KM1: Key metrics

The following section provides an overview of the key prudential regulatory metrics covering Investec Bank Limited group's available capital and ratios, risk-weighted assets, leverage ratio, liquidity coverage ratio and Net Stable Funding Ratio.

		a	b	c	d	e
At 31 December 2018 R 'million		**31 December 2018**	**30 September 2018**	**30 June 2018**	**31 March 2018**	**31 December 2017**
Available capital (amounts)						
1	Common Equity Tier 1 (CET1)	36 808	35 886	34 452	34 829	34 167
1a	Fully loaded ECL accounting model	36 437	35 514	34 070	-	-
2	Tier 1	37 771	36 849	35 415	35 792	34 935
2a	Fully loaded ECL accounting model Tier 1	36 787	35 864	35 033	-	-
3	Total capital	52 304	50 333	49 646	49 801	48 932
3a	Fully loaded ECL accounting model total capital	49 821	47 849	49 515	-	-
Risk-weighted assets (amounts)						
4	Total risk-weighted assets (RWA)	333 056	330 146	325 051	320 607	320 929
Risk-based capital ratios as a percentage of RWA						
5	Common Equity Tier 1 (%)	11.1	10.9	10.6	10.9	10.6
5a	Fully loaded ECL accounting model Common Equity Tier 1	10.9	10.8	10.5	-	-
6	Tier 1 ratio (%)	11.3	11.2	10.9	11.2	10.9
6a	Fully loaded ECL accounting model Tier 1 (%)	11.0	10.9	10.8	-	-
7	Total capital ratio (%)	15.7	15.2	15.3	15.5	15.2
7a	Fully loaded ECL accounting model total capital ratio (%)	15.0	14.5	15.3	-	-
Additional CET1 buffer requirements as a percentage of RWA						
8	Capital conservation buffer requirement (2.5% from 2019) (%)	1.8750	1.9	1.9	1.9	1.3
9	Countercyclical buffer requirement (%)	0.0144	0.0168	-	-	-
10	Bank G-SIB and/or D_SIB additional requirements (%)	-	-	-	-	-
11	Total of bank CET1 specific buffer requirements (%) (row 8 + row 9 + row 10)	1.8750	1.9	1.9	1.9	1.3
12	CET1 available after meeting the bank's minimum capital requirements (%)	3.7	3.5	3.2	3.5	3.4
Basel III leverage ratio						
13	Total Basel III leverage ratio exposure measure	500 204	479 820	472 789	466 846	461 387
14	Basel III leverage ratio (%) (row 2 / row 13)	7.6	7.7	7.5	7.7	7.6
14 a	Fully loaded ECL accounting model Basel III leverage ratio (%) (row 2a / row 13)	7.4	7.5	7.4	-	-
Liquidity Coverage Ratio						
15	Total HQLA	81 386	78 202	84 969	80 106	76 144
16	Total net cash outflow	54 969	54 795	62 573	60 179	53 265
17	LCR ratio (%)	148.6	143.3	136.1	133.2	130.4
Net Stable Funding Ratio						
18	Total available stable funding	303 238	294 934	277 513	281 049	-
19	Total required stable funding	269 925	259 998	255 580	256 344	-
20	NSFR ratio	112.3	113.4	108.6	109.6	-

Notes

The fully loaded ratio and capital amounts throughout the KM1 template assumes full adoption of IFRS 9 and is based on Basel III capital requirements as fully phased in by 2022.

Minimum requirements are disclosed excluding any D-SIB or Pillar 2B requirements as specified in the Banks Act Circular 5 of 2014.

The objective of the Net Stable Funding Ratio (NSFR) is to promote the resilience in the banking sector by requiring banks to maintain a stable funding profile in relation to the composition of their assets and off-balance sheet activities on an ongoing structural basis. By ensuring that banks do not embark on excessive maturity transformation that is not sustainable, the NSFR is intended to reduce the likelihood that disruptions to a bank's funding sources would erode its liquidity position, increasing its risk of failure and potentially lead to broader systemic risk.

