

PILLAR III

Public disclosures

FOR THE QUARTER ENDED 30 SEPTEMBER 2023

Discovery Bank Limited and
Discovery Bank Holdings Limited Group



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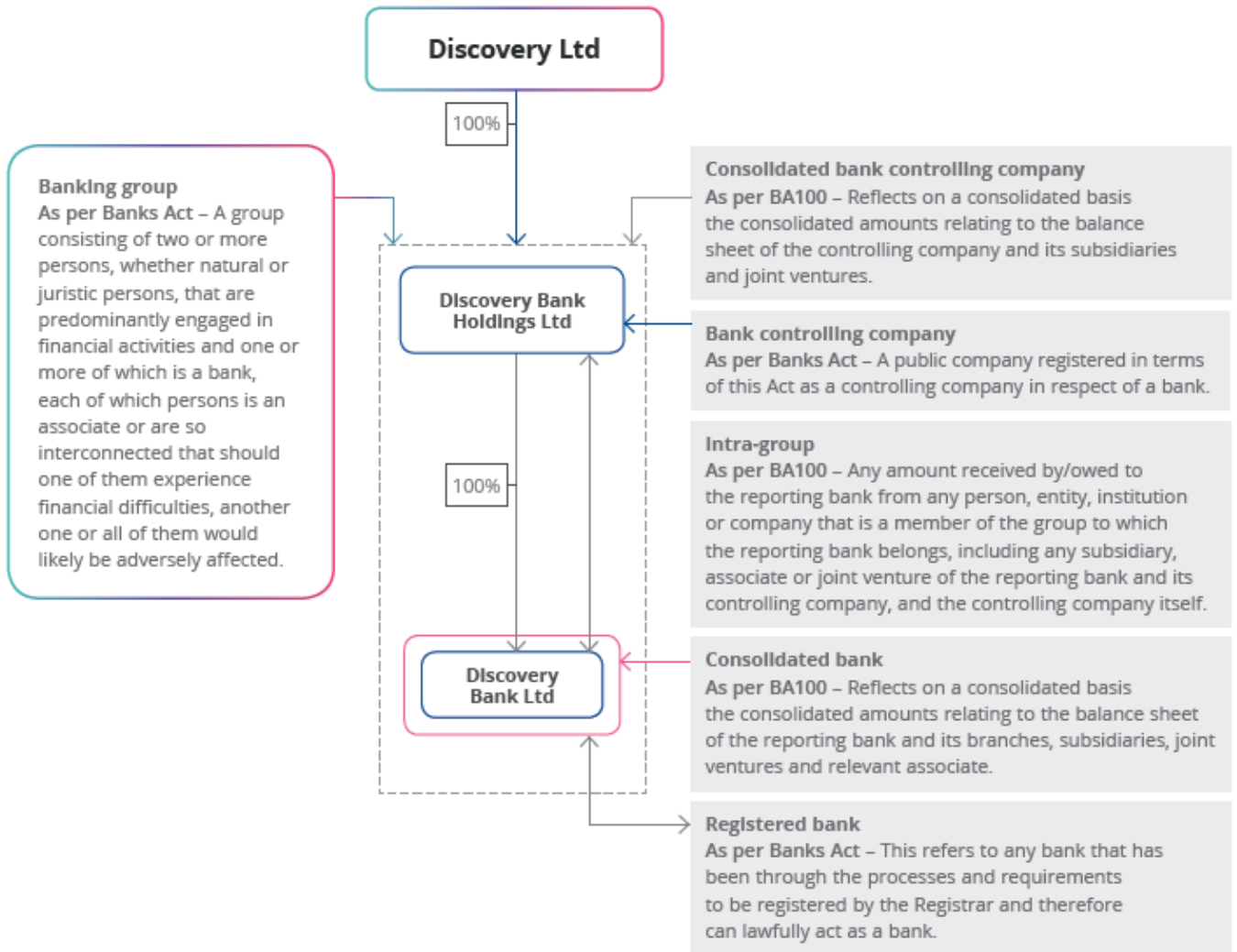
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Quantitative tables

Quantitative Tables and Templates

For the period under review, Discovery Bank’s liquidity position remains strong, and the retail assets book continues to grow with Home Loans being launched early 2024.

