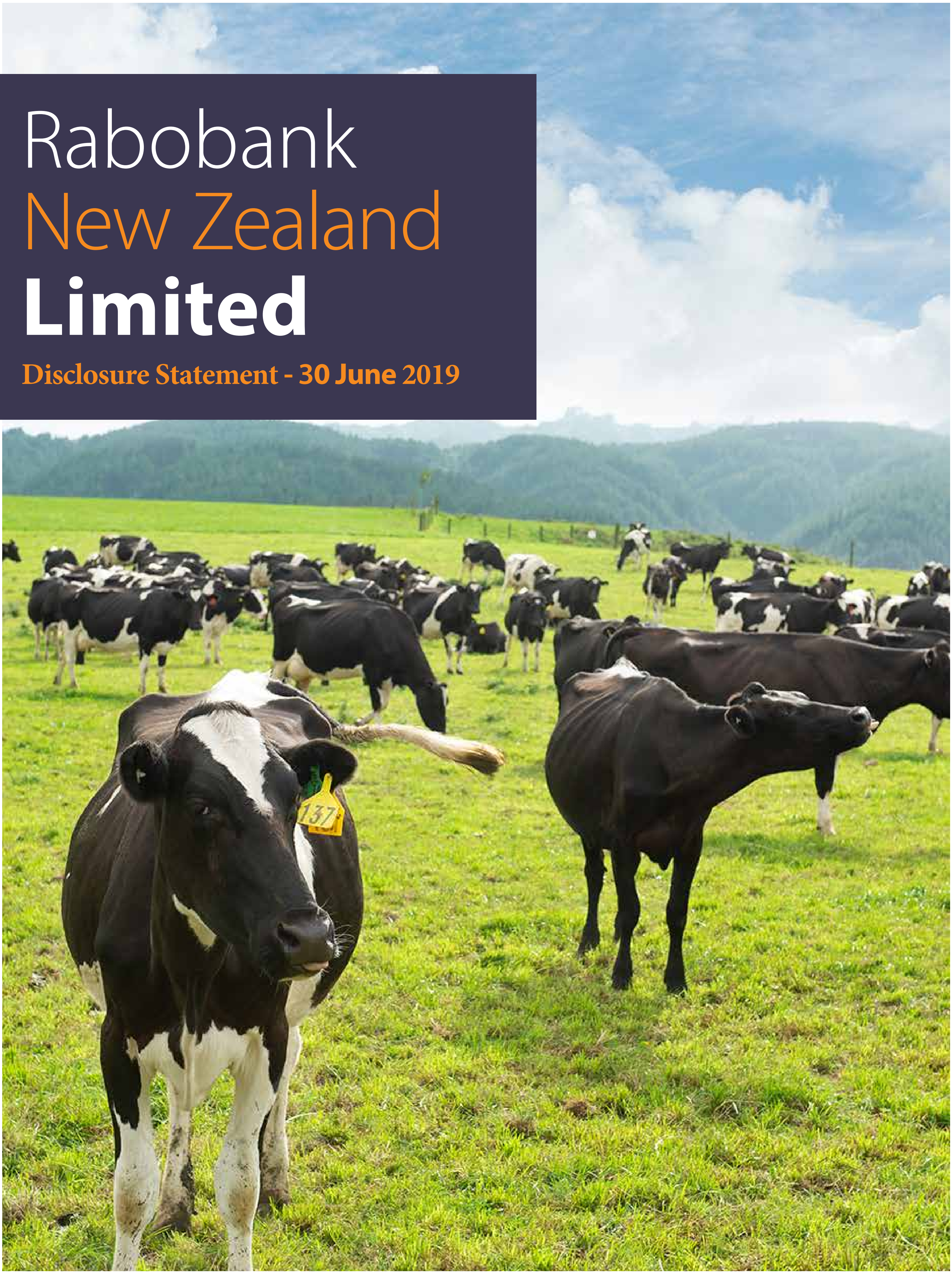
Rabobank New Zealand Limited

Disclosure Statement - 30 June 2019



Rabobank

Contents

General Disclosures

General information and definitions

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

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

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

General matters

Composition of the Board of directors

There have been no changes in the composition of the Bank's board of directors since 31 December 2018.

Signing of the Disclosure Statement

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

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

Credit ratings

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

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

Auditors for the Bank

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

Guarantee arrangements

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

General Disclosures

Guarantee arrangements (continued)

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

Details of guarantor

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

Coöperatieve Rabobank U.A. (Rabobank)

Level 23
157 Lambton Quay
Wellington
New Zealand
Rabobank is not a member of the Banking Group.

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

Rating Agency	Current Credit Rating
Standard & Poor's	A+ (stable)
Moody's	Aa3 (stable)
Fitch	AA- (stable)

Details of guaranteed obligations

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

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

Further information about the guarantees

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

Material cross guarantee

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

Insurance business

The Banking Group does not conduct any insurance business.

Pending proceedings or arbitration

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

Conditions of registration

There have been changes to the Bank's 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

General Disclosures

Conditions of registration (continued)

Bank's loan-to-valuation ratio (LVR) requirements, as contained in the "Framework for Restrictions on High-LVR Residential Mortgage Lending" (BS19).

The Bank has complied with all its Conditions of Registration in the six month period ended 30 June 2019.

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 the marketing and distribution of insurance products

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

Since 31 December 2018, there have been no material changes in:

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

Over the six month period ended 30 June 2019, no services have been provided, other than on arm's length terms and conditions and at fair value, by the Banking Group to any entity involved in the establishment, marketing, or sponsorship of trust, custodial, funds management, or other fiduciary activities.

Over the six month period ended 30 June 2019, no assets have been purchased, other than on arm's length terms and conditions and at fair value, by the Banking Group from any entity involved in the establishment, marketing, or sponsorship of trust, custodial, funds management, or other fiduciary activities.

Other material matters

Board composition

There are planned changes to the Bank's board which are expected to take effect in 2020. Pursuant to condition of registration 6, the standard criteria in Banking Standard 14 (BS14) regarding board size and composition (clause 9) is that the board of the registered bank:

- must have at least five members;
- that the majority of those members are non-executive;
- that at least half of those members are independent; and
- that that at least half of the independent directors on the board are ordinarily resident in New Zealand.

Any alternate of an independent director must also be independent. To be "independent" in relation to the registered bank the person must (amongst other things) under clause 10 of BS14:

- not be employed, and have not previously been employed, in an executive capacity by the registered bank or another group member, unless there has been a period of at least three years between ceasing such employment and serving on the board;

General Disclosures

Other material matters (continued)

Board composition (continued)

- not be a director of any sister company of the registered bank, except that a person may fail this criterion and still be considered independent if the Reserve Bank has confirmed that none of the sister company directorships held by that person disqualify him or her from being an independent director of the registered bank.

