



**Rabobank**

# Rabobank New Zealand Limited 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 (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 2016.

### Signing of the Disclosure Statement

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

- Sir Henricus (Henry) Wilhelmus van der Heyden (Chairman)
- Geerten Battjes
- Andrew James Borland
- Anne Bernadette Brennan
- William Patrick Gurry
- Peter James Knoblanche
- Bernardus Jacobus Marttin
- Jan Alexander Pruijs

### 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 for the Bank

Ashley Wood  
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.

# General Disclosures

## Guarantee arrangements (continued)

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:

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 (negative)
Fitch	AA- (stable)

### 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](http://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.

# General Disclosures

## Conditions of registration

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

The Bank has not complied with all its Conditions of Registration in the six month period ended 30 June 2017. The non-compliance relates to the requirement of Condition 7 that no appointment of an executive who reports or is accountable directly to the Bank's Chief Executive Officer is made unless the Reserve Bank of New Zealand has been supplied with certain information about the proposed appointee and has advised that it has no objection to the appointment. The Bank's New Zealand Head of Risk began reporting directly to the Bank's Chief Executive Officer before the Bank had been advised by the Reserve Bank that the Reserve Bank had no objection to that direct reporting. On 11 July 2017 the Reserve Bank advised the Bank that it had no objection to that direct reporting.

## 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 the 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 nature of the Banking Group's involvement in the establishment, marketing, or sponsorship of trust, custodial, funds management, or other fiduciary activities; or
- any arrangements which have been put in place to ensure that difficulties arising from those activities would not impact adversely on the Banking Group.

Over the six month period ended 30 June 2017, no services have been provided, other than on arm's length terms and conditions and at fair value, by the Banking Group to any entity involved in the establishment, marketing, or sponsorship of trust, custodial, funds management, or other fiduciary activities.

Over the six month period ended 30 June 2017, no assets have been purchased, other than on arms length terms and conditions and at fair value, by the Banking Group from any entity involved in the establishment, marketing, or sponsorship of trust, custodial, funds management, or other fiduciary activities.

## Other material matters

There have been no matters relating to the business or affairs of the Bank that:

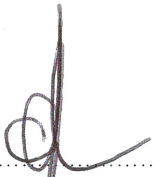
- (i) are not contained elsewhere in this Disclosure Statement; and
- (ii) would, if disclosed, materially affect the decision of a person to subscribe for debt securities of which the Bank is the issuer.

# 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 2017:
  - The Bank has not complied with all Conditions of Registration that applied during that period – see the disclosure above under the heading Conditions of registration;
  - 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 Daryl Johnson, Chief Executive Officer, under an authority from each of the directors.



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 <sup>1</sup>	Audited Year to 31/12/2016
<b>Income statement</b>				
Interest income		<b>269,789</b>	290,438	571,676
Interest expense		<b>(147,154)</b>	(163,295)	(320,370)
<b>Net interest income</b>		<b>122,635</b>	127,143	251,306
Other income	3	<b>1,356</b>	560	1,224
Other expense	4	<b>(442)</b>	(600)	(1,073)
Other operating gains / (losses)	5	<b>(284)</b>	676	1,708
<b>Non-interest income / (expense)</b>		<b>630</b>	636	1,859
<b>Operating income</b>		<b>123,265</b>	127,779	253,165
Operating expenses		<b>(48,757)</b>	(52,674)	(111,197)
Impairment (losses) / releases	6	<b>(777)</b>	(10,303)	(15,105)
<b>Profit before income tax</b>		<b>73,731</b>	64,802	126,863
Income tax expense		<b>(20,845)</b>	(18,360)	(37,394)
<b>Profit after income tax</b>		<b>52,886</b>	46,442	89,469
<b>Other comprehensive income for the period / year</b>				
<b>Items that may be reclassified subsequently to profit or loss</b>				
Changes in AFS financial assets revaluation reserve	14.2	<b>1,031</b>	3,660	956
Income tax credit / (expense) relating to changes in AFS financial assets revaluation reserve	14.2	<b>(289)</b>	(1,025)	(268)
<b>Total items that may be reclassified subsequently to profit or loss</b>		<b>742</b>	2,635	688
<b>Items that will not be reclassified to profit or loss</b>				
Other reserves		-	-	-
<b>Total items that will not be reclassified to profit or loss</b>		-	-	-
<b>Total other comprehensive income for the period / year</b>		<b>742</b>	2,635	688
<b>Total comprehensive income attributable to members of Rabobank New Zealand Limited</b>		<b>53,628</b>	49,077	90,157

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

<sup>1</sup> Prior period comparatives have been restated. Refer to note 2.6 for details.

# Statement of Financial Position

In thousands of NZD	Notes	Unaudited At 30/06/2017	Unaudited At 30/06/2016 <sup>1</sup>	Audited At 31/12/2016
<b>Assets</b>				
Cash and cash equivalents		<b>229,898</b>	196,587	283,588
Derivative financial instruments		<b>3,989</b>	5,431	3,960
Available-for-sale financial assets	7	<b>754,837</b>	755,428	724,154
Loans and advances	8	<b>9,789,242</b>	9,505,738	9,652,399
Due from related entities	10	<b>512,090</b>	587,024	615,166
Other assets		<b>4,914</b>	3,434	4,405
Net deferred tax assets		<b>12,467</b>	15,481	18,936
Property, plant and equipment		<b>4,256</b>	5,332	4,789
Intangible assets		<b>108</b>	150	129
<b>Total assets</b>		<b>11,311,801</b>	11,074,605	11,307,526
<b>Liabilities</b>				
Derivative financial instruments		<b>4,055</b>	5,567	4,048
Deposits	11	<b>4,017,125</b>	3,915,256	4,141,448
Due to related entities	12	<b>5,788,696</b>	5,512,533	5,468,435
Subordinated debt	13	<b>60,693</b>	304,847	304,554
Current tax payable		<b>11,743</b>	633	10,492
Other liabilities		<b>6,204</b>	7,413	9,071
Provisions		<b>3,071</b>	2,850	2,892
<b>Total liabilities</b>		<b>9,891,587</b>	9,749,099	9,940,940
<b>Net assets</b>		<b>1,420,214</b>	1,325,506	1,366,586
<b>Equity</b>				
Contributed equity	14.1	<b>551,200</b>	551,200	551,200
Reserves	14.2	<b>1,545</b>	2,750	803
Retained earnings		<b>867,469</b>	771,556	814,583
<b>Total equity</b>		<b>1,420,214</b>	1,325,506	1,366,586

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

<sup>1</sup> Prior period comparatives have been restated. Refer to note 2.6 for details.



