

Pillar 3 – Capital Adequacy and Risk Disclosures

Quarterly Update as at 30 September 2020

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 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 2020	30 June 2020
Credit Risk Subject to Standardised approach	AUD mln	AUD mln
Corporate*	17,787.7	18,264.6
Government	–	–
Bank	112.8	90.2
Residential mortgage	28.3	32.9
Other retail	–	–
Other	13.8	15.3
Total capital requirement subject to standardised approach	17,942.6	18,403.0
Credit risk capital requirement relating to securitisation exposures	–	–
Market risk minimum capital requirement	0.1	0.1
Operational risk minimum capital requirement	1,206.4	1,206.4
Total RWA and capital requirement	19,149.1	19,609.5
Capital ratios (%)		
Common Equity Tier 1 capital Ratio	13.77%	13.21%
Tier 1 Capital Ratio	13.77%	13.21%
Total Capital Ratio	14.49%	13.90%

* Note: Corporate includes corporate and private sector counterparties.

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Table 4: Credit risk				
Exposure Type	30 September 2020		30 June 2020	
	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	174.6	130.8	87.0	163.0
Trading securities	–	–	–	–
Investment securities	2,807.5	2,734.4	2,661.2	2,365.1
Due from other financial institutions	17.6	9.6	1.5	190.7
Loans and advances	17,344.0	17,556.1	17,768.2	17,171.9
Acceptances	–	–	–	–
Derivatives*	238.2	221.0	203.7	201.9
Contingent liabilities, commitments, and other off-balance sheet exposures*	209.5	223.5	237.5	255.1
Other assets	13.8	14.6	15.3	18.8
Total exposures	20,805.2	20,890.0	20,974.4	20,366.5

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**	17,582.9	17,805.3	18,027.6	17,454.7
Government	2,214.1	2,139.3	2,064.4	1,773.1
Bank	922.6	853.4	784.1	1034.1
Residential Mortgage	71.8	77.4	83.0	85.8
Other retail	–	–	–	–
Other	13.8	14.6	15.3	18.8
Total exposures	20,805.2	20,890.0	20,974.4	20,366.5

* 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 2020	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*	315.1	376.6	92.0	-1.2	-
Government	-	-	-	-	-
Bank	-	-	-	-	-
Residential Mortgage	-	-	-	-	-
Other retail	-	-	-	-	-
Other	-	-	-	-	-
Total	315.1	376.6	92.0	-1.2	-

Portfolios subject to Standardised approach as at 30 June 2020	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*	245.8	420.4	93.2	1.0	4.1
Government	-	-	-	-	-
Bank	-	-	-	-	-
Residential Mortgage	-	-	-	-	-
Other retail	-	-	-	-	-
Other	-	-	-	-	-
Total	245.8	420.4	93.2	1.0	4.1

Balance	30 September 2020 AUD mln	30 June 2020 AUD mln
General reserve for credit losses	90.8	90.8

* 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 2020 or 30 September 2020 quarters.

Securitisation Exposure – Underlying asset type	30 September 2020		30 June 2020	
	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 2020			30 June 2020		
	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 \$550m 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, or derivatives transactions in the Bank.

APS330 Table 20: Liquidity Coverage Ratio Disclosure

		30 September 2020		30 June 2020	
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)		1,734		2,098
2	Alternative liquid assets (ALA)		590		588
3	Reserve bank of New Zealand (RBNZ) securities		-		-
Cash Outflows					
4	Retail deposits and deposits from small business customers, of which:	5,843	1,049	5,634	1,023
5	Stable deposits	1,327	66	1,414	71
6	Less stable deposits	4,516	983	4,220	952
7	Unsecured wholesale funding, of which:	1,037	562	1,021	555
8	Operational deposits (all counterparties) and deposits in networks for cooperative banks	-	-	-	-
9	Non-operational deposits (all counterparties)	1,037	562	1,021	555
10	Unsecured debt	-	-	-	-
11	Secured wholesale funding		-		-
12	Additional requirements, of which:	3,667	221	4,051	248
13	Outflows related to derivatives exposures and other collateral requirements	2	2	2	2
14	Outflows related to loss of funding on debt products	-	-	-	-
15	Credit and liquidity facilities	63	6	84	8
16	Other contractual funding obligations	-	-	-	-
17	Other contingents funding obligations	3,602	213	3,966	238
18	Total cash outflows		1,832		1,826
Cash Inflows					
19	Secured lending (e.g reverse repos)	-	-	-	-
20	Inflows from fully performing exposures	314	213	339	236
21	Other cash inflows	2	2	2	2
22	Total cash inflows***	316	215	341	238
23	Total liquid assets		2,325		2,686
24	Total net cash outflows		1,618		1,588
25	Liquidity Coverage ratio (%)		144		169
	Number of data points used (Business Days)		66		69

* *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)