

PILLAR III

Public disclosures

FOR THE QUARTER ENDED 30 SEPTEMBER 2024

Discovery Bank Limited and
Discovery Bank Holdings Limited Group



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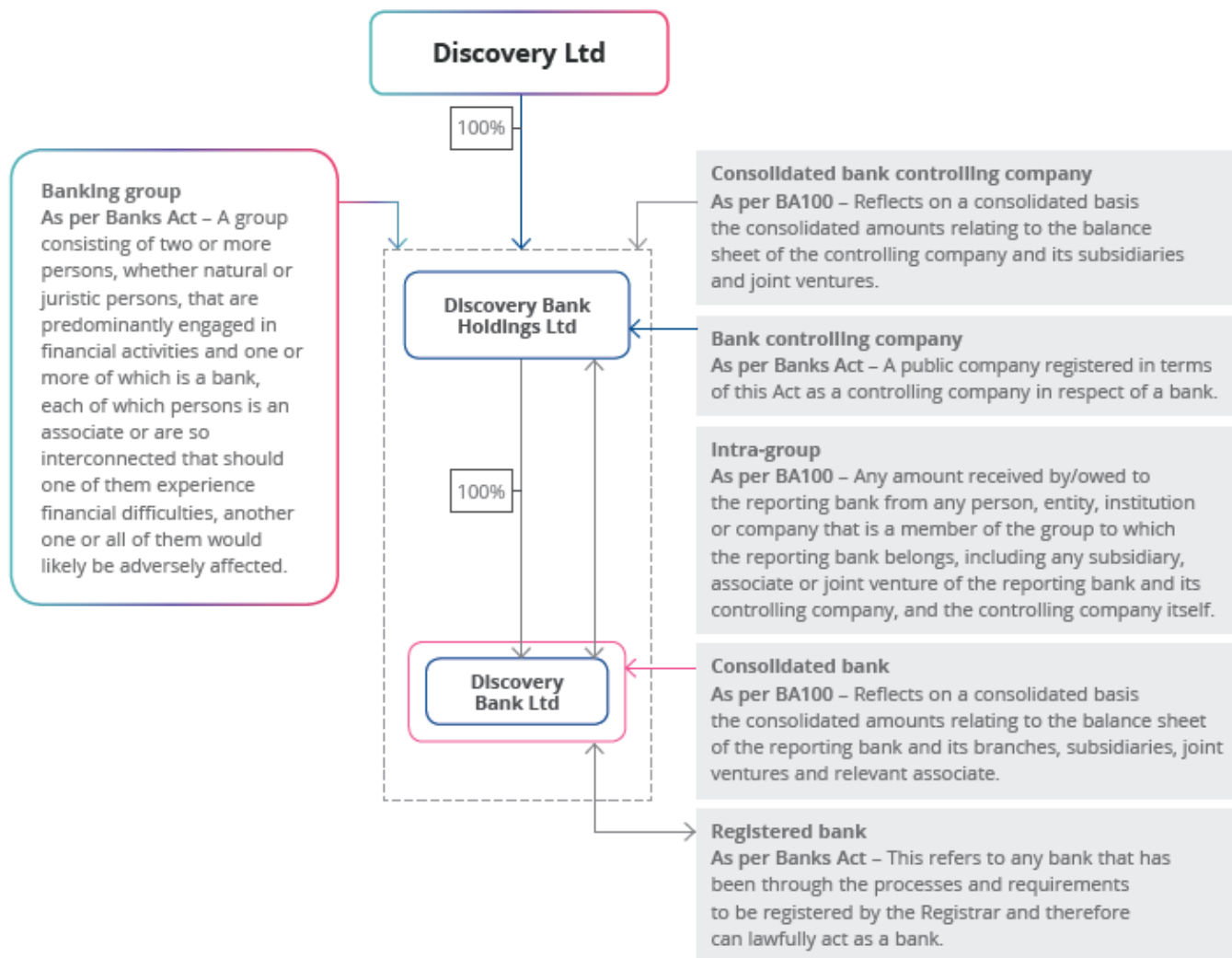
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Quantitative tables

Quantitative Tables and Templates

During the review period, Discovery Bank sustained a robust liquidity position, and the retail assets portfolio continued to grow, with Home Loans showing significant expansion.

