



Investec Bank Limited

Liquidity coverage ratio

National and supranational regulators have set standards designed to promote resiliency and harmonize liquidity risk supervision, to ensure a strong financial sector within the global economy.

Two key liquidity measures were defined:

Liquidity coverage ratio (LCR)

This ratio is designed to promote short-term resilience of the one-month liquidity profile by ensuring that banks have sufficient high-quality liquid assets to meet potential outflows in a stressed environment.

Net stable funding ratio (NSFR)

This ratio is designed to capture structural issues over a longer time horizon by requiring banks to have a sustainable maturity structure of assets and liabilities. In terms of South African Reserve Bank Regulations, banks are expected to commence reporting on the LCR in 2015 and the NSFR in 2018.

The values in the table are calculated as the simple average of daily observations over the period 1 January 2015 to 31 March 2015 for Investec Bank Limited bank solo. Sixty business day observations were used. Investec Bank Limited consolidated group values use daily values for Investec Bank Limited bank solo, while those for other group entities use the average of January, February and March 2015 month-end values.

The minimum requirement for the LCR over the quarter, as specified by both the Basel Committee of Banking Supervision and the South African Reserve Bank, is 60%. This applies to both Investec Bank Limited bank solo and Investec Bank Limited consolidated group.

Investec Bank Limited 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 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, we establish targets for deposits to be raised by market, channel, product, tenor band and client type designed to limit the weighted outflows falling into the 30-day window.

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 to be repo'd to the SARB or any other external market participants

Investec Bank Limited consolidated group

Our two banks, Investec Bank Limited and Investec Bank (Mauritius) Limited (IBM), contributed over 98% of the group's combined HQLA and stressed cash inflows and outflows. IBM's average stressed cash outflows of R3.1 billion are primarily to non-financial corporates, while their stressed inflows of R2.1 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.

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		41 206		41 318
Cash outflows				
Retail deposits and deposits from small business customers, of which:				
Stable deposits	36 475	3 647	38 697	3 870
Less stable deposits	-	-	-	-
Unsecured wholesale funding, of which	82 246	58 190	87 567	60 622
Operational deposits (all counterparties) and deposits in institutional networks of cooperative banks	-	-	-	-
Non-operational deposits (all counterparties)	81 242	57 186	85 173	58 228
Unsecured debt	1 004	1 004	2 394	2 394
Secured wholesale funding		202		182
Additional requirements, of which:	49 408	6 121	51 734	5 819
Outflows related to derivatives exposures and other collateral requirements	11 164	1 813	11 097	1 747
Outflows related to loss of funding on debt products	726	726	200	200
(Undrawn committed) credit and liquidity facilities	37 518	3 582	40 437	3 872
Other contractual funding obligations	557	557	546	546
Other contingent funding obligations	105 972	5 487	104 734	5 439
Total cash outflows		74 206		76 477
Cash inflows				
Secured lending (eg reverse repos)	1 193	139	1 193	139
Inflows from fully performing exposures	33 163	30 179	35 171	31 281
Other cash inflows	2 486	2 486	4 068	2 549
Total cash inflows	36 842	32 804	40 432	33 969
		Total adjusted value		Total adjusted value
Total high quality liquid assets		41 206		41 318
Total net cash outflows		41 402		42 508
Liquidity coverage ratio (%)		100.3		98.7