



Coöperative Rabobank U.A. NZ Banking Group

Disclosure Statement - 30 June 2022

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General Disclosures

General information and definitions

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

In this Disclosure Statement:

- "Registered Bank" and "Rabobank" refer to Coöperatieve Rabobank U.A., incorporated in The Netherlands and trading as Rabobank.
- "Branch" refers to the New Zealand business of the Registered Bank.
- "Banking Group" or "Rabobank New Zealand Banking Group" refers to:
 - (a) the Branch;
 - (b) Rabobank New Zealand Limited ("RNZL");
 - (c) De Lage Landen Limited; and
 - (d) AGCO Finance Limited.
- "Overseas Banking Group" means the Registered Bank and all entities included in the Registered Bank's group for the purposes of public reporting of group financial statements in The Netherlands.

General matters

Directors

There have been the following changes to the Registered Bank's Board of Directors since 31 December 2021:

- Jan Nooitgedagt resigned from the Registered Bank's Supervisory Board with effect on 13 April 2022.

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

Managing Board

- W. Draijer (Wiebe), Chair
- B.C. Brouwers (Bas), Member
- E.A. de Groot (Els), Member
- M.P.J. Lichtenberg (Mariëlle), Member
- C.M. Konst (Kirsten), Member
- B.J. Marttin (Berry), Member
- B. Leurs (Bart), Member
- J. Vos (Janine), Member

Supervisory Board

- M. Trompetter (Marjan), Chair
- J. van Hall (Johan), Vice Chair
- G.J. van den Akker (Gert-Jan), Member
- A.A.J.M. Kamp (Arian), Member
- P.H.J.M. Visée (Pascal), Member
- P.H.M. Hofsté (Petri), Member
- A.P. Aris (Antoinette), Member
- M. Pensaert (Mark), Member

With effect on 1 October 2022:

- Wiebe Draijer will resign as Chair of the Managing Board of the Registered Bank;
- Philippe Vollot will join the Managing Board of the Registered Bank, as Chief Financial Economic Crime Officer, subject to Dutch supervisory assessments.

Els de Groot will also step down as a member of the Managing Board on 31 January 2023.

General Disclosures

General matters (continued)

New Zealand Chief Executive Officer

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

No subordination of claims of creditors

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

Requirement to hold excess assets over deposit liabilities

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

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

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

Auditors for the Banking Group

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

Credit ratings

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

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

Insurance business

The Banking Group does not conduct any insurance business.

Guarantee arrangements

No material obligations of the Registered Bank that relate to the Branch are guaranteed as at the date its directors and New Zealand Chief Executive Officer signed this Disclosure Statement.

Non-consolidated activities

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

General Disclosures

Risk management policies

Since 31 December 2021:

- 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

Since 31 December 2021, there have been no material changes in:

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

Conditions of registration

There has been a change to the Conditions of Registration between 31 December 2021 and 30 June 2022. The change reinstated residential mortgage loan-to-valuation ratio restrictions as follows:

With effect on and after 1 January 2022, changes were made to the Bank's Conditions of Registration. The changes made it clear that, for each 6 calendar month rolling period ending on or after 31 October 2021, qualifying new residential mortgage lending in respect of property-investment residential mortgage loans with a LVR of more than 60% must not exceed 5% of the total of such new residential mortgage lending.

Other material matters

Interest rate derivatives

The Registered Bank is involved in civil proceedings before the Dutch District Court, the Court of Appeals, and the Supreme Court relating to interest rate derivatives concluded with Dutch business customers. Claimants in these proceedings in general claim to have been misinformed. The Registered Bank takes the stance that it has substantive and convincing legal and factual defences against these claims. The Registered Bank intends to continue to defend itself against these claims.

With respect to the (re-)assessment of the interest rate derivatives of its Dutch SME business customers and the advance payments made and due on grounds of settlements having been concluded, the Registered Bank recognised a provision of EUR 8 million as at 30 June 2022 (31 December 2021: EUR 3 million).

Variable Interest Rates Conditions

In the Netherlands, there is a debate about applying correct interest rate conditions for certain products. These products are also included in the portfolio of the Registered Bank. The Dutch Financial Services Complaints Tribunal (Kifid) has ruled that lenders of certain consumer products should have followed the market rate while determining the variable interest rate of these products. Based on these Kifid rulings, the Registered Bank recognised that it did not consistently adjust the interest rate of certain consumer credit products in accordance with the reference rate selected by Kifid. Therefore, the Registered Bank made a provision of EUR 340 million (31 December 2021: EUR 333 million) to compensate part of its clients with certain consumer credit products with a variable interest rate. There is uncertainty if other products with variable interest rates will also be affected. The Registered Bank considers the probability of this event not probable but more than remote and cannot give a reliable estimate of the (potentially substantial) total financial risk of this contingent liability.

General Disclosures

Other material matters (continued)

Imtech

The Imtech Group was declared bankrupt in August 2015. the Registered Bank was one of the banks that extended financing to this group and participated in the rights offerings of both July 2013 and October 2014.

On 30 January 2018, the Registered Bank received a letter from a group of shareholders indicating that legal proceedings may be started with respect to a potential collective action in relation to certain share offerings of Royal Imtech N.V. in which the Registered Bank was involved. By letter of March 28, 2018, the VEB (a Dutch party aimed at promoting the interests of shareholders in general) held parties, including the Registered Bank, liable for damage allegedly suffered by the Imtech investors. On 10 August 2018 and (also as an interruption of the limitation period) on 10 June 10 2022, the Registered Bank received formal notification from Imtech's trustees that they were seeking to nullify a large number of transactions and claim various damages. The letter aimed to interrupt limitation periods in view of the possible claims.

No legal proceedings have been started and no further (legal) actions have been taken by any of the aforementioned parties. The Registered Bank considers the Imtech case to be a contingent liability because it is not possible to assess the outcome of these (possible) claims at this moment. No provision has been made.

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

The Registered Bank, along with a large number of other panel banks and brokers, has been named as a defendant in a number of putative class action suits and individual civil court cases brought before the United States Courts. These proceedings relate to the US Dollar (USD) Libor, British Pound Sterling Libor, Japanese Yen Libor, Tibor (note: the Registered Bank was never a member of the Tibor panel) and Euribor. The Registered Bank and/or its subsidiaries have also been summoned to appear before various Dutch, Argentine, United Kingdom and Israeli courts in civil proceedings (including class action suits) relating to interest rate benchmarks.

Since the civil proceedings set out above are intrinsically subject to uncertainties, it is difficult to predict their outcome. The Registered Bank considers that it has substantive and convincing legal and factual defences against these claims and intends to continue to defend itself against these claims.

The Registered Bank considers the Libor/Euribor group of cases to be a contingent liability because the probability of an outflow of funds is neither probable nor remote. No provision has been made.