The legal entity structure of Discovery Bank



Overview of Risk Management and Risk-Weighted Assets

1.1 KM1: Key metrics (at consolidated Group level)

This section provides information on Discovery's prudential regulatory metrics. Metrics include Discovery Bank's available capital and ratios, risk-weighted assets, leverage ratio, liquidity coverage ratios and net stable funding ratios. These metrics are presented at a Discovery Bank Holdings Limited Group level.

R'000		As at 30 September 2024	As at 30 June 2024	As at 31 March 2024	As at 31 December 2023	As at 30 September 2023
Available capital (amounts)						
1	Common Equity Tier 1 (CET1)	1,403,509	1,473,702	1,228,551	1,238,508	1,061,434
1a	Fully loaded ECL accounting model	0	0	0	0	0
2	Tier 1	1,403,509	1,473,702	1,228,551	1,238,508	1,061,434
2a	Fully loaded ECL accounting model Tier 1	0	0	0	0	0
3	Total capital	1,467,548	1,535,391	1,285,437	1,291,625	1,112,442
3a	Fully loaded ECL accounting model total capital	0	0	0	0	0
Risk-weighted assets (amounts)						
4	Total risk-weighted assets (RWA)	8,476,437	8,341,034	7,155,225	7,238,684	6,526,133
4a	Total risk-weighted assets (pre-floor)	8,476,437	8,341,034	7,155,225	7,238,684	6,526,133
Risk-based capital ratios as a percentage of RWA						
5	Common Equity Tier 1 ratio (%)	16.56%	17.67%	17.17%	17.11%	16.26%
5a	Fully loaded ECL accounting model Common Equity Tier 1(%)	0%	0%	0%	0%	0%

R'000		As at 30 September 2024	As at 30 June 2024	As at 31 March 2024	As at 31 December 2023	As at 30 September 2023
5b	CET1 ratio (%) (pre-floor)	0%	0%	0%	0%	0%
6	Tier 1 ratio (%)	16.56%	17.67%	17.17%	17.11%	16.26%
6a	Fully loaded ECL accounting model Tier 1 ratio (%)	0%	0%	0%	0%	0%
6b	Tier 1 ratio (5)(pre-floor ratio)	0%	0%	0%	0%	0%
7	Total capital ratio (%)	17.31%	18.41%	17.96%	17.84%	17.05%
7a	Fully loaded ECL accounting model total capital ratio (%)	0%	0%	0%	0%	0%
7b	Total capital ratio (%) (pre-floor ratio)	0%	0%	0%	0%	0%
Additional CET1 buffer requirements as a percentage of RWA						
8	Capital conservation buffer requirement (2.5% from 2019) (%)	2.50%	2.50%	2.50%	2.50%	2.50%
9	Countercyclical buffer requirement (%)	0%	0%	0%	0%	0%
10	Bank G-SIB and/or D-SIB additional requirements (%)	0%	0%	0%	0%	0%
11	Total of bank CET1 specific buffer requirements (%) (row 8 + row 9 + row 10)	2.50%	2.50%	2.50%	2.50%	2.50%
12	CET1 available after meeting the bank's minimum capital requirements (%)	5.06%	6.17%	5.67%	5.61%	4.76%
Basel III leverage ratio						
13	Total Basel III leverage ratio exposure measure	22,743,496	21,386,625	20,231,051	19,258,340	17,878,087
14	Basel III leverage ratio (%) (row 2; row 13)	6.17%	6.89%	6.07%	6.43%	5.94%