# Statement of Changes in Equity

In thousands of NZD	Contributed equity	Retained earnings	Reserves	Total
<b>At 1 January 2016</b>	551,200	725,114	115	1,276,429
Net profit	-	46,442	-	46,442
Other comprehensive income:				
Revaluation reserve - AFS financial assets	-	-	2,635	2,635
<b>At 30 June 2016 (Unaudited)</b>	551,200	771,556	2,750	1,325,506
<b>At 1 January 2016</b>	551,200	725,114	115	1,276,429
Net profit	-	89,469	-	89,469
Other comprehensive income:				
Revaluation reserve - AFS financial assets	-	-	688	688
<b>At 31 December 2016 (Audited)</b>	551,200	814,583	803	1,366,586
<b>At 1 January 2017</b>	551,200	814,583	803	1,366,586
Net profit	-	52,886	-	52,886
Other comprehensive income:				
Revaluation reserve - AFS financial assets	-	-	742	742
<b>At 30 June 2017 (Unaudited)</b>	551,200	867,469	1,545	1,420,214

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 <sup>1</sup>	Audited Year to 31/12/2016
<b>Cash flows from operating activities</b>				
Interest received		<b>267,021</b>	288,315	565,726
Interest paid		<b>(153,168)</b>	(171,739)	(321,799)
Other cash inflows provided by operating activities		<b>1,362</b>	1,247	2,903
Other cash outflows used in operating activities		<b>(65,696)</b>	(65,837)	(134,754)
Cash flows from operating activities before changes in operating assets and liabilities		<b>49,519</b>	51,986	112,076
Net changes in operating assets and liabilities		<b>(180,656)</b>	(220,940)	(146,440)
<b>Net cash flows from / (used in) operating activities</b>	17	<b>(131,137)</b>	(168,954)	(34,364)
<b>Cash flows from investing activities</b>				
Cash inflows / outflows used in investing activities		<b>2</b>	(466)	(464)
<b>Net cash flows from / (used in) investing activities</b>		<b>2</b>	(466)	(464)
<b>Cash flows from financing activities</b>				
Net changes in financing liabilities		<b>77,445</b>	158,357	110,766
<b>Net cash flows from financing activities</b>		<b>77,445</b>	158,357	110,766
<b>Net change in cash and cash equivalents</b>				
		<b>(53,690)</b>	(11,063)	75,938
Cash and cash equivalents at the beginning of the period / year		<b>283,588</b>	207,650	207,650
<b>Cash and cash equivalents at the end of the period / year</b>		<b>229,898</b>	196,587	283,588
<b>Cash and cash equivalents at the end of the period / year comprise:</b>				
Cash at bank and on hand		<b>229,898</b>	196,587	283,588
Bank overdraft		-	-	-
<b>Cash and cash equivalents at the end of the period / year</b>		<b>229,898</b>	196,587	283,588

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

<sup>1</sup> Prior period comparatives have been restated. Refer to note 2.6 for details.

# Notes to the Financial Statements

## 1. Reporting entity

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

The interim financial statements of the Bank are presented as at and for the six months ended 30 June 2017. 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 New Zealand equivalent to International Accounting Standard ('NZ IAS') 34 'Interim Financial Reporting' and should be read in conjunction with the Bank'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 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 of uncertainty were the same as those applied to the 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 Bank's financial statements for the year ended 31 December 2016.

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.

### 2.6 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)

### 2.6 Comparative figures (continued)

Certain amounts reported as comparative information have changed as a result of a 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 Bank'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)		(40)	40	-
Other income	3	-	560	560
Other expense	4	-	(600)	(600)
Operating income		127,779	-	127,779
Profit before income tax		64,802	-	64,802
Profit after income tax		46,442	-	46,442
<b>Total comprehensive income attributable to members of Rabobank New Zealand Limited</b>		<b>49,077</b>	<b>-</b>	<b>49,077</b>

#### Statement of Financial Position (Extract)

In thousands of NZD	Note	Unaudited 30/06/2016	Change	Unaudited 30/06/2016 Restated
Loans and advances	8	9,497,972	7,766	9,505,738
Other assets		11,200	(7,766)	3,434
<b>Total assets</b>		<b>11,074,605</b>	<b>-</b>	<b>11,074,605</b>
Deposits	11	3,888,098	27,158	3,915,256
Due to related entities	12	5,517,380	(4,847)	5,512,533
Subordinated debt	13	300,000	4,847	304,847
Other liabilities		34,571	(27,158)	7,413
<b>Total liabilities</b>		<b>9,749,099</b>	<b>-</b>	<b>9,749,099</b>

#### Statement of Cash Flows (Extract)

In thousands of NZD		Unaudited 30/06/2016	Change	Unaudited 30/06/2016 Restated
Net changes in operating assets and liabilities		(323,229)	102,289	(220,940)
<b>Net cash flows from / (used in) operating activities</b>	17	<b>(323,229)</b>	<b>102,289</b>	<b>(220,940)</b>
Net changes in financing liabilities		260,646	(102,289)	158,357
<b>Net cash flows from / (used in) financing activities</b>		<b>260,646</b>	<b>(102,289)</b>	<b>158,357</b>

# Notes to the Financial Statements

## 3 Other income

	Unaudited 6 months to 30/06/2017	Unaudited 6 months to 30/06/2016 <sup>1</sup>	Audited Year to 31/12/2016
<b>In thousands of NZD</b>			
Lending and credit facility related fee income	771	532	1,196
Other income	585	28	28
<b>Total other income</b>	<b>1,356</b>	560	1,224

<sup>1</sup> Prior period comparatives have been restated. Refer to note 2.6 for details.

## 4 Other expense

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

\* Balance relates to fees charged for the obligations guarantees provided by Rabobank. Refer to note 25 for further information on guarantees.

<sup>1</sup> Prior period comparatives have been restated. Refer to note 2.6 for details.

