

PILLAR III

Public disclosures

FOR THE QUARTER ENDED 31 MARCH 2022

Discovery Bank Limited and
Discovery Bank Holdings Limited Group



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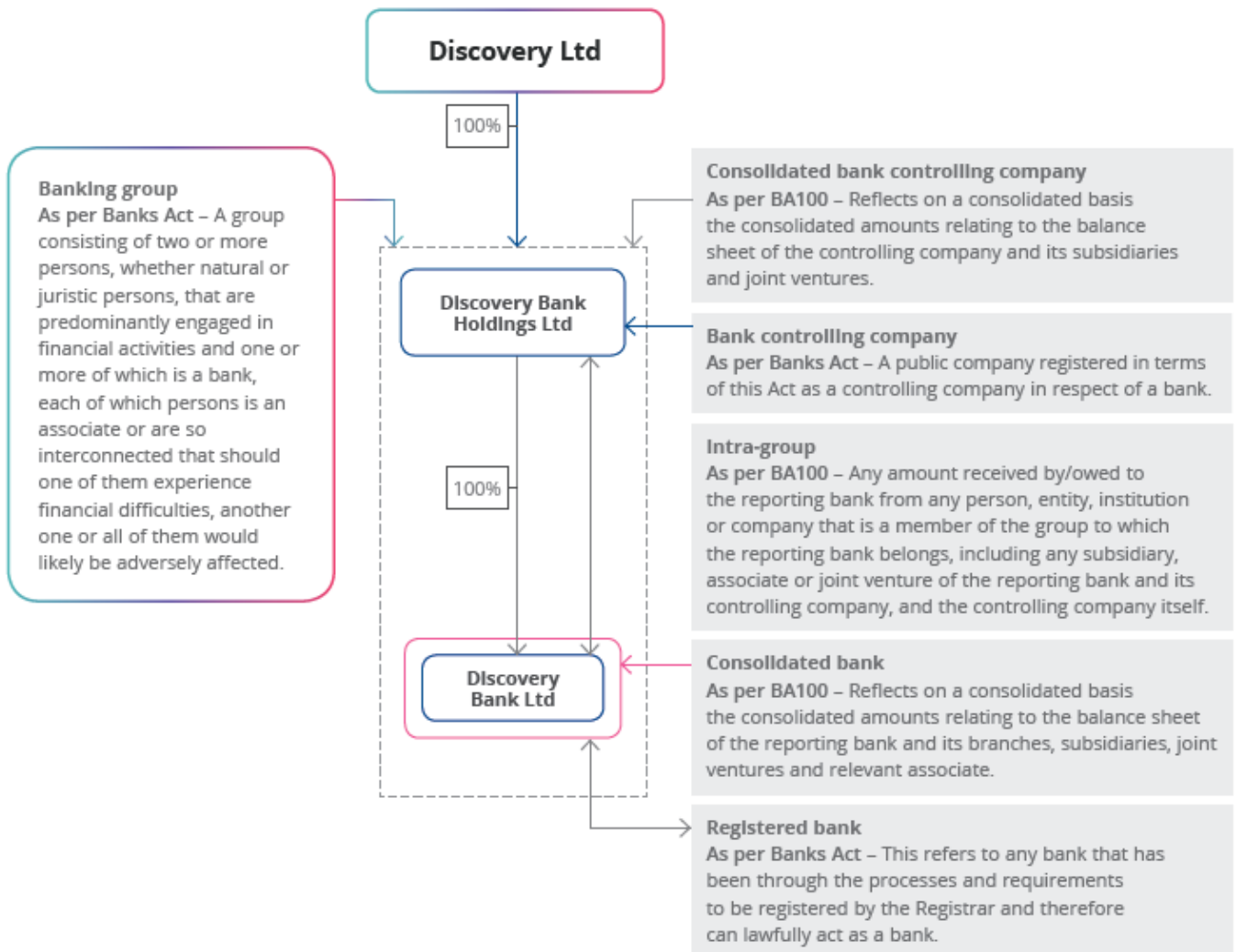
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Quantitative tables

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 31 March 2022	As at 31 December 2021	As at 30 September 2021	As at 30 June 2021	As at 31 March 2021
Available capital (amounts)						
1	Common Equity Tier 1 (CET1)	942,179	938,421	860,712	858,200	739,378
1a	Fully loaded ECL accounting model	0	0	0	0	0
2	Tier 1	942,179	938,421	860,712	858,200	739,378
2a	Fully loaded ECL accounting model Tier 1	0	0	0	0	0
3	Total capital	992,249	986,795	906,925	905,085	784,736
3a	Fully loaded ECL accounting model total capital	0	0	0	0	0
Risk-weighted assets (amounts)						
4	Total risk-weighted assets (RWA)	5,527,606	5,471,899	5,269,022	4,983,408	4,425,177
Risk-based capital ratios as a percentage of RWA						
5	Common Equity Tier 1 ratio (%)	17.045%	17.149%	16.335%	17.221%	16.707%
5a	Fully loaded ECL accounting model Common Equity Tier 1(%)	.000%	.000%	.000%	.000%	.000%
6	Tier 1 ratio (%)	17.045%	17.149%	16.335%	17.221%	16.707%

