

PILLAR III

# Public disclosures

FOR THE QUARTER ENDED 30 SEPTEMBER 2022

Discovery Bank Limited and  
Discovery Bank Holdings Limited Group



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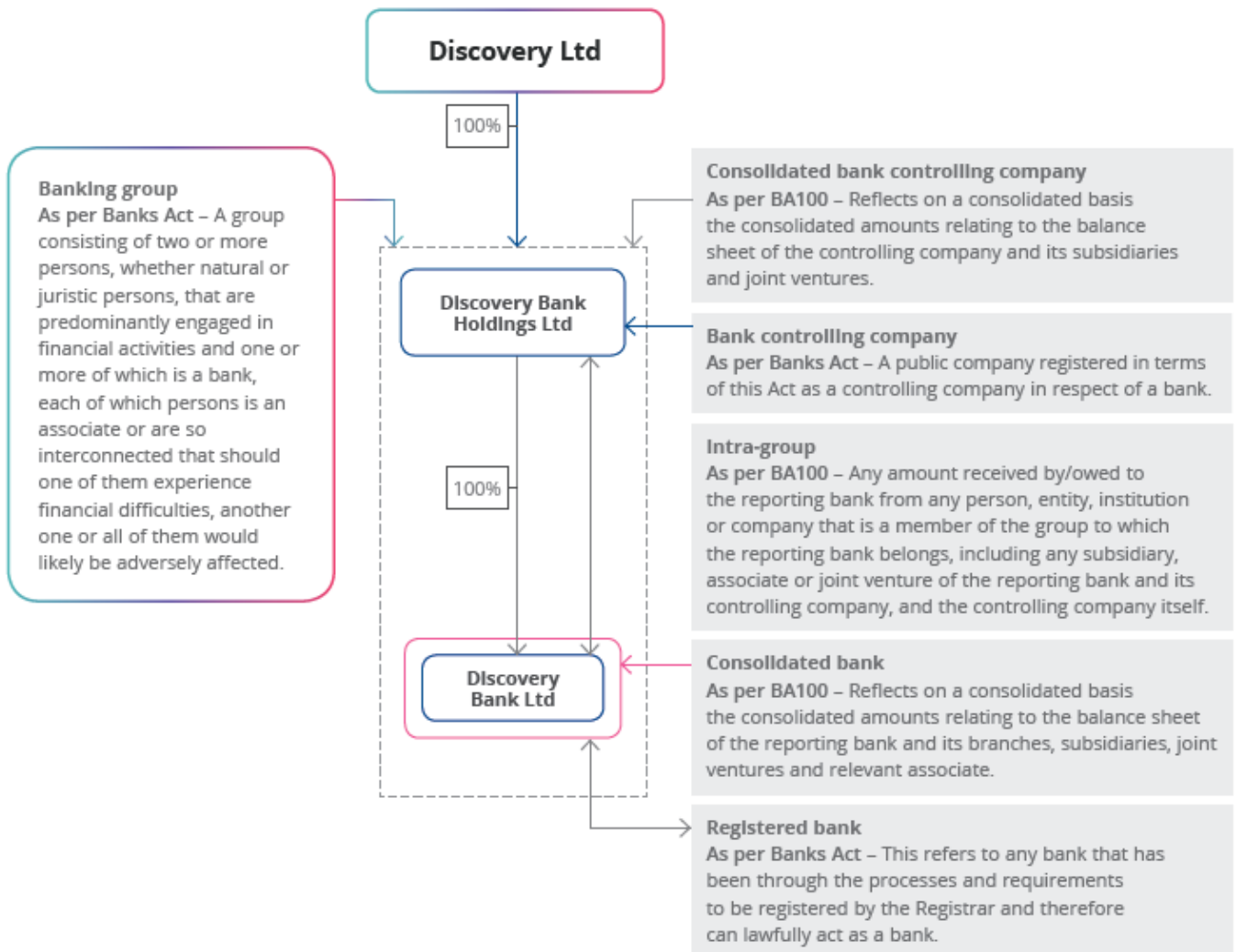
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Quantitative tables

## Quantitative Tables and Templates

For the period under review, Discovery Bank continues to maintain a robust capital, funding and liquidity position. Throughout the period, management is satisfied that the Bank's risk and capital management processes operated effectively, and the Bank is adequately capitalised and funded to support the execution of its strategy.

