Standard Bank

Standard Bank (Mauritius) Ltd

Liquidity Coverage Ratio (LCR) Disclosure – Quarter Ending September 2019

(Consolidated in USD)		TOTAL UNWEIGHTED VALUE (quarterly average of bimonthly observations)[1]	TOTAL WEIGHTED VALUE (quarterly average of bimonthly observations)[1]
HIGH-QUALITY LIQUID ASSETS			
1	Total high-quality liquid assets (HQLA)	210,910,672	208,846,791
CASH OUTFLOWS			
2	Retail deposits and deposits from small business customers, of which:	80,916,605	19,293,627
3	*Stable deposits*	-	-
4	*Less stable deposits*	*80,916,605*	*19,293,627*
5	Unsecured wholesale funding, of which:	967,403,257	642,438,287
6	*Operational deposits (all counterparties)*	-	-
7	*Non-operational deposits (all counterparties)*	*967,403,257*	*642,438,287*
8	*Unsecured debt*	-	-
9	Secured wholesale funding	-	-
10	Additional requirements, of which:	170,933,970	26,224,047
11	*Outflows related to derivative exposures and other collateral requirements*	*814,912*	*814,912*
12	*Outflows related to loss of funding on debt products*	-	-
13	*Credit and liquidity facilities*	*170,119,059*	*25,409,135*
14	Other contractual funding obligations	-	-
15	Other contingent funding obligations	24,372,564	1,218,628
16	**TOTAL CASH OUTFLOWS**	**1,243,626,396**	**689,174,589**
CASH INFLOWS			
17	Secured funding (e.g. reverse repos)	-	-
18	Inflows from fully performing exposures	560,251,842	553,174,561
19	Other cash inflows	-	-
20	**TOTAL CASH INFLOWS**	**560,251,842**	**553,174,561**
			TOTAL ADJUSTED VALUE
21	**TOTAL HQLA**		**208,846,791**
22	**TOTAL NET CASH OUTFLOWS**		**172,293,647**
23	**LIQUIDITY COVERAGE RATIO (%)**		**121%**
24	**QUARTERLY AVERAGE OF DAILY HQLA[2]**		**198,128,993**

[1] The quarterly average of bimonthly observations for the period Jul-19 to Sep-19.

[2] The quarterly average of daily HQLA is based on close of day figures over the period 01 Jul 2019 to 30 September 2019.

Overview

Banks in Mauritius are required to maintain the liquidity coverage ratio in accordance with the Guideline on Liquidity Risk Management. The objective of LCR is to promote short-term resilience of the liquidity risk profile of banks by ensuring that banks have an adequate stock of unencumbered High-Quality Liquid Assets ("HQLA") to meet their 30 calendar day liquidity stress scenario. The minimum LCR, which is the ratio of high-quality liquid assets to total net cash outflows within the 30-day time horizon, of 60% was introduced on 30 November 2017. It increased to 70% on 31 January 2018 and to 80% on 31 January 2019 and will reach 100% on 31 January 2020. Standard Bank Mauritius implemented the LCR requirements as from November 2017 and has maintained its liquidity position above the prudential requirement.

The LCR is calculated by dividing HQLA by the estimated net outflows assuming a stressed 30-day period, with the net outflows determined by applying prescribed factors to various categories of liabilities, such as deposits, unsecured and secured wholesale borrowings, unused lending commitments and other derivatives-related exposures. The outflows are partially offset by assumed inflows from assets maturing within 30 days. Similar to outflows, the inflows are calculated based on prescribed factors to various assets categories, such as loans, unsecured and secured wholesale lending.

To ensure a minimum level of liquid asset holdings, the prescribed amount of inflows that can offset outflows is capped at 75 per cent of total expected outflows.

Main drivers and changes in LCR

Standard Bank Mauritius continued to maintain a healthy liquidity position with the third quarter of 2019 average consolidated LCR at 121%, which was well above regulatory requirements of 80% and higher than the previous quarter (Q2:108%). The main drivers of the LCR are

i. movements in HQLA
ii. movements in customer loans/deposits;
iii. wholesale interbank lending/borrowing;
iv. movements due to positions falling into or out of the LCR 30-day tenor and
v. derivative cashflows

Composition of HQLA

The bank's HQLA is primarily made up of cash, unrestricted balances with Central Bank, Sovereign and Central Bank Securities. These securities can be readily liquidated through sale or repurchase ("Repo") transactions into cash to meet cash flow obligations under liquidity stress scenarios.

The HQLA figures reported are daily simple averages over the third quarter of 2019. The average weighted HQLA over the quarter ending September 2019 was US$208.8m.

The composition of HQLA as at end of September 2019 was the central bank reserves in excess of the daily Cash Reserve Ratio requirement US$42.6m (HQLA1), Government of Mauritius/Bank of Mauritius Treasury bills US$10.9m and US Government Treasury bills US$187.1m (HQLA 1).

Concentration of funding sources

Standard Bank Mauritius funding strategy is centred on maintaining a funding profile that is diversified by structure, tenor and currency in order to meet all obligations as they fall due. The primary funding sources for the bank are current and call accounts from financial institutions, global business companies and multi-national corporates. Customer assets are largely funded out of customer deposits, which are considered a stable source of funding and from group borrowings.

Balance Sheet structure and Net Stable Funding Ratio (“NSFR”) projections are regularly discussed in monthly Asset and Liability Committee (“ALCO”) meetings to ensure that the bank remains well-funded to support the business strategy. Internal metrics on depositors concentration are used to monitor funding risks.

Derivative exposures and potential collateral calls

The Bank deals in various type of over-the-counter (OTC) derivatives transactions both for trading and for hedging interest rate risk in the banking book. These derivatives transactions cover foreign currency and interest rate with group and third parties.

Currency Mismatch in the LCR

The Bank calculates and reports LCR for MUR, USD and on a consolidated basis. Other currencies are considered not material. The Bank hold liquidity mostly in USD, which can easily be converted to other currencies in stress situation. To minimise liquidity mismatches, including currency mismatches in the LCR, the Bank seeks to fund assets in the same currency and, at the same time, monitors the potential risk from foreign currency mismatches. If required, it can access the FX swap markets to manage any short-term currency mismatch.

Liquidity Risk Management Function:

Liquidity risk is managed through a standardised risk governance framework and in line with the Bank’s liquidity risk policy. The Asset and Liability Management (ALM) team manages the balance sheet with a view to achieve efficient allocation and utilisation of all resources. It assists management to review liquidity and funding risks to ensure their prudent management. Liquidity and funding risks are monitored on a daily basis and reported to ALCO every month.

The Money Market team within Global Markets is responsible for managing cash, short-term liquidity and funding for bank. This includes deployment of commercial surplus as well as accessing the interbank market for short term borrowings if needed.