Anti-Money Laundering, Counter Terrorism Financing & Sanctions

The Registered Bank received an instruction from the Dutch Central Bank (DNB) on 23 December 2021. In this instruction, DNB determined that the Registered Bank did not meet the requirements of the Dutch Anti-Money Laundering and Anti-Terrorist Financing Act. The DNB ordered the Registered Bank to remedy deficiencies regarding its Dutch retail division's compliance with the Act by 15 December 2023 at the latest. These deficiencies mainly concern the execution, recording and outsourcing of client due diligence, transaction monitoring and reporting of unusual transactions.

The Registered Bank is continuously investing in and increasing its efforts under the Registered Bank's remediation program, doing so in a dynamic context dealing with the fast pace of sanctions on Russia, tight labour market conditions and new regulations. In light of these challenging developments affecting progress the registered Bank has asked DNB for an extension.

Part of the remediation process is resolving backlog files in client due diligence and transaction monitoring. Accordingly, the Registered Bank recognised a provision on 30 June 2022 of EUR 249 million (31 December 2021: EUR 249 million) for the incremental cost involved to resolve these backlogs (under other provisions). During the first half of 2022 the Registered Bank used approximately EUR 72 million of the provision. The same amount is added to the provision.

The Registered Bank's KYC enhancement program is executed under the direct responsibility of the Managing Board, and a new position within the Managing Board will be created with a specific focus on KYC compliance. On 1 October 2022, Mr. Philippe Vollot will commence as Chief Financial Economic Crime Officer (CFECO) at the Registered Bank (subject to a positive outcome of supervisory assessments). The Supervisory Board will continue to oversee the KYC remediation program, including by means of a dedicated (temporary) committee. DNB will also continue to supervise the progress made under the program.

General Disclosures

Other material matters (continued)

The DNB has informed the Registered Bank that a separate punitive enforcement procedure would commence, the outcome of which is not yet known. Although the Registered Bank considers it more likely than not that such a procedure will result in an outflow of funds, it did not recognise a provision for this matter because there are too many uncertainties to make a reliable estimate of the amount of the liability.

Other Cases

The Registered Bank is subject to other legal proceedings for which provisions have been recognised. These cases are individually less significant in size and are therefore not separately disclosed. The total provision for these cases amounts to EUR 74 million euros (31 December 2021: EUR 76 million). The maximum amount of non-remote measurable contingent liabilities relating to claims is EUR 225 million (31 December 2021: EUR 217 million).

Prudential Consultation

The Reserve Bank of New Zealand (RBNZ) is currently reviewing its policy on the registration of branches of overseas banks in New Zealand. The review covers existing registered branches and future applicants seeking branch registration. The RBNZ has identified the key issues being that the current policy is not applied consistently across branches, it is limited in its ability to apply regulatory standards to branches, and also limited in its ability to supervise branches. The objective of the review is to create a simple, coherent and transparent policy framework for branches of overseas banks. A further consultation paper setting out the RBNZ's proposed approach is due to be published soon.

There are no other material matters relating to the business or affairs of the Registered Bank and/or the Banking Group 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 Registered Bank or any member of the Banking Group is the issuer.

Financial Statements of Registered Bank and Overseas Banking Group

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

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

Directors' and New Zealand Chief Executive Officer's Statement

After due enquiry, each director and the New Zealand Chief Executive Officer believe that:

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

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

(ii) over the six month period ended 30 June 2022:

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

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



Todd Charteris

Dated: 29 August 2022

Statement of Comprehensive Income

In thousands of NZD	Note	Unaudited 6 months to 30/06/2022	Unaudited 6 months to 30/06/2021
Interest income		318,709	268,129
Interest expense		(102,568)	(62,948)
Net interest income		216,141	205,181
Other income		12,444	13,057
Other expense		(7,210)	(8,554)
Other operating gains/(losses)	3	(2,486)	(1,791)
Non-interest income / (expense)		2,748	2,712
Operating income		218,889	207,893
Operating expenses		(85,653)	(78,276)
Impairment (losses)/releases	4	450	(4,330)
Profit before income tax		133,686	125,287
Income tax expense		(37,511)	(35,194)
Profit after income tax		96,175	90,093
Other comprehensive income for the period			
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)	13.2	(9,001)	(3,588)
Tax associated with changes in the fair value of financial assets through other comprehensive income	13.2	2,520	1,005
Total items that may be reclassified subsequently to profit or loss		(6,481)	(2,583)
Items that will not be reclassified subsequently to profit or loss			
Total items that will not be reclassified subsequently to profit or loss		-	-
Total other comprehensive income for the period		(6,481)	(2,583)
Total comprehensive income attributable to members of Rabobank New Zealand Banking Group		89,694	87,510

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

Statement of Financial Position

In thousands of NZD	Note	Unaudited At 30/06/2022	Audited At 31/12/2021
Assets			
Cash and cash equivalents		1,437,574	772,652
Derivative financial instruments		380,212	252,012
Financial assets at fair value through other comprehensive income	5	623,087	567,887
Loans and advances	7	15,586,371	14,793,244
Due from related entities	6	1,468,690	1,264,940
Other assets		68,755	72,244
Net deferred tax assets		16,955	15,302
Property, plant and equipment		15,200	11,615
Intangible assets		1,199	1,418
Total assets		<u>19,598,043</u>	<u>17,751,314</u>
Liabilities			
Derivative financial instruments		222,458	132,560
Debt securities in issue		4,262,029	2,641,613
Deposits	9	5,765,087	5,542,598
Due to related entities	10	6,716,364	7,039,347
Payables to central bank		161,316	-
Interest bearing liabilities		61	273
Current tax payable		3,606	16,937
Other liabilities	11	31,436	30,768
Provisions		5,507	6,733
Total liabilities		<u>17,167,864</u>	<u>15,410,829</u>
Net Assets		<u>2,430,179</u>	<u>2,340,485</u>
Equity			
Contributed equity	13.1	551,200	551,200
Reserves	13.2	(10,756)	(4,275)
Retained earnings		1,489,327	1,415,023
Retained earnings - Branch		400,408	378,537
Total equity		<u>2,430,179</u>	<u>2,340,485</u>

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 - Branch	Retained earnings	Reserves	Total
At 1 January 2021 (Audited)	551,200	330,242	1,257,111	3,258	2,141,811
Net profit	-	15,561	74,532	-	90,093
Other comprehensive income:					
Revaluation reserve - FVOCI financial assets	-	-	-	(2,583)	(2,583)
Cash dividends	-	-	(1,860)	-	(1,860)
At 30 June 2021 (Unaudited)	<u>551,200</u>	<u>345,803</u>	<u>1,329,783</u>	<u>675</u>	<u>2,227,461</u>
At 1 January 2022 (Audited)	551,200	378,537	1,415,023	(4,275)	2,340,485
Net profit	-	21,871	74,304	-	96,175
Other comprehensive income:					
Revaluation reserve - FVOCI financial assets	-	-	-	(6,481)	(6,481)
At 30 June 2022 (Unaudited)	<u>551,200</u>	<u>400,408</u>	<u>1,489,327</u>	<u>(10,756)</u>	<u>2,430,179</u>