### The legal entity structure of Discovery Bank



## 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 September 2022	As at 30 June 2022	As at 31 March 2022	As at 31 December 2021	As at 30 September 2021
<b>Available capital (amounts)</b>						
1	Common Equity Tier 1 (CET1)	1,002,725	993,529	942,179	938,421	860,712
1a	Fully loaded ECL accounting model	0	0	0	0	0
2	Tier 1	1,002,725	993,529	942,179	938,421	860,712
2a	Fully loaded ECL accounting model Tier 1	0	0	0	0	0
3	Total capital	1,057,222	1,045,277	992,249	986,795	906,925
3a	Fully loaded ECL accounting model total capital	0	0	0	0	0
<b>Risk-weighted assets (amounts)</b>						
4	Total risk-weighted assets (RWA)	6,122,441	5,932,529	5,527,606	5,471,899	5,269,022
<b>Risk-based capital ratios as a percentage of RWA</b>						
5	Common Equity Tier 1 ratio (%)	16.378%	16.746%	17.045%	17.149%	16.335%
5a	Fully loaded ECL accounting model Common Equity Tier 1(%)	.000%	.000%	.000%	.000%	.000%

R'000		As at 30 September 2022	As at 30 June 2022	As at 31 March 2022	As at 31 December 2021	As at 30 September 2021
6	Tier 1 ratio (%)	16.378%	16.746%	17.045%	17.149%	16.335%
6a	Fully loaded ECL accounting model Tier 1 ratio (%)	.000%	.000%	.000%	.000%	.000%
7	Total capital ratio (%)	17.268%	17.618%	17.951%	18.033%	17.211%
7a	Fully loaded ECL accounting model total capital ratio (%)	.000%	.000%	.000%	.000%	.000%
<b>Additional CET1 buffer requirements as a percentage of RWA</b>						
8	Capital conservation buffer requirement (2.5% from 2019) (%)	2.500%	2.500%	2.500%	2.500%	2.500%
9	Countercyclical buffer requirement (%)	.000%	.000%	.000%	.000%	.000%
10	Bank G-SIB and/or D-SIB additional requirements (%)	.000%	.000%	.000%	.000%	.000%
11	Total of bank CET1 specific buffer requirements (%) (row 8 + row 9 + row 10)	2.500%	2.500%	2.500%	2.500%	2.500%
12	CET1 available after meeting the bank's minimum capital requirements (%)	4.878%	5.245%	5.545%	6.649%	5.835%
<b>Basel III leverage ratio</b>						
13	Total Basel III leverage ratio exposure measure	15,027,791	13,792,670	13,380,536	13,068,892	12,232,561
14	Basel III leverage ratio (%) (row 2; row 13)	6.672%	7.203%	7.041%	7.181%	7.036%
14a	Fully loaded ECL accounting model Basel III leverage ratio (%) (row 2a; row13)	0	0	0	0	0
<b>Liquidity Coverage Ratio</b>						
15	Total HQLA	5,906,066	5,289,626	4,740,711	4,869,200	3,956,990

R'000	As at 30 September 2022	As at 30 June 2022	As at 31 March 2022	As at 31 December 2021	As at 30 September 2021
16 Total net cash outflow	204,660	203,985	180,906	168,966	149,356
17 LCR ratio (%)	2,886.682%	2,668.262%	2,621.460%	2,885.922%	2,650.538%
<b>Net Stable Funding Ratio</b>					
18 Total available stable funding	18,978,208	17,893,063	17,035,779	16,684,768	15,768,475
19 Total required stable funding	11,025,297	10,624,709	10,197,501	9,927,705	9,539,418
20 NSFR ratio	172.000%	168.000%	167.000%	168.000%	165.000%

Risk-weighted assets are calculated according to the Basel Framework, and Discovery Bank applies the following capital measurement approaches:

- Credit risk: The Standardised Approach
- Operational risk: The Basic Indicator Approach
- Market risk: The Standardised Approach using Building Block method

All regulatory ratios continue to exceed minimum requirements.

