk	0	0	0	0	0
24	Securities that are not in default and do not qualify as HQLA, including exchange-traded equities	0	0	0	0	0
25	Assets with matching interdependent liabilities	0	0	0	0	0
26	Other assets:	9,263,756	0	0	0	9,263,756
27	Physical traded commodities, including gold	0	0	0	0	0
28	Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs	0	0	0	0	0
29	NSFR derivative assets	0	0	0	0	0
30	NSFR derivative liabilities before deduction of variation margin posted	0	0	0	0	0
31	All other assets not included in the above categories	9,263,756	0	0	0	9,263,756
32	Off-balance sheet items	8,849,263	0	0	0	442,463
33	**Total RSF**	**0**	**0**	**0**	**0**	**14,555,316**
34	**Net Stable Funding Ratio (%)**					**183%**

Commentary:

The available stable and required stable funding have increased slightly since March 2024. Overall the NSFR has remained static during this period.

LIQUIDITY / continued

LIQ2: Net Stable Funding Ratio (NSFR) (2023) continued

This section provides information pertaining to Discovery Bank's net stable funding ratio (NSFR) and details of some of its components.

As at 30 June 2023 R'000		Items subject to				
		No Maturity	< 6 months	6 months to < 1 year	>= 1 year	Weighted value
1	**Capital:**	**8,868,930**	**0**	**0**	**0**	**8,868,930**
2	Regulatory capital	8,868,930	0	0	0	8,868,930
3	Other capital instruments	0	0	0	0	0
4	**Retail deposits and deposits from small business customers:**	**0**	**12,193,678**	**894,470**	**1,244,388**	**13,023,721**
5	Stable deposits	0	0	0	0	0
6	Less stable deposits	0	12,193,678	894,470	1,244,388	13,023,721
7	**Wholesale funding:**	**0**	**0**	**0**	**0**	**0**
8	Operational deposits	0	0	0	0	0
9	Other wholesale funding	0	0	0	0	0
10	Liabilities with matching interdependent assets	0	250,505	0	1,978	0
11	Other liabilities:	0	0	0	0	0
12	NSFR derivative liabilities	0	0	0	1,978	0
13	All other liabilities and equity not included in the above categories	0	250,505	0	0	0
14	**Total ASF**					**21,892,651**
15	Total NSFR high-quality liquid assets (HQLA)	0	5,103,357	1,059,107	3,420,275	342,215
16	Deposits held at other financial institutions for operational purposes	0	0	0	0	0
17	Performing loans and securities:	0	2,633,571	1,456,436	1,941,915	3,394,499
18	Performing loans to financial institutions secured by Level 1 HQLA	0	0	0	0	0
19	Performing loans to financial institutions secured by non-Level 1 HQLA and unsecured performing loans to financial institutions	0	860,380	0	0	129,057
20	Performing loans to non-financial corporate clients, loans to retail and small business customers, and loans to sovereigns, central banks and PSEs, of which:	0	1,773,191	1,456,436	1,941,915	3,265,442
21	With a risk weight of less than or equal to 35% under the Basel II standardised approach for credit risk	0	0	0	0	0
22	Performing residential mortgages, of which:	0	0	0	0	0
23	With a risk weight of less than or equal to 35% under the Basel II standardised approach for credit risk	0	0	0	0	0
24	Securities that are not in default and do not qualify as HQLA, including exchange-traded equities	0	0	0	0	0
25	Assets with matching interdependent liabilities	0	0	0	0	0
26	Other assets:	7,839,292	0	0	0	7,839,292
27	Physical traded commodities, including gold	0	0	0	0	0
28	Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs	0	0	0	0	0
29	NSFR derivative assets	0	0	0	0	0
30	NSFR derivative liabilities before deduction of variation margin posted	0	0	0	0	0
31	All other assets not included in the above categories	7,839,292	0	0	0	7,839,292
32	Off-balance sheet items	7,539,330	0	0	0	376,957
33	**Total RSF**					**11,953,161**
34	**Net Stable Funding Ratio (%)**					**183%**

The NSFR determines if an institution can maintain its stable funding profile when looking at its assets and off-balance sheet commitments on an ongoing basis. This ratio calculates the proportion available stable funding (AFS) in liabilities over the required stable funding (RFS) for the assets. Sources of available funding for Discovery Bank include share capital and client deposits.

CREDIT RISK

CR1: Credit quality of assets (2024/2023)

The following tables show the credit quality of both on- and off-balance sheet assets and the impact of impairments as at financial year-end, as well as exposures per asset class, pre- and post-credit conversion factors and credit risk mitigation.

	Gross carrying values			Of which: ECL accounting provisions for credit losses on SA exposure			
As at 30 June 2024 R'000	Defaulted exposures	Non-defaulted exposures	Allowances/ impairments**	Allocated in regulatory category of Specific	Allocated in regulatory category of General	Of which: ECL accounting provisions for credit losses on IRB exposure	Net values (a+b-c)
Regulatory portfolio/risk weight							
1 Loans*	360,417	7,685,110	568,779	295,023	273,756	0	7,476,748
2 Debt securities	0	0	0	0	0	0	0
3 Off-balance sheet exposures	0	2,399	0	0	0	0	2,399
4 **Total**	**360,417**	**7,687,509**	**568,779**	**295,023**	**273,756**	**0**	**7,479,147**
As at 30 June 2023							
Regulatory portfolio/risk weight							
1 Loans*	261,319	5,858,294	469,076	237,198	231,878	0	5,650,537
2 Debt securities	0	0	0	0	0	0	0
3 Off-balance sheet exposures	0	0	0	0	0	0	0
4 **Total**	**261,319**	**5,858,294**	**469,076**	**237,198**	**231,878**	**0**	**5,650,537**

** Loans include advances to clients and interbank advances, excluding sovereign exposures (on-balance sheet) using monthly average balances.*
*** Off-balance sheet exposures are reported gross of CRM and CCF and exclude revocable commitments.*

Commentary:

Year on year the credit loss experience and credit quality of the portfolio did somewhat deteriorate based on the following drivers:

1. Portfolio being more weighted towards new business in FY24 compared to FY23 - young accounts typically experience higher credit losses compared to mature existing business.
2. Credit deterioration in the form of defaults increased year-on-year across both new and existing business as a result of a high-interest rate environment and consequent impact on clients.
3. Slight worsening of the portfolio average risk profile (across various rating factors).
4. Increased debt review inflows (particularly from clients that are up to date with Discovery Bank) in line with market trends.

