Rabobank New Zealand Limited

Disclosure Statement - 30 June 2022

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 2021.

However, with effect on 23rd November 2022:

- Andy Borland will resign as Chair and Director of the Bank;
- Chris Black will be appointed as a Director of the Bank on 21st November 2022. It is anticipated he will be elected Chair at the Board’s meeting on 23rd November 2022,

such that, as from 23 November 2022, the Bank’s Board will comprise the following directors:

- Chris Black (proposed Chair)
- Geerten Battjes
- Anne Bernadette Brennan
- Brent Goldsack
- Bernardus Jacobus Marttin
- Lara Yocarini

Signing of the Disclosure Statement

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

- Andrew James Borland (Chairman)
- Geerten Battjes
- Anne Bernadette Brennan
- Brent Goldsack
- Bernardus Jacobus Marttin
- Lara Yocarini

Credit ratings

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

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

Auditors of the Bank

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

General Disclosures

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.

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 4
32 Hood Street
Hamilton
New Zealand

Rabobank is not a member of the Banking Group.

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

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

General Disclosures

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 the following changes to the Bank's Conditions of Registration between 31 December 2021 and 30 June 2022:

With effect on and after 1 January 2022, changes were made to the Bank's Conditions of Registration. The changes related to:

(i) reinstating the minimum requirement for the core funding ratio to 75% on 1 January 2022; and
(ii) making 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.

With effect on and after 23 June 2022, the Bank's Conditions of Registration were changed to replace the definition of 'Business Day' within paragraph 3 of BS17 (Open Bank Resolution). The new definition now:

- accounts for new public holidays (e.g. Matariki);
- lists the relevant public holidays not considered a business day by referencing section 44(1) of the Holidays Act 2003 (but excludes provincial anniversary days);
- sets out the transfer mechanism to determine non-business days when (a) Christmas or New Year's Day falls on a Friday or (b) when a holiday falls on a Saturday or a Sunday.

With effect on and after 1 July 2022, the Bank's Conditions of Registration were changed to:

- Remove the restrictions on dividend payments which were implemented to support financial stability in response to COVID-19. Dividend restrictions will still apply if the Bank's capital ratio falls below key thresholds.
- Correct a typographical error in BS13A (Liquidity Policy Annex) in relation to the calculation of a bank's eligibility limit for all Residential Mortgage-Backed Securities, outlined in paragraph 12(a) of BS13A and the table below it (i.e. to remove the wording 'Single Name Basis Bonds' from the table). This amendment does not change the meaning of paragraph 12(a).

The Bank has complied with all its Conditions of Registration in the six month period ended 30 June 2022.

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.

Other material matters

Since 31 December 2021, there have been no matters relating to the business or affairs of the Bank that:

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

Directors' Statement

After due enquiry, each director believes that:

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

- The Disclosure Statement contains all the information that is required by the Registered Bank Disclosure Statements (New Zealand Incorporated Registered Banks) Order 2014 (as amended); and

- The Disclosure Statement is not false or misleading; and

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

- The Bank has complied, in all material respects, with all Conditions of Registration that applied during the 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.

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
Income Statement			
Interest income		257,867	219,754
Interest expense		(90,739)	(60,471)
Net interest income		**167,128**	**159,283**
Other income		1,930	1,160
Other expense		(177)	(225)
Other operating gains/(losses)	3	(4,390)	(129)
Non-interest income		**(2,637)**	**806**
Operating income		**164,491**	**160,089**
Operating expenses		(72,793)	(62,142)
Impairment benefits/(losses)	4	1,691	(4,596)
Profit before income tax		**93,389**	**93,351**
Income tax expense		(26,170)	(26,198)
Profit after income tax		**67,219**	**67,153**
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)	12.2	(9,001)	(3,521)
Changes in the fair value of financial assets through other comprehensive income (deferred tax)	12.2	2,520	986
Total items that may be reclassified subsequently to profit or loss		**(6,481)**	**(2,535)**
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)**	**(2,535)**
Total comprehensive income attributable to members of Rabobank New Zealand Limited		**60,738**	**64,618**

