



Discovery
Bank

Pillar III
Public Disclosures

for the year ended 30 June 2025

Discovery Bank Limited and Discovery Bank Holdings Limited Group

Contents

Discovery Bank's **financial performance** pg 2

01 >

Strategy and business model pg 5

- 8 **The intersection of business, purpose and social good**
- 9 **Shared value in banking**
- 10 **A full-service shared-value bank**

02 >

Risk management philosophy pg 11

03 >

Remuneration pg 42

04 >

Quantitative tables and templates pg 48

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, 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 (2025)

Interest rate risk in the banking book

Leverage ratio

- **LR1:** Summary comparison of accounting assets versus leverage ratio exposure measure (simple consolidation without change)
- **LR2:** Leverage ratio disclosure template (simple consolidation without change)

Liquidity

- **LIQ1:** Liquidity coverage ratio
- **LIQ2:** Net stable funding ratio

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 capital charge
- **CCR3:** Standardised approach to CCR exposures by regulatory portfolio and risk weights

Market risk

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

Remuneration

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

05 >

Qualitative tables pg 88

- **OVA:** Bank 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 the bank's use of external credit ratings under the standardised approach for credit risk
- **CCRA:** Qualitative disclosure related to counterparty credit risk
- **MRA:** Qualitative disclosure requirements related to market risk
- **ORA:** General qualitative information about operational risk management
- **IRRBBA – IRRBB** risk management objective and policies
- **REMA:** Remuneration

06 >

Abbreviations philosophy pg 95

Discovery Bank's financial performance

Strategy and business model

Risk management philosophy

Remuneration

Quantitative tables and templates

Qualitative tables

Abbreviations

NAVIGATING OUR REPORTING SUITE

This is an interactive report. Navigation tools at the bottom right of each page and within the report are indicated here.



Contents



Back



Previous page



Next page



Our reporting suite is best viewed in Adobe Acrobat for desktop, mobile or tablet. Click to download or update to the latest Adobe Acrobat Reader

Discovery Bank's financial performance

DRIVING POSITIVE IMPACT

Discovery Bank's growth and success are rooted in the Group's Shared-value Insurance model. By focusing on key behaviours that influence risk and improving them to benefit both clients and the business, the Bank creates and shares value that encourages further positive behaviour. This results in a banking model that not only benefits clients and the Bank, but also contributes positively to society.

FINANCIAL AND STRATEGIC HIGHLIGHTS

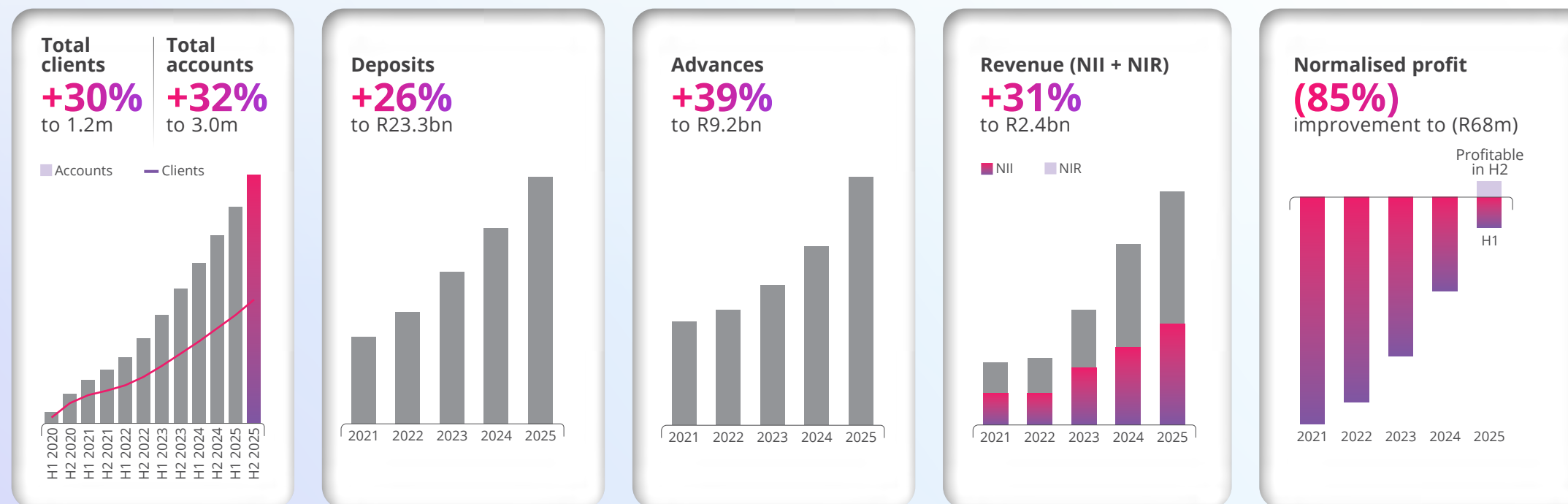
The Bank continues to show strong resilience and financial stability, supported by a solid balance sheet and healthy ratios. A cautious yet supportive risk management framework, aligned with an appropriate risk appetite, has ensured robust capital and liquidity positions. Client and account numbers grew by 30% and 32% respectively, with deposits rising to R23.3 billion. Advances increased by 39%, driven by the Home Loan portfolio, and the Bank achieved profitability in the second half of the financial year – ahead of schedule.

DRIVING A CULTURE OF RISK AWARENESS

Discovery Bank has implemented a robust and integrated risk management framework that effectively identifies, evaluates and mitigates key risks – including credit, market, operational and compliance risks. This framework is supported by strong governance practices, regular stress testing and continuous monitoring. The Bank also leverages advanced technology and fosters a culture of risk awareness among employees, ensuring financial resilience and regulatory alignment. These efforts reflect Discovery Bank's commitment to sound risk practices and its core values.

The key strategic metrics for the period ending 30 June 2025 are summarised as follows:

JUNE 2025 HIGHLIGHTS DISCOVERY BANK²



In line with the Bank's 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.

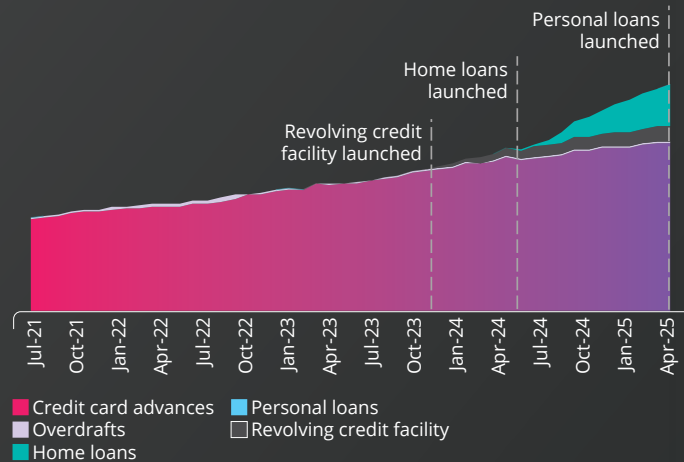
² NII includes the allocation of interest earned on the bond trading portfolio (recognised at fair value gains in the income statement)

Discovery Bank: accelerating growth through full retail expansion, shared-value innovation, and digital leadership

Discovery Bank has achieved strong deposits growth, reflecting increasing trust, engagement and primacy with the Bank. As Discovery Bank's advances book continues to grow with the launch of the new lending products, the Bank remains firmly committed to maintaining the quality of its lending portfolio – evidenced by a credit loss ratio that consistently stays well below the market average¹. This highlights the Bank's prudent risk management approach, even as it actively grows its lending portfolio.

Advances

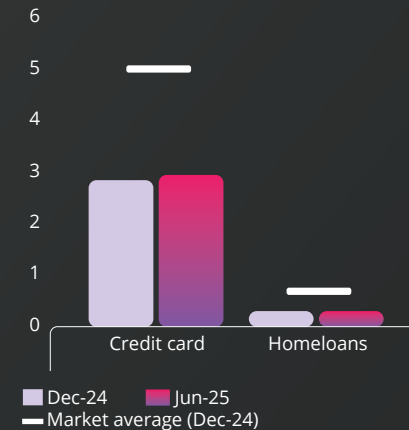
Monthly advances by product (Rm)



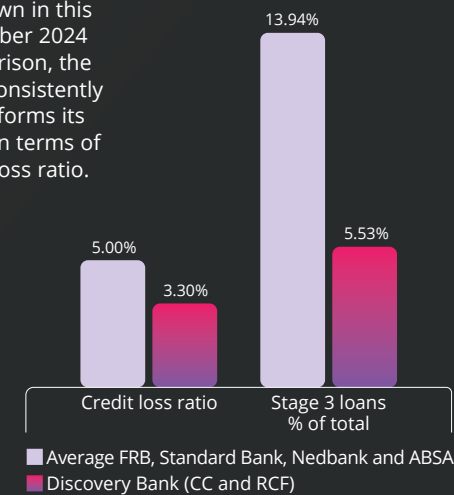
Home Loans >R2.4bn
as at 12 October 2025

CLR

Credit loss ratio by product (%)*



As shown in this December 2024 comparison, the bank consistently outperforms its peers in terms of credit loss ratio.



¹ Market average source: Annual financial statements of the top five SA banks in each product category; 2% top of wallet refers to the proportion of clients who are estimated to use Discovery Bank as their primary bank account for spending, based on breadth of spend, value of spend relative to income, and type of spend. Rebased to SCF or transaction only.

Discovery Bank's financial performance

Strategy and business model

Risk management philosophy

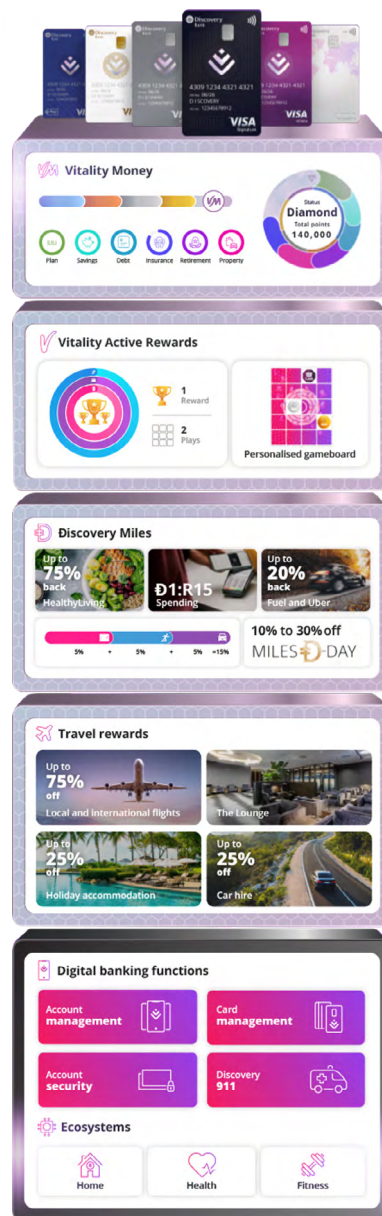
Remuneration

Quantitative tables and templates

Qualitative tables

Abbreviations

Discovery Bank is entering a pivotal phase of growth, driven by a bold ambition to reach two million clients and deliver R3 billion in profit by the 2029 financial year. This vision reflects the Bank's confidence in its digital-first, shared-value model, which continues to redefine retail banking in South Africa. With a full-service offering, advanced AI capabilities and deep integration in the broader Discovery Group, the Bank is well-positioned to scale meaningfully while enhancing client engagement and delivering sustained financial performance.

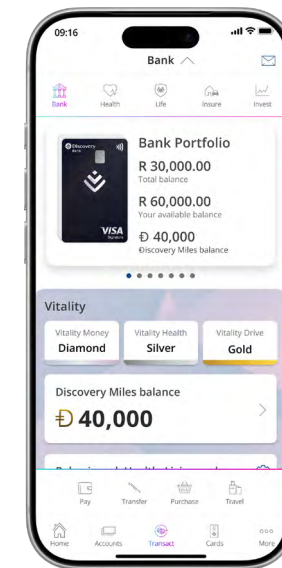


Scale Discovery Bank with an ambition to achieve 2M clients and R3 bn in profits in FY29.

This growth target reflects the Bank's confidence in its digital-first model and its ability to deepen client engagement across its product suite.

Discovery Bank is a full-service, digital retail bank built on a shared-value model. It offers a comprehensive suite of retail banking products, leverages advanced AI abilities and serves as the digital operating system in the broader Discovery Group.

Discovery Bank's focus remains on a **full retail banking product suite** as it serves as the cornerstone of its growth strategy, enabling it to meet the diverse financial needs of South African consumers across transactional, savings, credit and investment products. This is underpinned by its **shared-value banking model**, which incentivises clients to make healthier financial decisions through dynamic rewards and behavioural nudges, creating long-term value for both the bank and its clients.



- Four key hypotheses**
- 1 Full retail banking product suite
 - 2 Shared-value Banking model
 - 3 Digital-first with advanced AI abilities
 - 5 Operating system of the composite

Fastest growing¹ retail Bank in South Africa with market-leading digital abilities

The third hypothesis centres on a **digital-first approach**, leveraging advanced AI abilities to deliver hyper-personalised experiences, predictive insights and seamless engagement across platforms. Finally, Discovery Bank serves as the **operating system of the composite**, integrating deeply with the broader Discovery ecosystem to offer unified financial and lifestyle solutions – positioning itself as the single interface for client's financial portfolios.

1 Using organic balance sheet growth; the analysis considers year-on-year growth, retail deposits: adjusting for the impact of any mergers or acquisitions, retail advances: credit cards (excl overdrafts) and home loans. It does not consider other factors such as profitability, customer experience and operational scale. Based on June 2025 BA900s.

- 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



Discovery Bank's
financial performance

Strategy and
business model

Risk management
philosophy

Remuneration

Quantitative tables
and templates

Qualitative tables

Abbreviations

Strategy and business model

Discovery Bank embodies the intersection of cutting-edge technology, social responsibility and a deep understanding of behavioural risk. Its foundation lies in a proven shared-value business model that leverages data-driven insights and advanced analytics to incentivise positive financial behaviours. By offering rewards and tailored incentives, Discovery encourages clients to make decisions that enhance their financial wellbeing. This approach not only improves clients' quality of life but also drives sustainable, long-term growth for the business.

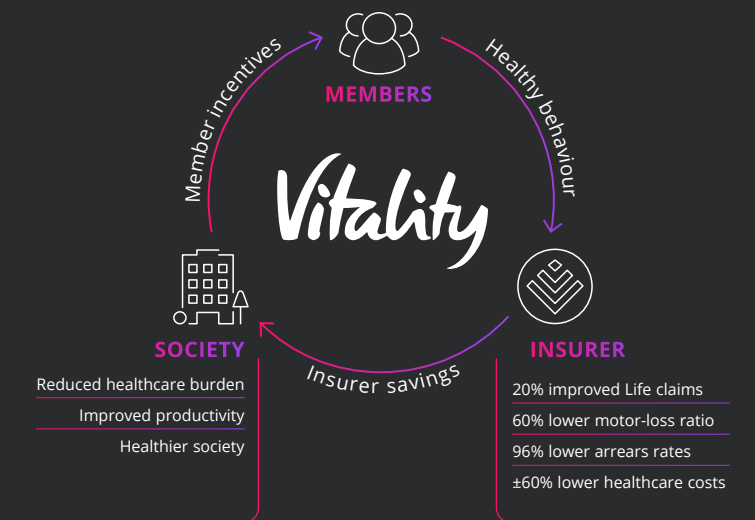
WHY

Make people healthier and enhance and protect their lives



HOW

Improved wealth, better value through improved price and benefits



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.

Discovery Bank's financial performance

Strategy and business model

Risk management philosophy

Remuneration

Quantitative tables and templates

Qualitative tables

Abbreviations

Discovery has identified four major trends reshaping the financial services and banking landscape. These shifts are prompting clients to question the status quo and reevaluate their relationships with financial service providers more frequently.

01



NATURE OF RISK

Traditional banks typically segment and price clients based on socio-economic status. However, risk in banking is influenced as much by behaviour as by socio-economic factors. This means that financially responsible clients often end up paying more to borrow, simply because of the segment they fall into – effectively subsidising higher-risk clients.

02



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).

03



SOCIAL RESPONSIBILITY

Clients increasingly expect the companies they engage with – including banks – to prioritise societal impact alongside profitability. Guided by our shared-value model, Discovery takes a unique approach to creating meaningful social value. At Discovery Bank, this is reflected in our use of dynamic interest rates, which reward clients for smart financial behaviour by increasing savings rates and reducing borrowing costs based on their risk profile and financial choices.

04



DEMOGRAPHIC

As people live longer, an aging population increasingly needs more financial resources to support a longer retirement – and Discovery Bank rewards clients who manage their money well, helping them build long-term financial resilience.

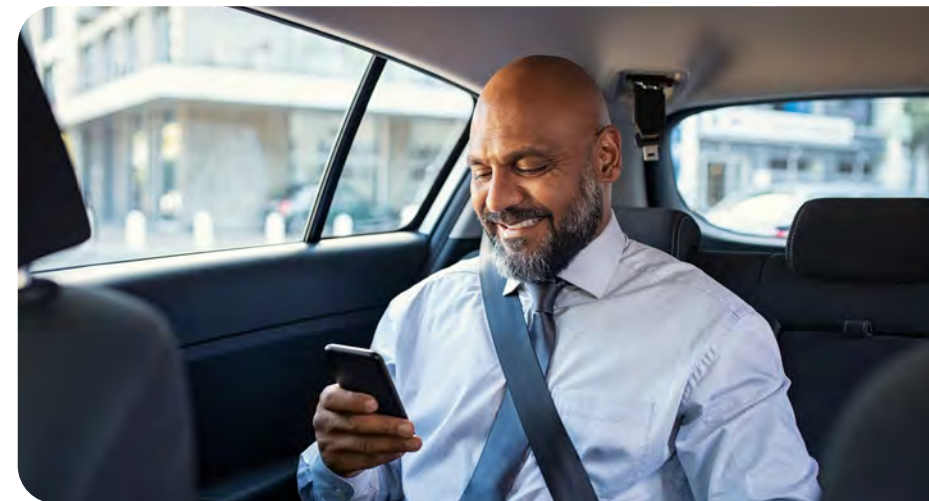
Our shared-value banking model considers individual financial behaviour to assess clients' overall financial wellness. Clients get rewarded for managing their money well with:

Lower interest rates on borrowings than what would typically apply with traditional risk metrics. Clients can reduce their rates 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.



Discovery Bank's financial performance

Strategy and business model

Risk management philosophy

Remuneration

Quantitative tables and templates

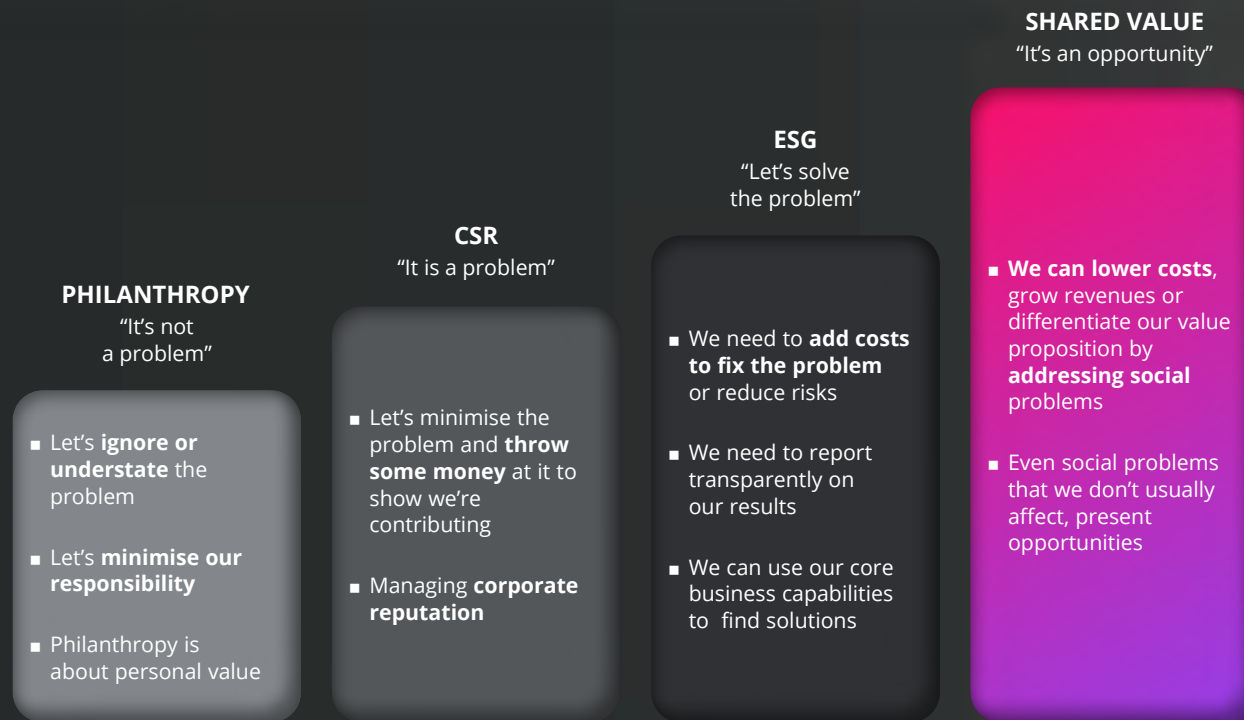
Qualitative tables

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 the nature of 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.



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 expressed through corporate social responsibility (CSR) initiatives, which often operate outside a company's core strategy – leading to criticism that social issues are treated as peripheral. More recently, businesses have turned to environmental, social and governance (ESG) criteria to demonstrate their societal impact. While important, ESG efforts are frequently reduced to compliance checklists aimed at managing reputational and regulatory risk. Both approaches highlight the limitations of models driven primarily by compliance. In contrast, a shared-value model enables companies to forge a transformative connection between strategy, purpose and economic value. By integrating social impact into core business strategy, shared value resonates with both the business community and civil society – proving that social progress and scalable, profitable growth can go hand in hand.

By integrating social impact into core business strategy, shared value resonates with both the business community and civil society – proving that social progress and scalable, profitable growth can go hand in hand.



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 tend to borrow heavily and save very little. This reliance on credit, combined with a reluctance to save, leaves many individuals financially vulnerable – both in the short term and over the long run. As a result, people often find themselves in precarious financial positions, with broader implications for society as a whole.

At Discovery Bank, we take our clients' financial behaviours seriously. We understand that incentivising better financial decisions leads to higher savings, reduced risk and greater overall wealth for society. Through Vitality Money, we empower clients to understand and consistently apply five key financial behaviours that drive long-term financial wellbeing.

The five key financial behaviours

- 01 SPEND LESS THAN YOU EARN
- 02 INSURE FOR ADVERSE EVENTS
- 03 SAVE REGULARLY
- 04 PAY OFF YOUR PROPERTY
- 05 INVEST FOR THE LONG TERM



Discovery Bank assesses clients' financial health based on behaviour rather than income, awarding each client a Vitality Money status – Blue, Bronze, Silver, Gold, or Diamond. A higher status reflects strong money management and a lower risk of credit default. This is our Shared-value Banking model in action: by offering dynamic interest rates and meaningful rewards, we incentivise positive financial behaviour. Clients benefit from better financial outcomes, and we share the value created by lower-risk profiles with them.

To support this journey, Discovery Bank provides a suite of tools designed to help clients strengthen their financial position. These include a retirement planner, a financial education video series, discounted access to advanced education courses, debt management tools, personalised financial goals and the Vitality Money Financial Analyser – all aimed at empowering smarter financial decisions.

Clients can further enhance their rewards by joining the broader Vitality programme and integrating their engagement across Discovery's product ecosystem.

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

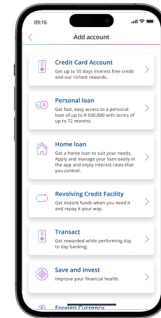
Discovery Bank's shared-value strategies to sustain growth and progress:

1 GROWTH AND ENGAGEMENT



Achieve high-quality growth through strategic marketing, expanded distribution and streamlined operations. Drive primacy through innovative banking products and impactful client engagement initiatives.

2 INNOVATION AND PRODUCT



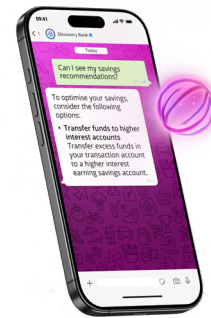
Maintain the pace of innovation to launch disruptive digital banking solutions that drive meaningful client value. Expand the product portfolio to capture new client segments and unlock additional lines of business.

