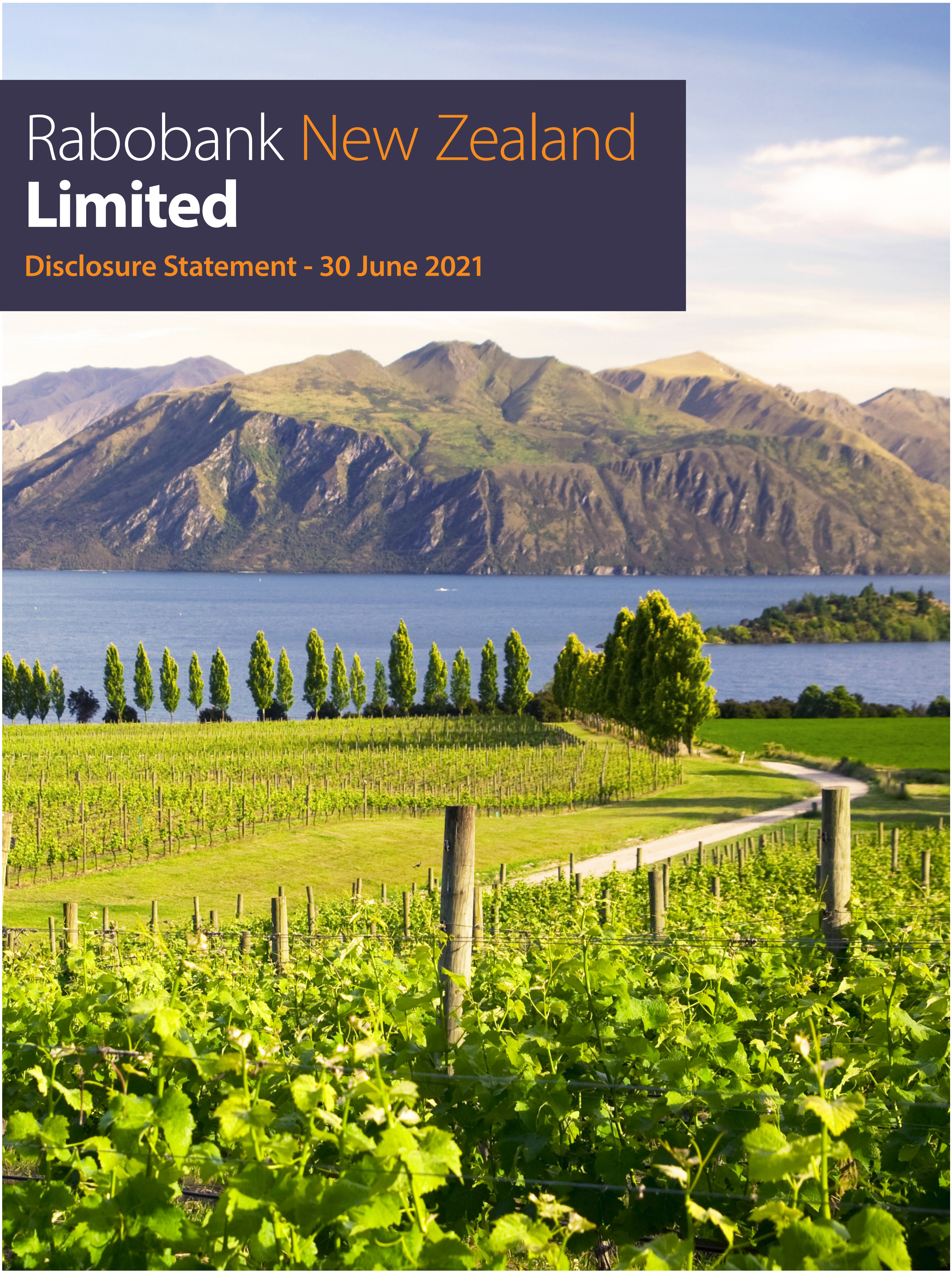
Rabobank New Zealand Limited

Disclosure Statement - 30 June 2021



Rabobank

Contents

General Disclosures

General information and definitions

The information contained in this Disclosure Statement is as required by section 81 of the Reserve Bank of New Zealand Act 1989 ("Reserve Bank Act") and the Registered Bank Disclosure Statements (New Zealand Incorporated Registered Banks) Order 2014 (as amended) (“Order”).

In this Disclosure Statement, in accordance with the requirements of the Order and unless the context otherwise requires:

- “Bank” and “Banking Group” refer to Rabobank New Zealand Limited
- “Rabobank” refers to Coöperatieve Rabobank U.A.

General matters

Composition of the Board of directors

There have been no changes in the composition of the Bank’s board of directors since 31 December 2020.

Signing of the Disclosure Statement

Todd Charteris, Chief Executive Officer of the Bank, has signed this Disclosure Statement on behalf of the following directors:

- Andrew James Borland (Chairman)
- Geerten Battjes
- Brent Goldsack
- Anne Bernadette Brennan
- Bernardus Jacobus Marttin
- Lara Yocarini

Credit ratings

The Bank has the following general credit rating applicable to its long term senior unsecured obligations, including obligations payable in New Zealand, in New Zealand dollars.

Rating Agency	Current Credit Rating
Standard & Poor’s	A (stable)

Auditors of the Bank

PricewaterhouseCoopers
One International Towers, Watermans Quay
Barangaroo, NSW 2000 Australia

Guarantee arrangements

Under a series of guarantees, Rabobank guaranteed all the Bank’s obligations. Each such guarantee has now expired, except that all obligations incurred by the Bank while a guarantee was current and before the guarantee expired remain guaranteed until those obligations are repaid. The only obligations that remain guaranteed are therefore obligations that were incurred before the close of 30 April 2015 and that have not subsequently been repaid e.g. A deposit obligation incurred before 30 April 2015 will have been repaid (and the deposit obligation will have ceased to be guaranteed) if the deposit is paid into an account with another bank.

Based on the above, material obligations of the Bank are guaranteed as at the date its directors signed this Disclosure Statement. All new obligations incurred by the Bank after 30 April 2015 are not guaranteed.

Details of guarantor

The name and New Zealand address for services of the guarantor are:

General Disclosures

Guarantee arrangements (continued)

Coöperatieve Rabobank U.A. (Rabobank)
Level 23
157 Lambton Quay
Wellington
New Zealand

Rabobank is not a member of the Banking Group.

Rabobank has the following credit ratings applicable to its long term senior unsecured obligations payable in the currency of its incorporation (The Netherlands).

Rating Agency	Current Credit Rating
Standard & Poor's	A+ (stable)
Moody's	Aa2 (stable)
Fitch	A+ (negative)

Details of guaranteed obligations

There are no limits on the amount of the obligations guaranteed under any of the expired guarantees and no material conditions applicable to the guarantees other than non-performance by the Bank. However, the fact that the guarantees have expired means that, for an obligation to be covered, it must (1) have been incurred before the close of 30 April 2015 and (2) not have been subsequently repaid.

There are no material legislative or regulatory restrictions in the Netherlands which would have the effect of subordinating the claims, under the above guarantees, of any of the creditors of the Bank on the assets of Rabobank, to other claims on Rabobank, in a winding up of Rabobank.

Further information about the guarantees

The Bank's most recent full year Disclosure Statement contains further information about the above guarantees. The Bank's most recent full year Disclosure Statement is available immediately, if the request is made at the Bank's head office, or within five working days if a request is made at any branch or agency of the Bank. Alternatively, it can also be accessed at the Bank's internet address www.rabobank.co.nz.

Material cross guarantee

No material obligations of the Bank are guaranteed under a cross guarantee arrangement.

Insurance business

The Banking Group does not conduct any insurance business.

Pending proceedings or arbitration

There are no pending legal proceedings or arbitrations concerning any member of the Banking Group, whether in New Zealand or elsewhere, that may have a material adverse effect on the Bank or the Banking Group.

Conditions of registration

There have been the following changes to the Bank's Conditions of Registration between 31 December 2020 and 30 June 2021:

With effect on and after 1 March 2021, the Bank's Conditions of Registration were changed to:

- Reinstate residential mortgage loan-to-valuation ratio restrictions.

With effect on and after 29 April 2021, the Bank's Conditions of Registration were changed to:

General Disclosures

Conditions of registration (continued)

- Reduce the percentage limit on aggregate distributions of the Bank's earnings to 50% when the banking group's buffer ratio, as defined in Part 3 of the Reserve Bank of New Zealand document: "Capital Adequacy Framework (Standardised Approach)" (BS2A) dated November 2015, is >1.875-2.5%, and provide that the Bank must limit aggregate distributions, other than discretionary payments to holders of Additional Tier 1 capital instruments, to no more than 50% of the Bank's earnings.
- Before making any individual dividend payment contributing to aggregate distributions for a final year, the Bank must complete its interim accounts or its annual financial accounts, and any such dividend payment must not be made less than six months after any previous such dividend payment;

The Bank has complied with all its Conditions of Registration in the six month period ended 30 June 2021.

Risk management policies

Since 31 December 2020:

- there has been no material change in the Banking Group's policies for managing credit, currency, interest rate, liquidity, operational, and other material business risks (the Banking Group does not take any equity risk); and
- the Banking Group has not become exposed to a new category of risk to which the Banking Group was not previously exposed.

Other material matters

Since 31 December 2020, there have been no matters relating to the business or affairs of the Bank that:

(i) are not contained elsewhere in this Disclosure Statement; and
(ii) would, if disclosed, materially affect the decision of a person to subscribe for debt securities of which the Bank is the issuer.

Directors' Statement

After due enquiry, each director believes that:

(i) as at the date on which the Disclosure Statement is signed:

- The Disclosure Statement contains all the information that is required by the Registered Bank Disclosure Statements (New Zealand Incorporated Registered Banks) Order 2014 (as amended); and

- The Disclosure Statement is not false or misleading; and

(ii) over the six month period ended 30 June 2021:

- The Bank has complied, in all material respects, with all Conditions of Registration that applied during the period;

- Credit exposures to connected persons (if any) were not contrary to the interests of the Banking Group; and

- The Bank had systems in place to monitor and control adequately the Banking Group's material risks, including credit risk, concentration of credit risk, interest rate risk, currency risk, liquidity risk, operational risk and other business risks, and that those systems were being properly applied (the Bank does not have any equity risk, and therefore neither has nor requires any system to monitor or control equity risk).

Signed by Todd Charteris, Chief Executive Officer, under an authority from each of the directors.

