



Tyme Bank Limited

**Basel Pillar III
Semi-annual disclosure
31 December 2018**



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1. Introduction

Tyme Bank was officially registered as a bank by the South African Reserve Bank (SARB) in September 2017. African Rainbow Capital Financial Services Holdings (ARC) currently owns a 78% stake in Tyme Bank's registered controlling company, Tyme Bank Holdings Limited. The acquisition by ARC, which comprises Tyme Bank's operations and all related intellectual property was concluded on 29 October 2018 and received confirmation of Prudential Authority approval on 5 November 2018.

Tyme Bank has embraced technology and partnerships to deliver innovative digital banking products to the market when it launched its consumer offerings in Pick 'n Pay stores towards the end of 2018. Since its registration as a bank, Tyme Bank has been preparing and testing its operations in order to deliver on its vision of creating long-term value for its people, customers, and shareholders. This vision is supported by the bank's four capabilities: technology, people, strength, and productivity. Consistent with its strategy, Tyme Bank operates responsibly in taking well-researched and -managed risks to create sustained top-tier shareholder value.

Tyme Bank's purpose is to promote participation in the economy by providing affordable access to financial services and products embedded with education and training to improve the customer's financial wellbeing. Tyme Bank will primarily target underserved consumers and small businesses. With the introduction of a 'twin peaks' model into the South African regulatory framework, a focus on conduct and the management of conduct risk within the business is paramount for Tyme Bank. We are committed to treating customers fairly, in a transparent and consistent manner, while promoting a corporate culture of ensuring our behaviour and actions puts the customer at the centre of everything we do.

This document is prepared in accordance with the policy 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 on the capital adequacy, risk-weighted assets (RWA), and calculations for credit, market, and operational risks for the half year ended 31 December 2018.

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

All current balance sheet exposures are banking book exposures and all liquid assets are held to maturity, with a phased approach in terms of exposure into the retail and small and medium enterprise (SME) markets.

For the period under review, the group continues to maintain a robust capital, liquidity and funding position. Throughout the half year ended 31 December 2018, the CET1 ratio was at all times consistently well in excess of the regulatory minimum capital adequacy requirements.

2. Structure & Consolidated Supervision

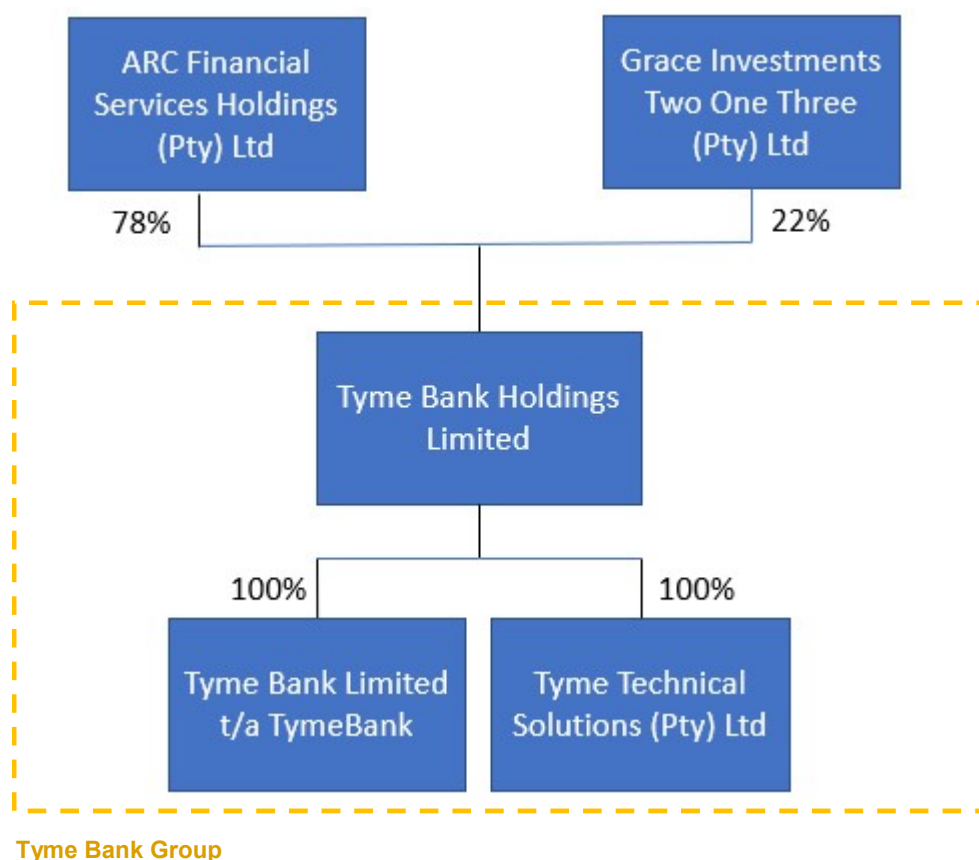


FIGURE 1: TYME BANK GROUP STRUCTURE

The structure consists of Tyme Bank Holdings Limited and two wholly-owned subsidiaries. Tyme Bank Holdings Limited is the registered controlling company of Tyme Bank Limited, the registered bank. The shareholders of Tyme Bank Holdings Limited are African Rainbow Capital Financial Services Holdings (ARC) (78%) and Grace Investments Two One Three (Pty) Limited - to be renamed 'African Fig Tree (Pty) Limited' - (22%).

Tyme Bank Limited is the banking entity within the Tyme Bank group and contributes approximately 98% to the total consolidated balance sheet and risk-weighted assets (RWA). Tyme Technical Solutions Proprietary Limited (TTS) currently makes up approximately 2% of

the consolidated balance sheet due to bank placements held in its name. There are currently no activity in this company.

