

ASX Announcement

Disclosure per Prudential Standard 'APS 330 Public Disclosure'

Sydney, 23 December 2019 – Tyro Payments Limited (**Tyro**) today released its periodic disclosure report as required under *Prudential Standard APS 330 Public Disclosure* for the period ended 30 June 2019. The report is attached to this announcement.

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Pursuant to Listing Rule 15.5, TYR confirms this document has been authorised for release to the market by its Board

About Tyro

Tyro is a technology-focused and values-driven company providing Australian businesses with payment solutions and value-adding business banking products. The company provides simple, flexible and reliable payment solutions as a merchant acquirer, along with complementary business banking products.

For the more than 29,000 Australian merchants who chose to partner with Tyro in FY19, the company processed more than \$17.5 billion in transaction value. In FY19 the company generated \$189.8 million in revenue, originated \$52.2 million in loans and held merchant deposits totaling \$26.9 million.

Tyro is Australia's fifth largest merchant acquiring bank by number of terminals in the market, behind the four major banks.

The business was founded in 2003 with a goal of being the most efficient acquirer of electronic payments in Australia. Tyro has a track record of innovation, creating purpose-built solutions and being first to market. This approach saw the company become the first technology company to receive an Australian specialist credit card institution licence in 2005. In 2015 that licence was replaced by the award of an Australian banking licence, making Tyro the first new domestic banking licensee in over a decade.

Payments are at the core of Tyro's business, using its proprietary core technology platform to enable credit and debit card acquiring. This offering is enhanced by features purpose-designed for those merchants who choose to partner with the company, including Point of Sale systems integrations, least-cost routing (Tap & Save) and alternative payment types such as integrated Alipay. While traditionally focused on in-store payments, Tyro has recently expanded into eCommerce.

Further, Tyro provides value-adding solutions to its partners, such as loans in the form of merchant cash advances and fee-free, interest-bearing merchant transaction accounts.

Tyro are a team of more than 450 people, approximately half of whom are in technology roles.



Tyro Payments Limited

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¹ Table number references as per APS 330

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All amounts are presented in Australian dollars and rounded to the nearest million.

Attachment A Capital Disclosure Template

Table 1 Capital Disclosure and Regulatory Capital Reconciliations

Table 1A Capital Disclosure

The table should be read in conjunction with Tables 1B and 1C.

Row	Description	30 Jun 2019	Ref
Common Equity Tier 1 Capital: instruments and reserves			
1	Directly issued qualifying ordinary shares (and equivalent for mutually-owned entities) capital	141.9	
2	Retained earnings	(66.3)	
3	Accumulated other comprehensive income (and other reserves)	15.5	Table 1C
6	Common Equity Tier 1 capital before regulatory adjustments	91.1	Table 1C
Common Equity Tier 1 capital: regulatory adjustments			
10	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	(13.0)	Table 1B
26	APRA specific regulatory adjustments (sum of rows 26a, 26b, 26c, 26d, 26e, 26f, 26g, 26h, 26i and 26j)	(2.7)	
26f	<i>of which: capitalised expenses</i>	(2.5)	Table 1B
26g	<i>of which: investments in commercial (non-financial) entities that are deducted under APRA prudential requirements</i>	(0.2)	Table 1B
28	Total regulatory adjustments to Common Equity Tier 1	(15.7)	
29	Common Equity Tier 1 Capital (CET1)	75.4	
45	Tier 1 Capital (T1=CET1+AT1)	75.4	Table 1C
Tier 2 Capital: instruments and provisions			
50	Provisions - General Reserve for Credit Losses	1.0	Table 1C
58	Tier 2 capital (T2)	1.0	
59	Total capital (TC=T1+T2)	76.4	Table 1C
60	Total risk-weighted assets based on APRA standards	85.8	
Capital ratios and buffers			
61	Common Equity Tier 1 (as a percentage of risk-weighted assets)	88%	
62	Tier 1 (as a percentage of risk-weighted assets)	88%	
63	Total capital (as a percentage of risk-weighted assets)	89%	
64	Buffer requirement (minimum CET1 requirement of 4.5% plus capital conservation buffer of 1.5% plus any countercyclical buffer requirements expressed as a percentage of risk-weighted assets)	6%	
65	<i>of which: capital conservation buffer requirement</i>	1.5%	
66	<i>of which: ADI-specific countercyclical buffer requirements</i>	0%	
68	Common Equity Tier 1 available to meet buffers (as a percentage of risk-weighted assets)	83%	

