

PILLAR III

Public disclosures

FOR THE HALF YEAR ENDED 31 DECEMBER 2023

Discovery Bank Limited and
Discovery Bank Holdings Limited Group



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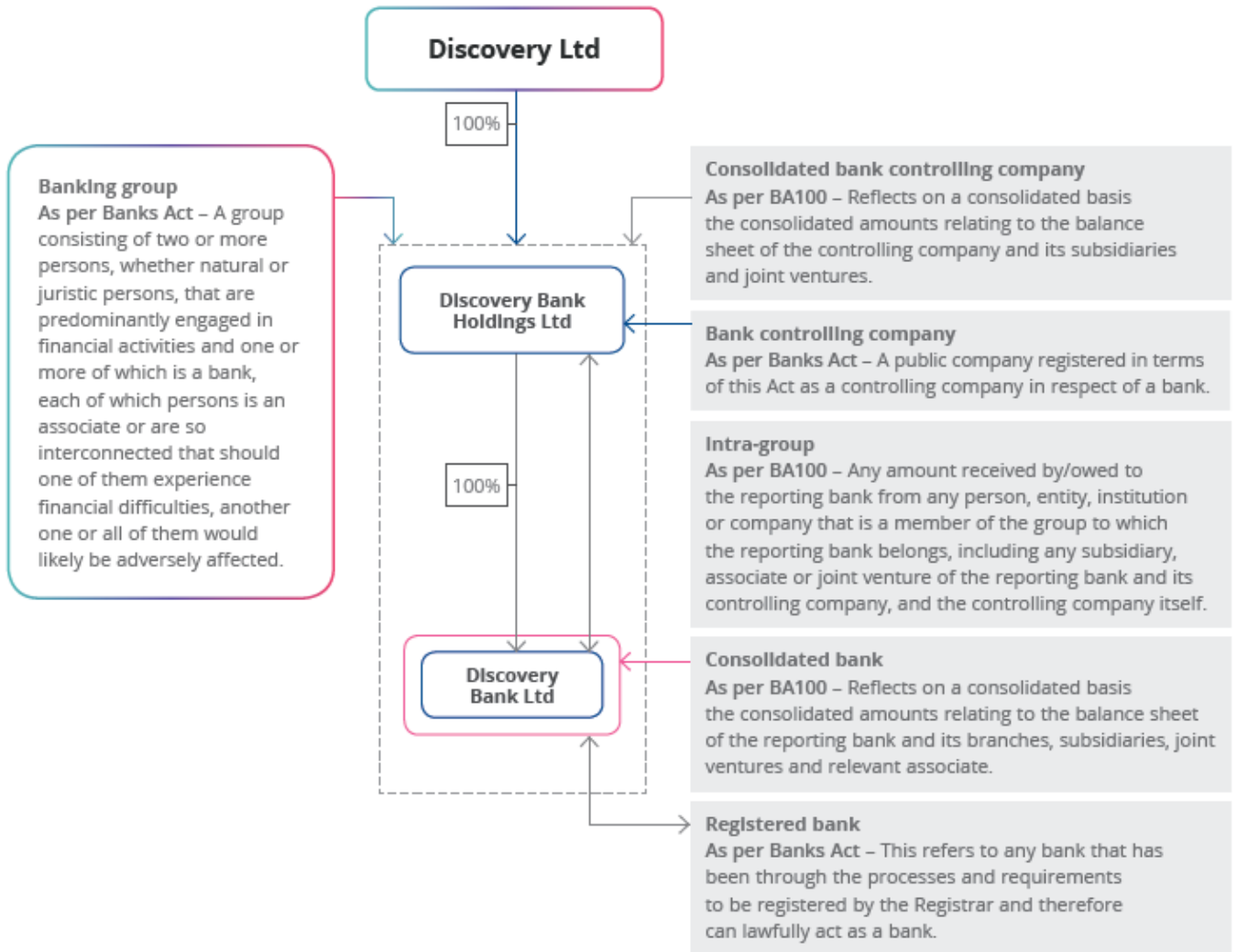
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Quantitative tables

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 the Bank launching the Access Facility during the end of 2023.