## 1.2 OV1: Overview of Risk-Weighted Assets (RWA)

This section provides an overview of the Risk-Weighted Assets of Discovery Bank Limited and Discovery Bank Holdings Limited Group

		DISCOVERY BANK LIMITED			DISCOVERY BANK HOLDINGS LIMITED		
		RWA		Minimum capital requirement	RWA		Minimum capital requirement
		As at 30 September 2022	As at 30 June 2022	As at 30 September 2022	As at 30 September 2022	As at 30 June 2022	As at 30 September 2022
<b>R'000</b>							
1	<b>Credit risk (excluding counterparty credit risk) (CCR)</b>	<b>4,811,781</b>	<b>4,615,053</b>	<b>553,355</b>	<b>4,811,780</b>	<b>4,615,052</b>	<b>553,355</b>
2	Of which standardised approach (SA)	4,811,781	4,615,053	553,355	4,811,780	4,615,052	553,355
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	<b>Counterparty credit risk (CCR)</b>	<b>1,485</b>	<b>5,396</b>	<b>171</b>	<b>1,485</b>	<b>5,396</b>	<b>171</b>
7	Of which standardised approach for counterparty credit risk (SA-CCR)	1,485	5,396	171	1,485	5,396	171
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	<b>Credit valuation adjustment (CVA)</b>	<b>844</b>	<b>3,066</b>	<b>97</b>	<b>844</b>	<b>3,066</b>	<b>97</b>
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



R'000	DISCOVERY BANK LIMITED			DISCOVERY BANK HOLDINGS LIMITED		
	RWA		Minimum capital requirement	RWA		Minimum capital requirement
	As at 30 September 2022	As at 30 June 2022	As at 30 September 2022	As at 30 September 2022	As at 30 June 2022	As at 30 September 2022
15	<b>Settlement risk</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
16	Securitisation exposures in banking book	0	0	0	0	0
17	Of which: securitisation internal ratings-based approach (SEC-IRBA)	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
19	Of which: securitisation standardised approach (SEC-SA)	0	0	0	0	0
20	<b>Market risk</b>	<b>39,303</b>	<b>40,518</b>	<b>4,520</b>	<b>39,303</b>	<b>4,520</b>
21	Of which standardised approach (SA)	39,303	40,518	4,520	39,303	4,520
22	Of which internal model approaches (IMA)	0	0	0	0	0
23	Capital charge for switch between trading book and banking book	0	0	0	0	0
24	<b>Operational risk</b>	<b>1,015,164</b>	<b>1,015,164</b>	<b>116,744</b>	<b>1,015,164</b>	<b>116,744</b>
25	Amounts below the thresholds for deduction (subject to 250% risk weight)	253,143	252,610	29,111	253,865	29,194
26	Floor adjustment	0	0	0	0	0
27	<b>Total (1+6+10+11+12+13+14+15+16+20+23+24+25+26)</b>	<b>6,121,720</b>	<b>5,931,807</b>	<b>703,998</b>	<b>6,122,441</b>	<b>704,081</b>

Minimum capital required is calculated using the SARB mandated minimum for a South African local bank.

## Leverage Ratio

### LR1: Summary comparison of accounting assets versus leverage ratio exposure measure (simple consolidated without change)

This table reconciles the total assets as presented in the financial statements to the leverage ratio exposure measure as reported at 30 September 2022.

R'000		As at 30 September 2022
1	Total consolidated assets as per published financial statements	17,944,899
2	Adjustment for investments in banking, financial, insurance or commercial entities that are consolidated for accounting purposes but outside the scope of regulatory consolidation	0
3	Adjustment for fiduciary assets recognised on the balance sheet pursuant to the operative accounting framework but excluded from the Leverage ratio exposure measure	0
4	Adjustments for derivative financial instruments	3,782
5	Adjustment for securities financing transactions (i.e. repos and similar secured lending)	0
6	Adjustment for off-balance sheet items (i.e. conversion to credit equivalent amounts of off-balance sheet exposures)	1,328,322
7	Other adjustments	-4,249,501
8	<b>Leverage ratio exposure measure</b>	<b>15,027,502</b>

### LR2: Leverage ratio disclosure template (simple consolidation without change)

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 September 2022	As at 30 June 2022
<b>On-balance sheet exposures</b>			
1	On-balance sheet exposures (excluding derivatives and securities financing transactions (SFTs))	17,763,897	16,520,152
2	(Asset amounts deducted in determining Basel III Tier 1 capital)	(4,068,499)	(4,008,269)
3	<b>Total on-balance sheet exposures (excluding derivatives and SFTs) (sum of row 1 and 2)</b>	<b>13,695,398</b>	<b>12,511,883</b>
<b>Derivative exposures</b>			
4	Replacement cost associated with all derivatives transactions (where applicable net of eligible cash variation margin and/or with bilateral netting)	0	28