The main drivers of the NSFR results and the evolution of the contribution of inputs to the NSFR’s calculation over time:

- The asset class, customer type and residual maturity of deposits are the key drivers of available stable funding, in particular those from either retail and small business customers or with maturity longer than a year. Capital issued is also a significant contributor.
- The customer type and residual maturity of loans, as well as holdings in securities eligible as HQLA, are the key drivers of required stable funding. Lower weightings apply to mortgages, shorter-term loans and especially HQLA.

Only banking and / or deposit-taking entities are included and the Investec Bank Limited group data represents a consolidation of the relevant individual assets, liabilities and off-balance sheet items. Our two banks, Investec Bank Limited (IBL) and Investec Bank (Mauritius) Limited (IBM), contributed over 97% of the group’s combined available and required stable funding.

OV1: Overview of RWA

The following section provides an overview of total RWA forming the denominator of the risk-based capital requirements.

		a	b	c
		Risk-weighted assets		Minimum capital requirements
	R 'million	31 December 2018	30 September 2018	31 December 2018
1	**Credit risk (excluding counterparty credit risk) (CCR)**	**266 311**	**258 766**	**29 665**
2	Of which standardised approach (SA)	266 311	258 766	29 665
3	Of which internal rating-based (IRB) approach	-	-	-
4	**Counterparty credit risk**	**8 628**	**9 630**	**961**
5	Of which standardised approach for counterparty credit risk (CEM-CCR)	8 628	9 630	961
6	Of which internal model method (IMM)	-	-	-
7	**Equity positions in banking book under market-based approach**	**18 192**	**20 785**	**2 027**
8	Equity investments in funds – look-through approach	-	-	-
9	Equity investments in funds – mandate-based approach	-	-	-
10	Equity investments in funds – fall-back approach	-	-	-
11	Settlement risk	-	-	-
12	**Securitisation exposures in banking book**	**3 051**	**3 178**	**340**
13	Of which IRB ratings-based approach (RBA)	-	-	-
14	Of which IRB Supervisory Formula Approach (SFA)	-	-	-
15	Of which SA/simplified supervisory formula approach (SSFA)	3 051	3 178	340
16	**Market risk**	**3 746**	**4 500**	**417**
17	Of which standardised approach (SA)	153	538	17
18	Of which internal model approaches (IMM)	3 593	3 962	400
19	**Operational risk**	**22 211**	**22 211**	**2 474**
20	Of which Basic Indicator Approach	-	-	-
21	Of which Standardised Approach	22 211	22 211	2 474
22	Of which Advanced Measurement Approach	-	-	-
23	Amounts below the thresholds for deduction (subject to 250% risk weight)	10 917	11 076	1 216
24	Floor adjustment	-	-	-
25	**Total (1+4+7+8+9+10+11+12+16+19+23+24)**	**333 056**	**330 146**	**37 100**

OV1: Overview of RWA

(continued)

Notes

The minimum capital requirements in column c are based on the SARB minimum capital requirements of 11.1394% and excludes Investec's domestically significant important bank (DSIB) and Pillar 2B add-on in line with the Banks Act circular 5 of 2014.

The increase in credit risk-weighted assets relates to consistent growth in lending activities secured by residential and commercial real estate in addition to our corporate and institutional banking business term and short-dated corporate lending.

Equity risk decreased by R2.6 billion. The risk weight attributable to equity investments is relatively high, with listed equities attracting an effective 318% and unlisted equities 424%. The impact of this is proportionately much larger movement in RWA than the associated balance sheet equity value.

Operational risk is a semi-annual calculation, required to be updated every September and March and is driven by the levels of income over a three-year average period, applying specific factors applicable to the nature of the business generating the income.

Amounts below the thresholds for deduction subject to 250% risk weight relate to investment in significant financial entities and deferred tax assets below the 10% threshold.

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

The purpose of the LR1 table below is to reconcile the total assets in the published financial statements to the leverage ratio exposure measure and relates to quarter-end disclosures as at 31 December 2018.

		a
R 'million		**31 December 2018**
1	Total consolidated assets as per published financial statements	468 019
2	Adjustment 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	868
5	Adjustments for securities financing transactions (i.e. repos and similar secured lending)	(268)
6	Adjustment for off-balance sheet items (i.e. conversion to credit equivalent amounts of off-balance sheet exposures)	36 631
7	Other adjustments	(5 046)
8	**Leverage ratio exposure measure**	**500 204**

LR2: Summary comparison of accounting assets vs leverage ratio exposure measure (January 2014 standard)

The purpose of the LR2 table below is to provide a detailed breakdown of the components of the leverage ratio denominator.

