

PILLAR III

# Public disclosures

FOR THE HALF YEAR ENDED 31 DECEMBER 2022

Discovery Bank Limited and  
Discovery Bank Holdings Limited Group



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Quantitative tables

## Quantitative Tables and Templates

The Pillar 3 risk management report provides the half yearly view of Discovery Bank and Discovery Bank Holdings Limited Group for the period ending December 2022. It complies with

- The Basel Committee on Banking Supervision (BCBS) Pillar 3 disclosure requirements (Revised Pillar 3 framework – January 2015) as well as the consolidated and enhanced framework issued in March 2017 and the updated framework on Pillar 3 disclosure requirements in December 2018.
- Consolidated Basel Pillar III disclosure requirements through Directive 1/2019
- Regulation 43(1) of the Regulations relating to Banks (Regulations), issued in terms of the Banks Act, 1990 (Act No. 94 of 1990), where not superseded by the Pillar 3 disclosure requirements.

For the reporting 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.

During the past 6 months, the Bank continued to gain traction with growth in terms of total clients, number of accounts, retail deposits and retail advances.

1

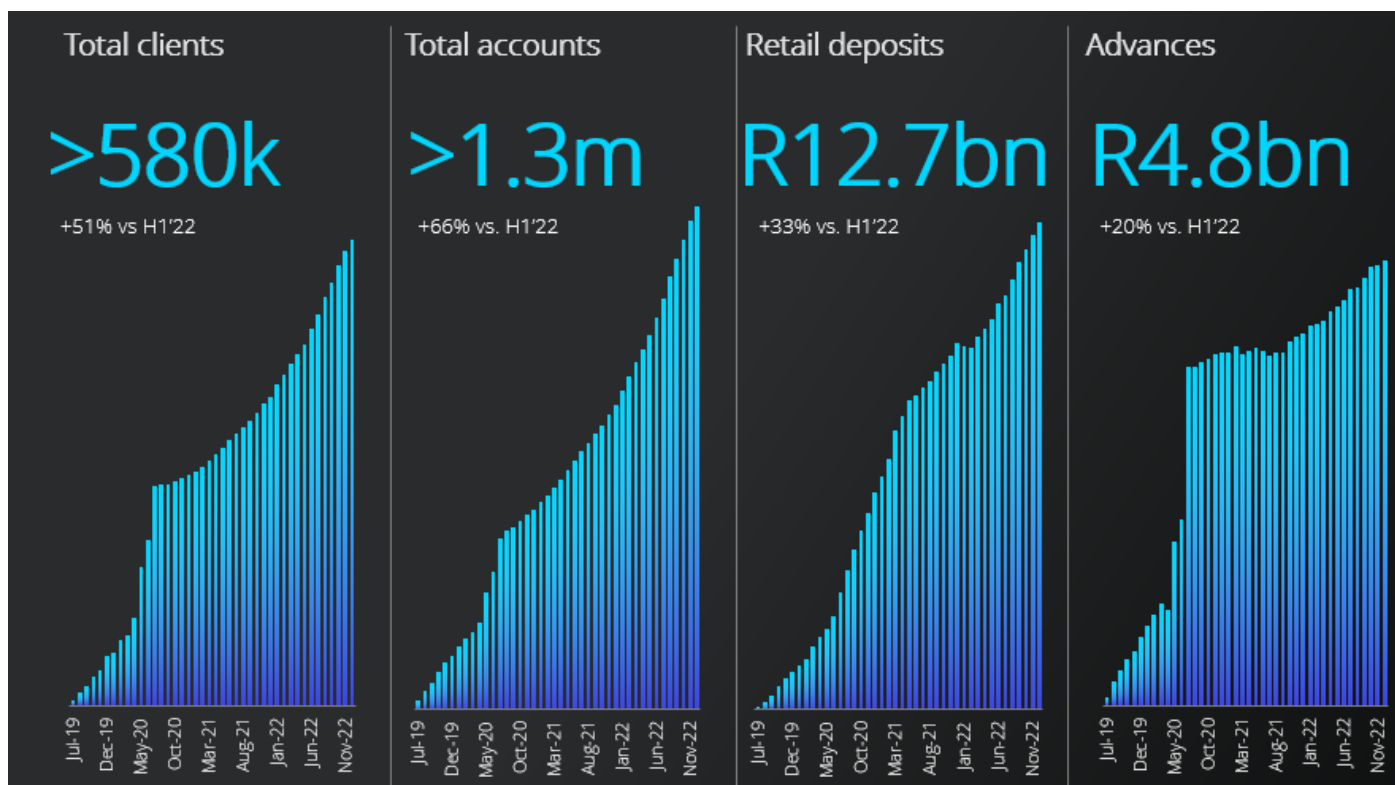
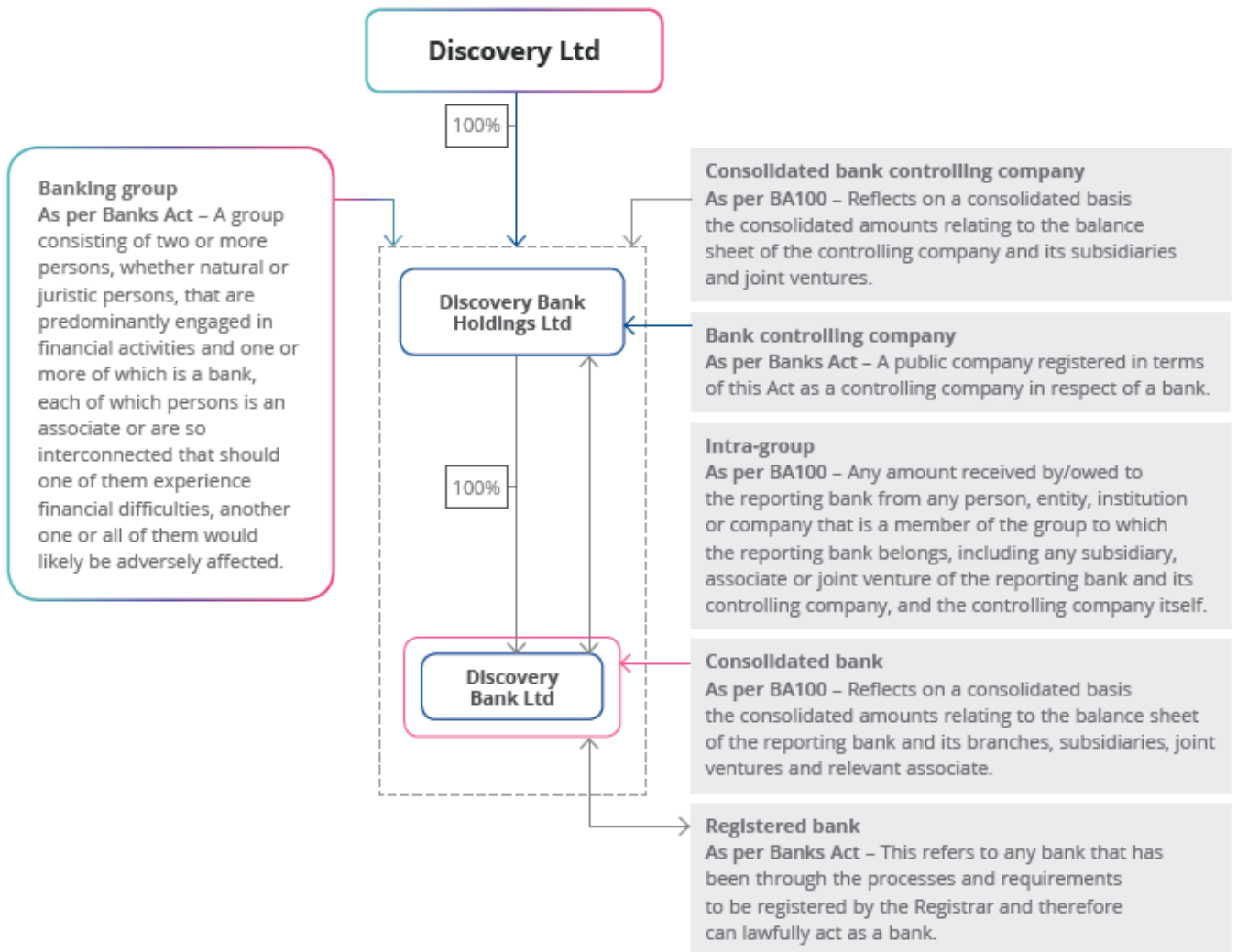


Table KM1 and OV1 are reported on a consolidated level whereas the remaining tables are all reported on a Bank level.

