

PILLAR III

Public disclosures

FOR THE HALF-YEAR ENDED 31 DECEMBER 2021

Discovery Bank Limited and Discovery Bank Holdings Limited Group



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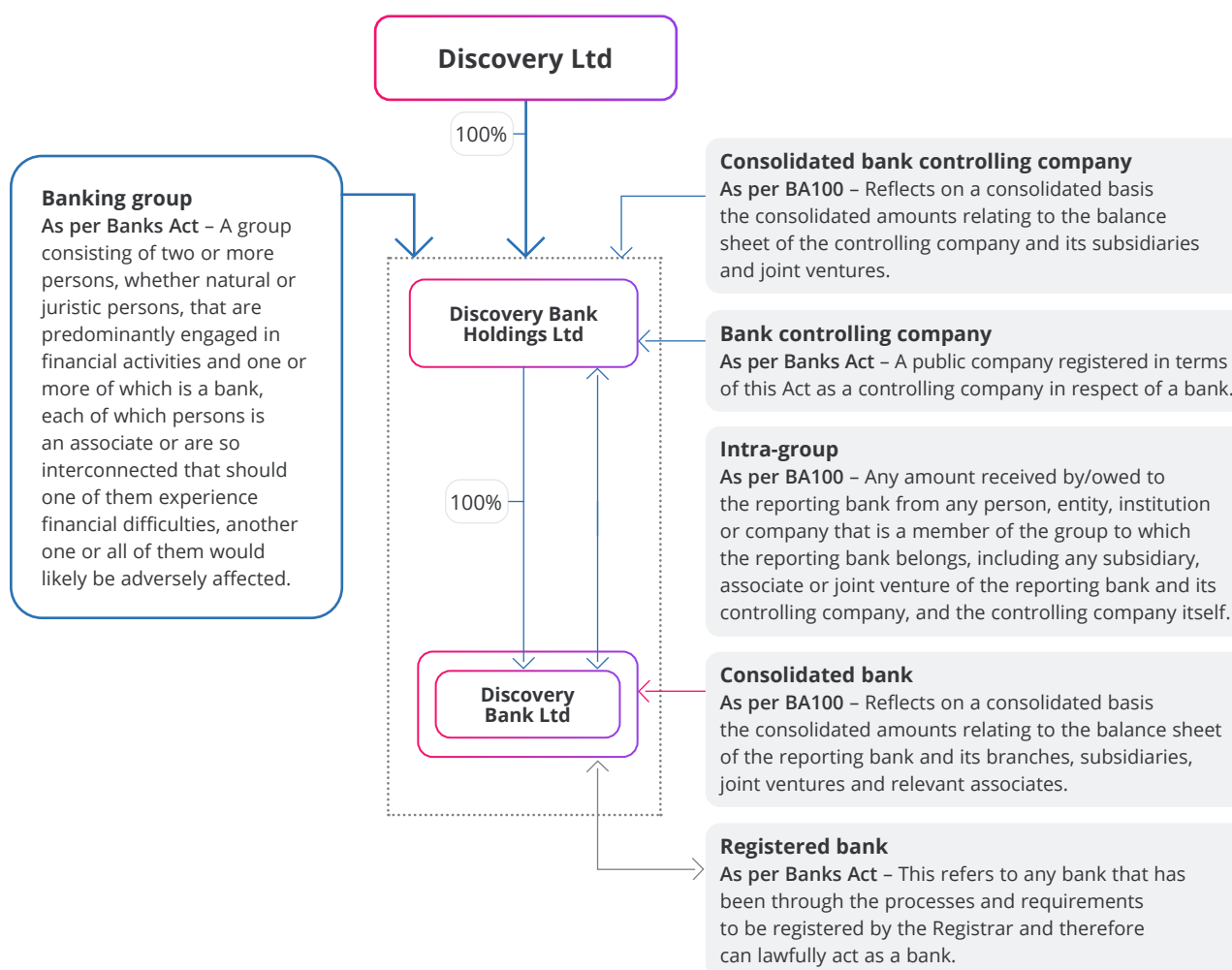
Quantitative tables and templates

Quantitative tables and templates

For the reporting period, the Bank continued to gain traction with 385 200 clients (versus 287 182 clients in December 2020) and 793 215 accounts (versus 540 252 accounts in December 2020), expanding its existing Discovery and non-Discovery client base and achieving more than 750 average daily new-to-Bank sales in January, higher than the current plan. Retail deposits grew by 69% to R9.5 billion and advances grew at 10% to R4.1 billion at 31 December 2021.