3 SERVICE EXCELLENCE



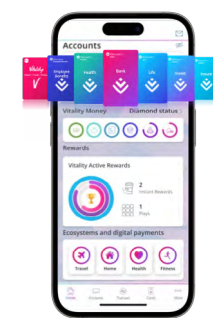
Maintain strong service standard and operational excellence to delivery exceptional client experiences. Delight clients by exceeding expectations and ensuring a seamless, end-to-end banking experience.

4 DATA AND AI



Democratise private banking by leveraging data and AI to delivery personalised client experiences. Increase client security by harnessing behavioural biometrics to effectively reduce fraud risk.

5 DISCOVERY BANK OPERATING SYSTEM



Entrench the Bank as the operating system for Discovery SA products, serving as the single interface for accessing all offerings, with unique ecosystem experiences.

Discovery Bank's financial performance

Strategy and business model

Risk management philosophy

Remuneration

Quantitative tables and templates

Qualitative tables

Abbreviations

02

Risk management philosophy



Discovery Bank's
financial performance

Strategy and
business model

Risk management
philosophy

Remuneration

Quantitative tables
and templates

Qualitative tables

Abbreviations

Risk management philosophy

Discovery Bank's core risk management philosophy is centred on achieving a balanced approach to risk and reward, supporting informed decision-making that drives strategic business objectives and opportunities. The Bank aims to minimise potential losses while maintaining operational resilience within its approved risk appetite. Its risk framework encompasses the identification of events relevant to Discovery Bank's objectives, assessing their potential impact and likelihood, continuous monitoring, and the implementation of effective 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:

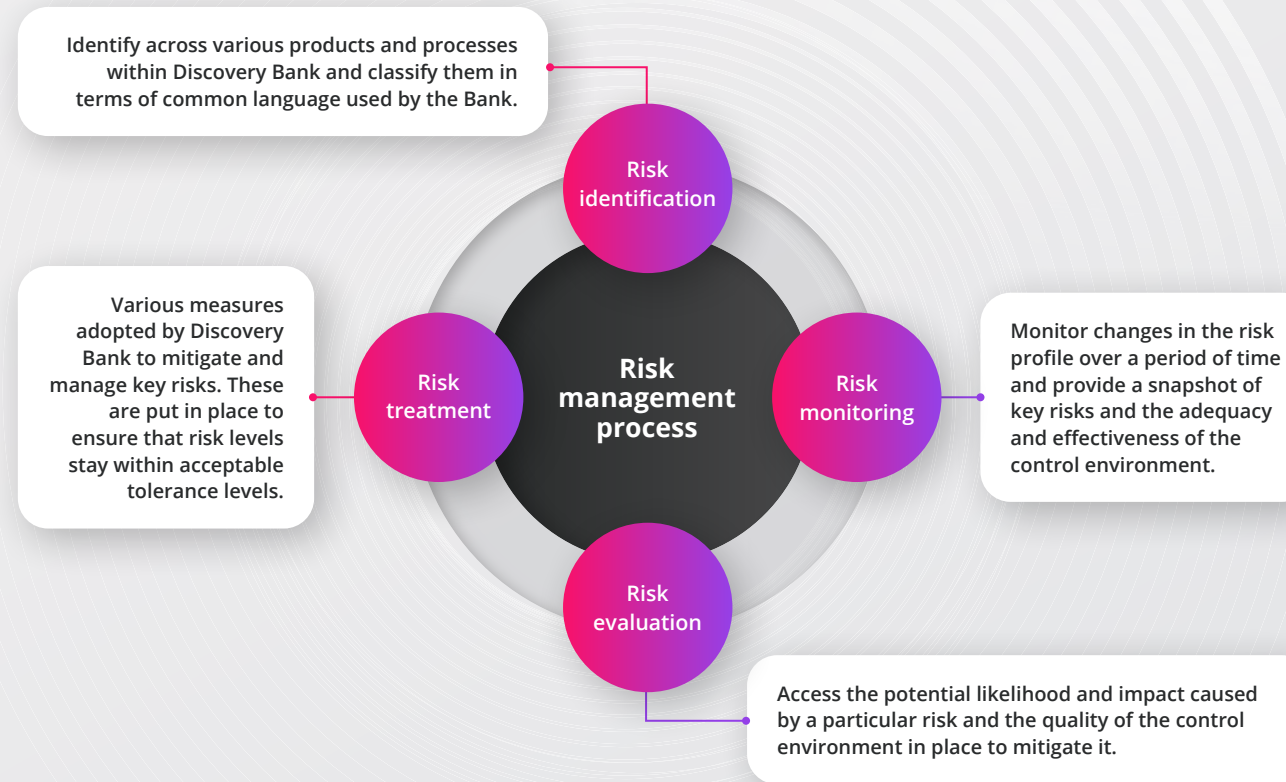
Ongoing within Discovery Bank

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 which 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, and capital risk

Discovery Bank's financial performance

Strategy and business model

Risk management philosophy

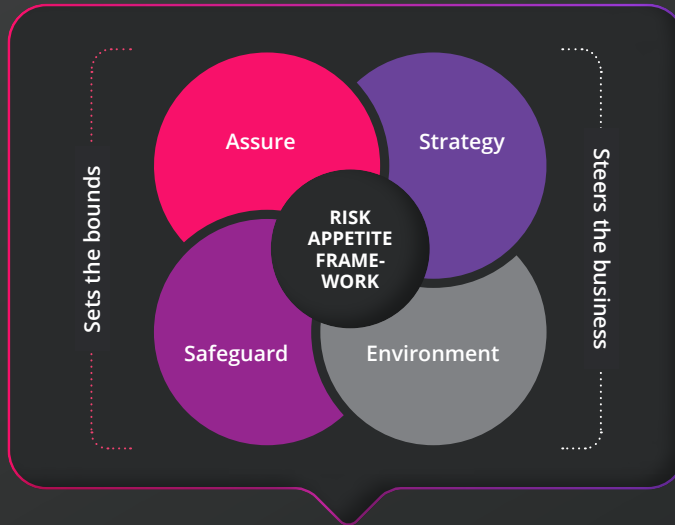
Remuneration

Quantitative tables and templates

Qualitative tables

Abbreviations

Discovery Bank has proactively identified and assessed all risks within its operating environment to ensure that exposures beyond our defined risk appetite are not introduced onto the Bank's balance sheet or into its operations. These risks are embedded within the Bank's risk management framework and are monitored through daily, weekly and monthly processes. Any potential breaches are flagged immediately, with appropriate remedial actions agreed upon and implemented. All risk management activities are governed by Discovery Bank's approved risk appetite, ensuring a disciplined and resilient approach to risk oversight.




Each step in Discovery Bank's risk appetite framework is essential to ensuring the implementation of a measurable, actionable and effective risk management structure. The development of each core component is guided by key questions, such as:

What risks are we currently exposed to, and which risks must we take to achieve our objectives?

Which risks are we willing to bear, and to what extent?

Which risks are unacceptable?

What resources are required to effectively manage these risks?

 For the 2024/2025 financial year, Discovery Bank successfully executed its shared-value strategy, aligning business targets and objectives across all risk areas. This process was overseen and managed through the Bank's Combined Assurance function.

'Three lines of defence' model

Discovery Bank manages risk through a 'three lines of defence' model, which is embedded within its governance framework. This framework has been streamlined to suit the nature, size, complexity and operational requirements of the Bank, enabling consistent decision-making and effective risk and incident management across the organisation. Roles, responsibilities and mandates for each governance committee have been clearly defined, creating a transparent and well-structured environment that ensures comprehensive risk coverage aligned with the overarching Enterprise Risk Management (ERM) framework.

The scope includes:

- A governance structure with clearly defined levels and escalation paths;
- Documented Terms of Reference for each committee, outlining mandates, roles, responsibilities, scope and membership;
- An overarching Terms of Reference for each line of defence, detailing committee operations such as meeting frequency, quorum requirements, member appointments, minute-taking and reporting protocols;
- Formal adoption of Discovery Group policies where applicable, with Bank-specific nuances documented as needed and;
- Development of work plans for each Executive Management Committee, aligned with Board sub-committee work plans and relevant Terms of Reference.

This model clearly separates business management from governance and control structures.

FIRST LINE OF DEFENCE

Ownership and management of risk is the responsibility of the Business

Identify, assess and manage the risk on a daily basis

Develop and implement policies and procedures

Ensure that activities are consistent with organisational goals.

Implement Internal Controls.

SECOND LINE OF DEFENCE

Comprises of the ERM and Compliance Functions

Provides a level of assurance to the Board regarding the adequacy and effectiveness of the overall risk management system.

Report to Group Functions for reporting purposes.

THIRD LINE OF DEFENCE

The Bank's Internal Audit and External Audit.

Independent assurance functions

Provides feedback and recommendations for improvement to senior management and Executive committee.

Additionally, emphasis has been placed on fostering collaboration between the Group and Bank Chief Risk Officers (CROs), ensuring that insights from the highly regulated banking environment inform and align with 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

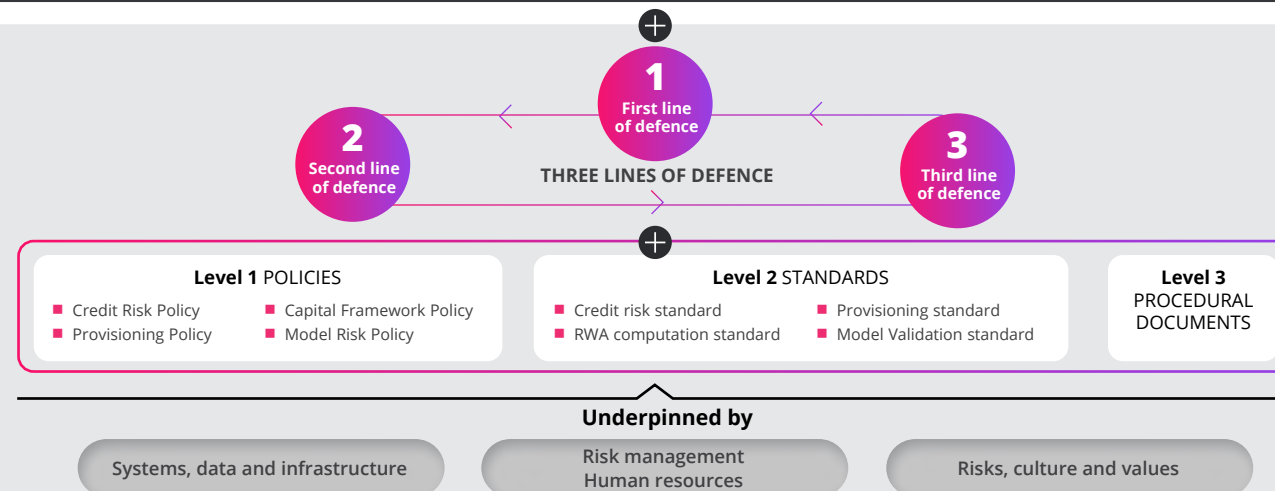
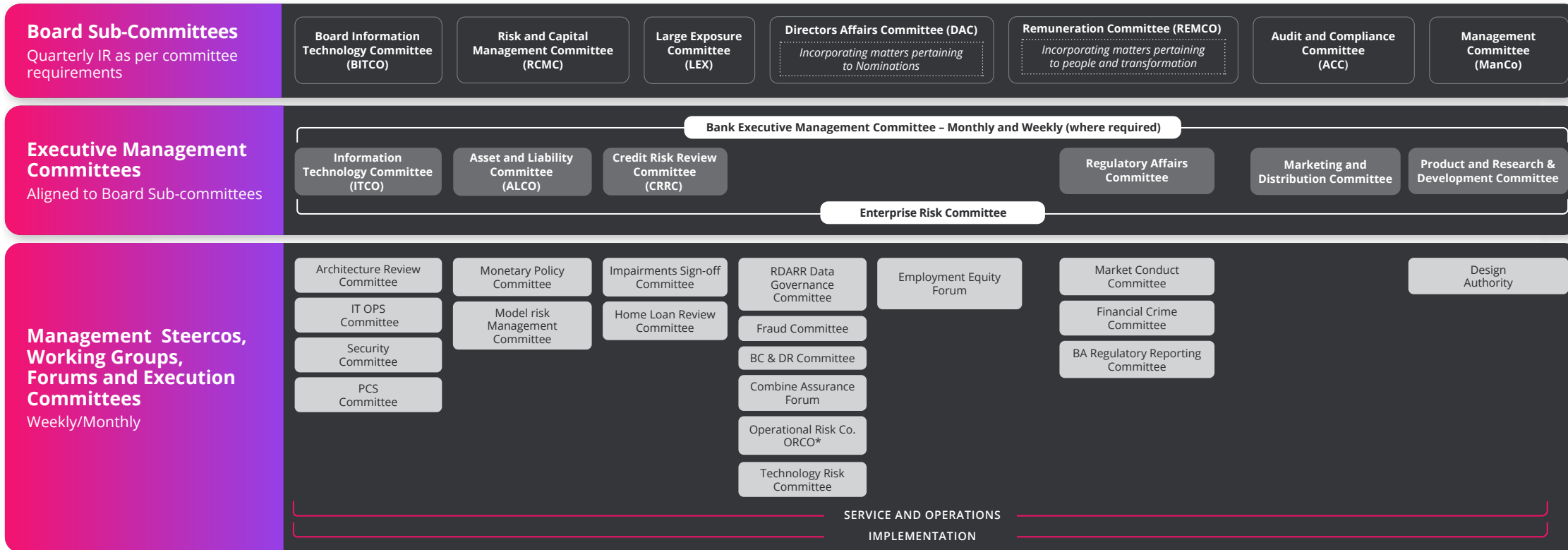
Quantitative tables and templates

Qualitative tables

Abbreviations

Governance structure

Discovery Bank Limited/Discovery Bank Holdings Limited



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:

FIRST LINE OF DEFENCE

Business units, through the various management steering committees, working groups or forums, and the Executive Committee, act as **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.

SECOND LINE OF DEFENCE

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

These are independent control 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, under the leadership of 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 limited assurance to the Board concerning the adequacy and effectiveness of the overall Compliance Management framework.

THIRD LINE OF DEFENCE

The **third line of defence** comprises 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 above.

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 as and when requested to do so. The findings from these assessments (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 implemented a **Combined Assurance** approach to enhance coordination across its various assurance functions. The goal is not to alter the mandates of individual assurance providers, but to integrate their efforts in a cohesive framework that ensures material risks are addressed effectively and within their respective mandates. This approach ensures that all key risks are supported by appropriate controls, managed across different risk areas.

Within the 'three lines of defence' model, Discovery Bank maintains independent Internal Audit, Risk Management, and Compliance functions. While each operates independently, they collaborate through the Combined Assurance Framework by:

- Aligning risk management and assurance activities within a rolling three-year work plan.
- Identifying potential assurance gaps and avoiding duplication of efforts.

- Ensuring a robust and effective risk control environment aligned with the Bank's risk appetite, and maintaining the integrity of risk-related reporting to support informed decision-making.

The organisational strategy serves as the foundation for setting objectives and guiding implementation. To manage risk within acceptable levels, associated controls are regularly reviewed for relevance and effectiveness, with updates made as needed.



Discovery Bank's financial performance

Strategy and business model

Risk management philosophy

Remuneration

Quantitative tables and templates

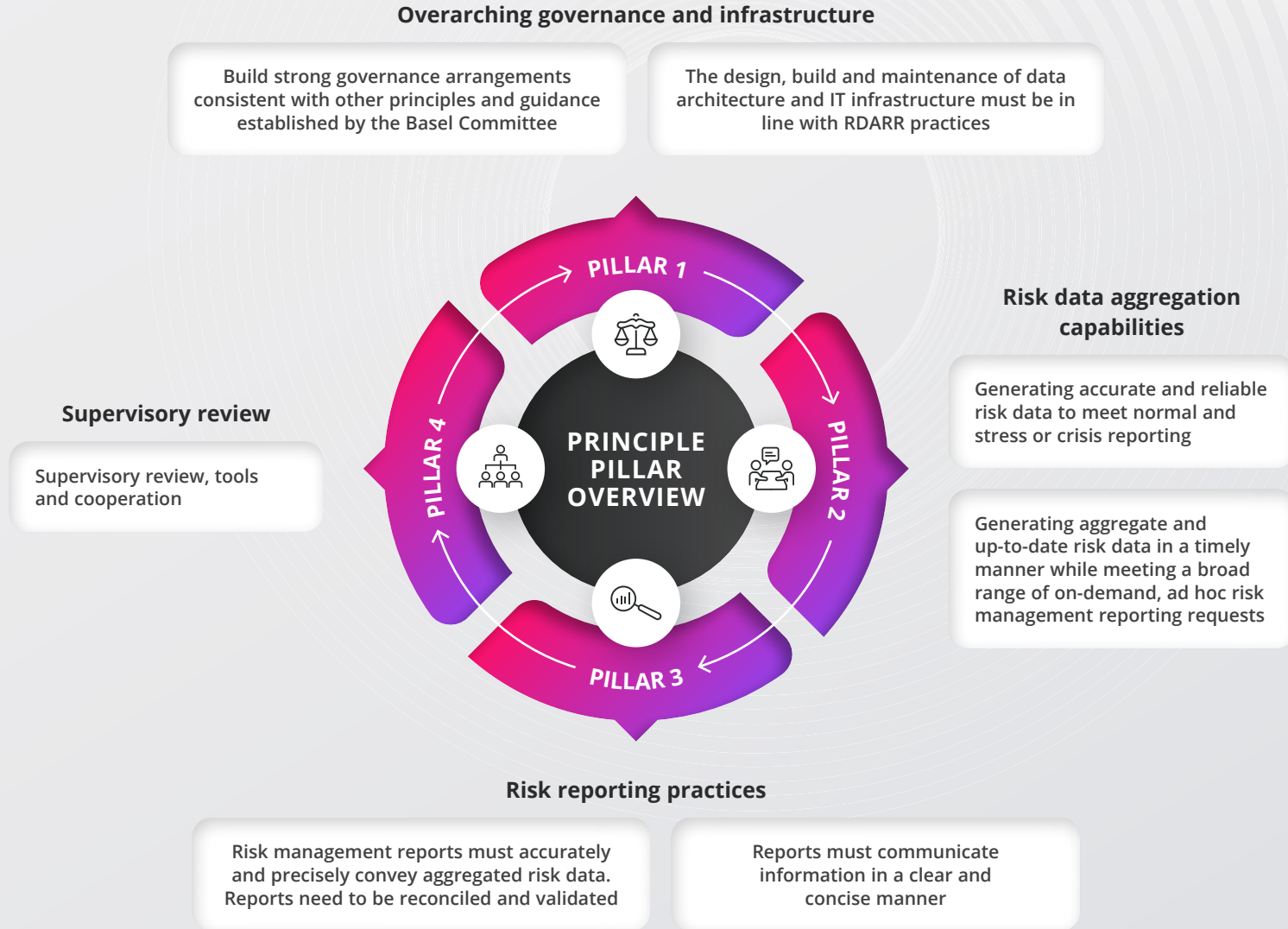
Qualitative tables

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.



- 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

PILLAR	STATUS	COMPONENT	JUSTIFICATION
Governance and architecture	<input checked="" type="radio"/>	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.
	<input checked="" type="radio"/>	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	<input checked="" type="radio"/>	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.
	<input checked="" type="radio"/>	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.
	<input checked="" type="radio"/>	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.
	<input checked="" type="radio"/>	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	<input checked="" type="radio"/>	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.
	<input checked="" type="radio"/>	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).
	<input checked="" type="radio"/>	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.
	<input checked="" type="radio"/>	Principle 10: Reporting frequency	The purpose of each report is to routinely assess the committee's mandate and whether its frequency is appropriate.
	<input checked="" type="radio"/>	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.

Risk appetite

To effectively execute Discovery Bank's strategy within the context of its risk appetite framework and maintain an appropriate balance between risk and reward, the Bank has adopted the following guiding principles:

- We aim to maintain a financially sound position by ensuring the Bank is well-capitalised, adequately funded and consistently meets both internal and regulatory capital and liquidity requirements.
- We avoid exposure to highly volatile or extreme outcomes that could threaten the Bank's viability.
- We only accept risks that offer a suitable balance between potential reward and exposure.
- We only take on risks that fall within the Bank's areas of expertise and can be effectively managed.
- We accept risks that arise from products designed to improve clients' financial wellbeing while generating sustainable, long-term value for Discovery.

Discovery Bank's risk appetite framework considers all relevant risks within its risk universe to prevent unnecessary exposure on the balance sheet or within its operations. The parameters associated with this framework are embedded in our risk response, articulated in the Risk Appetite Statement, and integrated into our ongoing monitoring processes. Overall, the Bank's risk portfolio remains 'within appetite,' with no material concerns regarding risk management.

The Corporation for Deposit Insurance (CODI) was implemented 1 April 2024, and the Bank has subsequently updated the RDARR programme to include CODI. This approach is being followed for all new products and Bank initiatives (for example, home loans and personal loans).

Discovery Bank's financial performance

Strategy and business model

Risk management philosophy

Remuneration

Quantitative tables and templates

Qualitative tables

Abbreviations

Key risks

STRATEGIC AND BUSINESS RISK

Strategic risk refers to the inherent uncertainty associated with the Bank's chosen strategy and the possibility that it may not deliver the intended or expected outcomes. For Discovery Bank, strategic risk encompasses a broad range of elements including growth optimisation, product development, distribution channels, customer value propositions, partnerships, marketing initiatives and supporting systems.

This type of risk can arise from pursuing an ineffective business plan, making poor strategic decisions, executing plans inadequately, or allocating resources inefficiently. While Discovery Bank is a relatively new entrant to the financial services market, its unique strategy – anchored in the shared-value model – has proven effective since inception. This success is particularly evident in the implementation of the Vitality Money construct, which has demonstrated tangible benefits in driving positive financial behaviours and outcomes among clients.

By aligning strategic objectives with behavioural insights and incentivised financial wellness, Discovery Bank continues to mitigate strategic risk while delivering value to both clients and the business.

Business risk refers to the uncertainty surrounding the Bank's ability to generate adequate returns, particularly in the context of the current challenging economic environment. It reflects the potential for earnings volatility, which is primarily influenced by fluctuations in volumes, margins and fees. In extreme cases, business risk may manifest as the inability to cover the Bank's cost base if a significant portion of its income were to decline or disappear.

For banks, business risk typically arises from three key components within the profit and loss statement:

01 NET INTEREST INCOME

This is influenced by the Bank's ability to manage margins effectively and is dependent on business volumes, funding costs, and external economic factors.

02 NON-INTEREST REVENUE

This includes fee and commission income, which can be volatile and is closely tied to lending activity, economic cycles and client engagement.

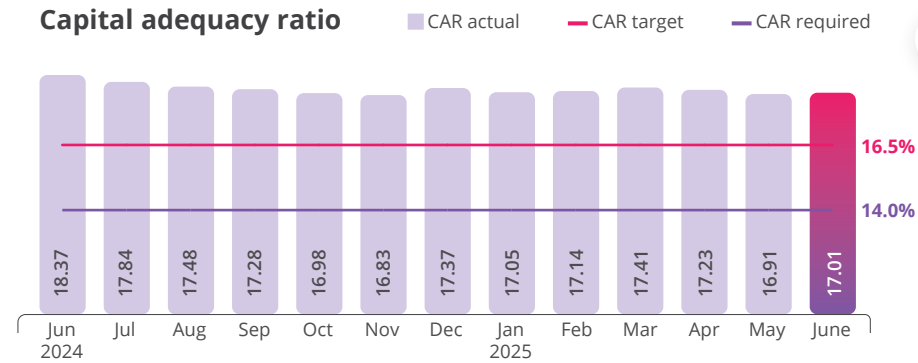
03 OPERATING EXPENSES

The extent of variable versus fixed costs plays a critical role in managing expenses during periods of financial stress. Effective cost management, budget adherence, and expense predictability are essential to maintaining financial stability.

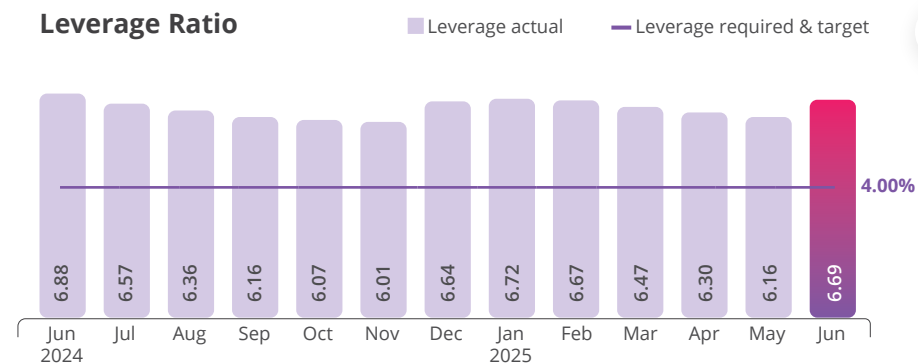
An adjacent priority in managing business risk is the retention of key individuals, alongside the broader staff complement. Discovery Bank has introduced targeted interventions to alleviate work pressure, address the blurred boundaries of the workday brought on by hybrid working days, and promote a healthy work-life balance. These efforts aim to ensure long-term organisational sustainability and adequate coverage across business functions.

