



Rabobank

A wide-angle landscape photograph showing a valley with vibrant green fields in the foreground, a river winding through the middle ground, and a range of brown and grey mountains in the background under a clear blue sky with a few white clouds. The foreground is partially obscured by dark green evergreen trees.

Coöperatieve Rabobank U.A. – New Zealand Banking Group

Disclosure Statement

For the six months ended 30 June 2017

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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 and the Registered Bank Disclosure Statements (Overseas Incorporated Registered Banks) Order 2014 (as amended) ("Order").

In this Disclosure Statement:

- "Registered Bank" refers to Coöperatieve Rabobank U.A., incorporated in the Netherlands and trading as Rabobank.
- "Branch" refers to the New Zealand business of the Registered Bank.
- "Banking Group" or "Rabobank New Zealand Banking Group" refers to:
 - (a) the Branch;
 - (b) Rabobank New Zealand Limited; and
 - (c) Rabo Capital Securities Limited,

but, in accordance with the Registered Bank's conditions of registration, does not include De Lage Landen Limited and AGCO Finance Limited.

- "Overseas Banking Group" means the Registered Bank and all entities included in the Registered Bank's group for the purposes of public reporting of group financial statements in the Netherlands.

General matters

Directors

There have been no changes to the Registered Bank's Board of Directors since 31 December 2016.

The directors of the Executive and Supervisory Boards, on whose behalf the New Zealand Chief Executive Officer has signed this Disclosure Statement, are listed as follows:

Executive Board

W. Draijer (Wiebe), chairman
B. Brouwers (Bas), member
R.J. Dekker (Ralf), member
B.J. Marttin (Berry), member
H. Nagel (Rien), member
J.van Nieuwenhuizen (Jan), member
P.van Hoeken (Petra), member

Supervisory Board

R. Teerlink (Ron), chairman
M. Trompetter (Marjan), vice chairman
I.P. Asscher-Vonk (Irene), member
L.N. Degle (Leo), member
S.L.J. Graafsma, (Leo), member
A.A.J.M. Kamp (Arian), member
J. J. Nooitgedagt (Jan), member
P.H.J.M. Visée (Pascal), member
P.H.M. Hofsté (Petri), member

No subordination of claims of creditors

There are no material legislative or regulatory restrictions in the Netherlands that, in a liquidation of the Registered Bank, subordinate the claims of any class of unsecured creditors of the Branch

General Disclosures

No subordination of claims of creditors (continued)

on the assets of the Registered Bank to those of any other class of unsecured creditors of the Registered Bank.

Requirement to hold excess assets over deposit liabilities

The Registered Bank is not required to hold in New Zealand an excess of assets over deposit liabilities.

Requirement to maintain sufficient assets to cover ongoing obligation to pay deposit liabilities

The Registered Bank is not subject to any regulatory or legislative requirement in the Netherlands to maintain sufficient assets in the Netherlands to cover an ongoing obligation to pay deposit liabilities in that country. However, the Financial Supervision Act, the EU Capital Requirements Regulation and the EU Capital Requirements Directive requires the Overseas Banking Group to maintain certain liquid assets in order to cover an ongoing obligation to pay liabilities of the Overseas Banking Group. The requirement is based on the consolidated position of the Overseas Banking Group and any liquidity requirements of the Banking Group will form part of the Overseas Banking Group's consolidated position. This requirement has the potential to impact on the management of the liquidity of the Branch.

Auditors for the Banking Group

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

Credit ratings

The Registered Bank has a general credit rating applicable to its long term senior unsecured obligations payable in any country or currency, including obligations payable in New Zealand and in New Zealand dollars.

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

Insurance business

The Banking Group does not conduct any insurance business.

Guarantee arrangements

Material obligations of the Registered Bank that relate to the Branch are guaranteed as at the date its directors and New Zealand Chief Executive Officer signed this Disclosure Statement.

Material cross guarantees

Through their mutual financial association between various legal entities within the Overseas Banking Group, an internal liability relationship exists. This relationship is formalised in an internal 'cross-guarantee' system, which stipulates that if a participating institution has insufficient funds to meet its obligations towards its creditors, the other participants must supplement that institution's funds in order to enable it to fulfil those obligations.

General Disclosures

Guarantee arrangements (continued)

Material cross guarantees (continued)

There are no limits on the amount of obligations guaranteed and no material conditions on the guarantees other than insufficiency of funds to meet a participating institution's obligations towards its creditors. Nor are there any material or other legislative or regulatory restrictions in the Netherlands that, in a liquidation of a participating institution, would have the effect of limiting the claims under the cross-guarantee system of any creditors of the Registered Bank on the assets of the participating institution to other claims on the participating institution. Neither a single nor a standard representative cross-guarantee contract exists.

Participating institutions within the Overseas Banking Group are:

- The Registered Bank
- De Lage Landen International B.V.
- De Lage Landen Financiering B.V.
- De Lage Landen Trade Finance B.V.
- De Lage Landen Financial Services B.V.
- Rabohypotheekbank N.V.
- Raiffeisenhypotheekbank N.V.

For regulatory and financial reporting purposes, the Registered Bank and the participating subsidiaries are treated as one consolidated entity.

Non-consolidated activities

The Registered Bank does not conduct any insurance business or non-financial activities in New Zealand that are outside the Banking Group.

Risk management policies

Since 31 December 2016:

- 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.

Securitisation, funds management, other fiduciary activities and marketing and distribution of insurance products

The Banking Group has no involvement in the origination of securitised assets, the marketing or servicing of securitisation schemes or the marketing and distribution of insurance products.

Since 31 December 2016 there have been no material changes in the Banking Group's:

- involvement in the establishment, marketing, or sponsorship of trust, custodial, funds management, or other fiduciary activities (as set out above); or
- arrangements to ensure that difficulties arising from those activities would not impact adversely on the Banking Group.

General Disclosures

Conditions of registration

There were no changes to the Conditions of Registration between 31 December 2016 and 30 June 2017.

Other material matters

Interest rate derivatives

The Registered Bank concludes interest rate derivatives with Dutch business customers who wish to reduce interest rate risk. In March 2016, the Dutch Minister of Finance appointed an independent committee which published a recovery framework (the Recovery Framework) on the reassessment of Dutch interest rate derivatives. The Registered Bank has decided to take part in the Recovery Framework. Implementation of the Recovery Framework is expected to be finalised in 2017.

The Registered Bank is involved in civil proceedings in the Netherlands relating to interest rate derivatives concluded with Dutch business customers. The majority of these concern individual cases. In addition, there is a collective action regarding interest rate derivatives. These actions concern allegations relating to alleged misconduct in connection with the Registered Bank's Euribor submissions (as described below) and/or allegations of misinforming clients with respect to interest rate derivatives. The Registered Bank will defend itself against all these claims. Furthermore, there are pending complaints and proceedings against the Registered Bank regarding interest rate derivatives brought before the Dutch Financial Services Complaints Authority, which has opened a conflict resolution procedure.

With respect to the (re-)assessment of the interest rate derivatives of its Dutch business customers, the Registered Bank has recognised a provision of 699 million euros as at 31 December 2016.

BSA/AML

In 2015, the Registered Bank concluded an agreement with the Federal Reserve Bank of New York and the New York State Department of Financial Services under which the Registered Bank is required to improve its anti-money laundering framework for its New York branch and oversight for the US region. In December 2013, the US Office of the Comptroller of the Currency (OCC) commenced civil enforcement actions against the Registered Bank in connection with its anti-money laundering compliance programme for its retail banking in California. The actions are still pending. In 2014, the US Department of Justice (DOJ) advised the Registered Bank that it was investigating possible violations of the Bank Secrecy Act. The Registered Bank has provided documentation and other information in response to various DOJ requests. The DOJ has also conducted interviews of both current and former employees. The investigation is on-going. Recently the Financial Crimes Enforcement Network (FinCEN) of the Department of the Treasury served a notice of investigation on the Registered Bank. The Registered Bank understands that FinCEN is investigating essentially the same issues that are the subject of the OCC matter. The Registered Bank is cooperating with all of these investigations and believes that these investigations will come to a conclusion in 2017.