## 5 Other operating gains / (losses)

	Unaudited 6 months to 30/06/2017	Unaudited 6 months to 30/06/2016	Audited Year to 31/12/2016
<b>In thousands of NZD</b>			
Net trading gains / (losses) on derivatives	152	(7)	339
Foreign exchange gains / (losses)	(436)	683	1,369
<b>Total other operating gains / (losses)</b>	<b>(284)</b>	676	1,708

## 6 Impairment (losses) / releases

	Unaudited 6 months to 30/06/2017	Unaudited 6 months to 30/06/2016	Audited Year to 31/12/2016
<b>In thousands of NZD</b>			
Collective (provisions) / releases	1,362	(7,587)	(18,196)
Specific (provisions) / releases	(2,139)	(2,728)	2,440
Other losses	-	-	631
Bad debt recovery	-	12	20
<b>Total impairment (losses) / releases</b>	<b>(777)</b>	(10,303)	(15,105)

## 7 Available-for-sale (AFS) financial assets

	Unaudited 30/06/2017	Unaudited 30/06/2016	Audited 31/12/2016
<b>In thousands of NZD</b>			
New Zealand government securities	569,166	611,063	539,227
Other debt securities (Kauri)	185,671	144,365	184,927
<b>Total AFS financial assets</b>	<b>754,837</b>	755,428	724,154

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

	Unaudited 30/06/2017	Unaudited 30/06/2016 <sup>1</sup>	Audited 31/12/2016
<b>In thousands of NZD</b>			
Lending	9,760,985	9,469,937	9,620,906
Finance leases	56,247	57,540	59,698
<b>Gross loans and advances</b>	<b>9,817,232</b>	9,527,477	9,680,604
Accrued interest	7,445	7,766	8,264
Provisions for doubtful debts:			
Collective	(30,832)	(21,585)	(32,194)
Specific	(4,603)	(7,920)	(4,275)
<b>Net loans and advances</b>	<b>9,789,242</b>	9,505,738	9,652,399

<sup>1</sup> Prior period comparatives have been restated. Refer to note 2.6 for details.

# Notes to the Financial Statements

## 9 Credit quality, impaired assets and provision for impairment

### 9.1 Individually impaired assets

In thousands of NZD	At 30/06/2017 (Unaudited)			
	Residential mortgages	Corporate	Retail*	Total
Opening balance	-	-	131,428	131,428
Additions	-	-	71,647	71,647
Amounts written off	-	-	(974)	(974)
Returned to performing or repaid	-	-	(47,351)	(47,351)
<b>Closing balance</b>	-	-	<b>154,750</b>	<b>154,750</b>
Aggregate amount of undrawn balances on lending commitments on impaired assets	-	-	6,882	6,882

### 9.2 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
<b>Total past due assets</b>	-	-	<b>19,746</b>	<b>19,746</b>

### 9.3 Provision for impairment

In thousands of NZD	At 30/06/2017 (Unaudited)			
	Residential mortgages	Corporate	Retail*	Total
<b>Collective provision</b>				
Opening balance	-	-	32,194	32,194
Charge / (release) to Statement of Comprehensive Income (note 6)	-	-	(1,362)	(1,362)
Other movements	-	-	-	-
<b>Closing balance</b>	-	-	<b>30,832</b>	<b>30,832</b>
<b>Specific provision</b>				
Opening balance	-	-	4,275	4,275
Charge / (release) to Statement of Comprehensive Income (note 6)	-	-	2,139	2,139
Amounts written off	-	-	(974)	(974)
Recoveries	-	-	-	-
Reversals	-	-	-	-
Other movements	-	-	2,938	2,938
Discount unwind**	-	-	(3,775)	(3,775)
<b>Closing balance</b>	-	-	<b>4,603</b>	<b>4,603</b>

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

### 9.4 Other assets under administration

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

# Notes to the Financial Statements

## 10 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*	4,705	114,060	101,234
Advances - wholly owned group*	506,712	472,287	513,198
Accrued interest receivable - wholly owned group*	673	677	734
<b>Total due from related entities</b>	<b>512,090</b>	587,024	615,166

\* The wholly owned group refers to other Rabobank related entities. Refer to note 25 for further information on related party disclosures.

## 11 Deposits

In thousands of NZD	Unaudited At 30/06/2017	Unaudited At 30/06/2016 <sup>1</sup>	Audited At 31/12/2016
Call deposits	1,874,114	1,983,760	1,929,543
Term deposits	2,117,618	1,904,338	2,181,543
Accrued interest on call deposits	58	51	51
Accrued interest on term deposits	25,335	27,107	30,311
<b>Total deposits</b>	<b>4,017,125</b>	3,915,256	4,141,448

<sup>1</sup> Prior period comparatives have been restated. Refer to note 2.6 for details.

## 12 Due to related entities

In thousands of NZD	Unaudited At 30/06/2017	Unaudited At 30/06/2016 <sup>1</sup>	Audited At 31/12/2016
Current account balances - wholly owned group*	4,866	7,671	29,400
Advances - wholly owned group*	5,749,940	5,477,279	5,407,960
Accrued interest payable - wholly owned group*	33,890	27,583	31,075
<b>Total due to related entities</b>	<b>5,788,696</b>	5,512,533	5,468,435

\* The wholly owned group refers to other Rabobank related entities. Refer to note 25 for further information on related party disclosures.

<sup>1</sup> Prior period comparatives have been restated. Refer to note 2.6 for details.

## 13 Subordinated debt

In thousands of NZD	Unaudited At 30/06/2017	Unaudited At 30/06/2016 <sup>1</sup>	Audited At 31/12/2016
Due to wholly owned group*	60,000	300,000	300,000
Accrued interest payable - wholly owned group*	693	4,847	4,554
<b>Total subordinated debt</b>	<b>60,693</b>	304,847	304,554

\* The wholly owned group refers to other Rabobank related entities. Refer to note 25 for further information on related party disclosures.

The Bank issued to Rabobank (New Zealand Branch) perpetual subordinated debt with a principal amount of NZ\$300,000,000, and a based rate (i.e. BKBM FRA rate) plus a margin of 2.25 per cent per annum. During 2017, subordinated debt of \$240,000,000 was redeemed, leaving outstanding principal of \$60,000,000. Interest is payable semi-annually on the last days of February and August respectively. The subordinated debt was issued on 13 August 2010 and is subordinated in rights of payment in the event of liquidation or wind up to the claims of depositors and all creditors of the Bank. The debt is repayable on any date at the option of the Bank, subject to a Bank directors' resolution that repayment is in the best interest of the Bank, and the Bank giving at least 10 business days' irrevocable notice to the holder. Under the Basel III and RBNZ capital adequacy requirements, the perpetual subordinated debt progressively cease to be eligible Tier 2 capital for capital adequacy purposes as set out in table below. The subordinated debt instrument that currently qualifies as Tier 2 capital for capital adequacy purposes as at 30 June 2017 amounts to NZ\$60 million (31 December 2016: \$120 million, 30 June 2016: \$120 million).

