# BASEL PILLAR III DISCLOSURE AS AT 30 JUNE 2023

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# About us

Tyme Bank was officially registered as a bank by the Prudential Authority of the South African Reserve Bank (SARB) in September 2017. Following a period of testing, the Bank was officially launched to the public in February 2019.

Tyme Bank has embraced technology and partnerships to deliver innovative digital banking products to the market utilising the Pick ‘n Pay, Boxer and The Foschini Group stores as a distribution network. The Bank’s vision is to create long-term value for its people, customers, and shareholders by leveraging the bank’s core capabilities, with technology being at the forefront of this. Since public launch the Bank has amassed over 7.3 million customers. Consistent with its strategy, The Bank operates responsibly in taking well-researched and managed risks to grow and create sustained top-tier shareholder value.

The Bank’s purpose is to promote participation in the economy and to improve customer financial wellbeing by providing affordable access to financial services and products embedded with education and training. We are committed to treating customers fairly, in a transparent and consistent manner, while promoting a corporate culture of ensuring our behaviour and actions places the customer at the centre of everything we do. Doing the “right thing” remains ingrained in the Bank’s ethos and hence a focus on conduct and the management of conduct risk within the business, is paramount.

# Scope

In terms of Regulation 43(1) of the Regulations relating to Banks, the Bank is required to disclose to the public, reliable, relevant and timely qualitative and quantitative information to enable users to assess the group's capital position and financial condition. In this regard the Basel Committee on Banking Supervision (BCBS) issued a revised Pillar III framework in January 2015, a consolidated and enhanced framework in March 2017 as well as the updated framework on Pillar III disclosure requirements in December 2018. The Prudential Authority (the PA) consolidated the Basel Pillar III disclosure requirements through Directive 1/2019 (the Directive) to ensure that the internationally agreed framework is fully implemented in South Africa.

This document complies with the requirements of the directive and provides information on the market, capital adequacy, risk-weighted assets (RWAs), calculations for credit and operational risks for the period under review viz. July 2022 to June 2023.

All Tyme Bank entities are reported under the Basel III Standardised Approach and fully consolidated in line with regulatory and International Financial Reporting Standards (IFRS) requirements. There is no difference between the balance sheet and the balance sheet under the scope of regulatory consolidation, as the Group does not contain any insurance or other entities which are to be excluded from the regulatory consolidation in terms of regulations 36(7)(a)(iii) and 36(10)(c)(ii) of the Regulations relating to Banks. Any differences noted relate to timing of final audit adjustments and the submission of the year end Regulatory Returns. The effect of these adjustments on the Prudential Ratios included in this report are immaterial.

The Group's consolidated requirements are also reported in line with Section 42 of the Banks Act and the minimum standards in respect of consolidated supervision prescribed by Regulation 36 and in compliance with all directives, instructions and requirements relating to the Bank.

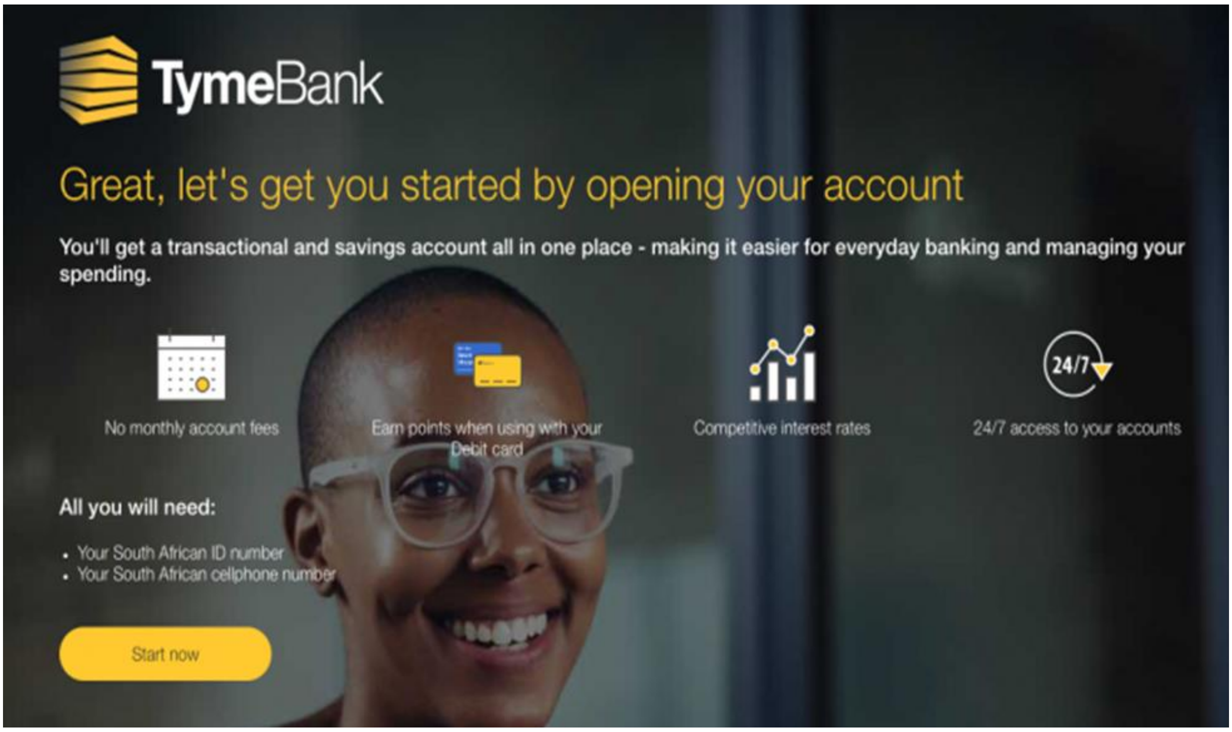
For the period under review, the Bank has not undertaken any securitisation transactions and does not have counterparty credit risk exposures relating to derivatives. For this reason, disclosures relating to these activities are not applicable and have been excluded from this report.

For the period under review, the Group continues to maintain a robust capital, liquidity, and funding position. Throughout the period, the Common Equity Tier 1 capital (CET1) ratio was consistently more than the regulatory minimum capital adequacy requirements.

The Pillar III disclosures are published on Tyme Bank's website in line with the required frequency of disclosures per the Directive. These disclosures are also supplemented by further disclosures on the financial results included in the Annual Financial Statements that are available on www.tymebank.co.za.

## Assurance

This document is prepared in accordance with Tyme Bank's Public Disclosure Policy and has been reviewed by Senior Management, Internal Audit, and members of Executive Committee (EXCO). For the reporting period, management is satisfied that this document provides an accurate view of the Bank's capital position and that the bank is capitalised above the prescribed regulatory required capital limits as well as the Board of Directors (the Board) approved Risk Appetite Statement (RAS) and trigger limits.



# 1. Group Structure & Ownership

During the current financial year, the Tyme Global Group ("Tyme Global") introduced new holding companies for the South African and international businesses in Tyme Global. As a result, all shareholders in Tyme Bank Holdings Limited became shareholders in Tyme SA Holdings Proprietary Limited, a South African domiciled entity and Tyme Group Pte. Ltd, incorporated in Singapore. Tyme Bank Holdings has two shareholders, namely Tyme SA Holdings Proprietary Limited and Tyme Group Pte. Ltd. Tyme Bank's ultimate shareholder, namely Ubuntu-Botho Investments, remains unchanged. Tyme Holdings Proprietary Limited holds 55.26% of the Group's equity while Tyme Group Pte. Ltd (Singapore) holds 44.74%. The table below summarises the shareholding of the Group as at 30 June 2023 compared to the previous year.

| | 2023 | 2022 |
|---|---|---|
| African Rainbow Financial Services Holdings Proprietary Limited | - % | 50.03 % |
| African Fig Tree Proprietary Limited | - % | 8.44 % |
| Apis Growth II (Tiger Lily) Pte. Ltd. | - % | 16.68 % |
| Bag End Holding Limited (Roger Robert Grobler) | - % | 1.03 % |
| CDC Group PLC | - % | 3.36 % |
| Ethos Artificial Intelligence GP SA Proprietary Limited | - % | 3.43 % |
| Iconyc One Limited & FoundersFund Tyme | - % | 0.47 % |
| Image Frame Investment (HK) Limited (Tencent) | - % | 7.26 % |
| JG Digital Capital Pte. Ltd. | - % | 2.09 % |
| Nicolitha Proprietary Limited | - % | 0.74 % |
| PLC Number 2 | - % | 2.03 % |
| Proche I Investments Limited (Nicolas Godfrey Kohler) | - % | 0.11 % |
| Thriving Galaxy Holdings Limited | - % | 2.50 % |
| TymeGlobal ESOP | - % | 1.83 % |
| Tyme SA Holdings Proprietary Limited | 55.26 % | - % |
| Tyme Group Pte. Ltd (Singapore) | 44.74 % | - % |
| | **100.00 %** | **100.00 %** |

**Acquisition of Retail Capital**

Tyme Bank Holdings Limited acquired award-winning fintech funder Retail Capital Limited ("Retail Capital") with effect from 15 December 2022 in order to bolster the Bank's banking business offering. The Bank subsequently acquired the business of Retail Capital from Tyme Bank Holdings Proprietary Limited. Retail Capital is now a division of the Bank and offers turnover-based lending to small and medium-sized businesses.

Retail Capital funding expertise has been combined with the Bank's deposit base and operations to serve a broader customer and continued to progress towards its long-term financial target.

Tyme Bank Limited is the banking entity within the Group and contributes 100% to the total consolidated balance sheet and risk-weighted assets (RWA).

The Bank is reported under the Basel III Standardised Approach and IFRS requirements are applied within the Group.

The capital adequacy of Tyme Bank is not diluted by any minority shareholders or investments and all equity injected into the business qualifies 100% towards regulatory capital. Capital adequacy is measured against standards prescribed and approved risk measurement approaches, as reflected in the table below.

| Risk type | Risk measurement approach |
|---|---|
| Credit risk | Standardised approach |
| Counterparty credit risk (CCR) | Not applicable |
| Securitisation risk | Not applicable |
| Market risk | Standardised approach |
| Equity risk | Look-through approach |
| Operational risk | Basic Indicator Approach |

The Bank ensures that its plans and controls are adequate to manage all major risks, i.e.:

- Commercial/ business risk
- credit risk
- market risk
- liquidity risk
- operational risk
- reputational/ conduct risk
- compliance/ regulatory risk
- cyber risk
- systemic risk

# 2. Key metrics (at consolidated level) LI1

The table below provides an overview of the key regulatory metrics relating to the Group's capital adequacy ratios, risk-weighted assets, leverage ratio, liquidity coverage ratio, and net stable funding ratio.