Key business risk metrics are actively monitored through the Bank's risk appetite framework, with governance structures in place to manage any emerging risks. This integrated approach ensures that business risk is managed proactively and in alignment with strategic objectives.

Capital adequacy ratio



Leverage Ratio



Discovery Bank's financial performance

Strategy and business model

Risk management philosophy

Remuneration

Quantitative tables and templates

Qualitative tables

Abbreviations

REPUTATIONAL RISK

Reputational risk refers to the potential for loss resulting from damage to the Bank's reputation, whether caused by internal actions or external events. This type of risk is often a consequence of other risk categories and can significantly impact stakeholder trust, client retention and overall business performance.

Reputational risk typically manifests through:

Business risk

Loss of revenue due to declining client volumes or increased client attrition

Liquidity and funding risk

Increased funding costs or reduced access to liquidity

Operational risk

Higher regulatory and compliance costs

Cyber risk

Breaches or incidents that compromise client data or system integrity

Other impacts

Erosion of shareholder value and brand equity

Reputational risk is difficult to quantify and often arises indirectly through other risk events; as such, it is embedded within the Bank's broader risk management framework. Operational risk events, in particular, have the highest potential to damage the Bank's reputation. Discovery Bank manages reputational risk using a structured approach similar to other risk types – through identification, assessment, monitoring, mitigation, and control mechanisms.

Common sources of reputational risk include:

- Regulatory non-compliance
- Ethical lapses
- Poor financial performance
- Weak corporate governance.

Discovery Bank maintains a low tolerance for reputational risk and adheres to best practices in delivering high-quality services to clients. Client grievances, a key driver of reputational risk, are addressed promptly and effectively. The Bank actively monitors both social media and traditional media channels to identify and respond to any issues that may affect its brand. Real-time feedback is captured through the client contact centre, with clear escalation protocols in place when first-call resolution is not achieved.

Discovery Bank is committed to being a client-centric, transparent and fair institution that delivers world-class products and services. In the event of a reputational incident, a thorough investigation is conducted, and the findings – with a proposed response plan – are, if warranted, escalated through the Bank's Crisis Management Framework to ensure appropriate resolution and communication.



OPERATIONAL RISK

Operational risk refers to the potential for loss resulting from inadequate or failed internal processes, systems, or human factors – such as errors, fraud, or weaknesses in internal controls – as well as from external events like natural disasters or criminal activity. This definition encompasses risks related to compliance, legal matters, financial reporting, security and execution, but excludes strategic and reputational risks.

TECHNOLOGY RISK

This risk arises from inadequate governance over technology, information, and cybersecurity functions, potentially compromising the Bank's ability to effectively support and achieve its strategic objectives. As Discovery Bank increasingly relies on technology and information systems to enhance operational efficiency, integrate processes, reduce manual interventions and strengthen security, the importance of robust governance in these areas becomes critical. Poor oversight or mismanagement can expose the Bank to vulnerabilities that hinder its digital transformation and overall strategic execution.



See overleaf for the risk descriptions

Discovery Bank's financial performance

Strategy and business model

Risk management philosophy

Remuneration

Quantitative tables and templates

Qualitative tables

Abbreviations

Level 1

TECHNOLOGY RISK

The risk with the use, ownership, operation, involvement, influence, adoption and development of technology within the Group. It consists of technology related events and conditions that could potentially impact the business.

Level 2

SYSTEMS RISK

Risk associated with the use, ownership, operation, involvement, influence, adoption and development of systems within the Group. It consists of technology-related events and conditions that could potentially impact the business.

INFORMATION RISK

The risk of accidental or intentional unauthorized use, modification, disclosure or destruction of information resources, which would compromise the confidentiality, integrity or availability of information assets and personal information.

CHANGE RISK

The risk of failure to manage the change and/or deliver the change initiative/project within the agreed scope, budget and timelines.

CYBER RISK

The risk of financial loss, business disruption and data leakage or loss due to the exploitation of security vulnerabilities within Information Technology systems.

BUSINESS RESILIENCE RISK

The risk that inadequate processes, people, financial controls and resources exist to continue business in the foreseeable future.

Level 3

System/ Service Failures

The risk of recurring or unnecessary business interruption caused internally or through a third party based on ineffective planning, testing performed on technical changes or configuration requirements before migrating to production as well as using obsolete technology that are not updated timeously.

Obsolete Technology

The risk of exposing business operations to business disruption, increased support costs, security vulnerabilities, lack of monitoring and support due to the inability to timeously perform upgrades to critical technologies.

Outdated Operating Systems

The risk of business disruption, increased support costs, security vulnerabilities, lack of monitoring and support due to the inability to timeously perform upgrades to Operating Systems.

Insufficient IT Governance Oversight

The risk of increased exposure to reputational damage, business disruption or financial loss due to ineffective oversight and control being in place from a Governance, Risk and Internal Control environment perspective.

Inadequate Service Delivery

The risk associated with inadequate and insufficient performance of technology systems and services, resulting in loss of business value.

Data Privacy Exposure

The risk of sensitive data being compromised (loss or leaked) due to human error, ineffective data management and communication processes or lack of technical safeguards, resulting in litigation, negative press and/or financial loss.

Third Party Data Loss

The risk of sensitive data being compromised (loss or leaked) that is associated with the process of sharing data with an external third party that was exposed.

Inaccurate Assimilation of Information

The risk of incorrect processing and decision making based on the inability to verify the quality, accuracy, completeness, timeliness and/or relevance of data. As well as the ownership and accountability in the valuation, creation, storage, use, archiving and deletion of information.

Unauthorised Access

The risk of unauthorised access or incorrect access rights may result in unauthorised transactions being processed or access to sensitive information.

Uncontrolled Privileged Changes

The risk of business interruption and/or unauthorised changes to critical applications/appliances as a result of ineffective privileged account management.

Information Security Exposure

The risk of sensitive data being compromised (loss or leaked) on the internal network as a result of unauthorised access to data during transmission or at rest or not adequately protecting critical assets.

Technology Benefit/Value Enablement Risk

The risk of missed opportunities and customer impact to adopt business solutions through the adequate use of projects, programmes, requirements and system development processes to improve the efficiency or effectiveness of business processes.

Increased Technical Debt

The risk of unnecessary business disruptions, human errors as well as customer impact as a result of increased technical debt due to resources being reprioritised.

Misaligned Enterprise Architecture

The risk of the business vision and strategy not being achieved as a result of inaccurate design and development of an enterprise's architecture.

Cyber Business Disruption

The risk of business interruption as a result of preventative network or security related controls being inadequate/ bypassed/ exploited or as a result of incorrectly/ untimely execution of the response and recovery activities to remedy a security incident.

Cyber Data Loss

The risk of data leakage/loss through hacking or through the use of malicious software as a result of not being able to timeously detect irregular activity on the network, analysing security threats/malware or patching security/software vulnerabilities timeously.

Cyber Fraud

The risk of unauthorised use of systems to commit fraud by hacking into a system (internally or externally) and processing transactions or manipulating data.

Business/ Facility Disruption

The risk of service failure due to an inability to recover facilities or business premises in the event of a business disruption. E.g. Discovery premises become unavailable due to the building/street/area being cordoned off for security reasons - prolonged periods of no water, electricity supply to Discovery buildings.

People Disruption

The risk of operational failure due to an inability to recover or maintain an appropriate level of skill and capacity in the event of a business disruption. E.g. volume and skills – staff are unable to report to work due to a pandemic breakout or strike action.

System Disruption

The risk of business interruption due to the inability to recover (using backups or failover capability) or maintain systems availability (high availability & redundancy) to an appropriate level in the event of a system/ data centre outage.

Third Party Service Disruption

The risk of service failure arising from an inability of a third party to recover to an appropriate level of service in the event of a disaster within the required timeframe. E.g. third parties such as Eskom, Telkom suffer a service disruption resulting in services to Discovery going down.

Discovery Bank's financial performance

Strategy and business model

Risk management philosophy

Remuneration

Quantitative tables and templates

Qualitative tables

Abbreviations

Key risks *continued*

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

Given the digital nature of Discovery Bank's offering, a certain level of security risk is acknowledged as unavoidable. However, the Bank maintains a low tolerance for such risk and actively works to minimise it through robust vulnerability scanning, continuous system updates and proactive security measures. This approach ensures that security risks are effectively managed while supporting the integrity and resilience of the Bank's digital infrastructure.

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	<ul style="list-style-type: none"> 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	<ul style="list-style-type: none"> Regular Fraud Risk Committee Monthly Industry Partner Committee and Working Groups Monthly Fraud sharing with partners
Anticipate	Fraud trends, fraud rule environment optimisation	<ul style="list-style-type: none"> Regular 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	<ul style="list-style-type: none"> Advanced fraud data analytics Adhoc fraud trend and case investigations Consultation with business on new products or product enhancements
Respond and Recover	Fraud operations	<ul style="list-style-type: none"> 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	<ul style="list-style-type: none"> Monthly newsletter and adhoc fraud and security awareness campaigns

Discovery Bank has very specific regulatory and compliance requirements (that are guided by the context within which it operates). The use of the NIST (National Institute of technology and standards) Cybersecurity Framework is introduced as a useful reporting framework to more clearly communicate cyber resilience priorities to departments and stakeholders. It is not required of the Bank to attest and comply with the NIST Cybersecurity Control framework.

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.

Regulatory compliance and financial crime risk are closely monitored and regularly reported to the Audit and Compliance Committee (ACC). Throughout the period under review, both areas have remained within the Bank's defined risk appetite. This reflects the effectiveness of the Bank's governance structures, internal controls, and compliance frameworks in ensuring adherence to regulatory requirements and mitigating financial crime exposure.



Discovery Bank's financial performance

Strategy and business model

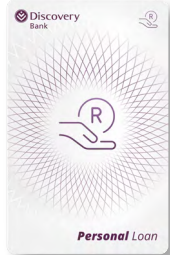
Risk management philosophy

Remuneration

Quantitative tables and templates

Qualitative tables

Abbreviations



CREDIT RISK

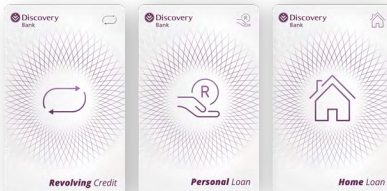
The credit strategy remains focused on driving high-quality growth in advances through diversified product offerings and operational improvements, while maintaining a prudent and disciplined approach to risk management.

During the past financial year, Discovery Bank further diversified its lending portfolio by introducing personal loans. These were initially launched for testing at the end of June, followed by a public rollout in July 2025. The product allows clients to borrow a fixed amount and repay it over a set term, offering greater flexibility and choice in managing their financial needs.

Lending suite



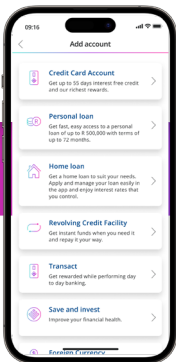
Single Credit Facility



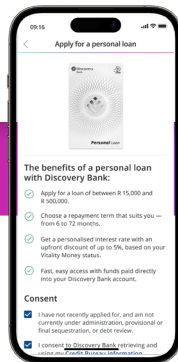
Revolving Credit Facility

Personal loans

Home Loans



Benefits



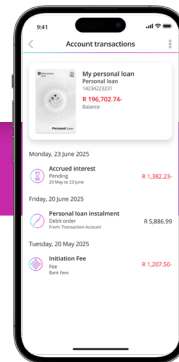
Loans of up to R500,000

Flexible repayment terms

Personalised interest rates with a Vitality Money discount

Seamless and simplified journey

Account Access

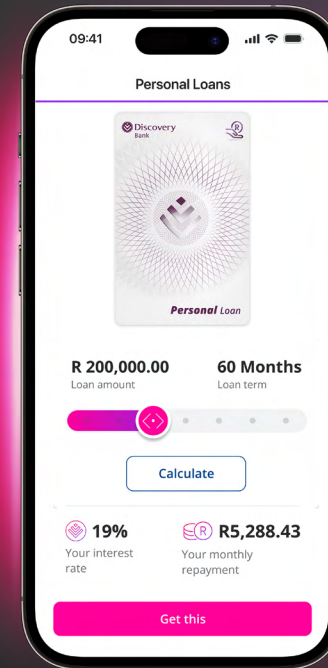


View your balances

Track your repayments

Understand your next payment due and due dates

Personalise your personal loan account to your needs



Dynamic borrowing rebate

5%



Vitality Money status

Discovery Bank's financial performance

Strategy and business model

Risk management philosophy

Remuneration

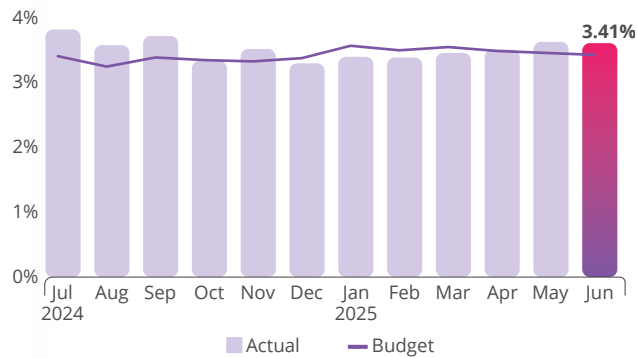
Quantitative tables and templates

Qualitative tables

Abbreviations

Despite continued macroeconomic pressures affecting consumers across the portfolio, the Bank made strong progress in growing its advances book, ending the year slightly higher than budget – as reflected in the performance of unsecured retail credit loss ratios. The Bank tracks secured and unsecured credit loss ratios separately to ensure accurate monitoring and targeted risk management across different lending categories.

Unsecured credit loss ratio (including overlays)

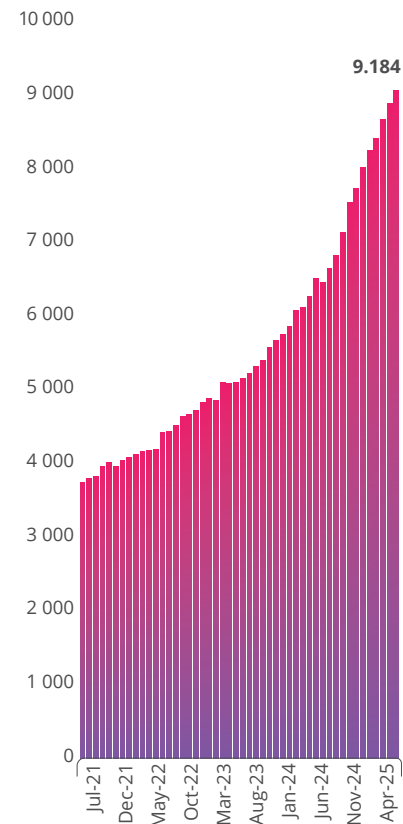


The total CLR for unsecured as well as secured lending for FY25 totalled 3.03%

Retail advances grew significantly to R9.2 billion by the end of June 2025 – a 39% increase compared to the previous year – driven primarily by strong growth in the home loans portfolio.

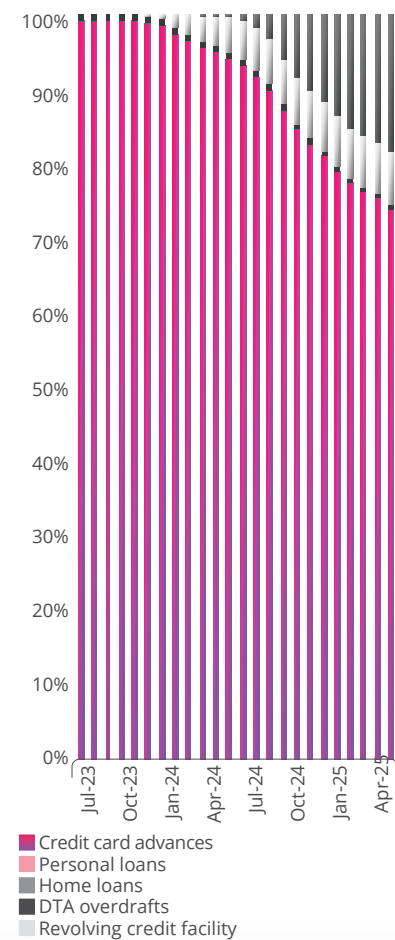
Advances

Advances (R'm)



Credit mix

Balances by lending product type



Discovery Bank's financial performance

Strategy and business model

Risk management philosophy

Remuneration

Quantitative tables and templates

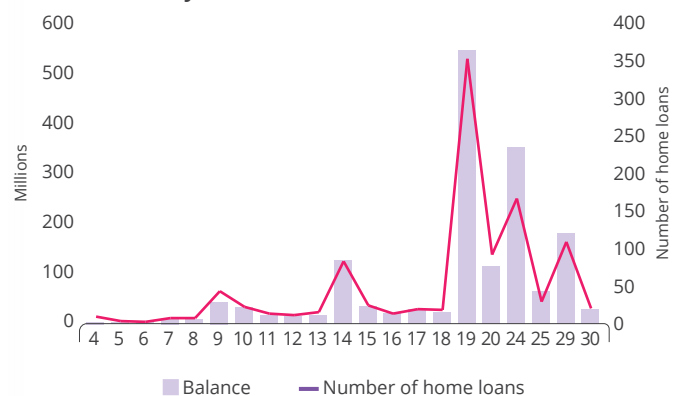
Qualitative tables

Abbreviations



Home loans maturity profile

Term to maturity



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

Application volumes increased across all product lines, while risk management efforts continue to ensure responsible client onboarding

New credit limits were approved, with strong uptake from clients

Process optimisation initiatives are underway to improve efficiency and enhance customer experience.

In line with IFRS 9 requirements, the Bank incorporates forward-looking macroeconomic conditions by identifying strong correlations between macroeconomic indicators and key model drivers. To this end, indicators such as the prime interest rate and Consumer Price Index (CPI) were considered. Their impact was assessed through statistical regression analysis to understand the relationship between these indicators and historically observed default rates. The analysis revealed a strong positive correlation between the Bank's default rates and both inflation and interest rate levels.

South Africa's macroeconomic landscape has shown mixed signals in 2025. Economic growth slowed notably in Q1 2025, with **real GDP increasing by just 0.1%**, down from 0.4% in Q4 2024. The **primary and tertiary sectors** showed modest growth, while the **secondary sector contracted further**, weighed down by weak domestic demand, high operating costs, and persistent infrastructure and logistical constraints.

Inflation has remained within the South African Reserve Bank's target range of 3%–6% but is expected to trend upward over the remainder of the year. Upside risks to inflation have materialised, particularly due to **heightened geopolitical tensions**. The recent imposition of **reciprocal tariffs by the U. on South African imports and exports** has strained trade relations and introduced new economic uncertainty.

These developments have had a ripple effect on the financial sector. The **banking industry now faces multiple interlinked risks**, including increased **currency volatility, rand depreciation and weakened investor confidence**, which could lead to capital outflows and reduced liquidity in local markets.

Despite these headwinds, South Africa's **Government of National Unity**, formed around a centrist coalition, continues to be viewed positively by foreign investors. However, structural issues such as the **deepening water crisis** and the **deteriorating state of municipalities** are drawing increasing concerns. These concerns may lead to weakened investor confidence, which if sustained could lead to capital outflows.

However, due to ongoing geopolitical uncertainties – both domestically and globally – and the potential variability in the timing of interest rate cuts, the Bank remains cautious. To mitigate the risk of higher-than-expected credit losses, an additional 'uncertainty' overlay has been applied. Furthermore, the Bank tracks secured and unsecured credit loss ratios separately to ensure precise monitoring and effective risk management across its lending portfolio.

Discovery Bank's financial performance

Strategy and business model

Risk management philosophy

Remuneration

Quantitative tables and templates

Qualitative tables

Abbreviations

IMPAIRMENTS

Discovery Bank calculates all impairments and credit losses in accordance with the International Financial Reporting Standards (IFRS 9) framework. This includes incorporating forward-looking macroeconomic conditions by identifying strong relationships between macroeconomic indicators and key model drivers.

To align with regulatory reporting standards, and in addition to the adopted 'Standardised Approach,' Discovery Bank applies the following definitions:

Past-due loans: A facility is considered past due when a material amount is between 1 and 90 days in arrears.

Default/ credit-impaired: Default is assessed at the facility level and incorporates both quantitative and qualitative criteria, as outlined in the Basel capital framework and Regulation 67 of the Banks Act. This dual approach ensures early identification of credit deterioration.

Qualitative indicators of default include:

The borrower is under debt counselling or review

The client is insolvent

The borrower is deceased

The facility has been written off

The facility has undergone a distressed restructure or special arrangement

The facility has been transferred to charge-off or legal status

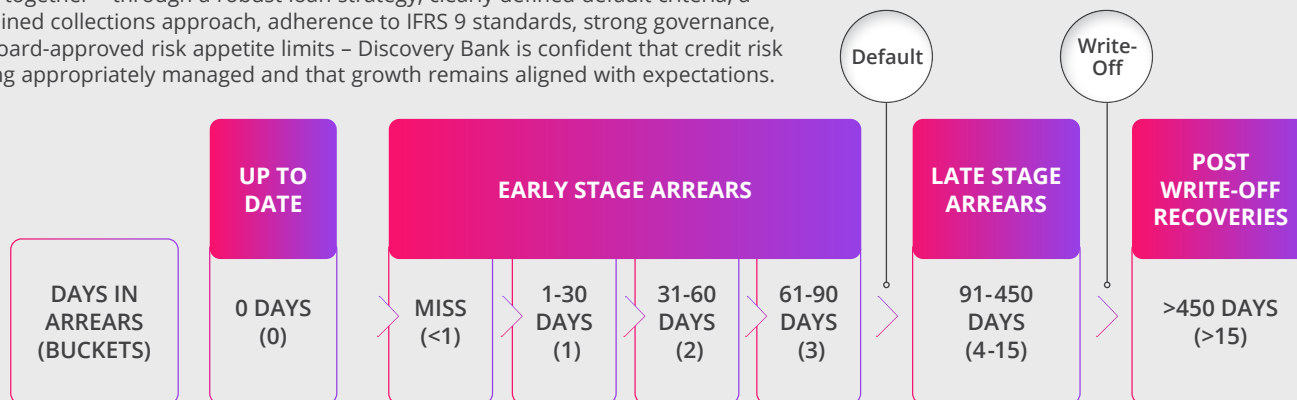
Quantitative indicator of default:

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

Credit risk is managed within the Bank's risk appetite framework, which defines key risk metrics and indicators aligned with the overall business strategy. These metrics are actively monitored to ensure that the risks taken are within acceptable limits. Credit exposure and loss tolerance are tracked daily, with escalation procedures governed by formal processes. Broader reporting is conducted monthly or quarterly to oversight bodies such as the Credit Risk Review Committee and the Risk and Capital Management Committee.

The Bank also tracks secured and unsecured credit loss ratios separately to ensure precise monitoring and targeted risk management across different lending categories.

Taken together – through a robust loan strategy, clearly defined default criteria, a disciplined collections approach, adherence to IFRS 9 standards, strong governance, and Board-approved risk appetite limits – Discovery Bank is confident that credit risk is being appropriately managed and that growth remains aligned with expectations.