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		1,054,616	665,576
Derivative financial instruments		25,713	10,807
Financial assets at fair value through other comprehensive income	5	623,087	567,887
Loans and advances	6	12,428,180	11,898,846
Due from related entities	7	534,615	115,613
Current tax receivables		1,996	-
Other assets		8,054	10,648
Net deferred tax assets		14,641	12,960
Property, plant and equipment		15,067	11,537
Intangible assets		1,200	1,418
Total assets		**14,707,169**	**13,295,292**
Liabilities			
Derivative financial instruments		30,643	11,174
Deposits	9	5,523,712	5,081,735
Due to related entities	10	6,994,473	6,248,125
Current tax payable		-	16,174
Payables due to central bank		161,318	-
Other liabilities	11	25,078	25,753
Provisions		5,506	6,630
Total liabilities		**12,740,730**	**11,389,591**
Net Assets		**1,966,439**	**1,905,701**
Equity			
Contributed equity	12.1	551,200	551,200
Reserves	12.2	(10,756)	(4,275)
Retained earnings		1,425,995	1,358,776
Total equity		**1,966,439**	**1,905,701**

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
Opening balance as at 1 January 2021 (Audited)	**551,200**	**1,214,325**	**3,210**	**1,768,735**
Net profit	-	67,153	-	67,153
Other comprehensive income:				
Revaluation reserve - FVOCI financial assets	-	-	(2,535)	(2,535)
Closing balance as at 30 June 2021 (Unaudited)	**551,200**	**1,281,478**	**675**	**1,833,353**
Opening balance as at 1 January 2022	**551,200**	**1,358,776**	**(4,275)**	**1,905,701**
Net profit	-	67,219	-	67,219
Other comprehensive income:				
Revaluation reserve - FVOCI financial assets	-	-	(6,481)	(6,481)
Closing balance as at 30 June 2022 (Unaudited)	**551,200**	**1,425,995**	**(10,756)**	**1,966,439**

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		252,586	221,619
Interest paid		(70,569)	(59,404)
Other cash inflows used in operating activities		2,365	1,145
Other cash outflows used in operating activities		(108,158)	(84,776)
Net changes in operating assets and liabilities		(558,068)	(379,445)
Net cash flows used in operating activities	15	**(481,844)**	**(300,861)**
Cash flows from Investing activities			
Net changes in investing activities		(6,873)	(1,948)
Net cash flows used in investing activities		**(6,873)**	**(1,948)**
Cash flows from financing activities			
Principal elements of lease payments		(1,705)	(1,942)
Net changes in other financing liabilities		879,462	391,699
Net cash flows from financing activities		**877,757**	**389,757**
Net change in cash and cash equivalents		389,040	86,948
Cash and cash equivalents at the beginning of the period		665,576	336,641
Cash and cash equivalents at the end of the period		**1,054,616**	**423,589**

The above Condensed 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 is incorporated in New Zealand.

The interim financial statements of the Bank are presented as at and for the six months ended 30 June 2022. 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 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 2021. These financial statements also comply with IAS 34 'Interim Financial Reporting'.

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 (FVOCI assets) which have been measured at fair value. The going concern concept and the accrual basis of accounting have been adopted.

2.3 Estimates

The preparation of interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies. In preparing these interim financial statements, the significant judgements made by management in applying the Bank's accounting policies and the key sources of estimation uncertainty were the same as those applied to the financial statements as at and for the year ended 31 December 2021.

The Bank 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 Bank. Accordingly, actual economic conditions are likely to be different from those forecasts since anticipated events frequently 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 Bank's financial statements for the year ended 31 December 2021. 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.

Notes to the financial statements

3. Other operating gains / (losses)

In thousands of NZD	Unaudited 6 months to 30/06/2022	Unaudited 6 months to 30/06/2021
Net trading gains / (losses) on derivatives	(4,120)	(112)
Losses on disposal/write off of property, plant and equipment	(7)	-
Gain on disposal of FVOCI financial assets	(254)	-
Foreign exchange gains / (losses)	(9)	(17)
Total other operating gains / (losses)	**(4,390)**	**(129)**

4. Impairment releases / (losses)

In thousands of NZD	Unaudited 6 months to 30/06/2022	Unaudited 6 months to 30/06/2021
Collective provisions releases / (charges)	1,018	(2,293)
Specific provisions releases / (charges)	673	(2,303)
Total impairment releases / (losses)	**1,691**	**(4,596)**

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

Notes to the financial statements

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

In thousands of NZD	Unaudited At 30/06/2022	Audited At 31/12/2021
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 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.