Todd Charteris

Dated: 30 August 2021

Statement of Comprehensive Income

In thousands of NZD	Note	Unaudited 6 months to 30/06/2021	Unaudited 6 months to 30/06/2020	Audited Year to 31/12/2020
Income Statement				
Interest income		219,754	247,878	478,735
Interest expense		(60,471)	(112,535)	(198,177)
Net interest income		**159,283**	**135,343**	**280,558**
Other income	3	1,160	479	2,229
Other expense	4	(225)	(252)	(537)
Other operating gains/(losses)	5	(129)	742	68
Non-interest income		**806**	**969**	**1,760**
Operating income		**160,089**	**136,312**	**282,318**
Operating expenses		(62,142)	(63,319)	(140,393)
Impairment (losses)/releases	6	(4,596)	(15,560)	(3,921)
Profit before income tax		**93,351**	**57,433**	**138,004**
Income tax expense		(26,198)	(16,162)	(38,663)
Profit after income tax		**67,153**	**41,271**	**99,341**
Other comprehensive income for the period / year				
Items that may be reclassified subsequently to profit or loss				
Changes in the fair value of financial assets at fair value through other comprehensive income (gross)	15.2	(3,521)	2,458	1,365
Changes in the fair value of financial assets through other comprehensive income (deferred tax)	15.2	986	(688)	(382)
Total items that may be reclassified subsequently to profit or loss		**(2,535)**	**1,770**	**983**
Items that will not be reclassified subsequently to profit or loss				
Total items that will not be reclassified subsequently to profit or loss		-	-	-
Total other comprehensive income for the period / year		**(2,535)**	**1,770**	**983**
Total comprehensive income attributable to members of Rabobank New Zealand Limited		**64,618**	**43,041**	**100,324**

The above Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

Statement of Financial Position

In thousands of NZD	Note	Unaudited At 30/06/2021	Unaudited At 30/06/2020	Audited At 31/12/2020
Assets				
Cash and cash equivalents		423,589	134,602	336,641
Derivative financial instruments		11,534	10,584	9,169
Financial assets at fair value through other comprehensive income	7	583,474	892,928	656,360
Loans and advances	8	11,747,965	11,288,337	11,574,649
Due from related entities	10	72,983	130,770	113,440
Other assets		5,059	4,047	5,465
Net deferred tax assets		15,948	19,541	16,054
Property, plant and equipment	11	6,682	10,446	8,643
Intangible assets		2,005	928	2,304
Total assets		**12,869,239**	**12,492,183**	**12,722,725**
Liabilities				
Derivative financial instruments		11,742	10,804	9,263
Deposits	12	4,846,253	5,376,666	5,098,694
Due to related entities	13	6,150,024	5,371,839	5,815,308
Current tax payable		4,407	1,264	6,245
Other liabilities	14	15,506	16,187	17,342
Provisions		7,954	3,971	7,138
Total liabilities		**11,035,886**	**10,780,731**	**10,953,990**
Net Assets		**1,833,353**	**1,711,452**	**1,768,735**
Equity				
Contributed equity	15.1	551,200	551,200	551,200
Reserves	15.2	675	3,997	3,210
Retained earnings		1,281,478	1,156,255	1,214,325
Total equity		**1,833,353**	**1,711,452**	**1,768,735**

The above Statement of Financial Position should be read in conjunction with the accompanying notes.

Statement of Changes in Equity

In thousands of NZD	Contributed equity	Retained earnings	Reserves	Total
Opening balance as at 1 January 2020 (Audited)	**551,200**	**1,114,984**	**2,227**	**1,668,411**
Net profit	-	41,271	-	41,271
Other comprehensive income:				
Revaluation reserve - FVOCI financial assets	-	-	1,770	1,770
Closing balance as at 30 June 2020 (Unaudited)	**551,200**	**1,156,255**	**3,997**	**1,711,452**
Opening balance as at 1 January 2020 (Audited)	**551,200**	**1,114,984**	**2,227**	**1,668,411**
Net profit	-	99,341	-	99,341
Other comprehensive income:				
Revaluation reserve - FVOCI financial assets	-	-	983	983
Closing balance as at 31 December 2020 (Audited)	**551,200**	**1,214,325**	**3,210**	**1,768,735**
Opening balance as at 1 January 2021	**551,200**	**1,214,325**	**3,210**	**1,768,735**
Net profit	-	67,153	-	67,153
Other comprehensive income:				
Revaluation reserve - FVOCI financial assets	-	-	(2,535)	(2,535)
Closing balance as at 30 June 2021 (Unaudited)	**551,200**	**1,281,478**	**675**	**1,833,353**

The above Statement of Changes in Equity should be read in conjunction with the accompanying notes.

Condensed Statement of Cash Flows

In thousands of NZD	Note	Unaudited 6 months to 30/06/2021	Unaudited 6 months to 30/06/2020	Audited Year to 31/12/2020
Cash flows from operating activities				
Interest income		221,619	250,511	480,027
Interest paid		(59,404)	(114,350)	(231,151)
Other cash inflows used in operating activities		1,145	1,363	2,347
Other cash outflows used in operating activities		(84,776)	(89,705)	(170,172)
Net changes in operating assets and liabilities		(379,445)	274,263	31,798
Net cash flows (used in)/from operating activities	18	**(300,861)**	**322,082**	**112,849**
Cash flows from Investing activities				
Net changes in investing activities		(1,948)	(2,041)	(6,436)
Net cash flows used in investing activities		**(1,948)**	**(2,041)**	**(6,436)**
Cash flows from financing activities				
Principal elements of lease payments		(1,942)	(2,032)	(4,052)
Net changes in other financing liabilities		391,699	(527,760)	(110,073)
Net cash flows from/(used in) financing activities		**389,757**	**(529,792)**	**(114,125)**
Net change in cash and cash equivalents		86,948	(209,751)	(7,712)
Cash and cash equivalents at the beginning of the period / year		336,641	344,353	344,353
Cash and cash equivalents at the end of the period / year		**423,589**	**134,602**	**336,641**

The above Condensed Statement of Cash Flows should be read in conjunction with the accompanying notes.

Notes to the financial statements

1. Reporting entity

Rabobank New Zealand Limited is the reporting entity and is incorporated in New Zealand.

The interim financial statements of the Bank are presented as at and for the six months ended 30 June 2021. The Bank is primarily involved in the provision of secured loans predominantly to borrowers in the rural industry, and in raising retail deposits. There were no significant changes during the six month period in the nature of the activities of the Bank.

2. Basis of preparation

2.1 Statement of compliance

These interim financial statements have been prepared and presented in accordance with the requirements of the Order and the Reserve Bank Act, and in accordance with the requirements of equivalent to International Accounting Standard ('NZ IAS') 34 'Interim Financial Reporting'. These interim financial statements do not include all the information and disclosures required in annual financial statements and should therefore be read in conjunction with the financial statements for the year ended 31 December 2020. These financial statements also comply with IAS 34 'Interim Financial Reporting'.

2.2 Basis of measurement

These interim financial statements have been prepared under the historical cost convention, except for derivative financial instruments and financial assets at fair value through other comprehensive income (FVOCI assets) which have been measured at fair value. The going concern concept and the accrual basis of accounting have been adopted.

2.3 Estimates

The preparation of interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies. In preparing these interim financial statements, the significant judgements made by management in applying the Bank's accounting policies and the key sources of estimation uncertainty were the same as those applied to the financial statements as at and for the year ended 31 December 2020.

The Bank has applied accounting estimates in the financial statements based on the forecasts of economic conditions which reflect expectations and assumptions as at 30 June 2021 about future events that directors believe are reasonable in circumstances. There is a considerable degree of judgement involved in preparing the forecasts. The underlying assumptions are also subject to uncertainties which are often outside of the control of the Bank. Accordingly, actual economic conditions are likely to be different from those forecasts since anticipated events frequently do not occur as expected, and the effect of those differences may significantly impact accounting estimates included in the financial statements. The significant accounting estimates impacted by these forecasts and associated uncertainties are related to expected credit losses calculations.

Provision for expected credit losses (ECL)

Details on specific judgements in relation to the impact of COVID-19 on the calculation of provisions for ECL are included in Note 9.

2.4 Principal accounting policies

The accounting policies used in the preparation of these interim financial statements are consistent with the accounting policies used in the preparation of the Bank's financial statements for the year ended 31 December 2020. The Bank has not early adopted any NZ equivalents to International Financial Reporting Standards ('NZ IFRS') that are not yet in effect.

2.5 Functional and presentation currency

Unless otherwise indicated, all amounts are expressed in New Zealand dollars (NZD), the functional and presentation currency of the Bank, as this currency best reflects the economic substance of the underlying events and circumstances relevant to the Bank. All financial information presented in NZD has been rounded to the nearest thousand unless otherwise stated.

Notes to the financial statements

3. Other income

In thousands of NZD	Unaudited 6 months to 30/06/2021	Unaudited 6 months to 30/06/2020	Audited Year to 31/12/2020
Transaction related commission income	1,160	479	2,229
Total other income	**1,160**	**479**	**2,229**

4. Other expense

In thousands of NZD	Unaudited 6 months to 30/06/2021	Unaudited 6 months to 30/06/2020	Audited Year to 31/12/2020
Commission and fee expense	(225)	(252)	(537)
Total other expense	**(225)**	**(252)**	**(537)**

Balance includes fees charged for the obligations guarantees provided by Rabobank. Refer to note 26 for further information on guarantees.

5. Other operating gains / (losses)

In thousands of NZD	Unaudited 6 months to 30/06/2021	Unaudited 6 months to 30/06/2020	Audited Year to 31/12/2020
Net trading gains / (losses) on derivatives	(112)	672	(8)
Losses on disposal/write off of property, plant and equipment	-	-	(34)
Foreign exchange gains / (losses)	(17)	70	110
Total other operating gains / (losses)	**(129)**	**742**	**68**

6. Impairment (losses) / releases

In thousands of NZD	Unaudited 6 months to 30/06/2021	Unaudited 6 months to 30/06/2020	Audited Year to 31/12/2020
Collective provisions releases / (charges)	(2,293)	(15,604)	(5,537)
Specific provisions releases / (charges)	(2,303)	44	1,616
Total impairment releases / (losses)	**(4,596)**	**(15,560)**	**(3,921)**

In accordance with NZ IFRS 9, collective provisions consist of collective provision 12-Month ECL (stage 1), collective provision lifetime ECL not credit impaired (stage 2) and collective provision lifetime ECL credit impaired (stage 3A). Specific provisions consist of specific provision lifetime ECL credit impaired (Stage 3B).

Notes to the financial statements

7. Financial assets at fair value through other comprehensive income (FVOCI)

In thousands of NZD	Unaudited At 30/06/2021	Unaudited At 30/06/2020	Audited At 31/12/2020
New Zealand Government Securities	442,926	717,734	482,818
Other debt securities (Kauri)	140,548	175,194	173,542
Total Financial assets FVOCI	**583,474**	**892,928**	**656,360**

The impairment allowance relating to financial assets at fair value through other comprehensive income $5 thousand (31 December 2020: nil).

The Bank holds a portfolio of high quality liquid securities to support liquidity risk management. The size of the Bank's liquidity portfolio is based on the amount required to meet its liquidity requirements.

8. Loans and advances

In thousands of NZD	Unaudited At 30/06/2021	Unaudited At 30/06/2020	Audited At 31/12/2020
Lending	11,742,066	11,288,100	11,560,214
Finance leases	44,380	50,306	49,811
Gross loans and advances	**11,786,446**	**11,338,406**	**11,610,025**
Accrued interest	7,065	6,976	7,740
Provisions for impairment			
Stage 3B	(8,798)	(12,563)	(8,677)
Stage 3A	(15,499)	(6,284)	(11,254)
Stage 2	(6,831)	(17,793)	(8,611)
Stage 1	(14,418)	(20,405)	(14,574)
Net loans and advances	**11,747,965**	**11,288,337**	**11,574,649**

9. Credit quality, impaired assets and provision for impairment

9.1 Individually impaired assets

	At 30 June 2021 (Unaudited)			
in thousands of NZD	Residential mortgages	Corporate	Retail*	Total
Opening balance	-	-	375,998	375,998
Additions	-	-	115,835	115,835
Amounts written off	-	-	(2,360)	(2,360)
Returned to performing or repaid	-	-	(122,849)	(122,849)
Closing balance	**-**	**-**	**366,624**	**366,624**

* Retail exposures include lending to rural clients together with all other lending to small and medium businesses.

