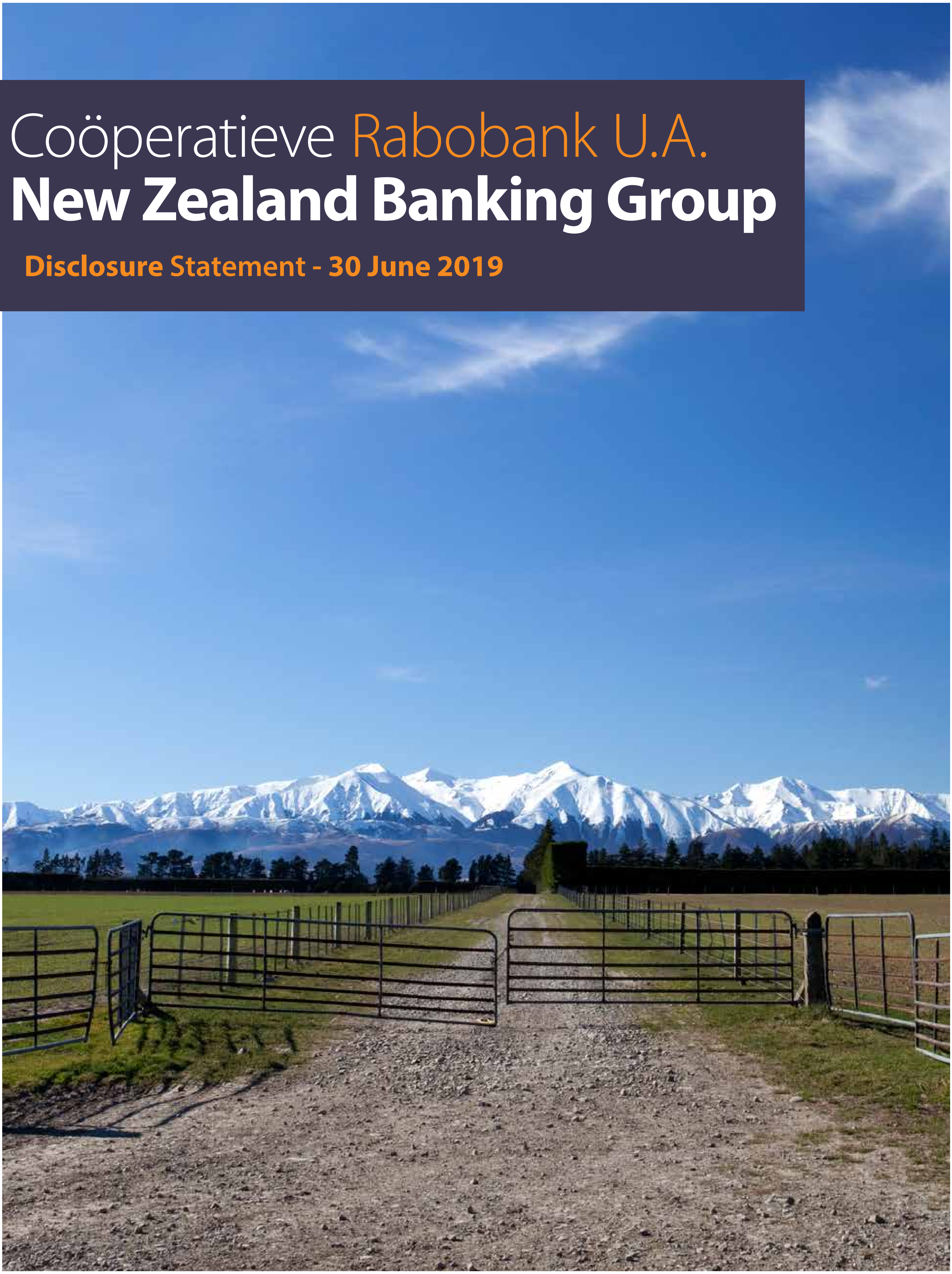
Coöperatieve Rabobank U.A.

New Zealand Banking Group

Disclosure Statement - 30 June 2019



Rabobank

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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 ("Reserve Bank Act") 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 (RNZL); and
  (c) Rabo Capital Securities Limited (RCSL),

  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 the following changes to the Registered Bank's Board of Directors since 31 December 2018:

- Petra van Hoeken resigned as a director of the Registered Bank with effect on 1 February 2019.
- Els de Groot was appointed as a director of the Registered Bank with effect on 1 February 2019.

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

Managing Board

W. Draijer (Wiebe), chairman
B.C. Brouwers (Bas), member
E.A. de Groot (Els), member
M.P.J. Lichtenberg (Mariëlle), member
C.M. Konst (Kirsten), member
J.L. van Nieuwenhuizen (Jan), member
B.J. Marttin (Berry), member
B. Leurs (Bart), member
L. Sevinga (Ieko), member
J. Vos (Janine), member

Executive Board

W. Draijer (Wiebe), chairman
B.C. Brouwers (Bas), member
B.J. Marttin (Berry), member
J.L. van Nieuwenhuizen (Jan), member
E.A. de Groot (Els), member
C.M. Konst (Kirsten), member

General Disclosures

General matters (continued)

Supervisory Board

R. Teerlink (Ron), chairman
M. Trompetter (Marjan), vice chairman
L.N. Degle (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
A.P. Aris (Antoinette), member

New Zealand Chief Executive Officer

Todd Charteris is the New Zealand chief executive officer of the Registered Bank (as well as of Rabobank New Zealand Limited).

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 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

General Disclosures

Credit ratings

The Registered Bank has credit ratings 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	Aa3 (stable)
Fitch	AA- (stable)

Insurance business

The Banking Group does not conduct any insurance business.

Guarantee arrangements

No 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.

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 2018:

- 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

Since 31 December 2018 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; or
- arrangements to ensure that difficulties arising from those activities would not impact adversely on the Banking Group.

Conditions of registration

There have been changes to the Conditions of Registration between 31 December 2018 and 30 June 2019. The changes, which took effect on and from 1 January 2019, reflected changes to the Reserve Bank's loan-to-valuation ratio (LVR) requirements, as contained in the "Framework for Restrictions on High-LVR Residential Mortgage Lending" (BS19).

General Disclosures

Other material matters

Redemption of Rabo Capital Securities Limited listed securities

On 18 June 2019 all securities issued by Rabo Capital Securities Limited and listed on the NZDX were redeemed, together with the underlying securities issued by the Registered Bank to Rabo Capital Securities Limited.

Interest rate derivatives

The Registered Bank enters into 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 decided to take part in the Recovery Framework.

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 and advance payments made, the Registered Bank has recognised a provision of 122 million euros as at 30 June 2019. On 30 June 2019, the Registered Bank's payments to customers under the Recovery Framework amounted to 663 million euros.

Imtech

On 30 January 30 2018, the Registered Bank received a letter indicating that legal proceedings may be started with respect to a potential collective action in relation to certain share offerings of Royal Imtech N.V. in which the Registered Bank was involved. Furthermore, the receivers in August 2018 sent a letter in which they describe the possible grounds on which their future claim(s) towards the Registered Bank in its capacity of lender will be based. The Registered Bank considers the Imtech case to be a contingent liability and no provision has been made.

London Interbank Offer Rate (Libor)/Euro Interbank Offer Rate (Euribor)

The Registered Bank has been involved for a number of years in several regulatory proceedings in relation to interest rate benchmark-related issues. The Registered Bank is cooperating with those regulators in these investigations.