Currently, the Bank and its directors are granted an exemption from the independence requirement so that the Bank's directors can also sit on the board of the Bank's Australian sister companies, subject to certain conditions. This exemption has been in place since 2011. During 2020, the Bank intends to move to an orthodox board under clause 9 and 10 of BS14 where this exemption will not apply.

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

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

Directors' Statement

After due enquiry, each director believes that:

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

- The Disclosure Statement contains all the information that is required by the Registered Bank Disclosure Statements (New Zealand Incorporated Registered Banks) Order 2014 (as amended); and
- The Disclosure Statement is not false or misleading; and

(ii) over the six month period ended 30 June 2019:

- The Bank has complied with all Conditions of Registration that applied during that period;
- Credit exposures to connected persons (if any) were not contrary to the interests of the Banking Group; and
- The Bank had systems in place to monitor and control adequately the Banking Group's material risks, including credit risk, concentration of credit risk, interest rate risk, currency risk, liquidity risk, operational risk and other business risks, and that those systems were being properly applied (the Bank does not have any equity risk, and therefore neither has nor requires any system to monitor or control equity risk).

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

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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		**277,661**	269,356	548,985
Interest expense		**(148,890)**	(143,945)	(294,800)
Net interest income		**128,771**	125,411	254,185
Other income	3	**565**	994	1,596
Other expense	4	**(255)**	(329)	(612)
Other operating gains / (losses)	5	**75**	226	539
Non-interest income / (expense)		**385**	891	1,523
Operating income		**129,156**	126,302	255,708
Operating expenses		**(56,638)**	(48,605)	(111,639)
Impairment releases / (losses)	6	**(17,669)**	31	(582)
Profit before income tax		**54,849**	77,728	143,487
Income tax expense		**(15,338)**	(21,869)	(40,398)
Profit after income tax		**39,511**	55,859	103,089
Other comprehensive income for the period / year				
Items that may be reclassified subsequently to profit or loss				
Changes in the fair value of financial assets at fair value through other comprehensive income (gross)	15.2	**2,110**	400	117
Changes in the fair value of financial assets through other comprehensive income (deferred tax)	15.2	**(591)**	(112)	(33)
Total items that may be reclassified subsequently to profit or loss		**1,519**	288	84
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		**1,519**	288	84
Total comprehensive income attributable to members of Rabobank New Zealand Limited		**41,030**	56,147	103,173

The Bank 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 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		**675,427**	284,388	266,891
Derivative financial instruments		**6,262**	3,906	4,416
Financial assets at fair value through other comprehensive income	7	**578,637**	651,382	647,062
Loans and advances	8	**10,964,983**	10,109,730	10,606,458
Due from related entities	10	**248,313**	438,503	428,422
Other assets		**3,718**	5,856	7,483
Net deferred tax assets		**21,899**	12,783	13,559
Property, plant and equipment	11	**19,943**	3,563	3,020
Intangible assets		**970**	66	45
Total assets		**12,520,152**	11,510,177	11,977,356
Liabilities				
Derivative financial instruments		**6,368**	3,972	4,521
Deposits	12	**4,965,942**	4,004,675	4,261,790
Due to related entities	13	**5,893,456**	5,952,520	6,105,915
Current tax payable		**6,542**	8,788	13,463
Other liabilities	14	**24,691**	6,224	9,674
Provisions		**3,473**	3,342	3,343
Total liabilities		**10,900,472**	9,979,521	10,398,706
Net assets		**1,619,680**	1,530,656	1,578,650
Equity				
Contributed equity	15.1	**551,200**	551,200	551,200
Reserves	15.2	**3,325**	2,010	1,806
Retained earnings		**1,065,155**	977,446	1,025,644
Total equity		**1,619,680**	1,530,656	1,578,650

The Bank 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 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)	551,200	922,695	1,722	1,475,617
Change in accounting policy: NZ IFRS 9*	-	(1,108)	-	(1,108)
Restated opening balance under NZ IFRS 9	551,200	921,587	1,722	1,474,509
Net profit	-	55,859	-	55,859
Other comprehensive income:				
Revaluation reserve - FVOCI financial assets	-	-	288	288
At 30 June 2018 (Unaudited)	551,200	977,446	2,010	1,530,656
At 1 January 2018 (Audited)	551,200	922,695	1,722	1,475,617
Change in accounting policy: NZ IFRS 9*	-	(140)	-	(140)
Restated opening balance under NZ IFRS 9	551,200	922,555	1,722	1,475,477
Net profit	-	103,089	-	103,089
Other comprehensive income:				
Revaluation reserve - FVOCI financial assets	-	-	84	84
At 31 December 2018 (Audited)	551,200	1,025,644	1,806	1,578,650
At 1 January 2019	551,200	1,025,644	1,806	1,578,650
Net profit	-	39,511	-	39,511
Other comprehensive income:				
Revaluation reserve - FVOCI financial assets	-	-	1,519	1,519
At 30 June 2019 (Unaudited)	551,200	1,065,155	3,325	1,619,680

The Bank 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 to the Financial Statements (Basis of preparation).

* Impact of change in accounting policy of NZ IFRS 9 adoption, was revised subsequent to 30 June 2018 reporting period from $1.1 million to $0.14 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		**283,143**	269,818	547,441
Interest paid		**(142,490)**	(139,886)	(296,350)
Other cash inflows provided by operating activities		**557**	1,223	2,179
Other cash outflows used in operating activities		**(88,818)**	(91,381)	(165,584)
Cash flows from operating activities before changes in operating assets and liabilities		**52,392**	39,774	87,686
Net changes in operating assets and liabilities		**574,124**	(253,031)	(480,070)
Net cash flows from / (used in) operating activities	18	**626,516**	(213,257)	(392,384)
Cash flows from investing activities				
Net changes in investing activities		**(1,044)**	(42)	(50)
Net cash flows from / (used in) investing activities		**(1,044)**	(42)	(50)
Cash flows from financing activities				
Principal elements of lease payments		**(1,736)**	-	-
Net changes in other financing liabilities		**(215,200)**	159,181	320,819
Net cash flows from financing activities		**(216,936)**	159,181	320,819
Net change in cash and cash equivalents		**408,536**	(54,118)	(71,615)
Cash and cash equivalents at the beginning of the period / year		**266,891**	338,506	338,506
Cash and cash equivalents at the end of the period / year		**675,427**	284,388	266,891
Cash and cash equivalents at the end of the period / year comprise:				
Cash at bank and on hand		**675,427**	284,388	266,891
Cash and cash equivalents at the end of the period / year		**675,427**	284,388	266,891

The Bank 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 to the Financial Statements (Basis of preparation).

The above statement of cash flows should be read in conjunction with the accompanying notes.

Notes to the Financial Statements

1. Reporting entity

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

The interim financial statements of the Bank are presented as at and for the six months ended 30 June 2019. The Bank is primarily involved in the provision of secured loans predominantly to borrowers in the rural industry, and in raising retail deposits. There were no significant changes during the six month period in the nature of the activities of the Bank.