Discovery Bank's financial performance
Strategy and business model
Risk management philosophy
Remuneration
Quantitative tables and templates
Qualitative tables
Abbreviations

CREDIT RISK / continued

CR2: Changes in stock of defaulted loans and debt securities (2024/2023)

	R'000	As at 30 June 2024
1	**Defaulted loans and debt securities at the end of the previous reporting period**	**337,838**
2	Loans and debt securities that have defaulted since the last reporting period	167,979
3	Returned to non-defaulted status	83,637
4	Amounts written off	76,530
5	Other changes	14,767
6	**Defaulted loans and debt securities at the end of the reporting period (1+2-3-4±5)**	**360,417**

	R'000	As at 30 June 2023
1	**Defaulted loans and debt securities at the end of the previous reporting period**	**198,490**
2	Loans and debt securities that have defaulted since the last reporting period	123,546
3	Returned to non-defaulted status	10,805
4	Amounts written off	51,764
5	Other changes	1,853,
6	**Defaulted loans and debt securities at the end of the reporting period (1+2-3-4±5)**	**261,319**

Commentary:

Defaulted loans increased due to normal portfolio growth but also due to pressure of macroeconomic conditions during the past financial year.

CR3: Credit risk mitigation techniques – overview (2024/2023)

	As at 30 June 2024 R'000	Exposures unsecured: carrying amount	Exposures secured by collateral	Exposure secured by collateral, of which: secured amount	Exposures secured by financial guarantees	Exposure secured by financial guarantees, of which: secured amount	Exposures secured by credit derivatives	Exposure secured by credit derivatives, of which: secured amount
1	Loans	7,148,045	328,703	328,703	0	0	0	0
2	Debt securities	0	0	0	0	0	0	0
3	**Total**	7,148,045	328,703	328,703	0	0	0	0
4	**of which: defaulted**	**67,228**	**0**	**0**	**0**	**0**	**0**	**0**
	As at 30 June 2023							
1	Loans	5,650,537	0	0	0	0	0	0
2	Debt securities	0	0	0	0	0	0	0
3	**Total**	**5,650,537**	**0**	**0**	**0**	**0**	**0**	**0**
4	**of which: defaulted**	**47,828**	**0**	**0**	**0**	**0**	**0**	**0**

Table CR3 uses monthly average balances.

Commentary:

Increased loans as a result of the new products launched during the past financial year.

Discovery Bank's financial performance
Strategy and business model
Risk management philosophy
Remuneration
Quantitative tables and templates
Qualitative tables
Abbreviations

CREDIT RISK / continued

CR4: Standardised approach – credit risk exposure and Credit Risk Mitigation (CRM) effects (2024/2023)

		Exposures before CCF and CRM		Exposures post-CCF and CRM		RWA and RWA density	
As at 30 June 2024 R'000		**On-balance sheet amount**	**Off-balance sheet amount**	**On-balance sheet amount**	**Off-balance sheet amount**	**RWA**	**RWA density**
1	**Sovereigns and their central banks**	8,369,805	0	8,369,805	0	0	0
2	Non-central government public sector entities	175,527	0	175,527	0	0	0
3	Multilateral development banks	0	0	0	0	0	0
4	Banks	1,269,067	0	957,400	0	203,947	21
	of which: securities firms and other financial institutions	0	0	0	0	0	0
5	Covered Bonds						
6	Corporates	0	0	0	0	0	0
	of which: securities firms and other financial institutions						
	of which: specialised lending						
7	Subordinated debt, equity and other capital						
8	Retail	6,223,461	8,741,345	6,223,292	0	4,667,469	75
9	Real estate	17,055	2,399	17,055	725	6,383	36
	of which: general RRE	17,055	2,399	17,055	725	6,383	36
	of which: IPRRE						
	of which: CRE						
	of which: IPCRE						
	of which: land acquisition, development and construction						
10	Defaulted exposures/Past due exposures	360,417	108,425	104,007	0	57,254	55
11	Other assets	7,673,206	0	7,673,206	0	608,344	8
12	**Total**	**24,088,538**	**8,852,169**	**23,520,292**	**725**	**5,543,397**	**23**
As at 30 June 2023							
1	**Sovereigns and their central banks**	6,866,030	0	6,866,030	0	0	0
2	Non-central government public sector entities	0	0	0	0	0	0
3	Multilateral development banks	0	0	0	0	0	0
4	Banks	855,847	0	856,826	0	171,365	20
5	Securities firms	0	0	0	0	0	0
6	Corporates	0	0	0	0	0	0
7	Regulatory retail portfolios	5,002,446	7,307,236	5,002,274	0*	3,751,706	75
8	Secured by residential property	0	0	0	0	0	0
9	Secured by commercial real estate	0	0	0	0	0	0
10	Equity	0	0	0	0	0	0
11	Past-due loans	261,319	99,790	63,344	0	33,960	54
12	Higher-risk categories	0	0	0	0	0	0
13	Other assets	6,491,735	0	6,491,735	0	389,060	6
14	**Total**	**19,477,378**	**7,407,026**	**19,280,210**	**0**	**4,346,091**	**23**

* *The only material movement YoY is the decrease in the off balances sheet credit exposures due to the Bank changing from a CCF of 20% to a CCF of 0% after approval from the PA and Audit.*

Commentary:

During the past financial year, the Bank launched Home Loans and are expected to see more growth in this portfolio YoY.

The CRM on the bank exposures are related to the secured interbank lending which The Bank started entering again in 2024.

CREDIT RISK / continued

CR5: Standardised approach – exposures by asset classes and risk weights (2024)

		Risk weight									
	As at 30 June 2024 R'000	0%	10%	20%	35%	50%	75%	100%	150%	Others	Total credit exposure amount (post CCF and post-CRM)
1	**Sovereigns and their central banks**	8,369,805	0	0	0	0	0	0	0	0	8,369,805
2	Non-central government public sector entities (PSEs)	175,527	0	0	0	0	0	0	0	0	175,527
3	Multilateral development banks (MDBs)	0	0	0	0	0	0	0	0	0	0
4	Banks	0	0	957,400	0	0	0	0	0	0	957,400
	of which: securities firms and other financial institutions										
5	Covered bonds	0	0	0	0	0	0	0	0	0	0
6	Corporates	0	0	0	0	0	0	0	0	0	0
	of which: securities firms and other financial institutions										
	of which: specialised lending										
7	Subordinated debt, equity and other capital										
8	Retail	0	0	0	0	0	6,223,292		0	0	6,223,292
9	Real estate	0	0	0	17,382	0	398	0	0	0	17,780
	of which: general RRE				17,382		398				17,780
	of which: no loan splitting applied										
	of which: loan splitting applied (secured)										
	of which: loan splitting										
	of which: IPRRE										
	of which: general CRE										
	of which: no loan splitting applied										
	of which: loan splitting applied (secured)										
	of which: loan splitting applied (unsecured)										
	of which: IPCRE										
	of which: land acquisition, development and construction										
10	Past-due loans/defaulted exposures	0	0	0	0	94,286	0	8,940	781	0	104,007
11	Other assets	4,010,762	0	0	0	0	0	608,344	0	3,054,100	7,673,206

Commentary:

The Bank has been very intentional to buy more T-bills, Floating Rate Notes and Bonds to increase the yield on the Treasury assets.