R'000		As at 31 March 2022	As at 31 December 2021	As at 30 September 2021	As at 30 June 2021	As at 31 March 2021
6a	Fully loaded ECL accounting model Tier 1 ratio (%)	.000%	.000%	.000%	.000%	.000%
7	Total capital ratio (%)	17.951%	18.033%	17.211%	18.161%	17.733%
7a	Fully loaded ECL accounting model total capital ratio (%)	.000%	.000%	.000%	.000%	.000%
Additional CET1 buffer requirements as a percentage of RWA						
8	Capital conservation buffer requirement (2.5% from 2019) (%)	2.500%	2.500%	2.500%	2.500%	2.500%
9	Countercyclical buffer requirement (%)	.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 (%)	5.545%	6.649%	5.835%	6.721%	6.207%
Basel III leverage ratio						
13	Total Basel III leverage ratio exposure measure	13,380,536	13,068,892	12,232,561	11,600,193	11,059,710
14	Basel III leverage ratio (%) (row 2; row 13)	7.041%	7.181%	7.036%	7.398%	6.685%
14a	Fully loaded ECL accounting model Basel III leverage ratio (%) (row 2a; row 13)	0	0	0	0	0
Liquidity Coverage Ratio						
15	Total HQLA	4,740,711	4,866,034	3,956,448	3,850,497	2,206,820
16	Total net cash outflow	180,906	169,011	149,356	155,828	122,611
17	LCR ratio (%)	2,621.460%	2,883.078%	2,650.185%	2,706.820%	1,896.266%

R'000		As at 31 March 2022	As at 31 December 2021	As at 30 September 2021	As at 30 June 2021	As at 31 March 2021
Net Stable Funding Ratio						
18	Total available stable funding	17,035,779	16,684,768	15,768,475	15,156,473	14,220,670
19	Total required stable funding	10,197,501	9,927,705	9,539,418	8,971,748	8,658,105
20	NSFR ratio	167.000%	168.000%	165.000%	169.000%	164.000%

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

R'000		DISCOVERY BANK LIMITED			DISCOVERY BANK HOLDINGS LIMITED		
		RWA		Minimum capital requirement	RWA		Minimum capital requirement
		As at 31 March 2022	As at 31 December 2021	As at 31 March 2022	As at 31 March 2022	As at 31 December 2021	As at 31 March 2022
1	Credit risk (excluding counterparty credit risk) (CCR)	4,557,953	4,510,814	524,165	4,557,952	4,510,813	524,164
2	Of which standardised approach (SA)	4,557,953	4,510,814	524,165	4,557,952	4,510,813	524,164
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)	19,728	12,130	2,269	19,728	12,130	2,269
7	Of which standardised approach for counterparty credit risk (SA-CCR)	19,728	12,130	2,269	19,728	12,130	2,269
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)	11,209	6,892	1,289	11,209	6,892	1,289
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 31 March 2022	As at 31 December 2021	As at 31 March 2022	As at 31 March 2022	As at 31 December 2021	As at 31 March 2022
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	25,903	32,597	2,979	25,903	32,597	2,979
21	Of which standardised approach (SA)	25,903	32,597	2,979	25,903	32,597	2,979
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	671,079	671,079	77,174	671,079	671,079	77,174
25	Amounts below the thresholds for deduction (subject to 250% risk weight)	240,988	237,640	27,714	241,735	238,388	27,800
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)	5,526,860	5,471,152	635,589	5,527,606	5,471,899	635,675

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 31 March 2022.

R'000		As at 31 March 2022
1	Total consolidated assets as per published financial statements	16,441,311
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	12,393
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)	1,229,734
7	Other adjustments	(4,303,200)
8	Leverage ratio exposure measure	13,380,238

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 31 March 2022	As at 31 December 2021
On-balance sheet exposures			
1	On-balance sheet exposures (excluding derivatives and securities financing transactions (SFTs))	16,128,349	15 779 596
2	(Asset amounts deducted in determining Basel III Tier 1 capital)	(3,992,166)	(3 922 352)
3	Total on-balance sheet exposures (excluding derivatives and SFTs) (sum of row 1 and 2)	12,136,183	11 857 244
Derivative exposures			
4	Replacement cost associated with all derivatives transactions (where applicable net of eligible cash variation margin and/or with bilateral netting)	1,928	130
5	Add-on amounts for PFE associated with all derivatives transactions	12,393	12 440