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 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 standardised 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	Not applicable
Operational risk	Basic Indicator Approach

Tyme Bank ensures that its risk management controls are adequate and robust enough to manage all major risks to the bank, namely:

- credit risk,
- market risk,
- liquidity risk,
- operational risk,
- reputational/
conduct risk,
- compliance risk,
- cyber risk, and
- systemic risk.

This ensures it will remain a going concern, considering measurable and non-measurable risk types reported on a daily and monthly basis. Tyme Bank also considers non-financial risks and the 'customer voice' when making risk-based decisions and in designing products.

3. Key Metrics

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

At 31 December 2018

R'000

	Group				
	31-Dec-18	30-Sep-18	30-Jun-18	31-Mar-18	31-Dec-17
Available capital (amounts)					
1 Common Equity Tier 1 (CET1)	546 442	660 343	978 766	599 809	552 978
2 Tier 1	546 442	660 343	978 766	599 809	552 978
3 Total capital	546 442	660 343	978 766	599 809	552 978
Risk-weighted assets (amounts)					
4 Total risk-weighted assets (RWA)	580 019	554 843	667 466	856 384	919 942
Risk-based capital ratios as a % of RWA					
5 Common Equity Tier 1 ratio (%)	94.21	119.01	146.64	70.04	60.11
6 Tier 1 ratio (%)	94.21	119.01	146.64	70.04	60.11
7 Total capital ratio (%)	94.21	119.01	146.64	70.04	60.11
Additional CET1 buffer requirements as a percentage of RWA					
8 Capital conservation buffer requirement (2.5% from 2019) (%)	1.88	1.88	1.88	1.88	1.25
9 Countercyclical buffer requirement (%)	-	-	-	-	-
10 Bank D-SIB additional requirements (%)	-	-	-	-	-
11 Total of bank CET1 specific buffer requirements (%) (row 8 + row 9+ row 10)	1.88	1.88	1.88	1.88	1.25
12 CET1 available after meeting the bank's minimum capital requirements (%)	84.34	109.14	144.76	60.16	50.86
Basel III Leverage Ratio					
13 Total Basel III leverage ratio measure	711 267	829 296	1 168 192	769 221	1 040 262
14 Basel III leverage ratio (%) (row 2/row 13)	76.83	79.63	83.78	77.98	53.16
Liquidity Coverage Ratio					
15 Total HQLA	126 334	121 125	94 044	74 207	73 681
16 Total net cash outflow	25.753	0.040	0.138	0.141	0.013
17 LCR ratio (%)	4 906	3 034 468	68 152 505	525 501	5 559 357
Net Stable Funding Ratio					
18 Total available stable funding	2 909 967	2 703 520	2 703 484	1 894 972	1 668 011
19 Total required stable funding	2 614 373	2 257 771	1 996 149	1 523 739	1 394 144
20 NSFR ratio (%)	111.31	119.74	135.44	124.36	119.64

The table above (KM1) 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.

Key metrics are being 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'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.

4. Overview of Risk Management

Tyme 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.

Risk appetite is influenced by and should be read in the context of the bank's:

- vision of enhancing economic participation and inspiring financial well-being;
- values of integrity, accountability, collaboration, excellence and service; 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 operational risk that the board is willing to accept for its shareholders. Risk appetite is a central and essential element of the Operational Risk Management Framework (ORMF).