Customer quality remains excellent with high average levels of non-interest revenue per client and the quality focused credit strategy was evidenced by the low credit loss ratio of 0.96%. The benefits of the business model continue to manifest in improving operating leverage, with overall costs remaining constant in real terms, notwithstanding the significant customer growth and product innovations.

The legal entity structure of Discovery Bank



Quantitative tables and templates / CONTINUED

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 2021	As at 30 September 2021	As at 30 June 2021	As at 31 March 2021	As at 31 December 2020
Available capital (amounts)					
1 Common Equity Tier 1 (CET1)	938 421	860 712	858 200	739 378	744 956
1a Fully loaded ECL accounting model	0	0	0	0	0
2 Tier 1	938 421	860 712	858 200	739 378	744 956
2a Fully loaded ECL accounting model Tier 1	0	0	0	0	0
3 Total capital	986 795	906 925	905 085	784 736	790 794
3a Fully loaded ECL accounting model total capital	0	0	0	0	0
Risk-weighted assets (amounts)					
4 Total risk-weighted assets (RWA)	5 471 899	5 269 022	4 983 408	4 425 177	4 546 568
Risk-based capital ratios as a percentage of RWA					
5 Common Equity Tier 1 ratio (%)	17,15%	16,34%	17,22%	16,71%	16,39%
5a Fully loaded ECL accounting model Common Equity Tier 1(%)	.000%	.000%	.000%	.000%	.000%
6 Tier 1 ratio (%)	17,15%	16,34%	17,22%	16,71%	16,39%
6a Fully loaded ECL accounting model Tier 1 ratio (%)	.000%	.000%	.000%	.000%	.000%
7 Total capital ratio (%)	18,03%	17,21%	18,16%	17,73%	17,39%
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 (%)	6,65%	5,84%	6,72%	6,21%	5,89%

Quantitative tables and templates / CONTINUED

Overview of Risk Management and Risk-Weighted Assets / continued

1.1 KM1: Key metrics (at consolidated Group level) / continued

R'000	As at 31 December 2021	As at 30 September 2021	As at 30 June 2021	As at 31 March 2021	As at 31 December 2020
Basel III leverage ratio					
13 Total Basel III leverage ratio exposure measure	13 068 892	12 232 561	11 600 193	11 059 710	10 453 145
14 Basel III leverage ratio (%) (row 2; row 13)	7,18%	7,04%	7,40%	6,69%	7,13%
14a Fully loaded ECL accounting model Basel III leverage ratio (%) (row 2a; row13)	0	0	0	0	0
Liquidity Coverage Ratio					
15 Total HQLA	4 866 034	3 956 448	3 850 497	2 206 820	1 634 500
16 Total net cash outflow	169 011	149 356	155 828	122 611	109 226
17 LCR ratio (%)	2 883%	2 650%	2 706%	1 896%	1 576%
Net Stable Funding Ratio					
18 Total available stable funding	16 684 768	15 768 475	15 156 473	14 220 670	12 971 239
19 Total required stable funding	9 927 705	9 539 418	8 971 748	8 658 105	8 383 026
20 NSFR ratio	168%	165%	169%	164%	155%

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.

Quantitative tables and templates / CONTINUED

Overview of Risk Management and Risk-Weighted Assets / continued

1.2 OV1: Overview of RWA

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

R'000	DISCOVERY BANK LIMITED			DISCOVERY BANK HOLDINGS LIMITED			
	RWA		Minimum capital requirement	RWA		Minimum capital requirement	
	As at 31 December 2021	As at 30 September 2021	As at 31 December 2021	As at 31 December 2021	As at 30 September 2021	As at 31 December 2021	
1	Credit risk (excluding counterparty credit risk) (CCR)	4 510 814	4 328 791	473 635	4 510 813	4 328 790	473 635
2	Of which standardised approach (SA)	4 510 814	4 328 791	473 635	4 510 813	4 328 790	473 635
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)	12 130	11 406	1 274	12 130	11 406	1 274
7	Of which standardised approach for counterparty credit risk (SA-CCR)	12 130	11 406	1 274	12 130	11 406	1 274
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)	6 982	7 394	724	6 892	7 394	724
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