Recently, a criminal complaint was filed with the Dutch Public Prosecutor (DPP) against the Registered Bank asking for a criminal investigation in relation to the matters related to the DOJ investigation. The Registered Bank understands that the DPP has received the complaint and awaits the DPP's response to it. The Registered Bank Group considers the anti-money laundering case to be a contingent liability. No provision has been made.

There are no other material matters relating to the business or affairs of the Registered Bank and/or the Banking Group that:

- (a) are not contained elsewhere in this Disclosure Statement; and
- (b) would, if disclosed, materially affect the decision of a person to subscribe for debt securities of which the Registered Bank or any member of the Banking Group is the issuer.

General Disclosures

Financial Statements of Registered Bank and Overseas Banking Group

The most recent publicly available financial statements of the Registered Bank and the Overseas Banking Group are available at the internet address:

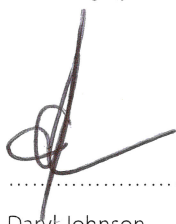
www.rabobank.com/en/about-rabobank/results-and-reports/index.html

Directors' and New Zealand Chief Executive Officer's Statement

After due enquiry, each director and the New Zealand Chief Executive Officer believe 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 (Overseas Incorporated Registered Banks) Order 2014 (as amended); and
 - The Disclosure Statement is not false or misleading;
- (ii) over the six months period ended 30 June 2017:
 - The Registered Bank has complied with all conditions of registration that applied during that period; and
 - The Branch and the other members of the Banking Group 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 and other business risks, and those systems were being properly applied (the Banking Group does not have any equity risk, and therefore neither has nor requires any system to monitor or control equity risk).

Signed by Daryl Johnson in his capacity as New Zealand Chief Executive Officer of the Registered Bank and as agent authorised in writing by each director.



.....
Daryl Johnson

Dated: 25 August 2017

Statement of Comprehensive Income

In thousands of NZD	Notes	Unaudited 6 months to 30/06/2017	Unaudited 6 months to 30/06/2016 ¹	Audited Year to 31/12/2016
Income statement				
Interest income		310,556	343,964	665,898
Interest expense		(158,915)	(192,581)	(369,915)
Net interest income		151,641	151,383	295,983
Other income	3	1,382	562	1,448
Other expense	4	(442)	(600)	(1,073)
Other operating gains / (losses)	5	(8,607)	13,773	9,516
Operating income		143,974	165,118	305,874
Operating expenses		(51,469)	(55,733)	(116,791)
Impairment releases / (losses)	6	740	(10,447)	(16,495)
Profit before income tax		93,245	98,938	172,588
Income tax expense		(28,623)	(30,216)	(54,813)
Net profit for the period/year		64,622	68,722	117,775
Other comprehensive income for the period / year				
Items that may be reclassified subsequently to profit or loss				
Changes in AFS financial assets revaluation reserve	14	1,031	3,660	956
Income tax expense relating to changes in AFS financial assets revaluation reserve	14	(289)	(1,025)	(268)
Total items that may be reclassified subsequently to profit or loss		742	2,635	688
Items that will not be reclassified to profit or loss				
Other reserves		-	-	-
Total items that will not be reclassified to profit or loss		-	-	-
Total other comprehensive income for the period / year		742	2,635	688
Total comprehensive income attributable to members of the Banking Group		65,364	71,357	118,463

¹ Prior period comparatives have been restated. Refer to note 2.7 for details.

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

Statement of Financial Position

In thousands of NZD	Notes	Unaudited At 30/06/2017	Unaudited At 30/06/2016 ¹	Audited At 31/12/2016
Assets				
Cash and cash equivalents		513,744	430,873	517,705
Derivative financial instruments		128,045	149,023	134,099
Available-for-sale financial assets	7	754,837	755,428	724,154
Loans and advances	8	10,802,610	10,539,220	10,524,468
Due from related entities	9	2,408,695	2,787,302	2,373,741
Other assets		5,697	1,282	5,167
Income tax receivables		4,906	12,718	2,566
Net deferred tax assets		12,782	15,949	19,676
Property, plant and equipment		4,256	5,331	4,789
Intangible assets		108	150	129
Total assets		14,635,680	14,697,276	14,306,494
Liabilities				
Derivative financial instruments		124,487	125,505	112,721
Debt securities in issue		2,985,642	3,032,655	2,651,978
Deposits	10	4,829,948	4,858,596	4,981,364
Preference shares		280,597	280,643	280,666
Due to related entities	11	4,740,677	4,836,654	4,667,824
Other liabilities		7,519	9,104	10,674
Provisions		3,071	2,850	2,892
Head office account		243,522	226,003	231,864
Total liabilities		13,215,463	13,372,010	12,939,983
Net assets		1,420,217	1,325,266	1,366,511
Equity				
Contributed equity	14	551,201	551,201	551,201
Reserves	14	1,545	2,750	803
Retained earnings		867,470	771,315	814,507
Total equity		1,420,216	1,325,266	1,366,511

¹ Prior period comparatives have been restated. Refer to note 2.7 for details.

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
At 1 January 2016	551,201	724,698	115	1,276,014
Net profit (excluding Branch*)	-	46,617	-	46,617
Other comprehensive income:				
Revaluation reserve - AFS financial assets	-	-	2,635	2,635
At 30 June 2016 (Unaudited)	551,201	771,315	2,750	1,325,266
At 1 January 2016	551,201	724,698	115	1,276,014
Net profit (excluding Branch*)	-	89,809	-	89,809
Other comprehensive income:				
Revaluation reserve - AFS financial assets	-	-	688	688
At 31 December 2016 (Audited)	551,201	814,507	803	1,366,511
At 1 January 2017	551,201	814,507	803	1,366,511
Net profit (excluding Branch*)	-	52,963	-	52,963
Other comprehensive income:				
Revaluation reserve - AFS financial assets	-	-	742	742
At 30 June 2017 (Unaudited)	551,201	867,470	1,545	1,420,216

* Statement of Changes in Equity excludes current year and cumulative surpluses of the Branch. The net surplus / loss of the Branch is disclosed as head office account under liabilities in the Statement of Financial Position.

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	Notes	Unaudited 6 months to 30/06/2017	Unaudited 6 months to 30/06/2016 ¹	Audited Year to 31/12/2016
Cash flows from operating activities				
Interest received		310,913	346,529	670,794
Interest paid		(166,426)	(202,083)	(376,455)
Other cash inflows provided by operating activities		1,382	573	1,468
Other cash outflows used in operating activities		(69,557)	(90,227)	(169,367)
Cash flows from operating profits before changes in operating assets and liabilities		76,312	54,792	126,440
Net changes in operating assets and liabilities		(485,197)	3,598	567,253
Net cash flow from operating activities	26	(408,885)	58,390	693,693
Cash flows from investing activities				
Cash inflows / outflows used in investing activities		95	(465)	(472)
Net cash flow from investing activities		95	(465)	(472)
Cash flows from financing activities				
Net changes in financing liabilities		404,829	79,670	(468,794)
Net cash flows from financing activities		404,829	79,670	(468,794)
Net change in cash and cash equivalents for the period / year				
		(3,961)	137,595	224,427
Cash and cash equivalents at beginning of the period / year		517,705	293,278	293,278
Cash and cash equivalents at end of the period / year		513,744	430,873	517,705
Cash and cash equivalents at end of the period / year comprise of:				
Cash at bank and on hand		513,744	430,873	517,705
Cash and cash equivalents at end of the period / year		513,744	430,873	517,705

¹ Prior period comparatives have been restated. Refer to note 2.7 for details.

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

Notes to the Financial Statements

1 Reporting entity

The reporting entity is the Registered Bank (Coöperatieve Rabobank U.A.). These interim financial statements relate to the Rabobank New Zealand Banking Group, which comprises the Registered Bank's New Zealand Branch, Rabobank New Zealand Limited and Rabo Capital Securities Limited.

