Investec Bank Limited

Liquidity coverage ratio (LCR) for the quarter ended 31 December 2016

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 are calculated as the simple average of calendar daily values over the period 1 October 2016 to 31 December 2016 for Investec Bank Limited (IBL) bank solo. 61 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 2016 month-end values.

The minimum LCR requirement was 70% throughout 2016 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. The Bank of Mauritius has published a LCR consultation paper for comment, and has given the Banks operating in the jurisdiction notice of its intention for the industry to meet the LCR standard in due course.

Investec Bank Limited Bank (IBL) 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 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.

• 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.

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 made up 3% of total HQLA and the SARB's committed liquidity facility (CLF) contributed 6% to total HQLA.

• Some foreign denominated government securities are included in the HQLA, subject to regulatory limitations.

Changes since September 2016 quarter-end:

The average LCR remains well in excess of regulatory requirements, increasing by 12% largely due to increased term deposit raising.

Investec Bank Limited consolidated group

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. IBM's average stressed cash outflows of R5 billion are primarily to non-financial corporates, while their average stressed inflows of R9 billion are largely from banks. There is no restriction on the contribution of IBM's cash inflows to the group. Consolidated group LCR is better than IBL solo's, mainly due to IBM's surplus cash inflows.

	Investec Bank Limited Bank Solo		Investec Bank Limited Consolidated group	
R'million	**Total unweighted value**	**Total weighted value**	**Total unweighted value**	**Total weighted value**
High-quality liquid assets				
Total high quality liquid assets		**73,248**		**73,333**
Cash outflows				
Retail deposits and deposits from small business customers, of which:	56,921	5,692	59,803	5,980
Stable deposits	-	-	-	-
Less stable deposits	56,921	5,692	59,803	5,980
Unsecured wholesale funding, of which	92,162	67,427	102,394	72,353
Operational deposits (all counterparties) and deposits in institutional networks of cooperative banks	-	-	-	-
Non-operational deposits (all counterparties)	91,787	67,052	101,655	71,614
Unsecured debt	375	375	739	739
Secured wholesale funding	-	588	-	588
Additional requirements, of which:	53,177	6,799	55,468	7,022
Outflows related to derivatives exposures and other collateral requirements	10,966	2,020	10,966	2,020
Outflows related to loss of funding on debt products	322	322	322	322
(Undrawn committed) credit and liquidity facilities	41,889	4,457	44,180	4,680
Other contractual funding obligations	1,015	1,015	1,330	1,330
Other contingent funding obligations	105,020	5,580	104,603	5,554
Total cash outflows		**87,100**		**92,513**
Cash inflows				
Secured lending (eg reverse repos)	16,787	5,631	16,787	5,631
Inflows from fully performing exposures	32,604	29,342	42,938	39,330
Other cash inflows	3,845	3,098	4,268	3,521
Total cash inflows	**53,236**	**38,071**	**63,993**	**48,482**
		Total adjusted value		Total adjusted value
Total high quality liquid assets		73,248		73,333
Total net cash outflows		49,029		44,031
Liquidity coverage ratio (%)		**150.4**		**167.9**