Year commencing	Percentage of instruments that may be included in regulatory capital
1 January 2014	80
1 January 2015	60
1 January 2016	40
1 January 2017	20
1 January 2018	0

# Notes to the Financial Statements

## 14 Contributed equity, Reserves and Capital management

### 14.1 Contributed equity

In thousands of NZD	Unaudited At 30/06/2017	Unaudited At 30/06/2016	Audited At 31/12/2016
Ordinary share capital	551,200	551,200	551,200
<b>Total contributed equity</b>	<b>551,200</b>	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.

As at 30 June 2017, 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. The ordinary share capital qualifies as Common Equity Tier 1 capital for capital adequacy purposes.

### 14.2 Reserves

In thousands of NZD	Unaudited At 30/06/2017	Unaudited At 30/06/2016	Audited At 31/12/2016
<b>AFS financial asset reserve</b>			
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)
<b>Total AFS reserve</b>	<b>1,545</b>	2,750	803

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

### 14.3 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 BS2A (Capital Adequacy Framework). 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, AFS reserve, less certain deductions. The Bank does not have any additional Tier One capital. Tier Two capital includes subordinated debt.

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 2016 financial year and during the 2017 half year period.



# Notes to the Financial Statements

## 15 Contingent liabilities

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.

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 contingent liabilities:

In thousands of NZD	Unaudited At 30/06/2017	Unaudited At 30/06/2016	Audited At 31/12/2016
Guarantees	4,826	4,081	4,501
Lending commitments			
Irrevocable lending commitments	95,193	108,498	95,847
Revocable lending commitments	1,292,530	1,250,614	1,203,521
<b>Total contingent liabilities</b>	<b>1,392,549</b>	<b>1,363,193</b>	<b>1,303,869</b>

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.

## 16 Expenditure Commitments

### 16.1 Capital expenditure commitments

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

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

### 16.2 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
<b>Total operating lease commitments</b>	<b>11,908</b>	<b>15,911</b>	<b>13,228</b>

Lease arrangements entered into by the Bank are for the purpose of accommodating the Bank's needs. These include operating lease 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 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.

# Notes to the Financial Statements

## 17 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 <sup>1</sup>	Audited Year to 31/12/2016
Net profit after tax	52,886	46,442	89,469
Non-cash items	2,507	12,831	14,882
Deferrals or accruals of past or future operating cash receipts or payments:			
Change in net operating assets and liabilities	(180,656)	(220,940)	(146,440)
Change in interest receivable/payable	(5,007)	(10,567)	(7,379)
Change in other deferrals or accruals	(867)	3,280	15,104
<b>Net cash flows from / (used in) operating activities</b>	<b>(131,137)</b>	<b>(168,954)</b>	<b>(34,364)</b>

1 Prior period comparatives have been restated. Refer to note 2.6 for details.

## 18 Risks arising from financial instruments

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

### 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 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.

#### 18.1.1 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
<b>At 30/06/2017 (Unaudited)</b>							
<b>Financial assets</b>							
Cash and cash equivalents	229,898	229,898	-	-	-	-	-
Derivative financial instruments	4,474	-	12	13	335	3,614	500
Available-for-sale financial assets	770,195	-	544,419	32,659	109,773	83,344	-
Loans and advances	10,368,637	-	1,602,797	1,856,997	3,040,810	2,597,021	1,271,012
Due from related entities	532,209	4,706	472,733	3,153	5,387	46,230	-
Other financial assets	4,546	-	4,546	-	-	-	-
<b>Total financial assets</b>	<b>11,909,959</b>	<b>234,604</b>	<b>2,624,507</b>	<b>1,892,822</b>	<b>3,156,305</b>	<b>2,730,209</b>	<b>1,271,512</b>
<b>Financial liabilities</b>							
Derivative financial instruments	4,539	-	77	13	335	3,614	500
Deposits	4,157,417	1,874,114	1,441,730	344,426	319,404	177,713	30
Due to related entities	6,196,002	4,867	593,361	725,966	1,218,633	3,347,700	305,475
Subordinated debt	105,624	-	1,751	1,063	2,127	6,363	94,320
Other liabilities	6,204	-	6,204	-	-	-	-
<b>Total financial liabilities</b>	<b>10,469,786</b>	<b>1,878,981</b>	<b>2,043,123</b>	<b>1,071,468</b>	<b>1,540,499</b>	<b>3,535,390</b>	<b>400,325</b>
<b>Contingent liabilities</b>							
Guarantees	4,826	4,791	15	-	-	-	20
Lending commitments	1,387,725	1,363,316	2,298	1,902	4,178	5,667	10,364
<b>Total contingent liabilities</b>	<b>1,392,551</b>	<b>1,368,107</b>	<b>2,313</b>	<b>1,902</b>	<b>4,178</b>	<b>5,667</b>	<b>10,384</b>

# Notes to the Financial Statements

## 18 Risks arising from financial instruments (continued)

### 18.2 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	Call-3 months	3-6 months	6-12 months	12-24 months	Over 24 months	Non-interest bearing
<b>At 30/06/2017 (Unaudited)</b>							
<b>Financial assets</b>							
Cash and cash equivalents	229,898	229,898	-	-	-	-	-
Derivative financial instruments	3,989	-	-	-	-	-	3,989
Available-for-sale financial assets	754,837	160,594	369,581	30,138	113,777	80,747	-
Loans and advances	9,789,242	4,508,593	1,338,304	1,608,313	1,245,384	1,080,988	7,660
Due from related entities	512,090	471,417	-	-	-	40,000	673
Other financial assets	4,546	-	-	-	-	-	4,546
<b>Total financial assets</b>	<b>11,294,602</b>	<b>5,370,502</b>	<b>1,707,885</b>	<b>1,638,451</b>	<b>1,359,161</b>	<b>1,201,735</b>	<b>16,868</b>
Other assets	368	-	-	-	-	-	368
Net deferred tax assets	12,467	-	-	-	-	-	12,467
Property, plant and equipment	4,256	-	-	-	-	-	4,256
Intangible assets	108	-	-	-	-	-	108
<b>Total non-financial assets</b>	<b>17,199</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>17,199</b>
<b>Total assets</b>	<b>11,311,801</b>	<b>5,370,502</b>	<b>1,707,885</b>	<b>1,638,451</b>	<b>1,359,161</b>	<b>1,201,735</b>	<b>34,067</b>
<b>Financial liabilities</b>							
Derivative financial instruments	4,055	-	-	-	-	-	4,055
Deposits	4,017,125	2,711,607	547,037	317,296	267,109	148,683	25,393
Due to related entities	5,788,696	2,843,506	582,000	135,000	927,300	1,267,000	33,890
Subordinated debt	60,693	60,000	-	-	-	-	693
Other liabilities	6,204	-	-	-	-	-	6,204
<b>Total financial liabilities</b>	<b>9,876,773</b>	<b>5,615,113</b>	<b>1,129,037</b>	<b>452,296</b>	<b>1,194,409</b>	<b>1,415,683</b>	<b>70,235</b>
Current tax payable	11,743	-	-	-	-	-	11,743
Provisions	3,071	-	-	-	-	-	3,071
<b>Total non-financial liabilities</b>	<b>14,814</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>14,814</b>
<b>Total liabilities</b>	<b>9,891,587</b>	<b>5,615,113</b>	<b>1,129,037</b>	<b>452,296</b>	<b>1,194,409</b>	<b>1,415,683</b>	<b>85,049</b>
<b>Interest rate derivatives</b>							
Swaps	-	91,200	-	-	(10,000)	(81,200)	
Repricing gap (interest bearing assets and liabilities)	1,471,196	(153,411)	578,848	1,186,155	154,752	(295,148)	
<b>Cumulative mismatch</b>	<b>1,471,196</b>	<b>(153,411)</b>	<b>425,437</b>	<b>1,611,592</b>	<b>1,766,344</b>	<b>1,471,196</b>	

