

# Pillar 3 – Capital Adequacy and Risk Disclosures

Quarterly Update as at 31 March 2022

## 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.

## Attachment C

<b>Table 3: Capital Adequacy (Risk Weighted Equivalent)</b>		
	<b>31 March 2022</b>	<b>31 December 2021</b>
<b>Credit Risk Subject to Standardised approach</b>	AUD mln	AUD mln
Corporate*	19,351.1	19,177.9
Government	–	–
Bank	339.9	287.0
Residential mortgage	3.6	7.7
Other retail	–	–
Other	8.7	10.1
<b>Total capital requirement subject to standardised approach</b>	<b>19,703.3</b>	<b>19,482.7</b>
<b>Credit risk capital requirement relating to securitisation exposures</b>	<b>–</b>	<b>–</b>
<b>Market risk minimum capital requirement</b>	<b>0.3</b>	<b>0.1</b>
<b>Operational risk minimum capital requirement</b>	<b>1,276.7</b>	<b>1,276.7</b>
<b>Total RWA and capital requirement</b>	<b>20,980.3</b>	<b>20,759.5</b>
<b>Capital ratios (%)</b>		
Common Equity Tier 1 capital Ratio	13.49%	13.50%
Tier 1 Capital Ratio	13.49%	13.50%
Total Capital Ratio	13.61%	14.01%

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

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Table 4: Credit risk				
Exposure Type	31 March 2022		31 December 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	785.2	983.2	1,181.1	1,010.4
Trading securities	–	–	–	–
Investment securities	2,432.8	2,345.3	2,257.8	2,169.0
Due from other financial institutions	3.5	4.6	5.7	3.6
Loans and advances	16,236.3	16,064.4	15,892.3	16,374.1
Acceptances	–	–	–	–
Derivatives*	407.1	391.5	375.9	378.2
Contingent liabilities, commitments, and other off-balance sheet exposures*	2,809.1	2,920.6	3,032.1	2,644.4
Other assets	8.7	9.4	10.1	10.2
<b>Total exposures</b>	<b>22,682.7</b>	<b>22,719.0</b>	<b>22,755.0</b>	<b>22,589.9</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**	19,203.3	19,135.5	19,067.6	19,166.7
Government	2,050.0	1,957.6	1,865.1	1,774.8
Bank	1,410.7	1,601.3	1,791.8	1,614.1
Residential Mortgage	10.0	15.2	20.4	24.1
Other retail	–	–	–	–
Other	8.7	9.4	10.1	10.2
<b>Total exposures</b>	<b>22,682.7</b>	<b>22,719.0</b>	<b>22,755.0</b>	<b>22,589.9</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 and APS180.

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

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

Portfolios subject to Standardised approach as at 31 March 2022	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*	100.3	122.1	43.2	-9.9	-
Government	-	-	-	-	-
Bank	-	-	-	-	-
Residential Mortgage	-	-	-	-	-
Other retail	-	-	-	-	-
Other	-	-	-	-	-
<b>Total</b>	<b>100.3</b>	<b>122.1</b>	<b>43.2</b>	<b>-9.9</b>	<b>-</b>

Portfolios subject to Standardised approach as at 31 December 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*	104.7	145.1	53.1	-3.7	3.9
Government	-	-	-	-	-
Bank	-	-	-	-	-
Residential Mortgage	-	-	-	-	-
Other retail	-	-	-	-	-
Other	-	-	-	-	-
<b>Total</b>	<b>104.7</b>	<b>145.1</b>	<b>53.1</b>	<b>-3.7</b>	<b>3.9</b>

Balance	31 March 2022 AUD mln	31 December 2021 AUD mln
<b>General reserve for credit losses***</b>	<b>24.3</b>	<b>82.3</b>

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

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

\*\*\* Provisions held against performing exposures that represent unidentified losses from 31 March 2022

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**Table 5: Securitisation Exposures**

No securitisation or resecuritisation activity was undertaken during the 31 December 2021 or 31 March 2022 quarters.

Securitisation Exposure – Underlying asset type	31 March 2022		31 December 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	–	–	–	–
<b>Total</b>	–	–	–	–

Securitisation Exposure – Securitisation facility type	31 March 2022			31 December 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	–	–	–	–	–	–
<b>Total</b>	–	–	–	–	–	–

## Attachment F

The Bank manages its LCR position on a daily basis 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 \$130m 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 used to hedge interest rate risk residing in the Bank.

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

		31 March 2022		31 December 2021	
<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)		2,053		1,858
2	Alternative liquid assets (ALA)		130		133
3	Reserve bank of New Zealand (RBNZ) securities		-		-
<b>Cash Outflows</b>					
4	Retail deposits and deposits from small business customers, of which:	5,828	1,029	5,544	991
5	Stable deposits	1,599	80	1,560	78
6	Less stable deposits	4,228	949	3,983	913
7	Unsecured wholesale funding, of which:	1,224	615	1,269	628
8	Operational deposits (all counterparties) and deposits in networks for cooperative banks	-	-	-	-
9	Non-operational deposits (all counterparties)	1,224	615	1,265	624
10	Unsecured debt	-	-	4	4
11	Secured wholesale funding		-		-
12	Additional requirements, of which:	6,001	504	5,128	414
13	Outflows related to derivatives exposures and other collateral requirements	10	10	12	12
14	Outflows related to loss of funding on debt products	-	-	-	-
15	Credit and liquidity facilities	3,822	342	3,231	285
16	Other contractual funding obligations	-	-	-	-
17	Other contingents funding obligations	2,169	152	1,881	113
18	Total cash outflows		2,147		2,033
<b>Cash Inflows</b>					
19	Secured lending (e.g reverse repos)	-	-	-	-
20	Inflows from fully performing exposures	630	593	566	532
21	Other cash inflows	34	34	17	17
22	Total cash inflows***	664	627	583	549
23	Total liquid assets		2,182		1,992
24	Total net cash outflows		1,520		1,484
25	Liquidity Coverage ratio (%)		144		134
	Number of data points used (Business Days)		62		75

\* \*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)