2. Basis of preparation

2.1 Statement of compliance

These interim financial statements have been prepared and presented in accordance with the requirements of the Order and the Reserve Bank Act, and in accordance with the requirements of New Zealand equivalent to International Accounting Standard ('NZ IAS') 34 'Interim Financial Reporting'. 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 financial assets at fair value through other comprehensive income which have been measured at fair value. The going concern concept and the accrual basis of accounting have been adopted.

2.3 Estimates

The preparation of interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies. In preparing these interim financial statements, the significant judgements made by management in applying the Bank's accounting policies and the key sources of estimation of uncertainty were the same as those applied to the financial statements as at and for the year ended 31 December 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 Bank's financial statements for the year ended 31 December 2018, except the adoption of new and amended standards as set out below. The Bank has not early adopted any NZ equivalents to International Financial Reporting Standards ('NZ IFRS') that are not yet in effect.

2.5 Functional and presentation currency

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

2.6 Comparative figures

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

2.7 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 Bank's accounting policies and did not require retrospective adjustments.

Notes to the Financial Statements

2 Basis of preparation (continued)

2.7 Changes in accounting principles and presentation (continued)

Key impacts of the implementation of NZ IFRS 16

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

The Bank 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 Bank 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)

2.7 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 Bank 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 Bank's leasing activities and how these are accounted for

The Bank 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 Bank'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	**565**	700	1,303
Other income	**-**	294	293
Total other income	**565**	994	1,596

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

5 Other operating gains / (losses)

In thousands of NZD	Unaudited 6 months to 30/06/2019	Unaudited 6 months to 30/06/2018	Audited Year to 31/12/2018
Net trading gains / (losses) on derivatives	**98**	265	574
Losses on disposal / write off of property, plant and equipment	**-**	-	(2)
Gains on disposal / write off of FVOCI financial assets	**84**	-	-
Foreign exchange gains / (losses)	**(107)**	(39)	(33)
Total other operating gains / (losses)	**75**	226	539

6 Impairment (losses) / releases

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 / (charges)	**(7,414)**	(2,136)	(1,634)
Specific provisions releases / (charges)	**(10,255)**	2,167	1,052
Total impairment releases / (losses)	**(17,669)**	31	(582)

In accordnce with NZ IFRS 9, collective provision consists of collective provision 12-Month 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).

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

In thousands of NZD	Unaudited 30/06/2019	Unaudited 30/06/2018	Audited 31/12/2018
New Zealand government securities	420,604	468,529	464,467
Other debt securities (Kauri)	158,033	182,853	182,595
Total Financial assets FVOCI	**578,637**	651,382	647,062

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

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

8 Loans and advances

In thousands of NZD	Unaudited At 30/06/2019	Unaudited At 30/06/2018	Audited At 31/12/2018
Lending	**10,954,055**	10,082,594	10,573,367
Finance leases	**56,430**	57,112	59,833
Gross loans and advances	**11,010,485**	10,139,706	10,633,200
Accrued interest	**8,075**	7,670	8,725
Provisions for impairment			
Stage 3B	**(18,719)**	(8,435)	(8,104)
Stage 3A	**(15,524)**	(11,004)	(11,199)
Stage 2	**(8,918)**	(8,139)	(7,108)
Stage 1	**(10,416)**	(10,068)	(9,056)
Net loans and advances	**10,964,983**	10,109,730	10,606,458

Notes to the Financial Statements

9 Credit quality, impaired assets and provision for impairment

9.1 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**

9.2 Other asset quality information

Aggregate amount of undrawn balances on lending commitments on impaired assets as at 30 June 2019 is $6,483 thousand.

There were no assets under administration as at 30 June 2019. (2018: Nil)

9.3 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 residential 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	8,441	7,018	11,199	8,104	34,762
Charge to statement of comprehensive income	1,186	1,828	4,287	10,251	17,552
Amounts written off	-	-	-	-	-
Recoveries	-	-	-	-	-
Reversals	-	-	-	-	-
Other movements	(12)	-	-	360	348
Closing balance retail	**9,615**	**8,846**	**15,486**	**18,715**	**52,662**

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

Notes to the Financial Statements

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

9.4 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	615	90	-	-	705
Charge to statement of comprehensive income	186	(18)	38	4	210
Amounts written off	-	-	-	-	-
Recoveries	-	-	-	-	-
Reversals	-	-	-	-	-
Other movements	-	-	-	-	-
Closing balance on loan commitments and financial guarantees	**801**	**72**	**38**	**4**	**915**

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	9,056	7,108	11,199	8,104	35,467
Charge to statement of comprehensive income	1,372	1,810	4,325	10,255	17,762
Amounts written off	-	-	-	-	-
Recoveries	-	-	-	-	-
Reversals	-	-	-	-	-
Other movements	(12)	-	-	360	348
Closing balance on loans and advances and loan commitments and financial guarantees	**10,416**	**8,918**	**15,524**	**18,719**	**53,577**

Notes to the Financial Statements

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

9.5 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	199	-	-	-	199
Charge to statement of comprehensive income	(93)	-	-	-	(93)
Amounts written off	-	-	-	-	-
Recoveries	-	-	-	-	-
Reversals	-	-	-	-	-
Other movements	-	-	-	-	-
Closing balance related parties	**106**	**-**	**-**	**-**	**106**

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

9.6 Impact of changes in gross financial assets on loss allowance

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 $1,372 thousand and $1,810 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

10 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*	**8,137**	13,539	3,123
Advances - wholly owned group*	**239,573**	424,547	424,895
Accrued interest receivable - wholly owned group*	**709**	626	603
Stage 1 provision for impairment (note 9.5)	**(106)**	(209)	(199)
Total due from related entities	**248,313**	438,503	428,422

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

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

11 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 - Adjusted to adopt NZ IFRS 16)						
Cost	**16,360**	**2,895**	10,700	162	1,442	31,559
Accumulated depreciation	**(1,422)**	**(467)**	(8,403)	(55)	(1,269)	(11,616)
Net book value	**14,938**	**2,428**	**2,297**	**107**	**173**	**19,943**

In respect of Right-of-use asset, refer to Note 2.7 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 on these for properties. There were additions of $ 766 thousand for cars.

12 Deposits

In thousands of NZD	Unaudited At 30/06/2019	Unaudited At 30/06/2018	Audited At 31/12/2018
Call deposits	**1,715,190**	1,751,379	1,692,702
Term deposits	**3,214,188**	2,223,025	2,536,183
Accrued interest	**36,564**	30,271	32,905
Total deposits	**4,965,942**	4,004,675	4,261,790

13 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*	**26,876**	9,264	12,386
Advances - wholly owned group*	**5,836,929**	5,908,103	6,066,619
Accrued interest payable - wholly owned group*	**29,651**	35,153	26,910
Total due to related entities	**5,893,456**	5,952,520	6,105,915

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

14 Other liabilities

In thousands of NZD	Unaudited At 30/06/2019	Unaudited At 30/06/2018	Audited At 31/12/2018
Lease Liabilities	**17,520**	-	-
Sundry creditors	**3,987**	2,357	2,436
Accrued expenses	**3,184**	3,867	7,238
Total other liabilities	**24,691**	6,224	9,674

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 2.7 for further information on the accounting for leasing contracts under NZ IFRS 16.