# Notes to the Financial Statements

## 18 Risks arising from financial instruments (continued)

### 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 Australian and New Zealand Standard Industrial Classification (ANZSIC) codes.

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

#### 18.3.1 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.

<b>Credit exposures consist of :</b>	<b>Unaudited</b>
<b>In thousands of NZD</b>	<b>At 30/06/2017</b>
Cash and cash equivalents	229,898
Derivative financial instruments	3,989
Available-for-sale financial assets	754,837
Loans and advances	9,789,242
Due from related entities	512,090
Other financial assets	4,546
Commitments and guarantees (note 14)	1,392,549
<b>Total credit exposures</b>	<b>12,687,151</b>
<b>Analysis of credit exposures by industry:</b>	
	<b>Unaudited</b>
<b>In thousands of NZD</b>	<b>At 30/06/2017</b>
Agriculture	10,877,820
Finance and insurance	771,413
Forestry and fishery	43,180
Government	735,336
Property and business services	83,118
Other	176,284
<b>Total credit exposures</b>	<b>12,687,151</b>
<b>Analysis of credit exposures by geographical areas:</b>	
	<b>Unaudited</b>
<b>In thousands of NZD</b>	<b>At 30/06/2017</b>
New Zealand	12,483,608
Australia	9,352
Germany	136,878
Finland	50,937
United States of America	6,376
<b>Total credit exposures</b>	<b>12,687,151</b>

# Notes to the Financial Statements

## 18 Risks arising from financial instruments (continued)

### 18.3 Credit risk (continued)

#### 18.3.2 Concentration of credit exposures to individual counterparties

	Unaudited	
	At 30/06/2017	Peak for the quarter
<b>Number of bank counterparties:</b>		
Percentage of shareholders' equity		
10-15%	-	-
15-20%	-	-
<b>Number of non-bank counterparties:</b>		
Percentage of shareholders' equity		
10-15%	-	-
15-20%	-	-
20-25%	-	-
25-30%	-	-

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 of any country with a long-term credit rating of A- or A3 or above, or its equivalent, and credit exposures to any bank 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 quarter and dividing it by the Banking Group's equity as at the end of the quarter.

#### 18.3.3 Credit quality per class of financial assets

The credit quality of financial assets is managed by the Bank 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 Bank'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			
<b>At 30/06/2017 (Unaudited)</b>							
Cash and cash equivalents	229,898	-	-	-	-	-	229,898
Available-for-sale financial assets (note 7)	754,837	-	-	-	-	-	754,837
Gross loans and advances* (note 8)	64,786	852,898	6,209,823	2,515,229	19,746	154,750	9,817,232
<b>Total</b>	<b>1,049,521</b>	<b>852,898</b>	<b>6,209,823</b>	<b>2,515,229</b>	<b>19,746</b>	<b>154,750</b>	<b>10,801,967</b>

\*Gross loans and advances exclude provisions for doubtful debts.

#### Credit rating descriptions

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

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

**R11-R14** Counterparties that have adequate capacity to meet current financial commitments to the Bank.

**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.

# Notes to the Financial Statements

## 19 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' 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:

In thousands of NZD	Unaudited At 30/06/2017		Unaudited At 30/06/2016 <sup>1</sup>		Audited At 31/12/2016	
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
<b>Financial assets</b>						
Cash and cash equivalents	229,898	229,898	196,587	196,587	283,588	283,588
Derivative financial instruments	3,989	3,989	5,431	5,431	3,960	3,960
Available-for-sale financial assets	754,837	754,837	755,428	755,428	724,154	724,154
Loans and advances	9,789,242	9,981,993	9,505,738	9,678,477	9,652,399	9,818,277
Due from related entities	512,090	507,046	587,024	577,565	615,166	611,851
Other financial assets	4,546	4,546	3,375	3,375	4,147	4,147
<b>Total financial assets</b>	<b>11,294,602</b>	<b>11,482,309</b>	<b>11,053,583</b>	<b>11,216,863</b>	<b>11,283,414</b>	<b>11,445,977</b>
<b>Financial liabilities</b>						
Derivative financial instruments	4,055	4,055	5,567	5,567	4,048	4,048
Deposits	4,017,125	4,062,765	3,915,256	3,880,521	4,141,448	4,160,629
Due to related entities	5,788,696	5,852,815	5,512,533	5,542,197	5,468,435	5,501,964
Subordinated debt	60,693	74,497	304,847	316,746	304,554	338,284
Other liabilities	6,204	6,204	7,413	7,413	9,071	9,071
<b>Total financial liabilities</b>	<b>9,876,773</b>	<b>10,000,336</b>	<b>9,745,616</b>	<b>9,752,444</b>	<b>9,927,556</b>	<b>10,013,996</b>

<sup>1</sup> Prior period comparatives have been restated. Refer to note 2.6 for details.

### 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 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 Available-for-sale 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).