**KM1 (Group): Key metrics (at consolidated group level)**

| | | Group | | | | |
|---|---|---|---|---|---|---|
| **At 30 June 2023** | | **a** | **b** | **c** | **d** | **e** |
| **R'000** | | **30-Jun-23** | **31-Mar-23** | **31-Dec-22** | **30-Sep-22** | **30-Jun-22** |
| **Available capital (amounts)** | | | | | | |
| 1 | Common Equity Tier 1 (CET1) | 720,570 | 461,167 | 569,061 | 433,939 | 709,854 |
| 1a | Fully loaded ECL accounting model | 720,570 | 461,167 | 569,061 | 433,939 | 709,854 |
| 2 | Tier 1 | 720,570 | 461,167 | 569,061 | 433,939 | 709,854 |
| 2a | Fully loaded accounting model Tier 1 | 720,570 | 461,167 | 569,061 | 433,939 | 709,854 |
| 3 | Total capital | 738,460 | 478,667 | 584,834 | 434,260 | 709,986 |
| **Risk-weighted assets (amounts)** | | | | | | |
| 4 | Total risk-weighted assets (RWA) | 2,757,309 | 2,285,532 | 2,178,207 | 648,191 | 500,903 |
| **Risk-based capital ratios as a percentage of RWA** | | | | | | |
| 5 | Common Equity Tier 1 ratio (%) | 26.13 | 20.18 | 28.70 | 66.95 | 141.71 |
| 5a | Fully loaded ECL accounting model CET1 (%) | 26.13 | 20.18 | 28.70 | 66.95 | 141.71 |
| 6 | Tier 1 ratio (%) | 26.13 | 20.18 | 28.70 | 66.95 | 141.71 |
| 6a | Fully loaded ECL accounting model Tier 1 ratio (%) | 26.13 | 20.18 | 28.70 | 66.95 | 141.71 |
| 7 | Total capital ratio (%) | 26.78 | 20.94 | 29.50 | 67.00 | 141.74 |
| 7a | Fully loaded ECL accounting model total capital ratio (%) | 26.78 | 20.94 | 29.50 | 67.00 | 141.74 |
| **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 (%) | - | - | - | - | - |
| 10 | Bank D-SIB additional requirements (%) | - | - | - | - | - |
| 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 (%) 1 | 15.63 | 9.68 | 18.20 | 59.45 | 134.21 |
| **Basel III Leverage Ratio** | | | | | | |
| 13 | Total Basel III leverage ratio measure | 5,119,265 | 4,449,698 | 4,597,345 | 4,301,816 | 4,197,350 |
| 14 | Basel III leverage ratio (%) (row 2/row 13) | 14.08 | 10.36 | 12.38 | 10.09 | 16.91 |
| 14a | Fully loaded ECL accounting model Basel III leverage ratio (%) (row 2A/row 13) | 14.08 | 10.36 | 12.38 | 10.09 | 16.91 |
| **Liquidity Coverage Ratio** | | | | | | |
| 15 | Total HQLA | 2,956,730 | 2,320,214 | 3,028,547 | 3,409,559 | 2,787,642 |
| 16 | Total net cash outflow | 208,264 | 167,971 | 85,841 | 78,131 | 71,054 |
| 17 | LCR ratio (%) 2 | 1,420 | 1,381 | 3,528 | 4,364 | 3,923 |
| **Net Stable Funding Ratio** | | | | | | |
| 18 | Total available stable funding | 12,318,545 | 11,392,828 | 11,282,721 | 9,772,663 | 9,465,532 |
| 19 | Total required stable funding | 8,192,330 | 7,931,729 | 7,779,604 | 6,538,533 | 6,262,759 |
| 20 | NSFR ratio (%) 3 | 150 | 144 | 145 | 149 | 151 |

# 3. Explanation of differences between financial statements & regulatory exposure amounts

The tables below provide a breakdown of how the amounts reported in the Annual Financial Statements correspond to the regulatory risk categories.

**LI1 (Group): Differences between accounting and regulatory scopes of consolidation and mapping of financial statement categories with regulatory risk categories**

| At 30 June 2023 | Group | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| R'000 | a | b | c | d | e | f | g | h |
| | | | Carrying values of items subject to: | | | | | |
| | Published financial statements | Regulatory scope of consolidation | Credit risk | Counterparty credit risk | Securitisation | Market risk | Other Assets | Not subject to capital requirements or subject to capital deduction |
| **Assets** | | | | | | | | |
| Property, plant and equipment | 113 665 | 128 536 | | | | | 128 536 | |
| Right of use asset | 32 128 | | | | | | | |
| Goodwill and other intangible assets | 1 020 701 | 1 176 528 | | | | | | 1 176 528 |
| Trade and other receivables | 195 808 | 197 434 | | | | | 197 434 | |
| Financial assets | 1 908 530 | 1 584 625 | 1 584 625 | | | | | |
| Inventories | 40 111 | | | | | | | |
| Current tax receivable | 10 817 | | | | | | | |
| Customer advances | 1 668 352 | 1 594 549 | 1 594 549 | | | | | |
| Cash and cash equivalents | 1 681 388 | 1 774 416 | | | | | 1 774 416 | |
| **Total assets** | **6 671 500** | **6 456 088** | **3 179 174** | **-** | **-** | **-** | **2 100 386** | **1 176 528** |
| | | | | | | | | |
| **Equity and Liabilities** | | | | | | | | |
| Share capital | 1 271 990 | 8 065 763 | | | | | | 8 065 763 |
| Share premium | 6 749 575 | - | | | | | | - |
| Reserves | 559 823 | 559 823 | | | | | | 559 823 |
| Accumulated loss | (6 840 706) | (6 728 488) | | | | | | (6 728 488) |
| **Total equity** | **1 740 682** | **1 897 098** | **-** | **-** | **-** | **-** | **-** | **1 897 098** |
| | | | | | | | | |
| Trade and other payables | 817 765 | 410 827 | | | | | | 410 827 |
| Current Tax liability | - | - | | | | | | - |
| Lease liabilities | 33 295 | 15 856 | | | | | | 15 856 |
| Provisions | 74 738 | 74 739 | | | | | | 74 739 |
| Deposits received from customers | 4 005 020 | 4 057 568 | | | | | | 4 057 568 |
| **Total liabilities** | **4 930 818** | **4 558 990** | **-** | **-** | **-** | **-** | **-** | **4 558 990** |
| | | | | | | | | |
| **Total equity and liabilities** | **6 671 500** | **6 456 088** | **-** | **-** | **-** | **-** | **-** | **6 456 088** |

**Note: Difference relate to timing between audit adjustments subsequent to regulatory reporting**

## LI1 (Bank): Differences between accounting and regulatory scopes of consolidation and mapping of financial statement categor ies with regulatory risk categories

| At 30 June 2023 | Bank | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| R'000 | a | b | c | d | e | f | g | h |
| | | | Carrying values of items subject to: | | | | | |
| | Published financial statements | Regulatory scope of consolidation | Credit risk | Counterparty credit risk | Securitisation | Market risk | Other Assets | Not subject to capital requirements or subject to capital deduction |
| **Assets** | | | | | | | | |
| Property, plant and equipment | 113 665 | 128 536 | | | | | 128 536 | |
| Right of use asset | 32 128 | | | | | | | |
| Goodwill and other intangible assets | 1 020 701 | 4 096 | | | | | | 4 096 |
| Trade and other receivables | 193 852 | 197 231 | | | | | 197 231 | |
| Financial assets | 1 908 530 | 1 584 625 | 1 584 625 | | | | | |
| Inventories | 40 111 | | | | | | | |
| Current tax receivable | 10 641 | | | | | | | |
| Customer advances | 1 668 352 | 1 593 180 | 1 593 180 | | | | | |
| Cash and cash equivalents | 1 680 019 | 1 774 416 | | | | | 1 774 416 | |
| **Total assets** | **6 667 999** | **5 282 084** | **3 177 805** | **-** | **-** | **-** | **2 100 183** | **4 096** |
| | | | | | | | | |
| **Equity and Liabilities** | | | | | | | | |
| Share capital | 1 144 989 | 7 189 820 | | | | | | 7 189 820 |
| Share premium | 6 044 831 | - | | | | | | - |
| Reserves | 1 186 232 | 99 821 | | | | | | 99 821 |
| Accumulated loss | (6 636 671) | (6 550 245) | | | | | | (6 550 245) |
| **Total equity** | **1 739 381** | **739 396** | **-** | **-** | **-** | **-** | **-** | **739 396** |
| | | | | | | | | |
| Trade and other payables | 815 564 | 410 381 | | | | | | 410 381 |
| Lease liabilities | 33 295 | - | | | | | | - |
| Provisions | 74 739 | 74 739 | | | | | | 74 739 |
| Deposits received from customers | 4 005 020 | 4 057 568 | | | | | | 4 057 568 |
| **Total liabilities** | **4 928 618** | **4 542 688** | **-** | **-** | **-** | **-** | **-** | **4 542 688** |
| | | | | | | | | |
| **Total equity and liabilities** | **6 667 999** | **5 282 084** | **-** | **-** | **-** | **-** | **-** | **5 282 084** |

Note: Difference relate to audit adjustments subsequent to regulatory reporting

The tables below provide information on the main sources of differences between the financial statements' carrying value amounts and the exposure amounts used for regulatory purposes.

**LI2 (Group): Main sources of differences between regulatory exposure amounts and carrying values in financial statements.**

| At 30 June 2023<br>R'000 | Group | | | | |
|---|---|---|---|---|---|
| | a | b | c | d | e |
| | | Items subject to: | | | |
| | Total | Credit risk framework | Securitisation framework | Counterparty credit risk framework | Market risk framework |
| 1 Asset carrying value amount under scope of regulatory consolidation (as per template LI1) | 6 456 088 | 5 279 560 | - | - | - |
| 2 Liabilities carrying value amount under regulatory scope of consolidation (as per template LI1) | 4 558 990 | - | - | - | - |
| **3 Total net amount under regulatory scope of consolidation** | **1 897 098** | **5 279 560** | | | **-** |
| 4 Off-balance sheet amounts | | | | | |
| 5 Differences in valuations | | | | | |
| 6 Differences due to different netting rules, other than those already included in row 2 | | | | | |
| 7 Differences due to consideration of provisions | | | | | |
| 8 Differences due to prudential filters | | | | | |
| **9 Exposure amounts considered for regulatory purposes** | **1 897 098** | **5 279 560** | **-** | **-** | **-** |

**LI2 (Bank): Main sources of differences between regulatory exposure amounts and carrying values in financial statements.**

| At 30 June 2023<br>R'000 | a | b | c | d | e |
|---|---|---|---|---|---|
| | | Items subject to: | | | |
| | Total | Credit risk framework | Securitisation framework | Counterparty credit risk framework | Market risk framework |
| 1 Asset carrying value amount under scope of regulatory consolidation (as per template LI1) | 5 282 084 | 5 277 988 | - | - | - |
| 2 Liabilities carrying value amount under regulatory scope of consolidation (as per template LI1) | 4 542 688 | - | - | - | - |
| **3 Total net amount under regulatory scope of consolidation** | **739 396** | **5 277 988** | **-** | **-** | **-** |
| 4 Off-balance sheet amounts | | | | | |
| 5 Differences in valuations | | | | | |
| 6 Differences due to different netting rules, other than those already included in row 2 | | | | | |
| 7 Differences due to consideration of provisions | | | | | |
| 8 Differences due to prudential filters | | | | | |
| **9 Exposure amounts considered for regulatory purposes** | **739 396** | **5 277 988** | **-** | **-** | **-** |

Key metrics are monitored daily and incorporated as part of the Bank's additional early warning indicators (EWIs) to ensure the continuous monitoring and evaluation of the Bank's liquidity and capital adequacy positions. This is also part of the Bank's going-concern planning through the Contingency Funding Plan (CFP), the Business Continuity Plan (BCP) as well as the Bank's Recovery Plan strategies and processes.

The Group consolidated requirements are reported in line with Section 42 of the Banks Act and the minimum standards in respect of consolidated supervision prescribed by Regulation 36 and in compliance with all Directives, instructions and requirements relating to the Bank. Tyme Bank Limited (Bank Solo) is the only banking entity in the Group, and ratios pertaining to the group are therefore driven off the inflows and outflows from the Bank.

# 4. Overview of Risk Management

The Bank seeks to establish a culture of disciplined risk-taking that enables the bank to deliver long-term value for its people, customers, and shareholders.

A strong risk culture supports the effective application of the risk appetite. To ensure a strong risk culture we:

- acknowledge risk;
- maintain a risk-aware mindset;
- communicate in a timely manner with honesty and transparency;
- speak up when detecting potential issues and risks;
- are accountable for data quality; and
- promote and embed a strong risk culture.

The Bank's risk appetite is influenced by and should be read in the context of its:

- vision of enhancing economic participation and inspiring financial well-being;
- values of customer obsession, empowerment, ownership, innovation, and compassion; and
- standards of professional practice set out in stated corporate commitments.

The Risk Appetite Statement (RAS) articulates the high-level boundaries for the type and degree of risk that the board is willing to accept for its shareholders. Risk appetite is a central and essential element of Tyme Bank's Enterprise Risk Management Framework (ERMF). Risk appetite is managed through limits and tolerances based on prescribed regulatory requirements for Tyme Bank and internally set limits, as identified in respective policies.