These interim financial statements as at and for the six months ended 30 June 2017 are a combination of the interim financial statements of the above entities, but do not (in accordance with the Registered Bank's conditions of registration as issued by the Reserve Bank of New Zealand) include the businesses of De Lage Landen Limited and Agco Finance Limited.

2 Basis of preparation

2.1 Statement of compliance

The interim financial statements have been prepared and presented in accordance with the Order, and the Reserve Bank of New Zealand Act 1989. For this purpose the Banking Group comprises entities and operations as required by the RBNZ but it does not constitute a group in accordance with New Zealand equivalent to International Financial Reporting Standards ('NZ IFRS') 10 Consolidated Financial Statements.

These interim financial statements have been prepared in accordance with the requirements of the New Zealand equivalent to International Accounting Standard ('NZ IAS') 34 Interim Financial Reporting and should be read in conjunction with the Banking Group's financial statements for the year ended 31 December 2016. 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 2016.

2.2 Basis of measurement

These interim financial statements have been prepared under the historical cost convention, except for derivative financial instruments and available-for-sale financial assets, which have been measured at fair value. The going concern assumption and the accrual basis of accounting have been adopted.

The carrying values of recognised assets and liabilities that are hedged items in fair value hedges, and otherwise carried at amortised cost, are adjusted to record changes in the fair values attributable to the risks that are being hedged.

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 Banking Group's accounting policies and the key sources of estimation of uncertainty were the same as those applied to the consolidated financial statements as at and for the year ended 31 December 2016.

2.4 Principal accounting policies

There have been no material changes in accounting policies during the interim financial period. The accounting policies used in the preparation of these interim financial statements are consistent with the accounting policies used in the preparation of the annual financial statements for the year ended 31 December 2016.

The Banking Group has not early adopted any 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 operations of the entities in the Banking Group, as this currency best reflects the economic substance of the underlying events and circumstances relevant to the Banking Group.

All financial information presented in NZD has been rounded to the nearest thousand unless otherwise stated.

2.6 Principles of consolidation

The basis of aggregation incorporates the assets and liabilities of all entities within the Banking Group and the results of those entities. The effects of transactions as well as balances between entities in the Banking Group have been eliminated.

2.7 Comparative figures

Comparative information has been revised where appropriate to enhance comparability. Where necessary, comparative figures have been adjusted to conform with changes in presentation in the current year.

Notes to the Financial Statements

2 Basis of preparation (continued)

2.7 Comparative figures (continued)

Certain amounts reported as comparative information have changed as a result of review of classifications. The correction has been applied by restating each of the affected financial statement line items for the prior periods. The following tables summarise the line items that have been impacted by this change on the Banking Group's financial statements. As a result, some of the sub-totals and totals disclosed have also been revised.

There was no impact to net assets, total comprehensive income after tax, or cash and cash equivalents arising from these classification changes.

Statement of Comprehensive Income (Extract)

In thousands of NZD	Note	Unaudited 6 months to 30/06/2016	Change	Unaudited 6 months to 30/06/2016 Restated
Other income / (expense)		(38)	38	-
Other income	3	-	562	562
Other expense	4	-	(600)	(600)
Operating income		165,118	-	165,118
Profit before income tax		98,938	-	98,938
Net profit for the period/year		68,722	-	68,722
Total comprehensive income attributable to members of the Banking Group		71,357	-	71,357

Statement of Financial Position

In thousands of NZD	Note	Unaudited 30/06/2016	Change	Unaudited 30/06/2016 Restated
Loans and advances	8	10,526,384	12,836	10,539,220
Other assets		14,118	(12,836)	1,282
Total assets		14,697,276	-	14,697,276
Debt securities in issue		3,017,240	15,415	3,032,655
Deposits	10	4,829,140	29,456	4,858,596
Preference shares		280,000	643	280,643
Other liabilities		54,618	(45,514)	9,104
Total liabilities		13,372,010	-	13,372,010

Statement of Cash Flows

In thousands of NZD	Note	Unaudited 30/06/2016	Change	Unaudited 30/06/2016 Restated
Net changes in operating assets and liabilities		(58,314)	61,912	3,598
Net cash flows from / (used in) operating activities	26	(3,522)	61,912	58,390
Net changes in financing liabilities		141,582	(61,912)	79,670
Net cash flows from / (used in) financing activities		141,582	(61,912)	79,670

Notes to the Financial Statements

3 Other income

In thousands of NZD	Unaudited 6 months to 30/06/2017	Unaudited 6 months to 30/06/2016 ¹	Audited Year to 31/12/2016
Lending and credit facility related fee income	791	534	1,421
Other income	591	28	27
Total other income	1,382	562	1,448

¹ Prior period comparatives have been restated. Refer to note 2.7 for details.

4 Other expense

In thousands of NZD	Unaudited 6 months to 30/06/2017	Unaudited 6 months to 30/06/2016 ¹	Audited Year to 31/12/2016
Commission and fee expense *	(442)	(600)	(1,073)
Total other income/(expense)	(442)	(600)	(1,073)

* Balance relates to fee charged for the guarantees obligations provided by Rabobank. Refer to note 27 for further information on guarantees.

¹ Prior period comparatives have been restated. Refer to note 2.7 for details.

5 Other operating gains / (losses)

In thousands of NZD	Unaudited 6 months to 30/06/2017	Unaudited 6 months to 30/06/2016	Audited Year to 31/12/2016
Gains / (losses) arising from:			-
- trading derivatives*	(11,179)	10,477	2,842
Fair value hedge amortisation	2,616	3,327	6,693
Foreign exchange gains / (losses)	(44)	(31)	(19)
Total other operating gains / (losses)	(8,607)	13,773	9,516

*Within the balance of \$11.1 million loss, there is a balance of \$0.1 million loss (June 2016: \$0.2 million loss; December 2016: \$0.1 million loss) which relates to the Reserve Bank of New Zealand requiring the New Zealand Banking Group to produce a set of financial accounts that notionally consolidates a branch together with locally incorporated subsidiaries. The notional consolidation of branch with locally incorporated subsidiaries is not ordinarily allowed under generally accepted accounting principles. This results in internal hedges that are ordinarily effective to become ineffective. The gain / (loss) on consolidation is not required to be tax effected.

6 Impairment releases / (losses)

In thousands of NZD	Unaudited 6 months to 30/06/2017	Unaudited 6 months to 30/06/2016	Audited Year to 31/12/2016
Collective (provisions) / releases	2,879	(7,730)	(19,586)
Specific (provisions) / releases	(2,139)	(2,728)	2,440
Other losses		-	631
Bad debt recovery	-	11	20
Total impairment releases / (losses)	740	(10,447)	(16,495)

Notes to the Financial Statements

7 Available-for-sale (AFS) financial assets

In thousands of NZD	Unaudited At 30/06/2017	Unaudited At 30/06/2016	Audited At 31/12/2016
New Zealand government securities	569,166	611,062	539,227
Other debt securities (Kauri)	185,671	144,366	184,927
Total available-for-sale financial assets	754,837	755,428	724,154

Additional information on liquidity portfolio

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

8 Loans and advances

In thousands of NZD	Unaudited At 30/06/2017	Unaudited At 30/06/2016 ¹	Audited At 31/12/2016
Lending	10,773,260	10,499,519	10,492,426
Finance leases	56,247	57,540	59,698
Gross loans and advances	10,829,507	10,557,059	10,552,124
Accrued interest	9,438	12,836	11,230
Provisions for doubtful debts:			
Collective	(31,732)	(22,755)	(34,611)
Specific	(4,603)	(7,920)	(4,275)
Net loans and advances	10,802,610	10,539,220	10,524,468

¹ Prior period comparatives have been restated. Refer to note 2.7 for details.

9 Due from related entities

In thousands of NZD	Unaudited At 30/06/2017	Unaudited At 30/06/2016	Audited At 31/12/2016
Current account balances - wholly owned group*	5,901	8	22,713
Advances - wholly owned group*	2,119,054	2,503,447	2,067,341
Capital securities - wholly owned group*	280,000	280,000	280,000
Accrued interest receivable - wholly owned group*	3,740	3,847	3,687
Total due from related entities	2,408,695	2,787,302	2,373,741

* The wholly owned group refers to Rabobank related entities. Refer to note 27 for further information on related party disclosures.