CREDIT RISK / continued

CR5: Standardised approach – exposures by asset classes and risk weights (2023) continued

As at 30 June 2023 R'000		Risk weight									
		0%	10%	20%	35%	50%	75%	100%	150%	Others	Total credit exposure amount (post CCF and post-CRM)
1	**Sovereigns and their central banks**	6,866,030	0	0	0	0	0	0	0	0	6,866,030
2	Non-central government public sector entities (PSEs)	0	0	0	0	0	0	0	0	0	0
3	Multilateral development banks (MDBs)	0	0	0	0	0	0	0	0	0	0
4	Banks	0	0	856,826	0	0	0	0	0	0	856,826
5	Securities firms	0	0	0	0	0	0	0	0	0	0
6	Corporates	0	0	0	0	0	0	0	0	0	0
7	Regulatory retail portfolios	0	0	0	0	0	5,002,274		0	0	5,002,274
8	Secured by residential property	0	0	0	0	0	0	0	0	0	0
9	Secured by commercial real estate	0	0	0	0	0	0	0	0	0	0
10	Equity	0	0	0	0	0	0	0	0	0	0
11	Past-due loans	0	0	0	0	59,575	0	2,963	807	0	63,344
12	Higher-risk categories	0	0	0	0	0	0	0	0	0	0
13	Other assets	3,077,754	0	0	0	0	0	389,060	0	3,024,921	6,491,735
14	**Total**	**9,943,784**	**0**	**856,826**	**0**	**59,575**	**5,002,274**	**392,023**	**807**	**3,024,921**	**19,280,210**

CREDIT RISK / continued

Exposure amounts and CCFs applied to off-balance sheet exposures, categorised based on risk bucket of converted exposures (2024/2023)

		A	B	C	D
Risk weight As at 30 June 2024 R'000		**On-balance sheet exposure**	**Off-balance sheet exposure**	**Weighted average CCF***	**Exposure (post-CCF and post-CRM)**
1	Less than 40%	13,841,818	2,399	30	13,530,876
2	40 – 70%	361,292	91,922	–	94,286
3	75%	6,223,859	8,741,345	–	6,223,690
4	85%				
5	90 – 100%	623,331	968	–	617,284
6	105 – 130%				
7	150%	794	15,535	–	781
8	250%				
9	400%				
10	1 250%				
11	**Total exposures**	**21,051,094**	**8,852,169**	**30**	**20,466,917**
As at 30 June 2023					
1	Less than 40%	10,799,631	–	–	10,800,610
2	40 – 70%	255	87	–	60
3	75%	5,002,446	7,307,236	–	5,002,274
4	85%				
5	90 – 100%	394	644	–	392
6	105 – 130%				
7	150%	826	12	–	807
8	250%				
9	400%				
10	1 250%				
11	**Total exposures**	**16,452,456**	**7,407,026**	**–**	**16 255,289**

* *Weighting is based on off-balance sheet exposure (pre-CCF).*

Commentary:

The Bank continues to hold HQLA and has deliberately purchased more T-bills to optimise the margin, as seen in increase of exposures in line 1. The weighted average CCF of 30% comes from the redraws and guarantees relating to The Bank's home loan portfolio. All other off balance sheet exposures attracted a 0% CCF for this financial year.

COUNTERPARTY CREDIT RISK

CCR1: Analysis of counterparty credit risk (CCR) exposure by approach (2024/2023)

As at 30 June 2024 R'000	Replace-ment cost	Potential future exposure	EEPE	Alpha used for computing regulatory EAD	EAD post-CRM	RWA
1 SA-CCR (for derivatives)				1.4		
2 Internal Model Method (for derivatives and SFTs)						
3 Simple Approach for credit risk mitigation (for SFTs)						
4 Comprehensive Approach for credit risk mitigation (for SFTs)						
5 VaR for SFTs						
6 **Total**						
As at 30 June 2023						
1 SA-CCR (for derivatives)		699		1.4	979	196
2 Internal Model Method (for derivatives and SFTs)						
3 Simple Approach for credit risk mitigation (for SFTs)						
4 Comprehensive Approach for credit risk mitigation (for SFTs)						
5 VaR for SFTs						
6 **Total**						**196**

Commentary:

The CVA and CCR decreases relates to the derivatives that were used to hedge the price risk on the Discovery Ltd (JSE: DSY) share in respect of the Bank's phantom staff share scheme incentive programmes. On 31 March 2023 one of the derivatives matured, and in June 2023 the remaining ones.

CCR2: Credit valuation adjustment (CVA) capital charge (2024/2023)

As at 30 June 2024 R'000	EAD post-CRM	RWA
Total portfolio subject to the advanced CVA capital charge		
1 (i) VaR component (including the 3x multiplier)	0	0
2 (ii) Stressed VaR component (including the 3x multiplier)	0	0
3 All portfolios subject to the standardised CVA capital charge	0	0
4 **Total subject to the CVA capital charge**	**0**	**0**
As at 30 June 2023		
Total portfolio subject to the advanced CVA capital charge		
1 (i) VaR component (including the 3x multiplier)	0	0
2 (ii) Stressed VaR component (including the 3x muliplier)	0	0
3 All portfolios subject to the standardised CVA capital charge	979	196
4 **Total subject to the CVA capital charge**	**979**	**196**

Commentary:

The CVA and CCR decreases relates to the derivatives that were used to hedge the price risk on the Discovery Ltd (JSE: DSY) share in respect of the Bank's phantom staff share scheme incentive programmes. On 31 March 2023 one of the derivatives matured, and in June 2023 the remaining ones.