Notes to the Financial Statements

15 Contributed equity, Reserves and Capital management

15.1 Contributed equity

In thousands of NZD	Unaudited At 30/06/2019	Unaudited At 30/06/2018	Audited At 31/12/2018
Ordinary share capital	**551,200**	551,200	551,200
Total contributed equity	**551,200**	551,200	551,200

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

As at 30 June 2019, 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. The ordinary share capital qualifies as Common Equity Tier 1 capital for capital adequacy purposes.

15.2 Reserves

In thousands of NZD	Unaudited At 30/06/2019	Unaudited At 30/06/2018	Audited At 31/12/2018
FVOCI financial assets reserve			
Opening balance	**1,806**	1,722	1,722
Changes in FVOCI financial assets revaluation reserve (gross)	**2,110**	400	117
Changes in FVOCI financial assets revaluation reserve (deferred tax)	**(591)**	(112)	(33)
Total FVOCI reserve	**3,325**	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.

15.3 Capital management

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

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

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

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

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

The Bank has complied in full with all of its externally imposed capital requirements during the 2018 financial year and during the 2019 half year period.

Notes to the Financial Statements

16 Contingent liabilities

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

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

The following table shows the maximum amount payable for the following contingent liabilities:

In thousands of NZD	Unaudited At 30/06/2019	Unaudited At 30/06/2018	Audited At 31/12/2018
Guarantees	**5,875**	5,363	5,839
Lending commitments			
Irrevocable lending commitments	**71,616**	83,619	74,240
Revocable lending commitments	**1,410,751**	1,473,563	1,403,648
Total contingent liabilities	**1,488,242**	1,562,545	1,483,727

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

17 Expenditure Commitments

17.1 Capital expenditure commitments

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

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

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

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

Notes to the Financial Statements

18 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 tax	**39,511**	55,859	103,089
Non-cash items	**18,507**	583	1,763
Deferrals or accruals of past or future operating cash receipts or payments:			
Change in net operating assets and liabilities	**574,124**	(253,031)	(480,070)
Change in interest receivable/payable	**11,883**	4,521	(3,682)
Change in other deferrals or accruals	**(17,509)**	(21,189)	(13,484)
Net cash flows from / (used in) operating activities	**626,516**	(213,257)	(392,384)

19 Risks arising from financial instruments

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

19.1 Liquidity risk

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

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

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

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	675,427	675,427	-	-	-	-	-
Derivative financial instruments	6,568	-	27	3	1,936	4,602	-
FVOCI financial assets	586,010	-	326,264	158,422	32,015	69,309	-
Loans and advances	11,286,280	-	2,348,397	2,168,404	3,273,598	2,708,165	787,716
Due from related entities	252,966	8,138	16,767	151,132	30,933	45,996	-
Other financial assets	2,376	-	2,376	-	-	-	-
Total financial assets	12,809,627	683,565	2,693,831	2,477,961	3,338,482	2,828,072	787,716
Financial liabilities							
Derivative financial instruments	6,776	-	132	-	2,049	4,595	-
Deposits	5,003,302	1,715,190	1,817,715	851,331	314,969	304,071	26
Due to related entities	5,988,295	26,875	936,223	1,528,119	3,094,788	402,290	-
Other financial liabilities	26,794	-	8,890	1,602	3,028	5,878	7,396
Total financial liabilities	11,025,167	1,742,065	2,762,960	2,381,052	3,414,834	716,834	7,422
Contingent liabilities							
Guarantees	5,875	5,855	-	-	-	-	20
Lending commitments	1,482,367	1,469,974	1,724	1,386	206	3,151	5,926
Total contingent liabilities	1,488,242	1,475,829	1,724	1,386	206	3,151	5,946

Notes to the Financial Statements

19 Risks arising from financial instruments (continued)

19.2 Market risk

Repricing analysis

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

In thousands of NZD	Total	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	675,427	675,427	-	-	-	-	-
Derivative financial instruments	6,262	-	-	-	-	-	6,262
FVOCI financial assets	578,637	216,003	103,222	157,082	34,893	67,437	-
Loans and advances	10,964,983	5,337,731	1,552,603	1,921,260	1,444,180	700,858	8,351
Due from related entities	248,313	247,601	-	-	-	-	712
Other financial assets	2,376	-	-	-	-	-	2,376
Total financial assets	12,475,998	6,476,762	1,655,825	2,078,342	1,479,073	768,295	17,701
Other assets	1,342	-	-	-	-	-	1,342
Net deferred tax assets	21,899	-	-	-	-	-	21,899
Property, plant and equipment	19,943	-	-	-	-	-	19,943
Intangible assets	970	-	-	-	-	-	970
Total non-financial assets	44,154	-	-	-	-	-	44,154
Total assets	12,520,152	6,476,762	1,655,825	2,078,342	1,479,073	768,295	61,855
Financial liabilities							
Derivative financial instruments	6,368	-	-	-	-	-	6,368
Deposits	4,965,942	2,573,196	891,078	848,951	314,911	301,242	36,564
Due to related entities	5,893,456	3,703,878	450,000	325,000	1,182,000	195,000	37,578
Other liabilities	24,691	-	-	-	-	-	24,691
Total financial liabilities	10,890,457	6,277,074	1,341,078	1,173,951	1,496,911	496,242	105,201
Current tax payable	6,542	-	-	-	-	-	6,542
Provisions	3,473	-	-	-	-	-	3,473
Total non-financial liabilities	10,015	-	-	-	-	-	10,015
Total liabilities	10,900,472	6,277,074	1,341,078	1,173,951	1,496,911	496,242	115,216
Interest rate derivatives							
Swaps	-	104,246	-	-	(10,000)	(94,246)	
Repricing gap (interest bearing assets and liabilities)	1,673,041	303,934	314,747	904,391	(27,838)	177,807	
Cumulative mismatch	1,673,041	303,934	618,681	1,523,072	1,495,234	1,673,041	

Notes to the Financial Statements

19 Risks arising from financial instruments (continued)

19.3 Credit risk

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

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

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

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

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

Credit exposures consist of :

In thousands of NZD	Unaudited At 30/06/2019
Cash and cash equivalents	675,427
Derivative financial instruments	6,262
FVOCI financial assets	578,637
Loans and advances	10,964,983
Due from related entities	248,313
Other financial assets	2,376
Commitments and guarantees (note 16)	1,488,242
Total credit exposures	**13,964,240**

Analysis of credit exposures by industry:

In thousands of NZD	Unaudited At 30/06/2019
Agriculture	12,186,576
Finance and insurance	885,734
Forestry and fishery	40,071
Government	632,529
Property and business services	73,887
Other	145,443
Total credit exposures	**13,964,240**

