

Leverage ratio

The leverage ratio is defined as Tier 1 capital divided by a non-risk-based measure of the on- and off-balance sheet items. The information to be disclosed are calculated in accordance with the amendments made in the CRR calculations as laid down in Commission Delegated Regulation (EU) 2015/62 of 10 October 2014. The fully loaded leverage ratio on 31 December 2015 stood at 3.9%. The fully loaded leverage ratio is the leverage ratio if the provisions of the new regulations are fully applied. The actual leverage ratio on 31 December 2015 stood at 5.1% (2014: 4.9%). The regulatory minimum level for the leverage ratio is 3%. The actual leverage ratio was at a higher level than the fully loaded leverage ratio at year-end 2015 because various adjustments will be applied to the capital gradually over the coming years in accordance with the regulations. In line with the endorsed implementing technical standards with regard to disclosure of the leverage ratio for institutions, according to Regulation (EU) No 575/2013 of the European Parliament and of the Council, Rabobank uses the specific EBA-templates as basis for the presentation of its leverage ratio as per 31 December 2015.

Summary reconciliation of accounting assets and leverage ratio exposures		
<i>in millions of euros</i>		<i>Applicable amounts</i>
1	Total assets as per published financial statements	670,373
2	Adjustment for entities which are consolidated for accounting purposes but are outside the scope of regulatory consolidation	
3	(Adjustment for fiduciary assets recognised on the balance sheet pursuant to the applicable accounting framework but excluded from the leverage ratio exposure measure in accordance with Article 429(13) of Regulation (EU) No 575/2013 'CRR')	
4	Adjustments for derivative financial instruments	-38,526
5	Adjustments for securities financing transactions 'SFTs'	1,481
6	Adjustment for off-balance sheet items (ie conversion to credit equivalent amounts of off-balance sheet exposures)	36,159
EU-6a	(Adjustment for intragroup exposures excluded from the leverage ratio exposure measure in accordance with Article 429 (7) of Regulation (EU) No 575/2013)	
EU-6b	(Adjustment for exposures excluded from the leverage ratio exposure measure in accordance with Article 429 (14) of Regulation (EU) No 575/2013)	
7	Other adjustments	16,999
8	Total leverage ratio exposure	686,487

Leverage ratio common disclosure		
		<i>CRR leverage ratio exposures</i>
On-balance sheet exposures (excluding derivatives and SFTs)		
1	On-balance sheet items (excluding derivatives, SFTs and fiduciary assets, but including collateral)	605,172
2	(Asset amounts deducted in determining Tier 1 capital)	-3,333
3	Total on-balance sheet exposures (excluding derivatives, SFTs and fiduciary assets) (sum of lines 1 and 2)	601,839
Derivative exposures		
4	Replacement cost associated with all derivatives transactions (ie net of eligible cash variation margin)	8,296
5	Add-on amounts for PFE associated with all derivatives transactions (mark-to-market method)	12,876
EU-5a	Exposure determined under Original Exposure Method	
6	Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the applicable accounting framework	
7	(Deductions of receivables assets for cash variation margin provided in derivatives transactions)	-11,586
8	(Exempted CCP leg of client-cleared trade exposures)	
9	Adjusted effective notional amount of written credit derivatives	-
10	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)	
11	Total derivative exposures (sum of lines 4 to 10)	9,586
Securities financing transaction exposures		
12	Gross SFT assets (with no recognition of netting), after adjusting for sales accounting transactions	37,422
13	(Netted amounts of cash payables and cash receivables of gross SFT assets)	
14	Counterparty credit risk exposure for SFT assets	1,481
EU-14a	Derogation for SFTs: Counterparty credit risk exposure in accordance with Article 429b (4) and 222 of Regulation (EU) No 575/2013	
15	Agent transaction exposures	
EU-15a	(Exempted CCP leg of client-cleared SFT exposure)	
16	Total securities financing transaction exposures (sum of lines 12 to 15a)	38,903

Other off-balance sheet exposures		
17	Off-balance sheet exposures at gross notional amount	117,838
18	(Adjustments for conversion to credit equivalent amounts)	-81,679
19	Other off-balance sheet exposures (sum of lines 17 to 18)	36,159
Exempted exposures in accordance with CRR Article 429 (7) and (14) (on and off balance sheet)		
EU-19a	(Exemption of intragroup exposures (solo basis) in accordance with Article 429(7) of Regulation (EU) No 575/2013 (on and off balance sheet))	
EU-19b	(Exposures exempted in accordance with Article 429 (14) of Regulation (EU) No 575/2013 (on and off balance sheet))	
Capital and total exposures		
20	Tier 1 capital	35,052
21	Total leverage ratio exposures (sum of lines 3, 11, 16, 19, EU-19a and EU-19b)	686,487
Leverage ratio		
22	Leverage ratio	5.1%
Choice on transitional arrangements and amount of derecognised fiduciary items		
EU-23	Choice on transitional arrangements for the definition of the capital measure	Transitional
EU-24	Amount of derecognised fiduciary items in accordance with Article 429(11) of Regulation (EU) NO 575/2013	

Split-up of on balance sheet exposures (excluding derivatives, SFTs and exempted exposures)		
		<i>CRR leverage ratio exposures</i>
EU-1	Total on-balance sheet exposures (excluding derivatives, SFTs, and exempted exposures), of which:	605,172
EU-2	Trading book exposures	5,180
EU-3	Banking book exposures, of which:	599,992
EU-4	- Covered bonds	-
EU-5	- Exposures treated as sovereigns	95,208
EU-6	- Exposures to regional governments, MDB, international organisations and PSE NOT treated as sovereigns	-
EU-7	- Institutions	24,617
EU-8	- Secured by mortgages of immovable properties	219,580
EU-9	- Retail exposures	31,508
EU-10	- Corporate	154,169
EU-11	- Exposures in default	10,532
EU-12	- Other exposures (eg equity, securitisations, and other non-credit obligation assets)	64,378

Disclosure on qualitative items

Description of the processes used to manage the risk of excessive leverage

The leverage ratio of Rabobank has never been below the new Basel III minimum level of 3%. As the current level of the leverage ratio is well above the regulatory minimum, no explicit target has been defined. Our strategy is based on profit improvement, selective asset growth and reduction of specific portfolios. This will further improve the leverage ratio.

The leverage ratio is a less binding constraint for the Rabobank Group in relation to the minimum requirements and our peers. Changes and potential changes in regulation relating to the leverage ratio are monitored and their potential impact is assessed. The risk profile of the bank (such as the risk weighted assets) is our primary driver in controlling the business.

Description of the factors that had an impact on the leverage ratio during the period to which the disclosed leverage ratio refers

Our leverage ratio amounted to 5.1% as per December 2015 (4.9% as per December 2014). The change in leverage ratio was mainly due to the issue of a CRDIV compliant EUR 1.5 billion AT1 capital instrument in January 2015. The other main contribution to the increase of Tier 1 capital is the increase in retained earnings due to improved profitability. We expect that the leverage ratio will further increase in the coming years.