

Tyme Bank Limited

Basel Pillar III

Disclosure as at

30 September 2019

Table of Contents

1.	Introduction	3
2.	Key Metrics	4
3.	Composition of Risk Weighted Assets (RWA).....	5
4.	Leverage Ratio.....	6
5.	Liquidity Coverage Ratio.....	8

1. Introduction

The quarterly Pillar 3 disclosure is prepared in accordance Tyme Bank policies and complies both with Regulation 43 of the regulations relating to Banks and with the Basel Committee on Banking Supervision's Pillar 3 disclosure requirements. It presents information for the quarter ended 30 September 2019.

All 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 structure 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.

Tyme Bank is well capitalised above the prescribed regulatory required capital limits as well as the board approved Risk Appetite Statement (RAS) and trigger limits.

For the period under review (1 July 2019 – 30 September 2019), the group continues to maintain a robust capital, liquidity and funding position. Throughout the quarter ended 30 September 2019, the Core Equity Tier 1 (CET1) ratio was at all times consistently well in excess of 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.

2. Key Metrics

The table below provides an overview of the key regulatory metrics covering the group's available capital and ratios, risk-weighted assets, leverage ratio, liquidity coverage ratio, and net stable funding ratio of the Group's performance over time.

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

At 30 September 2019

R'000	Group				
	30-Sep-19	30-Jun-19	31-Mar-19	31-Dec-18	30-Sep-18
Available capital (amounts)					
1 Common Equity Tier 1 (CET1)	463 880	590 065	485 450	546 442	660 343
2 Tier 1	463 880	590 065	485 450	546 442	660 343
3 Total capital	463 880	590 065	485 450	546 442	660 343
Risk-weighted assets (amounts)					
4 Total risk-weighted assets (RWA)	456 469	479 324	576 318	580 019	554 843
Risk-based capital ratios as a % of RWA					
5 Common Equity Tier 1 ratio (%)	101.62	123.10	84.23	94.21	119.01
6 Tier 1 ratio (%)	101.62	123.10	84.23	94.21	119.01
7 Total capital ratio (%)	101.62	123.10	84.23	94.21	119.01
Additional CET1 buffer requirements as a percentage of RWA					
8 Capital conservation buffer requirement (2.5% from 2019) (%)	2.50	2.50	2.50	1.88	1.88
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	1.88	1.88
12 CET1 available after meeting the bank's minimum capital requirements (%)	91.12	112.60	73.73	84.34	109.14
Basel III Leverage Ratio					
13 Total Basel III leverage ratio measure	952 168	945 389	727 693	711 267	829 296
14 Basel III leverage ratio (%) (row 2/row 13)	48.72	62.42	66.71	76.83	79.63
Liquidity Coverage Ratio					
15 Total HQLA	261 836	144 011	156 252	126 334	121 125
16 Total net cash outflow	7 177.15	997.58	686.55	25.75	0.04
17 LCR ratio (%)	3 648	14 436	22 759	490 556	3 034 468
Net Stable Funding Ratio					
18 Total available stable funding	3 846 058	3 499 670	3 183 902	2 909 967	2 703 520
19 Total required stable funding	3 288 461	2 991 711	2 895 392	2 614 373	2 257 771
20 NSFR ratio (%)	117	117	110	111	120

*Figures for 30-Jun-19 are based on resubmitted returns

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.

The Net Stable Funding Ratio (NSFR) requires banks to maintain a stable funding profile in relation to the composition of their assets and off-balance sheet activities. It is intended to limit overreliance on short-term funding and promote 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 normalized time frame.

3. Composition of Risk Weighted Assets (RWA)

The following table reflects the composition of the risk-weighted assets (RWA) and related minimum capital requirements.

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

At 30 September 2019

R'000

		Group		
		Risk Weighted Assets		* MCR
		30-Sep-19	30-Jun-19	30-Sep-19
1	Credit risk (excluding counterparty credit risk)	273 627	297 169	31 467
2	Of which: standardised approach (SA)	273 627	297 169	31 467
6	Counterparty credit risk (CCR)			
11	Equity positions under the simple risk weight approach			
16	Securitisation exposures in the banking book			
20	Market risk	24		3
24	Operational risk	182 818	182 155	21 024
25	Amounts below thresholds for deduction (subject to 250% risk weight)			
26	Floor adjustment			
27	Total	456 469	480 672	52 494
	(1+6+10+11+12+13+14+15+16+20+23+24+25+26)			

* Minimum capital requirements (MCR) - Base requirement (8%); Pillar 2A add-on (1%) & Conservation buffer (2.5%)

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

At 30 September 2019

R'000

		Bank		
		Risk Weighted Assets		* MCR
		30-Sep-19	30-Jun-19	30-Sep-19
1	Credit risk (excluding counterparty credit risk)	271 463	292 835	31 218
2	Of which: standardised approach (SA)	271 463	292 835	31 218
6	Counterparty credit risk (CCR)			
11	Equity positions under the simple risk weight approach			
16	Securitisation exposures in the banking book			
20	Market risk	24		3
24	Operational risk	172 458	180 057	19 833
25	Amounts below thresholds for deduction (subject to 250% risk weight)			
26	Floor adjustment			
27	Total	443 944	472 892	51 054
	(1+6+10+11+12+13+14+15+16+20+23+24+25+26)			

* Minimum capital requirements (MCR) - Base requirement (8%); Pillar 2A add-on (1%) & Conservation buffer (2.5%)

- Credit RWA decreased due to the bank opting to acquire treasury bills, which carry a zero percent risk weight, resulting in a reduction of bank placements and total risk weighted assets.
- Operational RWA for 30 September 2019 is calculated based on the gross operating income amount as per the annual financial statements - 30 June 2019. The Operational RWA amount is calculated biannually with the next recalculation cycle being December 2019.