6. Loans and advances

In thousands of NZD	Unaudited At 30/06/2022	Audited At 31/12/2021
Lending	12,402,287	11,869,625
Finance leases	36,400	43,047
Gross loans and advances	**12,438,687**	**11,912,672**
Accrued interest	10,135	8,619
Provisions for impairment		
Stage 3B	(3,050)	(3,639)
Stage 3A	(1,876)	(3,017)
Stage 2	(7,307)	(6,689)
Stage 1	(8,409)	(9,100)
Net loans and advances	**12,428,180**	**11,898,846**

7. Due from related entities

In thousands of NZD	Unaudited At 30/06/2022	Audited At 31/12/2021
Current account balances - wholly owned group*	742	1,562
Advances - wholly owned group*	532,056	113,634
Accrued interest receivable - wholly owned group*	2,059	464
Stage 1 provision for impairment (note 8.5)	(242)	(47)
Total due from related entities	**534,615**	**115,613**

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

* The wholly owned group refers to other Rabobank related entities. Refer to note 22 for further information on related party disclosures.

Notes to the financial statements

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 $166,878 thousand of individually impaired assets only $27,594 thousand had specific provision of $3,050 thousand recognised.

	At 30/06/2022 (Unaudited)			
	Residential mortgages	Corporate	Retail*	Total
in thousands of NZD				
Opening balance	-	-	270,921	270,921
Additions	-	-	13,876	13,876
Returned to performing or repaid	-	-	(117,919)	(117,919)
Closing balance	**-**	**-**	**166,878**	**166,878**
Aggregate amount of undrawn balances on lending commitments on impaired assets	**-**	**-**	**6,310**	**6,310**

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

8.2 Past due assets but not impaired

	At 30/06/2022 (Unaudited)			
	Residential mortgages	Corporate	Retail*	Total
in thousands of NZD				
Less than 30 days past due	-	-	3,078	3,078
At least 30 days but less than 60 days past due	-	-	1	1
At least 60 days but less than 90 days past due	-	-	-	-
At least 90 days past due	-	-	-	-
Closing balance	**-**	**-**	**3,079**	**3,079**

* 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 retail lending commitments on impaired assets as at 30 June 2022 (unaudited) is $6,310 thousand.

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

Notes to the financial statements

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

8.4 Provision for impairment on loans and advances

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

	At 30/06/2022 (Unaudited)				
	Stage 1	**Stage 2**	**Stage 3A**	**Stage 3B**	**Total**
In thousands of NZD					
Opening balance	7,805	6,423	3,004	3,639	20,871
Charge / (Benefit) to statement of comprehensive income	(913)	498	(1,130)	(673)	(2,218)
Amounts written off	-	-	-	-	-
Recoveries	-	-	-	-	-
Reversals	-	-	-	-	-
Other movements	(3)	3	(1)	84	83
Closing balance retail	**6,889**	**6,924**	**1,873**	**3,050**	**18,736**

Provisions for impairment on loans and advances (excluding commitments and financial guarantees) relate only to 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 30/06/2022 (Unaudited)				
	Stage 1	**Stage 2**	**Stage 3A**	**Stage 3B**	**Total**
In thousands of NZD					
Opening balance	1,295	266	13	-	1,574
Charge / (Benefit) to statement of comprehensive income	225	117	(10)	-	332
Amounts written off	-	-	-	-	-
Recoveries	-	-	-	-	-
Reversals	-	-	-	-	-
Other movements	-	-	-	-	-
Closing balance on loan commitments and financial guarantees	**1,520**	**383**	**3**	**-**	**1,906**

Provisions for impairment on commitments and financial guarantees relate only to 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 30/06/2022 (Unaudited)				
In thousands of NZD	Stage 1	Stage 2	Stage 3A	Stage 3B	Total
Opening balance	9,100	6,689	3,017	3,639	22,445
Charge / (Benefit) to statement of comprehensive income	(688)	615	(1,140)	(673)	(1,886)
Amounts written off	-	-	-	-	-
Recoveries	-	-	-	-	-
Reversals	-	-	-	-	-
Other movements	(3)	3	(1)	84	83
Closing balance on loans and advances and loan commitments and financial guarantees	**8,409**	**7,307**	**1,876**	**3,050**	**20,642**

Provisions for impairment relate to only retail exposures which include lending to rural clients together with all other lending to small and medium businesses.

8.5 Provision for impairment due from related entities

Impairment allowances on due from related entities

	At 30/06/2022 (Unaudited)				
In thousands of NZD	Stage 1	Stage 2	Stage 3A	Stage 3B	Total
Opening balance	47	-	-	-	47
Charge / (Benefit) to statement of comprehensive income	195	-	-	-	195
Amounts written off	-	-	-	-	-
Recoveries	-	-	-	-	-
Reversals	-	-	-	-	-
Other movements	-	-	-	-	-
Closing balance related parties	**242**	**-**	**-**	**-**	**242**

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 $579 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 $691 thousand mainly driven by improved macro-economic forecasts.