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

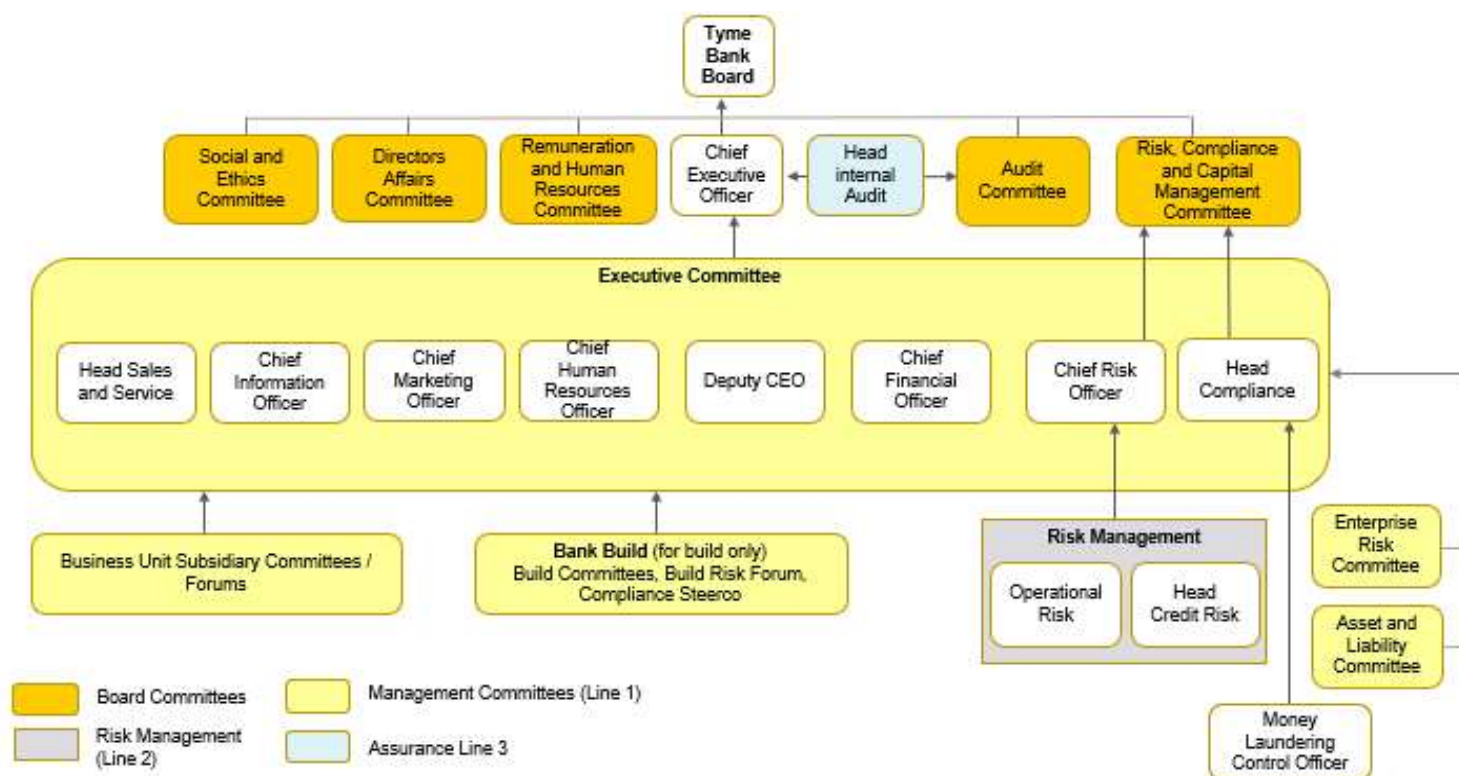


FIGURE 2: RISK GOVERNANCE STRUCTURE

Risk governance therefore 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 ensures board-level oversight. Independent review of the risk management framework and its implementation is carried out by Tyme Bank's Internal Audit function, as appropriate.

Various Bank Build Committees were established to provide governance during the build phase and are terminated as and when they are no longer required. The Chief Risk Officer (CRO) has ultimate responsibility for the risk oversight of all risk classes within Tyme Bank, with support from the Head of Compliance, who ensures that regulatory requirements are complied with at all times. To ensure the required focus on compliance-related matters, the Head of Compliance 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, a focus on conduct and the management of conduct risk within the business is paramount for Tyme Bank. We are committed to treating customers fairly, in a transparent and consistent manner, while promoting a corporate culture of ensuring our behaviour and actions puts the customer at the centre of everything we do.

The Risk, Compliance and Capital Management Committee is a sub-committee of the Tyme Bank board 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 Enterprise Risk Committee (ERC) 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 supporting strategy and risk appetite as well as monitors compliance with delegations.

Tyme Bank operates utilising 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. External resources are utilised 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 Risk Management Framework (RMF), which is illustrated in the diagram below. The RMF 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:

- **credit risk:** the risk arising from counterparties as a result 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
- **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 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.

