



Rabobank

Pillar 3 – Capital Adequacy and Risk Disclosures

Quarterly Update as at 30 September 2013

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.

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.

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.

- Level1: Standalone basis (“Solo”)
- Level2: 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.

Table 3: Capital Adequacy

	30 September 2013	30 June 2013
	AUD mln	AUD mln
Credit Risk Subject to Standardised approach		
Corporate*	13,391.1	13,413.2
Government	-	-
Bank	43.0	24.2
Residential mortgage	101.1	101.4
Other retail	-	-
Other	-	-
Total capital requirement subject to standardised approach	13,535.2	13,538.8
Credit risk capital requirement relating to securitisation exposures	-	-
Market risk minimum capital requirement	0.2	0.2
Operational risk minimum capital requirement	854.7	854.7
Total RWA and capital requirement	14,390.1	14,393.7
Capital ratios (%)		
Common Equity Tier 1 capital Ratio	10.28%	10.01%
Tier 1 Capital Ratio	10.28%	10.01%
Total Capital Ratio	12.44%	12.17%

* Note: Corporate includes corporate and private sector counterparties.

Table 4: Credit risk

Exposure Type	30 September 2013		30 June 2013	
	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	259.8	192.3	124.9	67.5
Trading securities	-	-	-	-
Investment securities	1,310.6	1,216.9	1,123.1	1,040.9
Due from other financial institutions	430.4	1,357.0	2,283.7	2,945.2
Loans and advances	13,364.6	13,373.6	13,382.6	12,966.3
Acceptances	-	-	-	-
Derivatives	80.5	77.6	74.6	72.0
Contingent liabilities, commitments, and other off-balance sheet exposures	61.6	62.6	63.5	62.9
Other assets	-	-	-	-
Total exposures	15,507.5	16,280.0	17,052.4	17,154.8

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*	13,259.5	13,270.8	13,282.0
Government	1,570.4	1,409.2	1,248.0	1,108.4
Bank	474.6	1,396.6	2,318.6	2,979.1
Residential Mortgage	203.0	203.4	203.8	206.1
Other retail	-	-	-	-
Other	-	-	-	-
Total exposures	15,507.5	16,280.0	17,052.4	17,154.8

*Note: Corporate includes corporate and private sector counterparties.

Table 4: Credit risk (continued)

Portfolios subject to Standardised approach as at 30 September 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*	292.6	487.2	116.5	0.3	6.5
Government	-	-	-	-	-
Bank	-	-	-	-	-
Residential Mortgage	-	-	-	-	-
Other retail	-	-	-	-	-
Other	-	-	-	-	-
Total	292.6	487.2	116.5	0.3	6.5

Portfolios subject to Standardised approach as at 30 June 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*	313.3	481.5	122.7	6.7	1.1
Government	-	-	-	-	-
Bank	-	-	-	-	-
Residential Mortgage	-	-	-	-	-
Other retail	-	-	-	-	-
Other	-	-	-	-	-
Total	313.3	481.5	122.7	6.7	1.1

Balance	30 September 2013 AUD mln	30 June 2013 AUD mln
General reserve for credit losses	104.6	104.6

* Note: Corporate includes corporate and private sector counterparties.

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

Table 5: Securitisation Exposures

No securitisation or resecuritisation activity was undertaken during the June 2013 or September 2013 quarters.

Securitisation Exposure – Underlying asset type	30 September 2013		30 June 2013	
	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 2013			30 June 2013		
	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	-	-	-	-	-	-