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 December 2023	As at 30 September 2023	As at 30 June 2023	As at 31 March 2023	As at 31 December 2022
Available capital (amounts)						
1	Common Equity Tier 1 (CET1)	1,238,508	1,061,434	1,062,501	1,103,767	1,112,879
1a	Fully loaded ECL accounting model	0	0	0	0	0
2	Tier 1	1,238,508	1,061,434	1,062,501	1,103,767	1,112,879
2a	Fully loaded ECL accounting model Tier 1	0	0	0	0	0
3	Total capital	1,291,625	1,112,442	1,111,961	1,164,375	1,170,457
3a	Fully loaded ECL accounting model total capital	0	0	0	0	0
Risk-weighted assets (amounts)						
4	Total risk-weighted assets (RWA)	7,238,684	6,526,133	6,300,408	6,765,391	6,737,433
Risk-based capital ratios as a percentage of RWA						
5	Common Equity Tier 1 ratio (%)	17.109%	16.263%	16.864%	16.32%	16.52%
5a	Fully loaded ECL accounting model Common Equity Tier 1(%)	.000%	.000%	.000%	0	0
6	Tier 1 ratio (%)	17.109%	16.263%	16.864%	16.32%	16.52%

R'000		As at 31 December 2023	As at 30 September 2023	As at 30 June 2023	As at 31 March 2023	As at 31 December 2022
6a	Fully loaded ECL accounting model Tier 1 ratio (%)	.000%	.000%	.000%	0	0
7	Total capital ratio (%)	17.842%	17.045%	17.649%	17.21%	17.37%
7a	Fully loaded ECL accounting model total capital ratio (%)	.000%	.000%	.000%	0	0
Additional CET1 buffer requirements as a percentage of RWA						
8	Capital conservation buffer requirement (2.5% from 2019) (%)	2.500%	2.500%	2.500%	2.50%	2.50%
9	Countercyclical buffer requirement (%)	.000%	.000%	.000%	0	0
10	Bank G-SIB and/or D-SIB additional requirements (%)	.000%	.000%	.000%	0	0
11	Total of bank CET1 specific buffer requirements (%) (row 8 + row 9 + row 10)	2.500%	2.500%	2.500%	0.025	0.025
12	CET1 available after meeting the bank's minimum capital requirements (%)	5.609%	4.763%	5.364%	4.82%	5.02%
Basel III leverage ratio						
13	Total Basel III leverage ratio exposure measure	19,258,340	17,878,087	16,634,833	16,928,034	16,039,734
14	Basel III leverage ratio (%) (row 2; row 13)	6.431%	5.937%	6.387%	6.520%	6.938%
14a	Fully loaded ECL accounting model Basel III leverage ratio (%) (row 2a; row13)	0	0	0	0	0
Liquidity Coverage Ratio						
15	Total HQLA	9,643,710	9,492,166	8,753,199	7,883,386	6,751,274
16	Total net cash outflow	353,050	321,649	350,713	310,302	227,791
17	LCR ratio (%)	2,756.873%	2,963.078%	2,565.984%	2,623.429%	2,968.857%
Net Stable Funding Ratio						

R'000	As at 31 December 2023	As at 30 September 2023	As at 30 June 2023	As at 31 March 2023	As at 31 December 2022
18 Total available stable funding	24,607,800	23,119,148	21,892,651	21,086,080	20,158,918
19 Total required stable funding	13,706,101	12,410,342	11,953,161	11,735,161	11,653,232
20 NSFR ratio	180.000%	186.000%	183%	180.000%	173.000%

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 December 2023	As at 30 September 2023	As at 31 December 2023	As at 31 December 2023	As at 30 September 2023	As at 31 December 2023
1	Credit risk (excluding counterparty credit risk) (CCR)	5,245,824	4,559,144	603,270	5,246,442	4,559,748	603,341
2	Of which standardised approach (SA)	5,245,824	4,559,144	603,270	5,246,442	4,559,748	603,341
3	Of which: foundation internal ratings-based (F-IRB) approach	0	0	0	0	0	0
4	Of which: supervisory slotting approach	0	0	0	0	0	0
5	Of which: advanced internal ratings-based (A-IRB) approach	0	0	0	0	0	0
6	Counterparty credit risk (CCR)	0	0	0	0	0	0
7	Of which standardised approach for counterparty credit risk (SA-CCR)	0	0	0	0	0	0
8	Of which internal model method (IMM)	0	0	0	0	0	0
9	Of which: other CCR	0	0	0	0	0	0
10	Credit valuation adjustment (CVA)	0	0	0	0	0	0
11	Equity positions under the simple risk weight approach	0	0	0	0	0	0
12	Equity investments in funds – look-through approach	0	0	0	0	0	0
13	Equity investments in funds – mandate-based approach	0	0	0	0	0	0
14	Equity investments in funds – fall-back approach	0	0	0	0	0	0