Quantitative tables and templates / CONTINUED

Overview of Risk Management and Risk-Weighted Assets / continued

1.2 OV1: Overview of RWA / continued

R'000	DISCOVERY BANK LIMITED			DISCOVERY BANK HOLDINGS LIMITED		
	RWA		Minimum capital requirement	RWA		Minimum capital requirement
	As at 31 December 2021	As at 30 September 2021	As at 31 December 2021	As at 31 December 2021	As at 30 September 2021	As at 31 December 2021
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	32 597	30 765	3 423	32 597	30 765	3 423
21 Of which standardised approach (SA)	32 597	30 765	3 423	32 597	30 765	3 423
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	70 463	671 079	671 079	70 463
25 Amounts below the thresholds for deduction (subject to 250% risk weight)	237 640	218 840	24 952	238 388	219 588	25 031
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)	5 471 152	5 268 275	574 471	5 471 899	5 269 022	574 549

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

Quantitative tables and templates / CONTINUED

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

CC1: Composition of regulatory capital

R'000	As at 31 December 2021
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	7 196 289
2 Retained earnings	(2 537 695)
3 Accumulated other comprehensive income (and other reserves)	198 893
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	4 857 487
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)	480 178
10 Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	1 009 925
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)	15 428
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	95 056
26 National specific regulatory adjustments	0
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	3 922 352
29 Common Equity Tier 1 capital (CET1)	935 135

Quantitative tables and templates / CONTINUED

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

CC1: Composition of regulatory capital / continued

R'000	As at 31 December 2021
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)	935 135
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	48 374
51 Tier 2 capital before regulatory adjustments	48 374

Quantitative tables and templates / CONTINUED

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

CC1: Composition of regulatory capital / continued

R'000	As at 31 December 2021
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
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)	48 374
59 Total capital (TC = T1 + T2)	983 509
60 Total risk weighted Exposure	5 471 152
Capital ratios and buffers	
61 Common Equity Tier 1 (as a percentage of risk weighted assets)	17,09%
62 Tier 1 (as a percentage of risk weighted assets)	17,09%
63 Total capital (as a percentage of risk weighted assets)	17,98%
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)	7,00%
65 of which: capital conservation buffer requirement	2,50%
66 of which: bank specific countercyclical buffer requirement	0,00%
67 of which: G-SIB buffer requirement	0,00%
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	6,59%
National Minima (if different from Basel 3)	
69 National Common Equity Tier 1 minimum ratio (if different from Basel 3 minimum)	4,50%
70 National Tier 1 minimum ratio (if different from Basel 3 minimum)	6,00%
71 National total capital minimum ratio (if different from Basel 3 minimum)	8,00%
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)	95 056

Quantitative tables and templates / CONTINUED

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

CC1: Composition of regulatory capital / continued

R'000	As at 31 December 2021
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)	216 125
77 Cap on inclusion of provisions in Tier 2 under standardised approach	48 374
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)	
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

Quantitative tables and templates / CONTINUED

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

CC2: Reconciliation 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 2021	As at 31 December 2021
Assets		
1 Cash and balances at central banks	2 199 784	2 199 784
2 Short term negotiable securities	3 859 467	3 859 467
3 Derivative assets	130	130
4 Loans and advances to customers	3 609 892	3 609 892
5 Loans and advances to banks	340 124	340 124
6 Available for sale financial assets	0	0
7 Interest in subsidiaries	0	0
8 Interest in associate	0	0
9 Intangible assets	3 015 671	3 015 671
10 Current income tax assets	0	0
11 Deferred income tax assets	1 001 737	1 001 737
12 Property and equipment	0	0
13 Other assets	640 929	640 929
14 Total assets	14 667 734	14 667 734
Liabilities		
15 Deposits and current accounts	10 355 720	10 355 720
16 Derivative financial instruments	9 997	9 997
17 Provisions and other liabilities	340 397	340 397
18 Current income tax liabilities	0	0
19 Deferred income tax assets	0	0
20 Total liabilities	10 706 114	10 706 114
21 Equity		
22 Share capital and premium	7 196 289	7 196 289
23 Accumulated profit / (loss)	(2 537 695)	(2 537 695)
24 Other reserves	198 893	198 893
25 Total equity	4 857 487	4 857 487

Table 1	31 December 2021
Common Equity Tier 1 Capital	0
Share capital and premium	7 196 289
Adjusted retained earnings	(2 537 695)
Retained earnings	(2 537 695)
Unappropriated profits	0
Total	4 658 594
Share based payment reserve	198 893
Other reserves	0
Total	4 857 487

Quantitative tables and templates / CONTINUED

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

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

As at 31 December 2021		Ordinary shares (including 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)	7 196
9	Par value of instrument	R1.00 per share
10	Accounting classification	IFRS: Equity
11	Original date of issuance	Thursday, May 19, 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
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

Quantitative tables and templates / CONTINUED

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 2021.