The Board directs management on its risk-taking activities in the context of the bank's business strategy, by means of the RAS, which articulates:

- ***Risk appetite:*** *the degree of risk we are prepared to accept, expressed in terms of key business outcomes, and taking into consideration the interests of all stakeholders.*
- ***Risk tolerances:*** *for each business outcome, the maximum level of risk that we are willing to operate within.*
- ***Risk limits and triggers:*** *for each material risk type, management limits designed to cascade our risk appetite and risk tolerances to a day-to-day management level, with corresponding trigger levels for early intervention.*

Tyme Bank – Risk Governance Structure

- The key components of the corporate governance structure for risk management are illustrated in the diagram below.
- Governance is considered as one of the four key Operational Elements of the Risk Management Framework.

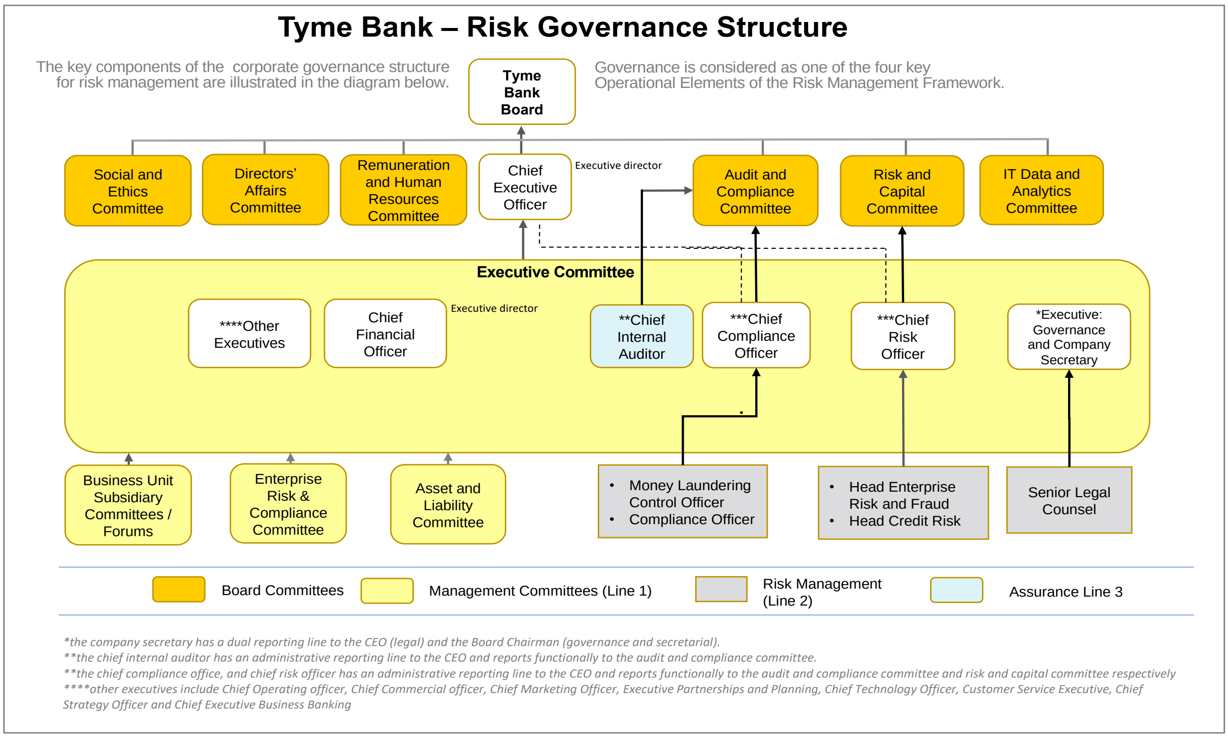



**Figure 2: Risk Governance Structure**

Risk governance originates at board level, and cascades through the Chief Executive Officer (CEO) to Tyme Bank via policies, delegated authorities, and regular review of outcomes. This is underpinned by a clear segregation of duties and enables board-level oversight. Independent review of the Enterprise Risk Management Policy and its implementation is carried out by Tyme Bank's Internal Audit function, as appropriate.

The Chief Risk Officer (CRO) has ultimate responsibility for the oversight of all risk classes within Tyme Bank, with support from the Chief Compliance Officer, who ensures that regulatory requirements are always complied with. To ensure the required focus on compliance-related matters, the Chief Compliance Officer reports directly to the CEO and is accountable for managing all compliance and anti-money-laundering risks. Risk governance is undertaken by a structured hierarchy of committees and forums, each with specific accountabilities. With the introduction of a 'Twin Peaks' model into the South African Regulatory framework, the focus and management of conduct risk has increased. We are committed to treating customers fairly, in a transparent and consistent manner, while promoting a corporate culture of ensuring our behaviour and actions put the customer at the centre of everything we do. Doing the "right thing" is paramount for Tyme Bank.

The Risk and Capital Management Committee is a sub-committee of the Tyme Bank Holdings and Tyme Bank boards, responsible for overseeing and advising the board on risk appetite and the risk management framework. Furthermore, this committee monitors the risk profile of Tyme Bank; endorses board-level policies (including limits) in respect of key risk types as determined by the board, and monitors compliance with delegations. The Board Audit and Compliance Committee monitors the management of all risk types including regulatory and compliance risks. The Enterprise Risk and Compliance Committee (ERCC) is a management committee that ensures the implementation of Tyme Bank's board-level policies (including limits) in respect of key risk types as determined by the board; it implements delegations to support the strategy and risk appetite and monitors compliance with delegations.

The Board Information Technology (IT), Data and Analytics Committee is responsible for providing strategic guidance and risk oversight relating to Information Technology, data, and analytics.

Tyme Bank operates using the 'Three Lines of Defence' model to ensure that risks are identified, managed, and monitored. The three lines of defence are:

- business management (Line 1),
- risk management (Line 2), and
- audit and assurance (Line 3).

The first line of defence is business management. As risk is best managed at the place it occurs, business managers are responsible and accountable for managing the risks for their business. The risk management team, as Line 2, provides risk-management expertise and oversight for business management's risk-related activities. Line 3 is the internal audit function, who provide independent assurance regarding the adequacy and effectiveness of Tyme Bank's system of internal controls, risk management, and governance procedures and processes. As part of the 3rd line of defence external resources which include External audit, is used by Internal Audit to provide assurance in certain areas where a high degree of specialist knowledge is required.

The level of risk accepted is managed through the Enterprise Risk Management Framework (ERMF), which is illustrated in the diagram below. The ERMF ensures that the degree of risk the bank is willing to accept, as determined by the RAS, is in line with Tyme Bank's strategic plan and is executed through the Risk Management Approach. The Risk Management Approach is underpinned by the foundation components, together with key operational elements and the Tyme Bank approach for each risk type identified as material. The material risk types consist of the following:

- **commercial/ business risk:** the financial risk arising from offering the inappropriate customer solutions, not successfully executing on key initiatives and the inability to attract the right customer profile to improve and diversify revenue.
- **credit risk**: the risk arising from counterparties because of credit extension.
- **market risk**: the potential of an adverse impact on earnings from changes in interest rates, foreign exchange rates, equity and commodity prices, credit spreads, and any market risk leases or loan exposures.
- **Interest rate risk in the banking book (IRRBB**) defined as the current or perspective risk to the bank's capital and earnings arising from adverse movements in the interest rates that affect the institutions banking book positions.
- **liquidity risk**: the risk arising from potential mismatches in funding requirements in both the banking and trading book. Note that the trading book is not applicable to Tyme Bank at present.
- **operational risk**: the risk of loss resulting from inadequate or failed internal processes, people, and systems, or from external events.
- **reputational/conduct risk**: the risk of loss through not delivering on commitments, or through operating and behaving in a manner that adversely impacts the bank's customers, shareholders, staff, or reputation.
- **Compliance/ regulatory risk**: the risk of potentially contravening any applicable laws or regulations.
- **cyber risk**: the potential damage or losses arising from unauthorised access to Tyme Bank systems.

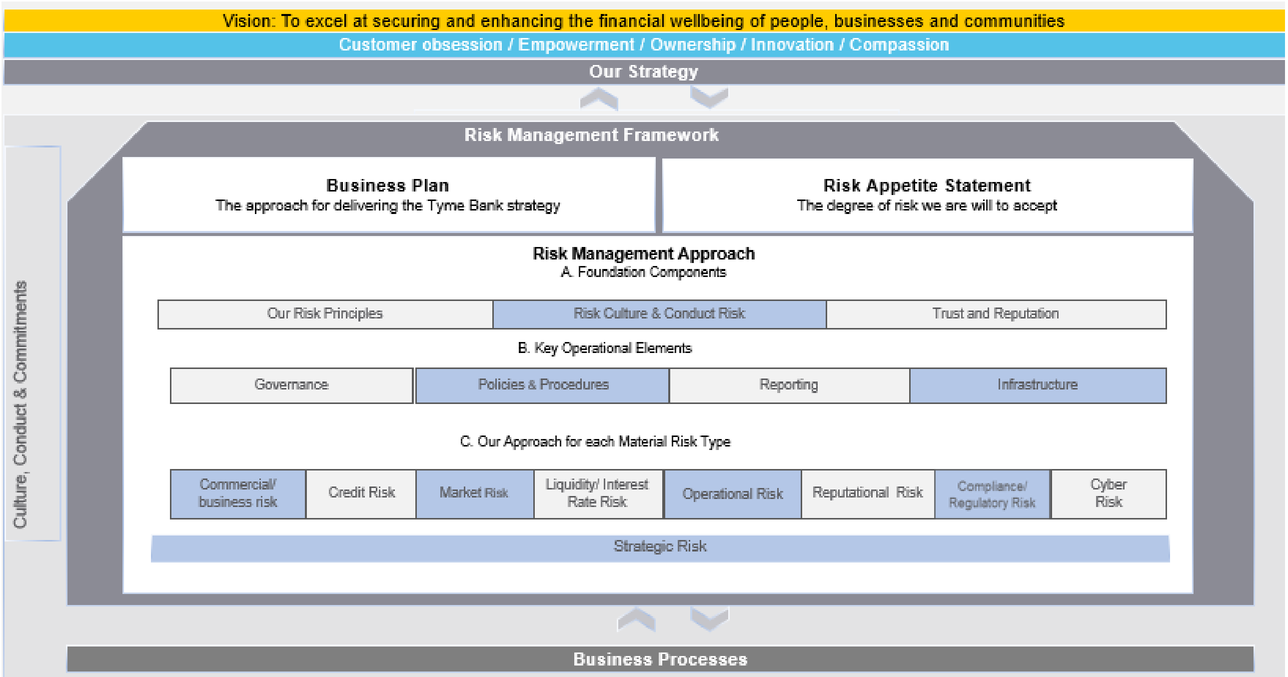



Figure 3: Enterprise Risk Management Framework

- The RAS and Top 10 risks facing the Bank are formally reviewed on an annual basis and approved by the board.
- Reporting is designed to provide the board and senior management with a comprehensive view of the current material risks that Tyme Bank faces, as well as any emerging risks that may require Tyme Bank to amend its strategy or approach.

# 5. Credit Risk

The Bank has a comprehensive and effective Risk Management Framework, of which the Credit Risk Framework (CRF) is part. The purpose of the CRF document is to provide an overview of the key components of credit risk management activities and how they support Tyme Bank in achieving its strategic goals, through comprehensive identification, assessment, mitigation, monitoring, management, and reporting of credit risk.

Credit risk at a portfolio level includes the management of concentration risk arising from interdependencies between customers (large credit exposures) and concentrations of exposures to geographical regions, industry sectors, and products or portfolio types. Concentration risk is managed from a number of perspectives and whilst the credit portfolio is heavily weighted towards SME lending, concentrations within the different product portfolios are managed through the setting of either board risk appetite limits for material risks or KRI's, managed and tracked at ERCC level for less material risks. Limits have been set for exposures to D-SIB banks, non-D-SIB banks and Asset Managers individually, per category and also on a combined basis. Larger customer exposures, above R5m are assessed at the Credit Approval and Large Exposures Committee and those above R10m are tabled for Board approval.