Notes to the financial statements

9. Credit quality, impaired assets and provision for impairment (continued)

9.2 Past due assets but not impaired

in thousands of NZD	At 30/06/2021 (Unaudited) Residential mortgages	Corporate	Retail*	Total
Less than 30 days past due	-	-	6,094	6,094
At least 30 days but less than 60 days past due	-	-	-	-
At least 60 days but less than 90 days past due	-	-	-	-
At least 90 days past due	-	-	-	-
Closing balance	**-**	**-**	**6,094**	**6,094**

* Retail exposures include lending to rural clients together with all other lending to small and medium businesses.

9.3 Other asset quality information

Aggregate amount of undrawn balances on retail lending commitments on impaired assets as at 30 June 2021 (unaudited) is $18,539 thousand.

There were no assets under administration as at 30 June 2021.

9.4 Provision for impairment on loans and advances

9.4.1 Provisions for impairment on loans and advances (excluding commitments and financial guarantees)

In thousands of NZD	At 30/06/2021 (Unaudited) Stage 1	Stage 2	Stage 3A	Stage 3B	Total
Residential mortgages					
Opening balance	-	-	-	-	-
Charge to statement of comprehensive income	-	-	-	-	-
Amounts written off	-	-	-	-	-
Recoveries	-	-	-	-	-
Reversals	-	-	-	-	-
Other movements	-	-	-	-	-
Closing balance residential mortgages	**-**	**-**	**-**	**-**	**-**

In thousands of NZD	At 30/06/2021 (Unaudited) Stage 1	Stage 2	Stage 3A	Stage 3B	Total
Corporate					
Opening balance	-	-	-	-	-
Charge to statement of comprehensive income	-	-	-	-	-
Amounts written off	-	-	-	-	-
Recoveries	-	-	-	-	-
Reversals	-	-	-	-	-
Other movements	-	-	-	-	-
Closing balance corporate	**-**	**-**	**-**	**-**	**-**

Notes to the financial statements

9. Credit quality, impaired assets and provision for impairment (continued)

In thousands of NZD	Stage 1	Stage 2	Stage 3A	Stage 3B	Total
	At 30/06/2021 (Unaudited)				
Retail*					
Opening balance	13,168	8,424	11,251	8,621	41,464
Charge / (Benefit) to statement of comprehensive income	(267)	(1,876)	4,248	2,310	4,415
Amounts written off	-	-	-	(2,360)	(2,360)
Recoveries	-	-	-	-	-
Reversals	-	-	-	-	-
Other movements	(4)	-	-	178	174
Closing balance retail	**12,897**	**6,548**	**15,499**	**8,749**	**43,693**

* Retail exposures include lending to rural clients together with all other lending to small and medium businesses.

9.4.2 Provision for impairment on commitments and financial guarantees associated with loans and advances

In thousands of NZD	Stage 1	Stage 2	Stage 3A	Stage 3B	Total
	At 30/06/2021 (Unaudited)				
Opening balance	1,406	187	3	56	1,652
Charge / (Benefit) to statement of comprehensive income	115	96	(2)	(7)	202
Amounts written off	-	-	-	-	-
Recoveries	-	-	-	-	-
Reversals	-	-	-	-	-
Other movements	-	-	(1)	-	(1)
Closing balance on loan commitments and financial guarantees	**1,521**	**283**	**-**	**49**	**1,853**

Provisions for impairment on commitments and financial guarantees relate to retail exposures which include lending to rural clients together with all other lending to small and medium businesses.

Notes to the financial statements

9. Credit quality, impaired assets and provision for impairment (continued)

9.4.3 Total provisions for impairment on loans and advances

	At 30/06/2021 (Unaudited)				
In thousands of NZD	Stage 1	Stage 2	Stage 3A	Stage 3B	Total
Opening balance	14,574	8,611	11,254	8,677	43,116
Charge / (Benefit) to statement of comprehensive income	(152)	(1,780)	4,246	2,303	4,617
Amounts written off	-	-	-	(2,360)	(2,360)
Recoveries	-	-	-	-	-
Reversals	-	-	-	-	-
Other movements	(4)	-	(1)	178	173
Closing balance on loans and advances and loan commitments and financial guarantees	**14,418**	**6,831**	**15,499**	**8,798**	**45,546**

Provisions for impairment relate to retail exposures which include lending to rural clients together with all other lending to small and medium businesses.

9.5 Provision for impairment due from related entities

Impairment allowances on due from related entities

	At 30/06/2021 (Unaudited)				
In thousands of NZD	Stage 1	Stage 2	Stage 3A	Stage 3B	Total
Opening balance	50	-	-	-	50
Charge / (Benefit) to statement of comprehensive income	(21)	-	-	-	(21)
Amounts written off	-	-	-	-	-
Recoveries	-	-	-	-	-
Reversals	-	-	-	-	-
Other movements	-	-	-	-	-
Closing balance related parties	**29**	**-**	**-**	**-**	**29**

The provision is a requirement under NZ IFRS 9 to recognise impairment allowance for Stage 1, it is not a determination of credit quality or collectability.

9.6 Impact of changes in gross financial assets on loss allowance (unaudited)

The following explains how significant changes in the gross carrying amount of financial assets during the period have contributed to the changes in the provision for doubtful debts. Provision for doubtful debts reflects ECL measured using the three-stage approach under NZ IFRS 9.

Overall, the net increase in the total provision for doubtful debts since 31 December 2020 was driven by increase in stage 3A provision which was offset by decreases in provisioning across stages 1 and 2.

Notes to the financial statements

9. Credit quality, impaired assets and provision for impairment (continued)

Stage 1 credit exposures increased by $513 million from 31 December 2020. The increase is driven by overall increase in loans as well as improvement in the portfolio (i.e. movement of loans from Stage 2 into Stage 1) during half year period. Collective provision 12-months ECL (Stage 1) decreased by $156 thousand mainly driven by improved macro-economic forecasts.

Collective provision lifetime ECL - not credit impaired (Stage 2) decreased by $1,780 thousand, mainly due to reduction of gross loans in Stage 2 by $345 million from 31 December 2020 reflecting overall improvement in portfolio.

Collective provision lifetime ECL - credit impaired (Stage 3A) increased by $4,246 thousand, mainly due to the movement of clients into Stage 3A.

Specific provision lifetime ECL- credit impaired (Stage 3B) increased by $121 thousand, reflecting slight increase in credit risk which is offset by reduction in impaired assets.

9.7 Forward-looking information and macro-economic scenarios

Modelled provision for ECL

The estimation of ECL for each stage and the assessment of significant increases in credit risk consider information about past events and current conditions as well as forecasts of future events and economic conditions (forward looking information). There is a considerable degree of judgement involved in preparing these forecasts due to the uncertainly around the impact of COVID-19. The Bank uses three, probability-weighted, macroeconomic scenarios (consisting of a baseline, a baseline minus and a baseline plus scenario) in the ECL models to determine the expected credit losses.

Baseline scenario is most likely scenario and is based on internal forecasts prepared by Rabobank research.

The Bank uses a statistical simulation method from the National Institute Global Econometric Model (NIGEM) to generate plus and minus scenarios. The procedure for the formulation involves two steps:
1. Use the stochastic function of NiGEM to run 1000 scenarios starting in the first quarter where the plus and minus scenarios may differ from the baseline.
NiGEM uses historical residuals (randomly chosen) from the model equations to give shocks during the forecast period (Monte Carlo simulation). The result is the distribution of macroeconomic outcomes. The impact of these scenarios on the volume of world trade is used in step 2.
2. Look up the two scenarios which represent the 20% (2020: 15%) plus scenarios and the 20% (2020: 15%) minus scenarios of the distribution.

The increase in weighting to both plus and minus scenarios since 31 December 2020 reflect increased uncertainty around economic assumptions used in baseline scenario. Increased uncertainty is mainly driven by COVID-19 pandemic. The development of the virus itself (e.g. mutations), the timing and impact of the vaccination process and possibly postponed waves of defaults create above-average negative uncertainty. At the same time, the recovery may well be faster than currently expected, posing considerable upside risk.

Important variables in MES are gross domestic product growth, private sector investments and exports of goods and services. These forward looking macroeconomic forecasts require judgment and are largely based on internal Rabobank research.

The base case scenario uses current Rabobank research forecasts and reflects the latest available macroeconomic view which shows recovery from 2021. The latest view considers both the economic and societal impacts of COVID-19. The forecast assume the following:

• Forecast growth of GDP per capita of 3.45% in 2021;
• Forecast growth in private sector investments of 1.61% in 2021; and
• Forecast growth in exports of goods and services of 5.52% in 2021.

An analysis on the sensitivity of key forward-looking macroeconomic inputs used in the ECL modelling process for stage 1 and stage 2 provisioning and the probability-weights applied to each of the three scenarios is presented below.

Notes to the financial statements

9. Credit quality, impaired assets and provision for impairment (continued)

New Zealand		*2021*	*2022*	*2023*	*ECL unweighted In thousands of NZD*	*Probability*	**Weighted ECL in thousands of NZD** *30 June 2021*
Plus	GDP per capita	3.55%	3.37%	2.34%			
	Private sector investments	2.75%	5.87%	3.58%	10,338	20%	
	Exports of Goods & Services	5.99%	12.88%	4.16%			
Baseline	GDP per capita	3.45%	2.25%	1.75%			
	Private sector investments	1.61%	2.89%	2.38%	11,876	60%	12,343
	Exports of Goods & Services	5.52%	9.99%	4.09%			
Minus	GDP per capita	3.26%	0.10%	0.58%			
	Private sector investments	-0.54%	-2.86%	-0.37%	15,752	20%	
	Exports of Goods & Services	4.65%	4.59%	3.87%			

COVID-19 overlay

Where there is increased uncertainty regarding the forward-looking economic conditions under NZ IFRS 9, or limitations of the historical data used to calibrate the models to current stressed environments, overlays are typically used to address areas of potential risk not captured in the underlying modelled ECL.

The COVID-19 pandemic is leading to material structural shifts in the behaviour of the economy and customers, and unprecedented actions by banks, governments and regulators in response. ECL models are expected to be subject to a higher than usual level of uncertainty during this period.

Overlays for COVID-19 decreased in the six months to 30 June 2021 to $5,791 thousand (31 December 2020: $9,936 thousand)

The overlay reflects:
• Government stimulus packages insulating the shock to the economy, but these packages are being reduced as the economic outlook is improving which may expose certain sectors.
• Rural clients impacted by commodity price volatility or reduced income from supply chain disruption have the ability to liquidate productive assets or utilise working capital facilities as a means to manage and absorb periods of uncertainty, however the effects of these decisions don't necessarily surface immediately. As a result delaying defaults to the 2nd half of 2021 and into 2022.
• Continuing impact on availability to seasonal labour and availability of shipping for sectors focused on exports still remains uncertain.