In 2013, the Registered Bank entered into settlement agreements with various authorities in relation to their investigations into the historical Libor and Euribor submission processes of the Registered Bank. All amounts payable under these settlement agreements were fully paid and accounted for in 2013. The Registered Bank entered into one additional related settlement agreement on 2 July 2019.

The Registered Bank, along with a large number of other panel banks and brokers, has been named as a defendant in a number of putative class action suits and individual civil court cases brought before the United States Courts. These proceedings relate to the US Dollar (USD) Libor, British Pound Sterling Libor, Japanese Yen Libor, Tibor and Euribor. The Registered Bank and/or its subsidiaries have also been summoned to appear before various Dutch, Argentine, United Kingdom, Irish and Israeli courts in civil proceedings (including class action suits) relating to interest rate benchmarks.

The Registered Bank considers that it has substantive and convincing legal and factual defences against these claims and intends to continue to defend itself against these claims.

The Registered Bank considers these cases to be a contingent liability. No provision has been made.

General Disclosures

Other material matters (continued)

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.

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 2019:

- 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 Todd Charteris in his capacity as New Zealand Chief Executive Officer of the Registered Bank and as agent authorised in writing by each director.

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Todd Charteris

Dated: 28 August 2019

Statement of Comprehensive Income

In thousands of NZD	Notes	Unaudited 6 months to 30/06/2019	Unaudited 6 months to 30/06/2018	Audited Year to 31/12/2018
Income statement				
Interest income		**332,649**	319,326	647,510
Interest expense		**(164,558)**	(144,403)	(298,720)
Net interest income		**168,091**	174,923	348,790
Other income	3	**447**	1,005	1,782
Other expense	4	**(255)**	(329)	(612)
Other operating gains / (losses)	5	**(479)**	(22,141)	(32,198)
Operating income		**167,804**	153,458	317,762
Operating expenses		**(61,439)**	(52,074)	(118,532)
Impairment releases / (losses)	6	**(17,915)**	355	(637)
Profit before income tax		**88,450**	101,739	198,593
Income tax expense		**(26,984)**	(30,930)	(60,609)
Net profit for the period/year		**61,466**	70,809	137,984
Other comprehensive income for the period / year				
Items that may be reclassified subsequently to profit or loss				
Changes in FVOCI financial assets revaluation reserve	16.2	**2,432**	397	114
Income tax credit / (expense) relating to changes in FVOCI financial assets revaluation reserve	16.2	**(681)**	(111)	(32)
Total items that may be reclassified subsequently to profit or loss		**1,751**	286	82
Items that will not be reclassified subsequently to profit or loss				
Other reserves		**-**	-	-
Total items that will not be reclassified subsequently to profit or loss		**-**	-	-
Total other comprehensive income for the period / year		**1,751**	286	82
Total comprehensive income attributable to members of the Banking Group		**63,217**	71,095	138,066

The Banking Group has applied NZ IFRS 16 at 1 January 2019, using the modified retrospective approach. Under this approach, comparative information is not restated and the cumulative effect of initially applying NZ IFRS 16 is recognised in retained earnings at the date of initial application. See Note 2.8 to the Financial Statements - Basis of preparation.

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 30/06/2019	Unaudited At 30/06/2018	Audited At 31/12/2018
Assets				
Cash and cash equivalents		**797,256**	598,698	421,409
Derivative financial instruments		**116,894**	123,806	97,925
Financial assets at fair value through other comprehensive income	7	**708,575**	651,382	647,062
Loans and advances	8	**12,370,975**	11,443,925	12,112,835
Due from related entities	9	**2,693,411**	2,005,000	2,816,660
Other assets		**7,272**	6,978	8,863
Income tax receivables		**936**	6,145	-
Net deferred tax assets		**22,489**	13,256	14,047
Property, plant and equipment	10	**19,943**	3,563	3,020
Intangible assets		**970**	66	45
Total assets		**16,738,721**	14,852,819	16,121,866
Liabilities				
Derivative financial instruments		**146,772**	83,091	113,270
Debt securities in issue		**3,542,732**	3,729,984	3,105,153
Deposits	11	**5,749,211**	4,602,697	4,705,582
Preference shares		**-**	280,597	280,666
Due to related entities	12	**5,337,441**	4,343,686	6,028,994
Current tax liabilities		**-**	-	3,157
Other liabilities	13	**26,644**	8,128	12,470
Provisions		**3,473**	3,342	3,342
Head office account		**312,458**	270,492	290,437
Total liabilities		**15,118,731**	13,322,017	14,543,071
Net assets		**1,619,990**	1,530,802	1,578,795
Equity				
Contributed equity	16.1	**551,201**	551,201	551,201
Reserves	16.2	**3,557**	2,010	1,806
Retained earnings		**1,065,232**	977,591	1,025,788
Total equity		**1,619,990**	1,530,802	1,578,795

The Banking Group has applied NZ IFRS 16 at 1 January 2019, using the modified retrospective approach. Under this approach, comparative information is not restated and the cumulative effect of initially applying NZ IFRS 16 is recognised in retained earnings at the date of initial application. See Note 2.8 to the Financial Statements - Basis of preparation.

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 2018 (Audited)	551,201	922,696	1,724	1,475,621
Impact of adoption of NZ IFRS 9**	-	(964)	-	(964)
Restated opening balance under NZ IFRS 9	551,201	921,732	1,724	1,474,657
Net profit (excluding Branch*)	-	55,859	-	55,859
Other comprehensive income:				
Revaluation reserve - FVOCI financial assets	-	-	286	286
At 30 June 2018 (Unaudited)	551,201	977,591	2,010	1,530,802
At 1 January 2018 (Audited)	551,201	922,696	1,724	1,475,621
Impact of adoption of NZ IFRS 9**	-	(15)	-	(15)
Restated opening balance under NZ IFRS 9	551,201	922,681	1,724	1,475,606
Net profit (excluding Branch*)	-	103,107	-	103,107
Other comprehensive income:				
Revaluation reserve - FVOCI financial assets	-	-	82	82
At 31 December 2018 (Audited)	551,201	1,025,788	1,806	1,578,795
At 1 January 2019 (Audited)	551,201	1,025,788	1,806	1,578,795
Net profit (excluding Branch*)	-	39,444	-	39,444
Other comprehensive income:				
Revaluation reserve - FVOCI financial assets	-	-	1,751	1,751
At 30 June 2019 (Unaudited)	551,201	1,065,232	3,557	1,619,990

The Banking Group has applied NZ IFRS 16 at 1 January 2019, using the modified retrospective approach. Under this approach, comparative information is not restated and the cumulative effect of initially applying NZ IFRS 16 is recognised in retained earnings at the date of initial application. See Note 2.8 to the Financial Statements - Basis of preparation.

* 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.

** Impact of change in accounting policy of NZ IFRS 9 adoption, was revised subsequent to 30 June 2018 reporting period from $0.964 million to $0.015 million.