The Bank calculates its risk exposures arising from large exposures to a single obligor and groups of related obligors, expressed as a percentage of its qualifying capital requirement (QCR), as required by the Credit Concentration Framework, and defined within the Credit Risk Policy (CRP). Exposures to banks and Asset Managers are internally monitored daily and reported to the Asset and Liability Committee (ALCO) on a monthly basis, as well as to the PA in line with regulatory requirements and the CRF. Large Exposures to clients defined as lending >R10m is reported to the ERCC monthly and also reviewed at the Large Exposures Credit Approval Committee (CALEC) and reported at Board level.

Credit risk arises from the Bank's current activities, consisting of interbank placements, minimum reserving requirements, investing in Treasury Bills and Government Bonds for liquid asset requirements and lending to SME's and consumers. The lending products include Merchant Cash Advances which offer working capital finance to small and medium business owners and a small portfolio of consumer lending, made up of personal loans, buy-now-pay-later (MoreTyme), early grant access (GrantAdvance) and early salary access (TymeAdvance) portfolios. The Merchant Cash Advance is by far the largest exposure and emanated with the acquisition of Retail Capital in December 2022. Personal Loans were re-launched in December 2022 after testing of the product was stopped in early 2020 due to the onset of COVID-19. The bank is now scaling lending on a measured basis as acceptable risk outcomes are realised. As part of the Bank's prudent risk management approach, the organisation launched a Buy-Now-Pay-Later (BNPL) product, called MoreTyme, in the market and has built up a small portfolio in this regard. MoreTyme allows a customer to purchase a product by paying a third of the purchase value upfront and settling the remaining balance in two equal instalments. This product is essentially free to the customer as no interest or fees are charged provided the customer does not default. The smaller exposure and short outcome period of the product does reduce the capital requirements and will enable the bank to validate models and identify lower risk customers quicker.

For regulatory capital purposes, the standardised approach has been adopted to determine RWA on credit exposure. A prudent approach has been adopted in raising of impairments on the Bank's lending products and is aligned with IFRS 9 requirements.

Limits have been set in order to govern the authority of management with regards to the amount of credit provided to a single obligor, or group of related obligors in order to prevent concentration risk. This limits the risk of catastrophic loss through over-exposure due to the failure of a single borrower, or group of related borrowers and/or guarantors (obligors).

## 5.1 Credit Quality of Assets

The following tables reflect the credit quality of both on- and off-balance-sheet assets and the impact of impairments as of 30 June 2023.

**CR1 (Group): Credit Quality of assets**

| At 30 June 2023<br>R'000 | | Group | | | |
|---|---|---|---|---|---|
| | | a | b | c | d |
| | | Carrying values of | | Allowances/ impairments | Net values (a+b-c) |
| | | Defaulted exposures | Non-defaulted exposures | | |
| 1 | Loans | 4 601 | 1 910 538 | 160 295 | 1 754 844 |
| 2 | Debt securities | - | 1 584 863 | 238 | 1 584 625 |
| 3 | Off-balance sheet exposures | - | 892 232 | - | 892 232 |
| **4** | **Total** | **4 601** | **4 387 633** | **160 533** | **4 231 701** |

**CR1 (Bank): Credit Quality of assets**

| At 30 June 2023<br>R'000 | | Bank | | | |
|---|---|---|---|---|---|
| | | a | b | c | d |
| | | Carrying values of | | Allowances/ impairments | Net values (a+b-c) |
| | | Defaulted exposures | Non-defaulted exposures | | |
| 1 | Loans | 4 601 | 1 909 169 | 160 295 | 1 753 475 |
| 2 | Debt securities | - | 1 584 863 | 238 | 1 584 625 |
| 3 | Off-balance sheet exposures | - | 892 232 | - | 892 232 |
| **4** | **Total** | **4 601** | **4 386 264** | **160 533** | **4 230 332** |

**Notes:**

1 Column (d) - Net values - represents the carrying values as per the financial statements.

2 Loans are a sum of loans to retail & SME customers and placements with other local banks.

**CR2 Changes in stock of defaulted loans and debt securities**

| At 30 June 2023<br>R'000 | Bank | Group |
|---|---|---|
| 1 Defaulted loans and debt securities at the end of the previous reporting period | 8 595 | 8 595 |
| 2 Loans and debt securities that have defaulted since the last reporting period | 30 955 | 30 955 |
| 3 Returned to non-default status | 0 | 0 |
| 4 Amounts written off | 34 949 | 34 949 |
| 5 Other changes | 0 | 0 |
| **6 Defaulted loans and debt securities at the end of the reporting period (1+2-3-4±5)** | **4 601** | **4 601** |

Credit risk is the potential loss arising from failure of a customer or counterparty to meet their contractual obligation to the Bank. The Bank has a Credit Risk Policy in place which defines how credit risk is effectively managed across the various credit offerings, which includes short to medium term bank placements. The Credit Risk Policy underpins the Credit Risk Framework and contains detailed parameters related to the management of credit risk.

## 5.2 Credit Risk Mitigation Techniques

**CR3 (Group): Credit risk mitigation techniques – overview**

| At 30 June 2023 R'000 | | Group | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | | a | b | c | d | e | f | g |
| | | | Exposures secured by: | | | | | |
| | | Exposures unsecured: carrying amount | Collateral | Collateral of which: secured amount | Financial guarantees | Financial guarantees, of which: secured amount | Credit derivatives | Credit derivatives, of which: secured amount |
| 1 | Loans | 1 754 844 | 0 | 0 | 0 | 0 | 0 | 0 |
| 2 | Debt securities | 1 584 625 | 0 | 0 | 0 | 0 | 0 | 0 |
| 3 | **Total** | **3 339 469** | **0** | **0** | **0** | **0** | **0** | **0** |
| 4 | Of which defaulted | 4 601 | **0** | **0** | **0** | **0** | **0** | **0** |

**CR3 (Bank): Credit risk mitigation techniques – overview**

| At 30 June 2023 R'000 | | Bank | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | | a | b | c | d | e | f | g |
| | | | Exposures secured by: | | | | | |
| | | Exposures unsecured: carrying amount | Collateral | Collateral of which: secured amount | Financial guarantees | Financial guarantees, of which: secured amount | Credit derivatives | Credit derivatives, of which: secured amount |
| 1 | Loans | 1 753 475 | 0 | 0 | 0 | 0 | 0 | 0 |
| 2 | Debt securities | 1 584 625 | 0 | 0 | 0 | 0 | 0 | 0 |
| 3 | **Total** | **3 338 100** | **0** | **0** | **0** | **0** | **0** | **0** |
| 4 | Of which defaulted | 4 601 | **0** | **0** | **0** | **0** | **0** | **0** |

There is no credit risk mitigation currently being considered in the calculation of the RWAs, as lending is of an unsecured nature, pre- and post-mitigation exposures are consistent.

# 5.3 Credit Exposures by Asset Class

The following tables reflect the credit exposure per asset class, pre and post credit conversion factors (CCF) and credit risk mitigation (CRM), as of 30 June 2023.

**CR4 (Group): Standardised approach - credit risk exposure and Credit Risk Mitigation (CRM) effects**

| 0 June 2023<br>0 | Group | | | | | |
|---|---|---|---|---|---|---|
| | a | b | c | d | e | f |
| | Exposures pre CCF and CRM | | Exposures post-CCF and CRM | | RWA and RWA density | |
| Asset classes | On-balance sheet | Off-balance sheet | On-balance sheet | Off-balance sheet | RWA | RWA density (%) |
| Sovereigns and their central banks | 3,198,985 | | 3,198,985 | | - | - |
| Banks | 47,982 | | 47,982 | | 30,036 | 62.60 |
| Securities firms | | | | | | |
| Corporates | 16,667 | | 16,667 | | 16,667 | 100.00 |
| Regulatory retail portfolios | 1,846,107 | | 1,846,107 | | 1,392,855 | 75.45 |
| Past-due loans | 2,175 | | 2,175 | | 2,175 | 100.00 |
| Other assets | 325,968 | | 325,968 | | 325,968 | 100.00 |
| **Total** | **5,437,884** | | **5,437,884** | | **1,767,701** | **32.51** |

**CR4 (Bank): Standardised approach - credit risk exposure and Credit Risk Mitigation (CRM) effects**

| At 30 June 2023<br>R'000 | Bank | | | | | |
|---|---|---|---|---|---|---|
| | a | b | c | d | e | f |
| | Exposures pre CCF and CRM | | Exposures post-CCF and CRM | | RWA and RWA density | |
| Asset classes | On-balance sheet | Off-balance sheet | On-balance sheet | Off-balance sheet | RWA | RWA density (%) |
| 1 Sovereigns and their central banks | 3 198 985 | | 3 198 985 | | - | 0.00 |
| 4 Banks | 47 982 | | 47 982 | | 21 644 | 45.11 |
| 6 Corporates | 16 667 | | 16 667 | | 16 667 | 100.00 |
| 7 Regulatory retail portfolios | 1 846 107 | | 1 846 107 | | 1 390 679 | 75.33 |
| 11 Past-due loans | 2 175 | | 2 175 | | 2 175 | 100.00 |
| 13 Other assets | 325 767 | | 325 767 | | 325 767 | 100.00 |
| **14 Total** | **5 437 683** | | **5 437 683** | | **1 756 932** | **32.31** |

CR4 table certain amounts based on average figures

- RWA density provides a measure on riskiness of each portfolio and is derived by dividing RWA with the sum of exposures post-CCF and post-CRM.
- Credit exposure post-CCF and post-CRM is the amount to which risk weighted assets are applied.

All exposures attracting credit risk are South African Rand denominated and placed with South African counterparts.

# 5.4 Credit Exposures by Asset Class and Risk Weights

The following table reflects the risk weights per asset class and post credit conversion factors (CCF) and credit risk mitigation (CRM) as of 30 June 2023.

**CR5 (Group): Standardised approach - exposures by asset classes and risk weights**

| | Group | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| At 30 June 2023 | a | b | c | d | e | f | g | h | i | j |
| R'000 | Risk Weight | | | | | | | | | Total credit exposures amount (post CCF and post-CRM) |
| Asset classes | 0% | 10% | 20% | 35% | 50% | 75% | 100% | 150% | Others | |
| 1 Sovereigns and their central banks | 3 198 985 | | | | | | | | | **3 198 985** |
| 4 Banks | | | 32 923 | | | | 15 059 | | | **47 982** |
| 6 Corporates | | | - | | | | 16 667 | | | **16 667** |
| 7 Regulatory retail portfolios | | | | | 1 155 | 1 808 588 | 36 352 | 13 | | **1 846 108** |
| 11 Past-due loans | | | | | 1 155 | - | 1 007 | 13 | | **2 175** |
| 13 Other assets | | | | | | | 325 968 | | | **325 968** |
| **14 Total** | **3 198 985** | | **32 923** | | **2 310** | **1 808 588** | **395 053** | **26** | | **5 437 885** |

* Banks subject to the simplified standardised approach should indicate risk weights determined by the supervisory authority in the columns.

**CR5 (Bank]: Standardised approach - exposures by asset classes and risk weights**

| | Bank | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| At 30 June 2023 | a | b | c | d | e | f | g | h | i | j |
| R'000 | Risk Weight | | | | | | | | | Total credit exposures amount (post CCF and post-CRM) |
| Asset classes | 0% | 10% | 20% | 35% | 50% | 75% | 100% | 150% | Others | |
| 1 Sovereigns and their central banks | 3 198 985 | | | | | | | | | **3 198 985** |
| 4 Banks | | | 32 923 | | | | 15 059 | | | **47 982** |
| 6 Corporates | | | | | | | 16 667 | | | **16 667** |
| 7 Regulatory retail portfolios | | | | | 1 155 | 1 808 588 | 36 352 | 13 | | **1 846 108** |
| 11 Past-due loans | | | | | 1 155 | | 1 007 | 13 | | **2 175** |
| 13 Other assets | | | | | | | 325 767 | | | **325 767** |
| **14 Total** | **3 198 985** | **0** | **32 923** | **0** | **2 310** | **1 808 588** | **394 852** | **26** | **0** | **5 437 684** |

* Banks subject to the simplified standardised approach should indicate risk weights determined by the supervisory authority in the columns.

# 6. Operational Risk

Operational risk is defined as the risk of loss resulting from inadequate or failed internal processes, people, and systems, or from external events. This definition includes legal risk but excludes strategic and reputational risk. Operational risk can widely occur in banks due to various factors including human error.