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

Condensed Statement of Cash Flows

In thousands of NZD	Note	Unaudited 6 months to 30/06/2022	Unaudited 6 months to 30/06/2021
Cash flows from operating activities			
Interest income		313,008	270,103
Interest paid		(98,288)	(74,537)
Other cash inflows provided by operating activities		10,496	12,466
Other cash outflows used in operating activities		(167,373)	(228,081)
Net changes in operating assets and liabilities		(888,848)	(607,026)
Net cash flows used in operating activities	23	<u>(831,005)</u>	<u>(627,075)</u>
Cash flows from Investing activities			
Net changes in investing activities		(9,561)	(15,626)
Net cash flows used in investing activities		<u>(9,561)</u>	<u>(15,626)</u>
Cash flows from financing activities			
Principal elements of lease payments		(1,706)	(1,942)
Net changes in other financing liabilities		1,507,194	567,984
Net cash flows from financing activities		<u>1,505,488</u>	<u>566,042</u>
Net change in cash and cash equivalents		664,922	(76,659)
Cash and cash equivalents at the beginning of the period		772,652	531,341
Cash and cash equivalents at the end of the period		<u>1,437,574</u>	<u>454,682</u>

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

Notes to the Financial Statements

1. Reporting entity

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

These interim financial statements as at and for the six months ended 30 June 2022 are an aggregation of the interim financial statements of the above entities.

2. Basis of preparation

2.1 Statement of compliance

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

These interim financial statements have been prepared in accordance with the requirements of the New Zealand equivalent to International Accounting Standard ('NZ IAS') 34 Interim Financial Reporting. These financial statements also comply with 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 2021.

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 Banking Group'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 2021.

The Banking Group has applied accounting estimates in the financial statements based on the forecasts of economic conditions which reflect expectations and assumptions as at 30 June 2022 about future events that directors believe are reasonable in circumstances. There is a considerable degree of judgement involved in preparing the forecasts. The underlying assumptions are also subject to uncertainties which are often outside of the control of the Banking Group. Accordingly, actual economic conditions are likely to be different from those forecasts since anticipated events frequency do not occur as expected, and the effect of those differences may significantly impact accounting estimates included in the financial statements. The significant accounting estimates impacted by these forecasts and associated uncertainties are related to expected credit losses calculations.

2.4 Principal accounting policies

The accounting policies used in the preparation of these interim financial statements are consistent with the accounting policies used in the preparation of the Banking Group's financial statements for the year ended 31 December 2021. The Banking Group has not early adopted any NZ equivalents to International Financial Reporting Standards ('NZ IFRS') that are not yet in effect.

Notes to the Financial Statements

2. Basis of preparation (continued)

2.5 Functional and presentation currency

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

2.6 Principles of aggregation

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

3. Other operating gains / (losses)

	Unaudited 6 months to 30/06/2022	Unaudited 6 months to 30/06/2021
In thousands of NZD		
Net trading gains / (losses) on derivatives	(2,080)	(2,005)
Credit risk adjustments on derivatives	90	239
Losses on disposal/write off of property, plant and equipment	(7)	-
Gain on disposal/write off of FVOCI financial assets	(254)	-
Foreign exchange gains / (losses)	(235)	(25)
Total other operating gains / (losses)	(2,486)	(1,791)

4. Impairment releases/ (losses)

	Unaudited 6 months to 30/06/2022	Unaudited 6 months to 30/06/2021
In thousands of NZD		
Collective provisions releases / (charges)	777	(1,077)
Specific provisions releases / (charges)	(100)	(2,006)
Bad debt losses/(recoveries)	(227)	(1,247)
Total impairment releases / (losses)	450	(4,330)

In accordance 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).

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

	Unaudited At 30/06/2022	Audited At 31/12/2021
In thousands of NZD		
New Zealand Government Securities	272,428	412,089
Other debt securities (Kauri)	350,659	155,798
Total Financial assets FVOCI	623,087	567,887

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

Notes to the Financial Statements

6. Due from related entities

	Unaudited At 30/06/2022	Audited At 31/12/2021
In thousands of NZD		
Current account balances - wholly owned group*	159,152	199,754
Advances - wholly owned group*	1,309,461	1,065,389
Accrued interest receivable - wholly owned group*	882	370
Stage 1 provision for impairment (note 8.5)	(805)	(573)
Total due from related entities	1,468,690	1,264,940

* The wholly owned group refers to other Rabobank related entities. Refer to note 25 for further information on related party disclosures. There were no stages 2, 3A or 3B provisions for impairment.

7. Loans and advances

	Unaudited At 30/06/2022	Audited At 31/12/2021
In thousands of NZD		
Lending	14,722,791	13,978,954
Finance leases	872,405	827,448
Gross loans and advances	15,595,196	14,806,402
Accrued interest	16,423	12,886
Provisions for impairment		
Stage 3B	(4,165)	(3,981)
Stage 3A	(2,605)	(3,464)
Stage 2	(7,943)	(7,447)
Stage 1	(10,535)	(11,152)
Net loans and advances	15,586,371	14,793,244

8. Credit quality, impaired assets and provision for impairment

8.1 Individually impaired assets

Individually impaired assets include all loans that have been assessed as credit impaired in accordance with NZ IFRS9. Rabobank classifies loans as individually impaired regardless of whether a specific provision is recognised. i.e. even loans where full recovery is expected are treated as individually impaired if a credit impairment event has occurred.

As at 30 June 2022, out of \$178,983 thousand of individually impaired assets only \$30,718 thousand had specific provision of \$4,165 thousand recognised.

	At 30 June 2022 (Unaudited)			
	Residential mortgages	Corporate	Retail*	Total
in thousands of NZD				
Opening balance	-	50,830	272,278	323,108
Additions	-	-	17,573	17,573
Amounts written off	-	-	(307)	(307)
Returned to performing or repaid	-	(41,875)	(119,516)	(161,391)
Closing balance	-	8,955	170,028	178,983
Aggregate amount of undrawn balances on lending commitments on impaired assets	-	1,800	6,310	8,110

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

Notes to the Financial Statements

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

8.2 Past due assets but not impaired

in thousands of NZD	At 30 June 2022 (Unaudited)			
	Residential mortgages	Corporate	Retail*	Total
Less than 30 days past due	-	-	3,078	3,078
At least 30 days but less than 60 days past due	-	-	1,962	1,962
At least 60 days but less than 90 days past due	-	-	1,142	1,142
At least 90 days past due	-	-	54	54
Closing balance	-	-	6,236	6,236

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

8.3 Other asset quality information

Aggregate amount of undrawn balances on corporate lending commitments on individually impaired assets as at 30 June 2022 (Unaudited) is \$1,800 thousand. Aggregate amount of undrawn balances on retail lending commitments on individually impaired assets as at 30 June 2022 (Unaudited) is \$6,300 thousand.