R'000	As at 31 March 2022	As at 31 December 2021
6	0	0
7	0	0
8	0	0
9	0	0
10	0	0
11 Total derivative exposures (sum of rows 4 to 10)	14,321	12 570
Securities financing transaction exposures		
12	0	0
13	0	0
14	0	0
15	0	0
16 Total securities financing transaction exposures (sum of rows 12 to 15)	0	0
Other off-balance sheet exposures		
17	6,148,670	5 993 895
18	(4,918,936)	(4 795 116)
19 Off-balance sheet items (sum of row 17 and 18)	1,229,734	1 198 779
Capital and total exposures		
20	938,895	935 135
21 Total exposures (sum of rows 3,11,16 and 19)	13,380,238	13 068 593
Leverage ratio		
22	7.01%	7.16%

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 31 March 2022 R'000		Total unweighted (average)	Total weighted (average)	Total weighted (average)
High-quality liquid assets				
1	Total HQLA	0	4 740 711	4 866 034
Cash outflows				
2	Retail deposits and deposits from small business customers, of which:	5 701 051	570 105	524 897
3	Stable deposits	0	0	0
4	Less stable deposits	5 701 051	570 105	524 897
5	Unsecured wholesale funding, of which:	806 279	3 365	6 428
6	Operational deposits (all counterparties) and deposits in networks of cooperative banks	0	0	0
7	Non-operational deposits (all counterparties)	806 279	3 365	6 428
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	2
12	Outflows related to loss of funding on debt products	0	0	0
13	Credit and liquidity facilities	6 006 135	150 153	144 715
14	Other contractual funding obligations	0	0	0
15	Other contingent funding obligations	0	0	0
16	TOTAL CASH OUTFLOWS	12 513 465	723 624	676 042
Cash inflows				
17	Secured lending (eg reverse repos)	0	0	0
18	Inflows from fully performing exposures	2 132 756	2 027 744	1 592 661
19	Other cash inflows	1	1	1
20	TOTAL CASH INFLOWS	2 132 757	2 027 744	1 592 661

Total Adjusted value		Total Adjusted value	
21	Total HQLA	4 740 711	4 866 034
22	Total net cash outflows	180 906	169 011
23	Liquidity Coverage Ratio (%)	2 621%	2 883%

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 PA have issued Directive 8 - Withdrawal of the temporary relief measure related to the liquidity coverage ratio which replaces the proposed Directive - 15/8/1/3.

The purpose of this directive is to withdraw the temporary relief measure related to the liquidity coverage ratio (LCR) implemented at the onset of the Coronavirus (COVID-19) pandemic stress period. Banks are directed to comply with the following revised minimum LCR requirement:

With effect from:	Minimum LCR
1 January 2022	90%
1 April 2022	100%

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 January to March 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 and R186) with a maturity profile, spread up to 7 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 31 March 2022 R'000		Items subject to				Weighted value
		No Maturity	< 6 months	6 months to < 1 year	>= 1 year	
1	Capital:	7 659 734	0	0	0	7 659 734
2	Regulatory capital	7 659 734	0	0	0	7 659 734
3	Other capital instruments	0	0	0	0	0
4	Retail deposits and deposits from small business customers:	0	7 273 575	1 261 976	1 204 686	8 886 682
5	Stable deposits	0	0	0	0	0
6	Less stable deposits	0	7 273 575	1 261 976	1 204 686	8 886 682
7	Wholesale funding:	0	509 739	0	300 000	478 409
8	Operational deposits	0	0	0	0	0
9	Other wholesale funding	0	509 739	0	300 000	478 409
10	Liabilities with matching interdependent assets	0	408 429	10 236	6 306	10 954
11	Other liabilities:	0	0	0	0	0
12	NSFR derivative liabilities	0	0	0	470	0
13	All other liabilities and equity not included in the above categories	0	408 429	10 236	5 836	10 954
14	Total ASF					17 035 779
15	Total NSFR high-quality liquid assets (HQLA)	0	5 216 097	1 019 754	830 423	250 652
16	Deposits held at other financial institutions for operational purposes	0	0	0	0	0
17	Performing loans and securities:	0	1 741 665	1 281 644	1 708 859	2 803 177
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	460 021	12	0	69 003
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	1 281 644	1 281 644	1 708 859	2 734 174
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

As at 31 March 2022 R'000		Items subject to				Weighted value
		No Maturity	< 6 months	6 months to < 1 year	>= 1 year	
25	Assets with matching interdependent liabilities	0	0	0	0	0
26	Other assets:	6 834 311	0	0	1 928	6 836 239
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	1 928	1 928
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	6 834 311	0	0	0	6 834 311
32	Off-balance sheet items	6 148 668	0	0	0	307 433
33	Total RSF					10 197 501
34	Net Stable Funding Ratio (%)					167%

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
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