



PILLAR III

PUBLIC DISCLOSURES

FOR THE QUARTER ENDED 31 MARCH 2019

Discovery Bank Limited and Discovery Bank Holdings Limited Group

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01 | Overview of Risk Management and Risk-Weighted Assets

1.1 | KMI: Key metrics (at consolidated Group level)

The section provides information on Discovery's prudential regulatory metrics. Metrics include Discovery Bank's available capital and ratios, Risk-Weighted Assets, Leverage ratios, Liquidity Coverage Ratios and Net Stable Funding Ratios.

R'000	As at 31 March 2019	As at 31 December 2018
Available capital (amounts)		
1 Common Equity Tier 1 (CET1)	278 992	2 943 843
1a Fully loaded ECL accounting model	0	0
2 Tier 1	278 992	2 943 843
2a Fully loaded ECL accounting model Tier 1	0	0
3 Total capital	279 285	2 943 927
3a Fully loaded ECL accounting model total capital	0	0
Risk-Weighted Assets (amounts)		
4 Total Risk-Weighted Assets (RWA)	1 318 655	4 005 965
Risk-based capital ratios as a percentage of RWA		
5 Common Equity Tier 1 ratio (%)	21.157%	73.487%
5a Fully loaded ECL accounting model Common Equity Tier 1 (%)	0	0
6 Tier 1 ratio (%)	21.157%	73.487%
6a Fully loaded ECL accounting model Tier 1 ratio (%)	0	0
7 Total capital ratio (%)	21.18%	73.489%
7a Fully loaded ECL accounting model total capital ratio (%)	0	0
Additional CET1 buffer requirements as a percentage of RWA		
8 Capital conservation buffer requirement (2.5% from 2019) (%)	2.5%	1.875%
9 Countercyclical buffer requirement (%)	0	0
10 Bank G-SIB and/or D-SIB additional requirements (%)	0	0
11 Total of Bank CET1 specific buffer requirements (%) (row 8 + row 9 + row 10)	2.5%	1.875%
12 CET1 available after meeting the Bank's minimum capital requirements (%)	12.407%	64.862%



R'000	As at 31 March 2019	As at 31 December 2018	
Basel III Leverage ratio			
13	Total Basel III Leverage ratio exposure measure	612 092	3 200 725
14	Basel III Leverage ratio (%) (row 2; row 13)	45.58%	91.97%
14a	Fully loaded ECL accounting model Basel III Leverage ratio (%) (row 2a; row 13)	0	0
Liquidity Coverage Ratio			
15	Total HQLA	106 409	120 957
16	Total net cash outflow	81	30
17	LCR ratio (%)	130 880.846%	402 786.510%
Net Stable Funding Ratio			
18	Total available stable funding	4 403 175	4 030 866
19	Total required stable funding	4 073 571	3 918 827
20	NSFR ratio	108	103



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

The section provides an overview of the Risk-Weighted Assets of Discovery Bank Limited and the 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 Mar 2019	As at 31 Dec 2018	As at 31 Mar 2019	As at 31 Mar 2019	As at 31 Dec 2018	As at 31 Mar 2019	
1	Credit risk (excluding counterparty credit risk) (CCR)	142 355	2 847 965	11 388	213 595	2 847 965	17 088
2	Of which: standardised approach (SA)	142 355	2 847 965	11 388	213 595	2 847 965	17 088
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)	13 450	25 537	1 076	13 450	25 537	1 076
7	Of which: standardised approach for counterparty credit risk (SA-CCR)	13 450	25 537	1 076	13 450	25 537	1 076
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)	9 689	20 025	775	9 689	20 025	775
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
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



R'000	Discovery Bank Limited			Discovery Bank Holdings Limited			
	RWA		Minimum capital requirement	RWA		Minimum capital requirement	
	As at 31 Mar 2019	As at 31 Dec 2018	As at 31 Mar 2019	As at 31 Mar 2019	As at 31 Dec 2018	As at 31 Mar 2019	
19	Of which: securitisation standardised approach (SEC-SA)	0	0	0	0	0	
20	Market risk	11 914	11 800	953	11 914	11 800	953
21	Of which: standardised approach (SA)	11 914	11 800	953	11 914	11 800	953
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	967 951	967 952	77 436	997 789	997 790	79 823
25	Amounts below the thresholds for deduction (subject to 250% risk-weight)	71 240	102 848	5 699	72 218	102 848	5 777
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)	1 216 599	3 976 127	97 328	1 318 655	4 005 965	105 492



02 | Leverage ratio

2.1 | LR1: Summary comparison of Accounting assets vs Leverage ratio exposure measure (January 2014 standard)

This table reconciles the total assets as published in the financial statements to the Leverage ratio exposure measure as reported at 31 March 2019.

R'000	As at 31 March 2019
1 Total consolidated assets as per published financial statements	3 955 931
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	7 062
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)	2 545
7 Other adjustments	(3 353 837)
8 Leverage ratio exposure measure	611 701

In the leverage calculation of the BA 700 table, credit impairment provisions are added back to the total assets line, and therefore the LR1 table aligns with this calculation methodology.



