

Pillar 3 – Capital Adequacy and Risk Disclosures

Quarterly Update as at 31 March 2023

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.

Implementation of revised regulatory capital framework

From 1 January 2023, APRA’s new bank capital framework came into effect and is designed to embed “unquestionably strong” levels of capital and align Australian standards with the internationally agreed Basel III requirements. The new framework will help to ensure ADIs continue to have the financial strength to withstand future adverse economic conditions, ensuring depositors are protected and lending is supported. The new framework has resulted in changes to the calculation and presentation of capital ratio. As a result of the changes, the Bank’s CET1 Capital ratio of 13.05% as at 31 December 2022 (under the old framework) changes to 16.01% (under the new framework).

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)	
	31 March 2023
Credit Risk Subject to Standardised approach	AUD mln
Corporate*	17,645.5
Sovereign	–
Bank	197.0
Residential mortgage	183.3
Other retail	60.7
Other	37.5
Total capital requirement subject to standardised approach	18,124.0
Credit risk capital requirement relating to securitisation exposures	–
Market risk minimum capital requirement	0.1
Operational risk minimum capital requirement	729.1
Total RWA and capital requirement	18,853.2
Capital ratios (%)	
Common Equity Tier 1 capital Ratio	16.01%
Tier 1 Capital Ratio	16.01%
Total Capital Ratio	16.17%

* Note: Corporate includes corporate and private sector counterparties.

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Table 4: Credit risk ***	
31 March 2023	
Exposure Type	Gross credit exposure AUD mln
Cash and cash equivalents	1,200.6
Debt securities	2,034.1
Due from related entities	6.4
Loans and advances	18,052.3
Derivatives*	269.5
Contingent liabilities, commitments, and other off-balance sheet exposures*	2,533.0
Other assets	181.5
Total exposures	24,277.4

Portfolios subject to standardised approach	Gross credit exposure AUD mln
Corporate**	20,535.3
Sovereign	2,849.8
Bank	609.5
Residential Mortgage	183.3
Other retail	60.7
Other	38.8
Total exposures	24,277.4

* 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.

*** Note: The average Gross Credit Exposure and prior quarter comparatives are not disclosed for March 2023 publication due to the implementation of new capital framework in 2023.

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From 1 January 2023, RBAL adopted APRA's revised APS330 Public Disclosure. The revised standard reflects the updated APS 220 Credit Risk Management which was effective from 1 January 2022. APS220 no longer includes requirements in relation to impaired assets or the General Reserve for Credit Losses (GRCL). Prior to the adoption of the revised APS330, RBAL continue to disclose these items until 1 January 2023.

Table 4: Credit risk (continued)

Portfolios subject to Standardised approach as at 31 March 2023	Non-performing exposure**	Specific provision balance***	Charges for specific provision	Write-offs
	AUD mln	AUD mln	AUD mln	AUD mln
Corporate*	214.5	6.7	(0.4)	–
Sovereign	–	–	–	–
Bank	–	–	–	–
Residential Mortgage	–	–	–	–
Other retail	0.1	–	–	–
Other	–	–	–	–
Total	214.6	6.7	(0.4)	–

Portfolios subject to Standardised approach as at 31 December 2022	Impaired loans	Past due loans >= 90 days**	Specific provision balance	Charges for specific provision	Write-offs
	AUD mln	AUD mln	AUD mln	AUD mln	AUD mln
Corporate*	49.8	56.6	37.0	7.3	4.6
Sovereign	–	–	–	–	–
Bank	–	–	–	–	–
Residential Mortgage	–	–	–	–	–
Other retail	–	–	–	–	–
Other	–	–	–	–	–
Total	49.8	56.6	37.0	7.3	4.6

Balance	31 March 2023	31 December 2022
	AUD mln	AUD mln
Provisions held against performing exposures that represent a purely forward-looking amount for future losses that are presently unidentified ****	27.1	29.9

* Note: Corporate includes corporate and private sector counterparties.

** Non-performing exposures of AUD214.6million as at 31 March 2023 include exposures previously defined as impaired as well as defaulted exposures that are not considered impaired.

*** In accordance with APS 330 effective 1 January 2023, specific provision is reported as Stage 3 only. All prior periods are reported in accordance with the old APS 330 which includes specific provisions for Stages 1, 2, and 3.

**** Collective provision raised under the accounting standard for stage 1 and stage 2. These represent a purely forward-looking amount for future losses that are presently unidentified for performing loans.

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Table 5: Securitisation Exposures

No securitisation or resecuritisation activity was undertaken during the 31 March 2023 or 31 December 2022 quarters.

Securitisation Exposure – Underlying asset type	31 March 2023		31 December 2022	
	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	31 March 2023			31 December 2022		
	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	–	–	–	–	–	–

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 Cooperatieve Rabobank U.A. (the Parent) to boost the Bank's access to liquidity, if needed. 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 2023		31 December 2022	
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)		2,038		1,954
2	Alternative liquid assets (ALA)		-		-
3	Reserve bank of New Zealand (RBNZ) securities		-		-
Cash Outflows					
4	Retail deposits and deposits from small business customers, of which:	6,468	1,155	6,138	1,117
5	Stable deposits	1,821	91	1,795	90
6	Less stable deposits	4,647	1,064	4,343	1,028
7	Unsecured wholesale funding, of which:	967	499	940	515
8	Operational deposits (all counterparties) and deposits in networks for cooperative banks	-	-	-	-
9	Non-operational deposits (all counterparties)	967	499	940	515
10	Unsecured debt	-	-	-	-
11	Secured wholesale funding		-		-
12	Additional requirements, of which:	6,770	522	5,730	448
13	Outflows related to derivatives exposures and other collateral requirements	15	15	17	17
14	Outflows related to loss of funding on debt products	-	-	-	-
15	Credit and liquidity facilities	3,968	358	3,467	311
16	Other contractual funding obligations	-	-	-	-
17	Other contingents funding obligations	2,787	149	2,247	120
18	Total cash outflows		2,176		2,080
Cash Inflows					
19	Secured lending (e.g reverse repos)	-	-	-	-
20	Inflows from fully performing exposures	614	559	587	553
21	Other cash inflows	31	31	33	33
22	Total cash inflows***	645	590	620	586
23	Total liquid assets		2,038		1,954
24	Total net cash outflows		1,586		1,494
25	Liquidity Coverage ratio (%)		129		131
	Number of data points used (Business Days)		63		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).