Investec Bank Limited – December 2015

Liquidity coverage ratio disclosure

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.

In accordance with the provisions of section 6(6) of the South African Banks Act 1990 (Act No. 94 of 1990), banks are directed to comply with the relevant LCR disclosure requirements, as set out in Directive 6/2014 and Directive 11/2014. This disclosure is in accordance with Pillar 3 of the Basel III liquidity accord.

The values in the table below are calculated as the simple average of daily observations over the period 1 October 2015 to 31 December 2015 for Investec Bank Limited (IBL) bank solo. 57 business day observations were used. Investec Bank Limited consolidated group values use daily values for IBL bank solo, while those for other group entities use the average of October, November and December 2015 month-end values.

The minimum LCR requirement was phased in at 60% on 1 January 2015, and will increase by 10% each year to 100% on 1 January 2019. This applies to both IBL bank solo and Investec Bank Limited consolidated group.

IBL bank solo

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 the both the level and 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.
- In order to manage the deposit mix in relation to tenor and client type, the bank establishes targets for deposits to be raised by market, channel, product, tenor band and client type designed to restrict the weighted outflows falling into the 30 day window.

Total holding of HQLA grew by R4.3 billion over the quarter and contributed positively to the increase in the reported LCR.

The composition of HQLA:

- The HQLA comprises primarily of South African sovereign and central bank Rand-denominated securities and debt instruments, all of which are eligible for SARB repo.
- At the end of December 2015, Level 2 Assets made up 4.4% of the HQLA and the CLF contributed 7.2% to the HQLA.
- Some foreign denominated government securities are included in the HQLA, subject to regulatory limitations.

Changes since September 2015 quarter year-end:

- The average LCR improved by 0.5%, with the average HQLA increasing by 8.6% and the average stressed net cash outflows increasing by 7.5%.

Investec Bank Limited consolidated group

Our two banks, Investec Bank Limited and Investec Bank (Mauritius) Limited (IBM), contributed approximately 99% of the group's combined HQLA and stressed cash inflows and outflows. IBM's average stressed cash outflows of R4.8 billion are primarily to non-financial corporates, while their stressed inflows of R2.7 billion are largely from banks. IBM bank solo currently has no LCR requirement. There is no restriction on the contribution of IBM's cash inflows to the group. The LCR is better than IBL solo's due to the conservative treatment of outflows to group entities compared to group entities' outflows to end customers.

R'million	Investec Bank Limited Bank Solo		Investec Bank Limited Consolidated group	
	Total unweighted value	Total weighted value	Total unweighted value	Total weighted value
High-quality liquid assets				
Total high quality liquid assets		**55,030**		**55,063**
Cash outflows				
Retail deposits and deposits from small business customers, of which:	46,232	4,623	49,108	4,911
Stable deposits	-	-	-	-
Less stable deposits	46,232	4,623	49,108	4,911
Unsecured wholesale funding, of which	94,731	66,961	101,488	68,892
Operational deposits (all counterparties) and deposits in institutional networks of cooperative banks	-	-	-	-
Non-operational deposits (all counterparties)	94,368	66,598	99,948	67,352
Unsecured debt	363	363	1,540	1,540
Secured wholesale funding	-	549	-	570
Additional requirements, of which:	55,902	8,406	56,612	7,028
Outflows related to derivatives exposures and other collateral requirements	14,476	2,940	14,306	2,769
Outflows related to loss of funding on debt products	1,637	1,637	200	200
(Undrawn committed) credit and liquidity facilities	39,789	3,829	42,106	4,059
Other contractual funding obligations	507	507	501	501
Other contingent funding obligations	117,030	6,038	114,495	5,886
Total cash outflows		**87,084**		**87,788**
Cash inflows				
Secured lending (eg reverse repos)	11,811	8,088	11,777	8,053
Inflows from fully performing exposures	30,555	27,989	34,507	31,273
Other cash inflows	4,284	4,284	4,311	4,311
Total cash inflows	**46,650**	**40,361**	**50,595**	**43,637**

		Total adjusted value		Total adjusted value
Total high quality liquid assets		55,030		55,063
Total net cash outflows		46,723		44,151
Liquidity coverage ratio (%)		**118.8**		**126.2**