<sup>1</sup> <https://www.discovery.co.za/corporate/financial-results>

## 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. Discovery Bank adopted IFRS 9 on 1 July 2017 and the figures presented include the effects of this.

R'000		As at 31 December 2022	As at 30 September 2022	As at 30 June 2022	As at 31 March 2022	As at 31 December 2021
<b>Available capital (amounts)</b>						
1	Common Equity Tier 1 (CET1)	1,112,879	1,002,725	993,529	942,179	938,421
1a	Fully loaded ECL accounting model	0	0	0	0	0
2	Tier 1	1,112,879	1,002,725	993,529	942,179	938,421
2a	Fully loaded ECL accounting model Tier 1	0	0	0	0	0
3	Total capital	1,170,457	1,057,222	1,045,277	992,249	986,795
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)	6,737,433	6,122,441	5,932,529	5,527,606	5,471,899
<b>Risk-based capital ratios as a percentage of RWA</b>						
5	Common Equity Tier 1 ratio (%)	16.518%	16.378%	16.746%	17.045%	17.149%
5a	Fully loaded ECL accounting model Common Equity Tier 1 (%)	.000%	.000%	.000%	.000%	.000%
6	Tier 1 ratio (%)	16.518%	16.378%	16.746%	17.045%	17.149%
6a	Fully loaded ECL accounting model Tier 1 ratio (%)	.000%	.000%	.000%	.000%	.000%
7	Total capital ratio (%)	17.373%	17.268%	17.618%	17.951%	18.033%
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 (%)	5.018%	4.878%	5.245%	5.545%	6.649%

R'000		As at 31 December 2022	As at 30 September 2022	As at 30 June 2022	As at 31 March 2022	As at 31 December 2021
<b>Basel III leverage ratio</b>						
13	Total Basel III leverage ratio exposure measure	16,039,734	15,027,791	13,792,670	13,380,536	13,068,892
14	Basel III leverage ratio (%) (row 2; row 13)	6.938%	6.672%	7.203%	7.041%	7.181%
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	6,751,274	5,906,066	5,289,626	4,740,711	4,868,913
16	Total net cash outflow	227,791	204,660	203,985	180,906	168,966
17	LCR ratio (%)	2,968.857%	2,886.682%	2,668.262%	2,621.460%	2,885.766%
<b>Net Stable Funding Ratio</b>						
18	Total available stable funding	20,158,918	18,978,208	17,893,063	17,035,779	16,684,768
19	Total required stable funding	11,653,232	11,025,297	10,624,709	10,197,501	9,927,706
20	NSFR ratio	173.000%	172.000%	168.000%	167.000%	168.000%

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

- Credit risk: The Standardised Approach (SA)
- Operational risk: The Basic Indicator Approach (BIA)
- Market risk: The Standardised Approach (SA) 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 December 2022	As at 30 September 2022	As at 31 December 2022	As at 31 December 2022	As at 30 September 2022	As at 31 December 2022
1	<b>Credit risk (excluding counterparty credit risk) (CCR)</b>	<b>5,394,831</b>	<b>4,811,781</b>	<b>620,406</b>	<b>5,394,831</b>	<b>4,811,780</b>	<b>620,406</b>
2	Of which standardised approach (SA)	5,394,831	4,811,781	620,406	5,394,831	4,811,780	620,406
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>1,838</b>	<b>1,485</b>	<b>211</b>	<b>1,838</b>	<b>1,485</b>	<b>211</b>
7	Of which standardised approach for counterparty credit risk (SA-CCR)	1,838	1,485	211	1,838	1,485	211
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>1,045</b>	<b>844</b>	<b>120</b>	<b>1,045</b>	<b>844</b>	<b>120</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 31 December 2022	As at 30 September 2022	As at 31 December 2022	As at 31 December 2022	As at 30 September 2022	As at 31 December 2022
15	<b>Settlement risk</b>	<b>0</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	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	<b>Market risk</b>	<b>42,360</b>	<b>39,303</b>	<b>4,871</b>	<b>42,360</b>	<b>39,303</b>	<b>4,871</b>
21	Of which standardised approach (SA)	42,360	39,303	4,871	42,360	39,303	4,871
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	<b>Operational risk</b>	<b>1,015,164</b>	<b>1,015,164</b>	<b>116,744</b>	<b>1,015,164</b>	<b>1,015,164</b>	<b>116,744</b>
25	Amounts below the thresholds for deduction (subject to 250% risk weight)	281,478	253,143	32,370	282,195	253,865	32,452
26	Floor adjustment	0	0	0	0	0	0
27	<b>Total (1+6+10+11+12+13+14+15+16+20+23+24+25+26)</b>	<b>6,736,716</b>	<b>6,121,720</b>	<b>774,722</b>	<b>6,737,433</b>	<b>6,122,441</b>	<b>774,805</b>