R'000	As at 31 December 2021
1 Total consolidated assets as per published financial statements	16 062 002
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	12 440
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)	1 198 779
7 Other adjustments	(4 204 628)
8 Leverage ratio exposure measure	13 068 593

Quantitative tables and templates / CONTINUED

Leverage Ratio / continued

LR2: Leverage ratio exposure disclosure template (simple consolidated 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 2021	As at 30 September 2021
On-balance sheet exposures		
1 On-balance sheet exposures (excluding derivatives and securities financing transactions (SFTs))	15 779 596	14 946 187
2 (Asset amounts deducted in determining Basel III Tier 1 capital)	(3 922 352)	(3 870 005)
3 Total on-balance sheet exposures (excluding derivatives and SFTs) (sum of row 1 and 2)	11 857 244	11 076 182
Derivative exposures		
4 Replacement cost associated with all derivatives transactions (where applicable net of eligible cash variation margin and/or with bilateral netting)	130	190
5 Add-on amounts for PFE associated with all derivatives transactions	12 440	13 094
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
11 Total derivative exposures (sum of rows 4 to 10)	12 570	13 284
Securities financing transaction exposures		
12 Gross SFT assets (with no recognition of netting) after adjusting for asle accounting transactions	0	0
13 (Netted amounts of cash payables and cash receivables of gross SFT assets)	0	0
14 CCR exposure for SFT assets	0	0
15 Agent transaction exposures	0	0
16 Total securities financing transaction exposures (sum of rows 12 to 15)	0	0
Other off-balance sheet exposures		
17 Off-balance sheet exposure at gross notional amount	5 993 895	5 713 975
18 (Adjustments for conversion to credit equivalent amounts)	(4 795 116)	(4 571 180)
19 Off-balance sheet items (sum of row 17 and 18)	1 198 779	1 142 795
Capital and total exposures		
20 Tier 1 capital	935 135	857 424
21 Total exposures (sum of rows 3,11,16 and 19)	13 068 593	12 232 261
Leverage ratio		
22 Basel III Leverage ratio	7,16%	7,00%

Quantitative tables and templates / CONTINUED

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 2021 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	4 866 034	3 956 448
Cash outflows			
2 Retail deposits and deposits from small business customers, of which:	5 248 971	524 897	452 295
3 Stable deposits	0	0	0
4 Less stable deposits	5 248 971	524 897	452 295
5 Unsecured wholesale funding, of which:	809 272	6 428	2 812
6 Operational deposits (all counterparties) and deposits in networks of cooperative banks	0	0	0
7 Non-operational deposits (all counterparties)	809 272	6 428	2 812
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	2	2	62
12 Outflows related to loss of funding on debt products	0	0	0
13 Credit and liquidity facilities	5 788 616	144 715	142 253
14 Other contractual funding obligations	0	0	0
15 Other contingent funding obligations	0	0	0
16 TOTAL CASH OUTFLOWS	11 846 864	676 042	597 423
Cash inflows			
17 Secured lending (eg reverse repos)	0	0	0
18 Inflows from fully performing exposures	1 693 469	1 592 661	2 386 597
19 Other cash inflows	1	1	7
20 TOTAL CASH INFLOWS	1 639 469	1 592 661	2 386 604
Total Adjusted value	Total Adjusted value		
21 Total HQLA	4 866 034	3 956 448	
22 Total net cash outflows	169 011	149 356	
23 Liquidity Coverage Ratio (%)	2 883%	2 650%	

Quantitative tables and templates / CONTINUED

Liquidity / continued

LIQ1: Liquidity Coverage Ratio (LCR) / continued

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 October to December 2021 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 as well as some government bonds.

Liquidity / continued

LIQ2: Net Stable Funding Ratio(NSFR)

The purpose of the leverage ratio disclosure is to provide a detailed breakdown of the components of the leverage ratio denominator.