Operational risk can be categorised in the following way for a better understanding:

- **Human risk:** Potential losses due to human error, whether intentional or not;
- **IT/System risk:** Potential losses due to system failures and programming errors; and
- **Processes risk:** Potential losses due to inadequate or failed processes.

The Bank has a comprehensive and integrated Enterprise Risk Management Framework (ERMF) in place, which enables the bank to identify, assess, manage, and report operational risks on a consistent and reliable basis, addressing each of the following components:

- Governance;
- management, measurement, and systems;
- analytics, review, reporting; and
- people and culture.

Risks are identified as new products or processes are developed, or as part of business-as-usual processes with subsequent controls being enhanced or implemented as required. The Bank has established a fit-for-purpose combined assurance framework to integrate, coordinate, and align the risk management and assurance processes, between Risk, Compliance and Internal and External Audit to optimise and maximise the level of risk, governance and control oversight across the organisation's risk landscape.

The ERMF will therefore continue to mature. All medium and higher risks, as well as ineffective controls, are raised and approved through the relevant governance processes.

The Board and senior management remain ultimately responsible for ensuring that the Bank's system of internal control is adequate and operating effectively.

The CEO of the Bank is responsible for implementing a system to identify and manage risks that are material to the business, including a system of internal controls, assurance, and audits. The CEO receives his mandate from the Board.

The Enterprise Risk & Compliance Committee (ERCC) is the primary committee that has oversight of operational risk management and is supported by the Chief Risk Officer (CRO). The ERCC reports to and receives its mandate from the Risk and Capital Management Committee.

The ERCC & Executive Committee (EXCO) are responsible for overseeing operational risk management and measurement for the Tyme Bank business.

To ensure operational risk governance practices are effective, senior management ensures that the Operational Risk Governance Principles are embedded within each governance forum. These principles ensure transparency and consistency of governance standards across the Bank.

As indicated in the table below, the Bank applies the basic indicator approach (BIA) in calculating its Operational Risk RWA which is calculated on a semi-annual basis.

**Ops Risk (Group & Bank): Operational Risk - Basic Indicator Approach (BIA)**

| At 30 June 2023 | Group | | Bank | |
|---|---|---|---|---|
| R'000 | 30-Jun-23 | 30-Jun-22 | 30-Jun-23 | 30-Jun-22 |
| Relevant risk exposure | 528 951 | 102 178 | 528 465 | 101 463 |
| Capital requirements | 79 343 | 15 327 | 79 270 | 15 219 |
| Risk weighted exposure equivalent amount | 991 783 | 191 583 | 990 871 | 190 243 |

# 7. Composition of Risk Weighted Assets (RWA)

The following OV1 templates reflect the composition of the risk-weighted assets (RWA) and related minimum capital requirements.

Credit risk-weighted assets exclude counterparty credit risk but include a combination of credit and other risk-weighted exposure.

### OV1 (Group): Overview of Risk Weighted Assets (RWA}

| At 30 June 2023 | | Group | | | |
|---|---|---|---|---|---|
| | | a | b | | c |
| | | Risk-weighted assets | | | * MCR |
| R'000 | | 30-Jun-23 | 31-Mar-23 | 31-Dec-22 | 30-Jun-23 |
| **1** | **Credit risk (excluding counterparty credit risk) 1** | **1,765,526** | **1,703,389** | **1,596,370** | **203,035** |
| 2 | Of which: standardised approach (SA) | 1,765,526 | 1,703,389 | 1,596,370 | 203,035 |
| 3 | Of which: foundation internal ratings-based (F-IRB) approach | - | - | - | - |
| 4 | Of which: supervisory slotting approach | - | - | - | - |
| 5 | Of which: advanced internal ratings-based (A-IRB) approach | - | - | - | - |
| **6** | **Counterparty credit risk (CCR)** | **-** | **-** | **-** | **-** |
| 7 | Of which: standardised approach for counterparty credit risk | - | - | - | - |
| 8 | Of which: Internal Model Method (IMM) | - | - | - | - |
| 9 | Of which: other CCR | - | - | - | - |
| **10** | **Credit valuation adjustment (CVA)** | **-** | **-** | **-** | **-** |
| **11** | **Equity positions under the simple risk weight approach** | **-** | **-** | **41** | **-** |
| 12 | Equity investments in funds - look-through approach | - | - | 41 | - |
| 13 | Equity investments in funds - mandate-based approach | - | - | - | - |
| 14 | Equity investments in funds - fall-back approach | - | - | - | - |
| 15 | Settlement risk | - | - | - | - |
| **16** | **Securitisation exposures in the banking book** | **-** | **-** | **-** | **-** |
| 17 | Of which: securitisation internal ratings-based approach (SEC-IRBA) | - | - | - | - |
| 18 | Of which: securitisation external ratings-based approach (SEC-ERBA), including internal assessment approach | - | - | - | - |
| 19 | Of which: securitisation standardised approach (SEC-SA) | - | - | - | - |
| **20** | **Market risk** | **-** | **347** | **-** | **-** |
| 21 | Of which: standardised approach (SA) | - | 347 | - | - |
| 22 | Of which: internal model approaches (IMA) | - | - | - | - |
| 23 | Capital charge for switch between trading book and banking book | - | - | - | - |
| **24** | **Operational risk 2** | **991,783** | **581,796** | **581,796** | **114,055** |
| 25 | Amounts below thresholds for deduction (subject to 250% risk weight) | - | - | - | - |
| 26 | Floor adjustment | - | - | - | - |
| **27** | **Total (1+6+10+11+12+13+14+15+16+20+23+24+25+26)** | **2,757,309** | **2,285,532** | **2,178,207** | **317,091** |

## OV1 (Bank): Overview of Risk Weighted Assets (RWA}

| At 30 June 2023 | | Bank | | | |
|---|---|---|---|---|---|
| | | a | b | | c |
| | | Risk-weighted assets | | | * MCR |
| R'000 | | 30-Jun-23 | 31-Mar-23 | 31-Dec-22 | 30-Jun-23 |
| **1** | **Credit risk (excluding counterparty credit risk) 1** | **1 756 933** | **1 698 169** | **1 576 286** | **202 047** |
| 2 | Of which: standardised approach (SA) | 1 756 933 | 1 698 169 | 1 576 286 | 202 047 |
| 3 | Of which: foundation internal ratings-based (F-IRB) approach | - | - | - | - |
| 4 | Of which: supervisory slotting approach | - | - | - | - |
| 5 | Of which: advanced internal ratings-based (A-IRB) approach | - | - | - | - |
| **6** | **Counterparty credit risk (CCR)** | **-** | **-** | **-** | **-** |
| 7 | Of which: standardised approach for counterparty credit risk | - | - | - | - |
| 8 | Of which: Internal Model Method (IMM) | - | - | - | - |
| 9 | Of which: other CCR | - | - | - | - |
| **10** | **Credit valuation adjustment (CVA)** | **-** | **-** | **-** | **-** |
| **11** | **Equity positions under the simple risk weight approach** | **-** | **-** | **41** | **-** |
| 12 | Equity investments in funds - look-through approach | - | - | 41 | - |
| 13 | Equity investments in funds - mandate-based approach | - | - | - | - |
| 14 | Equity investments in funds - fall-back approach | - | - | - | - |
| 15 | Settlement risk | - | - | - | - |
| **16** | **Securitisation exposures in the banking book** | **-** | **-** | **-** | **-** |
| 17 | Of which: securitisation internal ratings-based approach (SEC-IRBA) | - | - | - | - |
| 18 | Of which: securitisation external ratings-based approach (SEC-ERBA), including internal assessment approach | - | - | - | - |
| 19 | Of which: securitisation standardised approach (SEC-SA) | - | - | - | - |
| **20** | **Market risk** | **-** | **347** | **-** | **-** |
| 21 | Of which: standardised approach (SA) | - | 347 | - | - |
| 22 | Of which: internal model approaches (IMA) | - | - | - | - |
| 23 | Capital charge for switch between trading book and banking book | - | - | - | - |
| **24** | **Operational risk 2** | **990 871** | **581 698** | **581 698** | **113 950** |
| 25 | Amounts below thresholds for deduction (subject to 250% risk weight) | - | - | - | - |
| 26 | Floor adjustment | - | - | - | - |
| **27** | **Total (1+6+10+11+12+13+14+15+16+20+23+24+25+26)** | **2 747 804** | **2 280 214** | **2 158 025** | **315 997** |

* Minimum capital requirements (MCR) based on Base requirement (8%); (1%) Pillar 2A add-on reinstated 01 January'22, D2_2020 & Conservation buffer (2.5%)

1. Bank does not have derivativeinstruments on balance sheet
2. Operational risk is recalculated semi-annually (December & June)

# 8. Market Risk

Market risk is the potential of an adverse impact on earnings from changes in interest rates, foreign exchange rates, equity and commodity prices, credit spreads, and any market risk leases or loan exposures.

Market risk is generally divided into four types based on the potential cause of the risk:

- **Interest rate risk**: Potential losses due to fluctuations in interest rate;
- **Equity risk:** Potential losses due to fluctuations in stock price;
- **Foreign exchange risk:** Potential losses due to international currency exchange rates (closely associated with settlement risk); and
- **Commodity risk:** Potential losses due to fluctuations in prices of agricultural, industrial, and energy commodities.

The Bank operates within the set parameters of the Market Risk Policy, which has the following set objectives:

- ensure the board-approved requirements in terms of market risk are met;
- establish boundaries for market-risk-taking activities;
- establish a sound operating environment for market risk activities that are consistent with:
    - requirements of relevant regulators, including the Prudential Authority; and
    - the governance and control standards of Tyme Bank and the risk principles expressed within the Risk Appetite Statement (RAS).

The Bank has ensured that this policy complies with the Banks Act and the Regulations relating to Banks (particularly Regulation 28). The Market Risk Framework outlines the overall market risk requirements for the bank and is supported by the Market Risk Standards, which outline how policy requirements are implemented for market risks across the bank. This policy is also the Market Risk Standard for Tyme Bank and details the interest rate risk in the banking book (IRRBB) and foreign exchange (FX) risk measurement methodologies and limit structures, including excess notification/escalation/approval levels, supporting controls, and definitions.

Foreign exchange risk is limited to Tyme Bank's exposure to suppliers who are paid in foreign currency. However, during the reporting period, the Bank's exposure to foreign suppliers has slightly increased given its uptick overall. Although FX exposure has increased from previous quarter, the Bank continues to make use of international technology, which can put additional pressure on the cost line, in the event of a significant deterioration in the Rand exchange rate. At 30 June 2023 there was no FX exposure.

# 9. Composition of Capital

Regulatory capital currently consists of shareholders equity qualifying as common equity tier 1 capital (CET1). No additional debt-related instruments have been issued as qualifying additional tier 1 (T1) or tier 2 (T2) capital instruments.

Regulatory deductions are made in line with the Basel III definition of capital, the requirements specified in Sections 70 and 70A of the Banks Act and the specific prescription outlined in Regulation 38.

The make-up of the regulatory capital instruments is detailed in the main features template, as published on the Bank's website (https://www.tymebank.co.za/about/).