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

## Composition of Capital and Total loss absorbing capacity (TLAC) disclosure

### CC1: Composition of regulatory capital

R'000	As at 31 December 2022
<b>Common Equity Tier 1 capital: instruments and reserves</b>	
1 Directly issued qualifying common share capital (and equivalent for non-joint stock companies) plus related stock surplus	8,264,289
2 Retained earnings	(3,227,841)
3 Accumulated other comprehensive income (and other reserves)	181,994
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
<b>6 Common Equity Tier 1 capital before regulatory adjustments</b>	<b>5,218,442</b>
<b>Common Equity Tier 1 capital: regulatory adjustments</b>	
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)	497,364
10 Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	1,178,349
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 10% threshold)	0
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)	16,188
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	112,591
26 National specific regulatory adjustments	0

R'000	As at 31 December 2022
27 Regulatory adjustments applied to Common Equity Tier 1 due to insufficient Additional Tier 1 and Tier 2 to cover deductions	0
<b>28 Total regulatory adjustments to Common equity Tier 1</b>	<b>4,108,722</b>
<b>29 Common Equity Tier 1 capital (CET1)</b>	<b>1,109,720</b>
<b>Additional Tier 1 capital: instruments</b>	
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
<b>36 Additional Tier 1 capital before regulatory adjustments</b>	<b>0</b>
<b>Additional Tier 1 capital: regulatory adjustments</b>	
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 10% threshold)	0
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
<b>43 Total regulatory adjustments to Additional Tier 1 capital</b>	<b>0</b>
<b>44 Additional Tier 1 capital (AT1)</b>	<b>0</b>
<b>45 Tier 1 capital (T1 = CET1 + AT1)</b>	<b>1,109,720</b>
<b>Tier 2 capital: instrument and provisions</b>	
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	57,578
<b>51 Tier 2 capital before regulatory adjustments</b>	<b>57,578</b>

R'000	As at 31 December 2022
<b>Tier 2 capital : regulatory adjustments</b>	
52 Investments in own Tier 2 instruments	0
53 Reciprocal cross-holdings in Tier 2 instruments and other TLAC liabilities	0
54 Investments in the capital and other TLAC liabilities of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity (amount above 10% threshold)	0
54a Investments in the other TLAC liabilities of banking, financial and insurance entities that are outside the scope of regulatory consolidation and where the bank does not own more than 10% of the issued common share capital of the entity: amount previously designated for the 5% threshold but that no longer meets the conditions (for G-SIBs only)	0
55 Significant investments in the capital banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions)	0
56 <b>National specific regulatory adjustments</b>	<b>0</b>
57 <b>Total regulatory adjustments to Tier 2 capital</b>	<b>0</b>
58 <b>Tier 2 capital (T2)</b>	<b>57,578</b>
59 <b>Total capital (TC = T1 + T2)</b>	<b>1,167,298</b>
60 <b>Total risk weighted Exposure</b>	<b>6,736,716</b>
<b>Capital ratios and buffers</b>	
61 <b>Common Equity Tier 1 (as a percentage of risk weighted assets)</b>	<b>16.472%</b>
62 <b>Tier 1 (as a percentage of risk weighted assets)</b>	<b>16.472%</b>
63 <b>Total capital (as a percentage of risk weighted assets)</b>	<b>17.327%</b>
64 <b>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)</b>	<b>7.000%</b>
65 of which: capital conservation buffer requirement	2.500%
66 of which: bank specific countercyclical buffer requirement	.000%
67 <b>of which: G-SIB buffer requirement</b>	<b>.000%</b>
68 <b>Common Equity Tier 1 available to meet buffers (as a percentage of risk weighted assets) available after meeting the bank's minimum capital requirements</b>	<b>4.972%</b>
<b>National Minima (if different from Basel 3)</b>	
69 National Common Equity Tier 1 minimum ratio (if different from Basel 3 minimum)	5.000%
70 National Tier 1 minimum ratio (if different from Basel 3 minimum)	6.750%
71 National total capital minimum ratio (if different from Basel 3 minimum)	9.000%
<b>Amounts below the threshold for deductions (before risk weighting)</b>	
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)	112,591

