



Rabobank

Basel II Pillar 3 – Capital Adequacy and Risk Disclosures

Rabobank Australia Limited
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Quarterly Update as at 30 September 2011

Rabobank Australia Limited (“the Bank”) is an Authorised Deposit-taking Institution (“ADI”) subject to regulation by the Australian Prudential Regulation Authority (“APRA”) under the authority of the Banking Act 1959.

In accordance with the Australian Prudential Standard 330 (“APS 330”), financial institutions are required to disclose prudential information. A subset of this information is disclosed quarterly.

This document is unaudited, however it has been prepared using information that is consistent with information otherwise published or supplied to APRA.

Background

The Basel II Capital Accord principles took effect in Australia from 1 January 2008. The framework comprises of three pillars:

- Pillar 1: Minimum Capital Requirements
- Pillar 2: Supervisory Review Process
- Pillar 3: Market Discipline

The Bank commenced reporting its regulatory disclosures to APRA under the requirements of Pillar 1 from 1 January 2008 using the Standardised Approach. The Bank also implemented the Pillar 2 requirements including documentation of its Internal Capital Adequacy Assessment Process (ICAAP) with the latest version approved by the local Board in March 2011.

The Chief Executive Officer attests that the disclosure meets the requirements of APS310 Audit and Related Arrangements for Prudential Reporting. Disclosure controls and procedures have been designed and implemented to effectively manage prudential reporting risk.

Scope of Application

The Bank establishes Level 1 for regulatory (APRA) reporting purposes. The Bank is a solo entity, therefore does not have any subsidiaries, Level 2 entities.

Level 1 Standalone basis (“Solo”)

Level 2 The consolidation of the Bank and all its subsidiary entities other than non-consolidated subsidiaries (“Consolidated”)

Context

The Rabobank Group (“Group”) gained accreditation from the De Nederlandsche Bank (“DNB”), Group’s Home Regulator, to use the Advanced Internal Ratings Based Approach (“AIRB”) for credit risk and the Advanced Measurement Approach (“AMA”) for operational risk from 1 January 2008.

The Group gained accreditation for AMA from the DNB from 1 January 2008. The Rabobank Group gained DNB accreditation to use the AIRB for credit risk from 31 December 2008 for the Bank’s Rural portfolio. The Rural lending portfolio is a significant majority of the Bank’s lending by exposure.

The Bank currently remains on the Standardised Approach for Credit, Market and Operational risk for APRA regulatory reporting.

Frequency

The Capital Structure information is reported annually. The Capital Adequacy and Credit Risk information are available on a quarterly basis.

Table 16: Capital Adequacy (Risk Weighted Equivalent)

| Subject to Standardised approach | AUD mln |
|---|-----------------|
| Corporate | 12,011.9 |
| Government | - |
| Bank | 22.4 |
| Residential mortgage | 131.0 |
| Other retail | - |
| Other | - |
| Total capital requirement subject to standardised approach | 12,165.3 |
| Credit risk capital requirement relating to securitisation exposures | - |
| Market risk minimum capital requirement | 0.7 |
| Operational risk minimum capital requirement | 751.9 |
| Total RWA and capital requirement | 12,918.0 |
| Capital ratios (%) | |
| Total Capital Ratio | 11.50% |
| Tier 1 Capital Ratio | 8.23% |

Table 17: Credit risk

| Exposure Type | Gross credit exposure AUD mln | Average gross credit exposure AUD mln |
|--|--------------------------------------|--|
| Cash and liquid assets | 41.8 | 22.3 |
| Trading securities | - | - |
| Investment securities | 1,073.3 | 1,019.3 |
| Due from other financial institutions | 1,934.3 | 2,185.9 |
| Loans and advances | 12,023.8 | 11,983.8 |
| Acceptances | - | - |
| Derivatives | 31.6 | 34.5 |
| Contingent liabilities, commitments, and other off-balance sheet exposures | 74.8 | 74.3 |
| Other assets | - | - |
| Total exposures | 15,179.6 | 15,320.1 |

| Portfolios subject to standardised approach | Gross credit exposure AUD mln | Average gross credit exposure AUD mln |
|--|--------------------------------------|--|
| Corporate | 11,876.8 | 11,840.8 |
| Government | 1,115.1 | 1,041.5 |
| Bank | 1,954.8 | 2,209.3 |
| Residential Mortgage | 232.9 | 228.5 |
| Other retail | - | - |
| Other | - | - |
| Total exposures | 15,179.6 | 15,320.1 |

| Portfolios subject to standardised approach | Impaired loans AUD mln | Past due loans ≥ 90 days AUD mln | Specific provision balance AUD mln | Charges for specific provision AUD mln | Write-offs AUD mln |
|--|-------------------------------|---|---|---|---------------------------|
| Corporate | 276.5 | 373.5 | 158.8 | 6.5 | 0.3 |
| Government | - | - | - | - | - |
| Bank | - | - | - | - | - |
| Residential Mortgage | - | 28.1 | - | - | - |
| Other retail | - | - | - | - | - |
| Other | - | - | - | - | - |
| Total | 276.5 | 401.6 | 158.8 | 6.5 | 0.3 |

| | Balance AUD mln |
|--|------------------------|
| General reserve for credit losses | 93.1 |