There were \$2,963 thousand assets under administration as at 30 June 2022.

8.4 Provision for impairment on loans and advances

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

In thousands of NZD	At 30 June 2022 (Unaudited)				
	Stage 1	Stage 2	Stage 3A	Stage 3B	Total
Corporate					
Opening balance	583	184	-	-	767
Charge/(Benefit) to statement of comprehensive income	166	(180)	-	-	(14)
Amounts written off	-	-	-	-	-
Recoveries	-	-	-	-	-
Reversals	-	-	-	-	-
Other movements	32	-	-	-	32
Closing balance corporate	781	4	-	-	785

In thousands of NZD	At 30 June 2022 (Unaudited)				
	Stage 1	Stage 2	Stage 3A	Stage 3B	Total
Retail					
Opening balance	9,185	6,995	3,452	3,981	23,613
Charge/(Benefit) to statement of comprehensive income	(1,045)	578	(848)	100	(1,215)
Amounts written off	-	-	-	-	-
Recoveries	-	-	-	-	-
Reversals	-	-	-	-	-
Other movements	69	(18)	-	84	135
Closing balance retail	8,209	7,555	2,604	4,165	22,533

Notes to the Financial Statements

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

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

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

	At 30 June 2022 (Unaudited)				
	Stage 1	Stage 2	Stage 3A	Stage 3B	Total
In thousands of NZD					
Corporate					
Opening balance	35	2	-	-	37
Charge/(Benefit) to statement of comprehensive income	(11)	(1)	-	-	(12)
Amounts written off	-	-	-	-	-
Recoveries	-	-	-	-	-
Reversals	-	-	-	-	-
Other movements	-	-	-	-	-
Closing balance on loan commitments and financial guarantees	24	1	-	-	25

	At 30 June 2022 (Unaudited)				
	Stage 1	Stage 2	Stage 3A	Stage 3B	Total
In thousands of NZD					
Retail					
Opening balance	1,349	266	12	-	1,627
Charge to statement of comprehensive income	225	117	(10)	-	332
Amounts written off	-	-	-	-	-
Recoveries	-	-	-	-	-
Reversals	-	-	-	-	-
Other movements	(53)	-	(1)	-	(54)
Closing balance residential mortgages	1,521	383	1	-	1,905

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

Notes to the Financial Statements

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

8.4.3 Total provisions for impairment on loans and advances

	At 30 June 2022 (Unaudited)				
	Stage 1	Stage 2	Stage 3A	Stage 3B	Total
In thousands of NZD					
Opening balance	11,152	7,447	3,464	3,981	26,044
Charge/(Benefit) to statement of comprehensive income	(665)	514	(858)	100	(909)
Amounts written off	-	-	-	-	-
Recoveries	-	-	-	-	-
Reversals	-	-	-	-	-
Other movements	48	(18)	(1)	84	113
Closing balance on loans and advances and loan commitments and financial guarantees	10,535	7,943	2,605	4,165	25,248

8.5 Provision for impairment due from related entities

Impairment allowances on due from related entities

	At 30 June 2022 (Unaudited)				
	Stage 1	Stage 2	Stage 3A	Stage 3B	Total
In thousands of NZD					
Opening balance	573	-	-	-	573
Charge/(Benefit) to statement of comprehensive income	232	-	-	-	232
Amounts written off	-	-	-	-	-
Recoveries	-	-	-	-	-
Reversals	-	-	-	-	-
Other movements	-	-	-	-	-
Closing balance related parties	805	-	-	-	805

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.

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

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

Overall, the net decrease in the total provision for doubtful debts since 31 December 2021 was driven by decrease in stage 1, 3A and 3B which was offset by increase in provisioning in stage 2.

Stage 1 credit exposures increased by \$975 million from 31 December 2021. The increase is driven by overall increase in loans during half year period. Collective provision 12-months ECL (Stage 1) decreased by \$617 thousand mainly driven by improved macro-economic forecasts.

Collective provision lifetime ECL - not credit impaired (Stage 2) increased by \$496 thousand, mainly due to increase in retail exposures gross loans in Stage 2 by \$76 million from 31 December 2021. Decrease in corporate exposures gross loans in Stage 2 of \$105 million from 31 December 2021 did not impact Collective provision lifetime ECL - not credit impaired (Stage 2).

Notes to the Financial Statements

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

Collective provision lifetime ECL - credit impaired (Stage 3A) decreased by \$862 thousand and specific provision lifetime ECL- credit impaired (Stage 3B) decreased by \$184 thousand, reflecting reduction in credit impaired assets.

8.7 Forward-looking information and macro-economic scenarios (unaudited)

Modelled provision for ECL

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

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

The Bank uses a statistical simulation method from the National Institute Global Econometric Model (NiGEM) to generate plus and minus scenarios. The procedure for the formulation involves two steps:

1. Use the stochastic function of NiGEM to run 1000 scenarios starting in the first quarter where the plus and minus scenarios may differ from the baseline. NiGEM uses historical residuals (randomly chosen) from the model equations to give shocks during the forecast period (Monte Carlo simulation). The result is the distribution of macroeconomic outcomes. The impact of these scenarios on the volume of world trade is used in step 2.
2. Look up the two scenarios which represent the 20% (2021: 20%) plus scenarios and the 20% (2021: 20%) minus scenarios of the distribution.

Important variables in MES are gross domestic product growth, private sector investments and exports of goods and services.

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

New Zealand		31/12/2022	31/12/2023	31/12/2024	ECL unweighted	Probability	Weighted ECL in thousands of NZD
							30 June 2022
Plus	GDP per capita	3.66%	2.55%	1.69%	11,395	20%	
	Private sector investments	7.83%	4.21%	-0.16%			
	Exports of Goods & Services	8.17%	10.75%	2.56%			
Baseline	GDP per capita	3.54%	1.16%	0.95%	13,073	60%	13,285
	Private sector investments	6.49%	0.85%	-1.69%			
	Exports of Goods & Services	7.51%	6.99%	2.70%			
Minus	GDP per capita	3.38%	-0.68%	-0.11%	15,808	20%	
	Private sector investments	4.79%	-3.58%	-4.09%			
	Exports of Goods & Services	6.66%	2.02%	2.68%			

Notes to the Financial Statements

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

Portfolio overlays

Portfolio overlays are used to address areas of potential risk, including significant uncertainty, not captured in the underlying modelled ECL. Determination of portfolio overlays requires expert judgement and is thoroughly documented and subject to internal governance and oversight. If the risk of delayed losses is judged to have dissipated, the overlay will be removed or reduced.

COVID-19 had an adverse impact to the economy which was captured in macroeconomic scenarios for 2020 and 2021. In 2022 macroeconomic forecasts swung to significant recovery with warnings of inflationary pressures. There are secondary effects from COVID-19 including logistics disruption, labour availability and inflationary pressures as the economy bounces back. These are also being impacted by the Russia/Ukraine conflict which is creating further uncertainty on the expected recovery. Therefore, overlay associated with COVID-19 decreased in 2022 but a portion was retained as at 30 June 2022.