Discovery Bank's financial performance

Strategy and business model

Risk management philosophy

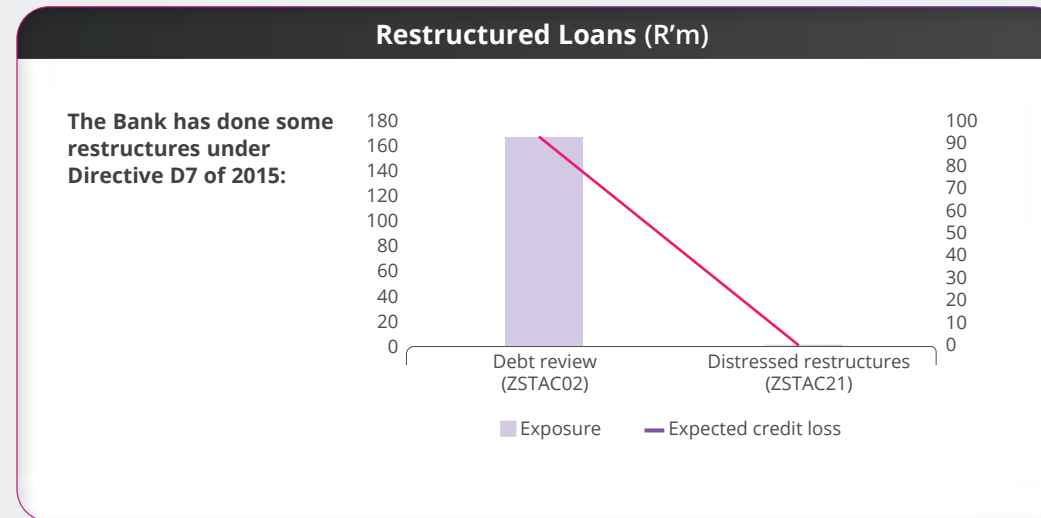
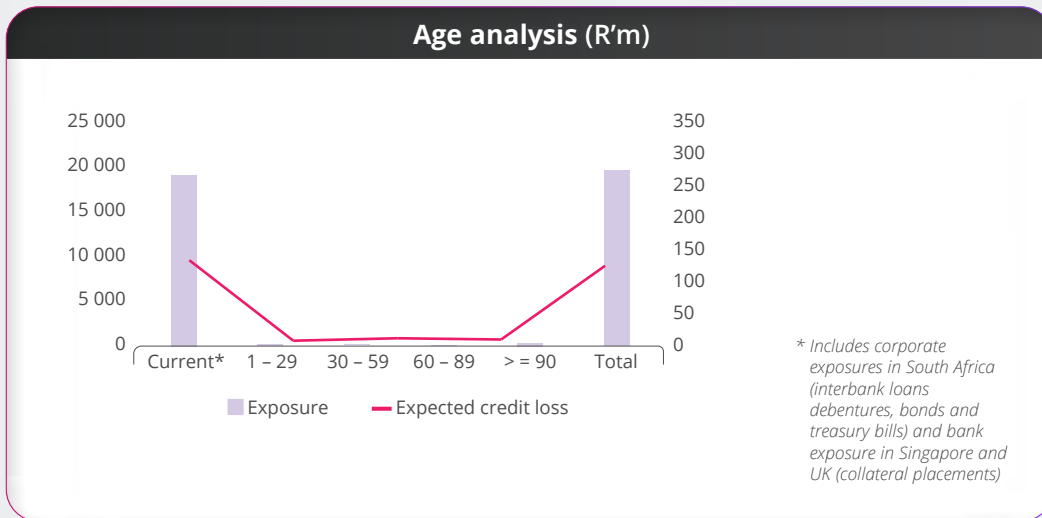
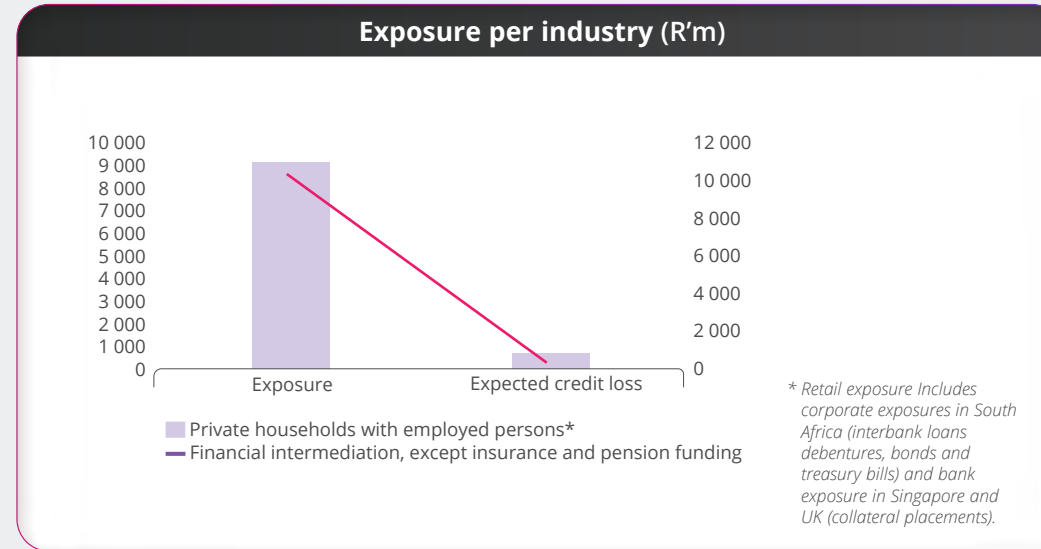
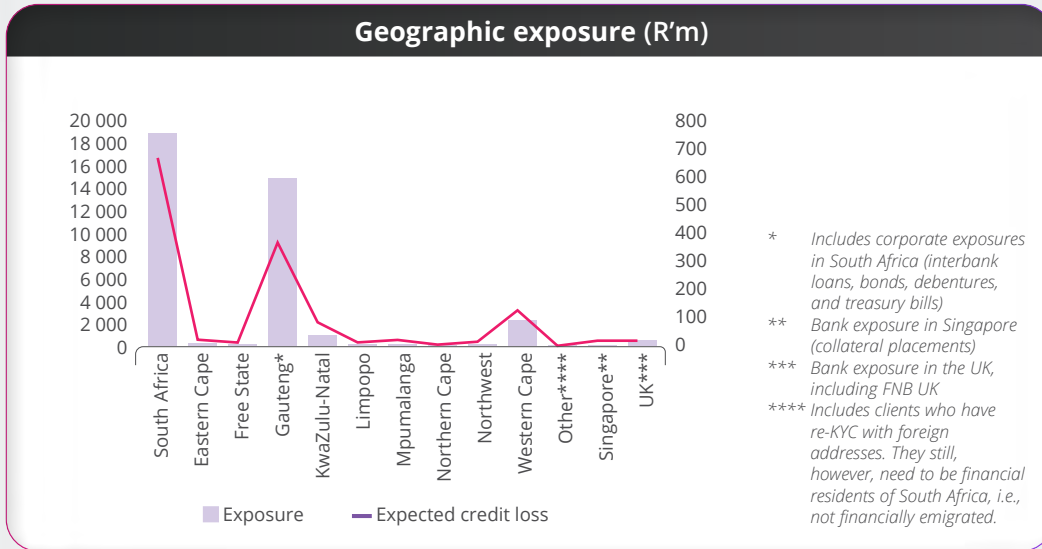
Remuneration

Quantitative tables and templates

Qualitative tables

Abbreviations

The tables that follow provide an overview of the exposures per industry, geographical area, impairments as well as ageing analysis of 'accounting past due' exposures, all at 30 June 2025.



Discovery Bank's financial performance

Strategy and business model

Risk management philosophy

Remuneration

Quantitative tables and templates

Qualitative tables

Abbreviations

MARKET RISK IN THE BANKING BOOK

Market risk refers to the potential for losses resulting from changes in the value of financial instruments due to price fluctuations in financial markets. As a result, the Bank may experience losses that affect the overall performance of its investments. These fluctuations are driven by movements in the prices of underlying assets (interest rate risk), changes in the currency values of those assets (currency risk) and shifts in the liquidity of the underlying assets (market liquidity risk).

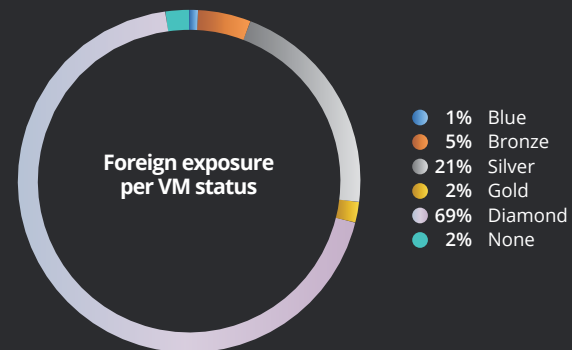


As a retail-focused bank, Discovery Bank has a limited appetite for market risk. Accordingly, there are no proprietary trading positions or transactions involving outright speculation during the period under review. However, in delivering its core services and products, the Bank does assume a degree of market risk, which is quantified, monitored and hedged accordingly.

Discovery Bank launched its multicurrency forex account at the beginning of 2022, and the product has grown year-on-year. The offering includes currency conversion, international payments and remittances, receipt of foreign funds, and the ability to hold balances across multiple currencies. To support this, the Bank's Treasury manages a flow book, acting as a liquidity provider for the forex activities carried out by clients.



Currency risk arises from fluctuations in exchange rates between the rand and foreign currencies in which the Bank's assets and liabilities are denominated. These changes can negatively impact profitability and shareholders' equity. This risk has become more prominent following the launch of the multicurrency forex account and is actively managed on a daily basis within approved Net Open Foreign Position (NOFP) limits. Any near breaches are promptly communicated to the ALCO response team, and gaps are immediately closed to ensure ongoing compliance with risk limits. These limits are designed solely to support client activity and not for proprietary trading. The Bank also monitors individual currencies to assess materiality in line with BA 330 requirements. Currently, its major currency exposures remain well below the 5% materiality threshold. Additionally, to enable offshore card transactions in foreign currencies, Visa requires the Bank to place foreign currency-denominated collateral with a designated, highly rated international bank. This collateral is 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

INTEREST RATE RISK IN THE BANKING BOOK

Due to the nature of its operations, Discovery Bank is continuously exposed to interest rate risk. Interest rate risk in the banking book (IRRBB) refers to the potential financial loss resulting from adverse movements in interest rates, which can affect both the Bank's net interest income (NII) and the economic value of equity (EVE). IRRBB is assessed and managed through both regulatory and internal frameworks.

- **Regulatory oversight** includes monthly submissions of BA 330 returns, which quantify the Bank's exposure to interest rate movements on earnings and value. The Supervisory Outlier Test (SOT) is monitored daily and monthly to ensure compliance with regulatory thresholds.
- **Internal risk management** involves stress testing and scenario analysis tailored to the Bank's balance sheet structure. These scenarios incorporate various interest rate shocks to evaluate potential impacts.
- **Economic and interest rate forecasts** are currently informed by data and projections from the Bureau for Economic Research, supporting proactive risk management and strategic planning.

The sources of interest rate risk include:

1 Gap risk

Gap risk arises from mismatches in the term structure of banking book instruments and the timing of interest rate changes. For example, the interest rate paid on liabilities may increase before the rate received on assets.

- Exposure to **parallel shifts** in the yield curve is assessed by evaluating the impact on both Net Interest Income (NII) and Economic Value of Equity (EVE) and is managed within defined risk limits.
- Exposure to **non-parallel shifts** has increased following the purchase of longer-dated bonds. However, this exposure is limited to the long end of the yield curve and does not extend beyond 10 years, which therefore contains the risk.

2 Basis risk

Basis risk arises when instruments with similar tenors are repriced using different reference rates. In Discovery Bank's case, this involves differences between the prime rate, repo rate and JIBAR.

The Bank's wholesale liabilities are primarily linked to JIBAR, while retail assets are generally linked to the prime rate (with the exception of home loans, which are priced off JIBAR).

Although the repayment of some wholesale funding has reduced this risk to an insignificant level, the current spread between these floating rates is still measured – both in terms of value and earnings – and actively monitored.

3 Embedded options risk

Optionality can be broken down into two sub-types:

Automatic option risk

This type of risk arises from standalone instruments – such as exchange-traded or over-the-counter option contracts – or from options explicitly embedded within the contractual terms of otherwise standard financial instruments. These options are likely to be exercised when it is financially advantageous for the holder to do so.

Behavioural option risk

Behavioural option risk stems from embedded flexibilities – either implicit or explicit – in financial contracts. Changes in interest rates may influence client behaviour, such as a borrower choosing to repay a loan early (with or without penalty), or a depositor withdrawing funds to seek higher yields elsewhere.

The Standardised framework also accounts for customer options that, if exercised, may alter the timing of the Bank's cash flows. These options are often influenced by changes in interest rates. Discovery Bank reviews interest rates weekly and, where necessary, adjusts them to ensure clients are not disadvantaged by market movements.

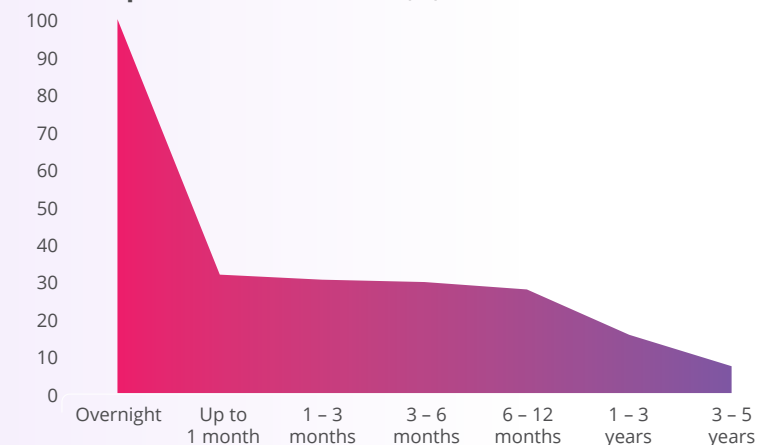
To monitor behavioural responses, the Bank tracks outflows of volatile funds over time to identify any upward trends. Recent analysis of Non-Maturing Deposits (NMDs) revealed that, despite reductions in the base rate for both credit card and transactional accounts, balances remained stable, with no signs of flattening or decline.

During the period under review, the Bank's Asset and Liability Committee (ALCO) agreed to maintain behavioural assumptions equal to contractual values until appropriate hedging capabilities are established.

To mitigate the financial impact of early contract terminations, the Bank imposes penalty fees on clients who exit agreements prematurely. These fees serve both as a deterrent to early breakages and as a mechanism to recover potential losses associated with disrupted cash flows, reinvestment risk and administrative costs. This approach helps preserve the integrity of the Bank's asset-liability management strategy and ensures that pricing remains aligned with expected contractual terms.

The Basel Committee on Banking Supervision (BCBS) defines Non-Maturing Deposits (NMDs) as bank liabilities that have no contractually agreed maturity date, allowing depositors to withdraw funds at any time. These products – particularly current accounts – serve as a stable source of longer-term, rate-insensitive funding for banks.

Core deposit term structure (%)



The average repricing maturities calculated on NMDs are 7.53 months, with the longest repricing maturity seen in credit cards, amounting to 16.4 months.

Discovery Bank's financial performance

Strategy and business model

Risk management philosophy

Remuneration

Quantitative tables and templates

Qualitative tables

Abbreviations

Key risks *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.
- **Net interest income (NII) sensitivity** measures the difference between the interest income a bank earns from its assets (like loans) and the interest it pays on its liabilities (like deposits) over a 12-month period in response to an instantaneous (400bps) 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.

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.

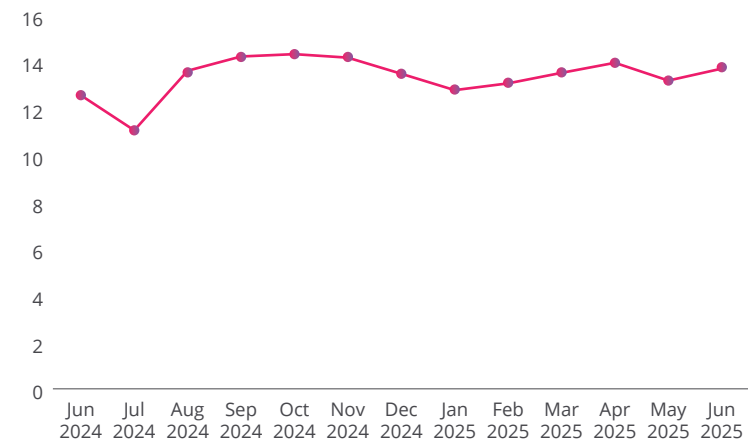
Principle 12 in the BIS interest rate risk in the banking book framework states:

"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 general risk profile, supervisors must require mitigation actions and/or additional capital."

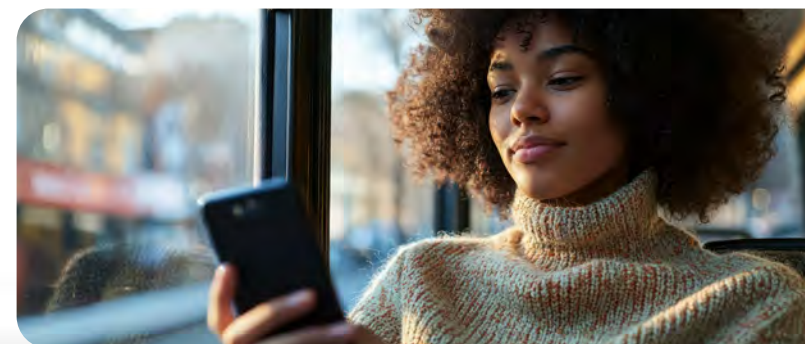
To manage interest rate risk effectively, the risk limit should be calibrated based on changes in Economic Value of Equity (EVE) and must not exceed 15% of Common Equity Tier 1 (CET1). In addition, a management buffer should be maintained to prevent breaches of this limit. This buffer must also be sufficient to absorb potential reductions in CET1 without constraining Treasury's available risk capacity, which could otherwise necessitate changes to existing risk positions.

Throughout 2025, the Bank has consistently maintained its Supervisory Outlier Test (SOT) well below the 15% threshold. Furthermore, the Bank actively monitors interest rate resets to anticipate future impacts on the SOT and reduce exposure where necessary.

SOT (%)



Prudent Valuation Adjustment (PVA) is a regulatory requirement that ensures fair values of financial instruments reflect valuation uncertainty, particularly in illiquid or complex markets. It is especially relevant for instruments like interest rate swaps (IRS), where market inputs and pricing models can introduce risk. During the reporting period, Discovery Bank did not hold any interest rate swaps, and as a result, no PVA was required or applied.



Discovery Bank's financial performance

Strategy and business model

Risk management philosophy

Remuneration

Quantitative tables and templates

Qualitative tables

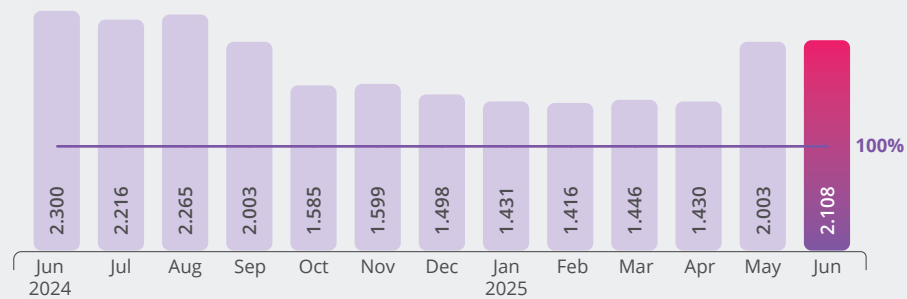
Abbreviations

LIQUIDITY AND FUNDING RISK

Liquidity risk is the potential that the Bank may be unable to meet its cash flow or collateral obligations - whether expected or unexpected, current or future - without disrupting normal operations. From a regulatory standpoint, this risk is monitored through the Liquidity Coverage Ratio (LCR) and net stable funding ratio (NSFR).

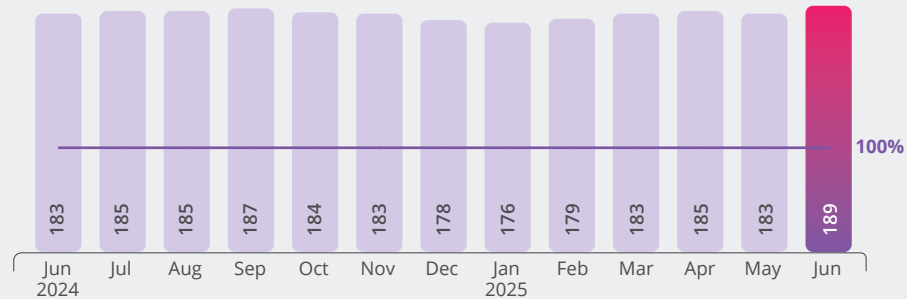
Liquidity Coverage ratio

■ LCR actual — LCR required & target (100%)



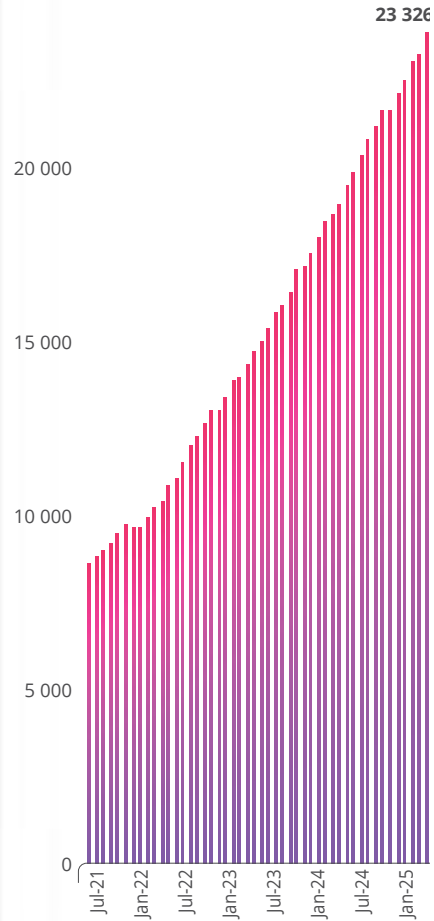
Net Stable Funding Ratio

■ NSFR actual — NSFR required

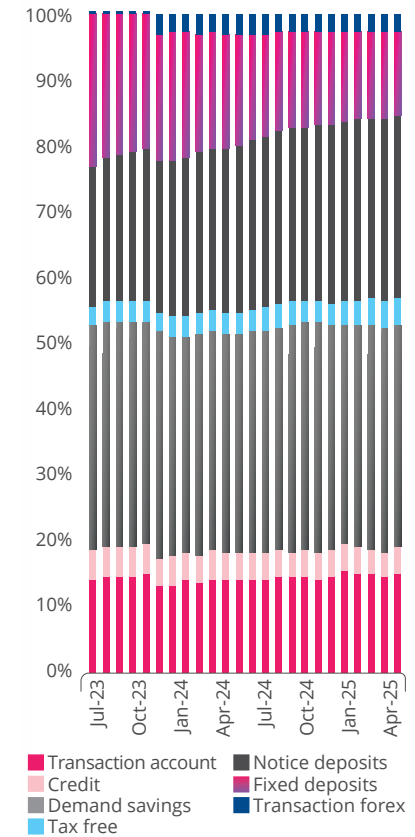


As of the end of June 2025, Discovery Bank continues to maintain substantial liquidity surpluses, reflecting its strong funding position. The Bank has experienced consistent growth in retail deposits, reinforcing its strategy of remaining fully retail-funded. This growth not only supports the Bank's liquidity profile but also enhances funding stability, as retail deposits are generally considered more resilient during periods of market stress. The bank offers a well-diversified retail product suite, with additional deposit products scheduled for launch over the next year.

Retail deposits (R'm)



Mix of deposits



The bank has also outperformed its competitors in market growth across various maturity segments.