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 30/06/2019	Unaudited 6 months to 30/06/2018	Audited Year to 31/12/2018
Cash flows from operating activities				
Interest received		**338,788**	322,858	647,666
Interest paid		**(174,290)**	(142,615)	(288,266)
Other cash inflows provided by operating activities		**447**	1,005	1,782
Other cash outflows used in operating activities		**(91,496)**	(69,195)	(106,979)
Cash flows from operating profits before changes in operating assets and liabilities		**73,449**	112,053	254,203
Net changes in operating assets and liabilities		**827,558**	531,999	(842,306)
Net cash flow from operating activities	28	**901,007**	644,052	(588,103)
Cash flows from investing activities				
Cash inflows / outflows used in investing activities		**(1,044)**	(42)	(46)
Net cash flow from investing activities		**(1,044)**	(42)	(46)
Cash flows from financing activities				
Principal elements of lease payments		**(1,736)**	-	-
Net changes in financing liabilities		**(522,380)**	(533,727)	521,143
Net cash flows from financing activities		**(524,116)**	(533,727)	521,143
Net change in cash and cash equivalents for the period / year		**375,847**	110,283	(67,006)
Cash and cash equivalents at beginning of the period / year		**421,409**	488,415	488,415
Cash and cash equivalents at end of the period / year		**797,256**	598,698	421,409
Cash and cash equivalents at end of the period / year comprise of:				
Cash at bank and on hand		**797,256**	598,698	421,409
Cash and cash equivalents at end of the period / year		**797,256**	598,698	421,409

The Banking Group has applied NZ IFRS 16 at 1 January 2019, using the modified retrospective approach. Under this approach, comparative information is not restated and the cumulative effect of initially applying NZ IFRS 16 is recognised in retained earnings at the date of initial application. See Note 2.8 to the Financial Statements - Basis of preparation.

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 2019 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. 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 2018.

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 2018.

2.4 Principal accounting policies

The accounting policies used in the preparation of these interim financial statements are consistent with the accounting policies used in the preparation of the Banking Group's financial statements for the year ended 31 December 2018, except the adoption of new and amended standards as set out below. The Banking Group 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 Banking Group, 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.

2.7 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.

Notes to the Financial Statements

2 Basis of preparation (continued)

2.8 Changes in accounting principles and presentation

A number of new or amended accounting standards became applicable for the current reporting period. The impact of the adoption of NZ IFRS 16 'Leases' and the new accounting policies are disclosed below. The other standards did not have any impact on the Banking Group's accounting policies and did not require retrospective adjustments..

Key impacts of the implementation of NZ IFRS 16

This note explains the impact of the adoption of NZ IFRS 16 'Leases' on the Banking Group's disclosure statements and discloses the new accounting policies that have been applied from 1 January 2019.

The Banking Group has adopted NZ IFRS 16 retrospectively from 1 January 2019, and has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 January 2019.

On adoption of NZ IFRS 16, the Banking Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of NZ IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 3.19%

In thousands of NZD	NZ IFRS 16
Operating lease commitments disclosed as at 31 December 2018	10,356
Discounted using the lessee's incremental borrowing rate of at the date of initial application	9,929
(Less): short-term leases recognised on a straight-line basis as expense	20
(Less): low-value leases recognised on a straight-line basis as expense	-
(Less): contracts reassessed as service agreements	2,222
Add/(less): adjustments as a result of a different treatment of extension and termination options	10,543
Add/(less): adjustments relating to changes in the index or rate affecting variable payments	258
Lease liability recognised as at 1 January 2019	**18,488**
Of which are:	
Current lease liabilities	3,573
Non-current lease liabilities	14,915
	18,488

The associated right-of-use assets for property leases were measured on a retrospective basis as if the new rules had always been applied. Other right-of use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet as at 31 December 2018. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

The recognised right-of-use assets relate to the following types of assets:

In thousands of NZD	Unaudited 30/06/2019 NZ IFRS 16	Unaudited 1/01/2019 NZ IFRS 16
Properties	14,938	16,360
Motor vehicles	2,428	2,128
Total right-of-use assets	**17,366**	**18,488**

The change in accounting policy affected the following items in the balance sheet on 1 January 2019:

- right-of-use assets (included within property, plant and equipment) – increase by $18,488 thousand
- lease liabilities – increase by $18,488 thousand

The net impact on retained earnings on 1 January 2019 was nil.

Notes to the Financial Statements

2 Basis of preparation (continued)

2.8 Changes in accounting principles and presentation (continued)

Practical expedients applied

In applying NZ IFRS 16 for the first time, the Bank has used the following practical expedients permitted by the standard:
- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics
- reliance on previous assessments on whether leases are onerous
- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases
- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application, and
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Banking Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Bank relied on its assessment made applying NZ IAS 17 'Leases' and NZ IFRIC 4 Determining whether an Arrangement contains a Lease.

The Banking Group's leasing activities and how these are accounted for

The Banking Group leases various offices and cars. Lease contracts are typically made for fixed periods but may have extension options. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Until the 2018 financial year, leases of property, plant and equipment were classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease.

From 1 January 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Bank. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:
- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate
- amounts expected to be payable by the lessee under residual value guarantees
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Right-of-use assets are measured at cost comprising the following:
- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

Variable lease payments

The Banking Group's leases do not contain variable payment terms.

Extension and termination options

Extension and termination options are included in a number of property and equipment leases across the Bank. These terms are used to maximise operational flexibility in terms of managing contracts. The majority of extension and termination options held are exercisable only by the Bank and not by the respective lessor.

Critical judgements in determining the lease term

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). No potential future cash outflows have not been included in the lease liability because it is not reasonably certain that the leases will be extended (or not terminated). The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee. During the current financial period, there was no financial effect of revising lease terms to reflect the effect of exercising extension and termination options was an increase in recognised lease liabilities and right-of-use assets.

Notes to the Financial Statements

3 Other income

In thousands of NZD	Unaudited 6 months to 30/06/2019	Unaudited 6 months to 30/06/2018	Audited Year to 31/12/2018
Lending and credit facility related fee income	**406**	711	1,485
Other income	**41**	294	297
Total other income	**447**	1,005	1,782

4 Other expense

In thousands of NZD	Unaudited 6 months to 30/06/2019	Unaudited 6 months to 30/06/2018	Audited Year to 31/12/2018
Guarantee fee paid*	**(255)**	(329)	(612)
Total other expense	**(255)**	(329)	(612)

* Balance relates to fee charged for the guarantees obligations provided by Rabobank. Refer to note 29 for further information on guarantees.

5 Other operating gains / (losses)

In thousands of NZD	Unaudited 6 months to 30/06/2019	Unaudited 6 months to 30/06/2018	Audited Year to 31/12/2018
Gains / (losses) arising from:			
- trading derivatives*	**(1,598)**	(23,342)	(34,583)
Fair value hedge amortisation	**1,147**	1,147	2,312
Losses on disposal / write-off of property, plant and equipment	**-**	-	(2)
Gains on disposal / write off of available-for-sale financial assets	**84**	-	-
Foreign exchange gains / (losses)	**(112)**	54	75
Total other operating gains / (losses)	**(479)**	(22,141)	(32,198)

*Within the balance of $1,598 thousand loss, there is a balance of $0 thousand loss (June 2018: $0 thousand loss; December 2018: $0 thousand) 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 30/06/2019	Unaudited 6 months to 30/06/2018	Audited Year to 31/12/2018
Collective (provisions) / releases	**(7,660)**	(1,812)	(1,689)
Specific (provisions) / releases	**(10,255)**	2,167	1,052
Total impairment releases / (losses)	**(17,915)**	355	(637)

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

Notes to the Financial Statements

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

In thousands of NZD	Unaudited At 30/06/2019	Unaudited At 30/06/2018	Audited At 31/12/2018
New Zealand government securities	**505,368**	468,529	464,467
Other debt securities (Kauri)	**203,207**	182,853	182,595
Total Financial assets at FVOCI	**708,575**	651,382	647,062

Additional information on liquidity portfolio

The impairment allowance relating to financial assets at fair value through profit and loss is $13.5 thousand (December 2018: $ 8.7 thousand).

