



Rabobank

Pillar 3 – Capital Adequacy and Risk Disclosures Quarterly Update

Rabobank Australia Limited
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Quarterly Update as at 30 June 2014

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.

Verification of the Disclosure

The Pillar 3 Disclosures have been appropriately verified in accordance with the Board approved policy, but have not been audited by the external auditor.

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 2014.

The Chief Executive Officer attests annually, in accordance with APS310 requirements, that the disclosure meets the requirements of APS 330 Capital Adequacy: Public Disclosure of Prudential Information. Disclosure controls and procedures have been designed and implemented to effectively manage prudential reporting risk.

Scope of Application

The Bank is a Level 1 entity for regulatory (APRA) reporting purposes. The Bank is a solo entity, therefore it 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.

Nature of Business

The Bank continues to focus on the provision of flexible, competitively priced, secured loans to the rural sector in

Australia. The Bank continues to provide internet banking services to retail clients through its RaboDirect division.

There were no significant changes in the state of affairs of the Bank during the financial year.

Table 3: Capital Adequacy (Risk Weighted Equivalent)		
	30 June 2014	31 March 2014
Credit Risk Subject to Standardised approach	AUD mln	AUD mln
Corporate*	14,101.0	13,027.9
Government	–	–
Bank	109.1	13.8
Residential mortgage	82.1	78.8
Other retail	–	–
Other	–	–
Total capital requirement subject to standardised approach	14,292.2	13,120.5
Credit risk capital requirement relating to securitisation exposures	–	–
Market risk minimum capital requirement	0.6	8.7
Operational risk minimum capital requirement	922.1	886.2
Total RWA and capital requirement	15,214.9	14,015.4
Capital ratios (%)		
Common Equity Tier 1 capital Ratio	10.17%	11.02%
Tier 1 Capital Ratio	10.17%	11.02%
Total Capital Ratio	12.05%	13.08%

* Note: Corporate includes corporate and private sector counterparties.

Table 4: Credit risk

Exposure Type	30 June 2014		31 March 2014	
	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	500.4	265.9	31.3	102.2
Trading securities	–	–	–	–
Investment securities	1,532.8	1,646.4	1,759.9	1,747.6
Due from other financial institutions	686.1	495.6	305.2	413.0
Loans and advances	14,052.5	13,532.9	13,013.2	12,923.7
Acceptances	–	–	–	–
Derivatives*	62.7	53.8	44.8	54.7
Contingent liabilities, commitments, and other off-balance sheet exposures*	64.6	60.1	55.6	59.1
Other assets	–	–	–	–
Total exposures	16,899.1	16,054.7	15,210.0	15,300.3

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**	13,948.5	13,424.2	12,899.7	12,813.1
Government	2033.2	1,912.2	1,791.2	1,849.9
Bank	718.0	520.1	322.2	438.8
Residential Mortgage	199.4	198.2	196.9	198.5
Other retail	–	–	–	–
Other	–	–	–	–
Total exposures	16,899.1	16,054.7	15,210.0	15,300.3

* Note: Derivatives and off-balance sheet exposures represent the credit equivalent amount of the Bank's off-balance sheet exposures calculated in accordance with APS112.

** Note: Corporate includes corporate and private sector counterparties.

Table 4: Credit risk (continued)

Portfolios subject to Standardised approach as at 30 June 2014	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*	313.0	549.6	138.9	5.7	1.5
Government	–	–	–	–	–
Bank	–	–	–	–	–
Residential Mortgage	–	–	–	–	–
Other retail	–	–	–	–	–
Other	–	–	–	–	–
Total	313.0	549.6	138.9	5.7	1.5

Portfolios subject to Standardised approach as at 31 March 2014	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*	321.9	498.4	134.2	1.9	–
Government	–	–	–	–	–
Bank	–	–	–	–	–
Residential Mortgage	–	–	–	–	–
Other retail	–	–	–	–	–
Other	–	–	–	–	–
Total	321.9	498.4	134.2	1.9	–

Balance	30 June 2014 AUD mln	31 March 2014 AUD mln
General reserve for credit losses	101.2	105.0

* 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 March 2014 or June 2014 quarters.

Securitisation Exposure – Underlying asset type	30 June 2014		31 March 2014	
	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 June 2014			31 March 2014		
	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	–	–	–	–	–	–