R'000	DISCOVERY BANK LIMITED			DISCOVERY BANK HOLDINGS LIMITED		
	RWA		Minimum capital requirement	RWA		Minimum capital requirement
	As at 31 December 2023	As at 30 September 2023	As at 31 December 2023	As at 31 December 2023	As at 30 September 2023	As at 31 December 2023
15	Settlement risk	0	0	0	0	0
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	Market risk	61,727	80,070	7,099	61,727	80,070
21	Of which standardised approach (SA)	61,727	80,070	7,099	61,727	80,070
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	Operational risk	1,604,797	1,604,797	184,552	1,604,797	184,552
25	Amounts below the thresholds for deduction (subject to 250% risk weight)	324,976	280,790	37,372	325,718	37,458
26	Floor adjustment	0	0	0	0	0
27	Total (1+6+10+11+12+13+14+15+16+20+23+24+25+26)	7,237,324	6,524,801	832,292	7,238,684	832,449

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 2023
Common Equity Tier 1 capital: instruments and reserves		
1	Directly issued qualifying common share capital (and equivalent for non-joint stock companies) plus related stock surplus	9,219,489
2	Retained earnings	(3,902,088)
3	Accumulated other comprehensive income (and other reserves)	259,659
4	Directly issued capital subject to phase out from CET1 (only applicable to non-joint stock companies)	0
5	Common share capital issued by subsidiaries and held by third parties (amount allowed in group CET1)	0
6	Common Equity Tier 1 capital before regulatory adjustments	5,577,060
Common Equity Tier 1 capital: regulatory adjustments		
7	Prudential valuation adjustments	0
8	Goodwill (net of related tax liability)	2,416,821
9	Other intangibles other than mortgage-servicing rights (net of related tax liability)	532,466
10	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	1,327,871
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)	64,658
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	129,990
26	National specific regulatory adjustments	0

R'000		As at 31 December 2023
Common Equity Tier 1 capital: instruments and reserves		
27	Regulatory adjustments applied to Common Equity Tier 1 due to insufficient Additional Tier 1 and Tier 2 to cover deductions	0
28	Total regulatory adjustments to Common equity Tier 1	4,341,816
29	Common Equity Tier 1 capital (CET1)	1,235,244
Additional Tier 1 capital: instruments		
30	Directly issued qualifying Additional Tier 1 instruments plus related stock surplus	0
31	of which: classified as equity under applicable accounting standards	0
32	of which: classified as liabilities under applicable accounting standards	0
33	Directly issued capital instruments subject to phase out from Additional Tier 1	0
34	Additional Tier 1 instruments (and CET1 instruments not included in line 5) issued by subsidiaries and held by third parties (amount allowed in group AT1)	0
35	of which: instruments issued by subsidiaries subject to phase out	0
36	Additional Tier 1 capital before regulatory adjustments	0
Additional Tier 1 capital: regulatory adjustments		
37	Investments in own Additional Tier 1 instruments	0
38	Reciprocal cross-holdings in Additional Tier 1 instruments	0
39	Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued common share capital of the entity (amount above 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
43	Total regulatory adjustments to Additional Tier 1 capital	0
44	Additional Tier 1 capital (AT1)	0
45	Tier 1 capital (T1 = CET1 + AT1)	1,235,244
Tier 2 capital: instrument and provisions		
46	Directly issued qualifying Tier 2 instruments plus related stock surplus	0
47	Directly issued capital instruments subject to phase out from Tier 2	0
48	Tier 2 instruments (and CET1 and AT1 instruments not included in lines 5 or 34) issued by subsidiaries and held by third parties (amount allowed in group Tier 2)	0
49	of which: instruments issued by subsidiaries subject to phase out	0
50	Provisions	53,118
51	Tier 2 capital before regulatory adjustments	53,118
Tier 2 capital : regulatory adjustments		
52	Investments in own Tier 2 instruments	0
53	Reciprocal cross-holdings in Tier 2 instruments and other TLAC liabilities	0
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