Analysis of credit exposures by geographical areas:

In thousands of NZD	Unaudited At 30/06/2019
New Zealand	13,787,535
Australia	12,047
Germany	91,216
Finland	57,786
United States of America	5,114
Luxembourg	10,542
Total credit exposures	**13,964,240**

Notes to the Financial Statements

19 Risks arising from financial instruments (continued)

19.3 Credit risk (continued)

19.3.2 Concentration of credit exposures to individual counterparties

	Unaudited	
	At 30/06/2019	Peak for the period
Number of bank counterparties:		
Percentage of Common equity Tier 1 capital		
10-15%	-	-
15-20%	-	-
20%-25%	-	-
25%-30%	1	-
30%-35%	-	1
Number of non-bank counterparties:		
Percentage of Common equity Tier 1 capital		
10-15%	-	-
15-20%	-	-
20-25%	-	-
25-30%	-	-

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

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

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

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

Notes to the Financial Statements

20 Fair value of financial instruments

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

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

	Unaudited At 30/06/2019		Unaudited At 30/06/2018		Audited At 31/12/2018	
In thousands of NZD	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets						
Cash and cash equivalents	675,427	675,427	284,388	284,388	266,891	266,891
Derivative financial instruments	6,262	6,262	3,906	3,906	4,416	4,416
FVOCI financial assets	578,637	578,637	651,382	651,382	647,062	647,062
Loans and advances	10,964,983	11,182,344	10,109,730	10,287,270	10,606,458	10,772,007
Due from related entities	248,313	249,944	438,503	434,792	428,422	426,141
Other financial assets	2,376	2,376	5,546	5,546	6,981	6,981
Total financial assets	12,475,998	12,694,990	11,493,455	11,667,284	11,960,230	12,123,498
Financial liabilities						
Derivative financial instruments	6,368	6,368	3,972	3,972	4,521	4,521
Deposits	4,965,942	5,042,006	4,004,675	4,052,614	4,261,790	4,315,654
Due to related entities	5,893,456	5,934,670	5,952,520	6,021,733	6,105,915	6,163,194
Other liabilities	24,691	24,691	6,224	6,224	9,674	9,674
Total financial liabilities	10,890,457	11,007,735	9,967,391	10,084,543	10,381,900	10,493,043

Fair value hierarchy

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

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

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

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

Valuation methodology

Financial assets and financial liabilities carried at fair value

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

Derivative financial instruments and FVOCI financial assets

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

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

Notes to the Financial Statements

20 Fair value of financial instruments (continued)

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

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

In thousands of NZD	Level 1	Level 2	Level 3	Total
At 30 June 2019 (Unaudited)				
Financial assets				
Derivative financial instruments	-	6,262	-	6,262
FVOCI financial assets	578,637	-	-	578,637
Financial liabilities				
Derivative financial instruments	-	6,368	-	6,368

In thousands of NZD	Level 1	Level 2	Level 3	Total
At 30 June 2018 (Unaudited)				
Financial assets				
Derivative financial instruments	-	3,906	-	3,906
FVOCI financial assets	651,382	-	-	651,382
Financial liabilities				
Derivative financial instruments	-	3,972	-	3,972

In thousands of NZD	Level 1	Level 2	Level 3	Total
At 31 December 2018 (Audited)				
Financial assets				
Derivative financial instruments	-	4,416	-	4,416
FVOCI financial assets	647,062	-	-	647,062
Financial liabilities				
Derivative financial instruments	-	4,521	-	4,521

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

Financial assets and financial liabilities carried at amortised cost

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

Cash and cash equivalents

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

Loans and advances and Due from related entities

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

Other financial assets and Other financial liabilities

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

Due to financial institutions, Deposits and Due to related entities

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

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

Notes to the Financial Statements

21 Maturity analysis of assets and liabilities

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

	At 30 June 2019 (Unaudited)			At 30 June 2018 (Unaudited)		
in thousands of NZD	Current	Non-Current	Total	Current	Non-Current	Total
Assets						
Cash and cash equivalents	675,427	-	675,427	284,388	-	284,388
Derivative financial instruments	30	6,232	6,262	120	3,786	3,906
FVOCI financial assets	480,447	98,190	578,637	524,670	126,712	651,382
Loans and advances	5,434,996	5,529,987	10,964,983	5,012,798	5,096,932	10,109,730
Due from related entities	173,313	75,000	248,313	273,503	165,000	438,503
Other assets	3,718	-	3,718	5,856	-	5,856
Net deferred tax assets	-	21,899	21,899		12,783	12,783
Property, plant and equipment	-	19,943	19,943	-	3,563	3,563
Intangible assets	-	970	970	-	66	66
Total Assets	**6,767,931**	**5,752,221**	**12,520,152**	**6,101,335**	**5,408,842**	**11,510,177**
Liabilities						
Derivative financial instruments	132	6,236	6,368	182	3,790	3,972
Deposits	3,647,649	1,318,293	4,965,942	2,666,350	1,338,325	4,004,675
Due to related entities	2,423,456	3,470,000	5,893,456	1,594,520	4,358,000	5,952,520
Current tax payable	6,542	-	6,542	8,788	-	8,788
Other liabilities	10,492	14,199	24,691	6,224	-	6,224
Provisions	1,447	2,026	3,473	1,466	1,876	3,342
Total Liabilities	**6,089,718**	**4,810,754**	**10,900,472**	**4,277,530**	**5,701,991**	**9,979,521**

Notes to the Financial Statements

22 Capital adequacy under the standardised approach and regulatory liquidity ratios

22.1 Capital

In thousands of NZD	Unaudited At 30/06/2019
Common Equity Tier 1 ("CET1") capital	
Paid-up ordinary shares issued by the Bank plus related share premium	551,200
Retained earnings (net of appropriations)	1,065,155
Accumulated other comprehensive income and other disclosed reserves	3,325
Less deductions from CET1 capital:	
Deferred tax assets	(21,899)
Goodwill and other intangible assets	(970)
Subtotal CET1 capital	**1,596,811**
Additional Tier 1 ("AT1") capital	
Instruments issued by the Bank (or an SPV of the Bank)	-
Share premium resulting from the issue of instruments included in AT1 capital	-
Regulatory adjustments applied to AT1 capital	-
Subtotal AT1 capital	-
Total Tier 1 capital	**1,596,811**
Tier 2 capital	
Total Tier 2 capital	**-**
Total capital	**1,596,811**