Notes to the financial statements

10. Due from related entities

In thousands of NZD	Unaudited At 30/06/2021	Unaudited At 30/06/2020	Audited At 31/12/2020
Current account balances - wholly owned group*	15,028	7,455	2,122
Advances - wholly owned group*	57,974	123,325	111,347
Accrued interest receivable - wholly owned group*	10	54	21
Stage 1 provision for impairment (note 9.5)	(29)	(64)	(50)
Total due from related entities	**72,983**	**130,770**	**113,440**

There were no stages 2, 3A or 3B provisions for impairment.

* The wholly owned group refers to other Rabobank related entities. Refer to note 26 for further information on related party disclosures.

Notes to the financial statements

11. Property, plant and equipment

In thousands of NZD	Right-of-use asset - Buildings	Right-of-use asset - Cars	Office Fixtures & Fittings	Office Equipment	Computer Hardware	Total
Balance as at 30 June 2020 (Unaudited)						
Cost	10,542	3,639	10,751	162	1,443	26,537
Accumulated depreciation	(3,986)	(1,485)	(9,162)	(82)	(1,376)	(16,091)
Net book value	**6,556**	**2,154**	**1,589**	**80**	**67**	**10,446**
Balance as at 31 December 2020 (Audited)						
Cost	10,509	3,616	11,222	170	876	26,393
Accumulated depreciation	(5,346)	(1,991)	(9,505)	(96)	(812)	(17,750)
Net book value	**5,163**	**1,625**	**1,717**	**74**	**64**	**8,643**
Balance as at 30 June 2021 (Unaudited)						
Cost	10,344	3,595	11,222	170	876	26,207
Accumulated depreciation	(6,402)	(2,300)	(9,881)	(110)	(832)	(19,525)
Net book value	**3,942**	**1,295**	**1,341**	**60**	**44**	**6,682**

In respect of Right-of-use asset, refer to Note 17.2 for further information on the nature of leasing contracts.

For the six months ended 30 June 2021, the Depreciation Charge on the Right-of-use assets was $1,388 thousand for properties (30 June 2020: $1,467 thousand), and $560 thousand for cars (30 June 2020: $586 thousand). There were additions of $29 thousand for the Right-of-use assets (30 June 2020: $814 thousand).

Notes to the financial statements

12. Deposits

In thousands of NZD	Unaudited At 30/06/2021	Unaudited At 30/06/2020	Audited At 31/12/2020
Call deposits	2,479,452	1,941,945	2,266,653
Term deposits	2,350,514	3,401,194	2,810,611
Accrued interest	16,287	33,527	21,430
Total deposits	**4,846,253**	**5,376,666**	**5,098,694**

13. Due to related entities

In thousands of NZD	Unaudited At 30/06/2021	Unaudited At 30/06/2020	Audited At 31/12/2020
Current account balances - wholly owned group*	6,504	50,382	69,697
Borrowings - wholly owned group*	6,126,750	5,291,835	5,735,051
Accrued interest payable - wholly owned group*	16,770	29,622	10,560
Total due to related entities	**6,150,024**	**5,371,839**	**5,815,308**

* The wholly owned group refers to other Rabobank related entities. Refer to note 26 for further information on related party disclosures.

14. Other liabilities

In thousands of NZD	Unaudited At 30/06/2021	Unaudited At 30/06/2020	Audited At 31/12/2020
Lease liabilities	5,423	8,914	6,968
Sundry creditors	3,394	2,522	2,018
Accrued expenses	6,689	4,751	8,356
Total other liabilities	**15,506**	**16,187**	**17,342**

Interest expense on lease liabilities amounted to $109 thousand for the six months ended 30 June 2021 (30 June 2020: $161 thousand), and is included within 'Interest Operating expense' in the Statement of Other Comprehensive Income.

15. Contributed equity, Reserves and Capital management

15.1 Contributed equity

In thousands of NZD	Unaudited At 30/06/2021	Unaudited At 30/06/2020	Unaudited At 31/12/2020
Ordinary share capital	551,200	551,200	551,200
Total contributed equity	**551,200**	**551,200**	**551,200**

Prior to February 1998, the Bank issued 20,600,000 ordinary shares at a value of $2 per share. On 11 August 2010, the Bank issued 150,000,000 ordinary shares at a value of $2 per share. On 19 September 2012, the Bank issued 55,000,000 ordinary shares at a value of $2 per share. On 20 September 2013, the Bank issued 50,000,000 ordinary shares at a value of $2 per share.

Notes to the financial statements

15. Contributed equity, Reserves and Capital management (continued)

As at 30 June 2021, total authorised and paid up capital comprises 275,600,000 ordinary shares fully paid ranking equally as to dividends, voting rights and rights to share in any surplus on winding up (31 December 2020: 275,600,000; 30 June 2020: 275,600,000). Each share was issued at $2 and has no par value. The ordinary share capital qualifies as Common Equity Tier 1 capital for capital adequacy purposes.

15.2 Reserves

In thousands of NZD	Unaudited At 30/06/2021	Unaudited At 30/06/2020	Audited At 31/12/2020
FVOCI financial assets reserve			
Opening balance	3,210	2,227	2,227
Changes in FVOCI financial assets revaluation reserve (gross)	(3,521)	2,458	1,365
Changes in FVOCI financial assets revaluation reserve (deferred tax)	986	(688)	(382)
Total FVOCI reserve	**675**	**3,997**	**3,210**

The nature and purpose of the FVOCI financial assets revaluation reserve is to record the unrealised gains or losses arising from changes in the fair value of FVOCI financial assets. The FVOCI financial assets revaluation reserve qualifies as Common Equity Tier One capital for capital adequacy purposes.

15.3 Capital management

The primary objectives of the Bank's capital management are to ensure that the Bank complies with externally imposed capital requirements and that the Bank maintains strong credit rating and healthy capital ratios in order to support its business.

The adequacy of the Bank's capital is monitored using, among other measures, the rules and ratios established by the Basel Committee on Banking Supervision ("BIS rules/ratios") and adopted by the Reserve Bank of New Zealand (RBNZ) in supervising the Bank.

The Bank's conditions of registration require capital adequacy ratios to be calculated in accordance with the Capital Adequacy Framework (Standardised Approach) (BS2A). For regulatory capital adequacy purposes, total regulatory capital is defined as the sum of Common Equity Tier One capital, Additional Tier One capital and Tier Two capital. Tier One capital is defined as the sum of Common Equity Tier One capital and Additional Tier One capital.

The Bank's Common Equity Tier One capital includes paid up ordinary shares, retained earnings, FVOCI reserve, less certain deductions. The Bank does not have any additional Tier One capital.

The Bank documents its Internal Capital Adequacy Assessment Process (ICAAP) as required by the RBNZ. The ICAAP document sets out the framework used by the Bank to determine the minimum levels of capital it requires given the nature of its business, and how the various risks it is exposed to will be managed.

The Bank has complied in full with all of its externally imposed capital requirements during the 2020 financial year and during the 2021 half year period.

16. Contingent liabilities and credit related commitments

Through the normal course of business, the Bank may be involved in litigation claims. The aggregate potential liability arising in respect of these claims cannot be accurately assessed. Provisions have been made where appropriate for likely loss of actual and potential claims after review has been made on a case by case basis. The Bank does not consider that the outcome of any claims made either individually or in aggregate are likely to have a material effect on its operation or financial position.

Notes to the financial statements

16. Contingent liabilities and credit related commitments (continued)

The Bank is party to financial instruments with off-balance sheet credit risk in the normal course of business to meet the financing needs of its customers and in managing its own risk profile. These financial instruments include commitments to extend credit, facilities, financial guarantees, and standby letters of credit.The Bank's exposure to credit loss in the event of non-performance by the other party to such financial instruments is represented by the contract or notional amount of those instruments. However, some commitments to extend credit and provide underwriting facilities can be cancelled or revoked at any time at the Bank's option. The Bank uses the same credit policies in making commitments and conditional obligations as it does for on-balance sheet instruments.

The following table shows the maximum amount payable for the following credit related commitments:

In thousands of NZD	Unaudited At 30/06/2021	Unaudited At 30/06/2020	Audited At 31/12/2020
Guarantees	6,557	5,893	6,350
Lending commitments			
Irrevocable lending commitments	63,476	60,760	81,437
Revocable lending commitments	1,681,891	1,535,123	1,623,724
Total contingent liabilities	**1,751,924**	**1,601,776**	**1,711,511**

Guarantees represent conditional undertakings by the Bank to support the financial obligations of its customers to third parties. Lending commitments include the Bank's obligations to provide funding facilities which remain undrawn at balance date, or where letters of offer have been issued but not yet accepted.

17. Expenditure Commitments

17.1 Capital expenditure commitments

Estimated capital expenditure contracted for at balance date, but not provided for, or payable:

In thousands of NZD	Unaudited At 30/06/2021	Unaudited At 30/06/2020	Audited At 31/12/2020
One year or less	2,119	194	-
Total capital expenditure commitments	**2,119**	**194**	**-**

17.2 Non-cancellable operating lease commitments

In thousands of NZD	Unaudited At 30/06/2021	Unaudited At 30/06/2020	Audited At 31/12/2020
One year or less	862	818	1,186
Between one and two years	1,081	534	1,302
Between two and five years	1,900	2,100	1,688
Over five years	3,611	4,177	3,419
Total operating lease commitments	**7,454**	**7,629**	**7,595**

Operating lease commitments include short-term leases, service portion of lease payments under operating leases and leases entered into by the Bank before lease commencement date.

Lease arrangements entered into by the Bank are for the purpose of accommodating the Bank's needs. These include lease arrangements over premises, motor vehicles used by staff in conducting business.

Notes to the financial statements

17. Expenditure Commitments (continued)

Leases may be over commercial and residential premises and reflect the needs of the occupying business and market conditions. All leases are negotiated with external professional property advisors acting for the Bank. Rental payments are determined in terms of the relevant lease requirements, usually reflecting market rentals as described by standard valuation practice. The Bank as lessee has no purchase options over premises occupied. There are no restrictions imposed on the Bank's lease of space other than those forming part of the negotiated lease arrangements for each specific premises.

18. Reconciliation of net cash flows from operating activities

In thousands of NZD	Unaudited 6 months to 30/06/2021	Unaudited 6 months to 30/06/2020	Audited Year to 31/12/2020
Net profit after tax	67,153	41,271	99,341
Non-cash items	7,272	19,233	9,313
Deferrals or accruals of past or future operating cash receipts or payments			
Change in net operating assets and liabilities	(379,445)	274,263	31,798
Change in interest receivable/payable	2,931	818	(31,681)
Change in other deferrals and accruals	1,228	(13,503)	4,078
Net cash flows from / (used in) operating activities	**(300,861)**	**322,082**	**112,849**

19. Risks arising from financial instruments

The major types of risk the Bank is exposed to are liquidity risk, market risk and credit risk.

19.1 Liquidity risk

Liquidity portfolio

The Bank holds a portfolio of high quality liquid securities to support liquidity risk management. The size of the Bank's liquidity portfolio is based on the amount required to meet its liquidity risk appetite and regulatory obligations.

in thousands of NZD	At 30/06/2021
Cash at banks	89,854
Balances with Central Bank	333,734
New Zealand Government Securities	442,926
Other debt securities (Kauri)	140,548
Total liquid assets	**1,007,062**

The following maturity analysis for financial assets and financial liabilities and contingent liabilities presents the contractual undiscounted cash flows receivable and payable, and is based on the remaining period as at the reporting date to the contractual maturity.