R'000		As at 31 December 2023
Common Equity Tier 1 capital: instruments and reserves		
54a	Investments in the other TLAC liabilities of banking, financial and insurance entities that are outside the scope of regulatory consolidation and where the bank does not own more than 10% of the issued common share capital of the entity: amount previously designated for the 5% threshold but that no longer meets the conditions (for G-SIBs only)	0
55	Significant investments in the capital banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions)	0
56	National specific regulatory adjustments	0
57	Total regulatory adjustments to Tier 2 capital	0
58	Tier 2 capital (T2)	53,118
59	Total capital (TC = T1 + T2)	1,288,362
60	Total risk weighted Exposure	7,237,323
Capital ratios and buffers		
61	Common Equity Tier 1 (as a percentage of risk weighted assets)	17.068%
62	Tier 1 (as a percentage of risk weighted assets)	17.068%
63	Total capital (as a percentage of risk weighted assets)	17.800%
64	Institution specific buffer requirement (minimum CET1 requirement plus capital conservation buffer plus countercyclical buffer requirements plus G-SIB buffer requirement, expressed as a percentage of risk weighted assets)	7.000%
65	of which: capital conservation buffer requirement	2.500%
66	of which: bank specific countercyclical buffer requirement	.000%
67	of which: G-SIB buffer requirement	.000%
68	Common Equity Tier 1 available to meet buffers (as a percentage of risk weighted assets) available after meeting the bank's minimum capital requirements	5.568%
National Minima (if different from Basel 3)		
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%
Amounts below the threshold for deductions (before risk weighting)		
72	Non-significant investments in the capital of other TLAC liabilities of other financial entities	0
73	Significant investments in the common stock of financial entities	0
74	Mortgage servicing rights (net of related tax liability)	0
75	Deferred tax assets arising from temporary differences (net of related tax liability)	129,990
Applicable caps on the inclusion of provisions in Tier 2		
76	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to standardised approach (prior to application of cap)	240,178
77	Cap on inclusion of provisions in Tier 2 under standardised approach	53,118
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
Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2018 and 1 Jan 2022)		

R'000	As at 31 December 2023
Common Equity Tier 1 capital: instruments and reserves	
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 2023	As at 31 December 2023
Assets		
1 Cash and balances at central banks	4,718,500	4,718,500
2 Short term negotiable securities	3,803,453	3,803,453
3 Derivative assets	0	0
4 Loans and advances to customers	5,219,339	5,219,339
5 Loans and advances to banks	782,470	782,470
6 Available for sale financial assets	0	0
7 Interest in subsidiaries	0	0
8 Interest in associate	0	0
9 Intangible assets	3,038,450	3,038,450
10 Investment and trading securities	2,571,673	2,571,673
11 Current income tax assets	0	0
12 Deferred income tax assets	1,433,356	1,433,356
13 Property and equipment	0	0
14 Other assets	996,422	996,422
15 Total assets	22,563,663	22,563,663
Liabilities		
15 Deposits and current accounts	16,666,890	16,666,890
16 Derivative financial instruments	0	0

R'000		Balance sheet as in published financial statements	Balance sheet under regulatory scope of consolidation
		As at 31 December 2023	As at 31 December 2023
Assets			
17	Provisions and other liabilities	319,713	319,713
18	Current income tax liabilities	0	0
19	Deferred income tax assets	0	0
20	Total liabilities	16,986,603	16,986,603
21	Equity		
22	Share capital and premium	9,219,489	9,219,489
23	Accumulated profit / (loss)	-3,902,088	-3,902,088
24	Other reserves	259,659	259,659
25	Total equity	5,577,060	5,577,060

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

As at 31 December 2023		Ordinary shares (incl share premium)
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)	9,219
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