	R 'million	a 31 December 2018	b 30 September 2018
On-balance sheet exposures			
1	On-balance sheet exposures (excluding derivatives and securities financing transactions (SFTs), but including collateral)	448 384	426 495
2	(Asset amounts deducted in determining Basel III Tier 1 capital)	(5 046)	(4 969)
3	**Total on-balance sheet exposures (excluding derivatives and SFTs) (sum of rows 1 and 2)**	**443 338**	**421 526**
Derivative exposures			
4	Replacement cost associated with all derivatives transactions (where applicable net of eligible cash variation margin and/or with bilateral netting)	7 185	8 407
5	Add-on amounts for PFE associated with all derivatives transactions	3 127	3 915
6	Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the operative accounting framework	-	-
7	(Deductions of receivables assets for cash variation margin provided in derivatives transactions)	-	-
8	(Exempted CCP leg of client-cleared trade exposures)	(1 854)	(1 488)
9	Adjusted effective notional amount of written credit derivatives	-	-
10	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)	-	-
11	**Total derivative exposures (sum of rows 4 to 10)**	**8 458**	**10 834**
Securities financing transaction exposures			
12	Gross SFT *assets* (with no recognition of netting), after adjusting for sale accounting transactions	10 100	12 003
13	(Netted amounts of cash payables and cash receivables of gross SFT assets)	-	-
14	CCR exposure for SFT assets	1 677	1 145
15	Agent transaction exposures	-	-
16	**Total securities financing transaction exposures (sum of rows 12 to 15)**	**11 777**	**13 148**
Other off-balance sheet exposures			
17	Off-balance sheet exposure at gross notional amount	91 594	90 122
18	(Adjustments for conversion to credit equivalent amounts)	(54 963)	(55 810)
19	**Off-balance sheet items (sum of rows 17 and 18)**	**36 631**	**34 312**
Capital and total exposures			
20	Tier 1 capital	37 771	36 849
21	**Total exposures (sum of rows 3, 11, 16 and 19)**	**500 204**	**479 820**
Leverage ratio			
22	**Basel III leverage ratio**	**7.6**	**7.7**

LIQ1: Liquidity Coverage Ratio (LCR)

The purpose of the LIQ1 table below is to present the breakdown of a bank's cash outflows and cash inflows, as well as its available high quality liquid assets.

	Investec Bank Limited Bank Solo		**Investec Bank Limited Consolidated group**	
	a	**b**	**a**	**b**
R 'million	**Total unweighted value**	**Total weighted value**	**Total unweighted value**	**Total weighted value**
High-quality liquid assets				
Total high quality liquid assets		**80 356**		**81 386**
Cash outflows				
Retail deposits and deposits from small business customers, of which:	72 659	7 266	73 884	7 388
Stable deposits	-	-	-	-
Less stable deposits	72 659	7 266	73 884	7 388
Unsecured wholesale funding, of which	89 683	67 083	98 247	71 209
Operational deposits (all counterparties) and deposits in institutional networks of cooperative banks	-	-	-	-
Non-operational deposits (all counterparties)	89 382	66 782	97 667	70 629
Unsecured debt	301	301	580	580
Secured wholesale funding	-	110	-	110
Additional requirements, of which:	62 997	10 967	65 358	11 202
Outflows related to derivatives exposures and other collateral requirements	11 506	5 117	11 506	5 117
Outflows related to loss of funding on debt products	230	230	230	230
(Undrawn committed) credit and liquidity facilities	51 261	5 620	53 622	5 855
Other contractual funding obligations	197	197	197	197
Other contingent funding obligations	81 690	4 336	82 068	4 349
Total cash outflows		**89 959**		**94 455**
Cash inflows				
Secured lending (e.g. reverse repos)	14 600	3 404	14 600	3 404
Inflows from fully performing exposures	30 148	26 285	37 974	33 668
Other cash inflows	2 475	2 386	2 504	2 414
Total cash inflows	**47 223**	**32 075**	**55 078**	**39 486**
		Total adjusted value		**Total adjusted value**
Total high quality liquid assets		80 356		81 386
Total net cash outflows		57 883		54 969
Liquidity coverage ratio (%)		**139.2**		**148.6**

LIQ1: Liquidity Coverage Ratio (LCR)

(continued)

Notes

The objective of the Liquidity Coverage ratio (LCR) is to promote the short-term resilience of the liquidity risk profile of banks by ensuring that they have sufficient high quality liquid assets to survive a significant stress scenario lasting 30 calendar days.

