

Pillar 3 – Capital Adequacy and Risk Disclosures

Quarterly Update as at 30 September 2021

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 and the raising of retail deposit. The Bank continues to provide online deposit product to retail clients through its Rabobank Online Savings division.

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

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Table 3: Capital Adequacy (Risk Weighted Equivalent)		
	30 September 2021	30 June 2021
Credit Risk Subject to Standardised approach	AUD mln	AUD mln
Corporate*	19,404.7	18,629.4
Government	–	–
Bank	269.6	201.1
Residential mortgage	10.5	15.6
Other retail	–	–
Other	10.2	16.7
Total capital requirement subject to standardised approach	19,695.0	18,862.8
Credit risk capital requirement relating to securitisation exposures	–	–
Market risk minimum capital requirement	0.1	0.3
Operational risk minimum capital requirement	1,258.5	1,258.5
Total RWA and capital requirement	20,953.6	20,121.6
Capital ratios (%)		
Common Equity Tier 1 capital Ratio	13.38%	13.76%
Tier 1 Capital Ratio	13.38%	13.76%
Total Capital Ratio	13.89%	14.30%

* Note: Corporate includes corporate and private sector counterparties.

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Table 4: Credit risk				
Exposure Type	30 September 2021		30 June 2021	
	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	839.7	886.4	933.1	607.7
Trading securities	–	–	–	–
Investment securities	2,080.3	2,229.7	2,379.1	2,643.8
Due from other financial institutions	1.5	1.6	1.6	4.4
Loans and advances	16,855.7	16,949.4	17,043.1	16,537.5
Acceptances	–	–	–	–
Derivatives*	380.5	330.7	280.9	244.8
Contingent liabilities, commitments, and other off-balance sheet exposures*	2,256.7	1,822.9	1,389.1	1,571.5
Other assets	10.2	13.5	16.7	15.4
Total exposures	22,424.6	22,234.2	22,043.6	21,625.1

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**	19,265.8	18,886.8	18,507.8	18,158.5
Government	1,684.5	1,831.3	1,978.0	2,242.7
Bank	1,436.4	1,468.9	1,501.4	1,163.6
Residential Mortgage	27.7	33.7	39.7	44.9
Other retail	–	–	–	–
Other	10.2	13.5	16.7	15.4
Total exposures	22,424.6	22,234.2	22,043.6	21,625.1

* 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

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Table 4: Credit risk (continued)

Portfolios subject to Standardised approach as at 30 September 2021	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*	147.1	182.8	60.7	-4.0	0.2
Government	-	-	-	-	-
Bank	-	-	-	-	-
Residential Mortgage	-	-	-	-	-
Other retail	-	-	-	-	-
Other	-	-	-	-	-
Total	147.1	182.2	60.7	-4.0	0.2

Portfolios subject to Standardised approach as at 30 June 2021	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*	147.2	189.3	65.0	-	0.5
Government	-	-	-	-	-
Bank	-	-	-	-	-
Residential Mortgage	-	-	-	-	-
Other retail	-	-	-	-	-
Other	-	-	-	-	-
Total	147.2	189.3	65.0	-	0.5

Balance	30 September 2021 AUD mln	30 June 2021 AUD mln
General reserve for credit losses	85.4	85.4

* Note: Corporate includes corporate and private sector counterparties.

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

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Table 5: Securitisation Exposures

No securitisation or resecuritisation activity was undertaken during the 30 June 2021 or 30 September 2021 quarters.

Securitisation Exposure – Underlying asset type	30 September 2021		30 June 2021	
	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 2021			30 June 2021		
	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	–	–	–	–	–	–

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

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. In addition, the Bank has in place a \$525m Committed Liquidity Facility with CRUA (the Parent) to boost the Bank's access to liquidity, if needed. The Bank also has access to \$375m of liquidity via the Committed Liquidity Facility provided by the RBA, and approved by APRA. 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 balance sheet in a manner that aims to manage NCOs within the Board's risk appetite. The Bank's funding is predominately deposits, through retail branch clients or the Rabobank Online Savings channel.

There are very limited foreign currency transactions in the Bank, and interest rate derivatives are now being used to hedge interest rate risk residing in the Bank.

APS330 Table 20: Liquidity Coverage Ratio Disclosure

		30 September 2021		30 June 2021	
Liquid Assets, of which		Total unweighted value (average)* AUD mln	Total weighted value (average)** AUD mln	Total unweighted value (average)* AUD mln	Total weighted value (average)** AUD mln
1	High Quality liquid assets (HQLA)		1,570		1,826
2	Alternative liquid assets (ALA)		338		398
3	Reserve bank of New Zealand (RBNZ) securities		-		-
Cash Outflows					
4	Retail deposits and deposits from small business customers, of which:	5,576	1,015	5,982	1,090
5	Stable deposits	1,543	77	1,589	79
6	Less stable deposits	4,033	938	4,394	1,010
7	Unsecured wholesale funding, of which:	1,207	587	1,151	571
8	Operational deposits (all counterparties) and deposits in networks for cooperative banks	-	-	-	-
9	Non-operational deposits (all counterparties)	1,207	587	1,151	571
10	Unsecured debt	-	-	-	-
11	Secured wholesale funding		-		-
12	Additional requirements, of which:	4,292	349	4,566	384
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	2,968	261	3,181	279
16	Other contractual funding obligations	-	-	-	-
17	Other contingents funding obligations	1,322	87	1,382	103
18	Total cash outflows		1,952		2,045
Cash Inflows					
19	Secured lending (e.g reverse repos)	-	-	-	-
20	Inflows from fully performing exposures	555	499	519	418
21	Other cash inflows	5	5	34	34
22	Total cash inflows***	560	505	554	452
23	Total liquid assets		1,908		2,225
24	Total net cash outflows		1,447		1,593
25	Liquidity Coverage ratio (%)		132		140
	Number of data points used (Business Days)		66		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)