R'000	As at 31 December 2022
<b>Applicable caps on the inclusion of provisions in Tier 2</b>	
76 Provisions eligible for inclusion in Tier 2 in respect of exposures subject to standardised approach (prior to application of cap)	222,070
77 Cap on inclusion of provisions in Tier 2 under standardised approach	57,578
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 internal ratings-based approach	0
<b>Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2018 and 1 Jan 2022)</b>	
80 <i>Current cap on CET1 instruments subject to phase out arrangements</i>	0
81 <i>Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)</i>	0
82 <i>Current cap on AT1 instruments subject to phase out arrangements</i>	0
83 <i>Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)</i>	0
84 <i>Current cap on T2 instruments subject to phase out arrangements</i>	0
85 <i>Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)</i>	0

## CC2: Reconciliation of regulatory capital to balance of regulatory capital to balance sheet

R'000	Balance sheet as in published financial statements	Balance sheet under regulatory scope of consolidation	
	As at 31 December 2022	As at 31 December 2022	
<b>Assets</b>			
1	Cash and balances at central banks	2,325,519	2,325,519
2	Short term negotiable securities	2,734,370	2,734,370
3	Derivative assets	0	0
4	Loans and advances to customers	4,374,434	4,374,434
5	Loans and advances to banks	603,564	603,564
6	Available for sale financial assets	0	0
7	Interest in subsidiaries	0	0
8	Interest in associate	0	0
9	Intangible assets	3,015,400	3,015,400
10	Current income tax assets	0	0
11	Deferred income tax assets	1,205,914	1,205,914
12	Property and equipment	0	0
13	Other assets	788,560	788,560
14	<b>Total assets</b>	<b>15,047,761</b>	<b>15,047,761</b>
<b>Liabilities</b>			
15	Deposits and current accounts	13,004,226	13,004,226
16	Derivative financial instruments	7,250	7,250
17	Provisions and other liabilities	313,603	313,603
18	Current income tax liabilities	0	0
19	Deferred income tax assets	0	0
20	<b>Total liabilities</b>	<b>13,325,079</b>	<b>13,325,079</b>
21	<b>Equity</b>		
22	Share capital and premium	8,264,289	8,264,289
23	Accumulated profit / (loss)	(3,227,841)	(3,227,841)
24	Other reserves	181,994	181,994
25	<b>Total equity</b>	<b>5,218,442</b>	<b>5,218,442</b>

<b>Table 1</b>	<b>31 December 2022</b>
Common Equity Tier 1 Capital	0
Share capital and premium	8,264,289
Adjusted retained earnings	(3,227,841)
Retained earnings	(3,227,841)
Unappropriated profits	0
<b>Total</b>	<b>5,036,448</b>
Share based payment reserve	181,994
Other reserves	0
<b>Total</b>	<b>5,218,442</b>

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

<b>As at 31 December 2022</b>	<b>Ordinary shares (incl share premium)</b>
1 Issuer	Discovery Bank Limited
2 Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	n/a
3 Governing law(s) of the instrument	South Africa
3a Means by which 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 most recent reporting date)	8,264
9 Par value of instrument	R1.00 per share
10 Accounting classification	IFRS: Equity
11 Original date of issuance	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
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

As at 31 December 2022		Ordinary shares (incl share premium)
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-down, 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