As at 31 December 2023		Ordinary shares (incl share premium)
	Coupons / dividends	0
17	Fixed or floating dividend/coupon	Floating
18	Coupon rate and any related index	n/a
19	Existence of a dividend stopper	No
20	Fully discretionary, partially discretionary or mandatory	Fully discretionary
21	Existence of step-up or other incentive to redeem	n/a
22	Non-cumulative or cumulative	Non-cumulative
23	Convertible or non-convertible	n/a
24	If convertible, conversion trigger(s)	n/a
25	If convertible, fully or partially	n/a
26	If convertible, conversion rate	n/a
27	If convertible, mandatory or optional conversion	n/a
28	If convertible, specify instrument type convertible into	n/a
29	If convertible, specify issuer of instrument it converts into	n/a
30	Write-down feature	n/a
31	If write-down, write-downs trigger(s)	n/a
32	If write-downs, full or partial	n/a
33	If write-downs, 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 2023.

R'000	As at 31 December 2023
1 Total consolidated assets as per published financial statements	23,090,409
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)	792,923
7 Other adjustments	(4,628,378)
8 Leverage ratio exposure measure	19,254,954

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 2023	As at 30 September 2023
On-balance sheet exposures		
1 On-balance sheet exposures (excluding derivatives and securities financing transactions (SFTs))	22,803,847	21,401,363
2 (Asset amounts deducted in determining Basel III Tier 1 capital)	-4,341,816	-4,300,380
3 Total on-balance sheet exposures (excluding derivatives and SFTs) (sum of row 1 and 2)	18,462,031	17,100,983
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	0
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 31 December 2023	As at 30 September 2023
On-balance sheet exposures		
7	0	0
(Deductions of receivables assets for cash variation margin provided in derivatives transactions)		
8	0	0
(Exempted CCP leg of client-cleared trade exposures)		
9	0	0
Adjusted effective notional amount of written credit derivatives		
10	0	0
(Adjusted effective notional offsets and add-on deductions for written credit derivatives)		
11 Total derivative exposures (sum of rows 4 to 10)	0	0
Securities financing transaction exposures		
12	0	0
Gross SFT assets (with no recognition of netting) after adjusting for sale accounting transactions		
13	0	0
(Netted amounts of cash payables and cash receivables of gross SFT assets)		
14	0	0
CCR exposure for SFT assets		
15	0	0
Agent transaction exposures		
16 Total securities financing transaction exposures (sum of rows 12 to 15)	0	0
Other off-balance sheet exposures		
17	7,929,230	7,737,870
Off-balance sheet exposure at gross notional amount		
18	-7,136,307	-6,964,083
(Adjustments for conversion to credit equivalent amounts)		
19 Off-balance sheet items (sum of row 17 and 18)	792,923	773,787
Capital and total exposures		
20	1,235,244	1,058,239
Tier 1 capital		
21 Total exposures (sum of rows 3,11,16 and 19)	19,254,954	17,874,770
Leverage ratio		
22	6.41%	5.91%
Basel III Leverage ratio		

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 December 2023 R'000	Current reporting period		Previous reporting period
	Total unweighted (average)	Total weighted (average)	Total weighted (average)
High-quality liquid assets			
1 Total HQLA	0	9,643,710	9,492,166
Cash outflows			
2 Retail deposits and deposits from small business customers, of which:	9,623,197	962,320	897,357
3 Stable deposits	0	0	0
4 Less stable deposits	9,623,197	962,320	897,357
5 Unsecured wholesale funding, of which:	0	0	0
6 Operational deposits (all counterparties) and deposits in networks of cooperative banks	0	0	0
7 Non-operational deposits (all counterparties)	0	0	0
8 Unsecured debt	0	0	0
9 Secured wholesale funding	0	0	0
10 Additional requirements, of which:	0	0	0
11 Outflows related to derivative exposures and other collateral requirements	0	0	33
12 Outflows related to loss of funding on debt products	0	0	0
13 Credit and liquidity facilities	7,769,571	194,239	188,393

As at 31 December 2023 R'000	Current reporting period		Previous reporting period
	Total unweighted (average)	Total weighted (average)	Total weighted (average)
14 Other contractual funding obligations	0	0	0
15 Other contingent funding obligations	0	0	0
16 TOTAL CASH OUTFLOWS	17,392,768	1,156,559	1,085,782
Cash inflows			
17 Secured lending (eg reverse repos)	0	0	0
18 Inflows from fully performing exposures	1,566,817	1,426,161	984,351
19 Other cash inflows	0	0	0
20 TOTAL CASH INFLOWS	1,566,817	1,426,161	984,351
21 Total HQLA		9,643,710	9,492,166
22 Total net cash outflows		353,050	321,649
23 Liquidity Coverage Ratio (%)		2757%	2963%