The total balances in the table below may not agree to the statement of financial position as the table incorporates all cash flows on an undiscounted basis, which include both principal and associated future interest income/expense accruals.

Notes to the financial statements

19. Risks arising from financial instruments (continued)

19.1.1 Maturity analysis of financial assets and financial liabilities and contingent liabilities by contractual maturity based on undiscounted cash flows (principal and interest)

The Bank actively monitors and manages the mismatch between assets and liabilities as part of standard banking operations. The management of the mismatch of assets against liabilities using expected flows allows for the repayment behaviour of assets and liabilities that are not aligned to the contractual maturity. The Bank has access to various sources of short and long term funding via its retail and SME deposit portfolio, and intercompany funding arrangements with Rabobank. These funding options support the renewal of maturing liabilities.

In thousands of NZD	Total	On Demand	Up to 6 months	Over 6 months and up to 1 year	Over 1 year and up to 2 years	Over 2 years and up to 5 years	Over 5 years
At 30 June 2021 (Unaudited)							
Financial assets							
Cash and cash equivalents	423,589	423,589	-	-	-	-	-
Derivative financial instruments	11,652	-	6,901	16	2,323	2,412	-
Financial assets at fair value through other comprehensive income	590,357	-	325,908	1,212	165,983	97,254	-
Loans and advances	11,997,770	-	2,501,639	2,030,852	3,742,736	3,044,843	677,700
Due from related entities	74,908	15,028	8,254	302	598	50,726	-
Other financial assets	2,780	-	2,780	-	-	-	-
Total financial assets	**13,101,056**	**438,617**	**2,845,482**	**2,032,382**	**3,911,640**	**3,195,235**	**677,700**
Financial liabilities							
Derivative financial instruments	11,859	-	6,901	16	2,536	2,406	-
Deposits	4,859,795	2,479,452	1,398,536	523,756	202,062	255,783	206
Due to related entities	6,182,608	6,504	2,630,799	1,410,317	2,084,262	50,726	-
Other liabilities	15,764	-	11,731	1,289	1,908	836	-
Total financial liabilities	**11,070,026**	**2,485,956**	**4,047,967**	**1,935,378**	**2,290,768**	**309,751**	**206**
Contingent liabilities							
Guarantees	6,557	6,557	-	-	-	-	-
Lending commitments	1,745,367	1,681,891	288	1,121	362	15,379	46,326
Total contingent liabilities	**1,751,924**	**1,688,448**	**288**	**1,121**	**362**	**15,379**	**46,326**

Notes to the financial statements

19. Risks arising from financial instruments (continued)

19.2 Market risk

Repricing analysis

The table below shows the repricing of assets and liabilities based on the earlier of repricing and contractual maturity date.

In thousands of NZD	Total	Up to 3 months	Over 3 months and up to 6 months	Over 6 months and up to 1 year	Over 1 year and up to 2 years	Over 2 years	Non-interest bearing
At 30 June 2021 (Unaudited)							
Financial assets							
Cash and cash equivalents	423,589	423,589	-	-	-	-	-
Derivative financial instruments	11,534	-	-	-	-	-	11,534
Financial assets at fair value through	583,474	114,474	210,000	-	164,000	95,000	-
Loans and advances	11,747,965	5,945,265	1,281,296	1,365,177	2,144,529	1,004,431	7,267
Due from related entities	72,983	14,999	-	-	-	50,000	7,984
Other financial assets	2,780	-	-	-	-	-	2,780
Total financial assets	**12,842,325**	**6,498,327**	**1,491,296**	**1,365,177**	**2,308,529**	**1,149,431**	**29,565**
Other assets	2,279	-	-	-	-	-	2,279
Net deferred tax assets	15,948	-	-	-	-	-	15,948
Property, plant and equipment	6,682	-	-	-	-	-	6,682
Intangible assets	2,005	-	-	-	-	-	2,005
Total non-financial assets	**26,914**	**-**	**-**	**-**	**-**	**-**	**26,914**
Total assets	**12,869,239**	**6,498,327**	**1,491,296**	**1,365,177**	**2,308,529**	**1,149,431**	**56,479**
Financial liabilities							
Derivative financial instruments	11,742	-	-	-	-	-	11,742
Deposits	4,846,253	3,223,674	662,823	499,505	191,034	252,930	16,287
Due to related entities	6,150,024	2,386,009	1,085,000	1,205,000	1,451,000	-	23,015
Other liabilities	15,506	834	724	1,225	1,848	791	10,084
Total financial liabilities	**11,023,525**	**5,610,517**	**1,748,547**	**1,705,730**	**1,643,882**	**253,721**	**61,128**
Current tax payable	4,407	-	-	-	-	-	4,407
Provisions	7,954	-	-	-	-	-	7,954
Total non-financial liabilities	**12,361**	**-**	**-**	**-**	**-**	**-**	**12,361**
Total liabilities	**11,035,886**	**5,610,517**	**1,748,547**	**1,705,730**	**1,643,882**	**253,721**	**73,489**

Notes to the financial statements

19. Risks arising from financial instruments (continued)

Swaps	-	96,046	(2,000)	-	(25,970)	(68,076)
Repricing gap (interest bearing assets and liabilities)	1,850,361	983,854	(259,251)	(340,553)	638,677	827,634
Cumulative mismatch	**1,850,361**	**983,854**	**724,603**	**384,050**	**1,022,727**	**1,850,361**

19.3 Credit risk

Credit risk arises from the potential inability of a debtor or counterparty to meet their contractual obligations.

Concentration of credit risk is determined by management by industry sector. Industry sectors are determined by reference to the Australian and New Zealand Standard Industrial Classification (ANZSIC) codes.

No material changes were made to the objectives, policies or processes from prior year.

19.3.1 Maximum exposure to credit risk without taking account of any collateral and other credit enhancements

The following tables show the maximum exposure to credit risk for the components of the balance sheet and off balance sheet, including derivatives and commitments and guarantees by industry and geography.

Credit exposures consist of:

In thousands of NZD	30 June At 30/06/2021
Cash and cash equivalents	423,589
Financial assets at fair value through other comprehensive income	583,474
Loans and advances	11,747,965
Due from related entities	72,983
Other financial assets	2,780
Derivative financial instruments	11,534
Commitment and guarantees (note 16)	1,751,924
Total credit exposures	**14,594,249**

Analysis of credit exposures by industry:

In thousands of NZD	30 June At 30/06/2021
Agriculture	13,037,977
Finance and insurance	305,053
Forestry and fishery	42,638
Government	777,560
Property and business services	142,129
Other	288,892
Total credit exposures	**14,594,249**

Notes to the financial statements

19. Risks arising from financial instruments (continued)

Analysis of credit exposures by geographical areas:

In thousands of NZD	30 June At 30/06/2021
New Zealand	14,433,755
Australia	5,197
Finland	51,419
Germany	22,589
Philippines	31,482
United States of America	31,226
The Netherlands	8,123
Luxembourg	10,458
Total credit exposures	**14,594,249**

19.3.2 Concentration of credit exposures to individual counterparties

	Unaudited	
	At 30 June 2021	Peak for the period
Number of bank counterparties:		
Percentage of Common equity Tier 1 capital		
10-15%	-	1
15-20%	-	-
20%-25%	-	-
25%-30%	-	-
30%-35%	-	-
Number of non-bank counterparties:		
Percentage of Common equity Tier 1 capital		
10-15%	-	-
15-20%	-	-
20-25%	-	-
25-30%	-	-

All bank counterparties disclosed in the table above have a long-term credit rating of A- or A3 or above.

All non-bank counterparties disclosed in the table above do not have a long-term credit rating.

Credit exposure is calculated on the basis of actual exposure net of individual credit impairment provision. It excludes credit exposures to Connected Persons, credit exposures to the central government or central bank of any country with a long-term credit rating of A- or A3 or above, or its equivalent, and credit exposures to any supranational or quasi-sovereign agency with a long-term credit rating of A- or A3 or above, or its equivalent.

The peak end-of-day credit exposure is measured by taking the maximum end-of-day aggregate credit exposure during the period and dividing it by the Banking Group's Common equity Tier 1 capital as at the end of the period.

20. Fair values of financial instruments

Financial assets and financial liabilities are measured on an ongoing basis either at fair value or amortised cost, in accordance with NZ IFRS 13 ‘Fair Value Measurement' which requires the Bank to disclose the fair value of those financial instruments not already carried at fair value in the Statement of Financial Position.

The estimated fair value of the financial assets and financial liabilities are:

Notes to the financial statements

20. Fair values of financial instruments (continued)

	Unaudited At 30 June 2021		Unaudited At 30 June 2020		Audited At 31 December 2020	
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
In thousands of NZD						
Financial assets						
Cash and cash equivalents	423,589	423,589	134,602	134,602	336,641	336,641
Derivative financial instruments	11,534	11,534	10,584	10,584	9,169	9,169
Financial assets at fair value through other comprehensive income	583,474	583,474	892,928	892,928	656,359	656,359
Loans and advances	11,747,965	11,989,304	11,288,337	11,580,903	11,574,649	11,856,411
Due from related entities	72,983	70,945	130,770	129,874	113,440	112,056
Other financial assets	2,780	2,780	2,953	2,953	4,126	4,126
Total financial assets	**12,842,325**	**13,081,626**	**12,460,174**	**12,751,844**	**12,694,384**	**12,974,762**
Financial liabilities						
Derivative financial instruments	11,742	11,742	10,804	10,804	9,263	9,263
Deposits	4,846,253	4,901,183	5,376,666	5,455,867	5,098,694	5,169,555
Due to related entities	6,150,024	6,155,534	5,371,839	5,411,728	5,815,308	5,840,705
Other financial liabilities	15,506	15,506	16,186	16,186	17,342	17,342
Total financial liabilities	**11,023,525**	**11,083,965**	**10,775,495**	**10,894,585**	**10,940,607**	**11,036,865**

Notes to the financial statements

20. Fair values of financial instruments (continued)

Fair value hierarchy

The Bank categorises its fair value measurements on the basis of inputs used in measuring fair value using the fair value hierarchy below:

Level 1: Financial instruments that have been valued by reference to unadjusted quoted prices in active markets for identical financial instruments. This category includes financial instruments valued using quoted yields where available for specific debt securities.

Level 2: Financial instruments that have been valued through valuation techniques incorporating inputs other than quoted prices within Level 1 that are observable for a similar financial asset or liability, either directly or indirectly.

Level 3: Financial instruments that have been valued using valuation techniques which incorporate significant inputs that are not based on observable market data (unobservable inputs).

Valuation methodology

Financial assets and financial liabilities at fair value

For financial assets and financial liabilities carried at fair value, fair value has been derived as follows:

Derivative financial instruments and FVOCI financial assets

Fair values are based on quoted market prices. Where a quoted price is not available, fair values are estimated using quoted market prices for securities with similar credit, maturity and yield characteristics, or market accepted valuation models as appropriate (including discounted cash flow models) based on current market yields for similar types of instruments and the maturity of each instrument.

A Credit Valuation Adjustment (CVA) is applied to the Bank's over-the-counter derivative exposures to take into account the counterparty's risk of default when measuring the fair value of the derivative. The Bank uses a Bilateral Credit Valuation Adjustment (BCVA) methodology to calculate the expected future credit exposure for all derivative exposures including inputs regarding probabilities of default (PDs) and loss given default (LGD).