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Table 1B Balance Sheet Reconciliation

As at 30 June 2019	Statutory Balance Sheet	Adjustment	Regulatory Balance Sheet	Ref
Assets				
Cash and cash equivalents	23.9	-	23.9	
Due from other financial institutions	7.9	-	7.9	
Trade and other receivables	27.8	(1.0)	26.8	Table 1C
Loans	15.7	(0.9)	14.8	Table 1C
Prepayments	1.9	-	1.9	
Inventories	0.1	-	0.1	
Financial investments – at FVOCI				
Floating rate notes	36.9	-	36.9	
Equity investments	0.2	-	0.2	Table 1A Row 26g
Property, plant and equipment	18.7	-	18.7	
Intangible assets	2.5	-	2.5	Table 1A Row 26f
Deferred tax assets	13.0	-	13.0	Table 1A Row 10
Total Assets	148.6	(1.9)	146.7	
Liabilities				
Deposits	26.9	-	26.9	
Trade payables and other liabilities	24.5	-	24.5	
Provisions	4.2	-	4.2	
Total Liabilities	55.6	-	55.6	
Net Assets	93.0	(1.9)	91.1	
Equity				
Contributed equity	141.9	-	141.9	
Reserves	17.4	(1.9)	15.5	Table 1A Row 3
Accumulated losses	(66.3)	-	(66.3)	
Total Equity	93.0	(1.9)	91.1	Table 1C

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Table 1C Capital Reconciliation

Regulatory Capital Reconciliation	30 Jun 2019	Ref
Contributed equity	141.9	
Retained and current year's earnings	(66.3)	
Reserves	17.4	
Total Equity per Balance Sheet	93.0	
General reserves for credit losses	(1.9)	Table 1B
Total Equity per Regulatory Balance Sheet	91.1	Table 1A Row 6
Deferred tax assets in excess of deferred tax liabilities	(13.0)	
Capitalised expenses	(2.5)	
Equity investments in commercial (non-financial) entities	(0.2)	
Tier 1 Capital	75.4	Table 1A Row 45
General reserve for credit losses - Standardised approach (to a maximum of 1.25% of total credit RWA)	1.0	Table 1A Row 50
Total Capital	76.4	Table 1A Row 59

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Attachment B Main Features of Capital Instruments

Table 2: Main Features Template

APS 330 disclosures		Ordinary share capital
1	Issuer	Tyro Payments Limited
2	Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)	NA
3	Governing law(s) of the instrument	Corporations Act
Regulatory treatment		
4	Transitional Basel III rules	Common Equity Tier 1
5	Post-transitional Basel III rules	Common Equity Tier 1
6	Eligible at solo/group/group & solo	Solo
7	Instrument type (ordinary shares/preference shares/subordinated notes/other)	Ordinary Shares
8	Amount recognised in Regulatory Capital (Currency in mil, as of most recent reporting date)	\$141.9m
9	Par value of instrument	NA
10	Accounting classification	Contributed equity
11	Original date of issuance	03/02/2003
12	Perpetual or dated	Perpetual
13	Original maturity date	No maturity
14	Issuer call subject to prior supervisory approval	NA
15	Optional call date, contingent call dates and redemption amount	NA
16	Subsequent call dates, if applicable	NA
Coupons/dividends		
17	Fixed or floating dividend/coupon	NA
18	Coupon rate and any related index	NA
19	Existence of a dividend stopper	NA
20	Fully discretionary, partially discretionary or mandatory	NA
21	Existence of step up or other incentive to redeem	NA
22	Noncumulative or cumulative	NA
23	Convertible or non-convertible	NA
24	If convertible, conversion trigger (s)	NA
25	If convertible, fully or partially	NA
26	If convertible, conversion rate	NA
27	If convertible, mandatory or optional conversion	NA
28	If convertible, specify instrument type convertible into	NA
29	If convertible, specify issuer of instrument it converts into	NA
30	Write-down feature	NA
31	If write-down, write-down trigger(s)	NA
32	If write-down, full or partial	NA
33	If write-down, permanent or temporary	NA
34	If temporary write-down, description of write-up mechanism	NA
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	NA
36	Non-compliant transitioned features	NA
37	If yes, specify non-compliant features	NA