Discovery Bank's financial performance

Strategy and business model

Risk management philosophy

Remuneration

Quantitative tables and templates

Qualitative tables

Abbreviations

COUNTERPARTY CREDIT RISK / continued

CCR3: Standardised approach – CCR exposures by regulatory portfolio and risk weights (2024/2023)

	Risk weight								
As at 30 June 2024 R'000	0%	10%	20%	50%	75%	100%	150%	Others	Total credit exposure amount (post-CCF and post-CRM)
Regulatory portfolio									
1 Sovereign	0	0	0	0	0	0	0	0	0
2 Non-central government public sector entities	0	0	0	0	0	0	0	0	0
3 Multilateral development banks	0	0	0	0	0	0	0	0	0
4 Banks	0	0	957,400	0	0	0	0	0	957,400
5 Securities firms	0	0	0	0	0	0	0	0	0
6 Corporates	0	0	0	0	0	0	0	0	0
7 Regulatory retail portfolio	0	0	0	0	0	0	0	0	0
8 Other assets	0	0	0	0	0	0	0	0	0
9 **Total**	**0**	**0**	**957,400**	**0**	**0**	**0**	**0**	**0**	**957,400**
As at 30 June 2023									
Regulatory portfolio									
1 Sovereign	0	0	0	0	0	0	0	0	0
2 Non-central government public sector entities	0	0	0	0	0	0	0	0	0
3 Multilateral development banks	0	0	0	0	0	0	0	0	0
4 Banks	0	0	856,826	0	0	0	0	0	856,826
5 Securities firms	0	0	0	0	0	0	0	0	0
6 Corporates	0	0	0	0	0	0	0	0	0
7 Regulatory retail portfolio	0	0	0	0	0	0	0	0	0
8 Other assets	0	0	0	0	0	0	0	0	0
9 **Total**	**0**	**0**	**856,826**	**0**	**0**	**0**	**0**	**0**	**856,826**

Commentary:

No significant YoY movements.

Discovery Bank's financial performance
Strategy and business model
Risk management philosophy
Remuneration
Quantitative tables and templates
Qualitative tables
Abbreviations

MARKET RISK

MR1: Market risk under the standardised approach (2024/2023)

As at 30 June 2024 R'000		Capital charge in SA
1	General interest rate risk	0
2	Equity risk	0
3	Commodity risk	0
4	Foreign exchange risk	74,996
5	Credit spread risk – non securitisations	0
6	Credit spread risk – securitisations (non-correlation trading portfolio)	0
7	Credit spread risk – securitisations (correlation trading portfolio)	0
8	Default risk – non securitisation	0
9	Default risk – securitisations (non-correlation trading portfolio)	0
10	Default risk – securitisation (correlation trading portfolio)	0
11	Residual risk add-on	0
12	**Total**	**74,996**
As at 30 June 2023		
1	General interest rate risk	0
2	Equity risk	0
3	Commodity risk	0
4	Foreign exchange risk	73,278
5	Credit spread risk – non securitisations	0
6	Credit spread risk – securitisations (non-correlation trading portfolio)	0
7	Credit spread risk – securitisations (correlation trading portfolio)	0
8	Default risk – non securitisation	0
9	Default risk – securitisations (non-correlation trading portfolio)	0
10	Default risk – securitisation (correlation trading portfolio)	0
11	Residual risk add-on	0
12	**Total**	**73,278**

Commentary:

No significant movement YoY, just normal growth of the foreign exchange product offering.

Discovery Bank's financial performance

Strategy and business model

Risk management philosophy

Remuneration

Quantitative tables and templates

Qualitative tables

Abbreviations

REMUNERATION

REM 1: Remuneration awarded during the financial year (2024)

As at end of June 2024			Senior management	Other material risk-takers
Remuneration amount				
1	Fixed Remuneration	Number of employees	6	4
2		**Total fixed remuneration (3+5+7)**	**27,638,129.76**	**19,371,568.35**
3		Of which: cash-based	24,618,139.32	17,525,334.45
4		Of which: deferred		
5		Of which: shares or other share-linked instruments		
6		Of which: deferred		
7		*Of which: other forms	3,019,990.44	1,846,233.90
8		Of which: deferred		
9	Variable Remuneration	Number of employees		
10		**Total variable remuneration (11+13+15)**	**39,311,114.42**	**55,273,736.03**
11		Of which cash-based	22,948,086.98	32,921,506.00
12		Of which: deferred		
13		Of which: shares or other share-linked instruments	16,363,027.44	22,352,230.03
14		Of which deferred		
15		Of which: other forms		
16		Of which: deferred		
17	****Total remuneration (2 +10)**		**66,949,244.18**	**74,645,304.38**

** Provident funds. medical aid contributions.*
*** Total as stated in the Annual Financial Statements.*

Commentary:

During the year an additional material risk taker was appointed, leading to an increase in both fixed and variable remuneration.

REM 2: Special payments

	Guaranteed bonuses		Sign on awards		Severance payments	
Special payments	Number of employees	Total amount	Number of employees	Total amount	Number of employees	Total amount
Senior management	0	0	0	0	0	0
Other material risk-takers	0	0	0	0	0	0

Commentary:

No special payments were made to material risk-takers or senior management during the period under review.

Discovery Bank's financial performance
Strategy and business model
Risk management philosophy
Remuneration
Quantitative tables and templates
Qualitative tables
Abbreviations

REMUNERATION / continued

REM 1: Remuneration awarded during the financial year (2023))

As at end of June 2023			Senior management	Other material risk-takers
Remuneration amount				
1	Fixed Remuneration	Number of employees	7	3
2		**Total fixed remuneration (3+5+7)**	**26,615,008**	**17,668,584**
3		Of which: cash-based	23,535,311	16,271,049
4		Of which: deferred		
5		Of which: shares or other share-linked instruments		
6		Of which: deferred		
7		*Of which: other forms	3,079,697	1,397,536
8		Of which: deferred		
9	Variable Remuneration	Number of employees		
10		**Total variable remuneration (11+13+15)**	**35,687,894**	**43,086,189**
11		Of which: cash-based	26,431,753	17,154,690
12		Of which: deferred		
13		Of which: shares or other share-linked instruments	9,256,141	25,931,499
14		Of which: deferred		
15		Of which: other forms		
16		Of which: deferred		
17	**Total remuneration (2 +10)**		**62,302,902**	**60,754,774**

* *Provident funds. medical aid contributions.*
** *Total as stated in the Annual Financial Statements.*

REM 2: Special payments

Special payments	Guaranteed bonuses		Sign-on awards		Severance payments	
	Number of employees	Total amount	Number of employees	Total amount	Number of employees	Total amount
Senior management	0	0	0	0	0	0
Other material risk-takers	0	0	0	0	0	0

Discovery Bank's financial performance

Strategy and business model

Risk management philosophy

Remuneration

Quantitative tables and templates

Qualitative tables

Abbreviations

REMUNERATION / continued

REM 3: Deferred remuneration (2024/2023)