The following tables categorise financial assets and financial liabilities that are recognised and measured at fair value according to the three levels of hierarchy.

In thousands of NZD	Level 1	Level 2	Level 3	Total
At 30 June 2021 (Unaudited)				
Financial assets				
Derivative financial instruments	-	11,534	-	11,534
Financial assets at fair value through other comprehensive income	583,474	-	-	583,474
Financial liabilities				
Derivative financial instruments	-	11,742	-	11,742

In thousands of NZD	Level 1	Level 2	Level 3	Total
At 30 June 2020 (Unaudited)				
Financial assets				
Derivative financial instruments	-	10,584	-	10,584
Financial assets at fair value through other comprehensive income	892,928	-	-	892,928
Financial liabilities				
Derivative financial instruments	-	10,804	-	10,804

Notes to the financial statements

20. Fair values of financial instruments (continued)

In thousands of NZD	Level 1	Level 2	Level 3	Total
At 31 December 2020 (Unaudited)				
Financial assets				
Derivative financial instruments	-	9,169	-	9,169
Financial assets at fair value through other comprehensive income	656,360	-	-	656,360
Financial liabilities				
Derivative financial instruments	-	9,263	-	9,263

Transfers in and transfers out of fair value hierarchy levels are reported using the end-of-period fair values. There were no transfers between fair value hierarchy levels during the period.

Financial assets and financial liabilities carried at amortised cost

For financial assets and financial liabilities carried at amortised cost, an estimate of the fair value has been derived as follows, and are categorised as level 3 (with the exception of cash and cash equivalents which are level 1, and due from other financial institutions and deposits which are level 2).

Cash and cash equivalents

Fair value approximates carrying value due to their short term nature, frequent repricing or high credit rating.

Loans and advances and Due from related entities

The carrying value of loans and advances and due from related entities is net of collective and specific provisions. Fair value of call and variable rate loans and advances approximate their carrying value as they are short term in nature or payable on demand. Fair value of term loans and advances are estimated using discounted cash flows, applying market rates offered for loans of similar remaining maturities.

Other financial assets and Other financial liabilities

For all other financial assets and financial liabilities fair value approximates carrying value due to their short term nature, frequent repricing or high credit rating.

Due to financial institutions, Deposits and Due to related entities

Fair value of call and variable rate deposits approximate their carrying value as they are short term in nature or payable on demand.

Fair value of term deposits are estimated using discounted cash flows, applying market rates offered for deposits of similar remaining maturities.

Notes to the financial statements

21. Maturity analysis of assets and liabilities

The table below shows a maturity analysis of assets and liabilities analysed according to when they are expected to be recovered or settled within 12 months (current) and greater than 12 months (non-current).

	At 30 June 2021 (Unaudited)			At 31 December 2020 (Audited)		
	Current	Non-Current	Total	Current	Non-Current	Total
In thousands of NZD						
Assets						
Cash and cash equivalents	423,589	-	423,589	336,641	-	336,641
Derivative financial instruments	6,917	4,617	11,534	3,740	5,429	9,169
FVOCI financial assets	324,474	259,000	583,474	447,360	209,000	656,360
Loans and advances	5,834,824	5,913,141	11,747,965	5,747,364	5,827,285	11,574,649
Due from related entities	22,983	50,000	72,983	63,440	50,000	113,440
Other assets	5,059	-	5,059	5,465	-	5,465
Net deferred tax assets	-	15,948	15,948	-	16,054	16,054
Property, plant and equipment	-	6,682	6,682	-	8,643	8,643
Intangible assets	-	2,005	2,005	-	2,304	2,304
Total Assets	**6,617,846**	**6,251,393**	**12,869,239**	**6,604,010**	**6,118,715**	**12,722,725**
Liabilities						
Derivative financial instruments	6,917	4,825	11,742	3,740	5,523	9,263
Deposits	3,329,239	1,517,014	4,846,253	3,503,028	1,595,666	5,098,694
Due to related entities	4,023,024	2,127,000	6,150,024	4,623,308	1,192,000	5,815,308
Current tax payable	4,407	-	4,407	6,245	-	6,245
Other liabilities	1,784	13,722	15,506	13,793	3,549	17,342
Provisions	5,655	2,299	7,954	4,618	2,520	7,138
Total Liabilities	**7,371,026**	**3,664,860**	**11,035,886**	**8,154,732**	**2,799,258**	**10,953,990**

Notes to the financial statements

22. Capital adequacy under the standardised approach and regulatory liquidity ratio

22.1 Capital

In thousands of NZD	Unaudited 30 June At 30/06/2021
Common Equity Tier 1 ("CET1") capital	
Paid-up ordinary shares issued by the Bank plus related share premium	551,200
Retained earnings (net of appropriations)	1,281,478
Accumulated other comprehensive income and other disclosed reserves	675
Less deductions from CET1 capital:	
Deferred tax assets	(15,948)
Goodwill and other intangible assets	(2,005)
Subtotal CET1 capital	**1,815,400**
Additional Tier 1 ("ATI") capital	
Subtotal AT1 capital	**-**
Total Tier 1 capital	**1,815,400**
Tier 2 capital	
Total Tier 2 capital	**-**
Total capital	**1,815,400**

The above balances are derived in accordance with the conditions of registration relating to capital adequacy and the Reserve Bank document entitled "Capital Adequacy Framework (Standardised Approach)" (BS2A).

Refer to note 15 for information about material terms and conditions of each instrument disclosed above.

Notes to the financial statements

22. Capital adequacy under the standardised approach and regulatory liquidity ratio (continued)

22.2 Credit risk

22.2.1 Calculation of on-balance sheet exposures

In thousands of NZD	Total exposure after credit risk mitigation	Risk weight	Risk weighted exposure	Minimum pillar 1 capital requirement
At 30/06/2021 (Unaudited)				
Cash and gold bullion	-	0%	-	-
Sovereigns and central banks	777,560	0%	-	-
Multilateral development banks and other international organisations	119,595	0%	-	-
Multilateral development banks and other international organisations	22,588	20%	4,518	361
Banks	89,855	20%	17,971	1,438
Banks - related party[1]	7,547	20%	1,509	121
Public sector entities	-	20%	-	-
Corporate	-	50%	-	-
Residential mortgages not past due - LVR does not exceed 80%	11,459	40%	4,584	367
Residential mortgages not past due - LVR between 80% and 90%	577	70%	404	32
Residential mortgages not past due - LVR between 90% and 100%	-	75%	-	-
Past due residential mortgages	-	100%	-	-
Other past due assets[2]	355,619	150%	533,429	42,674
Equity holdings (not deducted from capital) that are publicity traded	-	300%	-	-
All other equity holdings (not deducted from capital)	-	400%	-	-
Other[3]	244	0%	-	-
Other[4]	11,391,126	100%	11,391,126	911,290
Non-risk weighted assets[5]	29,486	N/A	-	-
Total on-balance sheet exposures	**12,805,656**		**11,953,541**	**956,283**

[1] The related party exposure disclosed above is the net exposure after credit risk mitigation tools have been applied in accordance with BS8 and BS2A. Refer to note 22.3 for more information.

[2] Other past due assets that have been risk weighted at 150% comprise of loans and advances classified as more than 90 days past due assets, and impaired assets when the provision for doubtful debt is less than 20% of the outstanding amount of the loan.

[3] Other assets that have been risk weighted at 0% represent income tax receivable and GST receivable.

[4] Other assets that have been risk weighted at 100% comprise of loans and advances, finance leases, property, plant and equipment, sundry debtors and accrued interest receivable.

[5] Non-risk weighted assets relate to net deferred tax assets, derivative assets and other intangible assets.

Notes to the financial statements

22. Capital adequacy under the standardised approach and regulatory liquidity ratio (continued)

22.2.2 Calculation of off-balance sheet exposures

In thousands of NZD	Total exposure	Credit conversion factor %	Credit equivalent amount	Average risk weight %	Risk weighted exposure	Minimum pillar 1 capital requirement
At 30 June 2021 (Unaudited)						
Direct credit substitutes	6,551	100%	6,551	100%	6,551	524
Asset sales with recourse	-	100%	-	0%	-	-
Forward asset purchase	-	100%	-	0%	-	-
Commitments with certain drawdown	-	100%	-	100%	-	-
Note issuance facility	-	50%	-	0%	-	-
Revolving underwriting facility	-	50%	-	0%	-	-
Performance-related contingency	-	50%	-	0%	-	-
Trade-related contingency	-	20%	-	0%	-	-
Placements of forward deposits	-	100%	-	0%	-	-
Other commitments where original maturity is more than one year	63,065	50%	31,533	100%	31,533	2,523
Other commitments where original maturity is less than or equal to one year	-	20%	-	100%	-	-
Other commitments which can be cancelled unconditionally at any time without prior notice	1,680,454	0%	-	100%	-	-
Market related contracts*						
Foreign exchange forwards - related entities	302	N/A	3	20%	1	-
Interest rate swaps - related entities	113,746	N/A	620	20%	124	10
Interest rate swaps	113,746	N/A	3,787	100%	3,787	303
Commodity swaps - related entities	70,228	N/A	7,720	20%	1,544	124
Commodity swaps	70,228	N/A	15,734	100%	15,734	1,259
Other - Credit valuation adjustment	-	N/A	-	2.0%	7,288	583
Other - Credit valuation adjustment	-	N/A	-	0.8%	1,225	98
Total off-balance sheet exposures	**2,118,320**		**65,948**		**67,787**	**5,424**

*The current exposure method has been used to calculate the credit equivalent amount on all market related off-balance sheet exposures.

Notes to the financial statements

22. Capital adequacy under the standardised approach and regulatory liquidity ratio (continued)

22.2.3 Additional residential mortgages information

Residential mortgages by loan-to-valuation ratio ("LVR")

In thousands of NZD	At 30 June 2021 (Unaudited) Drawn	Undrawn	Total
LVR range			
Do not exceed 80%	11,459	6,998	18,457
Exceeds 80% and not 90%	577	419	996
Exceeds 90%	-	-	-
Total value of residential mortgage exposures	**12,036**	**7,417**	**19,453**

Reconciliation of mortgage related accounts

In thousands of NZD	Unaudited 30 June At 30/06/2021
Loans and advances - loans with residential mortgages	12,036
Plus short term residential mortgage classified as overdrafts	-
Less housing loans made to corporate customers	-
On-balance sheet residential mortgage exposures subject to the standardised approach	12,036
Off-balance sheet residential mortgages exposures subject to the standardised approach	7,417
Total residential mortgage exposures subject to the standardised approach	**19,453**

22.3 Credit risk mitigation

In thousands of NZD	At 30/06/2021 (Unaudited) Total value of on- and off-balance sheet exposures covered by eligible collateral (after haircutting)	Total value of on- and off-balance sheet exposures covered by guarantees or credit derivatives
Sovereign or central bank	-	-
Multilateral development bank	-	-
Public sector entities	-	-
Banks - related party*	72,983	-
Corporate	-	-
Residential mortgage	-	-
Other	-	-
Total gross-exposure basis	**72,983**	**-**
Total net-exposure basis (note 22.2.1*)	**7,547**	**-**

* On 2 April 2015, Reserve Bank of New Zealand advised that it has no objection to RNZL measuring connected party exposures on a net exposure basis, as described in BS8. As described in "Capital Adequacy Framework" (Standardised Approach) (BS2A), the exposure value for bilateral on-balance sheet netting of loans and deposits is calculated by treating loans as exposures and deposits as cash collateral.