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Attachment C Risk Exposures and Assessment

Table 3: Capital Adequacy

Risk weighted assets	30 June 2019	31 March 2019
Bank & other financial institutions	13.4	14.7
Business lending	17.1	16.1
Government	-	-
Other	47.6	44.1
Total credit risk	78.1	74.9
Operational risk	7.7	7.8
Total risk weighted assets	85.8	82.7

Capital adequacy ratios	30 June 2019	31 March 2019
Common Equity Tier 1 Capital	88%	99%
Tier 1 Capital	88%	99%
Total Capital	89%	100%

Table 4a: Credit Risk - Total Gross & Average Credit Risk Exposures

Credit risk exposure by major types	Total 30 June 2019	Total 31 March 2019	Quarter average
Cash and liquid assets	23.9	27.5	25.7
Investment securities	36.9	37.0	37.0
Due from other financial institutions	7.9	11.4	9.7
Loans	17.1	16.1	16.6
Other assets	48.5	44.8	46.7

Credit risk exposure by portfolio	Total 30 June 2019	Total 31 March 2019	Quarter average
Government	22.5	22.7	22.6
Bank & other financial institutions	47.0	53.9	50.5
Business lending	17.1	16.1	16.6
Corporate	-	-	-
Other	47.7	44.1	45.9

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Table 4b: Credit Risk - Impaired assets, Past due loans, Provisions and Write-offs

Impaired and past due facilities by portfolio	30 June 2019	31 March 2019
Past due facilities	-	-
Impaired facilities	0.4	0.2
Specific provisions	NA	NA
Charges for specific provisions	NA	NA
Write-offs	0.3	0.3

Table 4c: Credit Risk - General Reserve for Credit Losses

General reserves for credit losses	30 June 2019	31 March 2019
Reserve for credit losses	1.9	1.8
Collective provision for impairment	NA	NA

Table 5: Securitisation

Securitisation exposures	30 June 2019	31 March 2019
Total amount of exposures securitised	NA	NA
Recognised gain/(loss) on sale	NA	NA
Aggregate amount of off-balance sheet securitisation exposures	NA	NA

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Attachment G Remuneration

Introduction

The following remuneration disclosures are made in relation to Tyro Payments Limited (**Tyro**) in accordance with the Australian Prudential Regulation Authority's (**APRA**) remuneration disclosure requirements under *Prudential Standard APS 330 Public Disclosure*.

APS 330 requires Tyro, as an Authorised Deposit-taking Institution (**ADI**), to meet minimum requirements for public disclosure of qualitative and quantitative information regarding its remuneration practices.

The information below relates to Tyro's 'senior managers' and 'material risk takers' for the financial year ended 30 June 2019 (**FY19**).

Who are Tyro's senior managers and material risk takers?

For the purpose of this disclosure, 'senior managers' are defined as those Tyro employees who have been identified as Responsible Persons under *Prudential Standard CPS 520 Fit and Proper*. There are no employees outside Tyro's Responsible Persons who are considered 'material risk takers'.

Responsible Persons include our Board of Directors and the following senior managers:

1. Chief Executive Officer
2. Company Secretary
3. Chief Technology Officer
4. Chief Security and Operations Officer
5. Chief Financial Officer
6. Chief Customer Officer
7. Chief Product Officer
8. Chief Risk Officer
9. Head of Internal Audit

How does Tyro govern remuneration?

The Board is ultimately responsible for overseeing remuneration at Tyro.

The Board Nominations and Remuneration Committee (**Committee**) assists the Board in maintaining a set of incentives for Tyro's senior leadership team and employees that are focussed on performance and values. The Committee comprises three non-executive directors. Members of the Committee are confirmed at least annually by the Board.

The Committee's role includes overseeing:

- Tyro's compensation policy, including as it applies to Directors;
- compensation packages of Senior Leadership Team members and Non-executive Directors and executive Directors, equity-based incentive plans, along with general employee remuneration outcomes and other employee benefit programs;
- Tyro's superannuation arrangements;
- the process for the evaluation and performance of the Board, the Board Committees and individual Directors; and
- the review of the performance of senior executives and members of the Board.