**CC1 (Group & Bank): Composition of regulatory capital**

| At 30 June 2023<br>R'000 | Group | | Bank | |
|---|---|---|---|---|
| | a | b | a | b |
| | Amounts | * Ref | Amounts | * Ref |
| **Common Equity Tier 1 capital: instruments and reserves** | | | | |
| 1 Directly issued qualifying common share (and equivalent for non-joint stock companies) capital plus related stock surplus | 8 065 763 | (a) | 7 189 820 | (a) |
| 2 Retained earnings | (6 728 488) | (b) | (6 550 245) | (b) |
| 3 Accumulated other comprehensive income (and other reserves) | 559 823 | | 99 823 | |
| 4 Directly issued capital subject to phase-out from CET1 (only applicable to non-joint stock companies) | | | | |
| 5 Common share capital issued by subsidiaries and held by third parties (amount allowed in group CET1) | | | | |
| **6 Common Equity Tier 1 capital before regulatory adjustments** | **1 897 098** | | **739 398** | |
| **Common Equity Tier 1 capital: regulatory adjustments** | | | | |
| 7 Prudent valuation adjustments | | | | |
| 8 Goodwill (net of related tax liability) | 1 100 399 | | | |
| 9 Other intangibles other than mortgage servicing rights (net of related tax liability) | 76 129 | (c) | 4 096 | (c) |
| 10 Deferred tax assets that rely on future profitability, excluding those arising from temporary differences (net of related tax liability) | | (d) | | (d) |
| 27 Regulatory adjustments applied to Common Equity Tier 1 due to insufficient Additional Tier 1 and Tier 2 to cover deductions | | | | |
| **28 Total regulatory adjustments to Common Equity Tier 1** | **1 176 528** | | **4 096** | |
| **29 Common Equity Tier 1 capital (CET1)** | **720 570** | | **735 302** | |
| **44 Additional Tier 1 capital (AT1)** | **0** | | **0** | |
| **45 Tier 1 capital (T1= CET1 + AT1)** | **720 570** | | **735 302** | |
| **58 Tier 2 capital (T2)** | **17 890** | | **17 890** | |
| **59 Total regulatory capital (TC = T1 + T2)** | **738 460** | | **753 192** | |
| **60 Total risk-weighted assets** | **2 757 309** | **(e)** | **2 747 804** | **(e)** |
| **Capital ratios and buffers** | | | | |
| 61 Common Equity Tier 1 (as a percentage of risk-weighted assets) | 26.13 | | 26.76 | |
| 62 Tier 1 (as a percentage of risk-weighted assets) | 26.13 | | 26.76 | |
| 63 Total capital (as a percentage of risk-weighted assets) | 26.78 | | 27.41 | |
| 64 Institution specific buffer requirement (capital conservation buffer plus countercyclical buffer requirements plus higher loss absorbency requirement, expressed as a percentage of risk-weighted assets) | 2.50 | | 2.50 | |
| 65 Of which: capital conservation buffer requirement | 2.50 | | 2.50 | |
| 66 Of which: bank-specific countercyclical buffer requirement | | | | |
| 67 Of which: higher loss absorbency requirement | | | | |
| 68 Common Equity Tier 1 (as a percentage of risk-weighted assets) available after meeting the bank's minimum capital requirement. | 15.63 | | 16.26 | |
| **National minima (if different from Basel III)** | | | | |
| 69 National Common Equity Tier 1 minimum ratio (if different from Basel III minimum) | | | | |
| 70 National Tier 1 minimum ratio (if different from Basel III minimum) | | | | |
| 71 National total capital minimum (if different from Basel III minimum) | | | | |
| **Amounts below the thresholds for deduction (before risk weighting)** | | | | |
| 72 Non-significant investments in the capital and other TLAC liabilities of other financial entities | | | | |
| 73 Significant investments in common stock of financial entities | | | | |
| 74 Mortgage servicing rights (net of related tax liability) | | | | |
| 75 Deferred tax assets arising from temporary differences (net of related tax liability) | | | | |
| **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) | | | | |
| 77 Cap on inclusion of provisions in Tier 2 under standardised approach | - | | - | |
| 78 Provisions eligible for inclusion in Tier 2 in respect of exposures subject to internal ratings-based approach (prior to application of cap) | | | | |
| 79 Cap for inclusion of provisions in Tier 2 under internal ratings-based approach | | | | |
| **Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2018 and 1 Jan 2022)** | | | | |

* Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation

# 10. Reconciliation

The Bank does not own any entity which is considered outside the scope of regulatory consolidation, as defined under Regulation 36. Differences between the Annual Financial Statements balance sheet and the regulatory balance sheet relate to audit adjustments. The impact of these differences on the reported prudential ratios are immaterial.

The table below provides a detailed breakdown of the components of the leverage ratio denominator.

## CC2 (Group & Bank): Reconciliation of regulatory capital to balance sheet

| At 30 June 2023<br>R'000 | Group a<br>Balance sheet as per published financial statements<br>30-Jun-23 | Group b<br>Under regulatory scope of consolidation<br>30-Jun-23 | Group c<br>* Reference | Bank a<br>Balance sheet as per published financial statements<br>30-Jun-23 | Bank b<br>Under regulatory scope of consolidation<br>30-Jun-23 | Bank c<br>* Reference |
|---|---|---|---|---|---|---|
| **Assets** | | | | | | |
| Property, plant and equipment | 113 665 | 128 536 | | 113 665 | 128 536 | |
| Right of use asset | 32 128 | - | | 32 128 | - | |
| Goodwill and other intangible assets | 1 020 701 | 1 176 528 | | 1 020 701 | 4 096 | |
| Trade and other receivables | 195 808 | 197 434 | | 193 852 | 197 231 | |
| Financial assets | 1 908 530 | 1 584 625 | | 1 908 530 | 1 584 625 | |
| Inventories | 40 111 | - | | 40 111 | - | |
| Current tax receivable | 10 817 | - | | 10 641 | - | |
| Customer advances | 1 668 352 | 1 594 549 | | 1 668 352 | 1 593 180 | |
| Cash and cash equivalents | 1 681 388 | 1 774 416 | | 1 680 019 | 1 774 416 | |
| **Total assets** | **6 671 500** | **6 456 088** | | **6 667 999** | **5 282 084** | |
| **Equity and Liabilities** | | | | | | |
| Share capital | 1 271 990 | 8 065 763 | | 1 144 989 | 7 189 820 | |
| Share premium | 6 749 575 | | | 6 044 831 | | |
| Reserves | 559 823 | 559 823 | | 1 186 232 | 99 821 | |
| Accumulated loss | (6 840 706) | (6 728 488) | | (6 636 671) | (6 550 245) | |
| **Total equity** | **1 740 682** | **1 897 098** | | **1 739 381** | **739 396** | |
| Trade and other payables | 817 765 | 410 827 | | 815 564 | 410 381 | |
| Current Tax liability | - | - | | - | - | |
| Lease liabilities | 33 295 | 15 856 | | 33 295 | - | |
| Provisions | 74 738 | 74 739 | | 74 739 | 74 739 | |
| Deposits received from customers | 4 005 020 | 4 057 568 | | 4 005 020 | 4 057 568 | |
| **Total liabilities** | **4 930 818** | **4 558 990** | | **4 928 618** | **4 542 688** | |
| **Total equity and liabilities** | **6 671 500** | **6 456 088** | | **6 667 999** | **5 282 084** | |

**Note: Difference relate to audit adjustments subsequent to regulatory reporting**

# 11. Leverage ratio

The leverage ratio is defined as tier 1 capital expressed as a percentage of total exposures. The total exposures used in the calculation do not differ from the reported balance sheet exposures, as the balance sheet does not contain any securities financing transactions (SFTs) or derivatives which require the carrying value to be converted through a calculation or the application of specific factors.

The leverage ratio has remained above the regulatory minimum requirement due to the current correlation of the qualifying regulatory capital (QCR) in relation to the on-balance sheet exposures. Other adjustments noted below relate primarily to Goodwill and intangible assets.

**LR1 (Group & Bank): Summary comparison of accounting assets vs leverage ratio exposure (January 2014 standard)**

| At 30 June 2023 | Group | Bank | Group | Bank |
|---|---|---|---|---|
| R'000 | 30-Jun-23 | | 31-Mar-23 | |
| 1 Total consolidated assets as per published financial statements | 6 456 088 | 5 282 084 | 5 585 552 | 4 448 570 |
| 2 Adjustments for investments in banking, financial, insurance or commercial entities that are consolidated for accounting purposes but outside the scope of regulatory consolidation | - | - | - | - |
| 3 Adjustment for fiduciary assets recognised on the balance sheet pursuant to the operative accounting framework but excluded from the leverage ratio exposure measure | - | - | - | - |
| 4 Adjustments for derivative financial instruments | - | - | - | - |
| 5 Adjustment for securities financing transactions (ie repos and similar secured lending) | - | - | - | - |
| 6 Adjustments for off-balance sheet items (ie conversion to credit equivalent amounts of off-balance sheet exposures) | - | - | - | - |
| 7 Other adjustments | 1 336 823 | 164 391 | 1 135 854 | 4 104 |
| **8 Leverage ratio exposure measure** | **5 119 265** | **5 117 693** | **4 449 698** | **4 444 466** |

**LR2 (Group & Bank): Leverage ratio common disclosure template (January 2014 standard)**

| At 30 June 2023 | Group | | Bank | |
|---|---|---|---|---|
| | a | b | a | b |
| R'000 | 30 June 2023 | 31 March 2023 | 30 June 2023 | 31 March 2023 |
| **On-balance sheet exposures** | | | | |
| 1 On-balance sheet exposures (excluding derivatives and securities financing transactions (SFTs), but including collateral) | 6 456 088 | 5 585 552 | 5 282 084 | 4 448 570 |
| 2 (Asset amounts deducted in determining Basel III Tier 1 capital) | 1 336 823 | 1 135 854 | 164 391 | 4 104 |
| 3 Total on-balance sheet exposures (excluding derivatives and SFTs) (sum of row 1 and 2) | **5 119 265** | **4 449 698** | **5 117 693** | **4 444 466** |
| **Derivative exposures** | | | | |
| 4 Replacement cost associated with *all* derivatives transactions (where applicable net of eligible cash variation margin and/or with bilateral netting) | - | - | - | - |
| 5 Add-on amounts for PFE associated with *all* derivatives transactions | - | - | - | - |
| 6 Gross-up for derivatives collateral provide where deducted from the balance sheet assets pursuant to the operative accounting framework | - | - | - | - |
| 7 (Deductions of receivable assets for cash variation margin provided in derivatives transactions) | - | - | - | - |
| 8 (Exempted CCP leg of client-cleared trade exposures) | - | - | - | - |
| 9 Adjusted effective notional amount of written credit derivatives | - | - | - | - |
| 10 (Adjusted effective notional offsets and add-on deductions for written credit derivatives) | - | - | - | - |
| 11 Total derivative exposures (sum of rows 4 to 10) | | | | |
| **Securities financing transactions** | | | | |
| 12 Gross SFT *assets* (with no recognition of netting), after adjusting for sale accounting transactions | - | - | - | - |
| 13 (Netted amounts of cash payables and cash receivables of gross SFT assets) | - | - | - | - |
| 14 CCR exposure for SFT assets | - | - | - | - |
| 15 Agent transaction exposures | - | - | - | - |
| 16 Total securities financing transaction exposures (sum of rows 12 to 15) | | | | |
| **Other off-balance sheet exposures** | | | | |
| 17 Off-balance sheet exposure at gross notional amount | - | - | - | - |
| 18 (Adjustments for conversion to credit equivalent amounts) | - | - | - | - |
| 19 Off-balance sheet items (sum of rows 17 and 18) | **-** | **-** | **-** | **-** |
| **Capital and total exposures** | | | | |
| 20 Tier 1 capital | **720 570** | **461 167** | **735 302** | **456 879** |
| 21 Total exposures (sum of rows 3, 11, 16 and 19) | **5 119 265** | **4 449 698** | **5 117 693** | **4 444 466** |
| **Leverage ratio** | | | | |
| **22 Basel III leverage ratio** | **14.08** | **10.36** | **14.37** | **10.28** |

The table above provides a reconciliation of the total assets in the published financial statements to the leverage ratio exposure measure, for the year ended 30 June 2023.

## 12. Liquidity

The Bank manages its liquidity risk through the Liquidity Risk Framework (LRF); which prescribes the requirements, processes, risk measures, and strategies to be used to manage liquidity and funding risk.

