Pillar 3 – Capital Adequacy and Risk Disclosures

Quarterly Update as at 30 September 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.

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)		
Credit Risk Subject to Standardised approach	**30 September 2023** AUD mln	**30 June 2023** AUD mln
Corporate*	19,542.3	19,235.5
Government	–	–
Bank	274.0	286.0
Residential mortgage	184.9	192.7
Other retail	51.5	54.6
Other	20.0	14.9
Total capital requirement subject to standardised approach	**20,072.7**	**19.783.7**
Credit risk capital requirement relating to securitisation exposures	–	–
Market risk minimum capital requirement	–	–
Operational risk minimum capital requirement	**729.1**	**729.1**
Total RWA and capital requirement	**20,801.8**	**20,512.8**
Capital ratios (%)		
Common Equity Tier 1 capital Ratio	14.67%	14.71%
Tier 1 Capital Ratio	14.67%	14.71%
Total Capital Ratio	14.83%	14.84%

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

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Table 4: Credit risk

Exposure Type	30 September 2023 Gross credit exposure AUD mln	30 September 2023 Average gross credit exposure AUD mln	30 June 2023 Gross credit exposure AUD mln	30 June 2023 Average gross credit exposure AUD mln
Cash and liquid assets	1,372.2	1,386.5	1,400.8	1,300.7
Debt securities	1,222.1	1,407.7	1,593.3	1,813.7
Due from related entities	11.9	11.7	11.6	9.0
Loans and advances	20,116.1	20,334.5	20,552.6	19,302.2
Derivatives*	327.7	328.6	329.5	299.5
Contingent liabilities, commitments, and other off-balance sheet exposures*	2,383.9	2,124.7	1,865.6	2,199.3
Other assets	204.3	170.1	135.9	158.7
Total exposures	**25,638.3**	**25,763.8**	**25,889.1**	**25,083.1**

Portfolios subject to standardised approach	Gross credit exposure AUD mln	Average gross credit exposure AUD mln	Gross credit exposure AUD mln	Average gross credit exposure AUD mln
Corporate**	22,533.0	22,444.4	22,355.8	21,445.5
Sovereign	2,014.7	2,184.3	2,353.8	2,601.8
Bank	833.0	874.7	916.3	762.9
Residential Mortgage	184.9	188.7	192.4	187.8
Other retail	51.5	53.0	54.6	57.6
Other	21.2	18.7	16.2	27.5
Total exposures	**25,638.3**	**25,763.8**	**25,889.1**	**25,083.1**

** 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 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 30 September 2023	Non-performing exposure AUD mln	Specific provision balance AUD mln	Charges for specific provision AUD mln	Write-offs AUD mln
Corporate*	300.4	17.4	(3.3)	–
Government	–	–	–	–
Bank	–	–	–	–
Residential Mortgage	–	–	–	–
Other retail	–	–	–	–
Other	–	–	–	–
Total	**300.4**	**17.4**	**(3.3)**	**–**

Portfolios subject to Standardised approach as at 30 June 2023	Non-performing exposure AUD mln	Specific provision balance AUD mln	Charges for specific provision AUD mln	Write-offs AUD mln
Corporate*	250.6	20.7	14.0	0.0
Government	–	–	–	–
Bank	–	–	–	–
Residential Mortgage	–	–	–	–
Other retail	0.6	–	–	–
Other	–	–	–	–
Total	**251.2**	**20.7**	**14.0**	**0.0**

Balance	30 September 2023 AUD mln	30 June 2023 AUD mln
Provisions held against performing exposures that represent a purely forward-looking amount for future losses that are presently unidentified **	**34.8**	**27.2**

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

*** 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 30 September 2023 or 30 June 2023 quarters.

	30 September 2023		30 June 2023	
Securitisation Exposure – Underlying asset type	**Total Exposures Securitised** AUD mln	**Recognised Gain or (Loss) on sale** AUD mln	**Total Exposures Securitised** AUD mln	**Recognised Gain or (Loss) on sale** AUD mln
Housing Loans	–	–	–	–
Commercial Loans	–	–	–	–
Credit Cards and other Personal Loans	–	–	–	–
Auto and Equipment Finance	–	–	–	–
Other	–	–	–	–
Total	**–**	**–**	**–**	**–**

	30 September 2023			30 June 2023		
Securitisation Exposure – Securitisation facility type	**On-Balance Sheet Securitisation Retained** AUD mln	**On-Balance Sheet Securitisation Purchased** AUD mln	**Off-Balance Sheet Securitisation Exposure** AUD mln	**On-Balance Sheet Securitisation Retained** AUD mln	**On-Balance Sheet Securitisation Purchased** AUD mln	**Off-Balance Sheet Securitisation Exposure** 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 liquidity coverage ratio ("LCR") position on a daily basis according to the Board's risk appetite and includes a buffer above the minimum regulatory requirement. The Bank's average LCR for the quarter increased from 127% to 129%, which continues to be above the regulatory minimum of 100%. The increase in the ratio compared to the quarter ended 30 June 2023 was mainly driven by a decrease in net cash outflows, partially offset by a decrease in holdings of liquid assets. The intra-period movements of the LCR were forecast, and within the normal operating ranges of the Bank's liquidity management activity.

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. Average liquid assets decreased over the quarter.

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. Average NCO's decreased over the quarter, mainly driven by a shift in deposits from at-call to term, a decrease in undrawn credit facilities due to increased loan drawdowns, and an increase in cash at other banks during the quarter. The Bank has a diversified funding base aimed at reducing concentrations on funding source, tenor, and outflow risk. The Bank is primarily funded with stable customer deposits, and actively managed intercompany funding from Cooperatieve Rabobank U.A. ("the Parent").

In addition, the Bank has in place a $525m Committed Liquidity Facility with the Parent to further boost the Bank's access to liquidity. This committed liquidity facility has not been drawn upon since inception.

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					
		30 September 2023		30 June 2023	
	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)		1,968		2,412
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:	6,405	1,164	6,662	1,191
5	Stable deposits	1,845	92	1,936	97
6	Less stable deposits	4,560	1,072	4,725	1,094
7	Unsecured wholesale funding, of which:	972	520	1,115	575
8	Operational deposits (all counterparties) and deposits in networks for cooperative banks	-	-	-	-
9	Non-operational deposits (all counterparties)	972	520	1,115	575
10	Unsecured debt	-	-	-	-
11	Secured wholesale funding		-		40
12	Additional requirements, of which:	5,540	424	5,942	467
13	Outflows related to derivatives exposures and other collateral requirements	6	6	8	8
14	Outflows related to loss of funding on debt products	-	-	-	-
15	Credit and liquidity facilities	3,298	285	3,628	323
16	Other contractual funding obligations	-	-	-	-
17	Other contingents funding obligations	2,236	133	2,306	136
18	Total cash outflows		2,108		2,273
	Cash Inflows				
19	Secured lending (e.g reverse repos)	-	-	-	-
20	Inflows from fully performing exposures	597	551	386	335
21	Other cash inflows	27	27	38	38
22	Total cash inflows***	624	578	424	373
23	Total liquid assets		1,968		2,412
24	Total net cash outflows		1,530		1,900
25	Liquidity Coverage ratio (%)		129		127
	Number of data points used (Business Days)		64		61

* *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)