Collective provision lifetime ECL - not credit impaired (Stage 2) increased by $618 thousand, mainly due to increase in gross loans in Stage 2 by $62 million from 31 December 2021.

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 $1,141 thousand and specific provision lifetime ECL- credit impaired (Stage 3B) decreased by $589 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, 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. These forward looking macroeconomic forecasts require judgment and are largely based on internal Rabobank research.

The base case scenario uses current Rabobank research forecasts and reflects the latest available macroeconomic view.

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.

Notes to the financial statements

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

New Zealand		***31/12/2022***	***31/12/2023***	***31/12/2024***	***ECL unweighted In thousands of NZD***	***Probability***	**Weighted ECL in thousands of NZD** ***30 June 2022***
Plus	GDP per capita	3.66%	2.55%	1.69%			
	Private sector investments	7.83%	4.21%	-0.16%	8,988	20%	
	Exports of Goods & Services	8.17%	10.75%	2.56%			
Baseline	GDP per capita	3.54%	1.16%	0.95%			
	Private sector investments	6.49%	0.85%	-1.69%	10,310	60%	10,478
	Exports of Goods & Services	7.51%	6.99%	2.70%			
Minus	GDP per capita	3.38%	-0.68%	-0.11%			
	Private sector investments	4.79%	-3.58%	-4.09%	12,472	20%	
	Exports of Goods & Services	6.66%	2.02%	2.68%			

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 remaining 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 $2,889 thousand (31 December 2021: $4,084 thousand). Included in the total overlays were:

- $2,339 thousand (31 December 2021: $4,084 thousand) related to COVID-19 overlay; and
- $550 thousand (31 December 2021: nil) related to revised inflation forecast not captured in the macroeconomic scenario.

Notes to the financial statements

9. Deposits

In thousands of NZD	Unaudited At 30/06/2022	Audited At 31/12/2021
Call deposits	2,696,407	2,511,268
Term deposits	2,807,855	2,556,724
Accrued interest	19,450	13,743
Total deposits	**5,523,712**	**5,081,735**

10. Due to related entities

In thousands of NZD	Unaudited At 30/06/2022	Audited At 31/12/2021
Current account balances - wholly owned group*	25,481	11,742
Borrowings - wholly owned group*	6,947,225	6,229,079
Accrued interest payable - wholly owned group*	21,767	7,304
Total due to related entities	**6,994,473**	**6,248,125**

* The wholly owned group refers to other Rabobank related entities. Refer to note 22 for further information on related party disclosures.

11. Other liabilities

In thousands of NZD	Unaudited At 30/06/2022	Audited At 31/12/2021
Lease liabilities	9,433	10,330
Sundry creditors	6,706	4,557
Accrued expenses	8,939	10,866
Total other liabilities	**25,078**	**25,753**

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 Operating expense' in the Statement of Other Comprehensive Income.

12. Contributed equity, Reserves and Capital management

12.1 Contributed equity

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

Notes to the financial statements

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

As at 30 June 2022, 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 2021: 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.

12.2 Reserves

In thousands of NZD	Unaudited At 30/06/2022	Audited At 31/12/2021
FVOCI financial assets reserve		
Opening balance	(4,275)	3,210
Changes in FVOCI financial assets revaluation reserve (gross)	(9,001)	(10,396)
Changes in FVOCI financial assets revaluation reserve (deferred tax)	2,520	2,911
Total FVOCI reserve	**(10,756)**	**(4,275)**

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.

12.3 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 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 2021 financial year and during the 2022 half year period.

13. Contingent liabilities and credit related commitments

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.

Notes to the financial statements

13. Contingent liabilities and credit related commitments (continued)

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 credit related commitments:

In thousands of NZD	Unaudited At 30/06/2022	Audited At 31/12/2021
Guarantees	5,394	7,022
Lending commitments		
Irrevocable lending commitments	46,817	80,771
Revocable lending commitments	1,981,310	1,915,087
Total contingent liabilities	**2,033,521**	**2,002,880**

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.