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 2023 | As at 30 June 2023 | As at 31 March 2023 | As at 31 December 2022 | As at 30 September 2022 |
|---|---|-------------------------------|--------------------------|---------------------------|------------------------------|-------------------------------|
| Available capital (amounts) | | | | | | |
| 1 | Common Equity Tier 1 (CET1) | 1,061,434 | 1,062,501 | 1,103,767 | 1,112,879 | 1,002,725 |
| 1a | Fully loaded ECL accounting model | 0 | 0 | 0 | 0 | 0 |
| 2 | Tier 1 | 1,061,434 | 1,062,501 | 1,103,767 | 1,112,879 | 1,002,725 |
| 2a | Fully loaded ECL accounting model Tier 1 | 0 | 0 | 0 | 0 | 0 |
| 3 | Total capital | 1,112,442 | 1,111,961 | 1,164,375 | 1,170,457 | 1,057,222 |
| 3a | Fully loaded ECL accounting model total capital | 0 | 0 | 0 | 0 | 0 |
| Risk-weighted assets (amounts) | | | | | | |
| 4 | Total risk-weighted assets (RWA) | 6,526,133 | 6,300,408 | 6,765,391 | 6,737,433 | 6,122,441 |
| Risk-based capital ratios as a percentage of RWA | | | | | | |
| 5 | Common Equity Tier 1 ratio (%) | 16.263% | 16.864% | 16.32% | 16.52% | 16.38% |
| 5a | Fully loaded ECL accounting model Common Equity Tier 1(%) | .000% | .000% | 0 | 0 | 0 |
| 6 | Tier 1 ratio (%) | 16.263% | 16.864% | 16.32% | 16.52% | 16.38% |

| R'000 | | As at 30 September 2023 | As at 30 June 2023 | As at 31 March 2023 | As at 31 December 2022 | As at 30 September 2022 |
|---|--|-------------------------------|--------------------------|---------------------------|------------------------------|-------------------------------|
| 6a | Fully loaded ECL accounting model Tier 1 ratio (%) | .000% | .000% | 0 | 0 | 0 |
| 7 | Total capital ratio (%) | 17.045% | 17.649% | 17.21% | 17.37% | 17.27% |
| 7a | Fully loaded ECL accounting model total capital ratio (%) | .000% | .000% | 0 | 0 | 0 |
| Additional CET1 buffer requirements as a percentage of RWA | | | | | | |
| 8 | Capital conservation buffer requirement (2.5% from 2019) (%) | 2.500% | 2.500% | 2.50% | 2.50% | 2.50% |
| 9 | Countercyclical buffer requirement (%) | .000% | .000% | 0 | 0 | 0 |
| 10 | Bank G-SIB and/or D-SIB additional requirements (%) | .000% | .000% | 0 | 0 | 0 |
| 11 | Total of bank CET1 specific buffer requirements (%) (row 8 + row 9 + row 10) | 2.500% | 2.500% | 0.025 | 0.025 | 0.025 |
| 12 | CET1 available after meeting the bank's minimum capital requirements (%) | 4.763% | 5.364% | 4.82% | 5.02% | 4.88% |
| 13 | Total Basel III leverage ratio exposure measure | 17,878,087 | 16,634,833 | 16,928,034 | 16,039,734 | 15,027,791 |
| 14 | Basel III leverage ratio (%) (row 2; row 13) | 5.937% | 6.387% | 6.520% | 6.938% | 6.672% |
| 14a | Fully loaded ECL accounting model Basel III leverage ratio (%) (row 2a; row13) | 0 | 0 | 0 | 0 | 0 |
| Liquidity Coverage Ratio | | | | | | |
| 15 | Total HQLA | 9,492,166 | 8,753,199 | 7,883,386 | 6,751,274 | 5,906,066 |
| 16 | Total net cash outflow | 321,649 | 350,713 | 310,302 | 227,791 | 204,660 |
| 17 | LCR ratio (%) | 2,963.078% | 2,565.984% | 2,623.429% | 2,968.857% | 2,886.682% |
| Net Stable Funding Ratio | | | | | | |
| 18 | Total available stable funding | 23,119,148 | 21,892,651 | 21,086,080 | 20,158,918 | 18,978,208 |