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 30/06/2019	Unaudited At 30/06/2018	Audited At 31/12/2018
Lending	**12,357,358**	11,414,307	12,075,882
Finance leases	**56,430**	57,112	59,833
Gross loans and advances	**12,413,788**	11,471,419	12,135,715
Accrued interest	**11,082**	10,351	12,810
Provisions for impairment			
Stage 3B	**(18,719)**	(8,435)	(8,104)
Stage 3A	**(15,524)**	(11,004)	(11,199)
Stage 2	**(8,957)**	(8,139)	(7,109)
Stage 1	**(10,695)**	(10,267)	(9,278)
Net loans and advances	**12,370,975**	11,443,925	12,112,835

9 Due from related entities

In thousands of NZD	Unaudited At 30/06/2019	Unaudited At 30/06/2018	Audited At 31/12/2018
Current account balances - wholly owned group*	**47,231**	12,269	100,541
Advances - wholly owned group*	**2,644,865**	1,711,563	2,435,096
Capital securities - wholly owned group*	**-**	280,000	280,000
Accrued interest receivable - wholly owned group*	**2,538**	1,989	2,189
Stage 1 provision for impairment (note 14.5)	**(1,223)**	(821)	(1,166)
Total due from related entities	**2,693,411**	2,005,000	2,816,660

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

* The wholly owned group refers to Rabobank related entities. Refer to note 29 for further information on related party disclosures.

10 Property, plant and equipment

In thousands of NZD	Right-of-use asset - Property	Right-of-use asset - Cars	Office Fixtures & Fittings	Office Equipment	Computer Hardware	Total
Balance as at 30 June 2018 (Unaudited)						
Cost	-	-	10,700	106	1,491	12,297
Accumulated depreciation	-	-	(7,582)	(34)	(1,118)	(8,734)
Net book value	**-**	**-**	**3,118**	**72**	**373**	**3,563**
Balance as at 31 December 2018 (Audited)						
Cost	-	-	10,700	114	1,443	12,257
Accumulated depreciation	-	-	(8,010)	(43)	(1,184)	(9,237)
Net book value	**-**	**-**	**2,690**	**71**	**259**	**3,020**
Balance as at 30 June 2019 (Unaudited)						
Cost	16,360	2,895	10,704	162	1,443	31,564
Accumulated depreciation	(1,422)	(467)	(8,407)	(56)	(1,269)	(11,621)
Net book value	**14,938**	**2,428**	**2,297**	**106**	**174**	**19,943**

In respect of Right-of-use asset, refer to Note 2.8 for further information on the nature of leasing contracts.
For the six months ended 30 June 2019, the Depreciation Charge on the Right-of-use assets was $1,422 thousand for properties, and $ 467 thousand for cars, while there were no additions for properties. There were additions of $ 766 thousand for cars.

Notes to the Financial Statements

11 Deposits

In thousands of NZD	Unaudited At 30/06/2019	Unaudited At 30/06/2018	Audited At 31/12/2018
Call deposits	**2,495,965**	2,152,630	2,064,134
Term deposits	**3,216,053**	2,418,706	2,606,783
Accrued interest	**37,193**	31,361	34,665
Total deposits	**5,749,211**	4,602,697	4,705,582

12 Due to related entities

In thousands of NZD	Unaudited At 30/06/2019	Unaudited At 30/06/2018	Audited At 31/12/2018
Current account balances - wholly owned group*	**145,605**	137,068	145,676
Advances - wholly owned group*	**5,183,027**	4,197,910	5,872,485
Accrued interest payable - wholly owned group*	**8,809**	8,708	10,833
Total due to related entities	**5,337,441**	4,343,686	6,028,994

* The wholly owned group refers to Rabobank related entities. Refer to note 29 for further information on related party disclosures.

13 Other liabilities

In thousands of NZD	Unaudited At 30/06/2019	Unaudited At 30/06/2018	Audited At 31/12/2018
Lease Liabilities *	**17,520**	-	-
Interest paid in advance	**1,220**	851	1,103
Accrued expenses	**3,347**	4,071	7,233
Sundry creditors	**4,557**	3,206	4,134
Total other liabilities	**26,644**	8,128	12,470

Interest expense on lease liabilities amounted to $286 thousand for the six months ended 30 June 2019, and is included within 'Operating expenses' in the Statement of Comprehensive Income

* In respect of lease liabilities, refer to Note 2.8 for further information on the accounting for leasing contracts under NZ IFRS 16.

Notes to the Financial Statements

14 Credit quality, impaired assets and provision for impairment

14.1 Past due assets but not impaired

	At 30/06/2019 (Unaudited)			
in thousands of NZD	Residential mortgages	Corporate	Retail*	Total
Less than 30 days past due	-	-	61,407	61,407
At least 30 days but less than 60 days past due	-	-	4,318	4,318
At least 60 days but less than 90 days past due	-	-	731	731
At least 90 days past due	-	-	-	-
Closing balance	**-**	**-**	**66,456**	**66,456**

14.2 Other assets under administration

Aggregate amount of undrawn balances on lending commitments on impaired assets as at 30 June 2019 is $6,483 thousand.
There were no sssets under administration as at 30 June 2019. (2018: Nil)

14.3 Provision for impairment loans and advances

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

	At 30/06/2019 (Unaudited)				
in thousands of NZD	Stage 1	Stage 2	Stage 3A	Stage 3B	Total
Residential mortgages					
Opening balance		-	-	-	-
Charge to statement of comprehensive income	-	-	-	-	-
Amounts written off	-	-	-	-	-
Recoveries	-	-	-	-	-
Reversals	-	-	-	-	-
Other movements	-	-	-	-	-
Closing balance residentail mortgages	-	-	-	-	-

	At 30/06/2019 (Unaudited)				
in thousands of NZD	Stage 1	Stage 2	Stage 3A	Stage 3B	Total
Corporate					
Opening balance	-	-	-	-	-
Changes due to change in credit risk	-	-	-	-	-
Charge to statement of comprehensive income	-	-	-	-	-
Amounts written off	-	-	-	-	-
Recoveries	-	-	-	-	-
Reversals	-	-	-	-	-
Other movements	-	-	-	-	-
Closing balance corporate	-	-	-	-	-

	At 30/06/2019 (Unaudited)				
in thousands of NZD	Stage 1	Stage 2	Stage 3A	Stage 3B	Total
Retail *					
Opening balance	8,609	7,018	11,199	8,104	34,930
Charge to statement of comprehensive income	1,234	1,866	4,287	10,251	17,638
Amounts written off	-	-	-	-	-
Recoveries	-	-	-	-	-
Reversals	-	-	-	-	-
Other movements	(13)	-	-	360	347
Closing balance retail	**9,830**	**8,884**	**15,486**	**18,715**	**52,915**

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

Notes to the Financial Statements

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

14.4 Provision for impairment loans and advances (continued)

Provisions for impairment on commitments and financial guarantees associated with loans and advances

	At 30/06/2019 (Unaudited)				
in thousands of NZD	Stage 1	Stage 2	Stage 3A	Stage 3B	Total
Opening balance	669	91	-	-	760
Charge to statement of comprehensive income	196	(18)	38	4	220
Amounts written off	-	-	-	-	-
Recoveries	-	-	-	-	-
Reversals	-	-	-	-	-
Other movements	-		-	-	-
Closing balance on loan commitments and financial guarantees	**865**	**73**	**38**	**4**	**980**