Discovery Bank's financial performance

Strategy and business model

Risk management philosophy

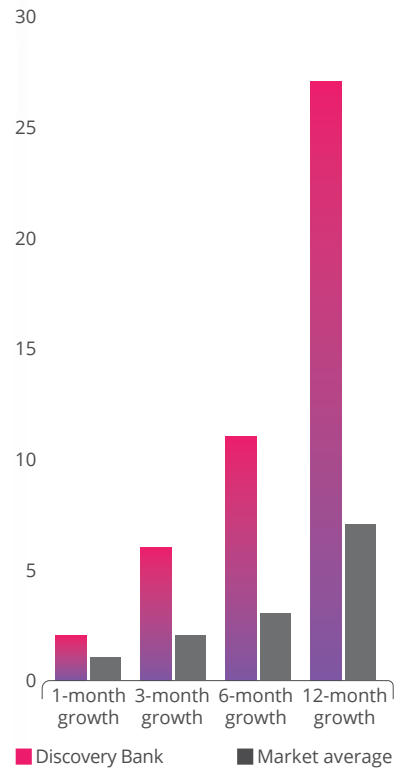
Remuneration

Quantitative tables and templates

Qualitative tables

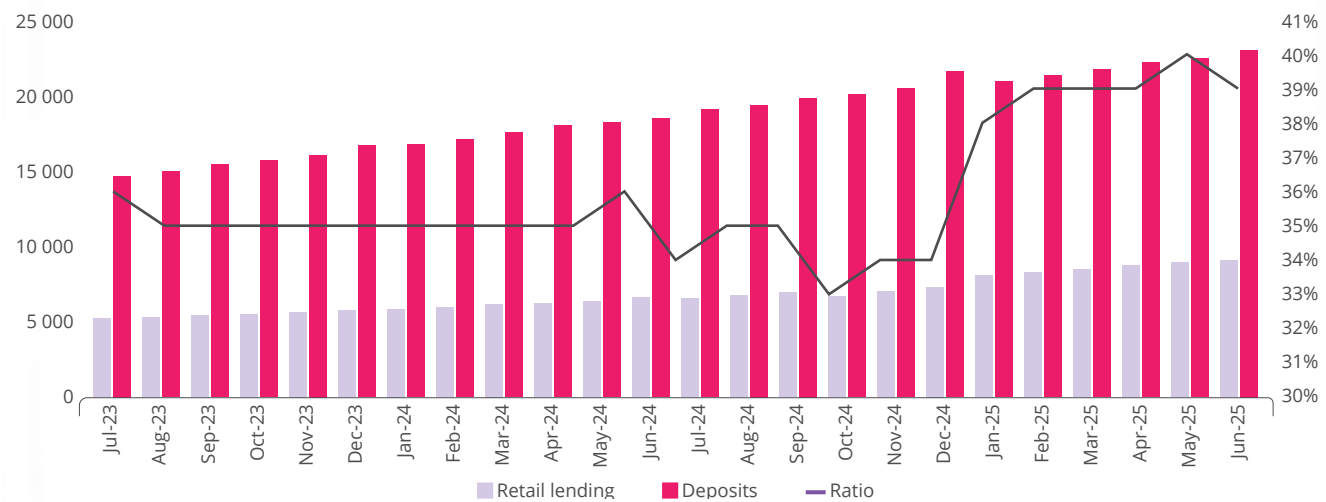
Abbreviations

Retail deposits growth vs market



The continued expansion of the retail deposit base aligns with the Bank's broader strategic objectives, including sustainable balance sheet growth and prudent liquidity risk management. By focusing on high-quality, rate-inelastic retail funding, the Bank is well-positioned to support its lending activities and absorb potential liquidity shocks without compromising operational continuity.

Loan to deposit ratio



Liquidity risk refers to the possibility that the Bank may be unable to meet its expected or unexpected cash flow or collateral obligations – either current or future – without disrupting its daily operations. To manage this risk, Discovery Bank calculates the **survival period** of its balance sheet, which represents the number of days the Bank could withstand a prolonged liquidity stress scenario. This measure helps assess the Bank's resilience and informs strategic liquidity planning.

In addition, the Bank models the **weighted average life** of each product to manage liquidity risk based on both contractual and behavioural obligations. These insights, combined with regulatory metrics such as the **Liquidity Coverage Ratio (LCR)** and net **stable funding ratio (NSFR)**, form a critical part of the Bank's overall liquidity risk framework.

The Bank's strategy continues to focus on leveraging its **shared-value model** to grow high-quality lending and attract stable deposits. This includes a deliberate approach to managing the **cost and maturity profile of deposits**, aimed at enhancing margins while ensuring sustainable funding.

The combination of the **ALCO liquidity buffer** and the net surplus position indicates that the Bank remains well-funded to support its growth ambitions and withstand even severe liquidity stress scenarios. The liquidity waterfall reflects a conservative view of surplus funds, excluding the use of available **Liquid Asset Requirement (LaR)**, **average minimum daily reserves with the South African Reserve Bank (SARB)** and **collateral reserves** held at SARB for funding purposes.

Discovery Bank's financial performance

Strategy and business model

Risk management philosophy

Remuneration

Quantitative tables and templates

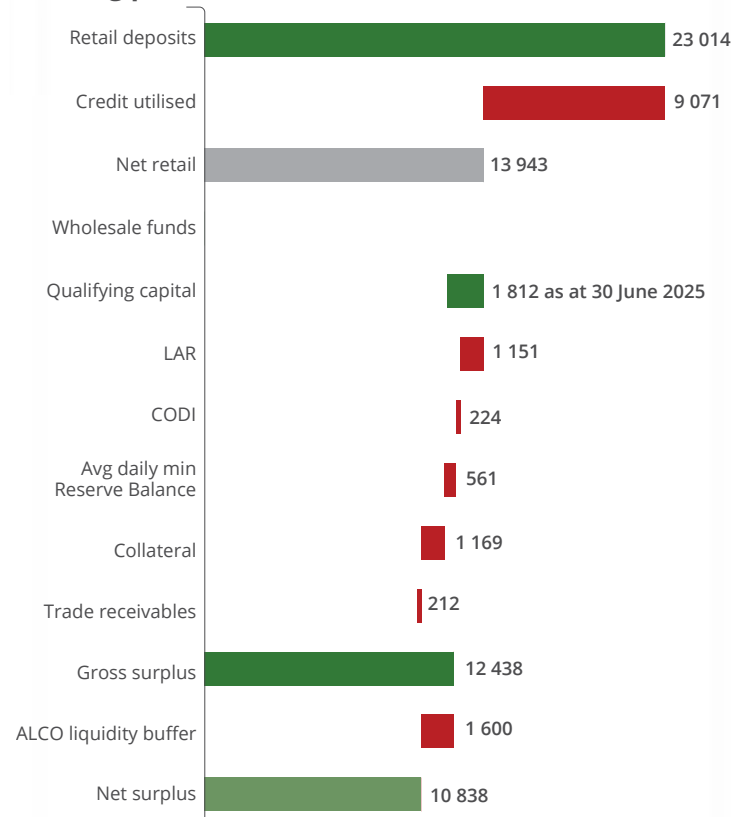
Qualitative tables

Abbreviations

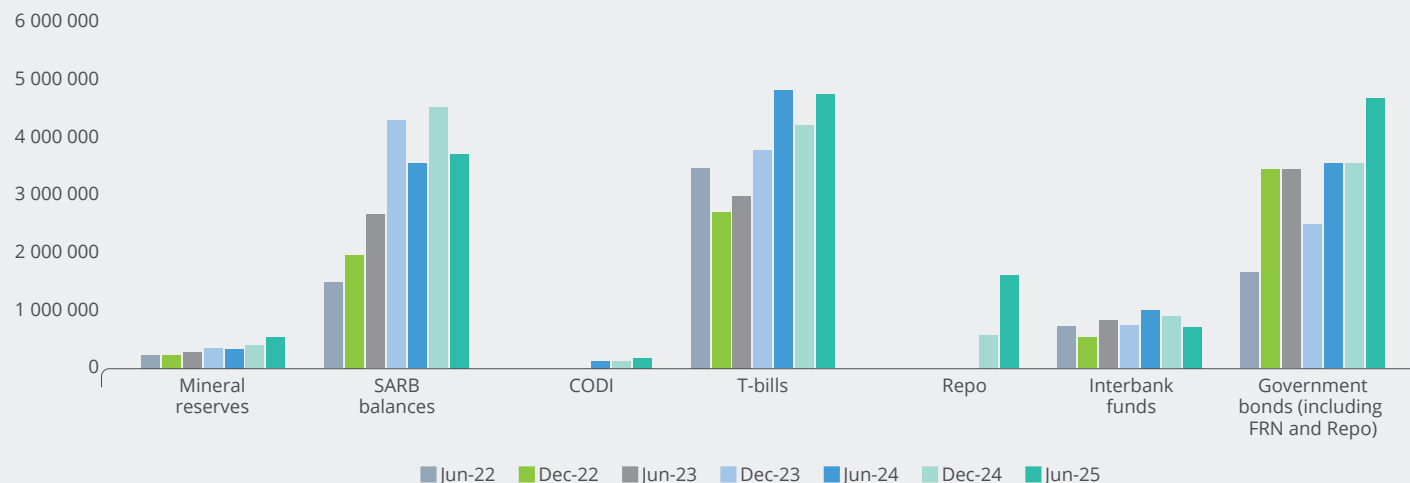
Key risks *continued*

To further strengthen its liquidity position, the **Balance Sheet Management (BSM)** team regularly conducts sensitivity analyses by stress-testing various outflow scenarios across both stable and volatile deposits. As of 30 June 2025, the Bank maintained a strong liquidity position, with an **LCR of 2018%** and an **NSFR of 189%**, well above regulatory minimums.

Funding position (R'm)



The Bank's wholesale funds consist of high-quality liquid assets (mix of South African government bonds in a held to maturity portfolio), T-bills, Interbank Funds, CODI and SAMOS balances, as the following diagram shows.

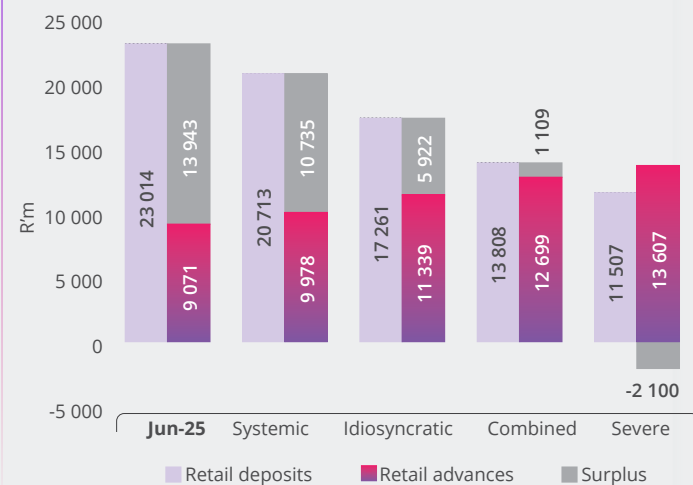


Liquidity and funding risk are governed through a comprehensive Liquidity Risk Management Framework, overseen by the Bank's Asset and Liability Committee (ALCO). A key component of this framework is the Contingency Funding Plan, which outlines the Bank's approach to identifying and managing liquidity risk during a range of stress scenarios. It defines the strategies and procedures to be followed in the event of liquidity shortfalls, ensuring the Bank can respond effectively to emergencies.

The plan includes differentiated approaches tailored to various types of liquidity stress, enabling the Bank to maintain operational continuity and financial stability under adverse conditions.

	Systemic	Idiosyncratic	Combined	Severe
CC Utilisation	10%	25%	40%	50%
Volatile Liability Outflow	(10%)	(25%)	(40%)	(50%)
Stable Liability Outflow	(1%)	(5%)	(15%)	(20%)

Liquidity stresses – 30 June 2025



Discovery Bank's financial performance

Strategy and business model

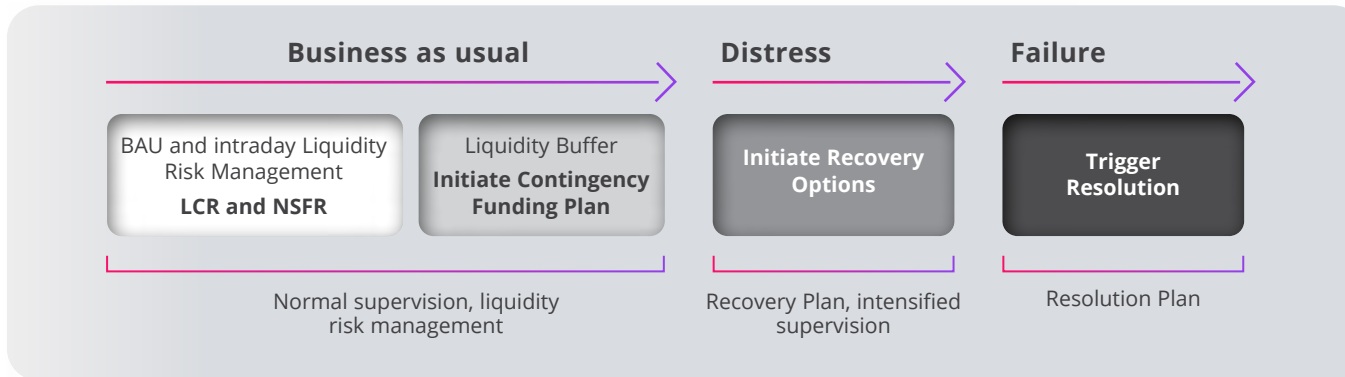
Risk management philosophy

Remuneration

Quantitative tables and templates

Qualitative tables

Abbreviations

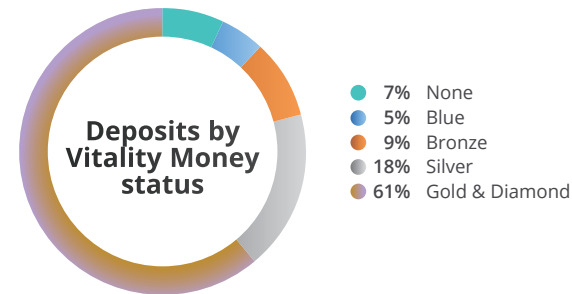


The Bank's Contingency Funding Plan (CFP) forms a critical part of its Liquidity Risk Management Framework and covers the following key areas:

- ▶ **Early detection:** Identifying the potential onset of a liquidity stress scenario through the monitoring of both qualitative and quantitative early warning indicators
- ▶ **Stress classification:** Assessing the severity of the liquidity stress based on adverse market or operational conditions
- ▶ **Coordinated response:** Outlining the action plans to be executed by various teams across the Bank to manage liquidity events and preserve financial stability
- ▶ **Buffer utilisation:** Providing clear guidelines for the use of liquidity buffers and alternative funding sources during a contingency event

Liquidity and funding stress scenarios are actively managed using the Bank's dedicated funding and liquidity management system, which is aligned with regulatory guidelines. This system models a range of stress scenarios, incorporating rate changes across product maturities and overlaying client segmentation based on **Vitality Money (VM)** status. This approach provides a more accurate view of the Bank's actual liquidity exposure.

Behavioural analysis has shown that clients with higher Vitality Money engagement levels – such as those with Gold or Diamond status – tend to withdraw their deposits at a slower rate compared to less engaged clients. This behaviour contributes to a more stable funding base, often referred to as 'sticky money,' which enhances the Bank's liquidity resilience.



Discovery Bank's financial performance

Strategy and business model

Risk management philosophy

Remuneration

Quantitative tables and templates

Qualitative tables

Abbreviations

MODEL RISK

Discovery Bank ensures that all models adhere to the enterprise-wide Model Risk Governance Framework. This includes assigning risk ratings to models based on their **materiality** and **complexity**, which in turn determines the level of validation effort required. The overarching goal of **Model Risk Management (MRM)** is to implement appropriate controls for all material models that support business operations and decision-making processes.

The MRM framework enhances the Bank's ability to:

- Identify models that are no longer fit for purpose,
- Prioritise model development and enhancement needs, and
- Maintain robust governance throughout the model lifecycle.

All **three lines of defence** play a critical role in MRM, with clearly defined responsibilities for each control activity – from model origination to retirement. The framework is designed to ensure optimal allocation of responsibilities, enabling efficient and effective management of model risk.

The Bank has adopted a **risk-based approach** to model risk management. Governance requirements are tailored according to the model's risk rating, which is derived from an assessment of its complexity and materiality.

The **Model Risk Management Framework** has been formally developed, approved and operationalised. Oversight is provided by the **Model Risk Committee (MRC)**, chaired by the Deputy CEO. The MRC is responsible for establishing and maintaining the comprehensive governance framework for model risk and reports key issues and trends to the Bank's Executive Committees and Board of Directors.

The framework is built on four core principles:

Responsibility: Each model must have a designated owner, ideally separate from the model developers.

Explainability: Model outcomes, including their dynamics and limitations, must be understandable to all users.

Performance: Model outputs must be tested for accuracy and stability, proportionate to their materiality.

Auditability: Models must be transparent and well-documented, allowing stakeholders to review and understand their behaviour.

To support these principles, the framework is structured around four key dimensions:

01

MODEL INVENTORY MANAGEMENT

02

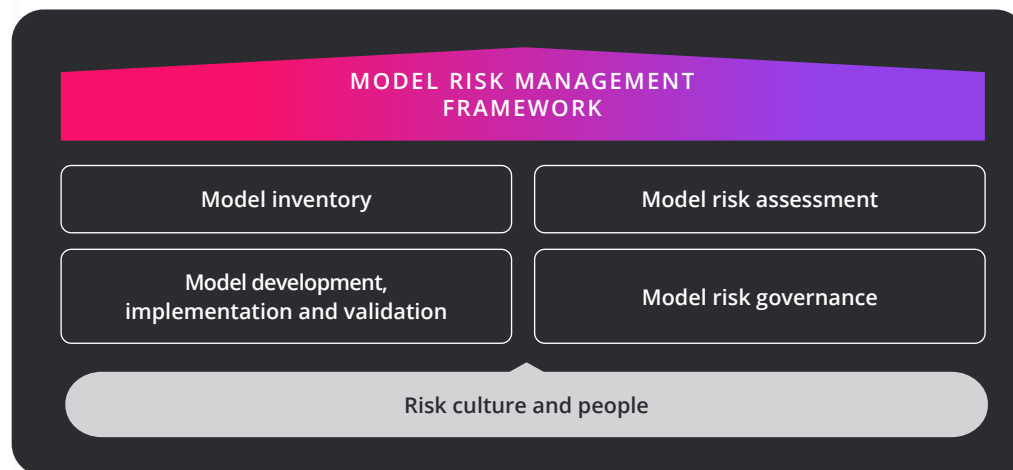
MODEL RISK ASSESSMENT

03

MODEL LIFECYCLE MANAGEMENT

04

MODEL RISK GOVERNANCE, including documentation 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

CAPITAL MANAGEMENT

Discovery Bank is committed to maintaining sufficient capital to absorb unexpected losses, safeguard depositors and meet the expectations of key stakeholders. The Bank strives to manage its capital both efficiently and prudently, ensuring an optimal balance between risk and return.

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 25 %	Discovery Bank Holdings June 25 %
Basel Minimum	8.00%	8.00%
Systemic risk add-on (Pillar 2A)	1.00%	1.00%
Common Equity Tier 1 ratio (%)	16.31%	16.34%
Total Capital Ratio (CAR)	17.01%	17.04%

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) but adopted the standardised approach from 1 July 2025.

3 MARKET RISK: The Standardised Approach (SA) using the building block method, however, adopted the simplified standardised approach from 1 July 2025.

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 follows a capital management and planning process that is closely aligned with its strategic objectives. This process includes long-term forecasting of capital adequacy to ensure that capital resources are managed in a timely, appropriate and sufficient manner. A robust forecasting framework is used to assess available capital against projected capital requirements and is regularly updated to reflect changes in model assumptions, as well as shifts in operating and economic conditions.

PRINCIPLE 3: CAPITAL RAISING

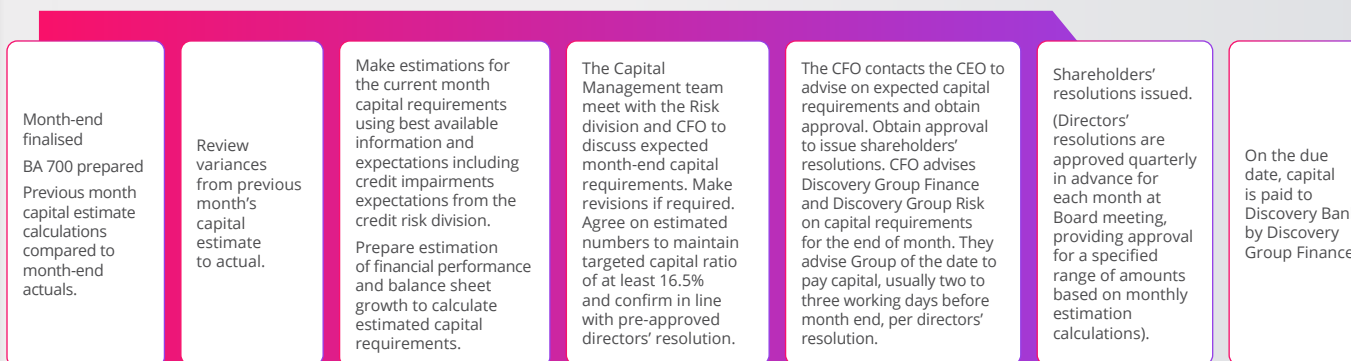
In the initial years following its launch, Discovery Bank was expected to operate at a loss and therefore relied on its sole shareholder for capital support. The Bank is now nearing operational profitability, with full profitability anticipated to follow.

Discovery Group has committed to supporting the Bank's capital needs in line with its business plan. Both the expected capital requirements and additional needs under adverse stress scenarios have been incorporated into the Group's Own Risk and Solvency Assessment (ORSA) and capital forecasts.

The Group provides capital to fund Discovery Bank's operational and development expenses, as well as to meet regulatory capital requirements. Once the Bank achieves sustained profitability, alternative capital-raising strategies will be considered.

Management conducts a formal monthly assessment of the Bank's capital position. Ordinary shares are issued before month-end to meet anticipated capital needs, which are driven by projected growth in retail lending, changes in treasury liquidity placements, and monthly operational losses. These capital drawdowns are executed in accordance with the capital plan and framework approved by Discovery Bank's Board.

The Capital Management Team Procedure to obtain Capital from Discovery Group



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

PRINCIPLE 4: CAPITAL QUALITY

Discovery Bank maintains a capital structure that consistently meets the minimum regulatory requirements, with a focus on the highest quality of capital – Common Equity Tier 1. Initially, the Bank prioritises this top-tier capital in its composition and structuring. However, as the business evolves, it may consider more cost-effective and efficient forms of capital where appropriate.



PRINCIPLE 5: CAPITAL BUFFER

Discovery Bank aims to maintain capital resources that consistently exceed the total regulatory capital requirements. In addition to an internal management buffer designed to accommodate unexpected growth and volatility in risk-weighted exposures, the Bank also holds an estimation risk buffer to account for uncertainties in capital forecasting.

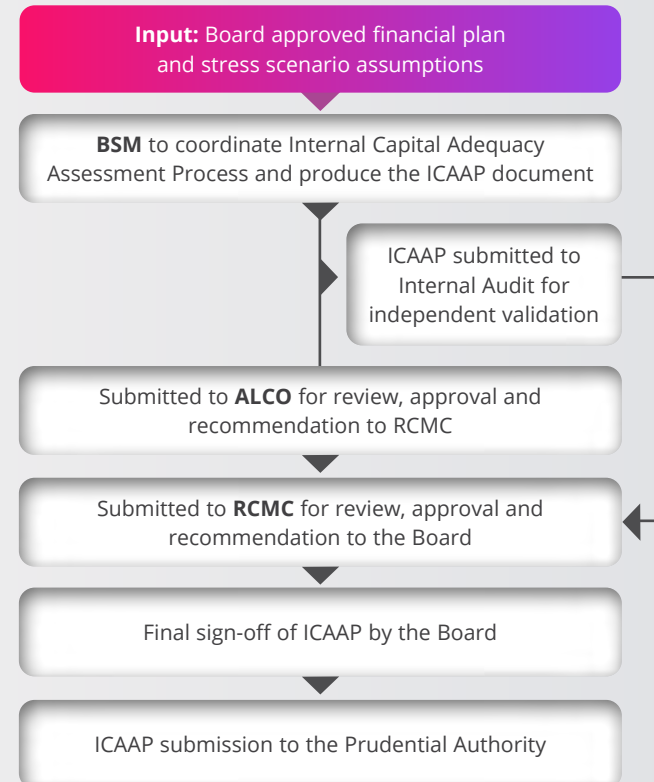
ICAAP

Discovery Bank has established a robust and well-integrated framework for risk and capital management, developed during the Bank's foundational phase and continually refined as the institution has grown. These processes have matured in alignment with the Bank's strategic evolution, ensuring they remain fit-for-purpose and responsive to the changing financial landscape.

The Internal Capital Adequacy Assessment Process (ICAAP) document serves as a comprehensive demonstration of the Bank's disciplined and well-governed approach. It highlights how capital supply is effectively aligned with capital demand, maintaining a sound capital adequacy position. Moreover, this framework is not merely a compliance exercise – it is deeply embedded in the Bank's strategic and operational decision-making, reinforcing prudent risk-taking and sustainable growth.

In alignment with Discovery Bank's commitment to sound governance and regulatory compliance, the ICAAP document undergoes a comprehensive review process. All business owners, executive managers, Board executives and Internal Audit are required to review the document to ensure its accuracy, relevance and alignment with the Bank's risk and capital management framework.

Furthermore, the Asset and Liability Committee (ALCO), the Risk and Capital Management Committee (RCMC) and the Board – through its RCMC representatives – are responsible for formally reviewing and approving the ICAAP. This approval process takes place annually, prior to the document's submission to the regulatory authorities, reinforcing the Bank's disciplined approach to capital adequacy and risk oversight.