| R'000 | | As at 30 September 2023 | As at 30 June 2023 | As at 31 March 2023 | As at 31 December 2022 | As at 30 September 2022 |
|-------|-------------------------------|-------------------------------|--------------------------|---------------------------|------------------------------|-------------------------------|
| 19 | Total required stable funding | 12,410,342 | 11,953,161 | 11,735,161 | 11,653,232 | 11,025,297 |
| 20 | NSFR ratio | 186 % | 183% | 180 % | 173% | 172% |

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

| R'000 | | DISCOVERY BANK LIMITED | | | DISCOVERY BANK HOLDINGS LIMITED | | |
|-------|--|-------------------------|--------------------|-----------------------------|---------------------------------|--------------------|-----------------------------|
| | | RWA | | Minimum capital requirement | RWA | | Minimum capital requirement |
| | | As at 30 September 2023 | As at 30 June 2023 | As at 30 September 2023 | As at 30 September 2023 | As at 30 June 2023 | As at 30 September 2023 |
| 1 | Credit risk (excluding counterparty credit risk) (CCR) | 4,559,144 | 4,345,895 | 524,302 | 4,559,748 | 4,346,486 | 524,371 |
| 2 | Of which standardised approach (SA) | 4,559,144 | 4,345,895 | 524,302 | 4,559,748 | 4,346,486 | 524,371 |
| 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 | 196 | 0 | 0 | 196 | 0 |
| 7 | Of which standardised approach for counterparty credit risk (SA-CCR) | 0 | 196 | 0 | 0 | 196 | 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 | 556 | 0 | 0 | 556 | 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 |

| R'000 | | DISCOVERY BANK LIMITED | | | DISCOVERY BANK HOLDINGS LIMITED | | |
|-------|---|-------------------------|--------------------|-----------------------------|---------------------------------|--------------------|-----------------------------|
| | | RWA | | Minimum capital requirement | RWA | | Minimum capital requirement |
| | | As at 30 September 2023 | As at 30 June 2023 | As at 30 September 2023 | As at 30 September 2023 | As at 30 June 2023 | As at 30 September 2023 |
| 15 | Settlement risk | 0 | 0 | 0 | 0 | 0 | 0 |
| 16 | Securitisation exposures in banking book | 0 | 0 | 0 | 0 | 0 | 0 |
| 17 | Of which: securitisation internal ratings-based approach (SEC-IRBA) | 0 | 0 | 0 | 0 | 0 | 0 |
| 18 | Of which: securitisation external ratings-based approach (SEC-ERBA), including internal assessment approach (IAA) | 0 | 0 | 0 | 0 | 0 | 0 |
| 19 | Of which: securitisation standardised approach (SEC-SA) | 0 | 0 | 0 | 0 | 0 | 0 |
| 20 | Market risk | 80,070 | 73,278 | 9,208 | 80,070 | 73,278 | 9,208 |
| 21 | Of which standardised approach (SA) | 80,070 | 73,278 | 9,208 | 80,070 | 73,278 | 9,208 |
| 22 | Of which internal model approaches (IMA) | 0 | 0 | 0 | 0 | 0 | 0 |
| 23 | Capital charge for switch between trading book and banking book | 0 | 0 | 0 | 0 | 0 | 0 |
| 24 | Operational risk | 1,604,797 | 1,604,797 | 184,552 | 1,604,797 | 1,604,797 | 184,552 |
| 25 | Amounts below the thresholds for deduction (subject to 250% risk weight) | 280,790 | 274,384 | 32,291 | 281,518 | 275,095 | 32,375 |
| 26 | Floor adjustment | 0 | 0 | 0 | 0 | 0 | 0 |
| 27 | Total (1+6+10+11+12+13+14+15+16+20+23+24+25+26) | 6,524,801 | 6,299,106 | 750,352 | 6,526,133 | 6,300,408 | 750,505 |