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The composition requirements for Committee membership is in line with ASX and APRA Guidelines, including the requirement that:

- all Committee members must be Non-executive Directors;
- it comprise at least three members, a majority of whom are independent; and
- it be chaired by an independent Director.

The Committee's Charter is available on Tyro website.

The Committee seeks to ensure that Tyro's Remuneration Policy is adequate to support Tyro's overall risk management framework.

The Committee met four times during FY19. The fees paid to members of the Committee for FY19 were \$390,000.00 exclusive of superannuation. As the members of the Committee sit on other Tyro Board committees and the Board itself, the fees stipulated include remuneration for holding these other positions.

While the Committee Charter allows the Committee to engage external experts and advisors, no external party was required nor engaged in FY19.

Tyro's Remuneration Policy

Tyro's Remuneration Policy applies to all Tyro employees and is approved by the Board at least annually. While the Policy was reviewed in FY19, no changes were made to it.

The Remuneration Policy sets out measures of performance, the mix of fixed and variable remuneration components, cash and equity-related benefits, and the timing of payments.

The total remuneration opportunity for all employees is reviewed on an annual basis. The total remuneration mix for an individual varies depending on the level of the role within the organisation, market conditions and individual performance.

The objective of Tyro's Remuneration Policy is to encourage behaviour that supports Tyro's long-term financial soundness and the risk management framework of Tyro.

The performance-based components of remuneration at Tyro are designed to align remuneration with prudent risk-taking and incorporate adjustments to reflect:

- the outcomes of business activities;
- the risk related to the business activities taking account, where relevant, the cost of associated capital; and
- the time necessary for the outcomes of those business activities to be reliably measured.

Aligning remuneration with sound risk management

Tyro's Remuneration Policy is aligned with its Risk Management Framework, which is articulated in Tyro's Risk Management Strategy.

Tyro operates in a complex and constantly changing environment where risk is encountered and managed as part of Tyro's day-to-day operations. Tyro is committed to ensuring that a consistent approach to identifying, assessing and managing risk is established across the business and is embedded in its processes and culture, in line with the standard "three lines of defence" model. The

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Board ensures that risk management is a key consideration in determining overall performance. The following measures are in place:

- performance against the Risk Appetite Statement and associated metrics;
- the number and nature of open issues, incidents and breaches;
- the risk and controls self-assessment process;
- metrics embedded in key performance indicators;
- monitoring and supervision activities such as attestations, policy adherence and dispute resolution; and
- the number and nature of open / outstanding internal / external audit items.

Our Board Risk Committee assists the Board in discharging its risk related responsibilities as outlined in its Charter.

Tyro applies an assessment of the performance of its Responsible Persons, and other senior management personnel, before variable remuneration is awarded. The CEO assesses the performance of Tyro's Responsible Persons against key performance indicators, including measures on effective risk management. The CEO and the Board have the discretion to reduce variable remuneration in cases of inappropriate risk taking or inefficient management of risks.

Tyro's Board may adjust performance-based components of remuneration downwards, to zero if appropriate, as necessary:

- to protect the financial soundness of Tyro; or
- to respond to significant unexpected or unintended consequences.

Tyro continuously assess the appropriateness of these measures to our risk profile and may adapt the nature and type of measures to ensure that prudent risk management is linked to remuneration outcomes.

Risk and financial control personnel independence

Tyro's Remuneration Policy is designed to ensure that the structure of remuneration of risk and financial control personnel, including any performance-based components, does not compromise their independence.

Our risk and financial control personnel (as defined in paragraph 57(b) of CPS 510) are the Chief Financial Officer, Chief Risk Officer, Company Secretary & General Counsel, Head of Internal Audit and all their direct reports. Remuneration for these roles is determined by the CEO and Board..

Remuneration of Tyro's senior managers

Annual remuneration for Tyro's senior managers is comprised of their fixed annual remuneration, being base salary, superannuation and any fringe benefits. Their remuneration is reviewed annually by the CEO and the Board.

At Tyro's discretion, senior managers may receive a short term incentive (**STI**) (comprising cash and/or equity) based on both the employee's individual performance assessed against pre-agreed key performance indicators; and company performance. Excluding the Chief Executive Officer, a maximum STI of between 20% and 40% of an employee's fixed annual remuneration may be paid at the Board's discretion. In FY19 there was no clawback arrangements in place, however this will change in FY20 under the Banking Executive Accountability Regime (which took effect for Tyro from 1 July 2019).