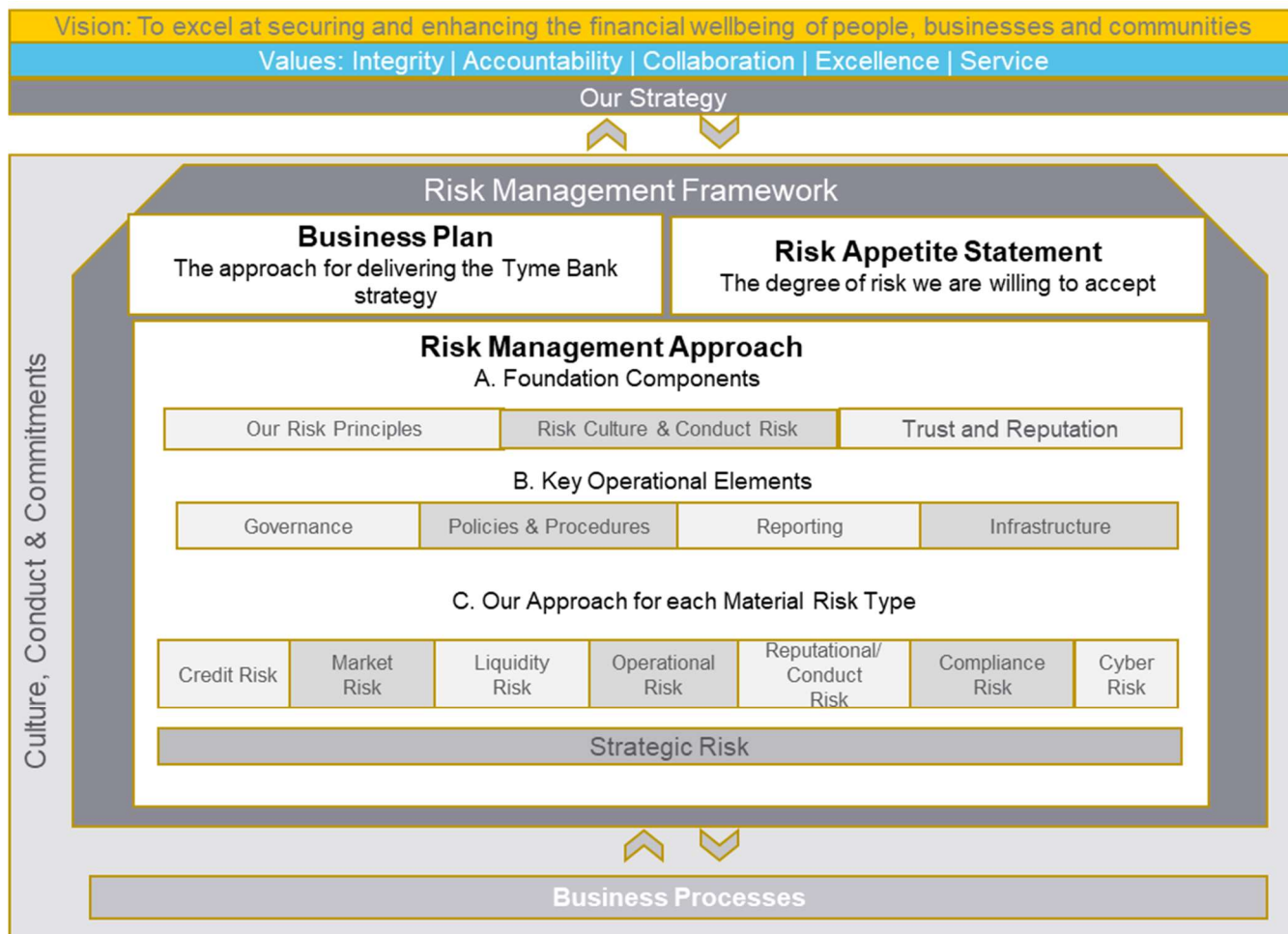


FIGURE 3: TYME BANK RISK MANAGEMENT FRAMEWORK

- The RAS is 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 the bank faces, as well as any emerging risks that may require Tyme Bank to amend its strategy or approach.

5. Credit Risk

Tyme 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.

While not a significant risk for the bank at present, 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.

On a daily basis, Tyme 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 Large Credit Exposure Policy (LCEP). These exposures are internally reported to the Asset and Liability Committee (ALCO) on a daily, monthly, and quarterly basis, as well as to the Prudential Authority in line with regulatory requirements and the CRF.

Credit risk arises from Tyme Bank's current activities, which are limited to interbank placements, minimum reserving requirements, and investing in Treasury Bills for high quality liquid asset requirements. This is generally the biggest risk in banking, but currently contributes less than operational risk to the consolidated RWAs, as the bank has not yet extended credit to customers. Credit extension is expected to be launched during 2019.

For regulatory capital purposes, Tyme Bank has adopted the standardised approach to determine its RWAs on credit exposure. Tyme Bank is in the process of building a robust credit risk model and constantly revising reporting standards in order to comply with the latest regulatory and financial reporting requirements, which includes amongst others IFRS 9.

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 at 31 December 2018.

CR1 (Group): Credit quality of assets
At 31 December 2018
R'000

		Group			
		a	b	c	d
		Carrying values of:		Allowances/ impairments	Net values (a+b-c)
		Defaulted exposures	Non-defaulted exposures		
1	Loans		445 653		445 653
2	Debt securities		162 461		162 461
3	Off-balance sheet exposures				
4	Total		608 115		608 115

CR1 (Bank): Credit quality of assets
At 31 December 2018
R'000

		Bank			
		a	b	c	d
		Carrying values of:		Allowances/ impairments	Net values (a+b-c)
		Defaulted exposures	Non-defaulted exposures		
1	Loans		371 510		371 510
2	Debt securities		162 461		162 461
3	Off-balance-sheet exposures				
4	Total		533 972		533 972

There is no credit risk mitigation currently being considered in the calculation of the RWAs as the bank has not yet extended credit to customers, therefore pre- and post-mitigation exposures are identical.

All credit risk ratings applied to interbank exposures are based on the short-term credit assessment ratings required by Regulation 23, on the basis that all banking exposures are denominated and funded in South African Rand and relate to claims with an original maturity of three months or less. At maturity, bank placements are held overnight on call.

There is no default information to disclose for the period under review, as the bank has to date only placed funds with the so-called 'big four' South African banks and has not yet extended credit to the public.

5.2 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 at 31 December 2018.

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

At 31 December 2018 R'000	Group					
	Exposures pre CCF and CRM		Exposures post-CCF and CRM		RWA and RWA density	
	On-balance-sheet	Off-balance-sheet	On-balance-sheet	Off-balance-sheet	RWA	RWA Density (%)
Asset classes						
1 Sovereigns and their central banks	162 461		162 461		0	0.00
4 Banks	445 653		445 653		89 131	20.00
13 Other assets	172 605		172 605		172 605	100.00
14 Total	780 719		780 719		261 736	33.52

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

At 31 December 2018 R'000	Bank					
	Exposures pre CCF and CRM		Exposures post-CCF and CRM		RWA and RWA density	
	On-balance-sheet	Off-balance-sheet	On-balance-sheet	Off-balance-sheet	RWA	RWA density (%)
Asset classes						
1 Sovereigns and their central banks	162 461		162 461		0	0.00
4 Banks	371 510		371 510		74 302	20.00
13 Other assets	171 061		171 061		171 061	100.00
14 Total	705 032		705 032		245 363	34.80

All exposures attracting credit risk are South African Rand denominated and placed with South African counterparts within South Africa. Due to the build phase the bank is currently in, placements are short-dated to ensure an optimal and efficient cashflow position.

5.3 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 at 31 December 2018.

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

At 31 December 2018 R'000	Group										Total credit exposures amount (post CCF and post-CRM)
	Risk Weight										
	0%	10%	20%	35%	50%	75%	100%	150%	Others		
Asset classes											
1 Sovereigns and their central banks	162 461										162 461
4 Banks			445 653								445 653
13 Other assets							172 605				172 605
14 Total	162 461		445 653				172 605				780 719

* 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

At 31 December 2018 R'000	Bank										Total credit exposures amount (post CCF and post-CRM)
	Risk Weight										
	0%	10%	20%	35%	50%	75%	100%	150%	Others		
Asset classes											
1 Sovereigns and their central banks	162 461										162 461
4 Banks			346 885								346 885
13 Other assets							171 061				171 061
14 Total	162 461		346 885				171 061				680 407

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

As noted previously, the bank has not provided any secured or unsecured credit-related facilities and currently has no off-balance-sheet credit exposure. End-to-end credit risk systems and processes will be built and tested before implementation.