R'000	As at 30 September 2022	As at 30 June 2022
5 Add-on amounts for PFE associated with all derivatives transactions	3,782	7,445
6 Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the operative accounting framework	0	0
7 (Deductions of receivables assets for cash variation margin provided in derivatives transactions)	0	0
8 (Exempted CCP leg of client-cleared trade exposures)	0	0
9 Adjusted effective notional amount of written credit derivatives	0	0
10 (Adjusted effective notional offsets and add-on deductions for written credit derivatives)	0	0
<b>11 Total derivative exposures (sum of rows 4 to 10)</b>	<b>3,782</b>	<b>7,473</b>
<b>Securities financing transaction exposures</b>		
12 Gross SFT assets (with no recognition of netting) after adjusting for asle accounting transactions	0	0
13 (Netted amounts of cash payables and cash receivables of gross SFT assets)	0	0
14 CCR exposure for SFT assets	0	0
15 Agent transaction exposures	0	0
<b>16 Total securities financing transaction exposures (sum of rows 12 to 15)</b>	<b>0</b>	<b>0</b>
<b>Other off-balance sheet exposures</b>		
17 Off-balance sheet exposure at gross notional amount	6,641,610	6,365,125
18 (Adjustments for conversion to credit equivalent amounts)	(5,313,288)	(5,092,100)
<b>19 Off-balance sheet items (sum of row 17 and 18)</b>	<b>1,328,322</b>	<b>1,273,025</b>
<b>Capital and total exposures</b>		
20 Tier 1 capital	999,549	990,354
<b>21 Total exposures (sum of rows 3,11,16 and 19)</b>	<b>15,027,502</b>	<b>13,792,381</b>
<b>Leverage ratio</b>		
22 Basel III Leverage ratio	6.65%	7.17%

## Liquidity

### LIQ1: Liquidity Coverage Ratio (LCR)

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 September 2022 R'000		Current reporting period		Previous reporting period
		Total unweighted value (average)	Total weighted (average)	Total weighted (average)
<b>High-quality liquid assets</b>				
1	Total HQLA	0	5,906,066	5,289,626
<b>Cash outflows</b>				
2	<b>Retail deposits and deposits from small business customers, of which:</b>	<b>6,569,212</b>	<b>656,921</b>	<b>594,766</b>
3	Stable deposits	0	0	0
4	Less stable deposits	6,569,212	656,921	594,766
5	<b>Unsecured wholesale funding, of which:</b>	<b>302,158</b>	<b>873</b>	<b>67,044</b>
6	Operational deposits (all counterparties) and deposits in networks of cooperative banks	0	0	0
7	Non-operational deposits (all counterparties)	302,158	873	67,044
8	Unsecured debt	0	0	0
9	<b>Secured wholesale funding</b>	<b>0</b>	<b>0</b>	<b>0</b>
10	<b>Additional requirements, of which:</b>	<b>0</b>	<b>0</b>	<b>0</b>
11	Outflows related to derivative exposures and other collateral requirements	73	73	0
12	Outflows related to loss of funding on debt products	0	0	0
13	Credit and liquidity facilities	6,430,843	160,771	154,130
14	<b>Other contractual funding obligations</b>	<b>0</b>	<b>0</b>	<b>0</b>
15	<b>Other contingent funding obligations</b>	<b>0</b>	<b>0</b>	<b>0</b>
16	<b>TOTAL CASH OUTFLOWS</b>	<b>13,302,286</b>	<b>818,638</b>	<b>815,940</b>
<b>Cash inflows</b>				
17	Secured lending (eg reverse repos)	0	0	0
18	Inflows from fully performing exposures	1,869,615	1,755,781	1,904,030
19	Other cash inflows	0	0	0
20	<b>TOTAL CASH INFLOWS</b>	<b>1,869,615</b>	<b>1,755,781</b>	<b>1,904,030</b>

<b>Total Adjusted value</b>		<b>Total Adjusted value</b>	
21	Total HQLA	5,906,066	5,289,626
22	Total net cash outflows	204,660	203,985
<b>23</b>	<b>Liquidity Coverage Ratio (%)</b>	<b>2887%</b>	<b>2668%</b>

The Liquidity Coverage Ratio (LCR) measures whether a bank has sufficient High-quality Liquid Assets (HQLA) to survive a significant stress scenario lasting 30 calendar days.

The LIQ1 table complies with the Pillar 3 requirements as stipulated by BCBS D400 (March 2017) and Directive D8. The values in the table are calculated as the average of the 90-day calendar daily values over the period July to September 2022 for Discovery Bank Limited. Discovery Bank's weighted values are based on business days (excluding public holidays and weekends).