10 Deposits

In thousands of NZD	Unaudited At 30/06/2017	Unaudited At 30/06/2016 ¹	Audited At 31/12/2016
Call deposits	2,463,282	2,612,678	2,437,971
Term deposits	2,339,806	2,216,462	2,509,954
Accrued interest on call deposits	770	1,280	882
Accrued interest on term deposits	26,090	28,176	32,557
Total deposits	4,829,948	4,858,596	4,981,364

¹ Prior period comparatives have been restated. Refer to note 2.7 for details.

11 Due to related entities

In thousands of NZD	Unaudited At 30/06/2017	Unaudited At 30/06/2016	Audited At 31/12/2016
Current account balances - wholly owned group*	138,998	166,599	101,015
Advances - wholly owned group*	4,592,987	4,659,151	4,557,131
Accrued interest payable - wholly owned group*	8,692	10,904	9,678
Total due to related entities	4,740,677	4,836,654	4,667,824

* The wholly owned group refers to Rabobank related entities. Refer to note 27 for further information on related party disclosures.

Notes to the Financial Statements

12 Credit quality, impaired assets and provision for impairment

12.1 Individually impaired assets

In thousands of NZD	At 30/06/2017 (Unaudited)			
	Residential mortgages	Corporate	Retail*	Total
Opening balance	-	-	131,428	131,428
Additions	-	-	70,673	70,673
Amounts written off	-	-	(974)	(974)
Returned to performing or repaid	-	-	(46,377)	(46,377)
Closing balance	-	-	154,750	154,750
Aggregate amount of undrawn balances on lending commitments on impaired assets	-	-	6,882	6,882

12.2 Past due assets but not impaired

In thousands of NZD	At 30/06/2017 (Unaudited)			
	Residential mortgages	Corporate	Retail*	Total
Less than 30 days past due	-	-	14,055	14,055
At least 30 days but less than 60 days past due	-	-	765	765
At least 60 days but less than 90 days past due	-	-	-	-
At least 90 days past due	-	-	4,926	4,926
Total past due assets	-	-	19,746	19,746

12.3 Provision for credit impairment

In thousands of NZD	At 30/06/2017 (Unaudited)			
	Residential mortgages	Corporate	Retail*	Total
Collective provision				
Opening balance	-	-	34,611	34,611
Charge / (release) to statement of comprehensive income	-	-	(2,879)	(2,879)
Other movements	-	-	-	-
Closing balance	-	-	31,732	31,732
Specific provision				
Opening balance	-	(1)	4,276	4,275
Charge / (release) to statement of comprehensive income	-	-	2,139	2,139
Amounts written off	-	-	(974)	(974)
Recoveries	-	-	-	-
Reversals	-	-	-	-
Other movements	-	-	2,938	2,938
Discount unwind**	-	-	(3,775)	(3,775)
Closing balance	-	(1)	4,604	4,603

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

** The impairment loss on an impaired asset is calculated as the difference between the asset's carrying amount and the estimated future cash flows discounted to its present value using the original effective interest rate for the asset. The discount unwinds over the period the asset is held as interest income.

12.4 Other assets under administration

There are no other assets under administration as at 30 June 2017 (2016: Nil).

Notes to the Financial Statements

13 Asset quality of Registered Bank's Overseas Banking Group

	2016
At as 31 December (Audited)	EURm
Total individually impaired assets (before allowances for credit impairment loss and net of interest held in suspense)	16,648
Total individually impaired assets as a percentage of total assets (%)	2.5%
Total individual credit impairment allowance	5,846
Total individual credit impairment allowance as a percentage of total individually impaired assets (%)	35.1%
Total collective credit impairment allowance	756

14 Contributed equity, Reserves and Capital management

14.1 Contributed equity

	Unaudited	Unaudited	Audited
In thousands of NZD	At 30/06/2017	At 30/06/2016	At 31/12/2016
Paid up capital in Rabobank New Zealand Limited	551,200	551,200	551,200
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 2016: 275,600,000; 30 June 2016: 275,600,000). Each share was issued at \$2 and has no par value.			
Paid up capital Rabo Capital Securities Limited	1	1	1
Total authorised and paid up capital comprises 1,000 ordinary shares fully paid ranking equally as to voting rights but are not entitled to receive or participate in any dividend or distribution made by the Company. Each share was issued at \$1 and has no par value.			
Total equity	551,201	551,201	551,201

14.2 Reserves

	Unaudited	Unaudited	Audited
In thousands of NZD	At 30/06/2017	At 30/06/2016	At 31/12/2016
AFS financial assets reserve			
Opening balance	803	115	115
Changes in AFS financial assets revaluation reserve (gross)	1,031	3,660	956
Changes in AFS financial assets revaluation reserve (deferred tax)	(289)	(1,025)	(268)
Total AFS reserve	1,545	2,750	803

The nature and purpose of AFS reserve is to record the unrealised gains or losses arising from changes in the fair value of AFS financial assets.

Notes to the Financial Statements

14 Contributed equity, Reserves and Capital management (continued)

14.3 Capital management

The Banking Group maintains an actively managed capital base to cover risks inherent in the business. The adequacy of the Banking Group's capital is monitored by management of the Banking Group using, amongst other things, capital, financial and risk information.

The primary objectives of the Banking Group's capital management are to ensure that the Banking Group has sufficient capital in order to support its business and that it complies with externally imposed financial requirements.

During the six month period ended 30 June 2017 and the 2016 financial year, the Banking Group complied in full with all its externally imposed financial requirements.

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

The Banking Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and risk characteristics of its activities. In order to maintain or adjust the capital structure, the Banking Group may adjust the amount of dividend payment to members, return capital to members or issue capital securities. No changes were made to the objectives, policies or processes from the prior year.

15 Priority of financial liabilities in the event of a liquidation

The financial liabilities of the Branch reported in these financial statements are unsecured. Where the assets of the Branch in New Zealand are liquidated or the Branch ceases to trade, those financial liabilities would rank (under New Zealand law in relation to those assets) equally with the claims of the Branch's other unsecured creditors and behind the preferred creditors set out in Schedule 7 of the Companies Act 1993. The claims of the Branch's unsecured and preferred creditors in relation to the assets of the Branch in New Zealand are, in general terms, broadly equivalent to the claims of the unsecured and preferred creditors of Coöperatieve Rabobank U.A. in relation to assets in countries other than New Zealand in which Coöperatieve Rabobank U.A. carries on business.

16 Contingent liabilities

Through the normal course of business, the Banking Group 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 a review has been made on a case by case basis. The Banking Group 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.

The Banking Group 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 Banking Group'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 Banking Group's option. The Banking Group 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 contingent liabilities.

	Unaudited At 30/06/2017	Unaudited At 30/06/2016	Audited At 31/12/2016
In thousands of NZD			
Guarantees	7,078	8,450	8,583
Lending commitments			
Irrevocable lending commitments	866,595	695,697	712,058
Revocable lending commitments	1,292,530	1,254,736	1,217,728
Total contingent liabilities	2,166,203	1,958,883	1,938,369

Guarantees represent conditional undertakings by the Banking Group to support the financial obligations of its customers to third parties.

Lending commitments include the Banking Group's obligations to provide lending facilities which remain undrawn at the reporting date, or where letter of offers have been issued but not yet accepted.

Notes to the Financial Statements

17 Expenditure commitments

17.1 Capital expenditure commitments

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

In thousands of NZD	Unaudited At 30/06/2017	Unaudited At 30/06/2016	Audited At 31/12/2016
One year or less	-	-	-
Total capital expenditure commitments	-	-	-

17.2 Operating lease commitments

In thousands of NZD	Unaudited At 30/06/2017	Unaudited At 30/06/2016	Audited At 31/12/2016
One year or less	3,879	4,670	4,414
Between one and two years	2,814	3,640	2,610
Between two and five years	4,135	5,749	4,778
Over five years	1,080	1,852	1,426
Total operating lease commitments	11,908	15,911	13,228

Lease arrangements entered into by the Banking Group are for the purpose of accommodating the Banking Group's needs. These include operating leases arrangements over premises, motor vehicles used by staff in conducting business and office equipment such as photocopiers and printers.