Discovery Bank's financial performance

Strategy and business model

Risk management philosophy

Remuneration

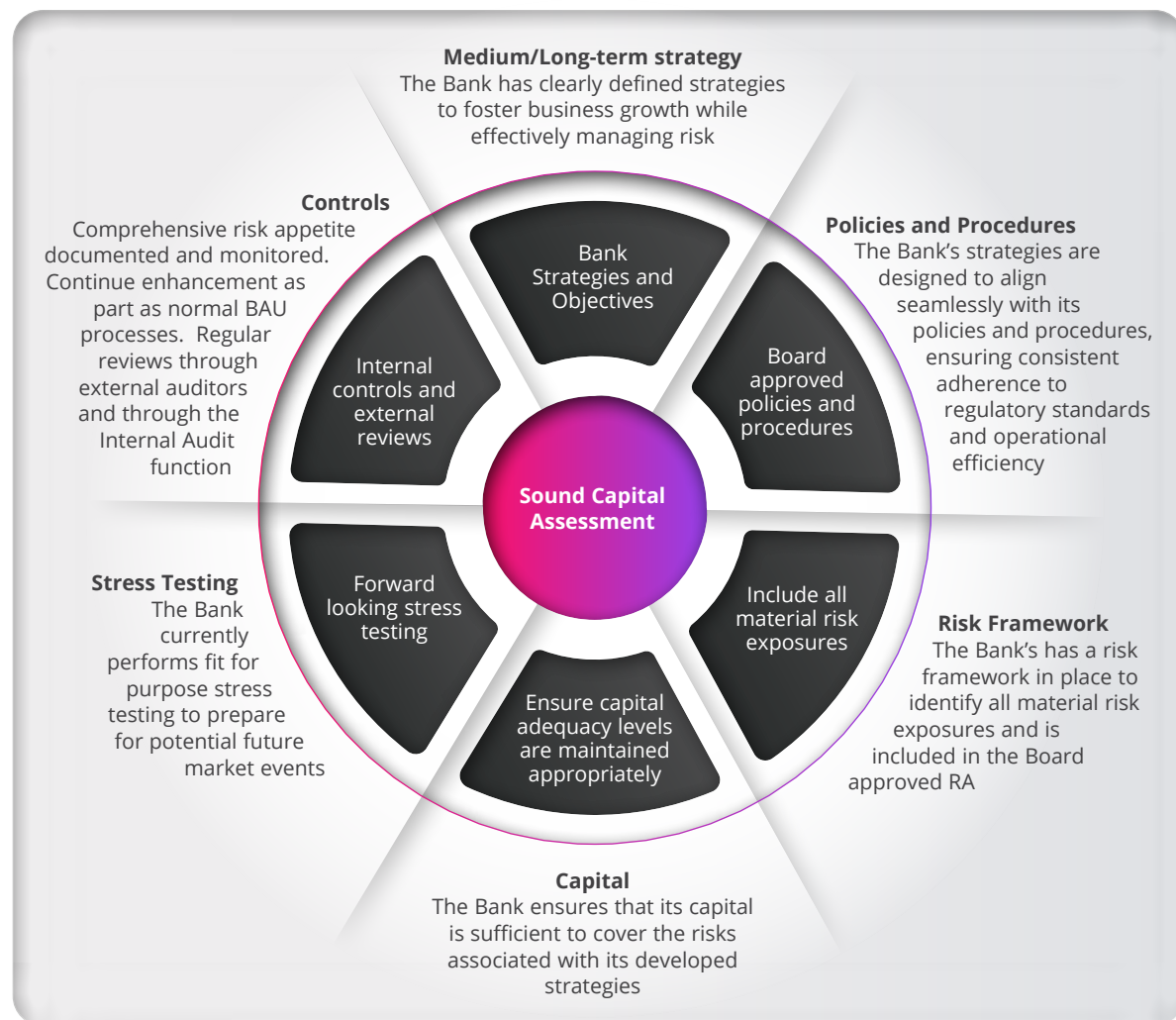
Quantitative tables and templates

Qualitative tables

Abbreviations

Key risks *continued*

Discovery Bank's sound capital assessment framework is underpinned by well-defined strategies, Board-approved policies, fit-for-purpose stress testing methodologies and robust internal controls, all of which collectively ensure that capital adequacy is maintained and aligned with the Bank's risk appetite and long-term objectives.



By embedding a strong risk culture across the organisation, Discovery Bank ensures that capital and liquidity requirements are evaluated with precision and that expected returns are both measurable and aligned with its risk appetite. ICAAP is not viewed merely as a regulatory requirement – it is a cornerstone of the Bank's broader risk and capital management philosophy, driving resilience, accountability and sustainable growth.

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 BCBS¹ 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 plays a critical role in Discovery Bank's risk management framework, enabling the assessment of potential financial impacts arising from unlikely but plausible adverse scenarios. The outcomes of these stress tests are measured against predefined tolerance thresholds, and where breaches are identified, appropriate remedial actions are initiated to mitigate risk and preserve financial stability.

Recognising that not all stress events can be anticipated in advance, the Bank adopts a flexible, case-by-case approach to remediation, guided by the level of perceived risk and oversight from the relevant governance committees. The current stress testing practices are proportionate to the size and complexity of the Bank's balance sheet, ensuring that risk exposure is evaluated with precision and relevance.

Discovery Group has undertaken to support the Bank's capital requirements in line with Discovery Bank's future (10-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 at least 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.

Discovery Bank's financial performance

Strategy and business model

Risk management philosophy

Remuneration

Quantitative tables and templates

Qualitative tables

Abbreviations

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

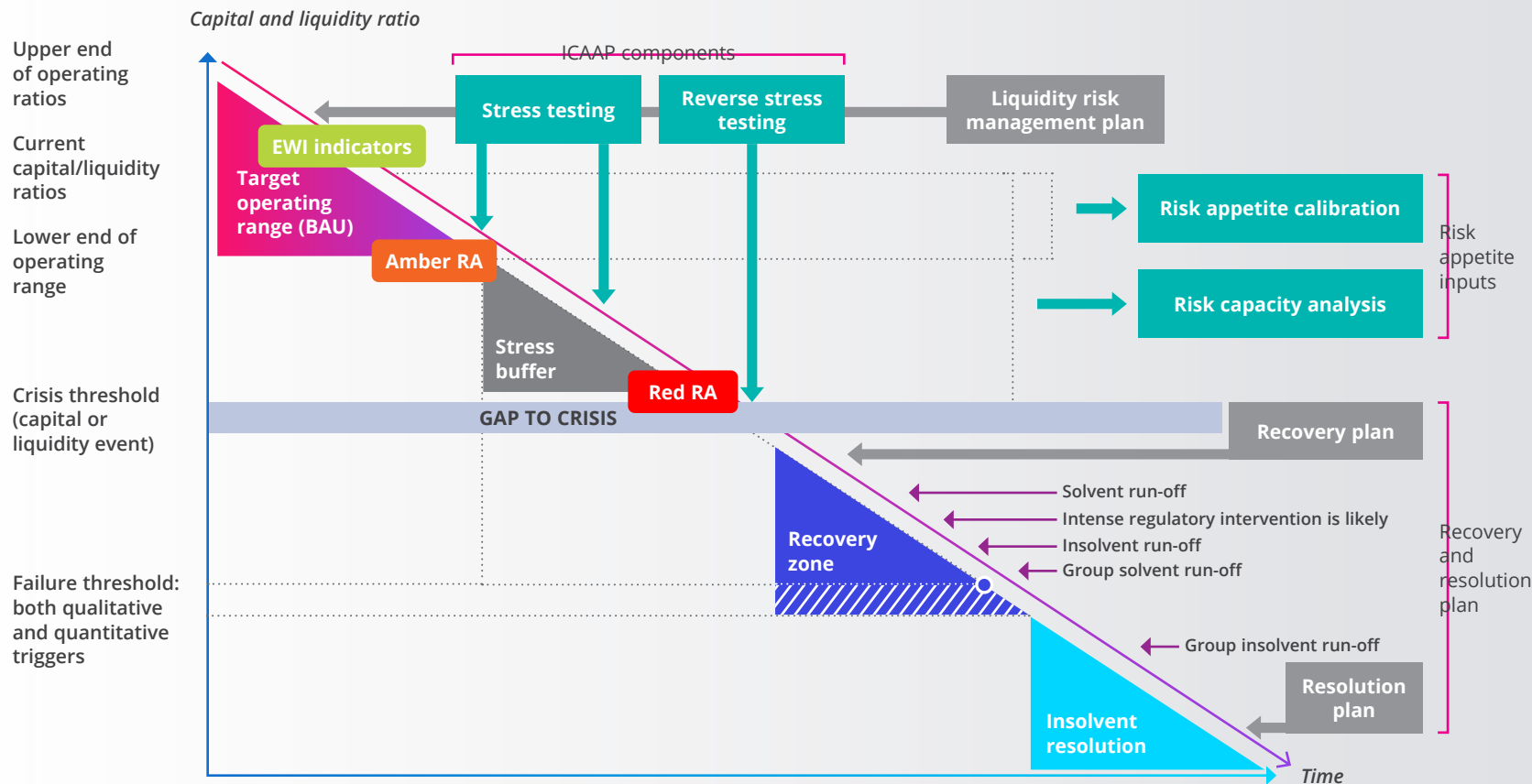
RECOVERY PLAN

The recovery plan outlines actions that management could implement in response to a capital or liquidity shortfall caused by an extreme stress event, with the objective of maintaining Discovery Bank as a going concern. It builds on key elements of the Bank's existing risk management framework and forms an integral part of that framework.

Discovery Bank views recovery planning as a core component of effective day-to-day business management. The Bank's approach fully integrates established elements of the risk management framework, including the Internal Capital Adequacy Assessment Process (ICAAP), Contingency Funding Plan (CFP), Key Risk Indicators (KRIs), stress testing and the Board's risk appetite. This alignment ensures that the recovery plan is both consistent with the broader framework and credible.

This integration is illustrated in the following 'slippery slope' diagram.

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 (CFP) is typically activated above the 'Gap to Crisis' threshold. Early Warning Indicators (EWIs), which are calibrated to proactively signal potential stress events, are monitored daily. This stage represents the initial phase of the 'slippery slope' diagram. Depending on the nature and severity of the triggered EWI, either the Asset and Liability Management (ALM) response team or the Crisis Management team will be mobilised to respond and manage the situation.

Triggers within the CFP are designed to activate before reaching the 'Gap to Crisis' threshold. These include risk appetite triggers within the business-as-usual (BAU) zone (depicted in pink) and early warning triggers in the adjacent grey zone.

The Bank's recovery plan is specifically positioned within the navy zone – just beyond the stress buffer but prior to the point of non-viability. The BAU zone is where EWIs are actively monitored, with the aim of preventing entry into the stress buffer. This buffer must remain available for a defined short-term period, referred to as the 'survival period.'

The term 'survival period' does not suggest that the Bank only intends to operate for that duration. Rather, it reflects the Bank's strategy to maintain sufficient capital and liquidity buffers as a form of insurance, ensuring resilience during a crisis while executing broader survival measures aligned with its capital, liquidity and risk appetite policies.

The final stage in the process – Insolvent Resolution or Point of Resolution (POR) – occurs if the South African Reserve Bank (SARB) determines that the Bank has reached a POR. SARB could then recommend to the Minister of Finance that the institution be placed into resolution. This recommendation includes a high-level overview of the proposed resolution strategy and actions, aimed at achieving an orderly outcome with minimal impact on clients.

Discovery Bank's financial performance

Strategy and business model

Risk management philosophy

Remuneration

Quantitative tables and templates

Qualitative tables

Abbreviations

The recovery plan outlines the Bank's approach to:

01

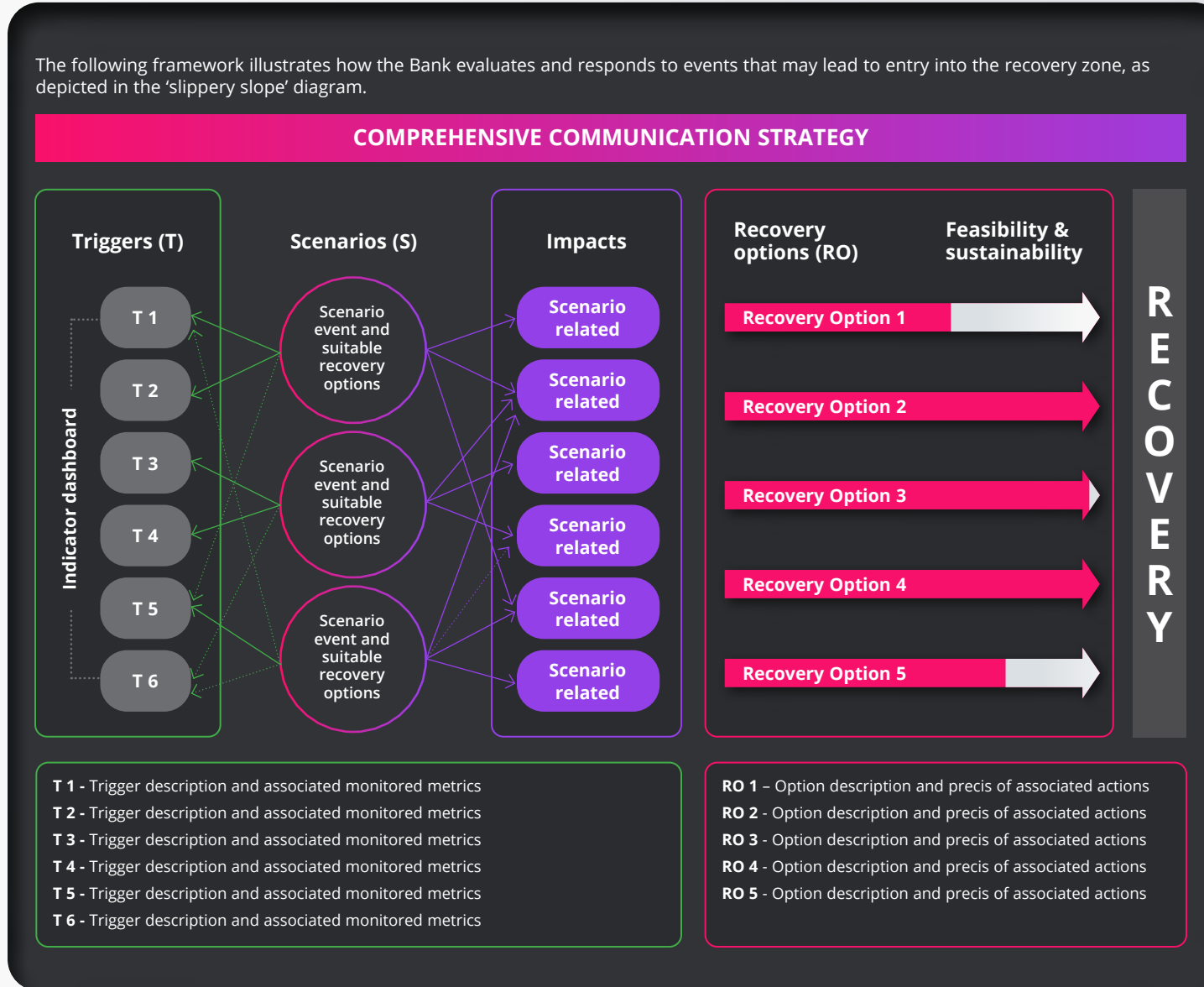
Identifying the occurrence of stress events

02

Recognising risk events that could lead to the Bank's collapse

03

Managing operational, capital and liquidity risks across a range of stress scenarios.



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

During the 2024 financial recovery submission, the Bank enhanced its stress-testing scenarios to reflect potential disruptions in liquidity, capital and operations – each severe enough to pose a risk of institutional failure. The impact of each scenario was thoroughly assessed, leading to the development of relevant and appropriate recovery options (ROs). These ROs were aligned with feasible and sustainable measures, detailing the actions required to restore stability and ensure the Bank's recovery from such extreme events.

Additionally, the Bank introduced proactive 'triggers' designed to activate the recovery plan in response to liquidity, capital, or operational stress. These triggers are an extension of the Bank's risk appetite and are consistent with its overall risk profile. To maintain the plan's relevance and accuracy, Internal Audit conducts an annual review of the recovery framework.

Discovery Bank's financial performance

Strategy and business model

Risk management philosophy

Remuneration

Quantitative tables and templates

Qualitative tables

Abbreviations

GOVERNANCE AND OVERSIGHT OF CLIMATE-RELATED STRATEGY AND RISK

Responsibility for oversight of climate-related change strategy, developments and associated risks and opportunities is held at the Group Board level, with the Group Chief Executive serving as the primary champion. The Board of Directors has delegated specific responsibilities to various board committees, each tasked with managing climate-related information and decision-making.

Group Risk and Compliance Committee: Oversees the management of climate-related risks and opportunities, including relevant disclosures. It is supported by the Group Chief Risk Officer, who ensures that risk management policies and frameworks adequately address climate-related risks. These risks are monitored and managed across both business units and the Group and are incorporated into regulatory reporting.

Social and Ethics Committee: Monitors performance against the Group's Climate Change Strategy and evaluates progress on specific climate-related metrics such as energy, water, waste and climate programmes. It also oversees the implementation of targets and action plans.

Remuneration Committee: Provides oversight of the Group scorecard, which integrates financial and sustainability performance measures linked to executive remuneration.

Discovery Group has a robust and mature Enterprise Risk Management (ERM) framework that outlines the principles and processes for managing risk across the organisation. Climate-related risks and opportunities are identified, assessed and addressed using the same ERM processes applied to other risks.

Discovery Group categorise risks and opportunities as short term (less than one year), medium term (one to five years), or long term (beyond five years), and these terms are aligned to Group strategic and planning time horizons. Due to the inherent uncertainty of climate-related risks, projecting their timing and impact is challenging.

Discovery considers climate-related risks and opportunities across all relevant time horizons and integrates them into risk management and strategic planning frameworks. The approach distinguishes between two core categories of climate-related risk, transition and physical risks, which may impact various parts of the business, from insurance claims experience and the valuation of assets under management to client behaviour and regulatory exposure. The Group strategy considers the materiality of these impacts and climate-related opportunities in the sectors, products and geographies in which it operates.

Transition risks

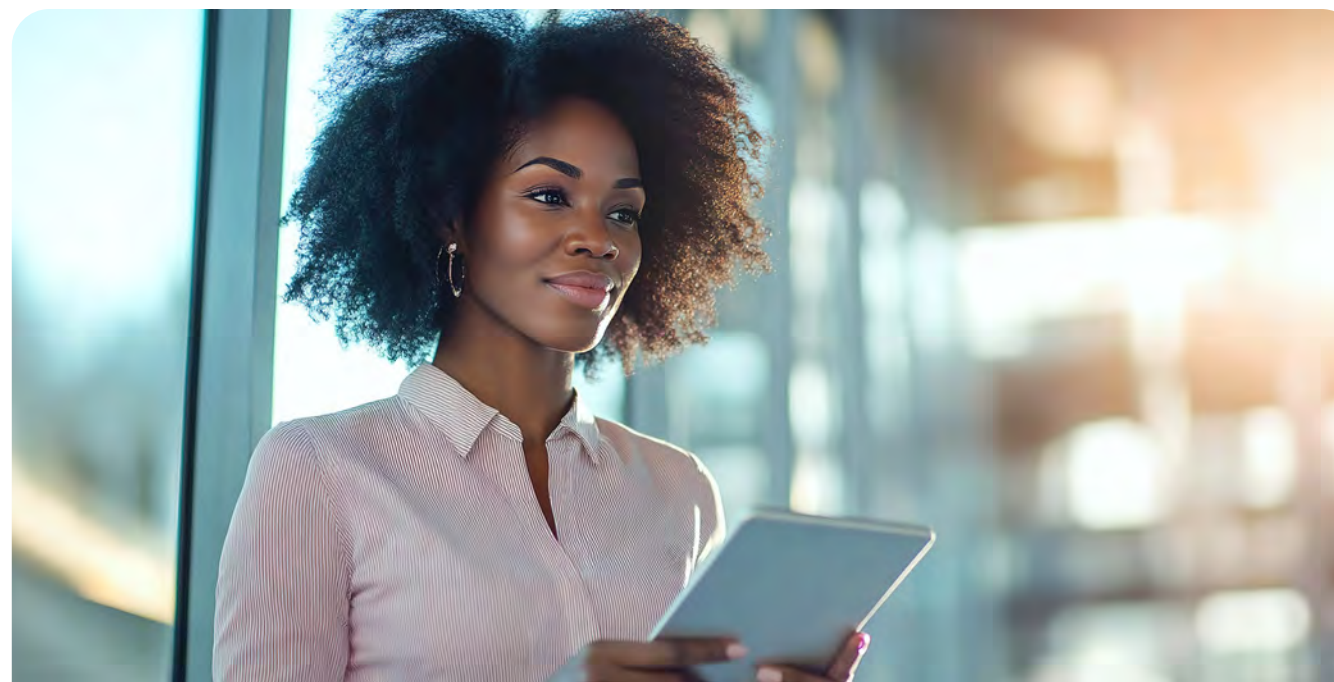
arise from the transition to a low-carbon economy. These include policy changes that either restrict activities contributing to adverse climate effects or promote adaptation strategies. These risks could also manifest in legal, market, reputational and technology areas during the transition phase.

Physical risks

are acute and chronic physical climate change effects, including extreme weather events, high rainfall and flooding, high temperatures, drought and rising sea levels. Physical risks can also include operational risks.

The Group's climate-strategy long-term goal is to achieve net zero by 2050 or sooner. Given the control and management actions identified in the risk management process, climate-change risk remains within Discovery's risk appetite. Actions include implementing the climate-related change strategy, which includes its Net-zero Transition Plan; bolstering the procurement process (including third-party engagement and outsourcing procedures); leveraging reinsurance to reprice, reserve and transfer risk; and improving public disclosures.

Transition risks are expected to emerge sooner, yet Group has already observed the effects of physical risks within the short-term insurance business.



Discovery Bank's financial performance

Strategy and business model

Risk management philosophy

Remuneration

Quantitative tables and templates

Qualitative tables

Abbreviations

Key risks *continued*

Governance and oversight of climate-related strategy and risk *continued*

The Group monitors potential risks as well as their impact and outlines mitigation actions to address them effectively.

Risks include:

Transition risk related

Policy risks – our global footprint and continued expansion expose us to diverse regulatory environments, and we recognise the transition risks posed by carbon taxes and sectoral emissions targets, along with their potential indirect impact on our strategy and operations.

Legal risks – climate-related litigation is increasing globally, with a growing focus on corporate accountability and environmental regulation enforcement, while the pace of new cases is slowing, reflecting a shift toward more strategic legal action.

Reputational risks – public awareness of climate change is raising expectations for responsible business action, making sustainability vital; while Discovery is committed to climate goals, local energy challenges and reliance on broader sectoral decarbonisation could affect delivery and pose reputational risks.

Market risks – rising public awareness of climate change is shaping client expectations, creating market risk if product offerings don't align; climate change may affect demand, increase claims costs in high-risk areas and have an impact on investment returns, especially for carbon-intensive or low-ESG companies without strong transition plans.

Technology risk – the growing use of digital infrastructure and cloud services is increasing energy consumption and emissions in financial services, prompting pressure to adopt low-emission technologies and improve efficiency, especially as emerging tools like AI may further raise energy demand.

Physical risk related

The impact of physical climate risks is increasing globally, affecting Discovery's primary markets. These risks are broadly categorised as acute and chronic. Physical risks affect operations, supply chains, insurance portfolios and client health – potentially leading to rising claims, repricing and pressure on the affordability and accessibility of insurance over time.

Acute risk includes extreme weather events like hailstorms and flooding in South Africa, and heatwaves globally, are driving up insurance claims and prompting reinsurers to raise deductibles and premiums, while chronic climate risks – such as rising temperatures and pollution – pose long-term health and environmental challenges that may impact insurance affordability and the traditional business model.

Operational risk – climate-related physical risks pose a business continuity threat due to their potential impact on buildings, infrastructure, data centres and key service providers. These risks may arise from extreme weather events or prolonged utility outages.

The inherent exposure of climate risk to Discovery Bank is limited. Discovery Bank is not a commercial bank and does not finance infrastructure or other projects nor participate in commercial lending activities. It only lends to retail clients, with the book being self-funded through retail deposits. The Bank's home loan offering exposes it to physical risks, which the Bank mitigates through compulsory building insurance. The exposure is currently limited and will be monitored as the book grows. Home loan owners carbon emissions are also considered as part of the Net-zero Transition Plan.



DISCOVERY GREEN

Launched in September 2023, Discovery Green is transforming access to renewable energy for businesses.