Total provisions for impairment on loans and advances

	At 30/06/2019 (Unaudited)				
in thousands of NZD	Stage 1	Stage 2	Stage 3A	Stage 3B	Total
Opening balance	9,278	7,109	11,199	8,104	35,690
Charge to statement of comprehensive income	1,430	1,848	4,325	10,255	17,858
Amounts written off	-	-	-	-	-
Recoveries	-	-	-	-	-
Reversals	-	-	-	-	-
Other movements	(13)	-	-	360	347
Closing balance on loans and advances and loan commitments and financial guarantees	**10,695**	**8,957**	**15,524**	**18,719**	**53,895**

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

Notes to the Financial Statements

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

14.5 Provision for impairment due from related entities

Impairment allowances on due from related entities	At 30/06/2019 (Unaudited)				
in thousands of NZD	Stage 1	Stage 2	Stage 3A	Stage 3B	Total
Opening balance	1,166	-	-	-	1,166
Charge to statement of comprehensive income	57	-	-	-	57
Amounts written off	-	-	-	-	-
Recoveries	-	-	-	-	-
Reversals	-	-	-	-	-
Other movements	-	-	-	-	-
Closing balance related parties	**1,223**	**-**	**-**	**-**	**1,223**

14.6 Impact of changes in gross financial assets on loss allowance

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

Overall, the net increase in the total provision for doubtful debts since 31 December 2018 was driven by increases in provisioning across all stages.

Collective provision 12-months ECL (Stage 1) and collective provision lifetime ECL – not credit impaired (Stage 2) increased by $1,417 thousand and $1,848 thousand respectively, reflecting the net movement in originated and repaid loans as well as changes in credit risk.

Collective provision lifetime ECL – credit impaired (Stage 3A) increased by $4,325 thousand, mainly due to movement from Stages 1 and 2 and to Stage 3A of $52,918 thousand, reflecting the deterioration in credit quality.

Specific provision lifetime ECL– credit impaired (Stage 3B) increased by $10,615 thousand, reflecting increase in impaired loans by $71,726 thousand.

Notes to the Financial Statements

15 Asset quality of Registered Bank's Overseas Banking Group

At as 30 June 2019 (Unaudited)	2019 EURm
Total individually impaired assets (before allowances for credit impairment loss and net of interest held in suspense)	16,841
Total individually impaired assets as a percentage of total assets (%)	2.8%
Total individual credit impairment allowance	3,348
Total individual credit impairment allowance as a percentage of total individually impaired assets (%)	19.9%
Total collective credit impairment allowance	646

16 Contributed equity, Reserves and Capital management

16.1 Contributed equity

In thousands of NZD	Unaudited At 30/06/2019	Unaudited At 30/06/2018	Audited At 31/12/2018
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 2018: 275,600,000; 30 June 2018: 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 Rabo Capital Securities Limited. Each share was issued at $1 and has no par value.

Total equity	**551,201**	551,201	551,201

16.2 Reserves

In thousands of NZD	Unaudited At 30/06/2019	Unaudited At 30/06/2018	Audited At 31/12/2018
FVOCI financial assets reserve			
Opening balance	**1,806**	1,724	1,724
Changes in FVOCI financial assets revaluation reserve (gross)	**2,432**	397	114
Changes in FVOCI financial assets revaluation reserve (deferred tax)	**(681)**	(111)	(32)
Total FVOCI reserve	**3,557**	2,010	1,806

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

Notes to the Financial Statements

16 Contributed equity, Reserves and Capital management (continued)

16.3 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 2019 and the 2018 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 exposured 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.

17 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.

18 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	Unaudited	Audited
In thousands of NZD	At 30/06/2019	At 30/06/2018	At 31/12/2018
Guarantees	**552,040**	18,466	472,614
Lending commitments			
Irrevocable lending commitments	**755,687**	641,275	670,689
Revocable lending commitments	**2,143,241**	1,990,702	1,902,513
Total contingent liabilities	**3,450,968**	2,650,443	3,045,816

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

19 Expenditure commitments

19.1 Capital expenditure commitments

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

In thousands of NZD	Unaudited At 30/06/2019	Unaudited At 30/06/2018	Audited At 31/12/2018
One year or less	**-**	-	-
Total capital expenditure commitments	**-**	-	-

19.2 Operating lease commitments

In thousands of NZD	Unaudited* At 30/06/2019	Unaudited At 30/06/2018	Audited At 31/12/2018
One year or less	**962**	4,019	4,196
Between one and two years	**695**	3,039	2,921
Between two and five years	**567**	3,797	3,239
Over five years	**24**	583	-
Total operating lease commitments	**2,248**	11,438	10,356

* The Banking Group has applied NZ IFRS 16 at 1 January 2019, using the modified retrospective approach. Under this approach, comparative information is not restated. Refer to Note 2 to the Financial Statements - Basis of preparation. Subsequently, operating lease commitments as at 30 June 2019, include short-term leases and service portion of lease payments under operating leases. Comparative information include operating lease commitments prior to adoption of NZ IFRS 16.

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.

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

20 Risks arising from financial instruments

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

20.1 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 June 2019 (Unaudited)							
Financial assets							
Cash and cash equivalents	797,256	797,256	-	-	-	-	-
Derivative financial instruments *	118,901	-	26,500	13,415	16,194	59,381	3,411
FVOCI financial assets	717,059	-	412,446	182,930	52,374	69,309	-
Loans and advances	12,715,769	-	2,901,173	2,497,170	3,433,352	3,096,358	787,716
Due from related entities	2,726,684	47,274	2,088,637	25,105	43,540	440,682	81,446
Other financial assets	5,193	-	5,193	-	-	-	-
Total financial assets	17,080,862	844,530	5,433,949	2,718,620	3,545,460	3,665,730	872,573
Financial liabilities							
Derivative financial instruments *	149,712	-	78,356	11,004	17,332	38,922	4,098
Debt securities in issue	3,587,818	-	2,305,447	514,917	268,250	499,204	-
Deposits	5,786,574	2,495,965	1,820,212	851,331	314,969	304,071	26
Preference shares	-	-	-	-	-	-	-
Due to related entities	5,402,159	145,479	2,603,162	842,402	1,207,039	507,559	96,518
Other liabilities	27,527	-	9,623	1,602	3,028	5,878	7,396
Head office account	312,458	-	312,458	-	-	-	-
Total financial liabilities	15,266,248	2,641,444	7,129,258	2,221,256	1,810,618	1,355,634	108,038
Contingent liabilities							
Guarantees	552,040	5,854	2,820	500	537,252	3,131	2,483
Lending commitments	2,898,928	1,503,179	743,020	265,734	164,950	216,121	5,924
Total contingent liabilities	3,450,968	1,509,033	745,840	266,234	702,202	219,252	8,407