The total portfolio overlays as at 30 June 2022 were \$3,027 thousand (31 December 2021: \$4,392 thousand). Included in the total overlays were:

- \$2,477 thousand (31 December 2021: \$4,392 thousand) related to COVID-19 overlay; and
- \$550 thousand (31 December 2021: nil) related to revised inflation forecast not captured in the macroeconomic scenario.

9. Deposits

	Unaudited At 30/06/2022	Audited At 31/12/2021
In thousands of NZD		
Call deposits	2,797,756	2,762,077
Term deposits	2,947,855	2,766,724
Accrued interest	19,476	13,797
Total deposits	5,765,087	5,542,598

10. Due to related entities

	Unaudited At 30/06/2022	Audited At 31/12/2021
In thousands of NZD		
Current account balances - wholly owned group*	279,632	220,028
Advances - wholly owned group*	6,426,350	6,814,998
Accrued interest payable - wholly owned group*	10,382	4,321
Total due to related entities	6,716,364	7,039,347

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

11. Other liabilities

	Unaudited At 30/06/2022	Audited At 31/12/2021
In thousands of NZD		
Lease liabilities	9,433	10,387
Sundry creditors	11,249	8,461
Accrued expenses	10,754	11,920
Total other liabilities	31,436	30,768

Notes to the Financial Statements

11. Other liabilities (continued)

Interest expense on lease liabilities amounted to \$147 thousand for the six months ended 30 June 2022 (30 June 2021: \$109 thousand), and is included within 'Interest expense' in the Statement of Comprehensive Income.

12. Asset quality of Registered Bank's Overseas Banking Group

	<u>At 30/06/2022</u> EURm
Total individually impaired assets (before allowances for credit impairment loss and net of interest held in suspense)	8,035
Total individually impaired assets as a percentage of total assets (%)	1.2%
Total individual credit impairment allowance	1,990
Total individual credit impairment allowance as a percentage of total individually impaired assets (%)	24.8%
Total collective credit impairment allowance	1,401

13. Contributed equity, Reserves and Capital management

13.1 Contributed equity

	<u>Unaudited</u> <u>At 30/06/2022</u>	<u>Unaudited</u> <u>At 31/12/2021</u>
In thousands of NZD		
Ordinary share capital	551,200	551,200
Total contributed equity	<u>551,200</u>	<u>551,200</u>

As at 30 June 2022, total authorised and paid up capital of Rabobank New Zealand Limited 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 2021: 275,600,000). Each share was issued at \$2 and has no par value.

13.2 Reserves

	<u>Unaudited</u> <u>At 30/06/2022</u>	<u>Audited</u> <u>At 31/12/2021</u>
In thousands of NZD		
FVOCI financial assets reserve		
Opening balance	(4,275)	3,258
Changes in FVOCI financial assets revaluation reserve (gross)	(9,001)	(10,463)
Changes in FVOCI financial assets revaluation reserve (deferred tax)	2,520	2,930
Total FVOCI reserve	<u>(10,756)</u>	<u>(4,275)</u>

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.

13.3 Capital management

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

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

During the six month period ended 30 June 2022 and the 2021 financial year, the Banking Group complied in full with all its externally imposed financial requirements.

Notes to the Financial Statements

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

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

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

14 Priority of financial liabilities in the event of a liquidation

The financial liabilities of the Branch reported in these financial statements are unsecured. Where the assets of the Branch in New Zealand are liquidated or the Branch ceases to trade, those financial liabilities would rank (under New Zealand law in relation to those assets) equally with the claims of the Branch's other unsecured creditors and behind the preferred creditors set out in Schedule 7 of the Companies Act 1993. However the same priority may not exist for any inter branch funding of the Branch. The claims of the Branch's unsecured and preferred creditors in relation to the assets of the Branch in New Zealand are, in general terms, broadly equivalent to the claims of the unsecured and preferred creditors of Coöperatieve Rabobank U.A. in relation to assets in countries other than New Zealand in which Coöperatieve Rabobank U.A. carries on business.

15. Contingent liabilities and credit related commitments

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

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

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

	Unaudited	Audited
	At 30/06/2022	At 31/12/2021
In thousands of NZD		
Guarantees	101,299	92,088
Lending commitments		
Irrevocable lending commitments	1,000,380	995,386
Revocable lending commitments	2,104,067	2,353,968
Total contingent liabilities	<u>3,205,746</u>	<u>3,441,442</u>

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

16. Expenditure Commitments

16.1 Capital expenditure commitments

The Banking Group has no commitments as at 30 June 2022 (31 December 2021: nil).

Notes to the Financial Statements

17. Risks arising from financial instruments

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

17.1 Liquidity risk

Liquidity portfolio

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

	At 30 June 2022 (Unaudited)
in thousands of NZD	
Cash at banks	243,293
Balances with Central Bank	1,194,281
New Zealand Government Securities	272,428
Kauri debt securities	350,659
Total liquid assets	<u>2,060,661</u>

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.

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

Notes to the Financial Statements

17. Risks arising from financial instruments (continued)

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

	Total	On Demand	Up to 6 months	Over 6 months and up to 1 year	Over 1 year and up to 2 years	Over 2 years and up to 5 years	Over 5 years
In thousands of NZD							
At 30 June 2022 (Unaudited)							
Financial assets							
Cash and cash equivalents	1,437,574	1,437,574	-	-	-	-	-
Derivative financial instruments	402,482	-	159,934	51,905	64,086	123,216	3,341
Financial assets at fair value through other comprehensive income	682,031	-	38,900	268,168	77,668	297,295	-
Loans and advances Due from related entities	16,652,641	-	3,318,474	3,302,490	5,187,684	4,474,040	369,953
Other financial assets	1,488,828	178,440	1,310,388	-	-	-	-
	7,675	-	7,675	-	-	-	-
Total financial assets	20,671,231	1,616,014	4,835,371	3,622,563	5,329,438	4,894,551	373,294
Financial liabilities							
Derivative financial instruments	245,677	-	48,125	15,353	39,950	129,919	12,330
Debt securities in issue	4,382,851	-	2,690,704	964,931	363,513	363,703	-
Deposits Due to related entities	5,834,699	2,797,755	1,888,100	727,995	258,693	162,156	-
Payables to central bank	6,933,517	298,960	3,465,278	1,305,878	1,195,762	667,639	-
Interest bearing liabilities	180,362	-	3,585	3,304	6,555	166,918	-
Other financial liabilities	61	-	61	-	-	-	-
	29,127	-	20,575	1,351	1,823	2,644	2,734
Total financial liabilities	17,606,294	3,096,715	8,116,428	3,018,812	1,866,296	1,492,979	15,064
Contingent liabilities							
Guarantees	101,299	-	2,127	93	84,765	8,905	5,409
Lending commitments	3,104,447	2,032,622	126,551	160,994	59,124	686,088	39,068
Total contingent liabilities	3,205,746	2,032,622	128,678	161,087	143,889	694,993	44,477