## 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 December 2022.

R'000	As at 31 December 2022
1 Total consolidated assets as per published financial statements	18,949,363
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	3,479
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)	1,379,099
7 Other adjustments	(4,292,494)
<b>8 Leverage ratio exposure measure</b>	<b>16,039,447</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 31 December 2022	As at 30 September 2022
<b>On-balance sheet exposures</b>		
1 On-balance sheet exposures (excluding derivatives and securities financing transactions (SFTs))	18,765,591	17,763,897
2 (Asset amounts deducted in determining Basel III Tier 1 capital)	(4,108,722)	(4,068,499)
<b>3 Total on-balance sheet exposures (excluding derivatives and SFTs) (sum of row 1 and 2)</b>	<b>14,656,869</b>	<b>13,695,398</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	0
5 Add-on amounts for PFE associated with all derivatives transactions	3,479	3,782

R'000	As at 31 December 2022	As at 30 September 2022	
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</b>	<b>Total derivative exposures (sum of rows 4 to 10)</b>	<b>3,479</b>	<b>3,782</b>
<b>Securities financing transaction exposures</b>			
12	Gross SFT assets (with no recognition of netting) after adjusting for sale 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</b>	<b>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	6,895,495	6,641,610
18	(Adjustments for conversion to credit equivalent amounts)	(5,516,396)	(5,313,288)
<b>19</b>	<b>Off-balance sheet items (sum of row 17 and 18)</b>	<b>1,379,099</b>	<b>1,328,322</b>
<b>Capital and total exposures</b>			
20	Tier 1 capital	1,109,720	999,549
<b>21</b>	<b>Total exposures (sum of rows 3,11,16 and 19)</b>	<b>16,039,447</b>	<b>15,027,502</b>
<b>Leverage ratio</b>			
22	Basel III Leverage ratio	6.91%	6.65%

## 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.

		Current reporting period		Previous reporting period
		Total unweighted (average)	Total weighted (average)	Total weighted (average)
<b>As at 31 December 2022</b>				
<b>R'000</b>				
<b>High-quality liquid assets</b>				
1	Total HQLA	0	6,751,274	5,906,066
<b>Cash outflows</b>				
2	<b>Retail deposits and deposits from small business customers, of which:</b>	<b>7,424,591</b>	<b>742,459</b>	<b>656,921</b>
3	Stable deposits	0	0	0
4	Less stable deposits	7,424,591	742,459	656,921
5	<b>Unsecured wholesale funding, of which:</b>	<b>302,886</b>	<b>1,362</b>	<b>873</b>
6	Operational deposits (all counterparties) and deposits in networks of cooperative banks	0	0	0
7	Non-operational deposits (all counterparties)	302,886	1,362	873
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	0	0	73

As at 31 December 2022 R'000		Current reporting period		Previous reporting period
		Total unweighted (average)	Total weighted (average)	Total weighted (average)
12	Outflows related to loss of funding on debt products	0	0	0
13	Credit and liquidity facilities	6,693,761	167,344	160,771
<b>14</b>	<b>Other contractual funding obligations</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>15</b>	<b>Other contingent funding obligations</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>16</b>	<b>TOTAL CASH OUTFLOWS</b>	<b>14,421,238</b>	<b>911,165</b>	<b>818,638</b>
<b>Cash inflows</b>				
17	Secured lending (eg reverse repos)	0	0	0
18	Inflows from fully performing exposures	2,521,634	2,400,123	1,755,781
19	Other cash inflows	0	0	0
<b>20</b>	<b>TOTAL CASH INFLOWS</b>	<b>2,521,634</b>	<b>2,400,123</b>	<b>1,755,781</b>
<b>Total Adjusted value</b>		<b>Total Adjusted value</b>		
21	Total HQLA		6,751,274	5,906,066
22	Total net cash outflows		227,791	204,660
<b>23</b>	<b>Liquidity Coverage Ratio (%)</b>		<b>2969%</b>	<b>2887%</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 October 2022 to December 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 with a maturity profile, spread across 91, 182, 274 and 364 days, Government Bonds as well as Debentures.