CR3 (Group): Credit risk mitigation techniques – overview

At 31 December 2018 R'000	Group					
	Exposures unsecured: carrying amount	Exposures secured by:				
		Collateral	Collateral of which: secured amount	Financial guarantees	Financial guarantees, of which: secured amount	Credit derivatives
1 Loans	445 653					
2 Debt securities	162 461					
3 Total	608 115					
4 Of which defaulted						

At 31 December
2018

R'000

		Bank					
		Exposures secured by:					
		Exposures unsecured: carrying amount	Collateral	Collateral of which: secured amount	Financial guarantees	Financial guarantees, of which: secured amount	Credit derivatives
1	Loans	371 510					
2	Debt securities	162 461					
3	Total	533 972					
4	Of which defaulted						

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
- **process risk:** Potential losses due to inadequate or failed processes.

Tyme Bank has a comprehensive and integrated Operational Risk Management Framework (ORMF) 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 were identified and subsequent controls implemented as part of the bank's build process. The ORMF will then mature over the ensuing twelve months. All medium and higher risks, as well as ineffective controls, are approved through the relevant governance processes.

Tyme Bank's board and senior management will remain ultimately responsible for ensuring that the bank's system of internal control is adequate and operating effectively.

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

There are currently no mitigation techniques applied within the ORMF. This function and risk mitigation techniques will grow in line with the business requirements and demands. These will be subjected to Line 1 and Line 2 controls and processes.

As indicated in the table below, the bank applies the Basic Indicator Approach in calculating its Standardised Operational Risk RWAs. These values have remained stable as the bank has not been launched above the line to the public, however, the numbers are expected to increase in line with the bank's exposures.

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

At 31 December 2018 R'000	Group		Bank	
	31-Dec-18	30-Jun-18	31-Dec-18	30-Jun-18
Relevant risk exposure	169 751	169 063	165 861	165 172
Capital requirements	25 463	25 359	24 879	24 776
Risk weighted exposure equivalent amount	318 284	316 993	310 989	309 698

7. 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 December 2018
R'000

	Group			
	Risk Weighted Assets			* MCR
	31-Dec-18	31-Dec-17	30-Jun-18	31-Dec-18
1 Credit risk (excluding counterparty credit risk)	261 736	316 319	330 879	29 118
2 Of which: standardised approach (SA)	261 736	316 319	330 879	29 118
6 Counterparty credit risk (CCR)				
11 Equity positions under the simple risk weight approach				
16 Securitisation exposures in the banking book				
20 Market risk	-	-	19 593	-
24 Operational risk	318 284	603 623	316 993	35 409
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)	580 020	919 942	667 465	64 527

* Minimum capital requirements (MCR) - Base requirement (8%); Pillar 2A add-on (1.50%) & Conservation buffer (1.875%)

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

At 31 December 2018
R'000

	Bank			
	Risk Weighted Assets			* MCR
	31-Dec-18	31-Dec-17	30-Jun-18	31-Dec-18
1 Credit risk (excluding counterparty credit risk)	259 117	291 069	309 437	27 297
2 Of which: standardised approach (SA)	259 117	291 069	309 437	27 297
6 Counterparty credit risk (CCR)				
11 Equity positions under the simple risk weight approach				
16 Securitisation exposures in the banking book				
20 Market risk	-	-	19 593	-
24 Operational risk	310 989	593 268	309 698	34 598
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)	570 106	884 337	638 728	61 894

* Minimum capital requirements (MCR) - Base requirement (8%); Pillar 2A add-on (1.50%) & Conservation buffer (1.875%)

8. Market Risk

Tyme 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).

Tyme Bank has ensured that this policy complies with the Banks Act and the Regulations relating to Banks (particularly regulation 28). The Tyme Bank Market Risk Framework is a

policy which provides 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.

Market risk is the potential of an adverse impact on Tyme Bank's 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 it 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;
- **currency 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.

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. Mitigating strategies to manage this risk are being considered and will be implemented.

MR1 (Group & Bank): Market risk under the standardised approach (SA)

At 31 December 2018

R'000

	Group	Bank
	Capital charge in SA	Capital charge in SA
	31-Dec-18	31-Dec-18
1 General interest rate risk		
2 Equity risk		
3 Commodity risk		
4 Foreign exchange risk		
5 Credit spread risk - non-securitisations		
8 Default risk - non-securitisations		
11 Residual risk add-on		
12 Total	-	-

Tyme Bank is mostly exposed to interest rate risk in the banking book due to the nature of its exposures. All exposures, including securities held (Treasury Bills), are held under the banking book with the intent of holding all positions to maturity.

The bank is monitoring net interest exposures at risk (NIER) as a percentage of its twelve-month forecasted net interest income (NII).

Net Interest Income

At 31 December 2018 R'000	Bank	
	31-Dec-18	30-Jun-18
Percentage impact of a parallel rate shock on forecasted NII (%)	7.86	44.15
Twelve-month forecasted NII (R'000)	88 594	42 632
Cumulative total for 12 months post 2% parallel rate shock (R'000)	6 964	18 822

The bank's strategy is to manage IRRBB through having an appropriate mix of assets and liabilities so as to achieve stable and sustainable net interest earnings in the long term.

In addition to the NIER limits, Tyme Bank ALCO will establish interest rate repricing gap limits documented in the Interest Rate Policy framework, supported by the Tyme Bank Treasury Delegations Manual outlining the relevant delegated limits.

