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## Review of Financial Restructuring Accounts

DATE EFFECTIVE: 28 March 2018

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### 1. Purpose

This policy sets out the requirements in relation to reviewing Financial Restructuring (FR) accounts. It also contains guidelines for the preparation of Loan Strategy Reports (LSRs), Loan Loss Provisioning Reports (LLPRs) and further detail on CMS+ Reviews for all accounts in Financial Restructuring (FR).

Refer to [Section 2](#) FR Account Reviews Format for further detail.

#### 1.1 Scope / Responsibilities

Compliance with this policy is the responsibility of FR Managers, with the assistance of the Account Manager in Australia and New Zealand.

### 2. FR Account Review Requirements

Each account in FR must be reviewed at least once every 6 months.

The reviews can take place at any time, provided they are completed at least within a six month period. In some cases, it will be necessary to complete a review within a shorter period.

Where a FR Manager considers the next review should be completed in a period beyond 6 months, approval for this next review date must be obtained from the appropriate authority level. Refer to Delegated Authorities for FR policy at [Section 3.1.2](#) for details.

Accounts above the delegated authority level for LCC must be referred to FR&R for review and approval by FR&R CC. FR&R will request these reviews to be submitted by early June and early December each year at the latest. For those accounts that do not require provision updates but still require submission to FR&R, the LSR may be prepared at any stage during the year at six monthly intervals. It is more important that the LSRs/LLPRs requiring a provision update be completed as close as possible to the June and December review dates.

FR&R will coordinate the progress of LSRs and LLPRs to the relevant level of Committee (FR&R CC, CCCRG, LLP Committee and Executive Board) for approval in Rabobank WRR. Details of the appropriate authority levels for the committees can be found in the [Global Credit Manual](#).

A credit review may be extended for a period of up to 90 days, provided:

- The extension request is made via a formal memorandum (or via Commentary in a Work Request if applicable) including an update of the client and the reason for the extension;
- The extension is approved by the requisite authorised approver (CBCC, LCC or FR&R) or under FR delegation for accounts under the delegated authority level;
- The extension is advised to the BMR team with the appropriate approval for updating in the FR Portfolio report (and to Senior Finance Officer FR in NZ for updating the FR NZ Workflow report).

A credit review may only be extended due to reasons such as non-receipt (but expected) of financial statements or budgets, pending sale of property that will have a significant impact on the review, or pending advice from an adviser that will have an impact on the review. Extensions due to workload requirements are not considered genuine reasons for deferring the review period.

A record is retained of all extension requests, including reasons and time taken to complete the review.

When an account is transferred into FR, unless the circumstances warrant a more urgent review, a new credit review date will be set that is 90 days (or 45 days for accounts over AUD/NZD10mln) from the date of transfer into FR. This will be updated in the FR Portfolio reports for Australia/New Zealand and the FR Manager/Finance Officer will update CMS+ with the same date.

A credit review should contain the following information in relation to the client:

- Exposure, pricing (margins) on each facility and maturity dates. Commentary on the suitability of the pricing for the client should be included
- Security details, including latest valuation date. Commentary on the appropriateness of valuations and reason for any significant deterioration in values from prior assessments should be included
  - **Note:** If a property is listed for sale >1 year and remains unsold the FR manager should consider either an updated IA assessment of the valuation or a market report from IA  
For provision assessments with a recommendation >\$1.0mln, an external registered valuation is desired
- Strategy and detailed action plan
- Documentation check (including commentary on the security review) – noting that this can be waived at the discretion of FR for FR Light files
- Explanation of the LQC and Risk Rating, and if relevant, commentary on the provision level (including LLP calculation sheet).
- Completion of the default triggers in CRE (via CMS+). For ‘Doubtful’ and ‘Loss’ clients which are already impaired this will simply confirm the ‘Default’ status on the Default Triggers form
- Where a non-default rating is proposed (i.e. upgrade from the current default status and LQC Substandard or better), all default exit criteria must be met and recorded in CRE (via CMS+). Refer to the Loan Quality Classification and Rabobank Risk Rating policy at [Section 3.1.6](#) for default exit criteria.
- Financial analysis
- Copy of previous minutes or decision
- An attestation that adequate insurance is in place and premiums are up to date, which can be achieved by evidencing a current Certificate of Currency from the insurer
- A comment on what the sustainable debt level is for the client
- A likely resolution date for when the file will cease to be managed by FR

### 3. FR Account Reviews Format

Credit reviews of all FR accounts can be completed either via a:

- Loan Strategy Report (LSR)/ Loan Loss Provisioning Report (LLPR) via LQA; or
- CMS+ Review Memorandum;

Both forms of review described above must also have a CMS+ Work Request so that there is an electronic copy retained of each review and any changes in security or facility can be accurately reflected in the Bank's core system. This does not apply to Wholesale Banking FR accounts (which are not recorded in CMS+).