* Foreign exchange 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

20 Risks arising from financial instruments (continued)

20.2 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 June 2019 (Unaudited)							
Financial assets							
Cash and cash equivalents	797,256	797,256	-	-	-	-	-
Derivative financial instruments	116,894	-	-	-	-	-	116,894
FVOCI financial assets	708,575	266,492	138,269	181,320	55,057	67,437	-
Loans and advances	12,370,975	6,601,930	1,617,972	1,994,682	1,444,180	700,858	11,353
Due from related entities	2,693,411	2,116,958	9,114	21,165	36,065	507,555	2,554
Other financial assets	5,193	-	-	-	-	-	5,193
Total financial assets	16,692,304	9,782,636	1,765,355	2,197,167	1,535,302	1,275,850	135,994
Other assets	2,079	-	-	-	-	-	2,079
Income tax receivables	936	-	-	-	-	-	936
Net deferred tax assets	22,489	-	-	-	-	-	22,489
Property, plant and equipment	19,943	-	-	-	-	-	19,943
Intangible assets	970	-	-	-	-	-	970
Total non-financial assets	46,417	-	-	-	-	-	46,417
Total assets	16,738,721	9,782,636	1,765,355	2,197,167	1,535,302	1,275,850	182,411
Financial liabilities							
Derivative financial instruments	146,772	-	-	-	-	-	146,772
Debt securities in issue	3,542,732	1,846,623	741,264	506,927	-	443,752	4,166
Deposits	5,749,211	3,355,835	891,078	848,951	314,911	301,242	37,194
Preference shares	-	-	-	-	-	-	-
Due to related entities	5,337,441	4,252,896	900,000	127,247	-	40,550	16,748
Other financial liabilities	25,424	-	-	-	-	-	25,424
Head office account	312,458	-	-	-	-	-	312,458
Total financial liabilities	15,114,038	9,455,354	2,532,342	1,483,125	314,911	785,544	542,762
Current tax liabilities	-	-	-	-	-	-	-
Other liabilities	1,220	-	-	-	-	-	1,220
Provisions	3,473	-	-	-	-	-	3,473
Total non-financial liabilities	4,693	-	-	-	-	-	4,693
Total liabilities	15,118,731	9,455,354	2,532,342	1,483,125	314,911	785,544	547,455
Interest rate derivatives							
Swaps	-	1,257,416	(318,857)	(598,100)	(643,544)	303,085	
Repricing gap (interest bearing assets and liabilities)	1,985,034	1,584,698	(1,085,844)	115,942	576,847	793,391	
Cumulative mismatch	1,985,034	1,584,698	498,854	614,796	1,191,643	1,985,034	

Notes to the Financial Statements

20 Risks arising from financial instruments (continued)

20.3 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 30/06/2019
Cash and cash equivalents	797,256
Derivative financial instruments	116,894
FVOCI financial assets	708,575
Loans and advances	12,370,975
Due from related entities	2,693,411
Other financial assets	5,193
Commitments and guarantees	3,450,968
Total credit exposures	**20,143,272**

Analysis of credit exposures by industry: In thousands of NZD	Unaudited At 30/06/2019
Agriculture	12,400,317
Finance and insurance	3,587,149
Forestry and fishery	416,043
Government	753,435
Manufacturing	2,290,225
Property and business services	114,304
Wholesale trade	428,144
Other	153,655
Total credit exposures	**20,143,272**

Analysis of credit exposures by geographical areas: In thousands of NZD	Unaudited At 30/06/2019
New Zealand	17,660,079
The Netherlands	1,680,650
Australia	538,473
United States	59,054
Luxemburg	10,545
Germany	111,672
Finland	82,799
Total credit exposures	**20,143,272**

21 Credit and market risk exposures and capital adequacy

21.1 Residential mortgages

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

In thousands of NZD	Drawn amounts	Undrawn amounts	Total
At 30 June 2019 (Unaudited)			
LVR range			
Do not exceed 80%	30,231	8,657	38,888
Exceeds 80% and not 90%	3,599	543	4,142
Exceeds 90%	-	-	-
Total	**33,830**	**9,200**	**43,030**

Notes to the Financial Statements

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

21.1 Residential mortgages (continued)

Reconciliation of mortgage related amounts In thousands of NZD	Unaudited At 30/06/2019
Loans and advances - residential mortgages	33,830
Plus short term residential mortgages classified as overdrafts	-
On-balance sheet residential mortgages exposures	33,830
Off-balance sheet residential mortgages exposures	9,200
Total residential mortgages exposures (as per LVR analysis)	**43,030**

21.2 Market risk end-of-period notional capital charges

In thousands of NZD	Implied risk weighted exposure	Notional capital charges
At 30 June 2019 (Unaudited)		
Interest rate risk	548,500	43,880
Foreign currency risk	150,875	12,070
Total	**699,375**	**55,950**

The Banking Group does not take any equity risk.

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

In thousands of NZD	Implied risk weighted exposure	Notional capital charges
At 30 June 2019 (Unaudited)		
Interest rate risk	594,500	47,560
Foreign currency risk	374,125	29,930
Total	**968,625**	**77,490**

The Banking Group does not take any equity risk.

21.4 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).

21.5 Capital Ratios of Overseas Banking Group - Rabobank

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

At 30 June (Unaudited)	2019 %	2018 %
Common Equity Tier 1 capital ratio	15.8%	15.8%
Tier one capital ratio	17.8%	18.8%
Total capital ratio	24.4%	26.1%

Minimum Capital Requirements

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

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

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

Rabobank's Capital Adequacy and Risk Management Report (pillar 3) are publicly available on
https://www.rabobank.com/en/images/pillar-3-report-2018.pdf

Notes to the Financial Statements

22 Concentration of funding of financial liabilities

Total funding comprised:

In thousands of NZD	Unaudited At 30/06/2019
Debt securities in issue	3,542,732
Deposits	5,749,211
Preference shares	-
Due to related entities	5,337,441
Other financial liabilities	25,424
Head office account	312,458
Total funding	**14,967,266**

Analysis of funding by industry:

In thousands of NZD	Unaudited At 30/06/2019
Agriculture	797,356
Finance and insurance	11,081,503
Personal and other services	2,782,106
Other	306,301
Total funding	**14,967,266**

Analysis of funding concentration by geographical areas:

In thousands of NZD	Unaudited At 30/06/2019
Australia	788,668
New Zealand	7,318,065
The Netherlands	4,992,637
United Kingdom	1,477,867
United States of America	11,514
All other countries	378,515
Total funding	**14,967,266**

23 Additional information on statement of financial position

	Banking Group
In thousands of NZD	Unaudited At 30/06/2019
Total interest earning and discount bearing assets	16,556,310
Total interest and discount bearing liabilities	14,571,276
Financial assets pledged as collateral for liabilities or contingent liabilities	-

	Branch
In thousands of NZD	Unaudited At 30/06/2019
Liabilities of the Registered Bank in New Zealand, net of amounts due to related entities	4,778,478
Retail deposits of the Registered Bank in New Zealand	-

Notes to the Financial Statements

24 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 June 2019 (Unaudited) Carrying amount	Fair value	At 30 June 2018 (Unaudited) Carrying amount	Fair value	At 31 December 2018 (Audited) Carrying amount	Fair value
Financial assets						
Cash and cash equivalents	797,256	797,256	598,698	598,698	421,409	421,409
Derivative financial instruments	116,894	116,894	123,806	123,806	97,925	97,925
FVOCI financial assets	708,575	708,575	651,382	651,382	647,062	647,062
Loans and advances	12,370,975	12,591,241	11,443,925	11,622,884	12,112,835	12,280,440
Due from related entities	2,693,411	2,705,410	2,005,000	2,023,675	2,816,660	2,827,622
Other financial assets	5,193	5,193	6,273	6,273	7,984	7,984
Total financial assets	16,692,304	16,924,569	14,829,084	15,026,718	16,103,875	16,282,442
Financial liabilities						
Derivative financial instruments	146,772	146,772	83,091	83,091	113,270	113,270
Debt securities in issue	3,542,732	3,577,275	3,729,984	3,759,501	3,105,153	3,129,326
Deposits	5,749,211	5,825,275	4,602,697	4,650,636	4,705,582	4,759,475
Preference shares	-	-	280,597	292,600	280,666	284,200
Due to related entities	5,337,441	5,352,744	4,343,686	4,356,140	6,028,994	6,040,664
Other financial liabilities	25,424	25,424	7,274	7,274	11,367	11,367
Head office account	312,458	312,458	270,492	270,492	290,437	290,437
Total financial liabilities	15,114,038	15,239,948	13,317,821	13,419,734	14,535,469	14,628,739

