Standard Bank

Standard Bank (Mauritius) Ltd
Liquidity Coverage Ratio (LCR) Disclosure – Quarter Ending March 2019

(Consolidated in USD)		TOTAL UNWEIGHTED VALUE (quarterly average of monthly observations)[1]	TOTAL WEIGHTED VALUE (quarterly average of monthly observations)[1]
HIGH-QUALITY LIQUID ASSETS			
1	Total high-quality liquid assets (HQLA)	207 129 454	204 464 102
CASH OUTFLOWS			
2	Retail deposits and deposits from small business customers, of which:	104 351 080	26 690 080
3	*Stable deposits*	-	-
4	*Less stable deposits*	*104 351 080*	*26 690 080*
5	Unsecured wholesale funding, of which:	1 182 481 493	762 582 165
6	*Operational deposits (all counterparties)*	-	-
7	*Non-operational deposits (all counterparties)*	*1 182 481 493*	*762 582 165*
8	*Unsecured debt*	-	-
9	Secured wholesale funding	-	-
10	Additional requirements, of which:	99 936 504	13 624 607
11	*Outflows related to derivative exposures and other collateral requirements*	*661 912*	*661 912*
12	*Outflows related to loss of funding on debt products*	-	-
13	*Credit and liquidity facilities*	*99 274 592*	*12 962 695*
14	Other contractual funding obligations	-	-
15	Other contingent funding obligations	29 341 296	1 467 065
16	**TOTAL CASH OUTFLOWS**	**1 416 110 372**	**804 363 917**
CASH INFLOWS			
17	Secured funding (e.g. reverse repos)	-	-
18	Inflows from fully performing exposures	762 594 282	753 050 996
19	Other cash inflows	-	-
20	**TOTAL CASH INFLOWS**	**762 594 282**	**753 050 996**
			TOTAL ADJUSTED VALUE
21	**TOTAL HQLA**		**204 464 102**
22	**TOTAL NET CASH OUTFLOWS**		**201 090 979**
23	**LIQUIDITY COVERAGE RATIO (%)**		**102%**
24	**QUARTERLY AVERAGE OF DAILY HQLA**[2]		**154 639 787**

[1] The quarterly average of monthly observations is based on January, February and March 2019 month end figures.

[2] The quarterly average of daily HQLA is based on close of day figures over the 03 January 2019 to 29 March 2019 period.

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 to 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 second quarter of 2019 average Consolidated LCR at 102%, which was well above regulatory requirements of 80% and higher than the previous quarter (4Q18: 88%). 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 first quarter of 2019. The average weighted HQLA over the quarter ending Mar 2019 was US$204.4m.

The composition of HQLA as at end of Mar 2019 was the central bank reserves in excess of the daily Cash Reserve Ratio requirement US$5.1m (HQLA1), Government of Mauritius/Bank of Mauritius Treasury bills US$8.9m and US Government Treasury bills US$159.2m (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 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 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.