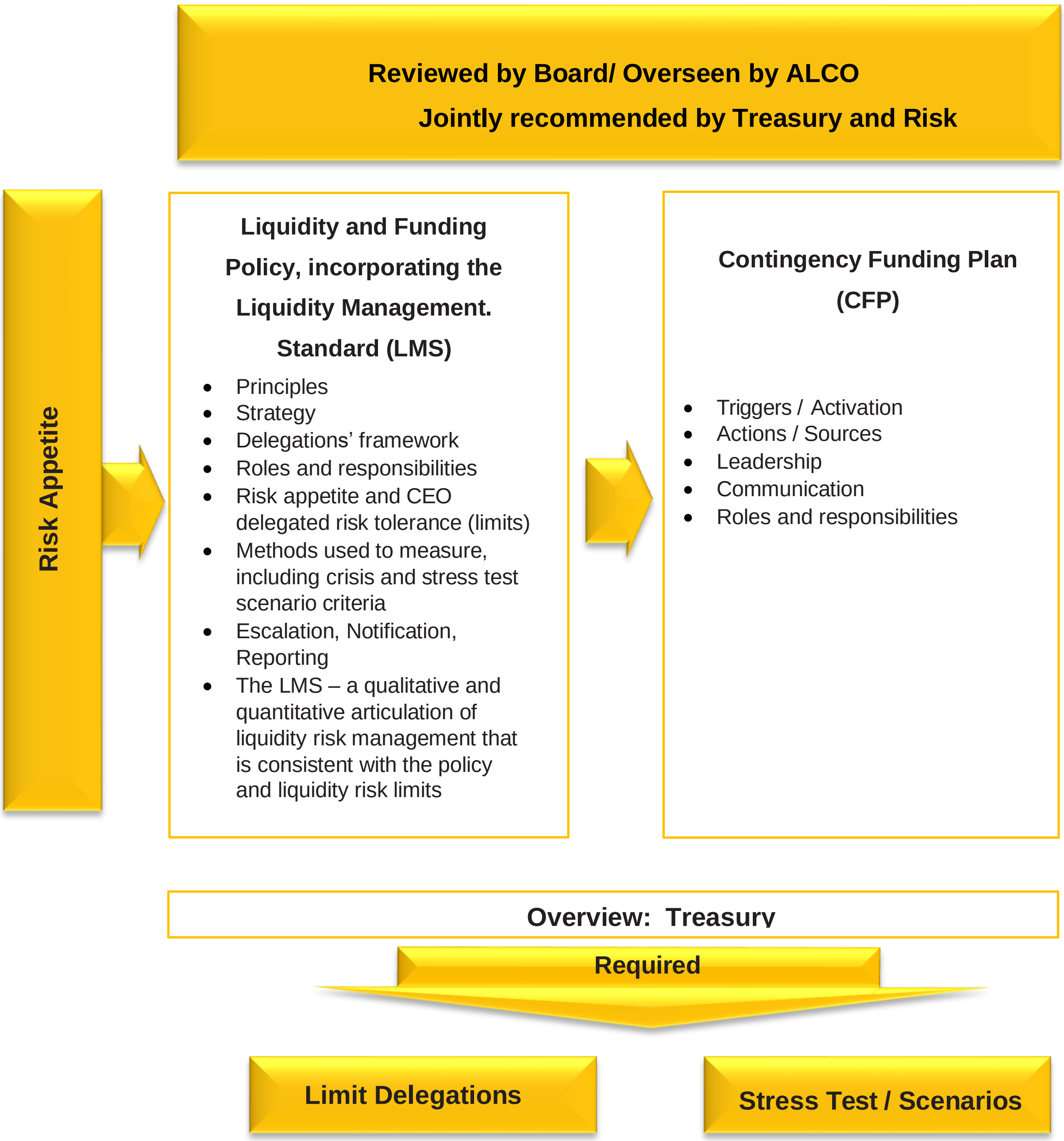



Figure 1: Liquidity Risk Framework

The LRF provides robust governance, risk management measures and techniques, and execution of liquidity risk and funding risk activities. It is consistent with Tyme Bank's risk management, governance, and control standards. The LRF has clearly documented and communicated responsibilities and accountabilities; and is considered adequate by the Board, for managing liquidity risk at a prudent level under both normal conditions and in periods of stress. It furthermore also duly specifies, implements, and maintains appropriate limits in respect of the Bank's funding sources, complies with the liquidity requirements of relevant regulators, and directly supports the qualitative requirements of the SARB/ PA.

The Bank calculates its liquidity coverage ratio (LCR) position daily, ensuring a buffer is maintained over the minimum regulatory requirement and the risk appetite limit. The high-quality liquid assets (HQLA), as defined by the Regulations relating to Banks, consist of Treasury Bills, RSA Government Bonds and Central Bank deposits (excludes deposits held in the Bank's SAMOS settlement account).

Tyme Bank manages its funding profile taking into consideration its overall liquidity management strategy outlined and defined by the Liquidity & Funding and Market Risk Policies. These policies are further supported by the Contingent Funding Plan (CFP) and Business Continuity Plan (BCP).

The Treasury function is responsible for the Bank's funding and liquidity management. This function is critical in ensuring that the Bank has sufficient funds to meet all its obligations as they fall due and to optimally and efficiently place or utilise surplus funds to ensure optimal return for the Bank, its depositors and investors. This is done within prescribed internal limits set out in the aforementioned policies, as well as in compliance with regulatory liquidity, market, and credit risk limits.

# 12.1 Liquidity Coverage Ratio

The Liquidity Coverage Ratio (LCR) requires institutions to hold sufficient high-quality liquid assets (HQLA) to meet their 30-day net cash outflows projected under the Prudential Authority's prescribed stress scenario.

**LIQ1 (Group & Bank): Liquidity Coverage Ratio (LCR)**

| At 30 June 2023 | Group | | Bank | |
|---|---|---|---|---|
| | a | b | a | b |
| R'000 | Total unweighted value (average) | Total weighted value (average) | Total unweighted value (average) | Total weighted value (average) |
| **High-quality liquid assets** | | | | |
| 1 Total HQLA | **2 956 730** | **2 956 730** | **2 956 730** | **2 956 730** |
| **Cash outflows** | | | | |
| **2 Retail deposits and deposits from small business customers, of which:** | **3 679 359** | **367 936** | **3 679 359** | **367 936** |
| 3 Stable deposits | | | | |
| 4 Less stable deposits | 3 679 359 | 367 936 | 3 679 359 | 367 936 |
| **5 Unsecured wholesale funding, of which:** | **58 451** | **5 845** | **58 451** | **5 845** |
| 6 Operational deposits (all counterparties) and deposits in networks of cooperative banks | | | | |
| 7 Non-operational deposits (all counterparties) | | - | | - |
| 8 Unsecured debt | 58 451 | 5 845 | 58 451 | 5 845 |
| **9 Secured wholesale funding** | **-** | **-** | **-** | **-** |
| **10 Additional requirements, of which:** | **-** | **-** | **-** | **-** |
| 11 Outflows related to derivative exposures and other collateral requirements | | | | |
| 12 Outflows related to loss of funding of debt products | | | | |
| 13 Credit and liquidity facilities | | | | |
| **14 Other contractual funding obligations** | **-** | **-** | **-** | **-** |
| **15 Other contingent funding obligations** | **908 255** | **17 706** | **908 255** | **17 706** |
| **16 TOTAL CASH OUTFLOWS** | **4 646 065** | **391 487** | **4 646 065** | **391 487** |
| **Cash inflows** | | | | |
| 17 Secured lending (eg reverse repo) | | | | |
| 18 Inflows from fully performing exposures | 322 374 | 183 223 | 322 374 | 183 223 |
| 19 Other cash inflows | - | - | - | - |
| **20 TOTAL CASH INFLOWS** | **322 374** | **183 223** | **322 374** | **183 223** |
| | | **Total adjusted value** | | **Total adjusted value** |
| 21 **Total HQLA** | | **2 956 730** | | **2 956 730** |
| 22 **Total net cash outflows** | | **208 264** | | **208 264** |
| 23 **Liquidity coverage ratio (%)** | | **1 420** | | **1 420** |

- The daily average utilised to calculate the above percentage consisted of 181 data points, representative of the number of working days during the 6-month period from 01 January 2023 to 30 June 2023.
- The weighted value represents the cashflow amount under a stressed scenario as a percentage of the unweighted value.

# 12.2 Net Stable Funding Ratio

The Net Stable Funding Ratio (NSFR) requires banks to maintain a stable funding profile in relation to the composition of their assets, liabilities, and off-balance sheet activities. It is intended to limit overreliance on short-term funding and promote long-dated funding stability. Whilst the Liquidity Coverage Ratio (LCR) aims to promote the short-term resilience of a bank's liquidity risk profile under stressed conditions, the NSFR seeks to mitigate funding risk over a longer, more normalised time frame.

The current balance sheet and proposed phasing in of product offerings, and the proposed liquid assets to be held, place the Bank in a position to be fully compliant with the prescribed limits.

The following table reflects a summary of the net stable funding ratios (NSFRs) for the Group and Bank, respectively.

### LIQ2 (Group): Net Stable Funding Ratio

| At 30 June 2023<br>R'000 | Group | | | | |
|---|---|---|---|---|---|
| | Unweighted value by residual maturity | | | | |
| | No maturity* | <6 months | 6 months to <1 year | ≥1 year | Weighted value |
| **Available stable funding (ASF) item** | | | | | |
| 1 Capital: | 8 643 476 | - | - | - | 8 643 476 |
| 2 Regulatory capital | 8 643 476 | - | - | - | 8 643 476 |
| 3 Other capital instruments | - | - | - | - | - |
| 4 **Retail deposits and deposits from small business customers:** | **-** | **3 843 536** | **-** | **8 948** | **3 622 521** |
| 5 Stable deposits | - | 189 620 | 152 536 | 8 948 | 333 996 |
| 6 Less stable deposits | | 3 653 916 | | | 3 288 524 |
| 7 **Wholesale funding:** | **-** | **-** | **-** | **52 548** | **52 548** |
| 8 Operational deposits | - | - | - | - | - |
| 9 Other wholesale funding | - | - | - | 52 548 | 52 548 |
| 10 Liabilities with matching interdependent assets | - | - | - | - | - |
| 11 **Other liabilities:** | **-** | **485 120** | **-** | **-** | **-** |
| 12 NSFR derivative liabilities | - | - | - | - | - |
| 13 All other liabilities and equity not included in the above categories | - | 485 120 | - | - | - |
| **14 Total ASF** | | | | | **12 318 545** |
| **Required stable funding (RSF) item** | | | | | |
| 15 Total NSFR high-quality liquid assets (HQLA) | - | 477 624 | 53 029 | 1 054 210 | 79 243 |
| 16 Deposits held at other financial institutions for operational purposes | - | 102 650 | - | - | 5 133 |
| 17 **Performing loans and securities:** | **-** | **1 395 253** | **471 043** | **26 103** | **942 758** |
| 18 Performing loans to financial institutions secured by Level 1 HQLA | - | - | - | - | - |
| 19 Performing loans to financial institutions secured by non-Level 1 HQLA and unsecured performing loans to financial institutions | - | 35 936 | 15 059 | - | 12 920 |
| 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: | - | 1 359 317 | 455 984 | 26 103 | 929 838 |
| 21 With a risk weight of less than or equal to 35% under the Basel II standardised approach for credit risk | - | - | - | - | - |
| 22 Performing residential mortgages, of which: | - | - | - | - | - |
| 23 With a risk weight of less than or equal to 35% under the Basel II standardised approach for credit risk | - | - | - | - | - |
| 24 Securities that are not in default and do not qualify as HQLA, including exchange-traded equities | - | - | - | - | - |
| 25 Assets with matching interdependent liabilities | - | - | - | - | - |
| 26 **Other assets:** | **6 804 617** | - | - | **325 968** | **7 130 585** |
| 27 Physical traded commodities, including gold | - | - | - | - | - |
| 28 Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs | - | - | - | - | - |
| 29 NSFR derivative assets | - | - | - | - | - |
| 30 NSFR derivative liabilities before deduction of variation margin posted | - | - | - | - | - |
| 31 All other assets not included in the above categories | 6 804 617 | - | - | 325 968 | 7 130 585 |
| 32 Off-balance sheet items | 692 232 | - | - | - | 34 612 |
| **33 Total RSF** | | | | | **8 192 330** |
| **34 Net Stable Funding Ratio (%)** | | | | | **150.37** |