As at 31 December 2021 R'000	Items subject to				Weighted value
	No Maturity	< 6 months	6 months to < 1 year	>= 1 year	
1 Capital:	7 395 182	0	0	0	7 395 182
2 Regulatory capital	7 395 182	0	0	0	7 395 182
3 Other capital instruments	0	0	0	0	0
4 Retail deposits and deposits from small business customers:	0	7 180 933	1 107 605	1 257 655	8 717 339
5 Stable deposits	0	0	0	0	0
6 Less stable deposits	0	7 180 933	1 107 605	1 257 655	8 717 339
7 Wholesale funding:	0	9 527	500 000	300 000	533 334
8 Operational deposits	0	0	0	0	0
9 Other wholesale funding	0	9 527	500 000	300 000	533 334
10 Liabilities with matching interdependent assets	0	313 938	15 094	11 365	18 912
11 Other liabilities:	0	0	0	0	0
12 NSFR derivative liabilities	0	0	0	9 997	0
13 All other liabilities and equity not included in the above categories	0	313 938	15 094	11 365	18 912
14 Total ASF	0	0	0	0	16 684 768
15 Total NSFR high-quality liquid assets (HQLA)	0	4 725 922	1 352 332	876 864	249 918
16 Deposits held at other financial institutions for operational purposes	0	0	0	0	0
17 Performing loans and securities:	0	1 572 612	1 232 500	1 643 317	2 680 332
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	340 124	12	0	51 025
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	1 232 488	1 232 488	1 643 317	2 629 307
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:	6 697 631	0	0	130	6 697 761
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	130	130
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	6 697 631	0	0	0	6 697 631
32 Off-balance sheet items	5 993 895	0	0	0	299 695
33 Total RSF	0	0	0	0	9 927 705
34 Net Stable Funding Ratio (%)					168

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

Quantitative tables and templates / CONTINUED

Credit Risk

CR1: Credit quality of assets

As at 31 December 2021 R'000	Gross carrying values		Allowances/ impairments	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		Allocated in regulatory category of Specific	Allocated in regulatory category of General		
Regulatory portfolio/Risk Weight							
1 Loans	302 003	4 152 412	498 401	282 277	216 124	0	3 956 014
2 Debt securities	0	0	0	0	0	0	0
3 Off-balance sheet exposures	0	0	0	0	0	0	0
4 Total	302 003	4 152 412	498 401	282 277	216 124	0	3 956 014

CR2: Changes in stock of defaulted loans and debt securities

As at 31 December 2021 R'000	As at 31 December 2021
1 Defaulted loans and debt securities at end of the previous reporting period	242 222
2 Loans and debt securities that have defaulted since the last reporting period	74 686
3 Returned to non-defaulted status	13 982
4 Amounts written off	0
5 Other changes	(923)
6 Defaulted loans and debt securities at end of the reporting period (1+2-3-4±5)	302 003

CR3: Credit risk mitigation techniques - overview

As at 31 December 2021 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	3 956 014	0	0	0	0	0	0
2 Debt securities	0	0	0	0	0	0	0
3 Total	3 956 014	0	0	0	0	0	0
4 of which defaulted	30 151	0	0	0	0	0	0

Quantitative tables and templates / CONTINUED

Credit Risk / continued

CR4: Standardised approach – credit risk exposure and Credit Risk Mitigation (CRM) effects

As at 31 December 2021 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	4 795 053	0	4 795 053	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	394 119	0	394 119	0	88 528	22
5 Securities firms	0	0	0	0	0	0
6 Corporates	0	0	0	0	0	0
7 Regulatory retail portfolios	3 758 292	5 981 004	3 758 289	1 178 201	3 702 367	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	302 003	96 892	154 764	19 378	91 120	52
12 Higher-risk categories	0	0	0	0	0	0
13 Other assets	5 856 384	0	5 856 384	0	640 929	11
14 Total	15 105 851	5 987 896	14 958 609	1 197 579	4 522 944*	28

* Includes Counterparty Credit Risk

Quantitative tables and templates / CONTINUED

Credit Risk / continued

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

As at 31 December 2021 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	4 795 053	0	0	0	0	0	0	0	0	0	4 795 053
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	381 989	0	0	0	12 130	0	0	0	394 119
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	4 936 490	0	0	0	0	4 936 490
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	169 578	0	1 034	3 531	0	0	174 143
12 Higher-risk categories	0	0	0	0	0	0	0	0	0	0	0
13 Other assets	2 199 784	0	0	0	0	0	640 929	0	3 015 671	0	5 856 384
14 Total	6 994 837	0	381 989	0	169 578	4 936 490	654 093	3 531	3 015 671	0	16 156 188