# Notes to the Financial Statements

## 19 Fair value of financial instruments (continued)

### Financial assets and financial liabilities carried at fair value (continued)

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 2017 (Unaudited)				
<b>Financial assets</b>				
Derivative financial instruments	-	3,989	-	3,989
Available-for-sale financial assets	754,837	-	-	754,837
<b>Financial liabilities</b>				
Derivative financial instruments	-	4,055	-	4,055

In thousands of NZD	Level 1	Level 2	Level 3	Total
At 30 June 2016 (Unaudited)				
<b>Financial assets</b>				
Derivative financial instruments	-	5,431	-	5,431
Available-for-sale financial assets	755,428	-	-	755,428
<b>Financial liabilities</b>				
Derivative financial instruments	-	5,567	-	5,567

In thousands of NZD	Level 1	Level 2	Level 3	Total
At 31 December 2016 (Audited)				
<b>Financial assets</b>				
Derivative financial instruments	-	3,960	-	3,960
Available-for-sale financial assets	724,154	-	-	724,154
<b>Financial liabilities</b>				
Derivative financial instruments	-	4,048	-	4,048

### 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 set as per below. These 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.

#### Subordinated debt

Fair values are calculated using discounted cash flow models based on repricing dates, with discount rates at current interest rates for instruments with similar maturity.

# Notes to the Financial Statements

## 20 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	At 30/06/2017			At 30/06/2016		
	Current	Non-Current	Total	Current	Non-Current	Total
<b>Assets</b>						
Cash and cash equivalents	229,898	-	229,898	196,587	-	196,587
Derivative financial instruments	16	3,973	3,989	118	5,313	5,431
Available-for-sale financial assets	538,315	216,522	754,837	306,693	448,735	755,428
Loans and advances	4,870,802	4,918,440	9,789,242	4,729,722	4,776,016	9,505,738
Due from related entities	472,090	40,000	512,090	144,724	442,300	587,024
Other assets	4,914	-	4,914	3,434	-	3,434
Income tax receivable	-	-	-	-	-	-
Net deferred tax assets	-	12,467	12,467	-	15,481	15,481
Property, plant and equipment	-	4,256	4,256	-	5,332	5,332
Intangible assets	-	108	108	-	150	150
<b>Total Assets</b>	<b>6,116,035</b>	<b>5,195,766</b>	<b>11,311,801</b>	<b>5,381,278</b>	<b>5,693,327</b>	<b>11,074,605</b>
<b>Liabilities</b>						
Derivative financial instruments	16	4,039	4,055	118	5,449	5,567
Deposits	2,842,010	1,175,115	4,017,125	2,669,900	1,245,356	3,915,256
Due to related entities	1,179,396	4,609,300	5,788,696	1,439,233	4,073,300	5,512,533
Subordinated debt	693	60,000	60,693	4,847	300,000	304,847
Current tax payable	11,743	-	11,743	633	-	633
Other liabilities	6,204	-	6,204	7,413	-	7,413
Provisions	1,219	1,852	3,071	1,160	1,690	2,850
<b>Total Liabilities</b>	<b>4,041,281</b>	<b>5,850,306</b>	<b>9,891,587</b>	<b>4,123,304</b>	<b>5,625,795</b>	<b>9,749,099</b>



# Notes to the Financial Statements

## 21 Capital adequacy under the standardised approach

### 21.1 Capital

In thousands of NZD	Unaudited At 30/06/2017
<b>Common Equity Tier 1 ("CET1") capital</b>	
Paid-up ordinary shares issued by the Bank plus related share premium	551,200
Retained earnings (net of appropriations)	867,469
Accumulated other comprehensive income and other disclosed reserves	1,545
Less deductions from CET1 capital:	
Deferred tax assets	(12,467)
Goodwill and other intangible assets	(108)
<b>Subtotal CET1 capital</b>	<b>1,407,639</b>
<b>Additional Tier 1 ("AT1") capital</b>	
Instruments issued by the Bank (or an SPV of the Bank)	-
Share premium resulting from the issue of instruments included in AT1 capital	-
Regulatory adjustments applied to AT1 capital	-
<b>Subtotal AT1 capital</b>	<b>-</b>
<b>Total Tier 1 capital</b>	<b>1,407,639</b>
<b>Tier 2 capital</b>	
Term subordinated debt subject to phase-out transitional arrangements	60,000
Revaluation reserves	-
<b>Total Tier 2 capital</b>	<b>60,000</b>
<b>Total capital</b>	<b>1,467,639</b>

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 13 and note 14 for information about material terms and conditions of each instrument disclosed above.

# Notes to the Financial Statements

## 21 Capital adequacy under the standardised approach (continued)

### 21.2 Credit risk

#### 21.2.1 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
<b>At 30/06/2017 (Unaudited)</b>				
Cash and gold bullion	-	0%	-	-
Sovereigns and central banks	733,897	0%	-	-
Multilateral development banks and other international organisations	50,318	0%	-	-
Multilateral development banks and other international organisations	135,353	20%	27,071	2,166
Banks	65,168	20%	13,034	1,043
Banks - related party <sup>1</sup>	3,300	20%	660	53
Public sector entities	-	20%	-	-
Corporate	-	50%	-	-
Residential mortgages not past due - LVR does not exceed 80%	31,073	35%	10,876	870
Residential mortgages not past due - LVR between 80% and 90%	4,820	50%	2,410	193
Residential mortgages not past due - LVR between 90% and 100%	-	75%	-	-
Past due residential mortgages	-	100%	-	-
Other past due assets <sup>2</sup>	156,436	150%	234,654	18,772
Equity holdings (not deducted from capital) that are publicly traded	-	300%	-	-
All other equity holdings (not deducted from capital)	-	400%	-	-
Other <sup>3</sup>	101	0%	-	-
Other <sup>4</sup>	9,605,985	100%	9,605,985	768,479
Non-risk weighted assets <sup>5</sup>	16,564	N/A	-	-
<b>Total on-balance sheet exposures</b>	<b>10,803,015</b>		<b>9,894,690</b>	<b>791,576</b>

<sup>1</sup> 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 21.3 for more information.

<sup>2</sup> 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.

<sup>3</sup> Other assets that have been risk weighted at 0% represent income tax receivable and GST receivable.

<sup>4</sup> 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.

<sup>5</sup> Non-risk weighted assets relate to net deferred tax assets, derivative assets and other intangible assets.

