



# Basel II Pillar 3 – Capital Adequacy and Risk Disclosures

*Quarterly Update as at 30 June 2009*

## **Rabobank Australia Limited**

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**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.**

This update of the Bank's capital adequacy and risk disclosures has been prepared primarily in accordance with APRA Prudential Standard APS 330 which requires the Bank to report its assessment of capital adequacy.

This document is unaudited, however it has been prepared 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 November 2008.

## **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. Some subsidiaries currently remain on the Standardised Approach for credit risk within the Rabobank Group, namely Rabobank America and ACCBank in Ireland.

The Bank 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 31st 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 Semi-annually. The Capital Adequacy and Credit Risk information is available on a quarterly basis.

## **Enquiries**

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**Table 16: Capital Adequacy (Risk Weighted Equivalent)**

<b>Subject to Standardised approach</b>	<b>\$AUD mln</b>
Corporate	9,019.4
Government	-
Bank	119.7
Residential Mortgage	851.6
Other Retail	-
Other	-
<b>Total capital requirement subject to standardised approach</b>	<b>9,990.7</b>
<b>Credit risk capital requirement relating to securitisation exposures</b>	<b>-</b>
<b>Market risk minimum capital requirement</b>	<b>0.0</b>
<b>Operational risk minimum capital requirement</b>	<b>614.7</b>
<b>Total RWA and capital requirement</b>	<b>10,605.4</b>
<b>Capital ratios (%)</b>	
Total Capital Ratio	11.51%
Tier 1 Capital Ratio	8.69%

**Table 17: Credit risk**

<b>Exposure Type</b>	<b>Gross credit exposure \$ AUD mln</b>	<b>Average gross credit exposure \$ AUD mln</b>
Cash and liquid assets	17.0	143.7
Trading securities	-	-
Investment securities	579.3	289.6
Due from other financial institutions	925.0	1,363.1
Loans and advances	10,606.2	10,416.5
Acceptances	-	-
Derivatives	24.7	24.2
Contingent liabilities, commitments, and other off-balance sheet exposures	84.1	87.0
Other assets	-	-
<b>Total exposures</b>	<b>12,236.3</b>	<b>12,324.1</b>

**Table 17: Credit risk**

<b>Portfolios subject to Standardised approach</b>	<b>Gross credit exposure \$ AUD mln</b>	<b>Average gross credit exposure \$ AUD mln</b>
Corporate	9,270.6	9,119.6
Government	596.3	433.3
Bank	944.2	1,381.4
Residential Mortgage	1,424.7	1,389.3
Other retail	-	-
Other	0.5	0.5
<b>Total exposures</b>	<b>12,236.3</b>	<b>12,324.1</b>

<b>Portfolios subject to standardised approach</b>	<b>Impaired loans \$ AUD mln</b>	<b>Past due loans ≥ 90 days \$ AUD mln</b>	<b>Specific provision balance \$ AUD mln</b>	<b>Charges for specific provision \$ AUD mln</b>	<b>Write-offs \$ AUD mln</b>
Corporate	172.3	248.5	6.5	3.5	-
Government	-	-	-	-	-
Bank	-	-	-	-	-
Residential mortgage	-	25.8	-	-	-
Other retail	-	-	-	-	-
Other	-	-	-	-	-
<b>Total</b>	<b>172.3</b>	<b>274.3</b>	<b>77.6</b>	<b>6.5</b>	<b>-</b>

	<b>Balance \$ AUD mln</b>
<b>General reserve for credit losses</b>	<b>69.3</b>