Quantitative tables and templates / CONTINUED

Counterparty Credit Risk

CCR1: Analysis of counterparty credit risk (CCR) exposure by approach

As at 31 December 2021 R'000	Replace- ment cost	Potential future exposure	EEPE	Alpha used for computing regulatory EAD	EAD post-CRM	RWA
1 SA-CCR (for derivatives)	130	8 534		1,4	12 130	12 130
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						12 130

CCR2: Credit valuation adjustment (CVA) capital charge

As at 31 December 2021 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	12 130	12 130
4 Total subject to the CVA capital charge	12 130	12 130

CCR3: Standardised approach – CCR exposures by regulatory portfolio and risk weights

As at 31 December 2021 R'000	Risk Weight								Total credit exposure amount (post CCF and post-CRM)
	0%	10%	20%	50%	75%	100%	150%	Others	
Regulatory portfolio									
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	381 989	0	0	12 130	0	0	394 119
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 Total	0	0	381 989	0	0	12 130	0	0	394 119

Quantitative tables and templates / CONTINUED

Market Risk

MR1: Market risk under Standardised Approach

As at 31 December 2021	Capital charge
R'000	in SA
1 General interest rate risk	0
2 Equity risk	0
3 Commodity risk	0
4 Foreign exchange risk	32 597
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	32 597



02

Abbreviations

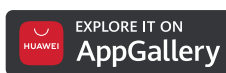
Abbreviations

ABBREVIATION	DEFINITION
A-IRBA	Advanced Internal Ratings-Based Approach
AML	Anti-Money Laundering
ASF	Available Stable Funding
AT1	Additional Tier 1
BA	Banks Act
BASA	Banking Association of South Africa
BCBS	Basel Committee on Banking Supervision
CCF	Credit Conversion Factor
CCPs	Central Counterparties
CCR	Counterparty Credit Risk
CEM	Credit Exposure Method
CET1	Common Equity Tier 1
CFT	Countering Financing of Terrorism
CRM	Credit Risk Mitigation
CSR	Corporate Social Responsibility
CVA	Credit Valuation adjustment
DAC	Directors Affairs Committee
D-SIB	Domestic Systemically Important Banks
ECL	Expected Credit Loss
ERC	External Remuneration Committee
ERMF	Enterprise Risk Management Framework
ESG	Environmental, social and governance
EVE	Economic Value of Equity
F-IRB	Foundation internal ratings-based approach
G-SIB	Global Systemically Important Banks
HQLA	High-Quality Liquid Assets
IAA	Internal Assessment Approach
ICAAP	Internal Capital Adequacy Assessment Process
IMA	Internal model approach
IMM	Internal model method
IRB	Internal Ratings Based
IRC	International Remuneration Committee
IRMSA	The Institute for Risk Management South Africa
DiscoveryCard	Joint venture between Discovery Bank and First National Bank

ABBREVIATION	DEFINITION
KYC	Know Your Client
LCR	Liquidity Coverage Ratio
LTIPs	Long-term Incentive Plans
MDB	Multilateral development banks
MRM	Model Risk Management
NII	Net Interest Income
NSFR	Net stable funding ratio
ORSA	Own Risk and Solvency Assessment
PA	Prudential Authority of South Africa
PASA	Payments Association of South Africa
PSE	Public Sector entities
PSMOR	The Principles for the Sound Management of Operational Risk
POPIA	Protection of Personal Information Act
RACM	Risk and Control Matrix
R&D	Research and Development
RP	Recovery Plan
RSF	Required Stable Funding
RWA	Risk-Weighted Assets
SA	Standardised Approach
SA-CCR	Standardised Approach for Counterparty Credit Risk
SAMOS	South African Multiple Option Settlement
SARB	South African Reserve Bank
SEC-ERBA	Securitisation external ratings-based approach
SEC-IRBA	Securitisation internal ratings-based approach
SOC	Security Operations Centre
STIs	Short-term Incentive Schemes
T1	Tier 1
T2	Tier 2
TC	Total Capital
TLAC	Total Loss-absorbing Capacity
VAR	Value at Risk
VAS	Value-added Services
VISA	Visa International Service Association



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Acting Company Secretary: G S Nienaber.

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