

# Pillar 3 – Capital Adequacy and Risk Disclosures

Quarterly Update as at 30 September 2018

## Introduction

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

This Pillar 3 Disclosure (“the Disclosure”) document is unaudited. However, it has been verified in accordance with the Board approved Prudential Disclosure policy.

## Scope of Application

The Bank is a Level 1 entity 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 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.

## Attachment C

<b>Table 3: Capital Adequacy (Risk Weighted Equivalent)</b>		
	<b>30 September 2018</b>	<b>30 June 2018</b>
<b>Credit Risk Subject to Standardised approach</b>	AUD mln	AUD mln
Corporate*	15,649.3	16,028.9
Government	–	–
Bank	29.0	104.4
Residential mortgage	49.8	49.9
Other retail	–	–
Other	–	–
<b>Total capital requirement subject to standardised approach</b>	<b>15,728.1</b>	<b>16,183.2</b>
<b>Credit risk capital requirement relating to securitisation exposures</b>	<b>–</b>	<b>–</b>
<b>Market risk minimum capital requirement</b>	<b>0.1</b>	<b>0.0</b>
<b>Operational risk minimum capital requirement</b>	<b>1,117.2</b>	<b>1,117.2</b>
<b>Total RWA and capital requirement</b>	<b>16,845.4</b>	<b>17,300.4</b>
<b>Capital ratios (%)</b>		
Common Equity Tier 1 capital Ratio	13.46%	12.85%
Tier 1 Capital Ratio	13.46%	12.85%
Total Capital Ratio	14.56%	13.92%

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

## Attachment C

Table 4: Credit risk				
Exposure Type	30 September 2018		30 June 2018	
	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	138.9	336.0	533.0	616.4
Trading securities	–	–	–	–
Investment securities	1,777.4	1,668.4	1,559.3	1,530.3
Due from other financial institutions	722.9	722.0	721.1	723.1
Loans and advances	15,601.6	15,778.7	15,955.7	15,329.6
Acceptances	–	–	–	–
Derivatives*	44.1	38.8	33.5	29.5
Contingent liabilities, commitments, and other off-balance sheet exposures*	98.5	109.7	120.8	119.5
Other assets	–	–	–	–
<b>Total exposures</b>	<b>18,383.4</b>	<b>18,653.6</b>	<b>18,923.4</b>	<b>18,348.4</b>

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**	15,597.5	15,782.5	15,967.2	15,377.0
Government	1,777.4	1,668.4	1,559.3	1,530.3
Bank	882.4	1,076.7	1,270.9	1,354.5
Residential Mortgage	126.1	126.1	126.0	126.6
Other retail	–	–	–	–
Other	–	–	–	–
<b>Total exposures</b>	<b>18,383.4</b>	<b>18,653.6</b>	<b>18,923.4</b>	<b>18,348.4</b>

\* 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

## Attachment C

**Table 4: Credit risk (continued)**

Portfolios subject to Standardised approach as at 30 September 2018	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*	113.7	155.9	57.7	3.9	1.6
Government	–	–	–	–	–
Bank	–	–	–	–	–
Residential Mortgage	–	–	–	–	–
Other retail	–	–	–	–	–
Other	–	–	–	–	–
<b>Total</b>	<b>113.7</b>	<b>155.9</b>	<b>57.7</b>	<b>3.9</b>	<b>1.6</b>

Portfolios subject to Standardised approach as at 30 June 2018	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*	110.9	166.6	55.4	11.5	3.1
Government	–	–	–	–	–
Bank	–	–	–	–	–
Residential Mortgage	–	–	–	–	–
Other retail	–	–	–	–	–
Other	–	–	–	–	–
<b>Total</b>	<b>110.9</b>	<b>166.6</b>	<b>55.4</b>	<b>11.5</b>	<b>3.1</b>

Balance	30 September 2018 AUD mln	30 June 2018 AUD mln
<b>General reserve for credit losses</b>	<b>93.1</b>	<b>93.1</b>

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

\*\* Note: Past due loans ≥ 90 days includes impaired loans.

## Attachment C

**Table 5: Securitisation Exposures**

No securitisation or resecuritisation activity was undertaken during the September 2018 or June 2018 quarters.