Notes to the financial statements

22. Capital adequacy under the standardised approach and regulatory liquidity ratio (continued)

22.4 Operational risk

Operational risk capital requirement

	At 30/06/2021 (Unaudited)	
	Implied risk weighted exposure	Total operational risk capital requirement
In thousands of NZD		
Operational risk	822,325	65,786
Total	**822,325**	**65,786**

22.5 Market risk period-end capital charges

	At 30/06/2021 (Unaudited)	
	Implied risk weighted exposure	Aggregate capital charges
In thousands of NZD		
Interest rate risk	444,625	35,570
Foreign currency risk	58,875	4,710
Total	**503,500**	**40,280**

The bank does not take any equity risk.

22.6 Market risk peak end-of-day capital charges

	At 30/06/2021 (Unaudited)	
	Implied risk weighted exposure	Aggregate capital charges
In thousands of NZD		
Interest rate risk	465,250	37,220
Foreign currency risk	58,875	4,710
Total	**524,125**	**41,930**

The bank does not take any equity risk.

22.7 Method for delivering peak end-of-day aggregate capital charge

The above market risk information is derived in accordance with the conditions of registration relating to capital adequacy and the Reserve Bank document entitled "Capital Adequacy Framework" (Standardised Approach) (BS2A).

Notes to the financial statements

22. Capital adequacy under the standardised approach and regulatory liquidity ratio (continued)

22.8 Total capital requirements

	At 30/06/2021 (Unaudited)		
In thousands of NZD	Total exposure after credit risk mitigation	Risk weighted exposure or implied risk weighted exposure	Total capital requirement
Total credit risk	14,923,977	12,021,328	961,707
Operational risk	N/A	822,325	65,786
Market risk	N/A	503,500	40,280
Total	**14,923,977**	**13,347,153**	**1,067,773**

22.9 Capital ratios

	At 30 June 2021 (Unaudited)		At 30 June 2020 (Unaudited)	
In percentage (%)	Ratio	Minimum ratio requirement	Ratio	Minimum ratio requirement
Common Equity Tier 1 capital ratio	13.60%	4.50%	13.31%	4.50%
Tier 1 capital ratio	13.60%	6.00%	13.31%	6.00%
Total capital ratio	**13.60%**	**8.00%**	**13.31%**	**8.00%**

22.10 Buffer ratio

In percentage (%)	At 30 June 2021 (Unaudited)	At 30 June 2020 (Unaudited)
Buffer ratio* (in excess of the minimum tier 1 capital ratio requirement)	5.60%	5.31%
Buffer ratio requirement	2.50%	2.50%

22.11 Solo capital adequacy

In percentage (%)	At 30 June 2021 (Unaudited)	At 30 June 2020 (Unaudited)
Total capital ratio	13.60%	13.31%
Common equity tier 1 (CET1) capital ratio	13.60%	13.31%
Tier 1 capital ratio	13.60%	13.31%

*The ratios above are derived in accordance with the conditions of registration relating to capital adequacy and the Reserve Bank document entitled "Capital Adequacy Framework" (Standardised Approach) (BS2A).

22.12 Pillar 2 capital for other material risks

In thousands of NZD	At 30 June 2021 (Unaudited)	At 30 June 2020 (Unaudited)
Internal capital allocation for other material risks	46,448	50,829

Notes to the financial statements

22. Capital adequacy under the standardised approach and regulatory liquidity ratio (continued)

The Pillar 2 risks that the Bank has identified are described below:

(i) Credit Concentration Risk of a loan portfolio is a function of the relative proportion of loans across industry sectors, geographic areas, single obligors, credit quality, etc. It is an overall spread of Rabobank's assets over the number or variety of debtors to whom the bank has lent money.
(ii) Compliance risk is defined as a risk of impairment of Rabobank's integrity due to unlawful, unethical or inappropriate conduct. Such conduct can damage the rights and interests of our clients, as well as the reputation of Rabobank, leading to legal or regulatory sanctions and/or financial loss.
(iii) Strategic risk is the inability to achieve strategic objectives set out in the business plan.
(iv) Reputation risk is defined as the potential that negative publicity, perception and/or loss of confidence regarding RNZL’s business practices, whether true or not, will cause RNZL’s clients, employees and other key stakeholders to lose trust in the organisation. This damage results in missed future opportunity, foregone (future) revenues and the loss of current and potential customers.
(v) Liquidity risk is defined as the risk that the Bank will not have sufficient funds available to meet its financial and transactional cash flow obligations and regulatory obligations.
(vi) Interest rate risk in the banking book (IRRBB) is the risk of loss in earnings or in the economic value on banking book items as a consequence of movements in interest rates.

The Bank has completed an internal assessment of all the material risks focused by the Bank. This is described in the ICAAP document. The result show that no individual Pillar 2 risk would require a high capital allocation. The Bank adopted capital buffer of 4.35% against strategic risk and interest rate risk in banking group (2020: an internal capital allocation of 5% of Pillar 1 capital). The internal capital allocation for the Pillar 2 risks forms part of the internal capital buffer.

The Bank will review this allocation methodology every reporting period in line with industry practice as this area evolves over time.

22.13 Capital adequacy of the ultimate parent bank

Capital adequacy of Rabobank
Capital adequacy ratios for Rabobank are publicly available in the Rabobank Interim Report.

	2021 %	2020 %
At 30 June (Unaudited)		
Common equity Tier 1 capital ratio	17.20%	16.60%
Tier 1 capital ratio	19.00%	18.40%
Total capital ratio	23.00%	24.30%

Minimum capital requirements

Rabobank is required by Dutch Central Bank (DNB) to hold minimum capital at least equal to that specified under Basel framework and those requirements imposed on it by the DNB have been met as at the reporting date.

Rabobank calculates its regulatory capital for credit risk for almost the entire loan portfolio using the Advanced Internal Ratings Based Approach approved by the supervisory authority. In consultation with the DNB, Rabobank applies the Standardised Approach to portfolios with relatively limited exposure and to some smaller portfolios outside the Netherlands which are not suitable for the Advanced Internal Ratings Based Approach.

Rabobank measures operational risk using an internal model, approved by DNB, that is based on the Advanced Measurement Approach. For market risk exposure, DNB has given Rabobank permission to calculate the general and specific position risk using its own internal value-at-risk (VaR) models, based on the The Capital Requirements Regulation (CRR).

Notes to the financial statements

22. Capital adequacy under the standardised approach and regulatory liquidity ratio (continued)

Rabobank's Capital Adequacy and Risk Management Report (pillar 3) are publicly available on https://www.rabobank.com/en/images/pillar-3-report-2020.pdf

22.14 Regulatory liquidity ratios

	3 months to 31/03/2021	3 months to 30/06/2021
Quarterly average core funding ratio	66.5%	67.9%
Quarterly average one-month mismatch ratio	5.8%	6.4%
Quarterly average one-week mismatch ratio	5.4%	5.8%

23. Offsetting financial assets and financial liabilities

Financial assets and liabilities are offset and the net amount reported in the balance sheet where the Rabobank New Zealand Limited currently has a legally enforceable right to offset the recognised amounts, and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

The following table presents the recognised financial instruments that are offset, or subject to enforceable master netting arrangements and other similar agreements but not offset, as at 30 June 2021 and 30 June 2020. The column 'net amount' shows the impact on the bank's balance sheet if all set-off rights were exercised.

	Effects of offsetting on the balance sheet			Related amounts not offset		
30/06/2021 (Unaudited)	**Gross amounts**	**Gross amounts set off in the balance sheet**	**Net amounts presented in the balance sheet**	**Amounts subject master agreements**	**Financial instrument collateral**	**Net amount**
In thousands of NZD						
Financial Assets						
Cash and cash equivalents	423,589	-	423,589	-	-	423,589
Derivative financial instruments	11,534	-	11,534	-	-	11,534
Total financial assets	**435,123**	**-**	**435,123**	**-**	**-**	**435,123**
Financial Liabilities						
Derivative financial instruments	11,742	-	11,742	-	-	11,742

Notes to the financial statements

23. Offsetting financial assets and financial liabilities (continued)

30/06/2020 (Unaudited)	Effects of offsetting on the balance sheet			Related amounts not offset		
In thousands of NZD	Gross amounts	Gross amounts set off in the balance sheet	Net amounts presented in the balance sheet	Amounts subject master agreements	Financial instrument collateral	Net amount
Financial Assets						
Cash and cash equivalents	134,602	-	134,602	-	-	134,602
Derivative financial instruments	10,584	-	10,584	-	-	10,584
Total financial assets	**145,186**	**-**	**145,186**	**-**	**-**	**145,186**
Financial Liabilities						
Derivative financial instruments	10,804	-	10,804	-	-	10,804

24. Concentration of funding

24.1 Total funding comprised

In thousands of NZD	30 June At 30/06/2021
Deposits	4,846,253
Due to related entities	6,150,024
Other liabilities	15,506
Total funding	**11,011,783**

24.2 Analysis of funding by industry

In thousands of NZD	30 June At 30/06/2021
Agriculture	693,467
Finance and Insurance	6,737,064
Personal and other services	3,182,319
Other	398,933
Total funding	**11,011,783**

Notes to the financial statements

24. Concentration of funding (continued)

24.3 Analysis of funding by geographical areas

In thousands of NZD	30 June At 30/06/2021
New Zealand	10,934,195
Australia	24,054
The Netherlands	9,092
United Kingdom	11,296
United States of America	11,726
All other countries	21,420
Total funding	**11,011,783**

25. Additional information on statement of financial position

In thousands of NZD	At 30/06/2021
Total interest earning and discount bearing assets	**12,812,760**
Total interest and discount bearing liabilities	**10,962,399**
Financial assets pledged as collateral	**-**

26. Related party disclosures

The Bank's parent entity is Rabobank International Holding B.V. The ultimate controlling party is Rabobank. Both the parent entity and the ultimate controlling entity are incorporated in the Netherlands. Dealings with the parent and ultimate controlling entity include funding and derivative transactions.

26.1 Transactions with related parties

26.1.1 Guarantees

The first period

For the period 18 February 1998 to 17 February 2008 ("the First Period"), the obligations of the Bank were guaranteed pursuant to a deed of guarantee dated 18 February 1998 (as amended by an amending deed dated 19 February 1998) by Rabobank in favour of Permanent Trustee Company Limited (the "Trustee") as trustee for the creditors of the Bank (the "First Guarantee").

Whilst the First Guarantee expired on 17 February 2008, all obligations incurred by the Bank during the First Period will continue to be covered by the First Guarantee until those obligations are repaid.

The second period

For the period 18 February 2008 to 17 February 2010 ("the Second Period"), the obligations of the Bank were guaranteed pursuant to a deed of guarantee dated 6 February 2008 by Rabobank in favour of the creditors of the Bank (the "Second Guarantee").

Whilst the Second Guarantee expired on 17 February 2010, all obligations incurred by the Bank during the Second Period will continue to be covered by the Second Guarantee until those obligations are repaid.

The third period

For the period 18 February 2010 to 17 February 2012 ("the Third Period"), the obligations of the Bank were guaranteed pursuant to a deed of guarantee dated 1 September 2009 by Rabobank in favour of the creditors of the Bank (the "Third Guarantee").