Tyme Bank has launched its credit product to the public with a pilot programme which began in July 2019. The main driver in the bank's risk weighted assets (RWA) to date is therefore the cash placements with other South African banking counterparties. These placements are short to medium term in nature and the RWA movement is directly related to the aforementioned placements and correlates accordingly.

Tyme Bank is not currently involved in capital markets, which is where market risk is most concentrated for banks. The bank is therefore currently not exposed to equity and commodity risks. The balance sheet is completely funded and denominated in South African Rand.

Foreign exchange risk is limited to Tyme Bank's exposure to suppliers and third parties who are paid in foreign currency.

4. Leverage Ratio

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

The leverage ratio has remained well above the regulatory minimum requirement due to the current correlation of the qualifying regulatory capital (QCR) in relation to the on-balance sheet exposures.

The table below provides a reconciliation of the total assets in the financial statements to the leverage ratio exposure measure, for the quarter ended 30 September 2019.

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

At 30 September 2019 R'000	Group		Bank	
	30-Sep-19			
1 Total consolidated assets as per published financial statements	1 046 230		995 634	
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				
	(94 062)		(94 077)	
8 Leverage ratio exposure measure	952 168		901 558	

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

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

At 30 September 2019 R'000	Group		Bank	
	30-Sep-19	30-Jun-19	30-Sep-19	30-Jun-19
On-balance-sheet exposures				
1 On-balance-sheet exposures (excluding derivatives and securities financing transactions (SFTs), but including collateral)	1 046 230	1 088 806	995 634	1 087 523
2 (Asset amounts deducted in determining Basel III tier 1 capital)	(94 062)	(143 417)	(94 077)	(143 417)
3 Total on-balance-sheet exposures (excluding derivatives and SFTs) (sum of row 1 and 2)	952 168	945 389	901 557	944 106
Derivative exposures				
11 Total derivative exposures (sum of rows 4 to 10)				
Securities financing transactions				
16 Total securities financing transaction exposures (sum of rows 12 to 15)				
Other off-balance-sheet exposures				
19 Off-balance-sheet items (sum of rows 17 and 18)				
Capital and total exposures				
20 Tier 1 capital	463 880	590 065	313 816	590 535
21 Total exposures (sum of rows 3, 11, 16 and 19)	952 168	945 389	901 558	944 106
Leverage ratio				
22 Basel III leverage ratio	48.72	62.42	34.81	62.55

5. Liquidity Coverage Ratio

The Liquidity Coverage Ratio (LCR) requires institutions to hold sufficient liquid assets to meet their 30-day net cash outflows projected under the Prudential Authority's prescribed stress scenario. Tyme Bank maintained an average daily LCR of >1000% for the reporting period to 30 September 2019.

The daily average used to calculate the above percentage consisted of 64 data points representative of the number of workings days during the last 3-month period from 1 July 2019 to 30 September 2019.

The LCR ratio remained well above 1000% at 30 September 2019 due to:

1. An increase in the bank's average high-quality liquid asset (HQLA) holdings. The bank continues to build its liquid assets portfolio to ensure compliance with both the growing regulatory requirements, as well as creating sufficient liquidity.
2. The total net outflows continued to increase due to an increase in customer deposits as expected during this period.

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

At 30 September 2019
R'000

	Group		Bank	
	Total unweighted value (average)	Total weighted value (average)	Total unweighted value (average)	Total weighted value (average)
High-quality liquid assets				
1 Total HQLA		261 836		261 836
Cash outflows				
2 Retail deposits and deposits from small business customers, of which:	287 086	28 709	287 086	28 709
3 Stable deposits				
4 Less stable deposits	287 086	28 709	287 086	28 709
9 Secured wholesale funding				
14 Other contractual funding obligations				
15 Other contingent funding obligations	200 000	0.00	200 000	0.00
16 TOTAL CASH OUTFLOWS	487 086	28 709	487 086	28 709
Cash inflows				
17 Secured lending (eg reverse repo)				
18 Inflows from fully performing exposures	433 457	433 457	428 440	428 440
19 Other cash inflows				
20 TOTAL CASH INFLOWS	433 457	433 457	428 440	428 440
		Total adjusted value		Total adjusted value
21 Total HQLA		261 836		261 836
22 Total net cash outflows		7177.154		7177.154
23 Liquidity coverage ratio (%)		3 648		3 648

The high-quality liquid assets (HQLA) consist of the bank's initial purchase of a Treasury Bill (TB), as well as additional cash placed with the Prudential Authority (PA) in the bank's reserving account.

Net cash outflows are limited to customer accounts opened since the bank launched, towards the end of February 2019. All in- and outflows within the prescribed 30-day horizon have been considered in line with the requirements specified under regulation 28, and with the exclusion of operational expenses.

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 all prescribed limits. This is further influenced by the short-term to medium term nature of all current bank placements but offset by current regulatory capital adjustments.