	A	B	C	D	E
As at end of June 2024 R'000	Total amount of outstanding deferred remuneration	Of which: total amount of outstanding deferred and retained remuneration exposed to ex-post explicit and/ or implicit adjustment	Total amount of amendment during the year due to ex-post explicit adjustments	Total amount of amendment during the year due to ex-post implicit adjustments	Total amount of deferred remuneration paid out in the financial year
Senior management					
Cash					
Shares					
Cash-linked instruments			0	(80,701.72)	1,924,742.87
Other	45,168,022.12	45,168,022.12	0	(2,924,084.91)	14,438,284.56
Other material risk-takers					
Cash					
Shares					
Cash-linked instruments			0	(122,709.44)	1,205,935.81
Other	53,245,516.11	53,245,516.11	0	(2,755,169.57)	23,066,197.20
Total	**98,413,538.23**	**98,413,538.23**	**0**	**(5,882,665.64)**	**40,635,160.44**
As at end of June 2023					
Senior management					
Cash					
Shares					
Cash-linked instruments	2,240,548	2,240,548	0	(1,921,830)	21,840,853
Other	58,830,056	58,830,056	0	4,178,069	4,090,643
Other material risk-takers					
Cash					
Shares					
Cash-linked instruments	1,357,426	1,357,426	0	(50,200)	3,124,187
Other	58,555,420	58,555,420	0	4,797,744	5,148,604
Total	**120,983,450**	**120,983,450**	**0**	**7,003,784**	**34,204,287**

Commentary:

The reduction in deferred remuneration resulted from a senior manager's resignation.

Definitions:

Outstanding exposed to ex post-adjustment of the deferred and retained remuneration; this is subject to direct adjustment clauses (for instance, subject to malus, clawbacks, or similar reversals or downward revaluations of awards).

Outstanding exposed to ex post implicit adjustment part of the deferred and retained remuneration that is subject to adjustment clauses that could change the remuneration due to the fact that they are linked to the performance of other indicators (for instance, fluctuation in the value of shares performance or performance units).

In columns (a) and (b), the amounts at reporting date (cumulated over the last years) are expected. In Columns (c) – (e), movements during the financial year are expected. While columns (c) and (d) show the movements specifically related to column (b), column (e) shows payments that have affected column (a).

Discovery Bank's financial performance
Strategy and business model
Risk management philosophy
Remuneration
Quantitative tables and templates
Qualitative tables
Abbreviations

05

QUALITATIVE TABLES

Discovery Bank's financial performance

Strategy and business model

Risk management philosophy

Remuneration

Quantitative tables and templates

Qualitative tables

Abbreviations

OVA – Bank risk management approach

Description		Key risk	Section in document	Page reference
(a)	How the business model determines and interacts with the overall risk profile (e.g., the key risks related to the business model and how each of these risks is reflected and described in the risk disclosures) and how the risk profile of the bank interacts with the risk tolerance approved by the board.	Risk appetite	Risk management approach & Key Risks	16 – 21
		Credit Risk	Risk management approach & Key Risks	25 – 28
		Market Risk	Risk management approach & Key Risks	29
		Liquidity & Funding Risk	Risk management approach & Key Risks	31 – 33
		Reputational Risk	Risk management approach & Key Risks	22
		Strategic Risk	Risk management approach & Key Risks	22
		Business Risk	Risk management approach & Key Risks	22
		Capital Management	Risk management approach & Key Risks	35 – 36
		Regulatory Risk	Risk management approach & Key Risks	24
		Model Risk	Risk management approach & Key Risks	34
		Operational Risk	Risk management approach & Key Risks	22 – 23
(b)	The risk governance structure: responsibilities attributed throughout the bank (e.g., oversight and delegation of authority; breakdown of responsibilities by type of risk, business unit, etc.); relationships between the structures involved in risk management processes (e.g. board of directors, executive management, separate risk committee, risk management structure, compliance function, internal audit function).	All Risk	Risk management approach	17 – 18
(c)	Channels to communicate, decline and enforce the risk culture within the bank (e.g., code of conduct; manuals containing operating limits or procedures to treat violations or breaches of risk thresholds; procedures to raise and share risk issues between business lines and risk functions).	All Risk	Risk Management – channels to communicate risk	19
(d)	The scope and main features of risk measurement systems.	All Risk	Risk Management	16
(e)	Description of the process of risk information reporting provided to the board and senior management, in particular the scope and main content of reporting on risk exposure.	All Risk	Risk Management	16 – 20
(f)	Qualitative information on stress testing (e.g., portfolios subject to stress testing, scenarios adopted and methodologies used, and use of stress testing in risk management).	Stress Testing	Key Risks – Stress Testing	33 and 36
(g)	The strategies and processes to manage, hedge and mitigate risks that arise from the bank's business model and the processes for monitoring the continuing effectiveness of hedges and mitigants.	ICAAP	Key Risks – ICAAP	36
		Risk appetite	Risk management approach & Key Risks	17 – 21
		Credit Risk	Risk management approach & Key Risks	25 – 28
		Market Risk	Risk management approach & Key Risks	29
		Liquidity & Funding Risk	Risk management approach & Key Risks	31 – 33
		Reputational Risk	Risk management approach & Key Risks	22
		Strategic and Business Risk	Risk management approach & Key Risks	22
		Capital Management Risk	Risk management approach & Key Risks	35 – 36
		Operational Risk	Risk management approach & Key Risks	22 – 23

LIA – Explanations of differences between accounting and regulatory exposure amounts

Description		Section in document	Page reference
(a)	Banks must explain the origins of any significant differences between amounts in columns (a) and (b) in LI1.	Refer to table LI1: Differences between accounting and regulatory scopes of consolidation and mapping of financial statements with regulatory risk.	63
(b)	Banks must explain the origins of differences between carrying values and amounts considered for regulatory purposes shown in LI2.	Refer to table LI2: Main sources of differences between regulatory exposure amounts and carrying values in financial statements.	65
(c)	In accordance with the implementation of the guidance on prudent valuation, banks must describe systems and controls to ensure that the valuation estimates are prudent and reliable. Disclosure must include: • Valuation methodologies, including an explanation of how far mark-to-market and mark-to-model methodologies are used. • Description of the independent price verification process. • Procedures for valuation adjustments or reserves (including a description of the process and the methodology for valuing trading positions by type of instrument).	Not applicable to Discovery Bank's current environment.	n/a

Discovery Bank's financial performance
Strategy and business model
Risk management philosophy
Remuneration
Quantitative tables and templates
Qualitative tables
Abbreviations

LIQA – Liquidity risk management

Description		Key risk	Section in document	Page Reference
(a)	Governance of liquidity risk management, including: risk tolerance; structure and responsibilities for liquidity risk management; internal liquidity reporting; and communication of liquidity risk strategy, policies and practices across business lines and with the board of directors.	Liquidity & Funding Risk	Risk Management and Key Risks	31 – 33
(b)	Funding strategy, including policies on diversification in the sources and tenor of funding, and whether the funding strategy is centralised or decentralised.	Liquidity & Funding Risk		
(c)	Liquidity risk mitigation techniques.	Liquidity & Funding Risk		
(d)	An explanation of how stress testing is used.	Liquidity & Funding Risk		
(e)	An outline of the bank's contingency funding plans.	Liquidity & Funding Risk		