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 Banking Group. Rental payments are determined in terms of the relevant lease requirements, usually reflecting market rentals as described by standard valuation practice. The Banking Group as lessee has no purchase options over premises occupied. There are no restrictions imposed on the Banking Group's lease of space other than those forming part of the negotiated lease arrangements for each specific premises.

Notes to the Financial Statements

18 Risks arising from financial instruments

The major types of risks the Banking Group is exposed to are liquidity, market and credit risks.

18.1 Liquidity risk

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 balance 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.

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

In thousands of NZD	Total	On Demand	Less than 6 Months	6-12 Months	12-24 Months	24-60 Months	Over 60 Months
At 30/06/2017 (Unaudited)							
Financial assets							
Cash and cash equivalents	513,744	513,744	-	-	-	-	-
Derivative financial instruments *	137,141	-	44,572	9,566	36,832	43,124	3,047
Available-for-sale financial assets	770,195	-	544,419	32,659	109,773	83,344	-
Loans and advances	11,384,766	-	2,618,926	1,856,997	3,040,810	2,597,021	1,271,012
Due from related entities	2,511,230	8,125	1,470,811	263,351	23,359	70,077	675,507
Other financial assets	5,151	-	5,151	-	-	-	-
Total financial assets	15,322,227	521,869	4,683,879	2,162,573	3,210,774	2,793,566	1,949,566
Financial liabilities							
Derivative financial instruments *	158,472	-	47,655	42,503	23,922	42,397	1,995
Debt securities in issue	3,070,102	-	1,216,186	714,211	620,195	519,510	-
Deposits	4,970,950	2,463,281	1,646,709	363,428	319,789	177,713	30
Preference shares	648,856	-	8,409	8,409	16,818	50,455	564,765
Due to related entities	4,867,120	141,229	1,598,558	1,517,598	1,189,860	313,696	106,179
Other liabilities	6,371	-	6,371	-	-	-	-
Provisions	243,522	-	243,522	-	-	-	-
Total financial liabilities	13,965,393	2,604,510	4,767,410	2,646,149	2,170,584	1,103,771	672,969
Contingent liabilities							
Guarantees	7,078	4,791	550	-	-	1,537	200
Lending commitments	2,159,125	1,363,316	137,182	34,064	129,562	484,637	10,364
Total contingent liabilities	2,166,203	1,368,107	137,732	34,064	129,562	486,174	10,564

* FX derivatives contracts are presented on a net basis by each counterparty, on the basis that settlement at maturity happens simultaneously which presents a more relevant view of the contractual cashflows.

Notes to the Financial Statements

18 Risks arising from financial instruments

18.2 Market risk

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

In thousands of NZD	Total	Call-3 Months	3-6 Months	6-12 Months	12-24 Months	Over 24 Months	Non-Interest bearing
At 30/06/2017 (Unaudited)							
Financial assets							
Cash and cash equivalents	513,744	513,744	-	-	-	-	-
Derivative financial instruments	128,045	-	-	-	-	-	128,045
AFS financial assets	754,837	160,594	369,581	30,138	113,777	80,747	-
Loans and advances	10,802,610	5,388,326	1,367,245	1,711,013	1,245,384	1,080,988	9,654
Due from related entities	2,408,695	1,717,968	6,624	21,167	94,625	564,528	3,783
Other financial assets	5,151	-	-	-	-	-	5,151
Total financial assets	14,613,082	7,780,632	1,743,450	1,762,318	1,453,786	1,726,263	146,633
Other assets	546	-	-	-	-	-	546
Income tax receivables	4,906	-	-	-	-	-	4,906
Net deferred tax assets	12,782	-	-	-	-	-	12,782
Property, plant and equipment	4,256	-	-	-	-	-	4,256
Intangible assets	108	-	-	-	-	-	108
Total non-financial assets	22,598	-	-	-	-	-	22,598
Total assets	14,635,680	7,780,632	1,743,450	1,762,318	1,453,786	1,726,263	169,231
Financial liabilities							
Derivative financial instruments	124,487	-	-	-	-	-	124,487
Debt securities in issue	2,985,642	1,519,325	284,843	206,226	449,524	515,041	10,683
Deposits	4,829,948	3,472,024	578,471	336,415	267,494	148,684	26,860
Preference shares	280,597	-	-	-	-	280,000	597
Due to related entities	4,740,677	3,470,617	110,122	1,132,812	-	8,894	18,232
Other financial liabilities	6,371	-	-	-	-	-	6,371
Head office account	243,522	-	-	-	-	-	243,522
Total financial liabilities	13,211,244	8,461,966	973,436	1,675,453	717,018	952,619	430,752
Other liabilities	1,148	-	-	-	-	-	1,148
Provisions	3,071	-	-	-	-	-	3,071
Total non-financial liabilities	4,219	-	-	-	-	-	4,219
Total liabilities	13,215,463	8,461,966	973,436	1,675,453	717,018	952,619	434,971
Interest rate derivatives							
Swaps	-	1,438,538	(541,071)	(432,100)	(278,300)	(187,067)	
Repricing gap (interest bearing assets and liabilities)	1,685,957	757,204	228,943	(345,235)	458,468	586,577	
Cumulative mismatch	1,685,957	757,204	986,147	640,912	1,099,380	1,685,957	

Notes to the Financial Statements

18 Risks arising from financial instruments

18.3 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 Australia and New Zealand Standard Industrial Classification (ANZSIC) Codes.

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

(i) 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.

In thousands of NZD	Unaudited At 30/06/2017
Cash and cash equivalents	513,744
Derivative financial instruments	128,045
Available-for-sale financial assets	754,837
Loans and advances	10,802,610
Due from related entities	2,408,695
Other financial assets	5,151
Commitments and guarantees	2,166,203
Total credit exposures	16,779,285

Analysis of credit exposures by industry: In thousands of NZD	Unaudited At 30/06/2017
Agriculture	11,039,509
Finance and insurance	2,982,490
Forestry and fishery	221,995
Government	819,294
Manufacturing	960,124
Property and business services	96,206
Wholesale trade	464,636
Other	195,032
Total credit exposures	16,779,286

Analysis of credit exposures by geographical areas: In thousands of NZD	Unaudited At 30/06/2017
New Zealand	14,421,497
The Netherlands	1,903,618
Australia	199,580
United States of America	66,776
Germany	136,878
Finland	50,937
Total credit exposures	16,779,286

(ii) Concentration of credit exposures to individual counterparties

	At 30/06/2017	Peak for the quarter
Number of bank counterparties:		
Percentage of shareholders' equity		
10-15%	-	-
Number of non-bank counterparties:		
Percentage of shareholders' equity		
10-15%	-	-

Notes to the Financial Statements

18 Risks arising from financial instruments (continued)

18.4 Credit risk (continued)

(ii) Concentration of credit exposures to individual counterparties (continued)

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

Credit exposure is calculated on the basis of actual exposure net of individual credit impairment provision; and excludes credit exposures to Connected Persons; credit exposures to the central government of any country with a long-term credit rating of A- or A3 or above, or its equivalent; credit exposures to any bank with a long-term credit rating of A- or A3 or above, or its equivalent; and credit exposures to an individual counterparty or a group of closely related counterparties if they are booked outside New Zealand.

The credit exposure is measured over the Overseas Banking Group's equity as at the date of the most recent audited financial statements (31 December 2016).

The peak end-of-day credit exposure is measured by taking the maximum end-of-day aggregate amount of credit exposure and dividing it by the Overseas Banking Group's equity.

(iii) Credit quality per class of financial assets

The credit quality of financial assets is managed by the Banking Group using internal credit ratings. The table below shows the credit quality by class of asset for all financial assets exposed to credit risk, based on the Banking Group's internal credit rating system. The amounts presented are gross of impairment provisions.