9. Composition of Capital

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

The capital contribution is in line with the major shareholding as depicted in the structure under section 2 'Structure and Consolidated Supervision' on page 4.

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.tyembank.co.za>).

CC1 (Group & Bank): Composition of regulatory capital

At 31 December 2018

R'000

	Group		Bank	
	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	2 903 476	(a)	2 697 880	(a)
2 Retained earnings	-1 643 904	(b)	-1 446 454	(b)
3 Accumulated other comprehensive income (and other reserves)				
4 Directly issued capital subject to phase-out from CET1 (only applicable to non-joint stock companies)				
5 Common share capital issued by third parties (amount allowed in group CET1)				
6 Common equity tier 1 capital before regulatory deductions	1 259 572		1 251 425	
Common equity tier 1 capital regulatory adjustments				
7 Prudent valuation adjustments				
8 Goodwill (net of related tax liability)				
9 Other intangibles other than mortgage servicing rights (net of related tax liability)	713 129	(c)	713 129	(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	713 129		713 129	
29 Common equity tier 1 capital (CET1)	546 442		538 296	
44 Additional tier 1 capital (AT1)				
45 Tier 1 capital (T1= CET1 + AT1)	546 442		538 296	
58 Tier 2 capital (T2)				
59 Total regulatory capital (TC = T1 + T2)	546 442		538 296	
60 Total risk-weighted assets	580 019	(e)	570 106	(e)
Capital ratios and buffers				
61 Common equity tier 1 (as a percentage of risk-weighted assets)	94.21		94.42	
62 Tier 1 (as a percentage of risk-weighted assets)	94.21		94.42	
63 Total capital (as a percentage of risk-weighted assets)	94.21		94.42	
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)	1.88		1.88	
65 Of which: capital conservation buffer requirement	1.88		1.88	
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.	84.34		84.55	
National minima (if different from Basel III)				
69 National common equity tier 1 minimum ratio (if different from Basel III minimum)	7.375		7.375	
70 National tier 1 minimum ratio (if different from Basel III minimum)	8.875		8.875	
71 National total capital minimum (if different from Basel III minimum)	11.125		11.125	
Amounts below the thresholds for deduction (before risk weighting)				
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	1 114		1 101	
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 of regulatory capital to balance sheet

Tyme Bank does not own any insurance entities nor any other entity which is considered outside the scope of regulatory consolidation, as defined under regulation 36. There is no difference between the financial balance sheet and the regulatory balance sheet (or balance reported under the scope of regulatory consolidation).

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

At 31 December 2018
R'000

	Group			Bank		
	Balance sheet as per published financial statements	Under regulatory scope of consolidation	* Ref	Balance sheet as per published financial statements	Under regulatory scope of consolidation	* Ref
	31-Dec-18			31-Dec-18		
Assets						
Cash and balances at central banks	5 000	5 000		5 000	5 000	
Items in the course of collection from other banks						
Trading portfolio assets						
Financial assets designated at fair value						
Derivative financial instruments						
Loans and advances to banks	371 201	371 201	(e)	363 832	363 832	(e)
Loans and advances to customers						
Reverse repurchase agreements and other similar secured lending						
Available for sale financial investments	162 461	162 461	(e)	162 461	162 461	(e)
Current and deferred tax assets			(d)	-		(d)
Prepayments, accrued income and other assets	129 271	129 271	(e)	127 727	127 727	(e)
Investments in associates and joint ventures	-	-				
Goodwill and other intangible assets	713 129	713 129	(c)	713 129	713 129	(c)
Of which: goodwill						
Of which: intangibles (excluding MSRs)	713 129	713 129		713 129	713 129	
Of which: MSRs						
Property, plant and equipment	43 334	43 334	(e)	43 334	43 334	(e)
Total assets	1 424 396	1 424 396		1 415 483	1 415 483	
Liabilities						
Deposits from banks						
Items in the course of collection due to other banks						
Customer accounts	7 212	7 212		7 212	7 212	
Repurchase agreements and other similar secured borrowing						
Trading portfolio liabilities						
Financial liabilities designated at fair value						
Derivative financial instruments						
Debt securities in issue						
Accruals, deferred income and other liabilities	91 561	91 561		90 795	90 795	
Current and deferred tax liabilities						
Subordinated liabilities						
Provisions	66 051	66 051	(e)	66 051	66 051	(e)
Retirement benefit liabilities						
Total liabilities	164 824	164 824		164 058	164 058	
Shareholders' equity						
Paid-in share capital	2 903 476	2 903 476	(a)	2 697 880	2 697 880	(a)
Of which: amount eligible for CET1	2 903 476	2 903 476		2 697 880	2 697 880	
Of which: amount eligible for AT1						
Retained earnings	(1 504 543)	(1 504 543)	(b)	(1 446 454)	(1 446 454)	(b)
Accumulated other comprehensive income	(139 362)	(139 362)	(b)			(b)
Total shareholders' equity	1 259 571	1 259 571		1 251 426	1 251 426	

11. 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 does 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.

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

At 31 December 2018 R'000	Group		Bank	
	31-Dec-18		31-Dec-18	
1 Total consolidated assets as per published financial statements	1 424 397		1 415 483	
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	713 129		713 129	
8 Leverage ratio exposure measure	711 267		702 354	

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

At 31 December 2018 R'000	Group		Bank	
	31-Dec-18	30-Jun-18	31-Dec-18	30-Jun-18
On-balance-sheet exposures				
1 On-balance-sheet exposures (excluding derivatives and securities financing transactions (SFTs), but including collateral)	1 424 397	1 716 518	1 415 484	1 623 200
2 (Asset amounts deducted in determining Basel III tier 1 capital)	713 129	548 326	713 129	548 326
3 Total on-balance-sheet exposures (excluding derivatives and SFTs) (sum of row 1 and 2)	711 268	1 168 192	702 355	1 074 874
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	546 442	978 766	538 296	885 900
21 Total exposures (sum of rows 3, 11, 16 and 19)	711 268	1 168 192	702 355	1 074 874
Leverage ratio				
22 Basel III leverage ratio	76.83	83.78	76.64	82.42

12. Liquidity

Tyme 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.