R'000		As at 30 September 2024	As at 30 June 2024	As at 31 March 2024	As at 31 December 2023	As at 30 September 2023
14a	Fully loaded ECL accounting model Basel III leverage ratio (%) (row 2a; row13)	0	0	0	0	0
14b	Basel III leverage ratio (%) (excluding the impact of any applicable temporary exemption of central bank reserves)	6.17%	6.89%	6.07%	6.43%	5.94%
Liquidity Coverage Ratio						
15	Total HQLA	12,062,293	10,402,819	9,955,025	9,643,710	9,492,166
16	Total net cash outflow	560,630	367,151	354,895	353,050	321,649
17	LCR ratio (%)	2,191.28%	2,926.52%	2,817.10%	2,756.87%	2,963.08%
Net Stable Funding Ratio						
18	Total available stable funding	28,080,332	26,700,780	25,557,843	24,607,800	23,119,148
19	Total required stable funding	14,978,751	14,555,316	13,908,448	13,706,101	12,410,342
20	NSFR ratio	187.00%	183.00%	184.00%	180.00%	186.00%

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

- Credit risk: The Standardised Approach
- Operational risk: The Basic Indicator Approach
- Market risk: The Standardised Approach using Building Block method

All regulatory ratios continue to exceed minimum requirements.

1.2 OV1: Overview of Risk-Weighted Assets (RWA)

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

R'000		DISCOVERY BANK LIMITED			DISCOVERY BANK HOLDINGS LIMITED		
		RWA		Minimum capital requirement	RWA		Minimum capital requirement
		As at 30 September 2024	As at 30 June 2024	As at 30 September 2024	As at 30 September 2024	As at 30 June 2024	As at 30 September 2024
1	Credit risk (excluding counterparty credit risk) (CCR)	5,691,148	5,543,425	654,482	5,691,638	5,543,916	654,538
2	Of which standardised approach (SA)	5,691,148	5,543,425	654,482	5,691,638	5,543,916	654,538
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 30 September 2024	As at 30 June 2024	As at 30 September 2024	As at 30 September 2024	As at 30 June 2024	As at 30 September 2024
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	78,869	74,996	9,070	78,869	9,070
21	Of which standardised approach (SA)	78,869	74,996	9,070	78,869	9,070
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	2,332,514	2,332,514	268,239	2,332,514	268,239
25	Amounts below the thresholds for deduction (subject to 250% risk weight)	372,682	388,875	42,858	373,415	42,943
26	Aggregate capital floor applied	0	0	0	0	0
27	Floor adjustment (before application of transitional cap)	0	0	0	0	0
28	Floor adjustment (after application of transitional cap)	0	0	0	0	0
29	Total (1+6+10+11+12+13+14+15+16+20+23+24+25+26)	8,475,213	8,339,810	974,649	8,476,436	974,790

Leverage Ratio

LR1: Summary comparison of accounting assets versus leverage ratio exposure measure (simple consolidated without change)

This table reconciles the total assets as presented in the financial statements to the leverage ratio exposure measure as reported at 30 September 2024.

R'000	As at 30 September 2024
1 Total consolidated assets as per published financial statements	26,552,975
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 securitised exposures that meet the operational requirements for the recognition of risk transference	0
4 Adjustments for temporary exemption of central bank reserves (if applicable)	0
5 Adjustment for fiduciary assets recognised on the balance sheet pursuant to the operative accounting framework but excluded from the Leverage ratio exposure measure	0
6 Adjustments for regular-way purchases and sales of financial assets subject to trade date accounting	0
7 Adjustments for eligible cash pooling transactions	0
8 Adjustments for derivative financial instruments	0
9 Adjustment for securities financing transactions (i.e. repos and similar secured lending)	0
10 Adjustment for off-balance sheet items (i.e. conversion to credit equivalent amounts of off-balance sheet exposures)	942,860
11 Adjustments for prudent valuation adjustments and specific and general provisions which have reduced Tier 1 capital	0
12 Other adjustments	(4,755,694)
13 Leverage ratio exposure measure	22,740,141

LR2: Leverage ratio disclosure template (simple consolidation without change)

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

R'000	As at 30 September 2024	As at 30 June 2024
On-balance sheet exposures		
1 On-balance sheet exposures (excluding derivatives and securities financing transactions (SFTs))	26,265,904	24,894,887
2 Gross-up for derivatives collateral provided where deducted from balance sheet assets pursuant to the operative accounting framework	0	0

