Investec Bank Limited

Liquidity coverage ratio (LCR) for the quarter ended 31 December 2017

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 92 calendar daily values over the period 1 October 2017 to 31 December 2017 for Investec Bank Limited (IBL) bank solo. 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 2017 month-end values.

The minimum LCR requirement was 80% for 2017, increasing 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 requires banks to comply with a combined-currency LCR minimum of 60% from end November 2017, increasing to 70% on 1 January 2018.

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.

The composition of HQLA:

• The HQLA increased to R75.603bn (September 2017 R73.169bn) and 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 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 2017 quarter-end:

The average LCR increased to 132.4% (September 2017: 127.0%) and remains fully compliant with regulatory requirements, and within the target range as set by the Board.

Investec Bank Limited consolidated group

Only banking and / or deposit-taking entities are included and the 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. The consolidated group LCR is slightly lower than IBL solo's, as IBM's cash inflows surplus to the 75% inflow cap have been excluded on aggregation.

	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		**75,603**		**76,144**
Cash outflows				
Retail deposits and deposits from small business customers, of which:	65,109	6,511	66,610	6,661
Stable deposits	-	-	-	-
Less stable deposits	65,109	6,511	66,610	6,661
Unsecured wholesale funding, of which	99,549	73,915	108,670	78,138
Operational deposits (all counterparties) and deposits in institutional networks of cooperative banks	-	-	1,351	338
Non-operational deposits (all counterparties)	99,370	73,736	106,985	77,466
Unsecured debt	179	179	334	334
Secured wholesale funding	-	312	-	312
Additional requirements, of which:	53,904	9,902	56,646	10,185
Outflows related to derivatives exposures and other collateral requirements	9,883	4,933	9,897	4,947
Outflows related to loss of funding on debt products	-	-	-	-
(Undrawn committed) credit and liquidity facilities	44,021	4,969	46,749	5,238
Other contractual funding obligations	167	167	167	167
Other contingent funding obligations	75,930	3,870	76,730	3,905
Total cash outflows		**94,677**		**99,368**
Cash inflows				
Secured lending (eg reverse repos)	14,769	6,598	14,769	6,598
Inflows from fully performing exposures	32,005	29,303	41,103	37,789
Other cash inflows	2,029	1,532	2,213	1,716
Total cash inflows	**48,803**	**37,433**	**58,085**	**46,103**
		Total adjusted value		Total adjusted value
Total high quality liquid assets		75,603		76,144
Total net cash outflows		57,244		53,265
Liquidity coverage ratio (%)		**132.4**		**130.4**