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Senior managers are also eligible to participate in long term incentive arrangements which take the form of Option issues under Tyro's Employee Share Option Plan.

Employee remuneration and incentives

Tyro recognises that an effective and attractive remuneration and incentive system is essential to attract, retain and motivate talented people in a competitive market. Tyro's remuneration principles are market-related and strongly linked to performance. Employee remuneration is typically comprised of fixed annual remuneration (being base salary and superannuation), together with potential participation in equity and/or incentive plans.

Key determinants in all remuneration decisions are our overall financial performance and individual performance (against key performance indicators).

Quantitative disclosures	For the period 01 July 2018 to 30 June 2019
(c) Number of meetings held by the main body overseeing remuneration during the financial year; and	4
The remuneration paid to its members	\$390,000 exclusive of superannuation
(d) The number of persons having received variable remuneration award during the financial year.	9
Number and total amount of guaranteed bonuses awarded during the financial year	-
Number of sign-on awards made during the financial year	1
Total amount of sign-on awards made during the financial year	\$15,000
Number of termination payments made during the financial year	1
Total amount of termination payments made during the financial year	\$81,182
(e) Total amount of outstanding deferred remuneration, split into cash, shares and share-linked instruments and other forms. Total amount of deferred remuneration paid out in the financial year.	
There was no deferred remuneration paid out in the financial year.	
(f) Breakdown of the amount of remuneration awards for the financial year in accordance with Table 22A below to show:	
<ul style="list-style-type: none"> - fixed and variable; - deferred and non-deferred; and - different forms used (cash, shares and share-linked instruments and other forms). 	
Please see Table 22 below.	

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(g) Quantitative information about persons' exposure to implicit (e.g. fluctuations in the value of shares or performance units) and explicit adjustments (e.g. malus, clawbacks or similar reversals or downward revaluations of awards) of deferred remuneration and retained remuneration:

- Total amount of outstanding deferred remuneration and retained remuneration exposed to ex post explicit and/or implicit adjustments.
- Total amount of reductions during the financial year due to ex post explicit adjustments.
- Total amount of reductions during the financial year due to ex post implicit adjustments.

There were no deferred remuneration and retained remuneration exposed to ex post explicit and/or implicit adjustments,

There were no remuneration reductions during the financial year due to ex post explicit or ex post implicit adjustments.

Table 22: Remuneration Disclosures

Senior Managers¹

Total value of remuneration awards for the current financial year *	Unrestricted	Deferred
Fixed remuneration		
<ul style="list-style-type: none"> • Cash-based • Shares and share-linked instruments • Other 	<p>\$3,174,064</p> <p>-</p> <p>\$4,469</p>	<p>No ³</p> <p>Yes</p> <p>No ⁴</p>
Variable remuneration		
<ul style="list-style-type: none"> • Cash-based • Shares and share-linked instruments • Other 	<p>\$176,500</p> <p>\$6,110,111</p> <p>-</p>	<p>No ⁵</p> <p>Yes ⁶</p> <p>-</p>

* all figures quotes are in Australian Dollars

Material Risk Takers²

Notes:

Note 1: Includes Chief Executive Officer, Chief Financial Officer, Chief Risk Officer, Chief Customer Officer, Chief Product Officer, Chief Security and Operations Officer, Chief Technology Officer, General Counsel and Company Secretary, and Head of Internal Audit.

Note 2: There are no employees outside of the senior management that are considered material risk takers.

Note 3: Includes base salary and superannuation contributions.

Note 4: Includes long service leave accruals and salary sacrificed benefits for the financial year.

Note 5: Includes bonus award for the financial year including superannuation, which is paid in the following financial year, but excludes any bonus awards sacrificed in exchange for shares and share-linked instruments.

Note 6: Includes options granted under Employee Share Option Plan (**ESOP**), performance rights and remuneration sacrifice rights. Fair value of options and performance rights is determined using the Black-Scholes option value model. Refer to the Tyro Payments Limited Annual Report for the year ended 30 June 2019 Note 11 for details regarding Share-based payments