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 to December 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 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 31 December 2023 R'000		No Maturity	< 6 months	6 months to < 1 year	>= 1 year	Weighted value
1	Capital:	9,479,148	0	0	0	9,479,148
2	Regulatory capital	9,479,148	0	0	0	9,479,148
3	Other capital instruments	0	0	0	0	0
4	Retail deposits and deposits from small business customers:	0	14,370,953	1,011,441	1,284,498	15,128,653
5	Stable deposits	0	0	0	0	0
6	Less stable deposits	0	14,370,953	1,011,441	1,284,498	15,128,653
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	319,713	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	319,713	0	0	0
14	Total ASF	0	0	0	0	24,607,800
15	Total NSFR high-quality liquid assets (HQLA)	0	6,949,489	1,621,005	2,523,133	337,757
16	Deposits held at other financial institutions for operational purposes	0	0	0	0	0
17	Performing loans and securities:	0	2,219,615	1,056,433	3,252,507	4,128,791
18	Performing loans to financial institutions secured by Level 1 HQLA	0	0	0	0	0

As at 31 December 2023 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	782,470	0	0	117,371	
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	1,437,145	1,056,433	3,252,507	4,011,420	
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:	8,843,570	0	0	0	8,843,570	
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	8,843,570	0	0	0	8,843,570	
32	Off-balance sheet items	7,919,668	0	0	0	395,983	
33	Total RSF	0	0	0	0	13,706,101	
34	Net Stable Funding Ratio (%)						180%

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 2023 R'000		Gross carrying values		Allowances/ impair- ments	Of which: ECL accounting provisions for credit losses on SA exposure		Of which: ECL accounting provisions for credit losses on IRB exposure	Net values
		Defaulted exposures	Non- defaulted exposures		Allocated in regulatory category of Specific	Allocated in regulatory category of General		
Regulatory portfolio/ Risk Weight								
1	Loans*	337,838	6,874,080	526,739	286,562	240,177	0	6,685,179
2	Debt securities	0	0	0	0	0	0	0
3	Off-balance sheet exposures	0	0	0	0	0	0	0
4	Total	337,838	6,874,080	526,739	286,562	240,177	0	6,685,179

CR2: Changes in stock of defaulted loans and debt securities

R'000		As at 31 December 2023
1	Defaulted loans and debt securities at end of the previous reporting period	261,319
2	Loans and debt securities that have defaulted since the last reporting period	148,703
3	Returned to non-defaulted status	12,879
4	Amounts written off	58,929
5	Other changes	-376
6	Defaulted loans and debt securities at end of the reporting period (1+2-3-4±5)	337,838

CR3: Credit risk mitigation techniques - overview

As at 31 December 2023 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	6,131,953	553,226	553,226	0	0	0	0
2	Debt securities	0	0	0	0	0	0	0
3	Total	6,131,953	553,226	553,226	0	0	0	0
4	of which defaulted	55,236	0	0	0	0	0	0

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

As at 31 December 2023 R'000		Exposures before CCF and CRM		Exposures post - CCF and CRM		RWA and RWA density	
		On- balance sheet amount	Off- balance sheet amount	On- balance sheet amount	Off- balance sheet amount	RWA	RWA density
1	Sovereigns and their central banks	6,823,737	0	6,823,737	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	1,558,456	0	1,005,230	0	223,175	22
5	Securities firms	0	0	0	0	0	0
6	Corporates	0	0	0	0	0	0
7	Regulatory retail portfolios	5,315,624	7,860,503	5,315,290	0	3,986,468	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	337,838	107,604	70,524	0	39,758	56
12	Higher-risk categories	0	0	0	0	0	0
13	Other assets	8,753,372	0	8,753,372	0	996,422	6
14	Total	22,789,027	7,968,107	21,968,153	0	5,245,823	24