For accounts that require input or approval from FR&R/ FR&R CC, the LSR format via the LQA model is mandatory. All other reviews may be undertaken with either the CMS+ review memorandum or LQA based LSR at the discretion of the respective Heads of FR. If a CMS+ review memorandum is chosen, and a LLP calculation is required, then appendix documents covering the Loan Loss Provision calculation from LQA (and the RANZG LLP model if still deemed necessary by F&C) must be attached.

In addition, from 1 July 2017, all default (D rated; LQC – Doubtful, Loss) accounts must have all Facility, Risk Mitigation and Claim & Provision data completed within LQA to enable LQA to calculate an accurate provision and track default data cash flows. Non default (R rated, LQC Substandard) do not need this data completed in LQA.

### 3.1 Loan Strategy Report

A LSR is a prescribed format of memorandum for credit reviews on FR accounts. The LSR is generated through the LQA model.

The LQA model must be used for all FR reviews that require input and subsequent approval from FR&R and/or higher committees. This LSR can also be viewed by FR&R directly from the LQA model. For guidelines on the use of the LQA model, refer to the document in [Section 3.1.3](#).

### 3.2 Loan Loss Provisioning Report

A LLPR is also a prescribed format of memorandum that must be used for all accounts above a group exposure of EUR45mln or with an exposure below EUR45mln, but with a provision requirement (current or prior) of EUR15mln. This LLPR is used to obtain approval to provisioning at RI Executive Board level. As with the LSR, the LLPR is generated from the LQA model. The LLPR is always produced in conjunction with, and at the same time, as a LSR.

**Note:** A LLPR is only required in the limited circumstances outlined above.

A LSR/LLPR must first be submitted to LCC for concurrence. Once that has occurred, the LCC minutes are entered into the LQA system by the Business Management Risk team and the paper is forwarded to FR&R for review and approval, where required.

### 3.3 CMS+ Review Memorandum

A CMS+ Review Memorandum can be utilised for all other FR reviews at the discretion of the respective Heads of FR. It is expected that the majority of reviews will be undertaken with the CMS+ Review Memorandum format.

The CMS+ Review memorandum is initiated by the Account Manager in the Branch via a Work Request. It should contain all of the relevant review requirements (see Section 2.1 below) and should be routed through to FR via workflow for FR's comments and recommendation. For accounts that can be approved under FR team delegation, it may be sufficient for the CMS+ Review memorandum to be forwarded to the FR Manager and the FR Manager may at his/her discretion include approval comments directly in the memorandum itself, or as part of the approval comments in workflow.

In the event that a memorandum needs CBCC approval, the FR Manager will ensure that their approval comments are included in the memorandum itself before it is forwarded to CBCC for approval. Refer to Delegated Authorities for FR policy for more details.

### 3. Supplementary Information

#### 3.1 Related Documents

	Document Title	Type	Link
3.1.1	Financial Restructuring Policies & Procedures	Policy & Procedures Manual	<a href="#">Financial Restructuring</a>
3.1.2	Delegated Authorities for Financial Restructuring	FR Policy	<a href="#">Financial Restructuring</a>
3.1.3	Policy and Procedures LQA Default Data	Reference Document	<a href="#">Financial Restructuring</a>
3.1.4	Rabobank Credit Manual	Credit Policy	<a href="#">Global Credit Manual</a>
3.1.5	Valuation of Real Estate	Valuation Policy	<a href="#">Asset Quality Management</a>
3.1.6	Rabobank Risk Rating and Loan Quality Classification	Credit Policy	<a href="#">Rabobank Risk Rating and Loan Quality Classification</a>

#### 3.2 Definitions / Glossary of Terms

Term	Definition
FR&R CC	Financial Restructuring & Recovery – Credit Committee
FR&R	Financial Restructuring & Recovery
LCC	Local Credit Committee
LLPR	Loan Loss Provisioning Report
LSR	Loan Strategy Report
FR	Financial Restructuring

#### 3.3 Relevant Regulations

This policy is governed by internal (Rabobank International) regulations for credit reviews of loans classified as Substandard or lower within the Bank.

##### Regulation, Legislation, Standard

[Global Standard Credit Risk Parameters](#)

#### 3.4 Document Management

Owner:	Head of FR, Australia Head of FR, New Zealand	Author:	Manager Risk
Authoriser:	Head of FR, Australia Head of FR, New Zealand	Next Review Date:	30 March 2020