Notes to the Financial Statements

17. Risks arising from financial instruments (continued)

17.2 Market risk

Interest rate repricing analysis

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

	Total	Up to 3 months	Over 3 months and up to 6 months	Over 6 months and up to 1 year	Over 1 year and up to 2 years	Over 2 years	Non-interest bearing
In thousands of NZD							
At 30 June 2022 (Unaudited)							
Financial assets							
Cash and cash equivalents	1,437,574	1,437,574	-	-	-	-	-
Derivative financial instruments	380,212	-	-	-	-	-	380,212
Financial assets at fair value through Loans and advances	623,087	27,097	-	259,000	64,790	272,200	-
Due from related entities	15,586,371	10,082,910	1,220,217	1,618,502	1,291,431	1,356,718	16,593
Other financial assets	1,468,690	1,438,445	-	-	-	-	30,245
	7,675	-	-	-	-	-	7,675
Total financial assets	19,503,609	12,986,026	1,220,217	1,877,502	1,356,221	1,628,918	434,725
Financial liabilities							
Derivative financial instruments	222,458	-	-	-	-	-	222,458
Debt securities in issue	4,262,029	1,730,447	1,472,735	918,736	136,581	-	3,530
Deposits	5,765,087	3,813,241	815,721	712,404	247,331	156,914	19,476
Due to related entities	6,716,364	5,964,952	330,317	402,299	-	-	18,796
Payables due to central bank	161,316	161,316	-	-	-	-	-
Interest bearing liabilities	61	45	16	-	-	-	-
Other financial liabilities	28,272	826	780	1,248	1,664	4,914	18,840
Total financial liabilities	17,155,587	11,670,827	2,619,569	2,034,687	385,576	161,828	283,100
Swaps	-	234,755	904,284	167,950	(825,927)	(481,062)	
Repricing gap (interest bearing assets and liabilities)	2,196,397	1,549,954	(495,068)	10,765	144,718	986,028	
Cumulative mismatch	2,196,397	1,549,954	1,054,886	1,065,651	1,210,369	2,196,397	

Notes to the Financial Statements

17. Risks arising from financial instruments (continued)

17.3 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.

17.3.1 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:

	At 30/06/2022 (Unaudited)
In thousands of NZD	
Cash and cash equivalents	1,437,574
Financial assets at fair value through other comprehensive income	623,087
Loans and advances	15,586,371
Due from related entities	1,468,690
Other financial assets	7,675
Derivative financial instruments	380,212
Commitment and guarantees (note 15)	3,205,746
Total credit exposures	<u>22,709,355</u>

Analysis of credit exposures by industry:

	At 30/06/2022 (Unaudited)
In thousands of NZD	
Agriculture	14,484,945
Finance and insurance	2,483,219
Forestry and fishery	356,510
Government	1,469,783
Manufacturing	2,045,232
Property and business services	396,768
Wholesale trade	609,384
Other	863,514
Total credit exposures	<u>22,709,355</u>

Notes to the Financial Statements

17. Risks arising from financial instruments (continued)

Analysis of credit exposures by geographical areas:

	At 30/06/2022 (Unaudited)
In thousands of NZD	
New Zealand	20,190,404
The Netherlands	1,309,397
Australia	770,655
United States of America	232,548
Finland	56,041
Germany	41,058
Philippines	99,212
Luxembourg	10,040
Total credit exposures	<u>22,709,355</u>

18. Capital and market risk exposures and capital adequacy

18.1 Additional residential mortgages information

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

	At 30 June 2022 (Unaudited)		
	Drawn	Undrawn	Total
In thousands of NZD			
LVR range			
Do not exceed 80%	115	20	135
Exceeds 80% and not 90%	169	375	544
Exceeds 90%	-	-	-
Total value of residential mortgage exposures	<u>284</u>	<u>395</u>	<u>679</u>

18.2 Residential mortgages

Reconciliation of mortgage related accounts

	Unaudited At 30/06/2022
In thousands of NZD	
Loans and advances - loans with residential mortgages	284
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	<u>284</u>
Off-balance sheet residential mortgages exposures subject to the standardised approach	<u>395</u>
Total residential mortgage exposures subject to the standardised approach	<u>679</u>

Notes to the Financial Statements

18. Capital and market risk exposures and capital adequacy (continued)

18.3 Market risk period-end capital charges

	At 30/06/2022 (Unaudited)	
	Implied risk weighted exposure	Aggregate capital charges
In thousands of NZD		
Interest rate risk	672,250	53,780
Foreign currency risk	94,875	7,590
Total	767,125	61,370

The bank does not take any equity risk.

18.4 Market risk peak end-of-day capital charges

	At 30/06/2022 (Unaudited)	
	Implied risk weighted exposure	Aggregate capital charges
In thousands of NZD		
Interest rate risk	764,375	61,150
Foreign currency risk	170,250	13,620
Total	934,625	74,770

The bank does not take any equity risk.

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

The above market risk information is derived in accordance with the conditions of registration relating to capital adequacy and the Reserve Bank document entitled "Banking Prudential Requirement (BPR) 140: Market risk exposure".

18.6 Capital adequacy of Overseas Banking Group - Rabobank

Capital adequacy of Rabobank

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

	2022 %	2021 %
At 30 June (Unaudited)		
Common equity Tier 1 capital ratio	15.10%	17.20%
Tier 1 capital ratio	17.00%	19.00%
Total capital ratio	19.90%	23.00%

Minimum capital requirements

Rabobank is required by Dutch Central Bank (DNB) to hold minimum capital at least equal to that specified under Basel III 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.

Notes to the Financial Statements

18. Capital and market risk exposures and capital adequacy (continued)

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) is publicly available on <https://media.rabobank.com/m/736891d09df17419/original/Pillar-3-Year-Report-2021-EN.pdf>
Rabobank's Interim Report is publicly available on <https://media.rabobank.com/m/40a724896dac5e0a/original/Interim-Report-2022-EN.pdf>

19. Concentration of funding

19.1 Total funding comprised

	At 30/06/2022 (Unaudited)
In thousands of NZD	
Debt securities in issue	4,262,029
Deposits	5,765,087
Due to related entities	6,716,364
Payables to central bank	161,316
Interest bearing liabilities	61
Other financial liabilities	28,272
Total funding	<u>16,933,129</u>

19.2 Analysis of funding by industry

	At 30/06/2022 (Unaudited)
In thousands of NZD	
Agriculture	840,492
Finance and Insurance	11,618,430
Personal and other services	3,899,621
Other	574,586
Total funding	<u>16,933,129</u>

19.3 Analysis of funding by geographic area

	At 30/06/2022 (Unaudited)
In thousands of NZD	
New Zealand	7,263,811
The Netherlands	8,689,209
Australia	699,530
United Kingdom	246,846
United States of America	15,667
All other countries	18,066
Total funding	<u>16,933,129</u>