## 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 December 2022 R'000		No Maturity	< 6 months	6 months to < 1 year	>= 1 year	Weighted value
<b>1</b>	<b>Capital:</b>	<b>8,446,283</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>8,446,283</b>
2	Regulatory capital	8,446,283	0	0	0	8,446,283
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>10,303,902</b>	<b>1,101,416</b>	<b>1,293,438</b>	<b>11,558,224</b>
5	Stable deposits	0	0	0	0	0
6	Less stable deposits	0	10,303,902	1,101,416	1,293,438	11,558,224
<b>7</b>	<b>Wholesale funding:</b>	<b>0</b>	<b>5,471</b>	<b>300,000</b>	<b>0</b>	<b>151,915</b>
8	Operational deposits	0	0	0	0	0
9	Other wholesale funding	0	5,471	300000	0	151,915
10	Liabilities with matching interdependent assets	0	308,611	4,992	7,250	2,496
<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	7,250	0
13	All other liabilities and equity not included in the above categories	0	308,611	4,992	0	2,496
<b>14</b>	<b>Total ASF</b>					<b>20,158,918</b>
15	Total NSFR high-quality liquid assets (HQLA)	0	4,882,460	479,168	3,194,021	326,672
16	Deposits held at other financial institutions for operational purposes	0	0	0	0	0
17	Performing loans and securities:	0	2,037,647	1,434,083	1,912,110	3,149,913
18	Performing loans to financial institutions secured by Level 1 HQLA	0	0	0	0	0

As at 31 December 2022 R'000		No Maturity	< 6 months	6 months to < 1 year	>= 1 year	Weighted value
19	Performing loans to financial institutions secured by non-Level 1 HQLA and unsecured performing loans to financial institutions	0	603,564	0	0	90,535
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	1,434,083	1,434,083	1,912,110	3,059,378
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:	7,831,872	0	0	0	7,831,872
27	Physical traded commodities, including gold	0	0	0	0	0
28	Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs	0	0	0	0	0
29	NSFR derivative assets	0	0	0	0	0
30	NSFR derivative liabilities before deduction of variation margin posted	0	0	0	0	0
31	All other assets not included in the above categories	7,831,872	0	0	0	7,831,872
32	Off-balance sheet items	6,895,494	0	0	0	344,775
<b>33</b>	<b>Total RSF</b>					<b>11,653,232</b>
<b>34</b>	<b>Net Stable Funding Ratio (%)</b>					<b>173</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.

## Credit Risk

### CR1: Credit quality of assets

As at 31 December 2022 R'000		Gross carrying values			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	Allowances/ impairments**	Allocated in regulatory category of Specific	Allocated in regulatory category of General		
Regulatory portfolio/ Risk Weight								
1	Loans*	198,490	5,244,182	405,842	183,772	222,070	0	5,036,829
2	Debt securities	0	0	0	0	0	0	0
3	Off-balance sheet exposures	0	0	0	0	0	0	0
4	<b>Total</b>	<b>198,490</b>	<b>5,244,182</b>	<b>405,842</b>	<b>183,772</b>	<b>222,070</b>	<b>0</b>	<b>5,036,829</b>

### CR2: Changes in stock of defaulted loans and debt securities

R'000		As at 31 December 2022
1	<b>Defaulted loans and debt securities at end of the previous reporting period</b>	<b>196,137</b>
2	Loans and debt securities that have defaulted since the last reporting period	72,501
3	Returned to non-defaulted status	10,627
4	Amounts written off	56,334
5	Other changes	(3,188)
6	<b>Defaulted loans and debt securities at end of the reporting period (1+2-3-4±5)</b>	<b>198,490</b>



### CR3: Credit risk mitigation techniques - overview

As at 30 June 2022 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	5,036,829	0	0	0	0	0	0
2	Debt securities	0	0	0	0	0	0	0
3	<b>Total</b>	<b>5,036,829</b>	0	0	0	0	0	0
4	<b>of which defaulted</b>	<b>32,941</b>	0	0	0	0	0	0