# Notes to the Financial Statements

## 21 Capital adequacy under the standardised approach (continued)

### 21.2 Credit risk (continued)

#### 21.2.2 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
<b>At 30/06/2017 (Unaudited)</b>						
Direct credit substitutes	4,826	100%	4,826	100%	4,826	386
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	95,202	50%	47,601	100%	47,601	3,808
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	1,292,646	0%	-	100%	-	-
<b>Market related contracts*</b>						
Foreign exchange forwards - related entities	3,420	N/A	72	20%	14	1
Foreign exchange forwards	3,346	N/A	63	100%	63	5
Interest rate swaps - related entities	95,200	N/A	891	20%	178	14
Interest rate swaps	95,200	N/A	4,155	100%	4,155	332
Other - Credit valuation adjustment	N/A	N/A	N/A	2.0%	6,113	489
Other - Credit valuation adjustment	N/A	N/A	N/A	0.8%	700	56
<b>Total off-balance sheet exposures</b>	<b>1,589,840</b>		<b>57,608</b>		<b>63,650</b>	<b>5,091</b>

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

#### 21.2.3 Additional residential mortgages information

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

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

# Notes to the Financial Statements

## 21 Capital adequacy under the standardised approach (continued)

### 21.2.3 Additional residential mortgages information (continued)

Reconciliation of mortgage related amounts	Unaudited
In thousands of NZD	At 30/06/2017
Loans and advances - loans with residential mortgages	35,893
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	35,893
Off-balance sheet residential mortgage exposures subject to the standardised approach	9,286
<b>Total residential mortgage exposures subject to the standardised approach (as per LVR analysis)</b>	<b>45,179</b>

### 21.3 Credit risk mitigation

In thousands of NZD	At 30/06/2017 (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*	512,090	-
Corporate	-	-
Residential mortgage	-	-
Other	-	-
<b>Total gross-exposure basis</b>	<b>512,090</b>	-
<b>Total net-exposure basis (note 21.2.1.)</b>	<b>3,300</b>	-

\* On 2 April 2015, Reserve Bank of New Zealand has 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.

### 21.4 Operational risk

#### Operational risk capital requirement

In thousands of NZD	At 30/06/2017 (Unaudited)	
	Implied risk weighted exposure	Total operational risk capital requirement
Operational risk	707,850	56,628
<b>Total</b>	<b>707,850</b>	<b>56,628</b>

### 21.5 Market risk period-end capital charges

In thousands of NZD	At 30/06/2017 (Unaudited)	
	Implied risk weighted exposure	Aggregate capital charges
Interest rate risk	237,125	18,970
Foreign currency risk	15,875	1,270
<b>Total</b>	<b>253,000</b>	<b>20,240</b>

The bank does not take any equity risk.

### 21.6 Market risk peak end-of-day capital charges

In thousands of NZD	At 30/06/2017 (Unaudited)	
	Implied risk weighted exposure	Aggregate capital charges
Interest rate risk	237,125	18,970
Foreign currency risk	15,875	1,270
<b>Total</b>	<b>253,000</b>	<b>20,240</b>

The bank does not take any equity risk.

# Notes to the Financial Statements

## 21 Capital adequacy under the standardised approach (continued)

### 21.7 Method for deriving 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).

### 21.8 Total capital requirements

In thousands of NZD	At 30/06/2017 (Unaudited)		Total capital requirement
	Total exposure after credit risk mitigation	Risk weighted exposure or implied risk weighted exposure	
Total credit risk	12,392,855	9,958,340	796,667
Operational risk	N/A	707,850	56,628
Market risk	N/A	253,000	20,240
<b>Total</b>	<b>12,392,855</b>	<b>10,919,190</b>	<b>873,535</b>

### 21.9 Capital ratios

In percentage (%)	At 30/06/2017 (Unaudited)		At 30/06/2016 (Unaudited)	
	Ratio	Minimum ratio requirement	Ratio	Minimum ratio requirement
Common Equity Tier 1 capital ratio	<b>12.89%</b>	<b>4.50%</b>	12.39%	4.50%
Tier 1 capital ratio	<b>12.89%</b>	<b>6.00%</b>	12.39%	6.00%
<b>Total capital ratio</b>	<b>13.44%</b>	<b>8.00%</b>	13.52%	8.00%

### 21.10 Buffer ratio

In percentage (%)	Unaudited Ratio At 30/06/2017	Unaudited Ratio At 30/06/2016
Buffer ratio* (in excess of the minimum tier 1 capital ratio requirement)	<b>5.44%</b>	5.52%
Buffer ratio requirement**	<b>2.50%</b>	2.50%

### 21.11 Solo capital adequacy

In percentage (%)	Unaudited Ratio At 30/06/2017	Unaudited Ratio At 30/06/2016
Common Equity Tier 1 capital ratio*	<b>12.89%</b>	12.39%
Tier 1 capital ratio*	<b>12.89%</b>	12.39%
<b>Total capital ratio*</b>	<b>13.44%</b>	13.52%

\*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).

# Notes to the Financial Statements

## 21 Capital adequacy under the standardised approach (continued)

### 21.12 Pillar 2 capital for other material risks

	Unaudited At 30/06/2017	Unaudited At 30/06/2016
In thousands of NZD		
Internal capital allocation for other material risks	<b>43,677</b>	42,302

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

(i) Credit concentration risk: Concentration risk of a loan portfolio is a function of the relative proportion of loans across industry sectors, geographic areas, specific borrowers, credit quality and size of exposures.

(ii) Liquidity risk: Liquidity risk is the combined risks of not being able to meet financial obligations as they fall due (funding liquidity risk); and that liquidity in financial markets may reduce significantly (market liquidity risk).

(iii) Reputation risk: Reputation risk is the potential that negative publicity, perception and/or loss of confidence regarding Rabobank New Zealand's business practices, whether true or not, will cause Rabobank New Zealand's clients, employees and other key stakeholders to lose trust in the organisation.

The Bank has reviewed these other risks and does not believe any individual risk as being material and requiring a capital allocation. However, consistent with the Bank's ICAAP and the Bank's prudent capital management, it believes that 5% of Pillar 1 capital for Pillar 2 would provide sufficient capital given the current risk profile. 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.