Notes to the Financial Statements

20. Additional information on statement of financial position

	Banking Group Unaudited At 30/06/2022
In thousands of NZD	
Total interest earning and discount bearing assets	19,068,884
Total interest and discount bearing liabilities	16,872,486
Financial assets pledged as collateral	-

	Branch Unaudited At 30/06/2022
In thousands of NZD	
Liabilities of the Registered Bank in New Zealand, net of amounts due to related parties	4,556,101
Retails deposits of the Registered Bank in New Zealand	-

21. Fair values of financial instruments

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

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

	Unaudited At 30 June 2022		Audited At 31 December 2021	
	Carrying amount	Fair value	Carrying amount	Fair value
In thousands of NZD				
Financial assets				
Cash and cash equivalents	1,437,574	1,437,574	772,652	772,652
Derivative financial instruments	380,212	380,212	252,012	252,012
Financial assets at fair value through other comprehensive income	623,087	623,087	567,887	567,887
Loans and advances	15,586,371	15,544,975	14,793,244	14,927,795
Due from related entities	1,468,690	1,468,366	1,264,940	1,265,014
Other financial assets	7,675	7,675	7,015	7,015
Total financial assets	19,503,609	19,461,889	17,657,750	17,792,375
Financial liabilities				
Derivative financial instruments	222,458	222,458	132,560	132,560
Debt securities in issue	4,262,029	4,247,470	2,641,613	2,646,820
Deposits	5,765,087	5,772,823	5,542,598	5,584,171
Due to related entities	6,716,364	6,713,945	7,039,347	7,049,597
Payables to central bank	161,316	154,758	-	-
Interest bearing liabilities	61	61	273	273
Other financial liabilities	28,272	28,272	28,508	28,508
Total financial liabilities	17,155,587	17,139,787	15,384,899	15,441,929

Notes to the Financial Statements

21. Fair values of financial instruments (continued)

Fair value hierarchy

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

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

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

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

Valuation methodology

Financial assets and financial liabilities at fair value

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

Derivative financial instruments and FVOCI financial assets

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

A Credit Valuation Adjustment (CVA) is applied to the Banking Group'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 Banking Group uses a Bilateral Credit Valuation Adjustment (BCVA) methodology to calculate the expected future credit exposure for all derivative exposures including inputs regarding probabilities of default (PDs) and loss given default (LGD).

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

	Level 1	Level 2	Level 3	Total
In thousands of NZD				
At 30 June 2022 (Unaudited)				
Financial assets				
Derivative financial instruments	-	380,212	-	380,212
Financial assets at fair value through other comprehensive income	623,087	-	-	623,087
Financial liabilities				
Derivative financial instruments	-	222,458	-	222,458
<hr/>				
	Level 1	Level 2	Level 3	Total
In thousands of NZD				
At 31 December 2021 (Unaudited)				
Financial assets				
Derivative financial instruments	-	252,012	-	252,012
Financial assets at fair value through other comprehensive income	567,887	-	-	567,887
Financial liabilities				
Derivative financial instruments	-	132,560	-	132,560

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.

Notes to the Financial Statements

22. 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 2022 (Unaudited)			At 31 December 2021 (Audited)		
	Current	Non-Current	Total	Current	Non-Current	Total
In thousands of NZD						
Assets						
Cash and cash equivalents	1,437,574	-	1,437,574	772,652	-	772,652
Derivative financial instruments	210,606	169,606	380,212	155,712	96,300	252,012
FVOCI financial assets	286,097	336,990	623,087	452,887	115,000	567,887
Loans and advances	5,645,243	9,941,128	15,586,371	5,184,936	9,608,308	14,793,244
Due from related entities	1,468,690	-	1,468,690	1,264,940	-	1,264,940
Other assets	26,819	41,936	68,755	37,905	34,339	72,244
Net deferred tax assets	-	16,955	16,955	-	15,302	15,302
Property, plant and equipment	-	15,200	15,200	-	11,615	11,615
Intangible assets	-	1,199	1,199	-	1,418	1,418
Total Assets	9,075,029	10,523,014	19,598,043	7,869,032	9,882,282	17,751,314
Liabilities						
Derivative financial instruments	62,973	159,485	222,458	55,493	77,067	132,560
Debt securities in issue	3,574,929	687,100	4,262,029	2,113,445	528,168	2,641,613
Deposits	1,826,630	3,938,457	5,765,087	1,895,452	3,647,146	5,542,598
Due to related entities	4,922,639	1,793,725	6,716,364	5,736,690	1,302,657	7,039,347
Payables to central bank	316	161,000	161,316	-	-	-
Interest bearing liabilities	61	-	61	273	-	273
Income tax payable	3,606	-	3,606	16,937	-	16,937
Other liabilities	24,236	7,201	31,437	23,590	7,178	30,768
Provisions	3,697	1,810	5,507	4,415	2,318	6,733
Total Liabilities	10,419,087	6,748,778	17,167,865	9,846,295	5,564,534	15,410,829

Notes to the Financial Statements

23. Reconciliation of net cash flows from operating activities

	Unaudited 6 months to 30/06/2022	Unaudited 6 months to 30/06/2021
In thousands of NZD		
Net profit after tax	96,175	90,093
Non-cash items	9,499	15,013
Deferrals or accruals of past or future operating cash receipts or payments		
Change in net operating assets and liabilities	(888,848)	(607,026)
Change in interest receivable/payable	(2,585)	(9,800)
Change in other deferrals or accruals	(45,246)	(115,355)
Net cash flows from / (used in) operating activities	<u>(831,005)</u>	<u>(627,075)</u>

24. Additional information for Registered Bank' Overseas Banking Group

	2022 EURm	2021 EURm
For the six months ended 30 June (Unaudited)		
Net profit after income tax	1,571	2,160
Total assets	666,844	650,997
% change over the previous twelve months	2.4%	4.7%
	2021 EURm	2020 EURm
For the year ended 31 December (Unaudited)		
Net profit for the year	3,692	1,096
Percentage (on twelve month rolling basis) of average total assets	0.6%	0.2%

25. Related party disclosures

The Banking Group consists of RNZL, a wholly owned subsidiary of Rabobank International Holdings B.V. whose ultimate parent is Rabobank; the Branch, De Lage Landen Limited and AGCO Finance Limited. Dealings with the parent and ultimate controlling entity include lending, funding, deposits and derivative transactions.

25.1 Transactions with related parties

25.1.1 Guarantees

The first period

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

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

The second period

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

Notes to the Financial Statements

25. Related party disclosures (continued)

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

The third period

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

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

The fourth period

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

Whilst the Fourth Guarantee expired on 17 February 2013, all obligations incurred by RNZL during the Fourth Period will 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 RNZL are guaranteed pursuant to a deed of guarantee dated 9 July 2012 by Rabobank in favour of the creditors of RNZL (the “Fifth Guarantee”).