CRA – Banks must describe their risk management and policies for credit risk focusing in particular on:

Description		Key risk	Section in document	Page reference
(a)	How the business model translates into the components of the bank's credit risk profile.	Credit Risk	Risk Management and Key Risks	25 – 28
(b)	Criteria and approach used for defining credit risk management policy and for setting credit risk limits.	Credit Risk		
(c)	Structure and organisation of the credit risk management and control function.	Credit Risk		
(d)	Relationships between the credit risk management, risk control, compliance, and internal audit functions.	Credit Risk		
(e)	Scope and main content of the reporting on credit risk exposure and on the credit risk management function to the executive management and to the board of directors.	Credit Risk		

CRB – Additional disclosure related to the credit quality of assets

Description		Key risk	Commentary/section in document	Page reference
(a)	The scope and definitions of 'past due' and 'impaired' exposures used for accounting purposes and the differences, if any, between the definition of past due and default for accounting and regulatory purposes.	Credit Risk	Risk Management and Key Risks	27
(b)	The extent of past due exposures (more than 90 days) that are not considered to be impaired and the reasons for this.		As per the reporting period, the bank does not have exposures that are past 90 days and not impaired.	n/a
(c)	Description of methods used for determining impairments.		The Bank is guided by the impairment/ provisioning requirements as identified in the IFRS 9 Financial Instruments ("IFRS 9" or "the standard") issued by the International Accounting Standards Board (IASB).	n/a
(d)	The bank's own definition of a restructured exposure and a breakdown of restructured exposures between impaired and not impaired exposures.		Discovery Bank currently only restructures unsecured credit facilities for clients under debt review as per the debt counsellors agreement. All restructures are classified as impaired at the restructure date for a minimum observation period of 6 months, and will be allowed to cure out of an impaired state once the D7 of 2015 rehabilitation requirements have been met.	n/a
(e)	Breakdown of exposures by geographical areas, industry and residual maturity.		Discovery Bank has mostly revolving assets and only a small home loan book as at 30 June 2024. For this period, the residual maturity on home loans was 17 years. Rest of the information can be found in sections Risk Management and Key Risks.	25 – 28
(f)	Amounts of impaired exposures (according to the definition used by the bank for accounting purposes) and related allowances and write-offs, broken down by geographical areas and industry.		Risk Management and Key Risks	27
(g)	Ageing analysis of accounting past due exposures.		Risk Management and Key Risks	28

Discovery Bank's financial performance
Strategy and business model
Risk management philosophy
Remuneration
Quantitative tables and templates
Qualitative tables
Abbreviations

CRC – Qualitative disclosure requirements related to credit risk mitigation techniques

	Description	Commentary/section in document	Page reference
(a)	Core features of policies and processes for, and an indication of the extent to which the bank makes use of, on- and off-balance sheet netting.	Discovery Bank is not making use of any netting agreements.	n/a
(b)	Core features of policies and processes for collateral.	Discovery Bank's focus is on unsecured lending, and therefore collateral is not applicable for this submission. Discovery Bank recently launched a home loan product offering whereby the residential property would be held as collateral. However, the portfolio as at June 2024 is insignificant, and more detail will be shared as the portfolio grows.	n/a
(c)	Information about market or credit risk concentrations under the credit risk mitigation instruments used (i.e., by guarantor type, collateral and credit derivative providers).	Risk Management and Key Risks	25 – 28

CRD – Qualitative disclosures on banks' use of external credit ratings under standardised approach for credit risk

	Description	Commentary	Page reference
(a)	Names of the external credit assessment institutions (ECAIs) and export credit agencies (ECAs) used by the bank, and the reasons for any changes over the reporting period.	In assessing the creditworthiness of legal entities, the Bank considers the letter grade ratings as provided by recognised external rating agencies for sovereigns, parastatals, banks, and corporates. In respect of sovereigns, parastatals, banks, and corporates, the Bank uses the letter grade ratings as issued by eligible External Credit Assessment Institutions (ECAI). This includes Moody's, Standard and Poor and Global Credit Ratings (Fitch is no longer used, as per PA communication 11 of 2022). The rating is determined on the international scale, or the national scale rating mapped to the international scale. In respect of multiple issuer assessments, the higher of the two risk weights (for two ratings) or the higher of the lower two risk weights (for 3 or more ratings) will apply. Any new banks and counterparties will be reviewed based on these criteria and reviewed by the ALCO.	n/a
(b)	The asset classes for which each ECAI or ECA is used.	Under the International Coverage of Capital Measurement and Capital Standards defined by the Basel Committee for Banking Supervision (BCBS) and incorporated under the Regulations related to South African Banks, each exposure is mapped to an asset class as per asset classification rules, which vary for different asset classes. The Bank adopted the asset classification rules defined by the SARB for credit risk measurement under the standardised approach. Asset classification is used to determine the regulatory treatment of an asset and to assign risk weights. There are two levels of classification: • Counterparty level, for example, Retail, Bank, Corporate, or Sovereign. • Product level, for example, Retail Revolving Credit Card, or Retail Other. Assets in the banking book are split between the retail book and wholesale book based on the turnover amount. The wholesale book consists of five main assets, namely Sovereign, Public Sector Entities, Banks, Securities Firms and Corporate Entities.	n/a
(c)	A description of the process used to transfer the issuer to issue credit ratings onto comparable assets in the banking book.	Discovery Bank is a retail-focused bank and currently does not trade in financial instruments that might give rise to issuer risk.	n/a
(d)	The alignment of the alphanumerical scale of each agency used with risk buckets (except where the relevant supervisor publishes a standard mapping with which the bank has to comply).	Discovery Bank is using the standard asset class mapping table as prescribed by the SARB.	n/a

CCRA – Qualitative disclosures related to counterparty credit risk including:

Description		Commentary	Page reference
(a)	Risk management objectives and policies related to counterparty credit risk.	Credit risk arises in the event an obligor is unable or unwilling to pay interest on the advances granted to them. Counterparty credit risk arises in the event the obligor is unable or unwilling to repay the capital granted to them. Counterparty credit risk forms part of credit risk and speaks to derivative contracts agreed between the parties as a measn of transferring credit risk to a third party. Discovery Bank has limited risk related to counterparty credit risk as the bank doesn't trade in instruments and derivatives yet.	n/a
(b)	The method used to assign the operating limits defined in terms of internal capital for counterparty credit exposures and for CCP exposures.	Does not apply to Discovery Bank.	n/a
(c)	Policies relating to guarantees and other risk mitigants and assessments concerning counterparty risk, including exposures towards CCPs.	As an unsecured retai- focused bank, risk is managed through our lending strategy (targeting low-credit-risk clients) and not mitigated through collateral or guarantees.	n/a
(d)	Policies with respect to wrong-way risk exposures.	Currently, wrong-way risk is not considered due to the materiality of the counterparty credit risk exposure.	n/a
(e)	The impact in terms of the amount of collateral that the bank would be required to provide given a credit rating downgrade.	Does not apply to Discovery Bank.	n/a