Securitisation Exposure – Underlying asset type	30 September 2018		30 June 2018	
	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	–	–	–	–
<b>Total</b>	–	–	–	–

Securitisation Exposure – Securitisation facility type	30 September 2018			30 June 2018		
	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	–	–	–	–	–	–
<b>Total</b>	–	–	–	–	–	–

## Attachment F

During the June 2019 quarter, the Bank was informed by APRA that the treatment of the Liquidity Coverage Ratio (LCR) for certain intra-group funding arrangements was under review. On 23 July 2019 the Bank was notified that it was required to restate the LCR for the previous 2 years, treating all intercompany loans regardless of their contractual maturity as "at-call". As a result, the quarterly average LCR was restated from 127% to 33% for the quarter ended 31 September 2018. The quarterly average LCR was restated from 127% to 35% for the quarter ended June 2018. APRA acknowledged that Rabobank was financially sound, with strong liquidity and funding positions in the current stable environment. However APRA noted that to ensure the Bank would be able to withstand a scenario of financial stress, as for all Australian banks, its group funding agreements must be watertight, so they can be relied on when they would be most needed. The Bank is seeking to address and remediate this matter, including entering into a new intercompany funding agreement as soon as possible and is fully co-operating with APRA. The Bank must complete the restatement of its LCR and related public disclosures by 31 August 2019.

The Bank manages its LCR position on a daily basis that includes a buffer above the minimum regulatory requirement and according to the Board's risk appetite.

The Bank maintains a diverse mix of liquid assets consisting of cash with the Reserve Bank of Australia (RBA), Australian Semi-Government and Commonwealth Government securities. This composition has remained relatively stable over the last quarter. There is no reliance on a Committed Liquidity Facility.

The LCR net cash outflow (NCO) represents potential cash outflows from on and off balance sheet activities within a 30 day liquidity stress scenario, after applying APRA prescribed run-off factors to maturing debt and deposits, and inflow factors to assets. As part of its overall liquidity management strategy the Bank manages its wholesale funding, and non-wholesale deposit and loans in a manner that aims to manage NCOs within the Board's risk appetite. The Bank's funding is predominantly through retail branch clients or RaboDirect. There are very limited foreign currency transactions, or derivatives transactions in the Bank.

**APS330 Table 20: Liquidity Coverage Ratio Disclosure**

		30 September 2018		30 June 2018	
<b>Liquid Assets, of which</b>		<b>Total unweighted value (average)*</b> AUD mln	<b>Total weighted value (average)**</b> AUD mln	<b>Total unweighted value (average)*</b> AUD mln	<b>Total weighted value (average)**</b> AUD mln
1	High Quality liquid assets (HQLA)		1,696		1,551
2	Alternative liquid assets (ALA)		-		-
3	Reserve bank of New Zealand (RBNZ) securities		-		-
<b>Cash Outflows</b>					
4	Retail deposits and deposits from small business customers, of which:	5,736	1,034	6,118	1,082
5	Stable deposits	1,283	64	1,429	71
6	Less stable deposits	4,356	873	4,590	912
7	Unsecured wholesale funding, of which:	4,755	4,320	4,249	3,794
8	Operational deposits (all counterparties) and deposits in networks for cooperative banks	-	-	-	-
9	Non-operational deposits (all counterparties)	4,755	4,320	4,249	3,794
10	Unsecured debt	-	-	-	-
11	Secured wholesale funding		-		-
12	Additional requirements, of which:	3,539	224	3,760	252
13	Outflows related to derivatives exposures and other collateral requirements	2	2	3	3
14	Outflows related to loss of funding on debt products	-	-	-	-
15	Credit and liquidity facilities	51	5	75	7
16	Other contractual funding obligations	-	-	-	-
17	Other contingents funding obligations	3,486	217	3,683	242
18	Total cash outflows		5,579		5,128
<b>Cash Inflows</b>					
19	Secured lending (e.g reverse repos)	-	-	-	-
20	Inflows from fully performing exposures	574	399	811	645
21	Other cash inflows	1	1	2	2
22	Total cash inflows***	575	401	813	647
23	Total liquid assets		1,696		1,551
24	Total net cash outflows		5,178		4,481
25	Liquidity Coverage ratio (%)		33		35
	Number of data points used (Business Days)		64		62

\* \*Unweighted values are calculated as outstanding balances maturing or callable within 30 days (for inflows and outflows)

\*\*Weighted values is calculated after the application of respective haircuts (for HQLA) or inflow and outflow rates (for inflows and outflows)

\*\*\*Adjusted values is calculated after the application of both (i) haircuts and inflow and outflow rates and (ii) any applicable caps (i.e cap on HQLA2 and cap on inflows)