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

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

Notes to the Financial Statements

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

22.2 Credit risk

22.2.1 Calculation of on-balance sheet exposures

In thousands of NZD	Total exposure after credit risk mitigation	Risk weight	Risk weighted exposure	Minimum pillar 1 capital requirement
At 30/06/2019 (Unaudited)				
Cash and gold bullion	-	0%	-	-
Sovereigns and central banks	631,708	0%	-	-
Multilateral development banks and other international organisations	67,592	0%	-	-
Multilateral development banks and other international organisations	90,441	20%	18,088	1,447
Banks	464,333	20%	92,867	7,429
Banks - related party[1]	5,262	20%	1,052	84
Public sector entities	-	20%	-	-
Corporate	-	50%	-	-
Residential mortgages not past due - LVR does not exceed 80%	30,231	35%	10,581	846
Residential mortgages not past due - LVR between 80% and 90%	3,599	50%	1,800	144
Residential mortgages not past due - LVR between 90% and 100%	-	75%	-	-
Past due residential mortgages	-	100%	-	-
Other past due assets[2]	237,285	150%	355,928	28,474
Equity holdings (not deducted from capital) that are publicity traded	-	300%	-	-
All other equity holdings (not deducted from capital)	-	400%	-	-
Other[3]	190	0%	-	-
Other[4]	10,717,334	100%	10,717,334	857,387
Non-risk weighted assets[5]	29,130	N/A	-	-
Total on-balance sheet exposures	**12,277,105**		**11,197,650**	**895,811**

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

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

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

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

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

Notes to the Financial Statements

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

22.2 Credit risk (continued)

22.2.2 Calculation of off-balance sheet exposures

In thousands of NZD	Total exposure	Credit conversion factor %	Credit equivalent amount	Average risk weight %	Risk weighted exposure	Minimum pillar 1 capital requirement
At 30 June 2019 (Unaudited)						
Direct credit substitutes	5,875	100%	5,875	100%	5,875	470
Asset sales with recourse	-	100%	-	0%	-	-
Forward asset purchase	-	100%	-	0%	-	-
Commitments with certain drawdown	-	100%	-	100%	-	-
Note issuance facility	-	50%	-	0%	-	-
Revolving underwriting facility	-	50%	-	0%	-	-
Performance-related contingency	-	50%	-	0%	-	-
Trade-related contingency	-	20%	-	0%	-	-
Placements of forward deposits	-	100%	-	0%	-	-
Other commitments where original maturity is more than one year	71,616	50%	35,808	100%	35,808	2,865
Other commitments where original maturity is less than or equal to one year	-	20%	-	100%	-	-
Other commitments which can be cancelled unconditionally at any time without prior notice	1,410,750	0%	-	100%	-	-
Market related contracts*						
Foreign exchange forwards - related entities	110	N/A	1	20%	-	-
Foreign exchange forwards	105	N/A	1	100%	1	-
Foreign exchange forwards - related entities	579	N/A	7	20%	1	-
Foreign exchange forwards	561	N/A	10	100%	10	1
Interest rate swaps - related entities	139,246	N/A	746	20%	149	12
Interest rate swaps	139,246	N/A	6,923	100%	6,923	554
Other - Credit valuation adjustment	N/A	N/A	N/A	2.0%	7,675	614
Other - Credit valuation adjustment	N/A	N/A	N/A	0.8%	475	38
Total off-balance sheet exposures	**1,768,088**		**49,371**		**56,917**	**4,554**

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

22.2.3 Additional residential mortgages information

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

In thousands of NZD	At 30/06/2019 (Unaudited) Drawn	Undrawn	Total
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 value of residential mortgage exposures	**33,830**	**9,200**	**43,030**

Notes to the Financial Statements

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

22.2.3 Additional residential mortgages information (continued)

Reconciliation of mortgage related amounts In thousands of NZD	Unaudited At 30/06/2019
Loans and advances - loans with residential mortgages	33,830
Plus short term residential mortgage classified as overdrafts	-
Less housing loans made to corporate customers	-
On-balance sheet residential mortgage exposures subject to the standardised approach	33,830
Off-balance sheet residential mortgage exposures subject to the standardised approach	9,200
Total residential mortgage exposures subject to the standardised approach (as per LVR analysis)	**43,030**

22.3 Credit risk mitigation

	At 30/06/2019 (Unaudited)	
In thousands of NZD	Total value of on- and off-balance sheet exposures covered by eligible collateral (after haircutting)	Total value of on- and off-balance sheet exposures covered by guarantees or credit derivatives
Sovereign or central bank	-	-
Multilateral development bank	-	-
Public sector entities	-	-
Banks - related party*	248,310	-
Corporate	-	-
Residential mortgage	-	-
Other	-	-
Total gross-exposure basis	**248,310**	-
Total net-exposure basis (note 22.2.1*)	**5,262**	-

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

22.4 Operational risk

Operational risk capital requirement

	At 30/06/2019 (Unaudited)	
In thousands of NZD	Implied risk weighted exposure	Total operational risk capital requirement
Operational risk	760,163	60,813
Total	**760,163**	**60,813**

22.5 Market risk period-end capital charges

	At 30/06/2019 (Unaudited)	
In thousands of NZD	Implied risk weighted exposure	Aggregate capital charges
Interest rate risk	220,875	17,670
Foreign currency risk	16,875	1,350
Total	**237,750**	**19,020**

The bank does not take any equity risk.

22.6 Market risk peak end-of-day capital charges

	At 30/06/2019 (Unaudited)	
In thousands of NZD	Implied risk weighted exposure	Aggregate capital charges
Interest rate risk	281,750	22,540
Foreign currency risk	33,000	2,640
Total	**314,750**	**25,180**

The bank does not take any equity risk.

Notes to the Financial Statements

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

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

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

22.8 Total capital requirements

In thousands of NZD	At 30/06/2019 (Unaudited) Total exposure after credit risk mitigation	Risk weighted exposure or implied risk weighted exposure	Total capital requirement
Total credit risk	14,045,193	11,254,567	900,365
Operational risk	N/A	760,163	60,813
Market risk	N/A	237,750	19,020
Total	**14,045,193**	**12,252,480**	**980,198**

22.9 Capital ratios

	At 30 June 2019 (Unaudited)		At 30 June 2018 (Unaudited)	
In percentage (%)	Ratio	Minimum ratio requirement	Ratio	Minimum ratio requirement
Common Equity Tier 1 capital ratio	**13.03%**	**4.50%**	13.40%	4.50%
Tier 1 capital ratio	**13.03%**	**6.00%**	13.40%	6.00%
Total capital ratio	**13.03%**	**8.00%**	13.40%	8.00%

22.10 Buffer ratio

In percentage (%)	At 30 June 2019 (Unaudited)	At 30 June 2018 (Unaudited)
Buffer ratio* (in excess of the minimum tier 1 capital ratio requirement)	**5.03%**	5.40%
Buffer ratio requirement**	**2.50%**	2.50%

22.11 Solo capital adequacy

In percentage (%)	At 30 June 2019 (Unaudited)	At 30 June 2018 (Unaudited)
Common Equity Tier 1 capital ratio*	**13.03%**	13.40%
Tier 1 capital ratio*	**13.03%**	13.40%
Total capital ratio*	**13.03%**	13.40%

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

Notes to the Financial Statements

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

22.12 Pillar 2 capital for other material risks

In thousands of NZD	At 30 June 2019 (Unaudited)	At 30 June 2018 (Unaudited)
Internal capital allocation for other material risks	49,010	45,305

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

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

(ii) Liquidity risk: Liquidity risk is defined as the risk that the Bank fails to have sufficient liquidity to meet financial obligations as they fall due (funding liquidity risk) across a wide range of operating circumstances; and that liquidity in financial markets may reduce significantly which results in a shortfall of market liquidity risk.