### CR4: Standardised approach – credit risk exposure and credit risk mitigation effects

As at 31 December 2022 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	<b>Sovereigns and their central banks</b>	6,433,371	0	6,433,371	0	0	0
2	Non-central government public sector entities	0	0	0	0	0	0
3	Multi-lateral development banks	0	0	0	0	0	0
4	Banks	696,137	0	697,975	0	141,066	20
5	Securities firms	0	0	0	0	0	0
6	Corporates	0	0	0	0	0	0
7	Regulatory retail portfolios	4,548,045	6,804,379	4,547,993	1,360,876	4,431,652	75
8	Secured by residential property	0	0	0	0	0	0
9	Secured by commercial real estate	0	0	0	0	0	0
10	Equity	0	0	0	0	0	0
11	Past-due loans	198,490	91,113	46,476	18,223	35,391	55
12	Higher-risk categories	0	0	0	0	0	0
13	Other assets	6,129,479	0	6,129,479	0	788,560	13
14	<b>Total</b>	<b>18,005,522</b>	<b>6,895,493</b>	<b>17,855,295</b>	<b>1,379,099</b>	<b>5,396,669*</b>	<b>28</b>

\*The on-balance sheet exposures are reported gross of impairment, CCF and CRM. Off-balance sheet exposures include revocable facilities

CR5: Standardised approach – exposures by asset classes and risk-weights

As at 31 December 2022 R'000	Risk Weight										Total credit exposure amount (post CCF and post-CRM)
	0%	10%	20%	35%	50%	75%	100%	150%	Others		
1	<b>Sovereigns and their central banks</b>	6,433,371	0	0	0	0	0	0	0	0	6,433,371
2	Non-central government public sector entities (PSEs)	0	0	0	0	0	0	0	0	0	0
3	Multi-lateral development banks (MDBs)	0	0	0	0	0	0	0	0	0	0
4	Banks	0	0	696,137	0	0	0	1,838	0	0	697,975
5	Securities firms	0	0	0	0	0	0	0	0	0	0
6	Corporates	0	0	0	0	0	0	0	0	0	0
7	Regulatory retail portfolios	0	0	0	0	0	5,908,869	0	0	0	5,908,869
8	Secured by residential property	0	0	0	0	0	0	0	0	0	0
9	Secured by commercial real estate	0	0	0	0	0	0	0	0	0	0
10	Equity	0	0	0	0	0	0	0	0	0	0
11	Past-due loans	0	0	0	0	61,317	0	681	2,701	0	64,699
12	Higher-risk categories	0	0	0	0	0	0	0	0	0	0
13	Other assets	2,325,519	0	0	0	0	0	788,560	0	3,015,400	6,129,479
14	<b>Total</b>	<b>8,758,890</b>	<b>0</b>	<b>696,137</b>	<b>0</b>	<b>61,317</b>	<b>5,908,869</b>	<b>791,079</b>	<b>2,701</b>	<b>3,015,400</b>	<b>19,234,393</b>

## Counterparty Credit Risk

### CCR1: Analysis of counterparty credit risk exposure by approach

As at 31 December 2022 R'000		Replace- ment cost	Potential future exposure	EEPE	Alpha used for computing regulatory EAD	EAD post-CRM	RWA
1	SA-CCR (for derivatives)		1,313		1.4	1,838	1,838
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	<b>Total</b>						<b>1,838</b>

### CCR2: Credit valuation adjustment capital charge

As at 31 December 2022 R'000		EAD post- CRM	RWA
<b>Total portfolio subject to the advanced CVA capital charge</b>			
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	1,838	1,838
4	<b>Total subject to the CVA capital charge</b>	<b>1,838</b>	<b>1,838</b>

## CCR3: Standardised approach of counterparty credit risk exposures by regulatory portfolio and risk weights

As at 31 December 2022 R'000	Risk Weight								Total credit exposure amount (post CCF and post-CRM)
	0%	10%	20%	50%	75%	100%	150%	Others	
<b>Regulatory portfolio</b>									
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 Multi-lateral development banks	0	0	0	0	0	0	0	0	0
4 Banks	0	0	696,137	0	0	1,838	0	0	697,975
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 <b>Total</b>	<b>0</b>	<b>0</b>	<b>696,137</b>	<b>0</b>	<b>0</b>	<b>1,838</b>	<b>0</b>	<b>0</b>	<b>697,975</b>

## Market Risk

### MR1: Market risk under standardised approach

As at 31 December 2022 R'000	Capital charge in SA
1 General interest rate risk	0
2 Equity risk	0
3 Commodity risk	0
4 Foreign exchange risk	42,360
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 <b>Total</b>	<b>42,360</b>

## 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