14. Expenditure Commitments

14.1 Capital expenditure commitments

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

15. Reconciliation of net cash flows from operating activities

In thousands of NZD	Unaudited 6 months to 30/06/2022	Unaudited 6 months to 30/06/2021
Net profit after tax	67,219	67,153
Non-cash items	904	7,272
Deferrals or accruals of past or future operating cash receipts or payments		
Change in net operating assets and liabilities	(558,068)	(379,445)
Change in interest receivable/payable	14,889	2,931
Change in other deferrals and accruals	(6,788)	1,228
Net cash flows from / (used in) operating activities	**(481,844)**	**(300,861)**

16. Risks arising from financial instruments

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

16.1 Liquidity risk

Liquidity portfolio

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 risk appetite and regulatory obligations.

Notes to the financial statements

16. Risks arising from financial instruments (continued)

in thousands of NZD	Unaudited At 30/06/2022
Cash at banks	111,784
Balances with Central Bank	942,832
New Zealand Government Securities	272,428
Other debt securities (Kauri)	350,659
Total liquid assets	**1,677,703**

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.

Notes to the financial statements

16. Risks arising from financial instruments (continued)

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

The Bank 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 Bank 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.

In thousands of NZD	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
At 30 June 2022 (Unaudited)							
Financial assets							
Cash and cash equivalents	1,054,616	1,054,616	-	-	-	-	-
Derivative financial instruments	27,373	-	10,013	36	12,987	3,247	1,090
Financial assets at fair value through other comprehensive income	682,031	-	38,900	268,168	77,668	297,295	-
Loans and advances	13,226,214	-	2,542,533	2,633,269	4,370,398	3,346,781	333,233
Due from related entities	648,915	742	40,032	10,268	20,368	332,961	244,544
Other financial assets	5,596	-	5,596	-	-	-	-
Total financial assets	**15,644,745**	**1,055,358**	**2,637,074**	**2,911,741**	**4,481,421**	**3,980,284**	**578,867**
Financial liabilities							
Derivative financial instruments	33,536	-	10,410	36	12,987	3,317	6,786
Deposits	5,593,274	2,696,407	1,748,023	727,995	258,693	162,156	-
Due to related entities	7,375,211	25,481	1,846,334	1,577,694	2,951,065	730,093	244,544
Payables due to central bank	180,362	-	3,585	3,304	6,555	166,918	-
Other liabilities	25,938	-	17,386	1,351	1,823	2,644	2,734
Total financial liabilities	**13,208,321**	**2,721,888**	**3,625,738**	**2,310,380**	**3,231,123**	**1,065,128**	**254,064**
Contingent liabilities							
Guarantees	5,394	-	91	93	222	1,779	3,209
Lending commitments	2,028,127	1,981,310	105	195	505	6,944	39,068
Total contingent liabilities	**2,033,521**	**1,981,310**	**196**	**288**	**727**	**8,723**	**42,277**

Notes to the financial statements

16. Risks arising from financial instruments (continued)

16.2 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.

In thousands of NZD	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
At 30 June 2022 (Unaudited)							
Financial assets							
Cash and cash equivalents	1,054,616	1,054,616	-	-	-	-	-
Derivative financial instruments	25,713	-	-	-	-	-	25,713
Financial assets at fair value through	623,087	27,097	-	259,000	64,790	272,200	-
Loans and advances	12,428,180	7,686,842	1,107,362	1,466,625	1,079,007	1,078,059	10,285
Due from related entities	534,615	105,372	-	-	-	404,000	25,243
Other financial assets	5,596	-	-	-	-	-	5,596
Total financial assets	**14,671,807**	**8,873,927**	**1,107,362**	**1,725,625**	**1,143,797**	**1,754,259**	**66,837**
Financial liabilities							
Derivative financial instruments	30,643	-	-	-	-	-	30,643
Deposits	5,523,712	3,571,892	815,721	712,403	247,332	156,914	19,450
Due to related entities	6,994,473	4,973,224	451,000	755,000	685,000	100,000	30,249
Payables due to central bank	161,318	161,318	-	-	-	-	-
Other liabilities	25,078	826	780	1,248	1,664	4,914	15,646
Total financial liabilities	**12,735,224**	**8,707,260**	**1,267,501**	**1,468,651**	**933,996**	**261,828**	**95,988**
Swaps	-	74,776	(16,500)	(5,000)	(36,500)	(16,776)	
Repricing gap (interest bearing assets and liabilities)	1,965,734	241,443	(176,639)	251,974	173,301	1,475,655	
Cumulative mismatch	**1,965,734**	**241,443**	**64,804**	**316,778**	**490,079**	**1,965,734**	

Notes to the financial statements

16. Risks arising from financial instruments (continued)

16.3 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.