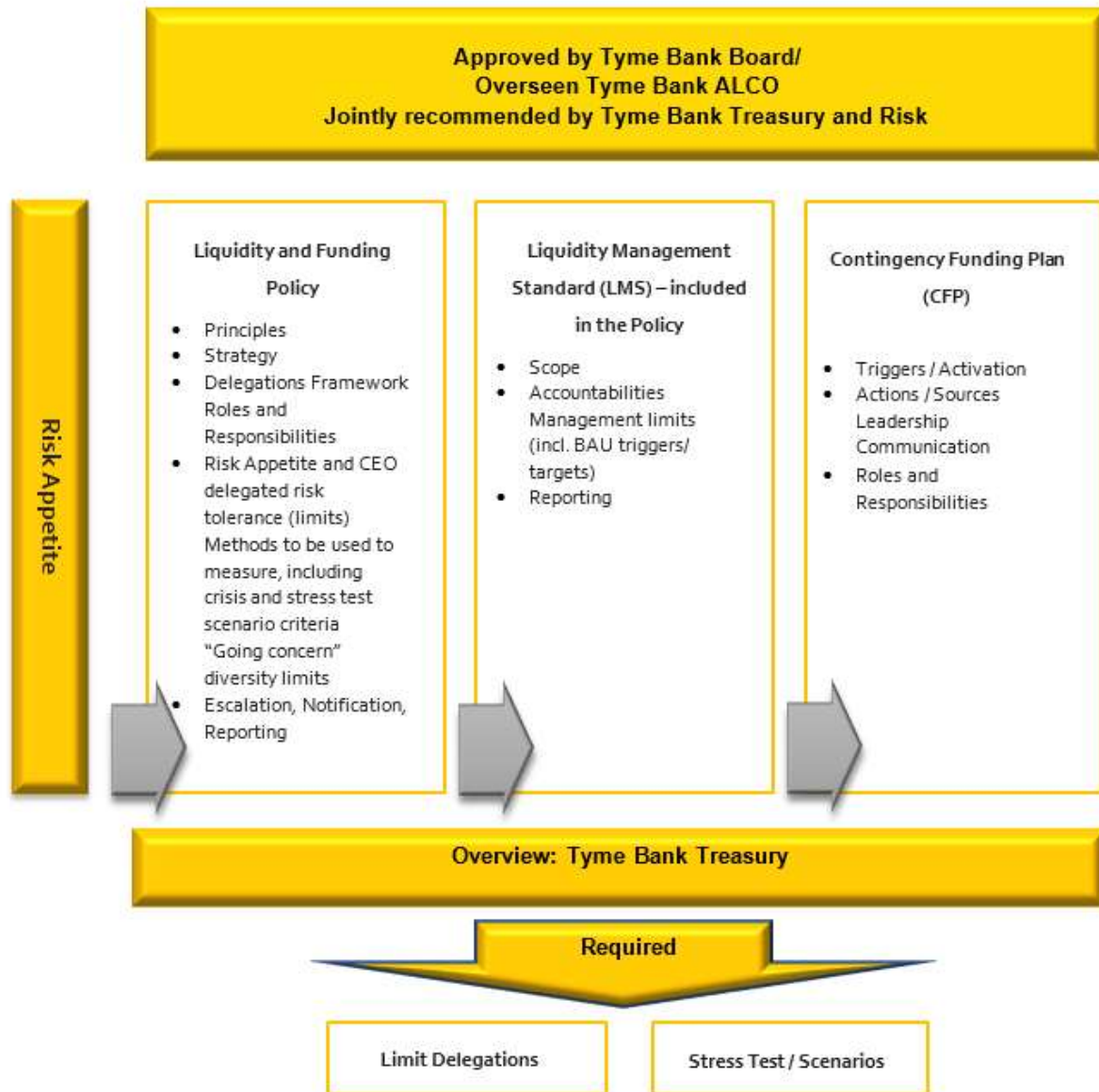


Figure 3: Liquidity Risk Framework

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, except to any extent required by local regulatory conditions. The LRF has clearly documented and communicated responsibilities and accountabilities; and is adequate, in the view of the Tyme Bank 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 Tyme Bank's funding sources, complies with the liquidity requirements of relevant regulators, and directly supports the qualitative requirements of the SARB/PA.

In addition to this framework, the Tyme Bank board is also required to approve and review the following documents in the framework, at least annually:

- Liquidity Management Standard
- Contingency Funding Plan

Tyme Bank calculates its liquidity coverage ratio (LCR) position daily, ensuring a buffer is maintained over the minimum regulatory requirement and Tyme Bank's risk appetite limit. Tyme Bank's high-quality liquid assets (HQLA), as defined by the Regulations relating to Banks, consists of Treasury Bills and central bank deposits.

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 above plans contain possible solutions and a crisis team make-up with specific roles and responsibilities for monitoring, avoiding, and managing a bank-specific trigger event or macro/systemic event, to remain a going concern and protect depositors' funds and shareholders' value. Crisis scenarios will be tested annually, or as frequently as required, to ensure the bank's processes and plans are robust enough to test the bank's risk management capabilities when placed under stress.