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 2023.

| R'000 | As at 30 September 2023 |
|--|-------------------------------|
| 1 Total consolidated assets as per published financial statements | 21,661,654 |
| 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 | 0 |
| 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) | 773,787 |
| 7 Other adjustments | (4,560,671) |
| 8 Leverage ratio exposure measure | 17,874,770 |

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 2023 | As at 30 June 2023 |
|--|-------------------------------|--------------------------|
| On-balance sheet exposures | | |
| 1 On-balance sheet exposures (excluding derivatives and securities financing transactions (SFTs)) | 21,401,363 | 20,115,249 |
| 2 (Asset amounts deducted in determining Basel III Tier 1 capital) | (4,300,380) | (4,238,977) |
| 3 Total on-balance sheet exposures (excluding derivatives and SFTs) (sum of row 1 and 2) | 17,100,983 | 15,876,272 |
| Derivative exposures | | |
| 4 Replacement cost associated with all derivatives transactions (where applicable net of eligible cash variation margin and/or with bilateral netting) | 0 | 0 |
| 5 Add-on amounts for PFE associated with all derivatives transactions | 0 | 1,396 |
| 6 Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the operative accounting framework | 0 | 0 |

| R'000 | As at 30 September 2023 | As at 30 June 2023 |
|---|-------------------------------|--------------------------|
| 7 (Deductions of receivables assets for cash variation margin provided in derivatives transactions) | 0 | 0 |
| 8 (Exempted CCP leg of client-cleared trade exposures) | 0 | 0 |
| 9 Adjusted effective notional amount of written credit derivatives | 0 | 0 |
| 10 (Adjusted effective notional offsets and add-on deductions for written credit derivatives) | 0 | 0 |
| 11 Total derivative exposures (sum of rows 4 to 10) | 0 | 1,396 |
| Securities financing transaction exposures | | |
| 12 Gross SFT assets (with no recognition of netting) after adjusting for asle accounting transactions | 0 | 0 |
| 13 (Netted amounts of cash payables and cash receivables of gross SFT assets) | 0 | 0 |
| 14 CCR exposure for SFT assets | 0 | 0 |
| 15 Agent transaction exposures | 0 | 0 |
| 16 Total securities financing transaction exposures (sum of rows 12 to 15) | 0 | 0 |
| Other off-balance sheet exposures | | |
| 17 Off-balance sheet exposure at gross notional amount | 7,737,870 | 7,539,130 |
| 18 (Adjustments for conversion to credit equivalent amounts) | (6,964,083) | (6,785,217) |
| 19 Off-balance sheet items (sum of row 17 and 18) | 773,787 | 753,913 |
| Capital and total exposures | | |
| 20 Tier 1 capital | 1,058,239 | 1,059,371 |
| 21 Total exposures (sum of rows 3,11,16 and 19) | 17,874,770 | 16,631,582 |
| Leverage ratio | | |
| 22 Basel III Leverage ratio | 5.91% | 6.37% |

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 2023 R'000 | | Total unweighted (average) | Total weighted (average) | Total weighted (average) |
|-----------------------------------|---|-------------------------------|--------------------------------|-----------------------------|
| High-quality liquid assets | | | | |
| 1 | Total HQLA | 0 | 8,753,199 | 8,753,199 |
| Cash outflows | | | | |
| 2 | Retail deposits and deposits from small business customers, of which: | 8,973,568 | 897,357 | 827,918 |
| 3 | Stable deposits | 0 | 0 | 0 |
| 4 | Less stable deposits | 8,973,568 | 897,357 | 827,918 |
| 5 | Unsecured wholesale funding, of which: | 0 | 0 | 27,554 |
| 6 | Operational deposits (all counterparties) and deposits in networks of cooperative banks | 0 | 0 | 0 |
| 7 | Non-operational deposits (all counterparties) | 0 | 0 | 27,554 |
| 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 | 33 | 0 |
| 12 | Outflows related to loss of funding on debt products | 0 | 0 | 0 |
| 13 | Credit and liquidity facilities | 7,535,717 | 188,393 | 181,499 |
| 14 | Other contractual funding obligations | 0 | 0 | 0 |
| 15 | Other contingent funding obligations | 0 | 0 | 0 |