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

(iv) Strategic risk: Strategic risk is the risks affected or created by an organisation's business strategy and strategic objectives.

(v) Compliance risk: Compliance risk is defined as the risk of legal or regulatory sanctions, material financial loss, or loss of reputation that Rabobank New Zealand may suffer as a result of its failure to comply with key legislation, regulatory standards, industry codes and internal policies applicable to its financial services activities.

The Bank has completed an internal assessment of all the material risks focused by the Bank. This is described in the ICAAP document. The result show that no individual Pillar 2 risk would require a high capital allocation. However, in line with the Bank's prudent capital management, it believes that an internal capital allocation of 5% of Pillar 1 capital for Pillar 2 would provide a sufficient capital measure given the current risk profile of the Bank. The internal capital allocation for the Pillar 2 risks forms part of the internal capital buffer.

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

22.13 Capital adequacy of the ultimate parent bank

Capital adequacy of Rabobank

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

At 30 June (Unaudited)	2019 %	2018 %
Common equity Tier 1 capital ratio	15.8%	15.8%
Tier 1 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

22.14 Regulatory liquidity ratios

Capital ratios	Unaudited 3 months to 31/03/2019	Unaudited 3 months to 30/06/2019
Quarterly average core funding ratio	88.5%	87.8%
Quarterly average one-month mismatch ratio	6.7%	8.7%
Quarterly average one-week mismatch ratio	6.5%	7.9%

Notes to the Financial Statements

23 Offsetting financial assets and financial liabilities

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

The following table presents the recognised financial instruments that are offset, or subject to enforceable master netting arrangements and other similar agreements but not offset, as at 30 June 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.

30/06/2019 (Unaudited)	Effects of offsetting on the balance sheet			Related amounts not offset		
in thousands of NZD	Gross amounts	Gross amounts set off in the balance sheet	**Net amounts presented in the balance sheet**	Amounts subject master agreements	Financial instrument collateral	**Net amount**
Financial Assets						
Cash and cash equivalents	675,427	-	675,427	-	-	675,427
Derivative financial instruments	6,262	-	6,262	-	-	6,262
Total financial assets	**681,689**	**-**	**681,689**	**-**	**-**	**681,689**
Financial Liabilities						
Due to financial institutions	-	-	-	-	-	-
Derivative financial instruments	6,368	-	6,368	-	-	6,368
Total financial liabilities	**6,368**	**-**	**6,368**	**-**	**-**	**6,368**

30/06/2018 (Unaudited)	Effects of offsetting on the balance sheet			Related amounts not offset		
in thousands of NZD	Gross amounts	Gross amounts set off in the balance sheet	**Net amounts presented in the balance sheet**	Amounts subject master agreements	Financial instrument collateral	**Net amount**
Financial Assets						
Cash and cash equivalents	284,388	-	284,388	-	-	284,388
Derivative financial instruments	3,906	-	3,906	-	-	3,906
Total financial assets	**288,294**	**-**	**288,294**	**-**	**-**	**288,294**
Financial Liabilities						
Due to financial institutions	-	-	-	-	-	-
Derivative financial instruments	3,972	-	3,972	-	-	3,972
Total financial liabilities	**3,972**	**-**	**3,972**	**-**	**-**	**3,972**

Notes to the Financial Statements

24 Concentration of funding

Total funding comprised:

In thousands of NZD	Unaudited At 30/06/2019
Deposits	4,965,942
Due to related entities	5,893,456
Other liabilities	24,691
Total funding	**10,884,089**

Analysis of funding by industry:

In thousands of NZD	Unaudited At 30/06/2019
Agriculture	797,355
Finance and insurance	6,998,430
Personal and other services	2,782,106
Other	306,198
Total funding	**10,884,089**

Analysis of funding concentration by geographical areas:

In thousands of NZD	Unaudited At 30/06/2019
New Zealand	10,792,013
Australia	24,035
The Netherlands	10,754
United Kingdom	17,613
United States of America	11,515
All other countries	28,159
Total funding	**10,884,089**

25 Additional information on statement of financial position

In thousands of NZD	Unaudited At 30/06/2019
Total interest earning and discount bearing assets	12,458,297
Total interest and discount bearing liabilities	10,785,256
Financial assets pledged as collateral	-

Notes to the Financial Statements

26 Related party disclosures

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

26.1 Transactions with related parties

26.1.1 Guarantees

The first period

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

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

The second period

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

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

The third period

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

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

The fourth period

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

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

The fifth period

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

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

The sixth period

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

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

The seventh period

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

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

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

Notes to the Financial Statements

26.1.2 Guarantee fees

A fee of $0.26 million was charged to the Bank by Rabobank in consideration for providing the obligations guarantees for the six month period ended 30 June 2019 (December 2018: $0.6 million; June 2018: $0.33 million).

26.1.3 Management fees

A management fee of $16.9 million (December 2018: $37 million; June 2018: $13.6 million) was charged to the Bank by the Australia Branch of Rabobank for the provision of administrative and management services. Some operating expenses of the Bank are paid and re-charged to the Bank by this related entity.

A management fee of $7.6 million (December 2018: $13 million; June 2018: $7.4 million) was charged to the Bank by the Rabobank Head Office for the provision of administrative and management services.

A management fee of $1.9 million (31 December 2018: $1.8 million; June 2018: $0.8 million) was charged to NZ Branch of Rabobank by the Bank for the provision of administrative and management services.

26.1.4 Other transactions

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

in thousands of NZD	2019	For the half - year	2018	For the half -year	2018	For the year
Due from related entities	248,313	3,184	438,503	3,789	428,422	8,048
Due to related entities	5,893,456	87,301	5,952,520	90,746	6,105,915	184,565
Subordinated debt	-	-	-	454	-	454

Derivatives with a combined notional of $139.9 million and a net fair value liability position of ($6.3 million) (December 2018: $150.2 million; June 2018: $122.3 million and December 2018: ($4.5 million); June 2018: ($3.9 million) respectively) are held with the New Zealand Branch of Rabobank and with Rabobank.

Working capital facilities

A loan facility of EUR 4.35 billion was granted by the New Zealand Branch of Rabobank to the Bank on 21 December 2016. The unused amount at 30 June 2019 was EUR 0.9 billion (31 December 2018: EUR 1.18 billion; 30 June 2018: EUR 1.3 billion).

26.2 Terms and conditions of transactions with related parties

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

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

26.3 Provision for impairment

For the period ended 30 June 2019, the Bank 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 Bank recognises a provision for impairment. The Bank recognised stage 1 impairment allowance relating to amounts owned by related parties of $0.1 million as at 30 June 2019 (31 December 2018: $0.2 million; 30 June 2018: $0.2 million).