Whilst Third Guarantee expired on 17 February 2012, all obligations incurred by the Bank during the Third Period will continue to be covered by the Third Guarantee until those obligations are repaid.

Notes to the financial statements

26. Related party disclosures (continued)

The fourth period

For the period 18 February 2012 to17 February 2013 (“the Fourth Period”), the obligations of the Bank were guaranteed pursuant to a deed of guarantee dated 10 October 2011 by Rabobank in favour of the creditors of the Bank (the “Fourth Guarantee”).

Whilst the Fourth Guarantee expired on 17 February 2013, all obligations incurred by the Bank during the Fourth Period will be covered by the Fourth Guarantee until those obligations are repaid.

The fifth period

For the period 18 February 2013 to 17 February 2014 (“the Fifth Period”), the obligations of the Bank are guaranteed pursuant to a deed of guarantee dated 9 July 2012 by Rabobank in favour of the creditors of the Bank (the “Fifth Guarantee”).

Whilst the Fifth Guarantee expired on 17 February 2014 all obligations incurred by the Bank during the Fifth Period will be covered by the Fifth Guarantee until those obligations are repaid.

The sixth period

For the period 18 February 2014 to 17 February 2015 (“the Sixth Period”), the obligations of the Bank are guaranteed pursuant to a deed of guarantee dated 20 August 2013 by Rabobank in favour of the creditors of the Bank (the “Sixth Guarantee”).

Whilst the Sixth Guarantee expired on 17 February 2015 all obligations incurred by the Bank during the Sixth Period will be covered by the Sixth Guarantee until those obligations are repaid.

The seventh period

For the period 18 February 2015 to 30 April 2015 (“the Seventh Period”), the obligations of the Bank will be guaranteed pursuant to a deed of guarantee dated 19 September 2014 by Rabobank in favour of the creditors of the Bank (the “Seventh Guarantee”).

Whilst the Seventh Guarantee expired on 30 April 2015, all obligations incurred by the Registered Bank up to the close of 30 April 2015 will continue to be covered by the Seventh Guarantee or one of the earlier guarantees described above (as applicable), until those obligations are repaid or otherwise satisfied.

Further information about the expiry of the guarantee can be found at www.rabobank.co.nz.

26.1.2 Guarantee fees

A fee of $0.19 million was charged to the Bank by Rabobank in consideration for providing the obligations guarantees for the six month period ended 30 June 2021 (twelve month period ended December 2020: $0.46 million; six month period June 2020: $0.25 million).

26.1.3 Management fees

Management expenses and recharges mainly consisted of two types, namely expenses incurred in relation to services received from Australian Branch of Rabobank; and overseas Rabobank Head Office.

Expenses that are related to provision of administrative and management services to the Bank (e.g. employee expenses, rent, professional fees) incurred by the Australian Branch of Rabobank are recharged as per service level agreements. In total, management expenses and recharge costs of $21 million were charged by the Australian Branch of Rabobank (twelve month period December 2020: $42 million; six month period June 2020: $19.2 million).

A management fee of $6 million (twelve month period December 2020: $14 million; six month period June 2020: $5.8 million) was charged to the Bank by the Rabobank Head Office for the provision of administrative and management services.

A management fee of $6.4 million (twelve month period 31 December 2020: $4 million; six month period June 2020: $1.9 million) was charged to NZ Branch of Rabobank by the Bank for the provision of administrative and management services.

Notes to the financial statements

26. Related party disclosures (continued)

26.1.4 Other transactions

The Bank enters into a number of transactions with other related entities of Rabobank, but mainly with the New Zealand Branch of Rabobank. These transactions include funding, loans deposits and accrued interest. Interest recorded and charged was on normal commercial terms throughout the year. The balances and transactions are summarised in table below:

In thousands of NZD	Unaudited 30/06/2021	Unaudited 6 months to 30/06/2021	Unaudited 30/06/2020	Unaudited 6 months to 30/06/2020	Audited 31/12/2020	Audited Year to 31/12/2020
Interest income due from related entities	-	39	-	965	-	1,067
Interest expense due to related entities	-	30,815	-	54,152	-	94,672
Due from related entities	72,983	-	130,770	-	113,440	-
Due to related entities	6,150,024	-	5,371,839	-	5,815,309	-

Derivatives with a combined notional of $184.3 million (December 2020: $167 million; June 2020: $216.5 million) and a net fair value liability position of ($11.3 million) (December 2020: ($9.1 million); June 2020: ($10 million) respectively) are held with the New Zealand Branch of Rabobank and with Rabobank.

Working capital facilities
A loan facility of EUR 4 billion was granted by the New Zealand Branch of Rabobank to the Bank. The unused amount at 30 June 2021 was EUR0.39 billion (31 December 2020: EUR 1.12 billion; 30 June 2020: EUR 1.46 billion).

26.2 Terms and conditions of transactions with related parties

All transactions with related parties are made in the ordinary course of business on normal terms and conditions.

Outstanding balances at period end are unsecured and settlement occurs in cash.

26.3 Provision for impairment

For the period ended 30 June 2021, the Bank has not made any specific provision for impairment relating to amounts owed by related parties (31 December 2020: Nil; 30 June 2020: Nil). Provision has not been recognised on grounds of it being minimal and immaterial. The Bank recognises collective impairment allowance relating to amounts owned by related parties in accordance with expected credit loss impairment model. The Bank recognised stage 1 impairment allowance relating to amounts owned by related parties of $0.02 million as at 30 June 2021 (31 December 2020 $0.05 million; 30 June 2020: $0.05 million).

27. Subsequent events

From 18 August 2021, New Zealand entered nationwide lockdown due to a case of community transmission of COVID-19. The Bank continues to monitor the impacts of COVID-19 related restrictions on our clients and our lending portfolio. As disclosed in Note 9, a COVID-19 overlay has been recognised as at 30 June 2021 to address ongoing uncertainty of this pandemic. The directors are not aware of any other event or circumstances since the end of the period not otherwise dealt with in this report that has or may significantly affect the operations of the Bank, the results of those operations or the state of affairs of the Bank in subsequent financial years.

28. Dividend

No dividend was proposed or paid by the Bank for the six months period ended 30 June 2021 (2020: Nil).

Independent auditor's review report

To the shareholder of Rabobank New Zealand Limited

Report on the Disclosure Statement

Our conclusions

We have reviewed the "Insurance business" section on page 2, "Risk management policies" section on page 3 and pages 5 to 42 of the Disclosure Statement for the six months ended 30 June 2021 (the 'Disclosure Statement') of Rabobank New Zealand Limited (the 'Bank') which includes the interim financial statements (the 'financial statements') required by Clause 25 of the Registered Bank Disclosure Statements (New Zealand Incorporated Registered Banks) Order 2014 (as amended) (the 'Order') and the supplementary information required by Schedules 5, 7, 9, 13, 16 and 18 of the Order.

The financial statements on pages 5 to 42 comprise the statement of financial position as at 30 June 2021, the statement of comprehensive income, the statement of changes in equity and the condensed statement of cash flows for the six months then ended, and significant accounting policies and other explanatory information.

The supplementary information is included within the "Insurance business" section on page 2, "Risk management policies" section on page 3, and notes to the financial statements.

We have examined the financial statements and supplementary information and based on our review, nothing has come to our attention that causes us to believe that:

a) the financial statements on pages 5 to 42 (excluding the supplementary information) have not been prepared, in all material respects, in accordance with International Accounting Standard 34 Interim Financial Reporting (IAS 34) and New Zealand Equivalent to International Accounting Standard 34 Interim Financial Reporting (NZ IAS 34);

b) the supplementary information that is required to be disclosed under Schedules 5, 7, 13, 16 and 18 of the Order, does not fairly state the matters to which it relates in accordance with those Schedules; and

c) the supplementary information relating to capital adequacy and regulatory liquidity requirements that is required to be disclosed under Schedule 9 of the Order, is not, in all material respects, disclosed in accordance with Schedule 9 of the Order.

Basis for conclusions

We conducted our review in accordance with the New Zealand Standard on Review Engagements 2410 (Revised) *Review of Financial Statements Performed by the Independent Auditor of the Entity* (NZ SRE 2410 (Revised)). Our responsibility is further described in the *Auditor's responsibility for the review of the financial statements and supplementary information* section of our report.

We are independent of the Bank in accordance with the relevant ethical requirements in New Zealand relating to the audit of the annual financial statements, and we have fulfilled our other ethical responsibilities in accordance with these ethical requirements. Other than in our capacity as auditor, we have no relationship with, or interest in, the Bank. Certain partners and employees of our firm may deal with the Bank on normal terms within the ordinary course of trading activities of the Bank. These matters have not impaired our independence as auditor of the Bank.

Directors' responsibility for the Disclosure Statement

The Directors of the Bank (the 'Directors') are responsible on behalf of the Bank for the preparation and fair presentation of the Disclosure Statement, which includes financial statements prepared in accordance with Clause 25 of the Order and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are

PricewaterhouseCoopers, ABN 52 780 433 757
One International Towers Sydney, Watermans Quay, Barangaroo, GPO BOX 2650, SYDNEY NSW 2001
T: +61 2 8266 0000, F: +61 2 8266 9999, www.pwc.com.au

Level 11, 1PSQ, 169 Macquarie Street, Parramatta NSW 2150, PO Box 1155 Parramatta NSW 2124
T: +61 2 9659 2476, F: +61 2 8266 9999, www.pwc.com.au

free from material misstatement, whether due to fraud or error.

In addition, the Directors are responsible, on behalf of the Bank, for the preparation and fair presentation of supplementary information in the Disclosure Statement which complies with Schedules 3, 5, 7, 9, 13, 16 and 18 of the Order.

Auditor's responsibility for the review of the financial statements and supplementary information

Our responsibility is to express the following conclusions on the financial statements and the supplementary information presented by the Directors based on our review. NZ SRE 2410 (Revised) requires us to conclude whether anything has come to our attention that causes us to believe that:

- the financial statements (excluding the supplementary information), taken as a whole, have not been prepared, in all material respects, in accordance with IAS 34 and NZ IAS 34;
- the supplementary information (excluding the supplementary information relating to capital adequacy and regulatory liquidity requirements), taken as a whole, does not fairly state the matters to which it relates in accordance with Schedules 5, 7, 13, 16 and 18 of the Order; and
- the supplementary information relating to capital adequacy and regulatory liquidity requirements, taken as a whole, is not, in all material respects, disclosed in accordance with Schedule 9 of the Order.

A review in accordance with NZ SRE 2410 (Revised) is a limited assurance engagement. We perform procedures, primarily consisting of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures.

The procedures performed in a review are substantially less than those performed in an audit conducted in accordance with International Standards on Auditing (New Zealand) and International Standards on Auditing and consequently does not enable us to obtain assurance that we might identify in an audit. Accordingly, we do not express an audit opinion on the financial statements and the supplementary information.

Who we report to

This report is made solely to the Bank's shareholder. Our review work has been undertaken so that we might state those matters which we are required to state to them in our review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Bank and the Bank's shareholder for our review procedures, for this report, or for the conclusions we have formed.

The engagement partner on the review resulting in this independent auditor's review report is Sam Hinchliffe.

For and on behalf of:

PricewaterhouseCoopers

Chartered Accountants

Sydney, Australia

30 August 2021