In thousands of NZD	Neither past due nor impaired				Past due but not impaired	Individually impaired	Total
	R0-R7	R8-R10	R11-R14	R15-R20			
At 30/06/2017 (Unaudited)							
Cash and cash equivalents	513,744	-	-	-	-	-	513,744
Available-for-sale financial assets (note 7)	754,837	-	-	-	-	-	754,837
Gross loans and advances (note 8)*	64,786	1,191,842	6,732,135	2,666,248	19,746	154,750	10,829,507
Total	1,333,367	1,191,842	6,732,135	2,666,248	19,746	154,750	12,098,088

*Gross loans and advances exclude provisions for doubtful debts.

Credit rating description

R0-R7 Counterparties that are strong to extremely strong in meeting current and future financial commitments to the Banking Group.

R8-R10 Counterparties that have adequate capacity to meet current and future financial commitments to the Banking Group.

R11-R14 Counterparties that have adequate capacity to meet current financial commitments to the Banking Group.

R15-R20 Counterparties that currently have the capacity to meet financial commitments but are vulnerable to adverse business, financial or economic conditions. The higher the rating the more sensitive the counterparty is to adverse changes in business, financial or economic conditions.

19 Credit and market risk exposures and capital adequacy

19.1 Residential mortgages

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

In thousands of NZD	Drawn amounts	Undrawn amounts	Total
At 30/06/2017 (Unaudited)			
LVR range			
Do not exceed 80%	31,073	8,210	39,283
Exceeds 80% and not 90%	4,820	1,076	5,896
Exceeds 90%	-	-	-
Total	35,893	9,286	45,179

Notes to the Financial Statements

19 Credit and market risk exposures and capital adequacy (continued)

19.1 Residential mortgages (continued)

Reconciliation of mortgage related amounts In thousands of NZD	Unaudited At 30/06/2017
Loans and advances - residential mortgages	35,893
Plus short term residential mortgages classified as overdrafts	-
On-balance sheet residential mortgages exposures	35,893
Off-balance sheet residential mortgages exposures	9,286
Total residential mortgages exposures (as per LVR analysis)	45,179

19.2 Market risk end-of-period notional capital charges

In thousands of NZD	Implied risk weighted exposure	Notional capital charges
At 30/06/2017 (Unaudited)		
Interest rate risk	489,500	39,160
Foreign currency risk	95,500	7,640
Total	585,000	46,800

The Banking Group does not take any equity risk.

19.3 Market risk peak end-of-day notional capital charges

In thousands of NZD	Implied risk weighted exposure	Notional capital charges
At 30/06/2017 (Unaudited)		
Interest rate risk	529,375	42,350
Foreign currency risk	113,125	9,050
Total	642,500	51,400

The Banking Group does not take any equity risk.

19.4 Method for deriving peak end-of-day notional capital charge

The market risk information above has been derived in accordance with the "Capital Adequacy Framework" (Standardised Approach) (BS2A).

19.5 Capital Ratios of Overseas Banking Group - Rabobank

At 31 December (Audited)	2016 %	2015 %
Common Equity Tier 1 capital ratio	14.00%	13.50%
Tier one capital ratio	17.60%	16.40%
Total capital ratio	25.00%	23.20%

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 the regulatory capital, the external required capital for credit risk, for virtually its entire loan portfolio on the basis of the Advanced Internal Rating Approach approved by the DNB. The Standardised Approach is applied, in consultation with DNB, to portfolios with relatively limited exposure and to a few smaller foreign portfolios that are not suited to the Advanced Internal Rating Approach. Operational risk is measured using the internal model approved by DNB that is based on the Advanced Measurement Approach. Regarding market risk, Rabobank has obtained permission from DNB to calculate the general and specific position risk using its own internal value-at-risk (VaR) models, based on the rules of CAD II (Capital Adequacy Directive).

Rabobank Nederland's Capital Adequacy and Risk Management Report (pillar 3) are publicly available on:

<https://www.rabobank.com/en/images/rabobank-annual-report-2016.pdf>

Notes to the Financial Statements

20 Concentration of funding of financial liabilities

Total funding comprised:	
	Unaudited At 30/06/2017
In thousands of NZD	
Debt securities in issue	2,985,642
Deposits	4,829,948
Preference shares	280,597
Due to related entities	4,740,677
Other financial liabilities	6,371
Head office account	243,522
Total funding	13,086,757

Analysis of funding by industry:	
	Unaudited At 30/06/2017
In thousands of NZD	
Agriculture	674,346
Finance and insurance	9,442,356
Personal and other services	2,695,140
Other	274,915
Total funding	13,086,757

Analysis of funding concentration by geographical areas:	
	Unaudited At 30/06/2017
In thousands of NZD	
Australia	1,184,217
New Zealand	6,758,363
The Netherlands	5,009,819
United Kingdom	10,045
United States of America	8,051
All other countries	116,262
Total funding	13,086,757

21 Additional information on statement of financial position

	<u>Banking Group</u> Unaudited At 30/06/2017
In thousands of NZD	
Total interest earning and discount bearing assets	14,466,449
Total interest and discount bearing liabilities	12,780,492
Financial assets pledged as collateral for liabilities or contingent liabilities	-

	<u>Branch</u> Unaudited At 30/06/2017
In thousands of NZD	
Liabilities of the Registered Bank in New Zealand, net of amounts due to related entities	4,163,578
Retail deposits of the Registered Bank in New Zealand	-

Notes to the Financial Statements

22 Fair value 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' requires the Banking Group 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 liabilities are:

In thousands of NZD	At 30/06/2017 (Unaudited)		At 30/06/2016 ¹ (Unaudited)		At 31/12/2016 (Audited)	
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets						
Cash and cash equivalents	513,744	513,744	430,873	430,873	517,705	517,705
Derivative financial instruments	128,045	128,045	149,023	149,023	134,099	134,099
AFS financial assets	754,837	754,837	755,428	755,428	724,154	724,154
Loans and advances	10,802,610	10,998,047	10,539,220	10,708,496	10,524,468	10,691,732
Due from related entities	2,408,695	2,431,708	2,787,302	2,809,428	2,373,741	2,393,808
Other financial assets	5,151	5,151	1,071	1,071	4,682	4,682
Total financial assets	14,613,082	14,831,532	14,662,917	14,854,319	14,278,849	14,466,180
Financial liabilities						
Derivative financial instruments	124,487	124,487	125,505	125,505	112,721	112,721
Debt securities in issue	2,985,642	3,023,823	3,032,655	3,062,356	2,651,978	2,654,690
Deposits	4,829,948	4,875,971	4,858,596	4,822,086	4,981,364	5,001,051
Preference shares	280,597	295,400	280,643	294,000	280,666	302,120
Due to related entities	4,740,677	4,756,376	4,836,654	4,833,373	4,667,824	4,677,423
Other financial liabilities	6,371	6,371	7,542	7,542	9,308	9,308
Head office account	243,522	243,522	226,003	226,003	231,864	231,864
Total financial liabilities	13,211,244	13,325,950	13,367,598	13,370,865	12,935,725	12,989,177

¹ Prior period comparatives have been restated. Refer to note 2.7 for details.

Fair value hierarchy

The Banking Group uses the following hierarchy for determining and disclosing the fair value of derivatives and available-for-sale financial assets:

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 carried at fair value

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

Derivative financial instruments and AFS 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.