27 Subsequent events

The Directors are not aware of any event or circumstances since the end of the period not otherwise dealt with in this report that has or may significantly affect the operations of the Bank, the results of those operations or the state of affairs of the Bank in subsequent financial years.

28 Dividend

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

Independent auditor's review report

To the shareholder of Rabobank New Zealand Limited

Report on the Disclosure Statement

We have reviewed pages 6 to 36 of the Disclosure Statement for the six months ended 30 June 2019 (the "Disclosure Statement") of Rabobank New Zealand Limited (the "Bank") which includes the financial statements required by Clause 25 of the Registered Bank Disclosure Statements (New Zealand Incorporated Registered Banks) Order 2014 (as amended) (the "Order") and the supplementary information required by Schedules 5, 7, 9, 13, 16 and 18 of the Order. The financial statements 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 other explanatory information.

Directors' responsibility for the Disclosure Statement

The Directors of the Bank (the "Directors") are responsible on behalf of the Bank, for the preparation and fair presentation of the Disclosure Statement, which includes financial statements prepared in accordance with Clause 25 of the Order and for such internal 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 the Bank, for the preparation and fair presentation of supplementary information in the Disclosure Statement which complies with Schedules 3, 5, 7, 9, 13, 16 and 18 of the Order.

Our responsibility

Our responsibility is to express the following conclusions on the financial statements and the 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 capital adequacy and regulatory liquidity requirements): whether, in our opinion on the basis of the procedures performed by us, anything has come to our attention that would cause us to believe that the supplementary information does not fairly state the matters to which it relates in accordance with Schedules 5, 7, 13, 16 and 18 of the Order; and
- the supplementary information relating to capital adequacy and regulatory liquidity requirements: 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.

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Independent auditor's review report *(continued)*

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 Bank, 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 Bank. Certain partners and employees of our firms may deal with the Bank on normal terms within the ordinary course of trading activities of the Bank. These matters have not impaired our independence as auditor of the Bank.

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 6 to 36 (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 capital adequacy and regulatory liquidity requirements) that is required to be disclosed under Schedules 5, 7, 13, 16 and 18 of the Order, does not fairly state the matters to which it relates in accordance with those Schedules; and

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

Independent Auditor's review report (continued)

Who we report to

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

For and on behalf of:

PricewaterhouseCoopers

Chartered Accountants
28 August 2019

Sydney, Australia

Bank Financial Strength Dashboard

Reconciliation of Disclosure Statement 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.

Credit Ratings

	Unaudited At 30/06/2019
S&P Global	A

Capital Adequacy

Capital ratios	Unaudited At 30/06/2019
Total capital ratio	13.03%
Common equity tier 1 (CET1) capital ratio	13.03%
Tier 1 capital ratio	13.03%
Buffer ratio	5.03%
Total capital ratio regulatory minimum	8.00%

in millions of NZD Capital	Unaudited At 30/06/2019
CET1 capital	1,620
CET1 deductions	23
Net CET1 capital	**1,597**
Total additional tier 1 capital	-
Total tier 1 capital	**1,597**
Total capital	**1,597**

Reconciliation of Disclosure Statement to Dashboard

Capital Adequacy (continued)

Risk weighted assets

At 30/06/2019 (Unaudited) in millions of NZD	Dashboard	Classification difference*	Disclosure Statement
Sovereign / quasi-sovereign	18	-	18
Public sector entities	-	-	-
Registered banks	94	-	94
Corporates	7,974	(7,974)	-
Retail / Residential mortgages	12	-	12
Exposures subject to standardised approach	-	-	-
Problem loans	448	(92)	356
Equity holdings	-	-	-
Credit risk supervisory adjustment	-	-	-
All other assets	2,652	8,066	10,718
Commitments & contingent items	42	-	42
CCR for market-related contracts	15	-	15
Credit risk	11,255	-	11,255
Market risk	238	-	238
Operational risk	760	-	760
Total risk weighted assets	**12,253**	**-**	**12,253**

* Exposure categories, all at 100% risk weight

Asset Quality

At 30/06/2019 (Unaudited) in millions of NZD	Housing	Consumer	Business	Agriculture	All other	Total
Total loans	34	12	368	10,606	1	11,021
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%	3%	3%	0%	3%
Individual provisions	-	-	-	19	-	19
Collective provisions	-	-	1	34	-	35
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%						-

Reconciliation of Disclosure Statement to Dashboard

Profitability / Performance

in millions of NZD	Dashboard Unaudited 3 months to 31/03/2019	Dashboard Unaudited 3 months to 30/06/2019	Classification differences	Disclosure Statement Unaudited 6 months to 30/06/2019
Total interest income	139	140	-	279
Total interest expense	(75)	(74)	-	(149)
Net interest income	**64**	**66**	**-**	**130**
Gains/losses on trading and hedging	-	-	-	-
Fee and commission income	-	-	-	-
All other income	-	-	-	-
Operating expenses	(27)	(30)	-	(57)
Impaired asset expense	(4)	(14)	-	(18)
Profit before tax	**33**	**22**	**-**	**55**
Tax expense	(9)	(6)	-	(15)
Profit after tax	**24**	**16**	**-**	**40**
Return on assets (%)	0.8%	0.5%		0.6%
Return on equity (%)	6.1%	3.8%		5.0%
Net interest margin (%)	2.1%	2.1%		2.1%

Financial Position

At 30/06/2019 (Unaudited) in millions of NZD	Dashboard	Classification differences	Disclosure Statement
Cash and bank deposits	920	(245)	675
Debt securities held	579	-	579
Net loans and advances	10,968	(3)	10,965
Derivatives in an asset position	6	-	6
All other assets	47	-	47
Due from related entities	(included above)	248	248
Total assets	**12,520**	**-**	**12,520**
Deposits	4,966	-	4,966
Debt securities issued	-	-	-
Other borrowings	5,893	-	5,893
Derivatives in a liability position	6	-	6
All other liabilities	35	-	35
Total liabilities	**10,900**	**-**	**10,900**
Equity	**1,620**	**-**	**1,620**

Liquidity

Capital ratios	Dashboard / Disclosure Statement Unaudited 3 months to 31/03/2019	Dashboard / Disclosure Statement Unaudited 3 months to 30/06/2019
Quarterly average core funding ratio	88.5%	87.8%
Quarterly average one-month mismatch ratio	6.7%	8.7%
Quarterly average one-week mismatch ratio	6.5%	7.9%

Large Exposures

	Unaudited At 30/06/2019
Top 5 credit exposures to non-bank counterparties (ie corporates) as a ratio of CET1 capital	20.3%
Credit exposures to non-bank counterparties (ie corporates) that are greater than 10% of CET1 capital	-
Top 5 credit exposures to banks as a ratio of CET1 capital	29.1%
Credit exposures to banks that are greater than 10% of CET1 capital	1