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

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

The HQLA's held by Discovery Bank are Treasury Bills and Bonds (R2023,R2030, R2032 and R186) with a maturity profile, spread up to 10 years.

## LIQ2: Net Stable Funding Ratio (NSFR)

This section provides information pertaining to Discovery Bank's Net Stable Funding Ratio (NSFR) and details of some of its components

As at 30 September 2022 R'000		Items subject to				Weighted value
		No Maturity	< 6 months	6 months to < 1 year	>= 1 year	
<b>1</b>	<b>Capital:</b>	<b>8,190,360</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>8,190,360</b>
2	Regulatory capital	8,190,360	0	0	0	8,190,360
3	Other capital instruments	0	0	0	0	0
<b>4</b>	<b>Retail deposits and deposits from small business customers:</b>	<b>0</b>	<b>9,472,210</b>	<b>1,065,869</b>	<b>1,147,012</b>	<b>10,631,283</b>
5	Stable deposits	0	0	0	0	0
6	Less stable deposits	0	9,472,210	1,065,869	1,147,012	10,631,283
<b>7</b>	<b>Wholesale funding:</b>	<b>0</b>	<b>4,551</b>	<b>300,000</b>	<b>0</b>	<b>151,593</b>
8	Operational deposits	0	0	0	0	0
9	Other wholesale funding	0	4,551	300,000	0	151,593
10	Liabilities with matching interdependent assets	0	453,798	9,945	10,315	4,973
<b>11</b>	<b>Other liabilities:</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
12	NSFR derivative liabilities	0	0	0	10,315	0
<b>13</b>	<b>All other liabilities and equity not included in the above categories</b>	<b>0</b>	<b>453,798</b>	<b>9,945</b>	<b>0</b>	<b>4,973</b>
<b>14</b>	<b>Total ASF</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>18,978,208</b>
15	Total NSFR high-quality liquid assets (HQLA)	0	5,285,284	812,099	1,958,801	327,753
16	Deposits held at other financial institutions for operational purposes	0	0	0	0	0
17	Performing loans and securities:	0	2,060,522	1,374,200	1,832,266	3,034,574
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	686,322	0	0	102,948
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	1,374,200	1,374,200	1,832,266	2,931,626
21	With a risk weight of less than or equal to 35% under the Basel II standardised approach for credit risk	0	0	0	0	0
22	Performing residential mortgages, of which:	0	0	0	0	0
23	With a risk weight of less than or equal to 35% under the Basel II standardised approach for credit risk	0	0	0	0	0
24	Securities that are not in default and do not qualify as HQLA, including exchange-traded equities	0	0	0	0	0
25	Assets with matching interdependent liabilities	0	0	0	0	0
26	Other assets:	7,330,889	0	0	0	7,330,889
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

As at 30 September 2022 R'000		Items subject to				Weighted value	
		No Maturity	< 6 months	6 months to < 1 year	>= 1 year		
30	NSFR derivative liabilities before deduction of variation margin posted	0	0	0	0	0	
31	All other assets not included in the above categories	7,330,889	0	0	0	7,330,889	
32	Off-balance sheet items	6,641,612	0	0	0	332,081	
<b>33</b>	<b>Total RSF</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>11,025,297</b>	
<b>34</b>	<b>Net Stable Funding Ratio (%)</b>						<b>172</b>

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 (AFS) in liabilities over the Required Stable Funding (RFS) for the assets. Sources of available funding for Discovery Bank include share capital and client deposits.

## Abbreviation

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ABBREVIATION	DEFINITION
ASF	Available Stable Funding
AT1	Additional Tier 1
BA	Banks Act
BASA	Banking Association of South Africa
BCBS	Basel Committee on Banking Supervision
CCR	Counterparty Credit Risk
CEM	Credit Exposure Method
CET1	Common Equity Tier 1
CRM	Credit Risk Mitigation
CSR	Corporate Social Responsibility
CVA	Credit Valuation adjustment
D-SIB	Domestic Systemically Important Banks
ECL	Expected Credit Loss
G-SIB	Global Systemically Important Banks
HQLA	High-Quality Liquid Assets
LCR	Liquidity Coverage Ratio
NSFR	Net stable funding ratio
PA	Prudential Authority of South Africa
RWA	Risk-Weighted Assets
SA	Standardised Approach
SA-CCR	Standardised Approach for Counterparty Credit Risk
TLAC	Total Loss-absorbing Capacity