The Treasury function is responsible for the bank's funding and liquidity management. This function is critical in ensuring that the bank has adequate 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 and its depositors and investors. This is done within prescribed internal limits set out in the afore-mentioned policies, as well as in compliance with regulatory liquidity, market, and credit risk limits.

The bank will also consider appropriate risk mitigation techniques in line with balance sheet growth and maturity.

12.1 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 December 2018.

The daily average used to calculate the above percentage consisted of 123 data points representative of the number of workings days during the last 6-month period of banking operations.

Tyme Bank regularly benchmarks and aligns its policy framework against existing prudential and regulatory standards. Potential developments in South African and international standards and global best practice are also considered.

The high-quality liquid assets (HQLA) consists 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 consumer accounts opened at selected Pick 'n Pay stores as part of the pilot to test systems and process prior to the official public launch in 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.

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

At 31 December 2018
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		126 334		126 334
Cash outflows				
2 Retail deposits and deposits from small business customers, of which:	1 030.129	103.013	1 030.129	103.013
3 Stable deposits				
4 Less stable deposits	1 030.129	103.013	1 030.129	103.013
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		103.013		103.013
Cash inflows				
17 Secured lending (eg reverse repo)				
18 Inflows from fully performing exposures	446 451	446 451	412 427	412 427
19 Other cash inflows				
20 TOTAL CASH INFLOWS	446 451	446 451	412 427	412 427
		Total adjusted value		Total adjusted value
21 Total HQLA		126 334		126 334
22 Total net cash outflows		25.753		25.753
23 Liquidity coverage ratio (%)		490 556		490 556

12.2 Net Stable Funding Ratio

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 nature of all current bank placements but offset by current regulatory capital adjustments.

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

LIQ2 (Group): Net Stable Funding Ratio
At 31 December 2018
R'000

	Group				Weighted value
	Unweighted value by residual maturity				
	No maturity*	<6 months	6 months to <1 year	≥1 year	
Available stable funding (ASF) item					
1 Capital:	2 903 476				2 903 476
2 Regulatory capital	2 903 476				2 903 476
3 Other capital instruments					
4 Retail deposits and deposits from small business customers:		7 212			6 491
5 Stable deposits					
6 Less stable deposits		7 212			6 491
7 Wholesale funding:					
8 Operational deposits					
9 Other wholesale funding					
10 Liabilities with matching interdependent assets					
11 Other liabilities:		91 561			
12 NSFR derivative liabilities					
13 All other liabilities and equity not included in the above categories		91 561			
14 Total ASF					2 909 967
Required stable funding (RSF) item					
15 Total NSFR high-quality liquid assets (HQLA)					8 123
16 Deposits held at other financial institutions for operational purposes					
17 Performing loans and securities:		346 576		24 625	76 611
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		346 756		24 625	76 611
25 Assets with matching interdependent liabilities					
26 Other liabilities:					2 529 639
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	2 357 034			172 605	2 529 639
32 Off-balance-sheet items					
33 Total RSF					2 614 373
34 Net stable funding ratio (%)					111.31

* Items to be reported in the "no maturity" time bucket do not have a stated maturity. These may include, but are not limited to, items such as capital with perpetual maturity, non-maturity deposits, short positions, open maturity positions, non-HQLA equities and physical traded commodities.

	Bank				Weighted value
	Unweighted value by residual maturity				
	No maturity*	<6 months	6 months to <1 year	≥1 year	
Available stable funding (ASF) item					
1 Capital:	2 697 880				2 697 880
2 Regulatory capital	2 697 880				2 697 880
3 Other capital instruments					
4 Retail deposits and deposits from small business customers:		7 212			6 491
5 Stable deposits					
6 Less stable deposits		7 212			6 491
7 Wholesale funding:					
8 Operational deposits					
9 Other wholesale funding					
10 Liabilities with matching interdependent assets					
11 Other liabilities:		90 795			-
12 NSFR derivative liabilities					
13 All other liabilities and equity not included in the above categories		90 795			-
14 Total ASF					2 704 371
Required stable funding (RSF) item					
15 Total NSFR high-quality liquid assets (HQLA)					8 123
16 Deposits held at other financial institutions for operational purposes					
17 Performing loans and securities:		339 208		24 625	75 506
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		339 208		24 625	75 506
26 Other liabilities:					2 330 644
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	2 159 584			171 061	2 330 644
32 Off-balance sheet items					
33 Total RSF					2 414 274
34 Net Stable Funding Ratio (%)					112.02

* Items to be reported in the "no maturity" time bucket do not have a stated maturity. These may include, but are not limited to, items such as capital with perpetual maturity, non-maturity deposits, short positions, open maturity positions, non-HQLA equities and physical traded commodities.

13. Appendix

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

Key Abbreviations

Abbreviation	Description
ALCO	Asset and liability committee
ARC	African Rainbow Capital Financial Services Holdings
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
ERC	Enterprise Risk Committee
EWI	Early warning indicator
EXCO	Executive committee
FX	Foreign Exchange
HQLA	High quality liquid assets
IFRS	International Financial Reporting Standard
IRRBB	Interest Rate Risk in the Banking Book
LCE	Large credit exposure
LCEP	Large Credit Exposure Policy
LCR	Liquidity coverage ratio
LRF	Liquidity Risk Framework
LTI	Long-term Incentive
MSR	Mortgage Servicing Rights
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
RSF	Required stable funding
RMF	Risk Management Framework
RWA	Risk-weighted asset
SARB	South African Reserve Bank
SFT	Securities financing transactions
SME	Small to Medium Enterprises
T1	Tier 1 capital
T2	Tier 2 capital
TB	Treasury Bill
TTS	Tyme Technical Solutions Proprietary Limited