MRA – Qualitative disclosure requirements related to market risk

Banks must describe their risk man agement objectives and policies for market risk according to the framework below (the granularity of the information should support the provision of meaningful information to users):

Description		Key risk	Section in document	Page Reference
(a)	Strategies and processes of the bank: this must include an explanation of management's strategic objectives in undertaking trading activities, as well as the processes implemented to identify, measure, monitor, and control the bank's market risks, including policies for hedging risk and strategies/processes for monitoring the continuing effectiveness of hedges.	Market Risk	Risk Management and Key Risks	
(b)	Structure and organisation of the market risk management function: description of the market risk governance structure established to implement the strategies and processes of the bank discussed in row (a) above, and describing the relationships and the communication mechanisms between the different parties involved in market risk management.	Market Risk		18
(c)	Scope and nature of risk reporting and/or measurement systems.	Market Risk		29 – 31

Discovery Bank's financial performance
Strategy and business model
Risk management philosophy
Remuneration
Quantitative tables and templates
Qualitative tables
Abbreviations

ORA – Operational risk

Description		Commentary	Page reference
(a)	In addition to the general qualitative disclosure requirement (paragraph 824), the approach(es) for operational risk capital assessment for which the bank qualifies. (Capital management and allocation) BA 400.	Discovery Bank adopted the Basic Indicator Approach (BIA) and under this approach, the Bank shall hold capital for Operational Risk equal to a fixed percentage.	n/a
(b)	Description of the advanced measurement approaches for operational risk (AMA), if used by the bank, including a discussion of relevant internal and external factors considered in the bank's measurement approach. In the case of partial use, the scope and coverage of the different approaches used.	Not disclosed as the bank follows the standardised approach for operational risk.	n/a
(c)	For banks using the AMA, a description of the use of insurance for the purpose of mitigating operational risk.		n/a

IRRBBA – IRRBB risk management objectives and policies

Description		Key risk	Commentary/ section in document	Page reference
(a)	A description of how the bank defines IRRBB for purposes of risk control and measurement.	Market Risk	Risk Management and Key Risks	29 – 31
(b)	A description of the bank's overall IRRBB management and mitigation strategies. Examples are: monitoring of economic value of equity (EVE) and net interest income (NII) in relation to established limits, hedging practices, conduct of stress testing, outcome analysis, the role of independent audit, the role and practices of the ALCO, the bank's practices to ensure appropriate model validation, and timely updates in response to changing market conditions.	Market Risk		
(c)	The periodicity of the calculation of the bank's IRRBB measures, and a description of the specific measures that the bank uses to gauge its sensitivity to IRRBB.	Market Risk		
(d)	A description of the interest rate shock and stress scenarios that the bank uses to estimate changes in the economic value and in earnings.	Market Risk		
(e)	Where significant modelling assumptions used in the bank's internal measurement systems (IMS) (i.e., the EVE metric generated by the bank for purposes other than disclosure, e.g., for internal assessment of capital adequacy) are different from the modelling assumptions prescribed for the disclosure in Template IRRBB1, the bank should provide a description of those assumptions and their directional implications and explain its rationale for making those assumptions (e.g.,historical data, published research, management judgement, and analysis).	Market Risk		
(f)	A high-level description of how the bank hedges its IRRBB, as well as the associated accounting treatment.	Market Risk		
(g)	A high-level description of key modelling and parametric assumptions used in calculating ΔEVE and ΔNII in Table B, which includes: • For ΔEVE, whether commercial margins and other spread components have been included in the cash flows used in the computation and discount rate used. • How the average repricing maturity of non-maturity deposits has been determined (including any unique product characteristics that affect assessment of repricing behaviour). • The methodology used to estimate the prepayment rates of customer loans, and/or the early withdrawal rates for time deposits, and other significant assumptions. • Any other assumptions (including for instruments with behavioural optionalities that have been excluded) that have a material impact on the disclosed ΔEVE and ΔNII in Table B, including an explanation of why these are material. • Any methods of aggregation across currencies and any significant interest rate correlations between different currencies.	Market Risk		
(h)	(Optional) Any other information which the bank wishes to disclose regarding its interpretation of the significance and sensitivity of the IRRBB measures disclosed and/or an explanation of any significant variations in the level of the reported IRRBB since previous disclosures.	Market Risk		
	Quantitative disclosures			
1	Average repricing maturity assigned to NMDs	Market Risk		
2	Longest repricing maturity assigned to NMDs	Market Risk		

Discovery Bank's financial performance
Strategy and business model
Risk management philosophy
Remuneration
Quantitative tables and templates
Qualitative tables
Abbreviations

REMA	Section in document	Page reference
Information relating to the bodies that oversee remuneration. Disclosures should include: • Name, composition and mandate of the main body overseeing remuneration. • External consultants whose advice has been sought, the body by which they were commissioned, and in what areas of the remuneration process. • A description of the scope of the bank's remuneration policy (e.g. by regions, business lines), including the extent to which it is applicable to foreign subsidiaries and branches. • A description of the types of employees considered as material risk-takers and as senior managers.	Material risk-takers are employees whose professional actions have a material impact on the Bank's overall risk exposure. Discovery Bank defines material risk-takers as the members of the Discovery Bank Executive Management team that are also Executive Directors of the Bank. Discovery Bank defines senior management as the CEO's direct reports who are members of the Executive committee, excluding the Executive Directors of the Bank.	n/a
Information relating to the design and structure of remuneration processes. Disclosures should include: • An overview of the key features and objectives of remuneration policy. • Whether the remuneration committee reviewed the firm's remuneration policy during the past year, and if so, an overview of any changes that were made, the reasons for those changes, and their impact on remuneration. • A discussion of how the bank ensures that risk and compliance employees are remunerated independently of the businesses they oversee.	Remuneration	45
Description of the ways in which current and future risks are taken into account in the remuneration processes. Disclosures should include an overview of the key risks, their measurement, and how these measures affect remuneration.		
Description of the ways in which the bank seeks to link performance during a performance measurement period with levels of remuneration. Disclosures should include: • An overview of main performance metrics for bank, top-level business lines and individuals. • A discussion of how amounts of individual remuneration are linked to bank-wide and individual performance. • A discussion of the measures the bank will in general implement to adjust remuneration in the event that performance metrics are weak, including the bank's criteria for determining "weak" performance metrics.		
Description of the ways in which the bank seeks to adjust remuneration to take account of longer-term performance. Disclosures should include: • A discussion of the bank's policy on deferral and vesting of variable remuneration and, if the fraction of variable remuneration that is deferred differs across employees or groups of employees, a description of the factors that determine the fraction and their relative importance. • A discussion of the bank's policy and criteria for adjusting deferred remuneration before vesting and (if permitted by national law) after vesting through clawback arrangements.		
Description of the different forms of variable remuneration that the bank utilises and the rationale for using these different forms. Disclosures should include: • An overview of the forms of variable remuneration offered (i.e., cash, shares, and share-linked, instruments and other forms). • A discussion of the use of the different forms of variable remuneration and, if the mix of different forms of variable remuneration differs across employees or groups of employees, a description of the factors that determine the mix and their relative importance.		