2.2 | LR2: Leverage ratio common disclosure template (January 2014 standard)

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

R'000	As at 31 March 2019	As at 31 December 2018	
On-balance sheet exposures			
1	On-balance sheet exposures [excluding derivatives and securities financing transactions (SFTs)]	3 949 543	3 747 403
2	(Asset amounts deducted in determining Basel III Tier 1 capital)	(3 353 837)	(573 072)
3	Total on-balance sheet exposures (excluding derivatives and SFTs) (sum of rows 1 and 2)	595 706	3 174 331
Derivative exposures			
4	Replacement cost associated with all derivatives transactions (where applicable net of eligible cash variation margin and/or with bilateral netting)	6 388	17 922
5	Add-on amounts for PFE associated with all derivatives transactions	7 062	7 615
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)	13 450	25 537
Securities financing transaction exposures			
12	Gross SFT assets (with no recognition of netting), after adjusting for sale accounting transactions	0	0
13	(Netted amounts of cash payables and cash receivables of gross SFT assets)	0	0
14	CCR exposure for SFT assets	0	0
15	Agent transaction exposures	0	0
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	12 725	4 285
18	(Adjustments for conversion to credit equivalent amounts)	(10 180)	(3 428)
19	Off-balance sheet items (sum of rows 17 and 18)	2 545	857



R'000	As at 31 March 2019	As at 31 December 2018
Capital and total exposures		
20 Tier 1 capital	274 694	2 939 936
21 Total exposures (sum of rows 3, 11, 16 and 19)	611 701	3 200 725
Leverage ratio		
22 Basel III Leverage ratio	45	92



03 | Liquidity

3.1 | LIQ1: Liquidity Coverage Ratio (LCR)

Table LIQ1 shows the breakdown of Discovery Bank's expected cash outflows and cash inflows, as well as its available High-Quality Liquid Assets (HQLA), as measured and defined according to the LCR standard.

As at 31 March 2019	Current reporting period		Previous reporting period
	Total unweighted (average)	Total weighted (average)	Total weighted (average)
High-quality liquid assets			
1 Total HQLA	0	106 409	120 957
Cash outflows			
2 Retail deposits and deposits from small business customers, of which:	1 529	153	78
3 Stable deposits	0	0	0
4 Less stable deposits	1 529	153	78
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	1
12 Outflows related to loss of funding on debt products	0	0	0
13 Credit and liquidity facilities	6 869	172	41
14 Other contractual funding obligations	0	0	0
15 Other contingent funding obligations	0	0	0
16 TOTAL CASH OUTFLOWS	8 398	325	119



As at 31 March 2019	Current reporting period		Previous reporting period
	Total unweighted (average)	Total weighted (average)	Total weighted (average)
Cash inflows			
17 Secured lending (e.g. reverse repos)	0	0	0
18 Inflows from fully performing exposures	222 924	222 862	282 796
19 Other cash inflows	4	4	2
20 TOTAL CASH INFLOWS	222 928	222 866	282 798
		Total adjusted value	Total adjusted value
21 Total HQLA	0	106 409	120 957
22 Total net cash outflows	0	81	30
23 Liquidity Coverage Ratio (%)	0	187 445.57%	662 461.41%

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 III requirements as stipulated by BCBS d400 (March 2017) and Directive D1 – 2018.

The values in the table are calculated as the average of the 90-day calendar daily values over the period January to March 2019, 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 HQLA's 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):

To date, the HQLA's held by Discovery Bank are treasury bills, spread across 91, 182, 274 and 364 days.

As per the reporting date, Discovery Bank has not launched to the public therefore the LCR values would not have a true reflection of the required ratio.



04 | Abbreviations

Abbreviation	Definition
A-IRBA	Advanced internal ratings-based approach
AML	Anti-Money Laundering
ASF	Available Stable Funding
BASA	Banking Association of South Africa
BCBS	Basel Committee on Banking Supervision
CCR	Counterparty Credit Risk
CET1	Common Equity Tier 1
CFT	Countering Financing of Terrorism
CRM	Credit Risk Mitigation
CVA	Credit Valuation adjustment
ECL	Expected Credit Loss
D-SIB	Domestic Systemically Important Banks
F-IRB	Foundation internal ratings-based approach
G-SIB	Global Systemically Important Banks
HQLA	High-Quality Liquid Assets
IAA	Internal Assessment Approach
IMA	Internal model approach
IMM	Internal model method
IRB	Internal Ratings-Based
LCR	Liquidity Coverage Ratio
MDB	Multilateral development banks
NSFR	Net stable funding ratio
PA	Prudential Authority of South Africa
PASA	Payments Association of South Africa
PSE	Public Sector entities
RSF	Required Stable Funding
RWA	Risk-Weighted Assets
SAMOS	South African Multiple Option Settlement
STA	Standardised Approach
SA-CCR	Standardised Approach for Counterparty Credit Risk
SEC-ERBA	Securitisation external ratings-based approach
SEC-IRBA	Securitisation internal ratings-based approach
TLAC	Total loss absorbing capacity
VISA	Visa International Service Association



