TymeBank

Tyme Bank Limited

Basel Pillar III Disclosure as at 31 March 2019

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1. Introduction

This document is prepared in accordance with the policies approved by Tyme Bank's Board of directors 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 31 March 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.

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.

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 January 2019 – 31 March 2019), the group continues to maintain a robust capital, liquidity and funding position. Throughout the quarter ended 31 March 2019, the Core Equity Tier 1 (CET1) ratio was at all times consistently well in excess of the regulatory minimum capital adequacy requirements.

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 31 March 2019	Group				
R'000	**31-Mar-19**	**31-Dec-18**	**30-Sep-18**	**30-Jun-18**	**31-Mar-18**
Available capital (amounts)					
1 Common Equity Tier 1 (CET1)	485 450	546 442	660 343	978 766	599 809
2 Tier 1	485 450	546 442	660 343	978 766	599 809
3 Total capital	**485 450**	**546 442**	**660 343**	**978 766**	**599 809**
Risk-weighted assets (amounts)					
4 Total risk-weighted assets (RWA)	**576 318**	**580 019**	**554 843**	**667 466**	**856 384**
Risk-based capital ratios as a % of RWA					
5 Common Equity Tier 1 ratio (%)	84.23	94.21	119.01	146.64	70.04
6 Tier 1 ratio (%)	84.23	94.21	119.01	146.64	70.04
7 Total capital ratio (%)	**84.23**	**94.21**	**119.01**	**146.64**	**70.04**
Additional CET1 buffer requirements as a percentage of RWA					
8 Capital conservation buffer requirement (2.5% from 2019) (%)	2.50	1.88	1.88	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	1.88	1.88	1.88	1.88
12 CET1 available after meeting the bank's minimum capital requirements (%)	73.73	84.34	109.14	144.76	60.16
Basel III Leverage Ratio					
13 Total Basel III leverage ratio measure	727 693	711 267	829 296	1 168 192	769 221
14 Basel III leverage ratio (%) (row 2/row 13)	**66.71**	**76.83**	**79.63**	**83.78**	**77.98**
Liquidity Coverage Ratio					
15 Total HQLA	156 252	126 334	121 125	94 044	74 207
16 Total net cash outflow	686.550	25.753	0.040	0.138	0.141
17 LCR ratio (%)	**228**	**4 906**	**3 034 468**	**68 152 505**	**525 501**
Net Stable Funding Ratio					
18 Total available stable funding	3 183 902	2 909 967	2 703 520	2 703 484	1 894 972
19 Total required stable funding	2 895 392	2 614 373	2 257 771	1 996 149	1 523 739
20 NSFR ratio (%)	**109.96**	**111.31**	**119.74**	**135.44**	**124.36**

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.

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 31 March 2019 R'000		Group		
		Risk Weighted Assets		* MCR
		31-Mar-19	31-Dec-18	31-Mar-19
1	Credit risk (excluding counterparty credit risk)	258 034	261 736	29 674
2	Of which: standardised approach (SA)	258 034	261 736	29 674
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	Operational risk	318 284	318 284	36 603
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)	576 318	580 020	66 277

* 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 31 March 2019 R'000		Bank		
		Risk Weighted Assets		* MCR
		31-Mar-19	31-Dec-18	31-Mar-19
1	Credit risk (excluding counterparty credit risk)	256 291	259 117	29 473
2	Of which: standardised approach (SA)	256 291	259 117	29 473
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	Operational risk	310 989	310 989	35 764
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)	567 280	570 106	65 237

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

The bank is yet to extend credit to the public but intends launching credit products during 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 overnight 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 current balance sheet is also completely funded and denominated in South African Rand.

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

4. Leverage Ratio

The table below provides a reconciliation of the total assets in the published financial statements to the leverage ratio exposure measure, for the quarter ended 31 March 2019.

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

At 31 March 2019 **R'000**	**Group**	**Bank**
	31-Mar-19	
1 Total consolidated assets as per published financial statements	**1 451 141**	**1 442 442**
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	723 448	723 448
8 Leverage ratio exposure measure	**727 693**	**718 995**

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 detailed breakdown of the components of the leverage ratio denominator.

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

At 31 March 2019		**Group**		**Bank**	
R'000		**31-Mar-19**	**31-Dec-18**	**31-Mar-19**	**31-Dec-18**
On-balance-sheet exposures					
1	On-balance-sheet exposures (excluding derivatives and securities financing transactions (SFTs), but including collateral)	1 451 141	1 424 397	1 442 443	1 415 484
2	(Asset amounts deducted in determining Basel III tier 1 capital)	723 448	713 129	723 448	713 129
3	Total on-balance-sheet exposures (excluding derivatives and SFTs) (sum of row 1 and 2)	727 693	711 268	718 995	702 355
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	**485 450**	**546 442**	**477 275**	**538 296**
21	Total exposures (sum of rows 3, 11, 16 and 19)	**727 693**	**711 268**	**718 995**	**702 355**
Leverage ratio					
22	**Basel III leverage ratio**	**66.71**	**76.83**	**66.38**	**76.64**

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 31 March 2019.

The daily average used to calculate the above percentage consisted of 62 data points representative of the number of workings days during the last 3-month period of banking operations.

The main contributing factors for the change in the LCR were:

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 should it be required to do so by a liquidity crisis or a trigger event.
2. The total net outflows increased due to an increase in less stable deposits as expected, due to increasing customer deposits, following the launch of the bank.

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

At 31 March 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		**156 252**		**156 252**
Cash outflows				
2 Retail deposits and deposits from small business customers, of which:	27 462	2 746	27 462	2 746
3 Stable deposits				
4 Less stable deposits	27 462	2 746	27 462	2 746
9 Secured wholesale funding		0.000		0.000
14 Other contractual funding obligations				
15 Other contingent funding obligations	200 000	0.000	200 000	0.000
16 TOTAL CASH OUTFLOWS		**2 746**		**2 746**
Cash inflows				
17 Secured lending (eg reverse repo)				
18 Inflows from fully performing exposures	286 376	286 376	280 473	280 473
19 Other cash inflows				
20 TOTAL CASH INFLOWS	**286 376**	**286 376**	**280 473**	**280 473**
		Total adjusted value		**Total adjusted value**
21 Total HQLA		**156 252**		**156 252**
22 Total net cash outflows		**686.550**		**686.550**
23 Liquidity coverage ratio (%)		**22 759**		**22 759**