



Rabobank

Basel II Pillar 3 – Capital Adequacy and Risk Disclosures

Rabobank Australia Limited
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Quarterly Update as at 30 September 2012

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 2012.

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 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)

	30 September 2012	30 June 2012
	AUD mln	AUD mln
Credit Risk Subject to Standardised approach		
Corporate*	12,525.2	12,569.4
Government	-	-
Bank	18.1	13.2
Residential mortgage	105.3	103.8
Other retail	-	-
Other	-	-
Total capital requirement subject to standardised approach	12,648.6	12,686.4
Credit risk capital requirement relating to securitisation exposures	-	-
Market risk capital requirement	0.2	0.2
Operational risk capital requirement	796.9	796.9
Total RWA and capital requirement	13,445.7	13,483.5
Capital ratios (%)		
Total Capital Ratio	13.24%	11.58%
Tier 1 Capital Ratio	10.05%	8.41%

*Note: Corporate includes corporate and private sector counterparties.

Table 17: Credit risk

Exposure Type	30 September 2012		30 June 2012	
	Gross credit exposure	Average gross credit exposure	Gross credit exposure	Average gross credit exposure
	AUD mln	AUD mln	AUD mln	AUD mln
Cash and liquid assets	18.8	13.3	7.7	26.5
Trading securities	-	-	-	-
Investment securities	730.2	775.1	819.9	764.1
Due from other financial institutions	3,286.2	2,389.7	1,493.2	1,610.6
Loans and advances	12,556.3	12,583.7	12,611.3	12,287.6
Acceptances	-	-	-	-
Derivatives	39.6	33.6	27.7	22.9
Contingent liabilities, commitments, and other off-balance sheet exposures	68.0	67.0	66.0	71.1
Other assets	-	-	-	-
Total exposures	16,699.1	15,862.4	15,025.8	14,782.8

Portfolios subject to standardised approach	Gross credit exposure	Average gross credit exposure	Gross credit exposure	Average gross credit exposure
	AUD mln	AUD mln	AUD mln	AUD mln
	Corporate*	12,433.9	12,457.7	12,481.5
Government	749.0	788.3	827.6	790.6
Bank	3,304.6	2,406.3	1,508.0	1,624.0
Residential Mortgage	211.6	210.1	208.7	208.0
Other retail	-	-	-	-
Other	-	-	-	-
Total exposures	16,699.1	15,862.4	15,025.8	14,782.8

* Note: Corporate includes corporate and private sector counterparties.

Portfolios subject to Standardised approach as at 30 September 2012	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*	240.4	423.6	126.1	-2.1	25.2
Government	-	-	-	-	-
Bank	-	-	-	-	-
Residential Mortgage	-	-	-	-	-
Other retail	-	-	-	-	-
Other	-	-	-	-	-
Total	240.4	423.6	126.1	-2.1	25.2

Portfolios subject to Standardised approach as at 30 June 2012	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*	277.8	443.5	153.4	1.0	0
Government	-	-	-	-	-
Bank	-	-	-	-	-
Residential Mortgage	-	-	-	-	-
Other retail	-	-	-	-	-
Other	-	-	-	-	-
Total	277.8	443.5	153.4	1.0	0

Balance	30 September 2012 AUD mln	30 June 2012 AUD mln
General reserve for credit losses	98.9	98.9

* Note: Corporate includes corporate and private sector counterparties.

Table 18: Securitisation Exposures

No securitisation or resecuritisation activity was undertaken during the June 2012 or September 2012 quarters.

Securitisation Exposure – Underlying asset type	30 September 2012		30 June 2012	
	Total Exposures Securitized	Recognised Gain or (Loss) on sale	Total Exposures Securitized	Recognised Gain or (Loss) on sale
	AUD mln	AUD mln	AUD mln	AUD mln
Housing Loans	-	-	-	-
Commercial Loans	-	-	-	-
Credit Cards and other Personal Loans	-	-	-	-
Auto and Equipment Finance	-	-	-	-
Other	-	-	-	-
Total	-	-	-	-

Securitisation Exposure – Securitisation facility type	30 September 2012			30 June 2012		
	On-Balance Sheet Securitisation Retained	On-Balance Sheet Securitisation Purchased	Off-Balance Sheet Securitisation Exposure	On-Balance Sheet Securitisation Retained	On-Balance Sheet Securitisation Purchased	Off-Balance Sheet Securitisation Exposure
	AUD mln	AUD mln	AUD mln	AUD mln	AUD mln	AUD mln
Securities	-	-	-	-	-	-
Liquidity support facilities	-	-	-	-	-	-
Funding facilities	-	-	-	-	-	-
Warehouse facilities	-	-	-	-	-	-
Lending facilities	-	-	-	-	-	-
Other commitments and credit enhancements	-	-	-	-	-	-
Derivative transactions	-	-	-	-	-	-
Underwriting facilities	-	-	-	-	-	-
Other	-	-	-	-	-	-
Total	-	-	-	-	-	-