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

As at 31 December 2023 R'000	Risk Weight										Total credit exposure amount (post CCF and post-CRM)	
	0%	10%	20%	35%	50%	75%	100%	150%	Others			
1	Sovereigns and their central banks	6,823,737	0	0	0	0	0	0	0	0	0	6,823,737
2	Non-central government public sector entities (PSEs)	0	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	0
4	Banks	0	0	1,005,230	0	0	0	0	0	0	0	1,005,230
5	Securities firms	0	0	0	0	0	0	0	0	0	0	0
6	Corporates	0	0	0	0	0	0	0	0	0	0	0
7	Regulatory retail portfolios	0	0	0	0	0	5,315,290	0	0	0	0	5,315,290
8	Secured by residential property	0	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	0
10	Equity	0	0	0	0	0	0	0	0	0	0	0
11	Past-due loans	0	0	0	0	65,433	0	1,189	3902	0	0	70,524
12	Higher-risk categories	0	0	0	0	0	0	0	0	0	0	0
13	Other assets	4,718,500	0	0	0	0	0	996,422	0	3,038,450	0	8,753,372
14	Total	11,542,237	0	1,005,230	0	65,433	5,315,290	997,611	3,902	3,038,450	0	21,968,153

Exposure amounts and CCFs applied to off-balance sheet exposures, categorised based on risk bucket of converted exposures				
	a	b	c	d
Risk weight	On-balance sheet exposure	Off-balance sheet exposure	Weighted average CCF*	Exposure (post-CCF and post-CRM)
1	Less than 40%	13,100,693	-	12,547,467
2	40-70%	331,561	93,585	65,433
3	75%	5,315,624	7,860,503	5,315,290
4	85%			
5	90-100%	998,513	814	997,611
6	105-130%			
7	150%	4,185	13,205	3,902
8	250%			
9	400%			
10	1250%			
11	Total exposures	19,750,576	7,968,107	18,929,703

Counterparty Credit Risk

CCR1: Analysis of counterparty credit risk exposure by approach

As at 31 December 2023 R'000		Replace- ment cost	Potential future exposure	EEPE	Alpha used for computing regulatory EAD	EAD post- CRM	RWA
1	SA-CCR (for derivatives)						
2	Internal Model Method (for derivatives and SFTs)						
3	Simple Approach for credit risk mitigation (for SFTs)						
4	Comprehensive Approach for credit risk mitigation (for SFTs)						
5	VaR for SFTs						
6	Total						

CCR2: Credit valuation adjustment capital charge

As at 31 December 2023 R'000		EAD post- CRM	RWA
Total portfolio subject to the advanced CVA capital charge			
1	(i) Var component (including the 3x multiplier)	0	0
2	(ii) Stressed VaR component (Including the 3x multiplier)	0	0
3	All portfolios subject to the Standardised CVA capital charge	0	0
4	Total subject to the CVA capital charge	0	0

Discovery Bank does not have any derivatives currently on their books and therefore both these tables are null values.

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

		Risk Weight								Total credit exposure amount (post CCF and post-CRM)
		0%	10%	20%	50%	75%	100%	150%	Others	
As at 31 December 2023 R'000										
Regulatory portfolio										
1	Sovereign	0	0	-	0	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	0	0	1,005,230	0	0	-	0	0	1,005,230
5	Securities firms	0	0	-	0	0	-	0	0	-
6	Corporates	0	0	-	0	0	-	0	0	-
7	Regulatory retail portfolio	0	0	-	0	0	-	0	0	-
8	Other assets	0	0	-	0	0	-	0	0	-
9	Total	0	0	1,005,230	0	0	-	0	0	1,005,230

Market Risk

MR1: Market risk under

As at 31 December 2023 R'000		Capital charge in SA
1	General interest rate risk	0
2	Equity risk	0
3	Commodity risk	0
4	Foreign exchange risk	61,727
5	Credit spread risk - non securitisations	0
6	Credit spread risk - securitisations (non-correlation trading portfolio)	0
7	Credit spread risk - securitisations (correlation trading portfolio)	0
8	Default risk - non securitisation	0
9	Default risk - securitisations (non-correlation trading portfolio)	0
10	Default risk - securitisation (correlation trading portfolio)	0
11	Residual risk add-on	0
12	Total	61,727

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