06

ABBREVIATIONS

Discovery Bank's financial performance

Strategy and business model

Risk management philosophy

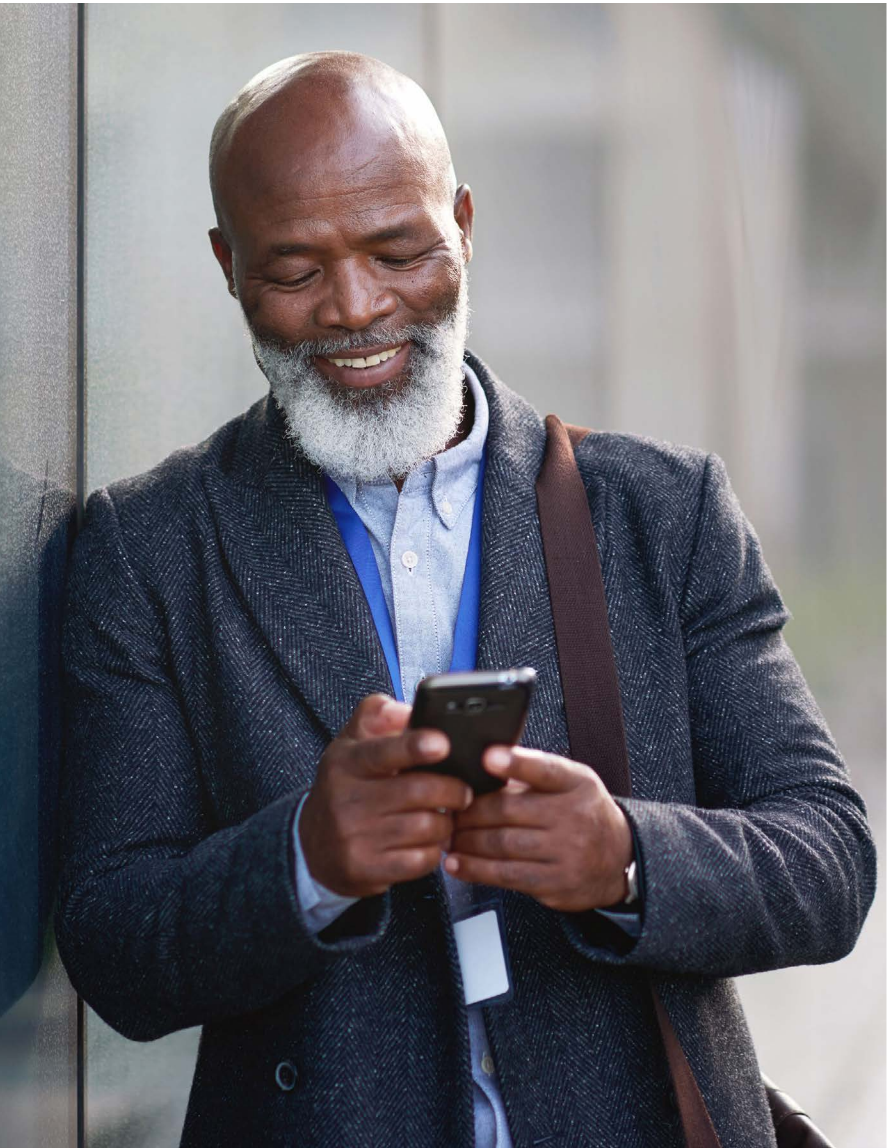
Remuneration

Quantitative tables and templates

Qualitative tables

Abbreviations

Abbreviations



ABBREVIATION	DEFINITION
A-IRBA	Advanced Internal Ratings-based Approach
ASF	Available Stable Funding
AT1	Additional Tier 1
CCF	Credit Conversion Factor
CCPs	Central Counterparties
CCR	Counterparty Credit Risk
CEM	Credit Exposure Method
CET1	Common Equity Tier 1
CFT	Countering Financing of Terrorism
CRM	Credit Risk Mitigation
CSR	Corporate Social Responsibility
CVA	Credit Valuation adjustment
DAC	Directors Affairs Committee
D-SIB	Domestic Systemically Important Banks
ECL	Expected Credit Loss
ERC	External Remuneration Committee
ERMF	Enterprise Risk Management Framework
ESG	Environmental, social and governance
EVE	Expected Value of Equity
F-IRB	Foundation internal ratings-based approach
FX	Foreign Exchange
G-SIB	Global Systemically Important Banks
HQLA	High-Quality Liquid Assets
ICAAP	Internal Capital Adequacy Assessment Process
IRB	Internal Ratings Based
IRC	Internal Remuneration Committee
LCR	Liquidity Coverage Ratio
LTIPs	Long-term Incentive Plans

ABBREVIATION	DEFINITION
MDB	Multilateral development banks
MRM	Model Risk Management
NII	Net Interest Income
NSFR	Net stable funding ratio
ORSA	Own Risk and Solvency Assessment
PA	Prudential Authority of South Africa
PSE	Public Sector entities
RACM	Risk and Control Matrix
R&D	Research and Development
RP	Recovery Plan
RSF	Required Stable Funding
RWA	Risk-Weighted Assets
SA	Standardised Approach
SA - CCR	Standardised Approach for Counterparty Credit Risk
SAMOS	South African Multiple Option Settlement
SARB	South African Reserve Bank
SEC-ERBA	Securitisation external ratings-based approach
SEC-IRBA	Securitisation internal ratings-based approach
STIs	Short-term Incentive Schemes
SVM	Shared Value Model
T1	Tier 1
T2	Tier 2
TC	Total Capital
TLAC	Total Loss-absorbing Capacity
VAR	Value at Risk
VAS	Value added services
VISA	Visa International Service Association

Discovery Bank's financial performance
Strategy and business model
Risk management philosophy
Remuneration
Quantitative tables and templates
Qualitative tables
Abbreviations

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