### 21.13 Capital adequacy of the ultimate parent bank

#### Capital adequacy of Rabobank

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

	2016	2015
At 31 December (Audited)	%	%
Common equity Tier 1 capital ratio	14.00%	13.50%
Tier 1 capital ratio	17.60%	16.40%
<b>Total capital ratio</b>	<b>25.00%</b>	<b>23.20%</b>

#### 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'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

## 22 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 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 of NZD	Effects of offsetting on the balance sheet			Related amounts not offset		
	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
<b>Financial Assets</b>						
Cash and cash equivalents	231,925	(2,027)	229,898	-	-	229,898
Derivative financial instruments	3,989	-	3,989	-	-	3,989
<b>Total financial assets</b>	<b>235,914</b>	<b>(2,027)</b>	<b>233,887</b>	<b>-</b>	<b>-</b>	<b>233,887</b>
<b>Financial Liabilities</b>						
Due to financial institutions	2,027	(2,027)	-	-	-	-
Derivative financial instruments	4,055	-	4,055	-	-	4,055
<b>Total financial liabilities</b>	<b>6,082</b>	<b>(2,027)</b>	<b>4,055</b>	<b>-</b>	<b>-</b>	<b>4,055</b>

2016 in thousands of NZD	Effects of offsetting on the balance sheet			Related amounts not offset		
	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
<b>Financial Assets</b>						
Cash and cash equivalents	196,587	-	196,587	-	-	196,587
Derivative financial instruments	5,431	-	5,431	-	-	5,431
<b>Total financial assets</b>	<b>202,018</b>	<b>-</b>	<b>202,018</b>	<b>-</b>	<b>-</b>	<b>202,018</b>
<b>Financial Liabilities</b>						
Due to financial institutions	-	-	-	-	-	-
Derivative financial instruments	5,567	-	5,567	-	-	5,567
<b>Total financial liabilities</b>	<b>5,567</b>	<b>-</b>	<b>5,567</b>	<b>-</b>	<b>-</b>	<b>5,567</b>

# Notes to the Financial Statements

## 23 Concentration of funding

### Total funding comprised:

	Unaudited
In thousands of NZD	At 30/06/2017
Deposits	4,017,125
Due to related entities	5,788,696
Subordinated debt	60,693
Other liabilities	6,204
<b>Total funding</b>	<b>9,872,718</b>

### Analysis of funding by industry:

	Unaudited
In thousands of NZD	At 30/06/2017
Agriculture	674,048
Finance and insurance	6,229,509
Personal and other services	2,695,140
Other	274,021
<b>Total funding</b>	<b>9,872,718</b>

### Analysis of funding concentration by geographical areas:

	Unaudited
In thousands of NZD	At 30/06/2017
New Zealand	9,818,144
Australia	9,080
The Netherlands	11,004
United Kingdom	10,045
United States of America	8,050
All other countries	16,395
<b>Total funding</b>	<b>9,872,718</b>

## 24 Additional information on statement of financial position

	Unaudited
In thousands of NZD	At 30/06/2017
Total interest earning and discount bearing assets	11,277,734
Total interest and discount bearing liabilities	9,806,538
Financial assets pledged as collateral	-



# Notes to the Financial Statements

## 25 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.

### 25.1 Transactions with related parties

#### 25.1.1 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.

##### *The fourth period*

For the period 18 February 2012 to 17 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.rabodirect.co.nz](http://www.rabodirect.co.nz).

# Notes to the Financial Statements

## 25.1.2 Commission and fee expense

A fee of \$0.44 million was charged to the Bank by Rabobank in consideration for providing the obligations guarantees for the six month period ended 30 June 2017 (December 2016: \$1.1 million; June 2016: \$0.60 million).

## 25.1.3 Management fees

A management fee of \$17.3 million (December 2016: \$36.4 million; June 2016: \$19.1 million) was charged to the Bank 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 Bank by this related entity.

A management fee of \$4.5 million (December 2016: \$17.4 million; June 2016: \$5.7 million) was charged to the Bank by the Rabobank Head Office for the provision of administrative and management services.

A management fee of \$0.5 million (31 December 2016: \$1.7 million; June 2016: \$0.7 million) was charged to NZ Branch of Rabobank by the Bank for the provision of administrative and management services.

## 25.1.4 Other transactions

The Bank enters into a number of transactions with other related entities within the Rabobank related entities, but mainly with the Australia and New Zealand Branches of Rabobank (Refer to notes 10, 12 and 13 for period ending balances). These include funding, deposits and derivative transactions to manage market risk exposures. The interest income earned on related entities transactions was \$5.7 million (December 2016: \$11.0 million; June 2016: \$4.3 million), and the interest expense paid on related entities transactions was \$91.9 million (December 2016: \$202.1 million; June 2016: \$103.2 million). The principal amounts of due from and due to the related entities are separately disclosed in the Statement of Financial Position and the accompanying notes to the financial statements.

## (v) Working capital facilities

A loan facility of EUR 4.6 billion was granted by the New Zealand Branch of Rabobank to the Bank on 21 December 2016. The unused amount at 30 June 2017 was EUR 0.8 billion.

## 25.2 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.

## 25.3 Provision for impairment

For the period ended 30 June 2017, the Bank 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 at each period end 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 Bank recognises a provision for impairment.

## 26 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 Bank, the results of those operations or the state of affairs of the Bank in subsequent financial years.

## 27 Dividend

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



## *Independent Auditor's Review Report*

To the Directors of Rabobank New Zealand Limited

### *Report on the Disclosure Statement*

We have reviewed pages 5 to 32 of the half year Disclosure Statement prepared by Rabobank New Zealand Limited (the "bank") which includes interim 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 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 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 half year Disclosure Statement, which includes interim financial statements prepared in accordance with Clause 25 of the Order. The Directors are also responsible, on behalf of the Bank, 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 Bank, for including the information in the half year Disclosure Statement which complies with Schedules 3, 5, 7, 9, 13, 16 and 18 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 25 and Schedules 5, 7, 9, 13, 16 and 18 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.

Our responsibility is to express a conclusion on the supplementary information (excluding the supplementary information relating to 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, 13, 16 and 18 of the Order.

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Our responsibility is to express a conclusion on the supplementary information relating to 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 relating to capital adequacy 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 Bank. We carry out other assignment on behalf of the Bank for audit-related services relating to the provision of tax compliance services for the Bank. In addition, certain partners and employees of our firm may deal with the Bank on normal terms within the ordinary course of business. These matters have not impaired our independence. We have no other interest in the Bank.

## Conclusion

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

- a) the interim financial statements on pages 5 to 32 (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 capital adequacy) prescribed by 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 prescribed by Schedule 9 of the Order, does not in all material respects:
  - i. prepared in accordance with the Bank'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 Bank's Directors. Our review work has been undertaken so that we might state to the Bank'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 the Bank and the Bank's Directors, for our review procedures, for this report, or for the conclusions we have formed.

*Ashley Wood*  
*Pricewaterhouse Coopers*

Chartered Accountants  
25 August 2017

Sydney, Australia