R'000		As at 30 September 2024	As at 30 June 2024
3	(Deductions of receivable assets for cash variation margin provided in derivatives transactions)	0	0
4	(Adjustment for securities received under securities financing transactions that are recognised as an asset)	0	0
5	(Specific and general provisions associated with on-balance sheet exposures that are deducted from Basel III Tier 1 capital)	0	0
6	(Asset amounts deducted in determining Basel III Tier 1 capital)	(4,468,623)	(4,397,070)
7	Total on-balance sheet exposures (excluding derivatives and SFTs) (sum of row 1 and 2)	21,797,281	20,497,817
Derivative exposures			
8	Replacement cost associated with all derivatives transactions (where applicable net of eligible cash variation margin and/or with bilateral netting)	0	0
9	Add-on amounts for PFE associated with all derivatives transactions	0	0
10	(Exempted CCP leg of client-cleared trade exposures)	0	0
11	Adjusted effective notional amount of written credit derivatives	0	0
12	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)	0	0
13	Total derivative exposures (sum of rows 4 to 10)	0	0
Securities financing transaction exposures			
14	Gross SFT assets (with no recognition of netting) after adjusting for sale accounting transactions	0	0
15	(Netted amounts of cash payables and cash receivables of gross SFT assets)	0	0
16	CCR exposure for SFT assets	0	0
17	Agent transaction exposures	0	0
18	Total securities financing transaction exposures (sum of rows 12 to 15)	0	0
Other off-balance sheet exposures			
19	Off-balance sheet exposure at gross notional amount	9,428,600	8,854,520
20	(Adjustments for conversion to credit equivalent amounts)	(8,485,740)	(7,969,068)
21	"(Specific and general provisions associated with off-balance sheet exposures deducted in determining Tier 1 capital)"		
22	Off-balance sheet items (sum of row 17 and 18)	942,860	885,452
Capital and total exposures			
23	Tier 1 capital	1,400,283	1,470,477
24	Total exposures (sum of rows 3,11,16 and 19)	22,740,141	21,383,269
Leverage ratio			
25	Basel III Leverage ratio	6.16%	6.87%
25a	Basel III Leverage ratio (excluding the impact of any applicable temporary exemption of central bank reserves)	6.16%	6.87%
26	National minimum leverage ratio requirement	4.00%	4.00%
27	Applicable leverage buffers	2.16%	2.87%

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)
As at 30 September 2024				
R'000				
High-quality liquid assets				
1	Total HQLA	0	12,062,293	10,402,819
Cash outflows				
2	Retail deposits and deposits from small business customers, of which:	11,457,109	1,145,711	1,070,377
3	Stable deposits	0	0	0
4	Less stable deposits	11,457,109	1,145,711	1,070,377
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	0

As at 30 September 2024 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	8,697,267	217,452	64,912
14	Other contractual funding obligations	0	0	0
15	Other contingent funding obligations	0	0	0
16	TOTAL CASH OUTFLOWS	20,154,376	1,363,163	1,135,288
Cash inflows				
17	Secured lending (e.g. reverse repos)	0	0	0
18	Inflows from fully performing exposures	1,193,356	1,030,415	1,193,244
19	Other cash inflows	0	0	121,494
20	TOTAL CASH INFLOWS	1,193,356	1,030,415	1,314,738
Total Adjusted value		Total Adjusted value		
21	Total HQLA	12,062,293		10,402,819
22	Total net cash outflows	560,630		367,151
23	Liquidity Coverage Ratio (%)	2191%		2927%

The Liquidity Coverage Ratio (LCR) measures whether a bank has sufficient High-quality Liquid Assets (HQLA) to survive a significant stress scenario lasting 30 calendar days.

The LIQ1 table complies with the Pillar 3 requirements as stipulated by BCBS D400 (March 2017) and Directive D8. The values in the table are calculated as the average of the 90-day calendar daily values over the period July to September 2024 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 South African Bonds with a maturity profile up to 10 years as well as the surplus balance within the SAMOS account, based on the new Monetary Policy Implementation Framework (MPIF) model.

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
FRN	Floating Rate Note
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