Built on Discovery's trusted reputation for innovation and impact, Discovery Green is a renewable energy platform that enables electricity wheeling, unlocking access to clean, affordable power at scale. By combining actuarial expertise and smart technology, the platform gives businesses:

Greater price certainty in electricity spend

A tangible way to reduce their carbon footprint

A path to energy resilience and long-term sustainability.

Discovery Green is helping businesses grow, decarbonise and shape a more sustainable energy future for South Africa.



Discovery Bank's financial performance

Strategy and business model

Risk management philosophy

Remuneration

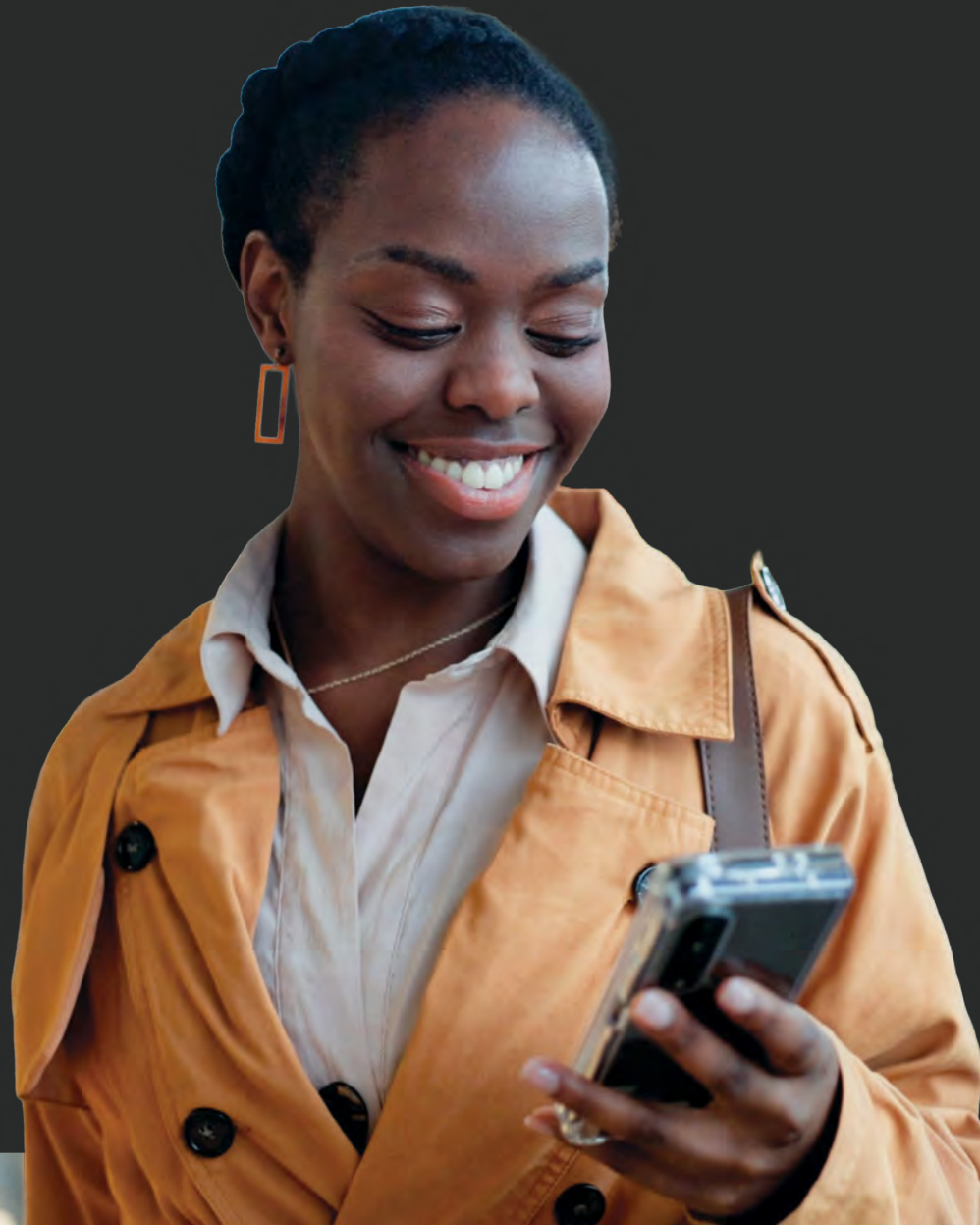
Quantitative tables and templates

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 who 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, continual 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 we 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).
- 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 are not predominantly linked to the financial performance of the Bank and are consistent with its long-term strategy and financial soundness.

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 (REMCO), 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 advisers to assist in tracking market trends related to all levels of employees. The following advisers 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

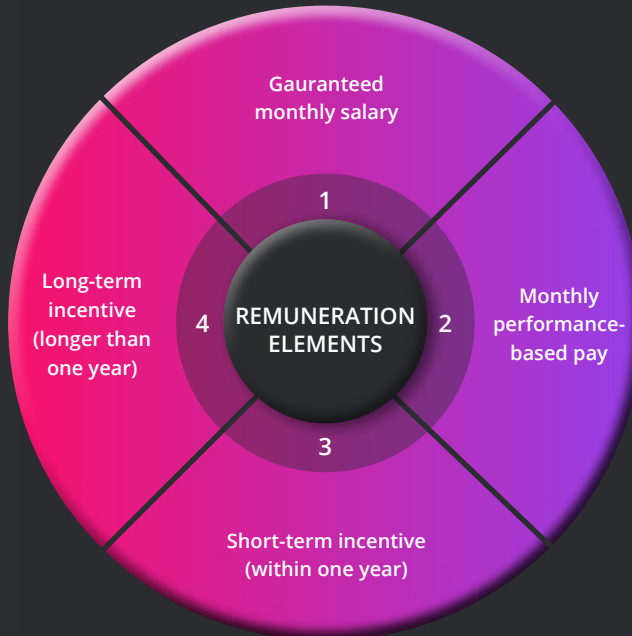
Quantitative tables and templates

Qualitative tables

Abbreviations

Remuneration elements

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



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

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 (pay out 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, 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)

The Single Incentive Plan (SIP) applies to 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:

- 65% financial measures (Profit, HEPS, ROE and Revenue) – increased from 60% in FY24
- 35% 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 includes the following elements:

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

Each measure has a weighting which 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 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. 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 at a Group level (after 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 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

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 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 scheme is 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 which are subject to the achievement of performance conditions, the assessment of any performance metric or condition in respect of an award or payment which 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 which 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 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, and good leavers: The vesting for good leavers and for early retirement between the age of 60 and 65 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 which 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

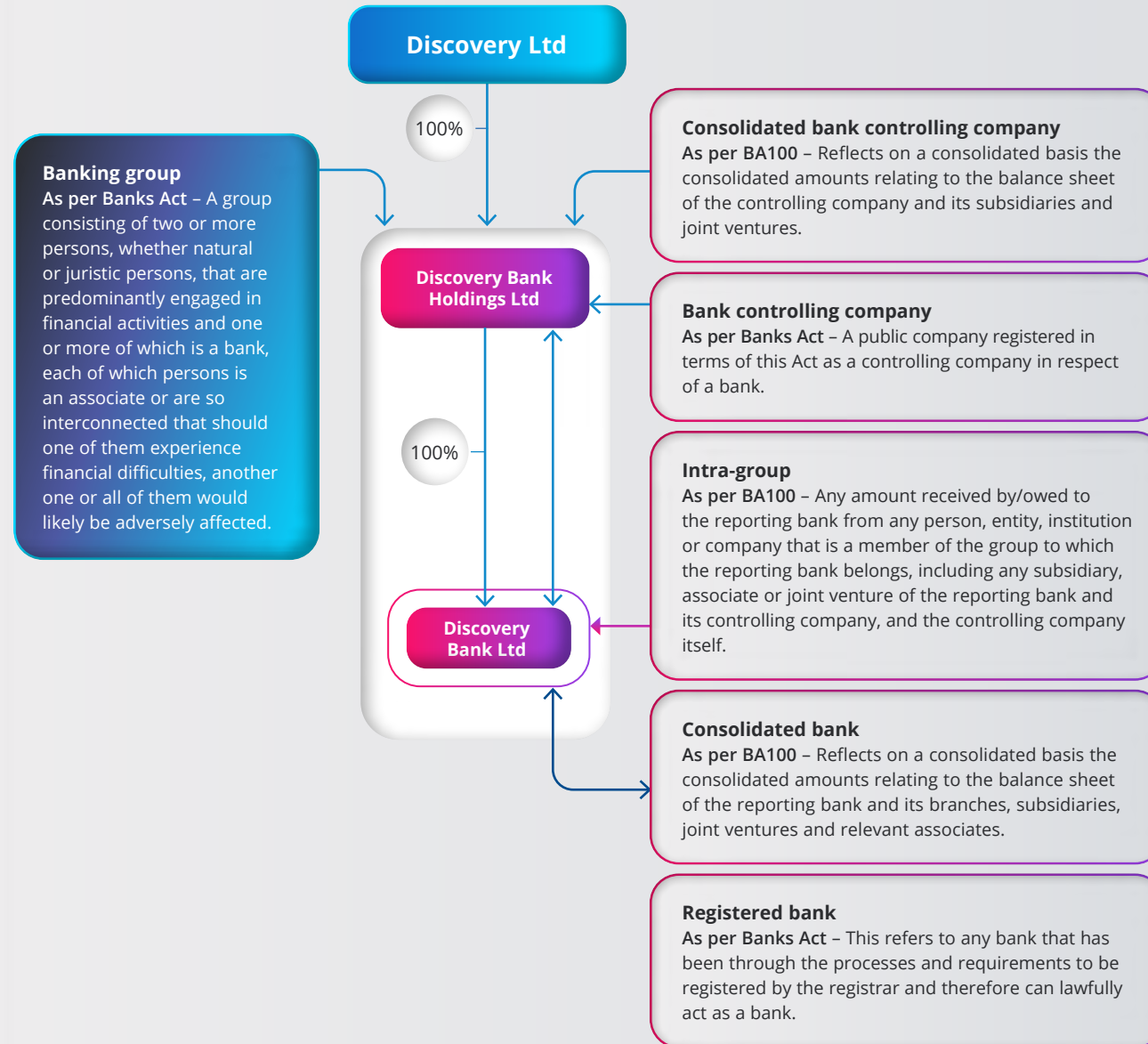
Abbreviations

Quantitative tables and templates

Over the past year, Discovery Bank has continued to innovate, introducing new products that move us closer to our vision of becoming the leading bank in the country. Our liquidity position remains robust, and the growth in our retail assets book reflects the impact of recent product enhancements. The team's exceptional efforts are clearly demonstrated in the performance figures shown 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)

This section provides information on Discovery's prudential regulatory metrics. Metrics include Discovery Bank's available capital and ratios, risk-weighted assets, leverage ratio, liquidity coverage ratios and net stable funding ratios. These metrics are presented at a Discovery Bank Holdings Limited Group level.

R'000	As at 30 June 2025	As at 31 March 2025	As at 31 December 2024	As at 30 September 2024	As at 30 June 2024
Available capital (amounts)					
1 Common Equity Tier 1 (CET1)	1,815,676	1,642,912	1,628,648	1,403,509	1,473,702
1a Fully loaded ECL accounting model	0	0	0	0	0
2 Tier 1	1,815,676	1,642,912	1,628,648	1,403,509	1,473,702
2a Fully loaded ECL accounting model Tier 1	0	0	0	0	0
3 Total capital	1,894,100	1,716,516	1,697,323	1,467,548	1,535,391
3a Fully loaded ECL accounting model total capital	0	0	0	0	0
Risk-weighted assets (amounts)					
4 Total risk-weighted assets (RWA)	11,115,004	9,841,479	9,753,736	8,476,437	8,341,034
4a Total risk-weighted assets (pre-floor)	11,115,004	9,841,479	9,753,736	8,476,437	8,341,034
Risk-based capital ratios as a percentage of RWA					
5 Common Equity Tier 1 ratio (%)	16.34%	16.69%	16.70%	16.56%	17.67%
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 (%)	16.34%	16.69%	16.70%	16.56%	17.67%
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 (%)	17.04%	17.44%	17.40%	17.31%	18.41%
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 (2.50% from 2019) (%)	2.50%	2.50%	2.50%	2.50%	2.50%
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)	2.50%	2.50%	2.50%	2.50%	2.50%
12 CET1 available after meeting the bank's minimum capital requirements (%)	4.84%	5.19%	5.20%	5.06%	6.17%

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 2025	As at 31 March 2025	As at 31 December 2024	As at 30 September 2024	As at 30 June 2024
Basel III leverage ratio					
13 Total Basel III leverage ratio exposure measure	27,083,406	25,336,203	24,483,576	22,743,496	21,386,625
14 Basel III leverage ratio (%) (row 2; row 13)	6.70%	6.48%	6.65%	6.17%	6.89%
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)	6.70%	6.480%	6.650%	6.170%	6.890%
Liquidity coverage ratio					
15 Total HQLA	13,105,967	12,196,343	12,699,162	12,062,293	10,402,819
16 Total net cash outflow	774,139	834,980	798,098	560,630	367,151
17 LCR ratio (%)	1,733.61%	1,462.92%	1,597.23%	2,191.00%	2,927.00%
Net stable funding ratio					
18 Total available stable funding	32,324,798	30,484,159	29,643,234	28,080,332	26,700,780
19 Total required stable funding	17,137,576	16,669,453	16,656,139	14,978,751	14,555,316
20 NSFR ratio	189.00%	183.00%	178.00%	187.00%	183.00%

All regulatory ratios continue to comply with the minimum requirements set by the Prudential Authority.

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 (2025)

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

R'000	DISCOVERY BANK LIMITED			DISCOVERY BANK HOLDINGS LIMITED		
	RWA		Minimum capital requirement	RWA		Minimum capital requirement
	As at 30 June 2025	As at 31 March 2025	As at 30 June 2025	As at 30 June 2025	As at 31 March 2025	As at 30 June 2025
1 Credit risk (excluding counterparty credit risk) (CCR)	7,199,621	6,990,774	827,956	7,200,013	6,991,189	828,001
2 Of which: standardised approach (SA)	7,199,621	6,990,774	827,956	7,200,013	6,991,189	828,001
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 (2025) / CONTINUED

R'000	DISCOVERY BANK LIMITED			DISCOVERY BANK HOLDINGS LIMITED		
	RWA		Minimum capital requirement	RWA		Minimum capital requirement
	As at 30 June 2025	As at 31 March 2025	As at 30 June 2025	As at 30 June 2025	As at 31 March 2025	As at 30 June 2025
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	84,030	99,131	9,663	84,030	99,131	9,663
21 Of which standardised approach (SA)	84,030	99,131	9,663	84,030	99,131	9,663
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	3,369,618	2,332,514	387,506	3,369,618	2,332,514	387,506
25 Amounts below the thresholds for deduction (subject to 250% risk weight)	460,585	417,895	52,967	461,343	418,645	53,054
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)	11,113,854	9,840,314	1,278,093	11,115,004	9,841,479	1,278,225

Commentary:

The Credit RWA has increased in proportion to the growth in our advances since the launch of Home Loans during 2024. Market Risk remain muted due to limited exposure.

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

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

R'000	DISCOVERY BANK LIMITED			DISCOVERY BANK HOLDINGS LIMITED		
	RWA		Minimum capital requirement	RWA		Minimum capital requirement
	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

R'000	DISCOVERY BANK LIMITED			DISCOVERY BANK HOLDINGS LIMITED		
	RWA		Minimum capital requirement	RWA		Minimum capital requirement
	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

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 (2025)

The composition of regulatory capital table provides detailed information about Discovery Bank's capital structure. It includes:

- **Common Equity Tier 1 (CET1) Capital:** This is the highest quality of regulatory capital, consisting primarily of common shares and retained earnings.
- **Additional Tier 1 (AT1) Capital:** This includes instruments that are subordinated to depositors, general creditors, and subordinated debt of the bank.
- **Tier 2 Capital:** This consists of subordinated debt and other instruments that provide a buffer against losses.

R'000	As at 30 June 2025
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	10,431,489
2 Retained earnings	(4,415,484)
3 Accumulated other comprehensive income (and other reserves)	367,137
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	6,383,142
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)	633,804
10 Deferred tax assets that rely on future profitability, excluding those arising from temporary differences (net of related tax liability)	1,490,177
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 2025
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)	29,995
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	184,234
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	4,570,797
29 Common Equity Tier 1 capital (CET1)	1,812,345
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 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 (2025) / CONTINUED

R'000	As at 30 June 2025
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)	1,812,345
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	78,424
51 Tier 2 capital before regulatory adjustments	78,424
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)	78,424
59 Total capital (TC = T1 + T2)	1,890,769
60 Total risk-weighted exposure	11,113,854

R'000	As at 30 June 2025
Capital ratios and buffers	
61 Common Equity Tier 1 (as a percentage of risk-weighted assets)	16.31%
62 Tier 1 (as a percentage of risk-weighted assets)	16.31%
63 Total capital (as a percentage of risk-weighted assets)	17.01%
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	4.81%
National Minima (if different from Basel 3)	
69 National Common Equity Tier 1 minimum ratio (if different from Basel 3 minimum)	5.00%
70 National Tier 1 minimum ratio (if different from Basel 3 minimum)	6.75%
71 National total capital minimum ratio (if different from 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)	0
Applicable caps on the inclusion of provisions in Tier 2	184,234
76 Provisions eligible for inclusion in Tier 2 in respect of exposures subject to the standardised approach (prior to application of cap)	307,806
77 Cap on inclusion of provisions in Tier 2 under the standardised approach	78,424
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 (2025/2024) / CONTINUED

R'000	As at 30 June 2025
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.

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 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 (2024) / CONTINUED

R'000	As at 30 June 2024
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 the 10% threshold)	0

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: 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	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

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
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 the Basel 3 minimum)	5.000%
70 National Tier 1 minimum ratio (if different from the Basel 3 minimum)	6.750%
71 National total capital minimum ratio (if different from the 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 a standardised approach (prior to application of cap)	273,756
77 Cap on inclusion of provisions in Tier 2 under 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

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

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 (2025)

Table CC2 provides a detailed comparison between the Bank's regulatory capital and its balance sheet as reported in the financial statements to provide stakeholders a clearer picture of the financial health and regulatory compliance of the Bank.

	Balance sheet as in published financial statements	Balance sheet under regulatory scope of consolidation
	As at 30 June 2025	As at 30 June 2025
R'000		
Assets		
1 Cash and balances at central banks	6,322,362	5,650,929
2 Short-term negotiable securities	9,411,561	4,721,508
3 Derivative assets	0	0
4 Loans and advances to customers	8,512,796	8,512,795
5 Loans and advances to banks	0	984,187
6 Available for sale financial assets	0	0
7 Interest in subsidiaries	0	0
8 Interest in associate	0	0
9 Intangible assets	3,124,902	3,124,902
10 Investment and trading securities	0	4,690,053
11 Current income tax assets	0	0
12 Deferred income tax assets	1,630,129	1,630,129
13 Property and equipment	0	0
14 Other assets	1,281,731	925,677
15 Total assets	30,283,481	30,240,180
Liabilities		
16 Deposits and current accounts	23,325,558	23,325,558
17 Derivative financial instruments	0	
18 Provisions and other liabilities	574,781	531,480
19 Current income tax liabilities	0	0
20 Deferred income tax assets	0	0
21 Total liabilities	23,900,339	23,857,038
22 Equity		
23 Share capital and premium	10,431,489	10,431,489
24 Accumulated profit / (loss)	(4,415,484)	(4,415,484)
25 Other reserves	367,137	367,137
26 Total equity	6,383,142	6,383,142

Table 1

	30 June 2025
Common Equity Tier 1 Capital	0
Share capital and premium	10,431,489
Adjusted retained earnings	(4,415,484)
Retained earnings	(4,415,484)
Unappropriated profits	0
Total	6,016,005
Share-based payment reserve	367,137
Other reserves	0
Total	6,383,142

Commentary:

The assets book has grown due to the new credit products launched during the year, while deposits maintain their strong trajectory. Interbank operational deposits are treated as Cash & Cash Equivalents from an IFRS perspective in the Annual Financial Statements.

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	Balance sheet under regulatory scope of consolidation
	As at 30 June 2024	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

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 (2025)

Table CCA provides detailed information about the characteristics of the Bank's regulatory capital instruments.

As at 30 June 2025		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)	10,431
9	Par value of instrument	R1.00 per share
10	Accounting classification	IFRS: Equity
11	Original date of issuance	Thursday, 19 May 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 2025		Ordinary shares (including share premium)
Coupons/dividends		0
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 (2024) / CONTINUED

As at 30 June 2024		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)	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 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

L11: DIFFERENCES BETWEEN ACCOUNTING AND REGULATORY SCOPES OF CONSOLIDATION AND MAPPING OF FINANCIAL STATEMENTS WITH REGULATORY RISK CATEGORIES (2025)

As at 30 June 2025 R'000	Carrying values as reported in published financial statements and under the scope of regulator consolidation	Carrying values under scope of regulator consolidation	Carrying values of items					Not subject to capital requirements or subject to deduction from capital
			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	
1 Cash and balances at central banks	6,322,362	5,650,929	5,650,929	0	0	0	0	0
2 Short-term negotiable securities	9,411,561	9,411,561	4,721,508	0	0	0	0	0
3 Derivative assets	0	0	0	0	0	0	0	0
4 Loans and advances to customers	8,512,796	9,496,982	9,496,982	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	3,124,902	3,124,902	0	0	0	0	0	3,124,902
9 Current income tax assets	0	0	0	0	0	0	0	0
10 Deferred income tax assets	1,630,129	1,630,129	214,229	0	0	0	0	1,341,328
11 Property and equipment	0	0	0	0	0	0	0	0
12 Other assets	1,281,731	925,677	0	0	0	0	925,677	0
13 Total assets	30,283,481	30,240,180	20,083,648	0	0	674,591	925,677	4,466,230
Liabilities	0	0	0	0	0	0	0	0
14 Deposits and current accounts	23,325,558	23,325,558	0	0	0	601,431	0	0
15 Derivative financial instruments	0	0	0	0	0	0	0	0
16 Provisions and other liabilities	574,781	531,480	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	23,900,339	23,857,038	0	0	0	601,431	0	0
Equity	0	0	0	0	0	0	0	0
20 Share capital and premium	10,431,489	10,431,489	0	0	0	0	0	0
21 Accumulated profit/(loss)	(4,415,484)	(4,415,484)	0	0	0	0	0	(4,415,484)
22 Other reserves	367,137	367,137	0	0	0	0	0	0
23 Total equity	6,383,142	6,383,142	0	0	0	0	0	(4,415,484)

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 (2024) / CONTINUED

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 the scope of regulator consolidation	Carrying values of items						
			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	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)

Discovery Bank's financial performance

Strategy and business model

Risk management philosophy

Remuneration

Quantitative tables and templates

Qualitative tables

Abbreviations

LI2: MAIN SOURCES OF DIFFERENCES BETWEEN REGULATORY EXPOSURE AMOUNTS AND CARRYING VALUES IN FINANCIAL STATEMENTS (2025/2024)

As at 30 June 2025 R'000	Items subject to					
	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)	30,240,180	20,083,648	0	0	674,591	925,677
Liabilities carrying value amount under regulatory scope of consolidation (as per template LI1)	23,857,038	0	0	0	601,431	0
Total net amount under regulatory scope of consolidation	6,383,142	20,083,648	0	0	73,160	925,677
Off-balance sheet amounts	10,268,157	1,004,883	0	0	0	0
Exposure amounts considered for regulatory purposes	6,383,142	21,088,531	0	0	73,160	925,677
As at 30 June 2024						
Asset carrying value amount under the 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	0
Total net amount under the 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	0	0
Exposure amounts considered for regulatory purposes	14,716,810	17,043,867	0	0	73,160	608,344

Commentary:
Normal growth of the balance sheet.

Interest rate risk in the banking book

Discovery Bank's sensitivity to interest rate changes.

In reporting currency Period	EVE		NII	
	T	T-1	T	T-1
Parallel up	(219,442)	(154,199)	(44,810)	(34,139)
Parallel down	267,124	183,925	44,810	34,139
Steeper	(22,620)	13,384	0	0
Flattener	(24,266)	(42,719)	0	0
Short rate up	(113,028)	(101,285)	0	0
Short rate down	117,432	105,666	0	0
Maximum	(219,441)	(154,199)	(44,810)	(34,139)
Tier 1 capital	1,812,345	1,470,477	0	0

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 2025/2024

This table reconciles the total assets as presented in the financial statements to the leverage ratio exposure measure as reported at 30 June 2025.