| As at 30 September 2023 R'000 | | Total unweighted (average) | Total weighted (average) | Total weighted (average) |
|----------------------------------|---|-------------------------------|--------------------------------|-----------------------------|
| 16 | TOTAL CASH OUTFLOWS | 16,509,318 | 1,085,782 | 1,036,972 |
| Cash inflows | | | | |
| 17 | Secured lending (eg reverse repos) | 0 | 0 | 0 |
| 18 | Inflows from fully performing exposures | 1,119,245 | 984,351 | 848,481 |
| 19 | Other cash inflows | 0 | 0 | 0 |
| 20 | TOTAL CASH INFLOWS | 1,119,245 | 984,351 | 848,481 |
| Total Adjusted value | | Total Adjusted value | | |
| 21 | Total HQLA | | 9,492,166 | 8,753,199 |
| 22 | Total net cash outflows | | 321,649 | 350,713 |
| 23 | Liquidity Coverage Ratio (%) | | 2963% | 2566% |

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 2023 for Discovery Bank Limited. Discovery Bank's weighted values are based on business days (excluding public holidays and weekends).

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

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

The HQLA's held by Discovery Bank are Treasury Bills and Bonds (R2030, R2032 and R186) with a maturity profile, spread up to 10 years as well as the surplus balance within the SAMOS account, based on the new Monetary Policy Implementation Framework (MPIF) model.

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 2023 R'000 | | Items subject to | | | | Weighted value |
|----------------------------------|--|------------------|-------------------|----------------------|------------------|-------------------|
| | | No Maturity | < 6 months | 6 months to < 1 year | >= 1 year | |
| 1 | Capital: | 9,107,856 | 0 | 0 | 0 | 9,107,856 |
| 2 | Regulatory capital | 9,107,856 | 0 | 0 | 0 | 9,107,856 |
| 3 | Other capital instruments | 0 | 0 | 0 | 0 | 0 |
| 4 | Retail deposits and deposits from small business customers: | 0 | 13,253,205 | 826,433 | 1,339,617 | 14,011,292 |
| 5 | Stable deposits | 0 | 0 | 0 | 0 | 0 |
| 6 | Less stable deposits | 0 | 13,253,205 | 826,433 | 1,339,617 | 14,011,292 |
| 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 | 387,918 | 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 | 387,918 | 0 | 0 | 0 |
| 14 | Total ASF | 0 | 0 | 0 | 0 | 23,119,148 |
| 15 | Total NSFR high-quality liquid assets (HQLA) | 0 | 6,417,124 | 776,192 | 3,423,830 | 359,997 |
| 16 | Deposits held at other financial institutions for operational purposes | 0 | 0 | 0 | 0 | 0 |

| As at 30 September 2023 R'000 | | Items subject to | | | | Weighted value |
|----------------------------------|---|------------------|------------|-------------------------|-----------|-------------------|
| | | No Maturity | < 6 months | 6 months to < 1 year | >= 1 year | |
| 17 | Performing loans and securities: | 0 | 2,616,382 | 1,515,827 | 2,021,102 | 3,518,875 |
| 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 | 757,621 | 0 | 0 | 113,643 |
| 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 | 1,858,761 | 1,515,827 | 2,021,102 | 3,405,232 |
| 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: | 8,144,577 | 0 | 0 | 0 | 8,144,577 |
| 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 | 8,144,577 | 0 | 0 | 0 | 8,144,577 |
| 32 | Off-balance sheet items | 7,737,868 | 0 | 0 | 0 | 386,893 |
| 33 | Total RSF | 0 | 0 | 0 | 0 | 12,410,342 |
| 34 | Net Stable Funding Ratio (%) | | | | | 186 |

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

| 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 |
| MPIF | Monetary Policy Implementation Framework |
| 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 |

