Investec Bank Limited - June 2016

Liquidity coverage ratio (LCR)

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 April 2016 to 30 June 2016 for Investec Bank Limited bank solo. Fifty-four 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 April, May and June 2016 month-end values.

The minimum LCR requirement is 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.

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 2% of total HQLA and the SARB's committed liquidity facility (CLF) contributed 7% to total HQLA.
- Some foreign denominated government securities are included in the HQLA, subject to regulatory limitations.

Changes since March 2016 quarter year-end:

The average LCR remains well surplus of regulatory requirements, increasing by 25% due to sturdy growth in HQLA, by R11 billion, as a result of good growth in LCR-friendly deposits coupled with slow risk asset growth.

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 R6 billion are primarily to non-financial corporates, while their average stressed inflows of R8 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. 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		**73 327**		**73 420**
Cash outflows				
Retail deposits and deposits from small business customers, of which:	51 123	5 112	54 119	5 412
Stable deposits	-	-	-	-
Less stable deposits	51 123	5 112	54 119	5 412
Unsecured wholesale funding, of which	106 438	80 032	117 781	85 435
Operational deposits (all counterparties) and deposits in institutional networks of cooperative banks	-	-	-	-
Non-operational deposits (all counterparties)	105 968	79 562	117 302	84 956
Unsecured debt	470	470	479	479
Secured wholesale funding	-	1 365	-	1 365
Additional requirements, of which:	59 301	8 629	60 832	8 778
Outflows related to derivatives exposures and other collateral requirements	15 704	3 241	15 704	3 241
Outflows related to loss of funding on debt products	1 362	1 362	1 362	1 362
(Undrawn committed) credit and liquidity facilities	42 235	4 026	43 766	4 175
Other contractual funding obligations	542	542	671	671
Other contingent funding obligations	121 896	6 144	122 077	6 146
Total cash outflows		**101 824**		**107 493**
Cash inflows				
Secured lending (eg reverse repos)	14 386	12 073	14 386	12 073
Inflows from fully performing exposures	36 988	33 795	46 819	43 323
Other cash inflows	3 925	3 925	3 936	3 936
Total cash inflows	**55 299**	**49 793**	**65 141**	**59 332**
		Total adjusted value		Total adjusted value
Total high quality liquid assets		73 327		73 420
Total net cash outflows		52 031		48 161
Liquidity coverage ratio (%)		**142.4**		**154.2**