As at 30 June 2025	R'000
1 Total consolidated assets as per published financial statements	30,283,481
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	0
4 Adjustments for temporary exemption of central bank reserves (if applicable)	0
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	0
7 Adjustments for eligible cash pooling transactions	0
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)	1,098,177
11 Adjustments for prudent valuation adjustments and specific and general provisions which have reduced Tier 1 capital	0
12 Other adjustments	(4,301,721)
13 Leverage ratio exposure measure	27,079,937
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	0
4 Adjustments for temporary exemption of central bank reserves (if applicable)	0
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	0
7 Adjustments for eligible cash pooling transactions	0
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	0
12 Other adjustments	(4,692,093)
13 Leverage ratio exposure measure	21,383,269

Commentary:

Discovery Bank is committed to maintaining 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 (2025)

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 2025	As at 31 March 2025
On-balance sheet exposures		
1 On-balance sheet exposures (excluding derivatives and securities financing transactions (SFTs))	30,552,557	28,816,199
2 Gross-up for derivatives collateral provided where deducted from balance sheet assets pursuant to the operative accounting framework	0	0
3 (Deductions of receivable assets for cash variation margin provided in derivatives transactions)	0	0
4 (Adjustment for securities received under securities financing transactions that are recognised as an asset)	0	0
5 (Specific and general provisions associated with on-balance sheet exposures that are deducted from Basel III Tier 1 capital)	0	0
6 (Asset amounts deducted in determining Basel III Tier 1 capital)	(4,570,797)	(4,530,365)
7 Total on-balance sheet exposures (excluding derivatives and SFTs) (sum of row 1 and 2)	25,981,760	24,285,834
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 2025	As at 31 March 2025
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	10,981,770	10,469,320
20 (Adjustments for conversion to credit equivalent amounts)	(9,883,593)	(9,422,388)
21 (Specific and general provisions associated with off-balance sheet exposures deducted in determining Tier 1 capital)	0	0
22 Off-balance sheet items (sum of row 17 and 18)	1,098,177	1,046,932
Capital and total exposures		
23 Tier 1 capital	1,812,345	1,639,612
24 Total exposures (sum of rows 3,11,16 and 19)	27,079,937	25,332,766
Leverage ratio		
25 Basel III Leverage ratio	6,69%	6,46%
25a Basel III Leverage ratio (excluding the impact of any applicable temporary exemption of central bank reserves)	6,69%	6,46%
26 National minimum leverage ratio requirement	4,00%	4,00%
27 Applicable leverage buffers	2,69%	2,46%

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)

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 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 asle 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

Liquidity

LIQ1: LIQUIDITY COVERAGE RATIO (LCR) (2025/2024)

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.

As at 30 June 2025 R'000	Current reporting period		Previous reporting period
	Total unweighted (average)	Total weighted (average)	Total weighted (average)
High-quality liquid assets			
1 Total HQLA	0	13,105,967	12,196,343
Cash outflows			
2 Retail deposits and deposits from small business customers, of which:	13,394,348	1,210,122	1,266,720
3 Stable deposits	2,586,264	129,313	0
4 Less stable deposits	10,808,084	1,080,808	1,266,720
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	9,710,037	242,751	231,565
14 Other contractual funding obligations	0	0	0
15 Other contingent funding obligations	0	0	0
16 Total cash outflows	23,104,385	1,452,873	1,498,285
Cash inflows			
17 Secured lending (e.g., reverse repos)	0	0	0
18 Inflows from fully performing exposures	1,133,857	934,115	902,294
19 Other cash inflows	0	0	0
20 Total cash inflows	1,133,857	934,115	902,294
Total Adjusted value		Total Adjusted value	
21 Total HQLA		13,105,967	12,196,343
22 Total net cash outflows		774,139	834,980
23 Liquidity Coverage Ratio (%)		1734%	1463%

Commentary:

The Bank continues to demonstrate strong deposit growth, supported by a High-Quality Liquid Asset (HQLA) portfolio comprising government bonds, treasury bills, and repurchase agreements. As a result, the Liquidity Coverage Ratio (LCR) remains well above the Prudential Authority's minimum requirements. 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 values in the table are calculated as the average of the 90-day calendar daily values over the period April to June 2025 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.

Discovery Bank's financial performance

Strategy and business model

Risk management philosophy

Remuneration

Quantitative tables and templates

Qualitative tables

Abbreviations

Liquidity / continued

LIQ1: LIQUIDITY COVERAGE RATIO (LCR) (2025/2024) / 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.

As at 30 June 2024 R'000	Current reporting period		Previous reporting period
	Total unweighted (average)	Total weighted (average)	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	(58)
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 (for example, 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%

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) (2025)

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 2025 R'000	Items subject to				Weighted value
	No Maturity	< 6 months	6 months to < 1 year	>= 1 year	
1 Capital:	10,798,626	0	0	0	10,798,626
2 Regulatory capital	10,798,626	0	0	0	10,798,626
3 Other capital instruments	0	0	0	0	0
4 Retail deposits and deposits from small business customers:	0	21,088,599	665,063	1,571,895	21,526,172
5 Stable deposits	0	7,414,674	104,935	235,976	7,379,605
6 Less stable deposits	0	13,673,925	560,128	1,335,919	14,146,567
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	531,480	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	531,480	0	0	0
14 Total ASF	0	0	0	0	32,324,798
15 Total NSFR high-quality liquid assets (HQLA)	0	8,798,487	1,888,866	4,375,138	498,024
16 Deposits held at other financial institutions for operational purposes	0	0	0	0	0
17 Performing loans and securities:	0	2,847,541	1,318,578	4,559,819	5,614,440
18 Performing loans to financial institutions secured by Level 1 HQLA	0	225,944	0	0	33,892
19 Performing loans to financial institutions secured by non-Level 1 HQLA and unsecured performing loans to financial institutions	0	758,243	0	0	113,736

Commentary:

The NSFR determines if an institution can maintain their stable funding profile when looking at their assets and off-balance sheet commitments on an ongoing basis. This ratio calculates the proportion Available Stable Funding (ASF) in liabilities over the Required Stable Funding (RSF) for the assets. The available stable and required stable funding have increased slightly since since March 2025. Overall the NSFR has remained static during this period.

As at 30 June 2025 R'000	Items subject to				Weighted value
	No Maturity	< 6 months	6 months to < 1 year	>= 1 year	
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	1,863,354	1,318,578	4,559,819	5,466,812
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	19,047	11,984	971,478	646,976
23 With a risk weight of less than or equal to 35% under the Basel II standardised approach for credit risk	0	19,047	11,984	971,478	646,976
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:	9,864,727	0	0	0	9,864,727
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	9,864,727	0	0	0	9,864,727
32 Off-balance sheet items	10,268,157	0	0	0	513,408
33 Total RSF	0	0	0	0	17,137,576
34 Net Stable Funding Ratio (%)					189

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) / 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 2024 R'000	Items subject to				Weighted value
	No Maturity	< 6 months	6 months to < 1 year	>= 1 year	
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	1,9078	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

As at 30 June 2024 R'000	Items subject to				Weighted value
	No Maturity	< 6 months	6 months to < 1 year	>= 1 year	
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%

The NSFR determines if an institution can maintain its stable funding profile when looking at its assets and (RFS) for the assets. Sources of available funding for Discovery Bank include share capital and client deposits.

Discovery Bank's financial performance

Strategy and business model

Risk management philosophy

Remuneration

Quantitative tables and templates

Qualitative tables

Abbreviations

Credit risk

CR1: CREDIT QUALITY OF ASSETS (2025/2024)

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		Allowances/ impairments**	Of which: ECL accounting provisions for credit losses on SA exposure		Of which: ECL accounting provisions for credit losses on IRB exposure	Net values (a+b-c)
	Defaulted exposures	Non-defaulted exposures		Allocated in regulatory category of Specific	Allocated in regulatory category of General		
As at 30 June 2025							
R'000							
Regulatory portfolio/risk weight							
1 Loans*	439,005	9,907,747	667,068	359,262	307,806	0	9,679,684
2 Debt securities	0	0	0	0	0	0	0
3 Off-balance sheet exposures	0	219,327	0	0	0	0	219,327
4 Total	439,005	10,127,074	667,068	359,262	307,806	0	9,899,011
As at 30 June 2024							
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

* Loans include advances to clients and interbank advances, excluding sovereign exposures (on-balance sheet).

** 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 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 economic conditions and strain on customers
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 (2025/2024)

R'000	As at 30 June 2025
1 Defaulted loans and debt securities at the end of the previous reporting period	384,250
2 Loans and debt securities that have defaulted since the last reporting period	207,768
3 Returned to non-defaulted status	50,474
4 Amounts written off	121,522
5 Other changes	18,983
6 Defaulted loans and debt securities at the end of the reporting period (1+2-3-4±5)	439,005

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

CR3: CREDIT RISK MITIGATION TECHNIQUES – OVERVIEW (2025/2024)

As at 30 June 2025 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	7,768,530	1,911,153	1,911,125	0	0	0	0
2 Debt securities	0	0	0	0	0	0	0
3 Total	7,768,530	1,911,153	1,911,125	0	0	0	0
4 of which: defaulted	79,743	0	0	0	0	0	0
As at 30 June 2024							
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

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 (2025/2024)

As at 30 June 2025 R'000	Exposures before CCF and CRM		Exposures post-CCF and CRM		RWA and RWA density	
	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	9,411,561	0	9,411,561	0	0	0
2 Non-central government public sector entities	225,944	0	0	0	0	0
3 Multilateral development banks	0	0	0	0	0	0
4 Banks	756,957	0	756,957	0	151,391	20
of which: securities firms and other financial institutions	0	0	0	0	0	0
5 Covered Bonds	0	0	0	0	0	0
6 Corporates	0	0	0	0	0	0
of which: securities firms and other financial institutions	0	0	0	0	0	0
of which: specialised lending	0	0	0	0	0	0
7 Subordinated debt, equity and other capital	0	0	0	0	0	0
8 Retail	7,235,045	9,926,495	7,235,045	0	5,426,284	75
9 Real estate	1,689,800	219,327	1,689,800	93,294	654,103	37
of which: general RRE	1,689,800	219,327	1,689,800	93,294	654,103	37
of which: IPRRE	0	0	0	0	0	0
of which: CRE	0	0	0	0	0	0
of which: IPCRE	0	0	0	0	0	0
of which: land acquisition, development and construction	0	0	0	0	0	0
10 Defaulted exposures/Past due exposures	439,005	122,335	80,370	0	42,166	52
11 Other assets	9,701,508	0	9,701,508	0	925,677	10
12 Total	29,459,820	10,268,157	28,875,241	93,294	7,199,621	25

Commentary:

Over the past year, the Bank's home loan portfolio continued to grow steadily, and the product offering was expanded with the successful launch of Personal Loans.

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

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 (2025/2024)

As at 30 June 2024 R'000	Exposures before CCF and CRM		Exposures post-CCF and CRM		RWA and RWA density	
	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	5,002,446	7,307,236	5,002,274	0	3,751,706	75
8 Retail	6,223,461	8,741,345	6,223,292	0	4,667,469	75
8 Secured by residential property	0	0	0	0	0	0
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

Discovery Bank's financial performance

Strategy and business model

Risk management philosophy

Remuneration

Quantitative tables and templates

Qualitative tables

Abbreviations

Credit risk / continued

CR5: STANDARDISED APPROACH – EXPOSURES BY ASSET CLASSES AND RISK WEIGHTS (2025)

As at 30 June 2025 R'000	Risk weight									Total credit exposure amount (post CCF and post-CRM)	
	0%	10%	20%	35%	50%	75%	100%	150%	Others		
1 Sovereigns and their central banks	9,411,561	0	0	0	0	0	0	0	0	0	9,411,561
2 Non-central government public sector entities (PSEs)	0	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	0
4 Banks	0	0	756,957	0	0	0	0	0	0	0	756,957
of which: securities firms and other financial institutions	0	0	0	0	0	0	0	0	0	0	0
5 Covered bonds	0	0	0	0	0	0	0	0	0	0	0
6 Corporates	0	0	0	0	0	0	0	0	0	0	0
of which: securities firms and other financial institutions	0	0	0	0	0	0	0	0	0	0	0
of which: specialised lending	0	0	0	0	0	0	0	0	0	0	0
7 Subordinated debt, equity and other capital	0	0	0	0	0	0	0	0	0	0	0
8 Retail	0	0	0	0	0	7,235,045	0	0	0	0	7,235,045
9 Real estate	0	0	0	1,100,164	0	641,746	41,184	0	0	0	1,783,094
of which: general RRE	0	0	0	1,100,164	0	641,746	41,184	0	0	0	1,783,094
of which: no loan splitting applied	0	0	0	0	0	0	0	0	0	0	0
of which: loan splitting applied (secured)	0	0	0	0	0	0	0	0	0	0	0
of which: loan splitting	0	0	0	0	0	0	0	0	0	0	0
of which: IPRRE	0	0	0	0	0	0	0	0	0	0	0
of which: general CRE	0	0	0	0	0	0	0	0	0	0	0
of which: no loan splitting applied	0	0	0	0	0	0	0	0	0	0	0
of which: loan splitting applied (secured)	0	0	0	0	0	0	0	0	0	0	0
of which: loan splitting applied (unsecured)	0	0	0	0	0	0	0	0	0	0	0
of which: IPCRE	0	0	0	0	0	0	0	0	0	0	0
of which: land acquisition, development and construction	0	0	0	0	0	0	0	0	0	0	0
10 Past-due loans/defaulted exposures	0	0	0	0	78,184	0	410	1,776	0	0	80,370
11 Other assets	5,650,929	0	0	0	0	0	925,677	0	3,124,902	0	9,701,508

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.

Discovery Bank's financial performance

Strategy and business model

Risk management philosophy

Remuneration

Quantitative tables and templates

Qualitative tables

Abbreviations

Credit risk / continued

CR5: STANDARDISED APPROACH – EXPOSURES BY ASSET CLASSES AND RISK WEIGHTS (2024) / CONTINUED

As at 30 June 2024 R'000	Risk weight									Total credit exposure amount (post CCF and post-CRM)
	0%	10%	20%	35%	50%	75%	100%	150%	Others	
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	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	856,826	0	0	0	608,344	0	0	7,673,206

Credit risk / continued

EXPOSURE AMOUNTS AND CCFS APPLIED TO OFF-BALANCE SHEET EXPOSURES, CATEGORISED BASED ON RISK BUCKET OF CONVERTED EXPOSURES (2025/2024)

Risk weight As at 30 June 2025 R'000	A	B	C	D
	On-balance sheet exposure	Off-balance sheet exposure	Weighted average CCF [*]	Exposure (post-CCF and post-CRM)
1 Less than 40%	17,663,515	212,767	42.3%	17,527,584
2 40 – 70%	2,054,648	96,481	0	78,184
3 75%	7,306,572	9,933,056	0	7,309,852
4 85%	0	0	0	0
5 90 – 100%	926,501	1,785	0	926,236
6 105 – 130%	0	0	0	0
7 150%	1,806	24,069	0	1,776
8 250%	0	0	0	0
9 400%	0	0	0	0
10 1 250%	0	0	0	0
11 Total exposures	27,953,042	10,268,158	0.9%	25,843,632
As at 30 June 2024				
1 Less than 40%	0	2,399	30%	13,530,876
2 40 – 70%	255	91,922	0	94,286
3 75%	6,223,859	8,741,345	0	6,223,690
4 85%	0	0	0	0
5 90 – 100%	623,331	968	0	617,284
6 105 – 130%	0	0	0	0
7 150%	794	15,535	0	781
8 250%	0	0	0	0
9 400%	0	0	0	0
10 1 250%	0	0	0	0
11 Total exposures	21,051,094	8,852,169	30%	20,466,917

* 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.

Discovery Bank's
financial performance

Strategy and
business model

Risk management
philosophy

Remuneration

Quantitative tables
and templates

Qualitative tables

Abbreviations

Counterparty credit risk

CCR1: ANALYSIS OF COUNTERPARTY CREDIT RISK (CCR) EXPOSURE BY APPROACH (2025/2024)

As at 30 June 2025 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 2024						
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						

CCR2: CREDIT VALUATION ADJUSTMENT (CVA) CAPITAL CHARGE (2025/2024)

As at 30 June 2025 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 2024		
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

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 (2025/2024)

As at 30 June 2025 R'000	Risk weight								Total credit exposure amount (post-CCF and post-CRM)
	0%	10%	20%	50%	75%	100%	150%	Others	
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	756,957	0	0	0	0	0	756,957
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	756,957	0	0	0	0	0	756,957
As at 30 June 2024									
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

Commentary:

Slight reduction in Bank exposure YoY

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 (2025/2024)

As at 30 June 2025 R'000	Capital charge in SA
1 General interest rate risk	0
2 Equity risk	0
3 Commodity risk	0
4 Foreign exchange risk	84,030
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	84,030
As at 30 June 2024	
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

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 (2025)

As at end of June 2025		Senior management	Other material risk-takers
Remuneration amount			
1	Number of employees	6	3
2	Total fixed remuneration (3+5+7)	27,315,386.52	19,299,683.96
3	Of which: cash-based	22,742,182.92	18,154,407.57
4	Of which: deferred		
5	Of which: shares or other share-linked instruments		
6	Of which - deferred		
7	Of which: other forms*	4,573,203.60	1,145,276.39
8	Of which: deferred		
9	Number of employees		
10	Total variable remuneration (11+13+15)	51,497,267.60	56,086,459.64
11	Of which: cash based	25,600,088.00	33,830,243.00
12	Of which: deferred		
13	Of which: shares or other share-linked instruments	25,897,179.60	22,256,216.64
14	Of which: deferred		
15	Of which: other forms		
16	Of which: deferred		
17	**Total remuneration (2 +10)	78,812,654.12	75,386,143.60

* 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

Commentary:

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

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 (2024)

As at end of June 2024		Senior management	Other material risk-takers
Remuneration amount			
1	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	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.

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 (2025/2024)

	A	B	C	D	E
Deferred and retained remuneration As at end of June 2025 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					
Other	54,679,488.00	54,679,488.00	(97,919.63)	14,750,333.86	25,897,179.60
Other material risk-takers					
Cash					
Shares					
Cash-linked instruments					
Other	97,888,870.80	97,888,870.80	(135,094.07)	21,238,042.21	22,256,216.64
Total	152,568,358.80	152,568,358.80	(233,013.70)	35,988,376.07	48,153,396.24
As at end of June 2024					
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

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 reversal 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) to (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).

Commentary:

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

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 (for example, 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 philosophy	11 – 41
	Credit risk		
	Market risk		
	Liquidity and funding risk		
	Reputational risk		
	Strategic risk		
	Business risk		
	Capital management		
	Regulatory risk		
	Model risk		
(b) The risk governance structure: responsibilities attributed throughout the bank (for example, oversight and delegation of authority; breakdown of responsibilities by type of risk and business unit); relationships between the structures involved in risk management processes (for example, board of directors, executive management, separate risk committee, risk management structure, compliance function, internal audit function)	All risk		
(c) Channels to communicate, decline and enforce the risk culture within the bank (for example, 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		
(d) The scope and main features of risk measurement systems	All risk		
(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		
(f) Qualitative information on stress testing (for example, portfolios subject to stress testing, scenarios adopted and methodologies used, and use of stress testing in risk management)	Stress Testing		
(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		
	Risk appetite		
	Credit risk		
	Market risk		
	Liquidity and funding risk		
	Reputational risk		
	Strategic and business risk		
Capital management risk			
Operational risk			

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	65
(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	63
(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: <ul style="list-style-type: none"> 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) 	Prudent Valuation Adjustment (PVA) is a regulatory requirement that ensures fair values of financial instruments reflect valuation uncertainty, particularly in illiquid or complex markets. It is especially relevant for instruments like interest rate swaps (IRS), where market inputs and pricing models can introduce risk. During the reporting period, Discovery Bank did not hold any interest rate swaps, and as a result, no PVA was required or applied.	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 and Funding Risk	Risk management philosophy	11 – 41
(b) Funding strategy, including policies on diversification in the sources and tenor of funding, and whether the funding strategy is centralised or decentralised	Liquidity and Funding Risk		
(c) Liquidity risk mitigation techniques	Liquidity and Funding Risk		
(d) An explanation of how stress testing is used	Liquidity and Funding Risk		
(e) An outline of the bank's contingency funding plans	Liquidity and 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 philosophy	11 – 41
(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	11 – 41
(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		The bank had granted some restructures, under Directive 3 of 2020 as part of the COVID-19 relief strategy, which are now being treated as distressed restructures under Directive 7 of 2015. The remainder of the restructures reported are related to exposures being under debt review.	n/a
(e) Breakdown of exposures by geographical areas, industry and residual maturity		Risk management and key risks	11 – 41
(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	11 – 41
(g) Ageing analysis of accounting past due exposures		Risk management and key risks	11 – 41

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 has a Secured Lending Policy that prescribes the collateral eligibility criteria and loan to value standards integral to the credit underwriting framework governing its retail mortgage exposures.	n/a
(c) Information about market or credit risk concentrations under the credit risk mitigation instruments used (meaning by guarantor type, collateral and credit derivative providers)	Risk management and key risks	22 – 26

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 utilises the letter grade ratings as issued by eligible External Credit Assessment Institutions (ECAI). This includes Moody's, Standard and Poor and Global Credit Ratings. 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 2 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	<p>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.</p> <p>Asset classification is used to determine the regulatory treatment of an asset and to assign risk weights. There are two levels of classification:</p> <ul style="list-style-type: none"> • Counterparty level, for example, Retail, Bank, Corporate, or Sovereign. • Product level, for example, Retail Revolving Credit Card, or Retail Other. <p>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.</p>	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

Discovery Bank's financial performance

Strategy and business model

Risk management philosophy

Remuneration

Quantitative tables and templates

Qualitative tables

Abbreviations

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/ unwilling to pay interest on the advances granted to them. Counterparty credit risk arises in the event the obligor is unable/ 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 mean 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 for the period under review the bank didn't have derivatives.	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	n/a to Discovery Bank	n/a
(c) Policies relating to guarantees and other risk mitigants and assessments concerning counterparty risk, including exposures towards CCPs	As a unsecured retail-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	n/a to Discovery Bank	n/a

MRA – QUALITATIVE DISCLOSURE REQUIREMENTS RELATED TO MARKET RISK

Banks must describe their risk management 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	11 – 41
(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		
(c) Scope and nature of risk reporting and/or measurement systems	Market Risk		

Discovery Bank's financial performance

Strategy and business model

Risk management philosophy

Remuneration

Quantitative tables and templates

Qualitative tables

Abbreviations

ORA – GENERAL QUALITATIVE INFORMATION ABOUT OPERATIONAL RISK MANAGEMENT

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 initially adopted the Standardised Measurement Approach (SMA) for operational risk, but transitioned to the Standardised Approach effective 1 July 2025.	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	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	11 – 41
(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) (meaning the EVE metric generated by the bank for purposes other than disclosure, for example, 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 (for example, historical data, published research, management judgment 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 Δ EVE and Δ NII in Table B, which includes: <ul style="list-style-type: none"> 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: REMUNERATION

Description	Section in document	Page reference
<p>Information relating to the bodies that oversee remuneration. Disclosures should include:</p> <ul style="list-style-type: none"> • 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 (for example, 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. 	<p>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 who 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.</p>	<p>n/a</p>
<p>Information relating to the design and structure of remuneration processes. Disclosures should include:</p> <ul style="list-style-type: none"> • 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. 	<p>Remuneration</p>	<p>42 – 47</p>
<p>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.</p>		
<p>Description of the ways in which the bank seeks to link performance during a performance measurement period with levels of remuneration. Disclosures should include:</p> <ul style="list-style-type: none"> • 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. 		
<p>Description of the ways in which the bank seeks to adjust remuneration to take account of longer-term performance. Disclosures should include:</p> <ul style="list-style-type: none"> • 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. 		
<p>Description of the different forms of variable remuneration that the bank utilises and the rationale for using these different forms. Disclosures should include:</p> <ul style="list-style-type: none"> • An overview of the forms of variable remuneration offered (meaning 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 the factors that determine the mix and their relative importance. 		

Discovery Bank's financial performance

Strategy and business model

Risk management philosophy

Remuneration

Quantitative tables and templates

Qualitative tables

Abbreviations

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

Abbreviation	Definition
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
MDB	Multilateral development banks
MRM	Model Risk Management
NII	Net Interest Income
NIST	National Institute of technology and standards
NSFR	Net stable funding ratio
ORSA	Own Risk and Solvency Assessment
PA	Prudential Authority of South Africa
PSE	Public Sector entities
POR	Point of resolution
RACM	Risk and Control Matrix

Abbreviation	Definition
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
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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