Fair value hierarchy

The Banking Group uses the following hierarchy for determining and disclosing the fair value of derivatives and FVOCI 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 FVOCI financial assets

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

Notes to the Financial Statements

24 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 2019 (Unaudited)				
Financial assets				
Derivative financial instruments	-	116,894	-	116,894
FVOCI financial assets	708,575	-	-	708,575
Financial liabilities				
Derivative financial instruments	-	146,772	-	146,772

In thousands of NZD	Level 1	Level 2	Level 3	Total
At 30 June 2018 (Unaudited)				
Financial assets				
Derivative financial instruments	-	123,806	-	123,806
FVOCI financial assets	651,382	-	-	651,382
Financial liabilities				
Derivative financial instruments	-	83,091	-	83,091

In thousands of NZD	Level 1	Level 2	Level 3	Total
At 31 December 2018 (Audited)				
Financial assets				
Derivative financial instruments	-	97,925	-	97,925
FVOCI financial assets	647,062	-	-	647,062
Financial liabilities				
Derivative financial instruments	-	113,270	-	113,270

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

Financial assets and financial liabilities carried at amortised cost

For financial assets and financial liabilities carried at amortised cost, an estimate of the fair value has been derived as follows and are categorised as Level 3 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

25 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 2019 and 30 June 2018. The column 'net amount' shows the impact on the bank's balance sheet if all set-off rights were exercised.

	Effects of offsetting on the balance sheet			Related amounts not offset		
30/06/2019 in thousands NZD Financial Assets	Gross amounts	Gross amounts set off in in balance sheet	Net amounts presented in balance sheet	Amounts subject master agreements	Financial Instrument Collateral	Net amount
Derivative financial instruments	116,894	-	116,894	(1,997)	-	114,897
Total financial assets	116,894	-	116,894	(1,997)	-	114,897
Financial Liabilities						
Derivative financial instruments	146,772	-	146,772	(1,997)	-	144,775
Total financial liabilities	146,772	-	146,772	(1,997)	-	144,775

	Effects of offsetting on the balance sheet			Related amounts not offset		
30/06/2018 in thousands NZD Financial Assets	Gross amounts	Gross amounts set off in in balance sheet	Net amounts presented in balance sheet	Amounts subject master agreements	Financial Instrument Collateral	Net amount
Derivative financial instruments	123,806	-	123,806	(2,223)	-	121,583
Total financial assets	123,806	-	123,806	(2,223)	-	121,583
Financial Liabilities						
Derivative financial instruments	83,091	-	83,091	(2,223)	-	80,868
Total financial liabilities	83,091	-	83,091	(2,223)	-	80,868

26 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).

	30/06/2019			30/06/2018		
In thousands of NZD	Current	Non-Current	Total	Current	Non-Current	Total
Assets						
Cash and cash equivalents	797,256	-	797,256	598,698	-	598,698
Derivative financial instruments	39,915	76,979	116,894	85,681	38,125	123,806
FVOCI financial assets	590,221	118,354	708,575	524,670	126,712	651,382
Loans and advances*	6,302,508	6,068,467	12,370,975	5,373,721	6,070,204	11,443,925
Due from related entities	2,149,792	543,619	2,693,411	1,574,306	430,694	2,005,000
Other assets	7,272	-	7,272	6,978	-	6,978
Income tax receivables	936	-	936	6,145	-	6,145
Net deferred tax assets	-	22,489	22,489	-	13,256	13,256
Property, plant and equipment	-	19,943	19,943	-	3,563	3,563
Intangible assets	-	970	970	-	66	66
Total assets	9,887,900	6,850,821	16,738,721	8,170,199	6,682,620	14,852,819
Liabilities						
Derivative financial instruments	89,360	57,412	146,772	44,647	38,444	83,091
Debt securities in issue	2,796,182	746,550	3,542,732	2,709,240	1,020,744	3,729,984
Deposits	4,430,919	1,318,292	5,749,211	3,264,372	1,338,325	4,602,697
Preference shares	-	-	-	280,597	-	280,597
Due to related entities	3,552,976	1,784,465	5,337,441	2,970,705	1,372,981	4,343,686
Other liabilities	11,225	15,419	26,644	8,128	-	8,128
Provisions	1,447	2,026	3,473	1,466	1,876	3,342
Head office account	-	312,458	312,458	-	270,492	270,492
Total liabilities	10,882,109	4,236,622	15,118,731	9,279,155	4,042,862	13,322,017

Notes to the Financial Statements

27 Additional information for Registered Bank's Overseas Banking Group

For the six months ended 30 June (Unaudited)	2019 EURm	2018 EURm
Net profit after income tax	1,212	1,698
Total assets	606,834	607,845
% change over the previous twelve months	-0.2%	-2.5%
For the year ended 31 December (Audited)	**2018 EURm**	**2017 EURm**
Net profit after income tax	3,004	2,674
Percentage (on a twelve month rolling basis) of average total assets	0.5%	0.4%

28 Reconciliation of net cash flows from operating activities

In thousands of NZD	Unaudited 6 months to 30/06/2019	Unaudited 6 months to 30/06/2018	Audited Year to 31/12/2018
Net profit after income tax	**61,466**	70,809	137,984
Non-cash items	**18,758**	166	1,710
Deferrals or accruals of past or future operating cash receipts or payments:			
Change in net operating assets and liabilities	**827,558**	531,999	(842,306)
Change in interest receivable/payable	**(3,709)**	5,454	9,905
Change in other deferrals or accruals	**(3,066)**	35,624	104,604
Net cash flow provided by / (used in) operating activities	**901,007**	644,052	(588,103)

29 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.

29.1 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

29 Related party disclosures (continued)

29.1 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.rabobank.co.nz.

(ii) Management fees

A management fee of $19.1 million (June 2018: $15.6 million; December 2018: $40.6 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 $7.5 million (June 2018: $7.3 million; December 2018: $12.7 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 $0.3 million (June 2018: $0.3 million; December 2018: $0.8 million) was charged to RNZL by Rabobank in consideration for providing the obligations guarantees.

(iv) Other transactions

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

in thousands of NZD	2019	For the half -year	2018	For the half -year	2018	For the year
Due from related entities	2,693,411	25,484	2,005,000	26,677	2,816,660	49,305
Due to related entities	5,337,441	49,365	4,343,686	36,129	6,028,994	80,838

Derivatives with a combined notional of $11,688 million and a net fair value liability position of ($40.2 million) (December 2018: $11,413 million and ($19.1 million liability position) respectively) are held with Rabobank.

(v) Working capital facilities

A loan facility of $615 million was granted by the Branch to the De Lage Landen Limited NZ on 5 December 2018. The unused amount at 30 June 2019 was NZD $24 million (31 December 2018: NZD $19.4 million; 30 June 2018: Nil).