Notes to the Financial Statements

22 Fair value of financial instruments (continued)

Financial assets and financial liabilities carried at fair value

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

In thousands of NZD	Level 1	Level 2	Level 3	Total
At 30 June 2017 (Unaudited)				
Financial assets				
Derivative financial instruments	-	128,045	-	128,045
AFS financial assets	754,837	-	-	754,837
Financial liabilities				
Derivative financial instruments	-	124,487	-	124,487

In thousands of NZD	Level 1	Level 2	Level 3	Total
At 30 June 2016 (Unaudited)				
Financial assets				
Derivative financial instruments	-	149,023	-	149,023
AFS financial assets	755,428	-	-	755,428
Financial liabilities				
Derivative financial instruments	-	125,505	-	132,453

In thousands of NZD	Level 1	Level 2	Level 3	Total
At 31 December 2016 (Audited)				
Financial assets				
Derivative financial instruments	-	134,099	-	134,099
AFS financial assets	724,154	-	-	724,154
Financial liabilities				
Derivative financial instruments	-	112,721	-	112,721

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 investments. (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 liabilities fair value approximates carrying value due to their short term nature, frequent repricing or high credit rating.

Due to other financial institutions, Debt securities in issue, Deposits and Due to related entities

Fair value of call and variable rate deposits/debt securities approximate their carrying value as they are short term in nature or payable on demand. Fair value of term deposits/debt securities are estimated using discounted cash flows, applying market rates offered for deposits/debt securities of similar remaining maturities.

For financial liabilities carried at amortised cost, an estimate of the fair value has been derived as follows, are are categorised as level 1 instruments.

Preference shares

The fair values are based on the NZDX closing prices of the preference shares at each year/period end.

Notes to the Financial Statements

23 Offsetting of financial assets and liabilities

Financial assets and liabilities are offset and the net amount reported in the balance sheet where Rabobank New Zealand Banking Group 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 2017 and 30 June 2016. The column 'net amount' shows the impact on the bank's balance sheet if all set-off rights were exercised.

2017 in thousands NZD	Effects of offsetting on the balance sheet			Related amounts not offset		
	Gross amounts	Gross amounts set off in balance sheet	Net amounts presented in balance sheet	Amounts subject master agreements	Financial Instrument Collateral	Net amount
Financial Assets						
Derivative financial instruments	128,045	-	128,045	-	-	128,045
Total financial assets	128,045	-	128,045	-	-	128,045
Financial Liabilities						
Derivative financial instruments	124,487	-	124,487	-	-	124,487
Total financial liabilities	124,487	-	124,487	-	-	124,487

2016 in thousands NZD	Effects of offsetting on the balance sheet			Related amounts not offset		
	Gross amounts	Gross amounts set off in balance sheet	Net amounts presented in balance sheet	Amounts subject master agreements	Financial Instrument Collateral	Net amount
Financial Assets						
Derivative financial instruments	149,023	-	149,023	-	-	149,023
Total financial assets	149,023	-	149,023	-	-	149,023
Financial Liabilities						
Derivative financial instruments	125,505	-	125,505	-	-	125,505
Total financial liabilities	125,505	-	125,505	-	-	125,505

24 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).

In thousands of NZD	2017			2016		
	Current	Non-Current	Total	Current	Non-Current	Total
Assets						
Cash and cash equivalents	513,744	-	513,744	430,873	-	430,873
Derivative financial instruments	54,049	73,996	128,045	57,318	91,705	149,023
Available-for-sale financial assets	538,314	216,523	754,837	306,693	448,735	755,428
Loans and advances	5,884,171	4,918,439	10,802,610	5,763,204	4,776,016	10,539,220
Due from related entities	2,128,695	280,000	2,408,695	340,402	2,446,900	2,787,302
Other assets	5,697	-	5,697	1,282	-	1,282
Income tax receivables	4,906	-	4,906	12,718	-	12,718
Net deferred tax assets	-	12,782	12,782	-	15,949	15,949
Property, plant and equipment	-	4,256	4,256	-	5,331	5,331
Intangible assets	-	108	108	-	150	150
Total assets	9,129,576	5,506,104	14,635,680	6,912,490	7,784,786	14,697,276
Liabilities						
Derivative financial instruments	89,954	34,533	124,487	54,595	70,910	125,505
Debt securities in issue	1,885,642	1,100,000	2,985,642	1,682,655	1,350,000	3,032,655
Deposits	3,654,448	1,175,500	4,829,948	3,613,241	1,245,355	4,858,596
Preference shares	597	280,000	280,597	643	280,000	280,643
Due to related entities	3,187,095	1,553,582	4,740,677	3,148,954	1,687,700	4,836,654
Other liabilities	7,519	-	7,519	9,104	-	9,104
Provisions	1,219	1,852	3,071	1,160	1,690	2,850
Head office account	-	243,522	243,522	-	226,003	226,003
Total liabilities	8,826,474	4,388,989	13,215,463	8,510,352	4,861,658	13,372,010

Notes to the Financial Statements

25 Additional information for Registered Bank's Overseas Banking Group

	2016	2015
For the year ended 31 December (Audited)	EURm	EURm
Net profit after income tax	2,024	2,214
Percentage (on a twelve month rolling basis) of average total assets	0.3%	0.3%
Total assets	662,593	678,827
% change over the previous twelve months	-2.4%	-1.8%

26 Reconciliation of net cash flows from operating activities

In thousands of NZD	Unaudited 6 months to 30/06/2017	Unaudited 6 months to 30/06/2016 ¹	Audited Year to 31/12/2016
Net profit after income tax	64,623	68,722	117,775
Non-cash items	3,121	13,688	18,290
Deferrals or accruals of past or future operating cash receipts or payments:			
Change in net operating assets and liabilities	(485,197)	3,598	567,253
Change in interest receivable/payable	(7,154)	(7,683)	(2,194)
Change in other deferrals or accruals	15,722	(19,935)	(7,431)
Net cash flow provided by / (used in) operating activities	(408,885)	58,390	693,693

¹ Prior period comparatives have been restated. Refer to note 2.7 for details.

27 Related party disclosures

The Banking Group consists of RNZL, a wholly owned subsidiary of Rabobank International Holdings B.V. whose ultimate parent is Rabobank; the Branch which is the New Zealand business of Rabobank and RCSL. De Lage Landen Limited and AGCO Finance Limited are related entities of the Banking Group, but are not included in the disclosure statements pursuant to the conditions of registration as issued by the Reserve Bank of New Zealand. Dealings with the parent and ultimate controlling entity include lending, funding, deposits and derivative transactions.

27.1 Transactions with related parties

(i) Guarantees

The first period

For the period 18 February 1998 to 17 February 2008 ("the First Period"), the obligations of RNZL 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 RNZL (the "First Guarantee").

Whilst the First Guarantee expired on 17 February 2008, all obligations incurred by RNZL 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 RNZL were guaranteed pursuant to a deed of guarantee dated 6 February 2008 by Rabobank in favour of the creditors of RNZL (the "Second Guarantee").

Whilst the Second Guarantee expired on 17 February 2010, all obligations incurred by RNZL 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 RNZL were guaranteed pursuant to a deed of guarantee dated 1 September 2009 by Rabobank in favour of the creditors of RNZL (the "Third Guarantee").

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

The fourth period

For the period 18 February 2012 to 17 February 2013 ("the Fourth Period"), the obligations of RNZL were guaranteed pursuant to a deed of guarantee dated 10 October 2011 by Rabobank in favour of the creditors of RNZL (the "Fourth Guarantee").

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

Notes to the Financial Statements

27 Related party disclosures (continued)

27.1 Transactions with related parties (continued)

(i) Guarantees (continued)

The fifth period

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

Whilst the Fifth Guarantee expired on 17 February 2014, all obligations incurred by RNZL 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 RNZL are guaranteed pursuant to a deed of guarantee dated 20 August 2013 by Rabobank in favour of the creditors of RNZL (the "Sixth Guarantee").

Whilst the Sixth Guarantee expired on 17 February 2015, all obligations incurred by RNZL 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 RNZL will be guaranteed pursuant to a deed of guarantee dated 19 September 2014 by Rabobank in favour of the creditors of RNZL (the "Seventh Guarantee").

Whilst the Seventh Guarantee expired on 30 April 2015, all obligations incurred by RNZL 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.

All new obligations incurred by RNZL after 30 April 2015 are not guaranteed.

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

(ii) Management fees

A management fee of \$19 million (June 2016: \$20.7 million; December 2016: \$39.1 million) was charged to the Banking Group by the Australia Branch of Rabobank for the provision of administrative and management services. Some operating expenses of the Bank are paid and re-charged to the Banking Group by this related entity.