The values in the table are calculated as the simple average of the 92 calendar daily values over the period 1 October 2018 to 31 December 2018 for Investec Bank Limited (IBL).

The minimum LCR requirement was 90% for 2018, increasing to 100% on 1 January 2019. This applies to both IBL bank solo and IBL consolidated group.

The Bank of Mauritius requires banks to comply with a combined-currency LCR minimum of 80% from 1 January 2019, up from 70% in 2018.

The main drivers of the LCR results and the evolution of the contribution of inputs to the LCR's calculation over time:

- The structure and nature of deposits inside the 30 day window is the key driver of both the level and the volatility of the LCR. This weighted outflow is determined by the customer type of liabilities falling into the 30 day contractual bucket. In turn these deposit characteristics determine the targeted level of high quality liquid assets (HQLA) required to be held as a counterbalance to the modelled stressed outflows.

The composition of HQLA:

- The HQLA comprises primarily South African sovereign and central bank Rand-denominated securities and debt instruments, all of which are eligible for SARB repo.
- On average, Level 2 assets contributed 5% of total HQLA. As of 1 December 2017, we no longer make use of the SARB's committed liquidity facility (CLF).
- Some foreign denominated government securities are included in the HQLA, subject to regulatory limitations.

Changes since September 2018 quarter-end:

- The average LCR increased by 2%, remaining fully compliant with regulatory requirements, and within the target range set by the Board.

Only banking and / or deposit-taking entities are included and the Investec Bank Limited group data represents an aggregation of the relevant individual net cash outflows and the individual HQLA portfolios. Our two banks, Investec Bank Limited (IBL) and Investec Bank (Mauritius) Limited (IBM), contributed over 99% of the group's combined HQLA and stressed cash inflows and outflows.

MR2: Risk weighted assets flow statements of market risk exposures under an IMA

The table below presents a flow statement explaining variations in the market RWA determined under an internal model approach.

		a	b	c	d	e	f
At 31 December 2018 **R'million**		VaR	Stressed VaR	IRC	CRM	Other	Total RWA
1	RWA at previous quarter end	1 469	2 493	-	-	-	3 962
2	Movement in risk levels	(12)	(357)	-	-	-	(369)
3	Model updates/changes	-	-	-	-	-	-
4	Methodology and policy	-	-	-	-	-	-
5	Acquisitions and disposals	-	-	-	-	-	-
6	Foreign exchange movements	-	-	-	-	-	-
7	Other	-	-	-	-	-	-
8	RWA at end of reporting period	1 457	2 136	-	-	-	3 593

Market risk capital has decreased over the quarter primarily due to lower VaR and sVaR figures entering the 60 day averaging period. This was due to the inclusion of the bond futures instrument into the internal VaR model post SARB approval. The approval allowed the capital treatment of the bond futures and the underlying hedge to net off under the internal models approach. The effect is fully worked into the 60 day average as at the end of December 2018.

MR3: IMA values for trading portfolios

The table below displays the values (maximum, minimum, average and period ending for the reporting period) resulting from the different types of models used for computing the regulatory capital charge at the group level, before any additional capital charge is applied by the jurisdiction.

		a
At 31 December 2018 R'million		**VaR (10 day 99%)**
1	Maximum value	61
2	Average value	33
3	Minimum value	18
4	Period end	29
		Stressed VaR (10 day 99%)
5	Maximum value	107
6	Average value	49
7	Minimum value	24
8	Period end	38
		Incremental Risk Charge (99.9%)
9	Maximum value	-
10	Average value	-
11	Minimum value	-
12	Period end	-
		Comprehensive Risk capital charge (99.9%)
13	Maximum value	-
14	Average value	-
15	Minimum value	-
16	Period end	-
17	Floor (standardised measurement method)	-