



Pillar 3 – Capital Adequacy and Risk Disclosures

Quarterly Update as at 31 March 2013

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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.

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 of Basel II and Implementation of Basel III

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

In December 2010, the Basel Committee on Banking Supervision (“BCBS”) published a discussion paper on banking reforms. These major reforms are to be phased in from 1 January 2013 to 1 January 2019.

In September 2012, APRA published final standards for the implementation of the Basel III capital reforms in Australia. APRA has adopted a more conservative approach than the minimum standards published by the BCBS and a more accelerated timetable for implementation.

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 adopted the Basel III measurement of regulatory capital effective from 1 January 2013.

Unless otherwise stated 31 March 2013 disclosure is under APRA’s Basel III standards and prior periods are reported under Basel II.

The Bank 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 2013.

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	Level 1 – Standalone basis (“Solo”)
Level 2	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)

	31 March 2013	31 December 2012
	AUD mln	AUD mln
Credit Risk Subject to Standardised approach		
Corporate*	12,535.6	12,344.1
Government	-	-
Bank	21.2	14.3
Residential mortgage	103.7	104.4
Other retail	-	-
Other	-	-
Total capital requirement subject to standardised approach	12,660.5	12,462.8
Credit risk capital requirement relating to securitisation exposures	-	-
Market risk minimum capital requirement	0.2	0.2
Operational risk minimum capital requirement	820.1	196.9
Total RWA and capital requirement	13,480.8	13,283.1
Capital ratios (%)		
Common Equity Tier 1 capital Ratio	10.50%	10.42%
Tier 1 Capital Ratio	10.50%	10.42%
Total Capital Ratio	12.73%	13.62%

* Note: Corporate includes corporate and private sector counterparties.

Table 17: Credit risk

Exposure Type	31 March 2013		31 December 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	10.2	6.7	3.1	11.0
Trading securities	-	-	-	-
Investment securities	958.6	832.4	766.1	748.2
Due from other financial institutions	3,606.6	3,889.5	4,172.4	3,729.3
Loans and advances	12,549.9	12,469.2	12,388.5	12,472.3
Acceptances	-	-	-	-
Derivatives	69.5	56.8	44.2	41.9
Contingent liabilities, commitments, and other off-balance sheet exposures	62.3	62.3	62.3	65.2
Other assets	-	-	-	-
Total exposures	17,257.1	17,346.9	17,436.6	17,067.9

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*	12,440.5	12,353.6	12,266.7
Government	968.8	869.0	769.2	759.1
Bank	3,639.5	3,915.3	4,191.0	3,747.8
Residential Mortgage	208.3	209.0	209.7	210.7
Other retail	-	-	-	-
Other	-	-	-	-
Total exposures	17,257.1	17,346.9	17,436.6	17,067.9

*Note: Corporate includes corporate and private sector counterparties.

Portfolios subject to Standardised approach as at 31 March 2013	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*	257.4	420.3	116.3	0.2	6.3
Government	-	-	-	-	-
Bank	-	-	-	-	-
Residential Mortgage	-	-	-	-	-
Other retail	-	-	-	-	-
Other	-	-	-	-	-
Total	257.4	420.3	116.3	0.2	6.3

**Note: Past due loans >= 90 days includes impaired loans.

Portfolios subject to Standardised approach as at 31 December 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*	255.4	414.4	122.4	5.2	9.0
Government	-	-	-	-	-
Bank	-	-	-	-	-
Residential Mortgage	-	-	-	-	-
Other retail	-	-	-	-	-
Other	-	-	-	-	-
Total	255.4	414.4	122.4	5.2	9.0

Balance	31 March 2013 AUD mln	31 December 2012 AUD mln
General reserve for credit losses	94.6	94.6

* Note: Corporate includes corporate and private sector counterparties.

Table 18: Securitisation Exposures

No securitisation or resecuritisation activity was undertaken during the December 2012 or March 2013 quarters.

Securitisation Exposure – Underlying asset type	31 March 2013		31 December 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	31 March 2013			31 December 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	-	-	-	-	-	-