A management fee of \$4.5 million (June 2016: \$5.7 million; December 2016: \$17.0 million) was charged to the Banking Group by Rabobank for the provision of administrative and management services.

(iii) Commission and fee expense

A fee of \$0.44 million (June 2016: \$0.6 million; December 2016: \$1.1 million) was charged to RNZL by Rabobank in consideration for providing the obligations guarantees.

(iv) Other transactions

The Banking Group enters into a number of transactions with other related entities within the Overseas Banking Group. These include funding, deposits and derivative transactions. The interest income earned on related entities transactions was \$25.1 million (June 2016: \$30.8 million; December 2016: \$55.7 million), and the interest expense paid on related entities transactions was \$41.1 million (June 2016: \$48.4 million; December 2016: \$90.9 million). The principal amounts of due from and due to the parent and ultimate controlling entity are separately disclosed in the statement of financial position and the accompanying notes to the financial statements.

(v) Capital securities

RCSL held \$280 million capital securities which are debt obligations of Rabobank. The capital securities carry the rights to a quarterly distribution, which equals the five-year swap interest plus an annual 3.75% mark-up and was set at 8.7864% per annum on 25 May 2009. As from the issue date (27 May 2009), the distribution was made payable every quarter in arrears, for the first time on 18 June 2009 (short first interest period). From 18 June 2014, the distribution is made payable every quarter based on five-year swap interest plus an annual 3.75% mark-up and was set at 8.3425% per annum. From 18 June 2019, the distribution will be made payable every quarter based on the 90-day bank bill swap interest rate plus an annual 3.75% mark-up. The capital securities are not transferable and the scheduled repayment date is 18 June 2039. They are unsecured. All interest payments have been made on the due date and there is no observable data that would indicate that an allowance for impairment is required.

27.2 Terms and conditions of transactions with related parties

Except for the guarantees noted in note 27.1 above, all transactions with related parties are made in the ordinary course of business on normal terms and conditions.

Notes to the Financial Statements

27 Related party disclosures (continued)

27.3 Provision for impairment on due from related entities

For the period ended 30 June 2017, the Banking Group has not made any provision for impairment relating to amounts owed by related parties as the payment history has been excellent (2016: Nil). An impairment assessment is undertaken each financial year by examining the financial position of the related party and the market in which the related party operates to determine whether there is objective evidence that a related party receivable is impaired. When such objective evidence exists, the Banking Group recognises a provision for impairment.

28 Subsequent events

The Directors are not aware of any 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 Banking Group, the results of those operations or the state of affairs of the Banking Group in subsequent financial years.

29 Dividend

No dividend was proposed or paid by the Banking Group for the six month period ended 30 June 2017 (2016: Nil).



Independent Auditor's Review Report

To the Directors of Coöperatieve Rabobank U.A – New Zealand Banking Group

Report on the Disclosure Statement

We have reviewed pages 7 to 30 of the half year Disclosure Statement prepared by Coöperatieve Rabobank U.A – New Zealand Banking Group (the “Banking Group”) which includes interim financial statements required by Clause 26 of the Registered Bank Disclosure Statements (Overseas Incorporated Registered Banks) Order 2014 (as amended) (the “Order”) and the supplementary information required by Schedules 5, 7, 9, 10, 12 and 14 of the Order. The interim financial statements comprise the statement of financial position as at 30 June 2017, the statement of comprehensive income, the statement of changes in equity and the condensed cash flow statement for the six month then ended, and the notes to the financial statements that include the statement of accounting policies and selected explanatory information for the Banking Group.

Coöperatieve Rabobank U.A – New Zealand Banking Group represent Coöperatieve Rabobank U.A operations in New Zealand which comprises of Rabobank New Zealand Limited, Rabo Capital Securities Limited and Coöperatieve Rabobank U.A – New Zealand Branch.

Directors' Responsibility for the Disclosure Statement

The Directors of the Registered Bank (the “Directors”) are responsible on behalf of the Banking Group, for the preparation and fair presentation of the half year Disclosure Statement, which includes interim financial statements prepared in accordance with Clause 26 of the Order. The Directors are also responsible, on behalf of the Banking Group, for such internal controls as the Directors determine are necessary to enable the preparation of interim financial statements that are free from material misstatement, whether due to fraud or error.

In addition, the Directors are responsible on behalf of the Banking Group, for including the information in the half year Disclosure Statement which complies with Schedules 3, 5, 7, 9, 10, 12 and 14 of the Order.

Our Responsibility

Our responsibility is to express a conclusion on the accompanying interim financial statements and the supplementary information, disclosed in accordance with Clause 26 and Schedules 5, 7, 9, 10, 12 and 14 of the Order, presented by the Directors, based on our review.

Our responsibility is to express a conclusion on the interim financial statements (excluding the supplementary information) whether in our opinion on the basis of the procedures performed by us, anything has come to our attention that would cause us to believe that the interim financial statements have not been prepared, in all material respect, in accordance with New Zealand Equivalent to International Accounting Standard 34: Interim Financial Reporting and International Accounting Standard 34: Interim Financial Reporting.

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Our responsibility is to express a conclusion on the supplementary information (excluding the supplementary information relating to credit and market risk exposures and capital adequacy) whether in our opinion on the basis of the procedures performed by us, anything has come to our attention that would cause us to believe that the supplementary information does not fairly state the matters to which it relates in accordance with Schedules 5, 7, 10, 12 and 14 of the Order

Our responsibility is to express a conclusion on the supplementary information relating to credit and market risk exposures and capital adequacy whether, in our opinion on the basis of procedures performed by us, anything has come to our attention that would cause us to believe that the supplementary information is not in all material respects:

- a) prepared in accordance with the Bank's Conditions of Registration relating to capital adequacy and the Capital Adequacy Framework (Standardised Approach) (BS2A); and
- b) disclosed in accordance with Schedule 9 of the Order.

We conducted our review in accordance with the New Zealand Standard of Review Engagements 2410: Review of Financial Statements Performed by the Independent Auditor of the Entity ("NZ SRE 2410"). NZ SRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial statements.

A review in accordance with NZ SRE 2410 is a limited assurance engagement. The auditor performs 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. Accordingly we do not express an audit opinion on this half year Disclosure Statement.

We are independent of the Banking Group. We carry out other assignment on behalf of the Banking Group for audit-related services relating to the provision of tax compliance services for the Banking Group. In addition, certain partners and employees of our firm may deal with the Banking Group on normal terms within the ordinary course of business. These matters have not impaired our independence. We have no other interest in the Banking Group.

Conclusion

Based on our review nothing has come to our attention that causes us to believe that:

- a) the interim financial statements on pages 7 to 30 (excluding the supplementary information) have not been prepared in all material respects, in accordance with New Zealand Equivalent to International Accounting Standard 34: Interim Financial Reporting and International Accounting Standard 34: Interim Financial Reporting;
- b) the supplementary information (excluding the supplementary information relating to credit and market risk exposures and capital adequacy) prescribed by Schedules 5, 7, 10, 12 and 14 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 credit and market risk exposures and capital adequacy prescribed by Schedule 9 of the Order, is not in all material respects:
 - i. prepared in accordance with Banking Group's Conditions of Registration relating to capital adequacy and the Capital Adequacy Framework (Standardised Approach) (BS2A); and
 - ii. disclosed in accordance with Schedule 9 of the Order.



Restriction on Use of Our Report

This report is made solely to the Banking Group's Directors. Our review work has been undertaken so that we might state to the Banking Group's Directors those matters which we are required to state to them in a 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 Banking Group and the Banking Group's Directors, for our review procedures, for this report, or for the conclusions we have formed.

A handwritten signature in blue ink that reads 'Ashley Wood'. The signature is written in a cursive style with a horizontal line underneath the name.

A handwritten signature in blue ink that reads 'PricewaterhouseCoopers'. The signature is written in a cursive style.

Chartered Accountants
25 August 2017

Sydney, Australia