**LIQ2 (Bank): Net Stable Funding Ratio**

| At 30 June 2023<br>R'000 | Bank | | | | |
|---|---|---|---|---|---|
| | Unweighted value by residual maturity | | | | |
| | No maturity* | <6 months | 6 months to <1 year | ≥1 year | Weighted value |
| **Available stable funding (ASF) item** | | | | | |
| **1 Capital:** | **7 307 532** | **-** | **-** | **-** | **7 307 532** |
| 2 Regulatory capital | 7 307 532 | - | - | - | 7 307 532 |
| 3 Other capital instruments | - | - | - | - | - |
| **4 Retail deposits and deposits from small business customers:** | **-** | **3 843 536** | **-** | **8 948** | **3 622 521** |
| 5 Stable deposits | - | 189 620 | 152 536 | 8 948 | 333 996 |
| 6 Less stable deposits | - | 3 653 916 | | | 3 288 524 |
| **7 Wholesale funding:** | **-** | **-** | **-** | **52 548** | **52 548** |
| 8 Operational deposits | - | - | - | - | - |
| 9 Other wholesale funding | - | - | - | 52 548 | 52 548 |
| 10 Liabilities with matching interdependent assets | - | - | - | - | - |
| **11 Other liabilities:** | **-** | **485 120** | **-** | **-** | **-** |
| 12 NSFR derivative liabilities | - | - | - | - | - |
| 13 All other liabilities and equity not included in the above categories | - | 485 120 | - | - | - |
| **14 Total ASF** | | | | | **10 982 601** |
| **Required stable funding (RSF) item** | | | | | |
| 15 Total NSFR high-quality liquid assets (HQLA) | - | 477 624 | 53 029 | 1 054 210 | 79 243 |
| 16 Deposits held at other financial institutions for operational purposes | - | 102 650 | - | - | 5 133 |
| 17 **Performing loans and securities:** | **-** | **1 395 253** | **471 043** | **26 103** | **942 758** |
| 18 Performing loans to financial institutions secured by Level 1 HQLA | - | - | - | - | - |
| 19 Performing loans to financial institutions secured by non-Level 1 HQLA and unsecured performing loans to financial institutions | - | 35 936 | 15 059 | - | 12 920 |
| 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: | - | 1 359 317 | 455984 | 26103 | 929 838 |
| 21 With a risk weight of less than or equal to 35% under the Basel II standardised approach for credit risk | - | - | - | - | - |
| 22 Performing residential mortgages, of which: | - | - | - | - | - |
| 23 With a risk weight of less than or equal to 35% under the Basel II standardised approach for credit risk | - | - | - | - | - |
| 24 Securities that are not in default and do not qualify as HQLA, including exchange-traded equities | - | - | - | - | - |
| 25 Assets with matching interdependent liabilities | - | - | - | - | - |
| **26 Other assets:** | **6 546 149** | **-** | **-** | **329 864** | **6 876 013** |
| 27 Physical traded commodities, including gold | - | - | - | - | - |
| 28 Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs | - | - | - | - | - |
| 29 NSFR derivative assets | - | - | - | - | - |
| 30 NSFR derivative liabilities before deduction of variation margin posted | - | - | - | - | - |
| 31 All other assets not included in the above categories | 6 546 149 | - | - | 329 864 | 6 876 013 |
| 32 Off-balance sheet items | 692 232 | - | - | - | 34 612 |
| **33 Total RSF** | | | | | **7 937 758** |
| **34 Net Stable Funding Ratio (%)** | | | | | **138.36** |

During the period under review the Bank's NSFR remained above the minimum Regulatory requirement of 100%.

# 13. Annual Remuneration Disclosures

The Bank is required to make certain qualitative and quantitative remuneration disclosures on an annual basis in terms of Basel Pillar 3 disclosure requirements.

The following remuneration disclosures have been prepared in accordance with the Tyme Bank Board's approved policy.

## 13.1 Remuneration Governance Framework

The Board Remuneration Committee is the main governing body for remuneration across the company. This committee develops the remuneration philosophy, framework, and policies for board approval.

The main purpose of the Committee is to fulfil the statutory function and responsibilities of a remuneration and human resources committee as contemplated in section 64C of the Banks Act in respect of both the Company as well as Tyme Bank.

The Committee assists the Board with remuneration by performing the functions set out in Section 64C (2) of the Banks Act, namely:

- overseeing the compensation system's design and operation;
- exercising competent and independent judgement on compensation policies, processes, and practices and the incentives created for managing risk, capital, and liquidity;
- evaluating practices by which compensation is paid for potential future revenues in respect of which the timing and likelihood of realisation remain uncertain;
- ensuring that all relevant decisions are consistent with the assessment of the bank or controlling company's financial condition and future prospects;
- collaborating closely with the controlling company's risk and capital management committee to evaluate incentives created by the compensation system;
- ensuring that compensation policies, processes and procedures comply with regulatory requirements;
- conducting an annual compensation review. The review is independent of management and assesses the entities' compliance with regulations.
- ensuring that the remuneration of employees in the risk control and compliance functions is determined independently of all relevant business areas, and is adequate to attract qualified and experienced staff;
- verifying that performance measures are based principally on the achievement of board approved objectives; and

In addition to the statutory functions above, the Board has mandated the committee to review and oversee Human Resources policies and strategies aimed at creating and sustaining the technical and managerial excellence required to support the attainment of Tyme Bank's objectives.

## 13.2 Remuneration Policy

The Remuneration Policy applies to all controlled entities of Tyme Bank, including all executives and employees on individual contracts and all board members

The Remuneration Policy sets out:

- the remuneration principles that guide the design of Tyme Bank's remuneration framework;
- the remuneration framework that delivers remuneration principles; and
- the policies used to manage remuneration within the remuneration framework and the risk management framework.

The board has determined that Tyme Bank's remuneration policies should:

- meet high standards of governance and all applicable regulatory requirements and guidelines;
- align with the vision, values, and strategy;
- be mindful of the interests of stakeholders including shareholders, employees, customers, and the community;
- be communicated to relevant stakeholders clearly and easy to understand.
- support avoiding conflicts of interest; and
- encourage behaviour that supports the long-term financial soundness and risk management framework.

## 13.3 Remuneration Framework

The structure of remuneration arrangements for most employees consists of the following components:

- fixed remuneration (FR);
- Variable remuneration (at risk)
- short-term incentive (STI) (at risk).

The following table outlines the key remuneration components. The variable remuneration components are based on performance against key financial and non-financial measures.

| Element | Description | Applies to: |
|---|---|---|
| **Fixed Remuneration (FR)** | • Base remuneration<br>• *For the Chief Executive Officer (CEO) and Company executives*: Reviewed annually.<br>• *For other employees:* Reviewed annually taking into account any change in scope of role performed by the individual, changes required to meet the principles of the Company Remuneration Policy, internal equity and market competitiveness. FR is approved by the individual's direct manager and the next level manager in the reporting line, Chief Human Resource Officer (CHRO) and CEO. | All employees |
| **Variable Remuneration (at risk)** | • The current variable remuneration instrument includes cash (non-deferred).<br>• Cash is the only instrument which can be payable upfront and not deferred. | See STI below |
| **Short-term incentive (STI)** | • STI awards are discretionary and recognise annual performance over the financial year. Performance is measured using a key performance indicator (KPI). | Eligible permanent employees (Employees are eligible to participate in variable remuneration arrangements applicable to their position) |

## 13.4 Linking Remuneration to Performance

Variable remuneration is directly linked to both short-term and long-term performance goals of TymeBank. All employees are assessed against specific KPIs. Any discretionary STI award is linked to both Tyme Bank and individual performance outcomes.

The key performance areas for the CEO as of 30 June 2023 were:

| Performance Category | Measures |
|---|---|
| **Shareholder** | • Contribute to the financial results of the Group and achieve the SA business plan. |
| **Customer** | • Deliver an exceptional customer experience. |
| **Strategy** | • Achieve role specific strategic initiatives that contribute to the success of the business. |
| **People and Community** | • Effective leadership. |

## 13.5 Quantitative disclosures

The Bank's compensation policies and practice incorporates international best practices and comply with the requirements of the Banks Act, 1990 (Act No. 94 of 1990) and the FSB Principles for Sound Compensation Practices. In accordance with the requirements of Regulation 43 of the Regulations and the Pillar 3 standards, disclosures of the key management personnel has been included in the Annual Financial Statements for the year ended 30 June 2023 published on the bank's website. Key Risk Takers and Senior Management of the Bank are defined as the prescribed officers and members of the Executive Committee respectively. Remuneration disclosure has been included in the Annual Financial Statements (refer to www.tymebank.co.za).

# 14. Appendices

To assist readers, key terms and abbreviations, as they apply to Tyme Bank and are used in this report, are set out below.

## Appendix A - Abbreviations

Key Abbreviations

| Abbreviation | Description |
|---|---|
| **AFS** | Annual Financial Statements |
| **ALCO** | Asset and liability committee |
| **ARC** | African Rainbow Capital |
| **ASF** | Available stable funding |
| **AT1** | Additional tier 1 capital |
| **BCP** | Business continuity plan |
| **BIA** | Basic indicator approach |
| **CCF** | Credit conversion factor |
| **CCP** | Central counterparty |
| **CCR** | Counterparty credit risk |
| **CEO** | Chief Executive Officer |
| **CET1** | Common Equity Tier 1 capital |
| **CFP** | Contingency funding plan |
| **CHRO** | Chief Human Resource Officer |
| **CRF** | Credit Risk Framework |
| **CRM** | Credit risk mitigation |
| **CRO** | Chief Risk Officer |
| **ERB** | Excess Return Bonus |
| **ERCC** | Enterprise Risk & Compliance Committee |
| **ERMF** | Enterprise Risk Management Framework |
| **EWI** | Early warning indicator |
| **EXCO** | Executive committee of Tyme Bank |
| **FR** | Fixed remuneration *(refer terms for explanation)* |
| **FX** | Foreign Exchange |
| **HQLA** | High quality liquid assets |
| **IFRS** | International Financial Reporting Standard |
| **IRRBB** | Interest Rate Risk in the Banking Book |
| **KPIs** | Key performance indicators *(refer terms for explanation)* |
| **LCE** | Large credit exposure |
| **LCEP** | Large Credit Exposure Policy |
| **LCR** | Liquidity coverage ratio |
| **LRF** | Liquidity Risk Framework |
| **LTI** | Long-term Incentive |
| **NIER** | Net interest exposures at risk |
| **NII** | Net interest income |
| **NSFR** | Net stable funding ratio |
| **ORMF** | Operational Risk Management Framework |
| **PA** | Prudential Authority |
| **QCR** | Qualifying capital requirement |
| **RAS** | Risk appetite statement |
| **RWA** | Risk-weighted asset |
| **SARB** | South African Reserve Bank |
| **SFT** | Securities financing transactions |
| **STI** | Short-term Incentive *(refer terms for explanation)* |
| **SME** | Small to Medium Enterprises |
| **T1** | Tier 1 capital |
| **T2** | Tier 2 capital |
| **TB** | Treasury Bill |

# Appendix B - Terms

Key Terms

| Term | Description |
|---|---|
| **Board** | The Board of Directors of the Company. |
| **Executives** | Key management personnel (excluding the CEO) who are members of the Tyme Bank executive committee. |
| **Fixed Remuneration (FR)** | Consists of cash and non-cash remuneration, including any salary sacrifice items, paid regularly with no performance conditions (base remuneration) plus employer contributions to superannuation. |
| **Group** | Tyme Bank Limited and all its majority-owned subsidiaries. |
| **Key performance indicators (KPIs)** | Quantitative and qualitative measures, agreed at the start of the performance year to communicate expected performance outcomes at the Company, business unit and / or team and individual level. |
| **Long-term variable remuneration (LTVR)** | A variable remuneration arrangement which grants instruments to participating Executives that may vest over a period of four years if, and to the extent that, performance hurdles are met. |
| **Short-term incentive (STI)** | Variable remuneration paid subject to the achievement of predetermined performance hurdles over one financial year. |
| **Twin Peaks Model** | The Twin Peaks model of financial sector regulation will see the creation of a prudential regulator – the Prudential Authority – housed in the South African Reserve Bank (SARB), while the FSB will be transformed into a dedicated market conduct regulator – the Financial Sector Conduct Authority. |
| **Variable Remuneration (VR)** | Remuneration that depends on minimum performance standards being achieved within a defined period. |