Notes to the Financial Statements

29 Related party disclosures (continued)

(v) Capital securities

RCSL held $280 million capital securities which are debt obligations of Rabobank. The capital securities carried the rights to a quarterly distribution, which equalled 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 was 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. The capital securities were not transferable and the scheduled repayment date was 18 June 2039. They were unsecured. All interest payments have been made on the due date. On 18 June 2019 all securities issued by RCSL were redeemed, together with underlying securities issued by the Registered Bank to RCSL.

29.2 Terms and conditions of transactions with related parties

Except for the guarantees noted in note 29.1 above, all transactions with related parties are made in the ordinary course of business on normal terms and conditions.

29.3 Provision for impairment on due from related entities

For the period ended 30 June 2019, the Banking Group has not made any specific provision for impairment relating to amounts owed by related parties as the payment history has been excellent (2018: 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 Banking Group recognises a provision for impairment. In accordance with NZ IFRS 9, the Banking Group recognised stage 1 impairment allowance relating to amounts owned by related parties of $1.2 million as at 30 June 2019 (31 December 2018: $1.1 million; 30 June 2018: $0.8 million).

30 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.

31 Dividend

No dividend was proposed or paid by the Banking Group for the six month period ended 30 June 2019 (2018: Nil).

Independent auditor's review report

To the Directors of Coöperatieve Rabobank U.A

Report on the Disclosure Statement

We have reviewed pages 7 to 33 of the Disclosure Statement for the six months ended 30 June 2019 (the "Disclosure Statement") of Coöperatieve Rabobank U.A. – New Zealand Banking Group (the "Banking Group") which includes the 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, 12 and 14 of the Order. The financial statements comprise the statement of financial position as at 30 June 2019, the statement of comprehensive income, the statement of changes in equity and the condensed statement of cash flows for the six months then ended, and the notes to the financial statements that include the basis of preparation and selected explanatory information for the Banking Group.

The Banking Group represents Coöperatieve Rabobank U.A.'s 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 Coöperatieve Rabobank U.A. (the "Directors") are responsible on behalf of Coöperatieve Rabobank U.A., for the preparation and fair presentation of the Disclosure Statement, which includes financial statements prepared in accordance with Clause 26 of the Order and for such internal controls as the Directors determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In addition, the Directors are responsible, on behalf of Coöperatieve Rabobank U.A., for the preparation and fair presentation of supplementary information in the Disclosure Statement which complies with Schedules 3, 5, 7, 9, 12 and 14 of the Order.

Our responsibility

Our responsibility is to express the following conclusions on the financial statements and supplementary information presented by the Directors based on our review:

- the 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 financial statements have not been prepared, in all material respects, in accordance with New Zealand Equivalent to International Accounting Standard 34: *Interim Financial Reporting* (NZ IAS 34) and International Accounting Standard 34: *Interim Financial Reporting* (IAS 34);
- 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, 12 and 14 of the Order; and

Independent auditor's review report *(continued)*

- 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 is not, in all material respects, disclosed in accordance with Schedule 9 of the Order.

We conducted our review in accordance with the New Zealand Standard on Review Engagements 2410: *Review of Financial Statements Performed by the Independent Auditor of the Entity* (NZ SRE 2410). As the auditor of the Banking Group, 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 the financial statements and supplementary information.

Other than in our capacity as auditor we have no relationship with, or interest in, the Banking Group. Certain partners and employees of our firm may deal with the Banking Group on normal terms within the ordinary course of trading activities of the Banking Group. These matters have not impaired our independence as auditor of the Banking Group.

Conclusion

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

a) the financial statements on pages 7 to 33 (excluding the supplementary information) have not been prepared, in all material respects, in accordance with NZ IAS 34 and IAS 34;

b) the supplementary information (excluding the supplementary information relating to credit and market risk exposures and capital adequacy) that is required to be disclosed under Schedules 5, 7, 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 that is required to be disclosed under Schedule 9 of the Order is not, in all material respects, disclosed in accordance with Schedule 9 of the Order.

Independent auditor's review report (continued)

Who we report to

This report is made solely to the Directors, as a body. 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 our review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than Coöperatieve Rabobank U.A. and Coöperatieve Rabobank U.A.'s Directors, as a body, for our review procedures, for this report, or for the conclusions we have formed.

For and on behalf of:

PricewaterhouseCoopers

Chartered Accountants
28 August 2019

Sydney, Australia

Bank Financial Strength Dashboard

Reconciliation of Disclosure Statements to Dashboard

This section does not form part of the Disclosure Statement and contains the information in respect of the Banking Group included on the Bank Financial Strength Dashboard (Dashboard) published on the RBNZ's website. Amounts below may differ slightly from those published by the RBNZ due to rounding differences. The tables below include reconciliations to amounts included in the Disclosure Statement where there are classification differences between the financial statements and the Dashboard.

Profitability / Performance

	Dashboard		Classification differences	**Disclosure Statement**
in millions of NZD	Unaudited 3 months to 31/03/2019	Unaudited 3 months to 30/06/2019		Unaudited 6 months to 30/06/2019
Total interest income	163	165	5	333
Total interest expense	(78)	(80)	(7)	(165)
Net interest income	**85**	**85**	**(2)**	**168**
Gains/losses on trading and hedging	1	(4)	2	(1)
Fee and commission income	-	-	-	-
All other income	-	-	-	-
Operating expenses	(29)	(32)	-	(61)
Impaired asset expense	(4)	(14)	-	(18)
Profit before tax	**53**	**35**	**-**	**88**
Tax expense	(16)	(11)	-	(27)
Profit after tax	**37**	**24**	**-**	**61**
Return on assets (%)	0.9%	0.6%		0.7%
Return on equity (%)	7.9%	5.2%		7.6%
Net interest margin (%)	2.2%	2.1%		2.1%

Financial Position

At 30 June 2019 (Unaudited) in thousands of NZD	Dashboard	Classification differences	**Disclosure Statement**
Cash and bank deposits	2,891	(2,094)	797
Debt securities held	709	-	709
Net loans and advances	12,968	(597)	12,371
Derivatives in an asset position	117	-	117
All other assets	54	(2)	52
Due from related entities	(included above)	2,693	2,693
Total assets	**16,739**	**-**	**16,739**
Deposits	5,749	-	5,749
Debt securities issued	3,584	(41)	3,543
Other borrowings	5,288	50	5,338
Derivatives in a liability position	147	-	147
All other liabilities	39	(9)	30
Head office account	-	312	312
Total liabilities	**14,807**	**312**	**15,119**
Equity	**1,932**	**(312)**	**1,620**

Asset Quality

Derivatives in an asset position in millions of NZD	Housing	Consumer	Business	Agriculture	All other	**Total**
Total loans	34	12	1,663	10,716	598	13,023
Impaired loans	-	-	11	318	-	329
Loans 90 days past due but not impaire	-	-	-	-	-	-
Total non-performing loans	**-**	**-**	**11**	**318**	**-**	**329**
Non-performing loans ratio (%)	0%	0%	1%	3%	0%	3%
Individual provisions	-	-	-	19	-	19
Collective provisions	-	-	1	34	1	36
On-balance sheet residential mortgage exposures with LVRs that:						
On-balance sheet residential mortgage exposures with LVRs that:						
Exceeds 80% and not 90%						11
Exceeds 90%						-