



Investec Bank Limited

Liquidity coverage ratio (LCR) for the quarter ended 30 June 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 calendar daily values over the period 1 April 2017 to 30 June 2017 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 April, May and June 2017 month-end values.

The minimum LCR requirement is 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 published a LCR consultation paper in 2016, and has given Banks up to October 2017 to comply with the LCR minimum ratio set at 80%. The final guideline is yet to be issued.

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 4% of total HQLA and the SARB's committed liquidity facility (CLF) contributed 4% to total HQLA.
- Some foreign denominated government securities are included in the HQLA, subject to regulatory limitations.

Changes since March 2017 quarter-end:

The average LCR 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% cap on inflows, have been excluded on aggregation.

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		69,025		69,101
Cash outflows				
Retail deposits and deposits from small business customers, of which:				
Stable deposits	59,528	5,953	62,384	6,238
Less stable deposits	-	-	-	-
Unsecured wholesale funding, of which	59,528	5,953	62,384	6,238
Operational deposits (all counterparties) and deposits in institutional networks of cooperative banks	97,533	71,898	106,995	76,564
Non-operational deposits (all counterparties)	-	-	-	-
Unsecured debt	96,221	70,586	105,683	75,252
Secured wholesale funding	1,312	1,312	1,312	1,312
Additional requirements, of which:	-	10	-	10
Outflows related to derivatives exposures and other collateral requirements	50,546	8,940	52,808	9,162
Outflows related to loss of funding on debt products (Undrawn committed) credit and liquidity facilities	9,302	4,368	9,302	4,368
Other contractual funding obligations	-	-	-	-
Other contingent funding obligations	41,244	4,572	43,506	4,794
Total cash outflows	314	314	314	314
Cash inflows				
Secured lending (eg reverse repos)	75,171	3,721	76,431	3,779
Inflows from fully performing exposures				
Other cash inflows				
Total cash inflows	90,837	96,068	96,068	96,068
Secured lending (eg reverse repos)	16,560	6,898	16,560	6,898
Inflows from fully performing exposures	33,021	29,263	44,169	39,416
Other cash inflows	2,676	1,707	2,891	1,921
Total cash inflows	52,257	37,868	63,620	48,235
		Total adjusted value		Total adjusted value
Total high quality liquid assets		69,025		69,101
Total net cash outflows		52,969		47,833
Liquidity coverage ratio (%)		130.4		127.4