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

The sixth period

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

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

The seventh period

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

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

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

25.1.2 Guarantee fees (unaudited)

A fee of \$0.14 million was charged to RNZL by Rabobank in consideration for providing the obligations guarantees for the six month period ended 30 June 2022 (six month period June 2021: \$0.19 million).

25.1.3 Management fees (unaudited)

Management expenses and recharges mainly consisted of the following types, namely expenses incurred in relation to services received from Australian Branch of Rabobank; overseas Rabobank Head Office, De Lage Landen Pty Limited and De Lage Landen International B.V.

Expenses that are related to provision of administrative and management services to the Banking Group (e.g. employee expenses, rent, professional fees) incurred by Australia Branch of Rabobank are recharged as per service level agreements. In total, management expenses and recharge costs of \$24.1 million were charged by the Australia Branch of Rabobank (six month period June 2021: \$23.5 million).

Notes to the Financial Statements

25. Related party disclosures (continued)

A management fee of \$8.3 million (six month period June 2021: \$5.7 million) was charged to the Banking Group by the Rabobank Head Office for the provision of administrative and management services.

An amount of \$3.1 million (six month period June 2021: \$2.8 million) was charged to the Banking Group as management fees by De Lage Landen Pty Limited.

Corporate center expenses of \$1.8 million (six month period June 2021: \$1.7 million) were charged to the Banking Group by De Lage Landen International B.V.

25.1.4 Other transactions

The Banking Group enters into a number of transactions with other related entities 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:

	Unaudited 30 June 2022	Unaudited 6 months to 30/06/2022	Unaudited 6 months to 30/06/2021	Audited 31 December 2021
In thousands of NZD				
Interest income due from related parties	-	4,823	6,054	-
Interest expense due to related parties	-	27,518	17,181	-
Due from related entities	1,468,691	-	-	1,264,940
Due to related entities	6,716,364	-	-	7,039,347

Derivatives with a combined notional of \$14,781 million and a net fair value asset position of \$149.1 million (December 2021: \$17,378 million; and December 2021: (\$136.4 million)) are held with the Rabobank.

Loan Facility Agreement

A loan facility of EUR 5.3 billion was granted by Rabobank to the New Zealand Branch of Rabobank. The unused amount at 30 June 2022 was EUR 1.69 billion (31 December 2021: EUR 0.78 billion).

25.2 Terms and conditions of transactions with related parties

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

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

25.3 Provision for impairment

For the period ended 30 June 2022, the Banking Group has not made any specific provision for impairment relating to amounts owed by related parties (2021: Nil). Provision has not been recognised on grounds of it being minimal and immaterial. The Banking Group recognises collective impairment allowance relating to amounts owed by related parties in accordance with expected credit loss impairment model. The Banking Group recognised stage 1 impairment allowance relating to amounts owned by related parties of \$0.81 million as at 30 June 2022 (31 December 2021 \$0.57 million).

25.4 Dividend

No dividend was proposed or paid by the Banking Group for the six months period ended 30 June 2022 (30 June 2021: \$1,860 thousand).

26. Subsequent events

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



Independent auditor's review report

To the Directors of Coöperatieve Rabobank U.A.

Report on the Disclosure Statement

Our conclusions

We have reviewed the “Insurance business” section and “Non-consolidated activities” section on page 2, “Risk management policies” section and “Securitisation, funds management, other fiduciary activities and the marketing and distribution of insurance products” section on page 3 and pages 7 to 33 of the Disclosure Statement for the six months ended 30 June 2022 (the ‘Disclosure Statement’) of Coöperatieve Rabobank U.A. – New Zealand Banking Group (the ‘Banking Group’) which includes the interim financial statements (the ‘financial statements’) required by Clause 26 of the Registered Bank Disclosure Statements (Overseas Incorporated Registered Banks) Order 2014 (as amended) (the ‘Order’) and the supplementary information required by Schedules 5, 7, 9, 12 and 14 of the Order.

The Banking Group represents Coöperatieve Rabobank U.A.’s operations in New Zealand, which comprises of Rabobank New Zealand Limited, Coöperatieve Rabobank U.A. - New Zealand Branch, De Lage Laden Limited and AGCO Finance Limited.

The financial statements on pages 7 to 33 comprise the statement of financial position as at 30 June 2022, the statement of comprehensive income, the statement of changes in equity and the condensed statement of cash flows for the six months then ended, and significant accounting policies and other explanatory information.

The supplementary information is included within the “Insurance business” section and “Non-consolidated activities” section on page 2, “Risk management policies” section and “Securitisation, funds management, other fiduciary activities and the marketing and distribution of insurance products” section on page 3 and notes to the financial statements.

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

- a) the financial statements on pages 7 to 33 (excluding the supplementary information) have not been prepared, in all material respects, in accordance with International Accounting Standard 34 Interim Financial Reporting (IAS 34) and New Zealand Equivalent to International Accounting Standard 34 Interim Financial Reporting (NZ IAS 34);
- b) the supplementary information that is required to be disclosed under Schedules 5, 7, 12 and 14 of the Order, does not fairly state the matters to which it relates in accordance with those Schedules; and
- c) the supplementary information relating to credit and market risk exposures and capital adequacy that is required to be disclosed under Schedule 9 of the Order, is not, in all material respects, disclosed in accordance with Schedule 9 of the Order.

Basis for conclusions

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

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Liability limited by a scheme approved under Professional Standards Legislation.

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

Directors' responsibility for the Disclosure Statement

The Directors of Coöperatieve Rabobank U.A. (the 'Directors') are responsible on behalf of the Banking Group for the preparation and fair presentation of the Disclosure Statement, which includes financial statements prepared in accordance with Clause 26 of the Order and for such internal control as the Directors determine is 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 Banking Group, for the preparation and fair presentation of supplementary information in the Disclosure Statement which complies with Schedules 3, 5, 7, 9, 12 and 14 of the Order.

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

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

- the financial statements (excluding the supplementary information), taken as a whole, have not been prepared, in all material respects, in accordance with IAS 34 and NZ IAS 34;
- the supplementary information (excluding the supplementary information relating to credit and market risk exposures and capital adequacy), taken as a whole, does not fairly state the matters to which it relates in accordance with Schedules 5, 7, 12 and 14 of the Order; and
- the supplementary information relating to credit and market risk exposures and capital adequacy, taken as a whole, is not, in all material respects, disclosed in accordance with Schedule 9 of the Order.

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

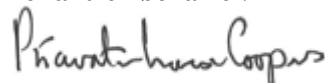
The procedures performed in a review are substantially less than those performed in an audit conducted in accordance with International Standards on Auditing (New Zealand) and International Standards on Auditing and consequently does not enable us to obtain assurance that we might identify in an audit.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

Who we report to

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

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

For and on behalf of:



Chartered Accountants

Sydney, Australia

29 August 2022