16.3.1 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 30/06/2022
Cash and cash equivalents	1,054,616
Derivative financial instruments	25,713
Financial assets at fair value through other comprehensive income	623,087
Loans and advances	12,428,180
Due from related entities	534,615
Other financial assets	5,596
Commitment and guarantees (note 13)	2,033,521
Total credit exposures	**16,705,328**

Analysis of credit exposures by industry:

In thousands of NZD	Unaudited At 30/06/2022
Agriculture	13,826,552
Finance and insurance	1,004,536
Forestry and fishery	20,473
Government	1,217,856
Property and business services	235,718
Other	400,193
Total credit exposures	**16,705,328**

Notes to the financial statements

16. Risks arising from financial instruments (continued)

Analysis of credit exposures by geographical areas:

In thousands of NZD	Unaudited At 30/06/2022
New Zealand	16,316,982
Australia	6,736
Finland	56,041
Germany	41,058
Philippines	99,213
United States of America	152,076
The Netherlands	23,181
Luxembourg	10,041
Total credit exposures	**16,705,328**

16.3.2 Concentration of credit exposures to individual counterparties

	Unaudited	
	At 30 June 2022	Peak for the period
Number of bank counterparties:		
Percentage of Common equity Tier 1 capital		
10-15%	-	1
15-20%	-	-
20%-25%	-	-
25%-30%	-	-
30%-35%	-	-
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

17. 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 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 June 2022		Audited At 31 December 2021	
In thousands of NZD	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets				
Cash and cash equivalents	1,054,616	1,054,616	665,576	665,577
Derivative financial instruments	25,713	25,713	10,807	10,807
Financial assets at fair value through other comprehensive income	623,087	623,087	567,887	567,887
Loans and advances	12,428,180	12,456,888	11,898,846	12,057,410
Due from related entities	534,615	496,502	115,613	112,078
Other financial assets	5,596	5,596	3,751	3,751
Total financial assets	**14,671,807**	**14,662,402**	**13,262,480**	**13,417,510**
Financial liabilities				
Derivative financial instruments	30,643	30,643	11,174	11,174
Deposits	5,523,712	5,531,449	5,081,735	5,123,293
Due to related entities	6,994,473	6,931,710	6,248,125	6,245,182
Payables to central bank	161,318	154,758	-	-
Other financial liabilities	25,078	25,078	25,753	25,753
Total financial liabilities	**12,735,224**	**12,673,638**	**11,366,787**	**11,405,402**

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 at fair value

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

Derivative financial instruments and FVOCI financial assets

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

Notes to the financial statements

17. Fair values of financial instruments (continued)

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).

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 2022 (Unaudited)				
Financial assets				
Derivative financial instruments	-	25,713	-	25,713
Financial assets at fair value through other comprehensive income	623,087	-	-	623,087
Financial liabilities				
Derivative financial instruments	-	30,643	-	30,643

In thousands of NZD	Level 1	Level 2	Level 3	Total
At 31 December 2021 (Unaudited)				
Financial assets				
Derivative financial instruments	-	10,807	-	10,807
Financial assets at fair value through other comprehensive income	567,887	-	-	567,887
Financial liabilities				
Derivative financial instruments	-	11,174	-	11,174

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

18. 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	1,054,616	-	1,054,616	665,576	-	665,576
Derivative financial instruments	9,877	15,836	25,713	8,156	2,651	10,807
FVOCI financial assets	286,097	336,990	623,087	452,887	115,000	567,887
Loans and advances	4,247,443	8,180,737	12,428,180	3,952,642	7,946,204	11,898,846
Due from related entities	30,615	504,000	534,615	10,613	105,000	115,613
Other assets	8,054	-	8,054	10,648	-	10,648
Income tax receivable	1,996	-	1,996	-	-	-
Net deferred tax assets	-	14,641	14,641	-	12,960	12,960
Property, plant and equipment	-	15,067	15,067	-	11,537	11,537
Intangible assets	-	1,200	1,200	-	1,418	1,418
Total Assets	**5,638,698**	**9,068,471**	**14,707,169**	**5,100,522**	**8,194,770**	**13,295,292**
Liabilities						
Derivative financial instruments	10,273	20,370	30,643	8,368	2,806	11,174
Deposits	1,585,255	3,938,457	5,523,712	1,434,588	3,647,147	5,081,735
Due to related entities	3,238,473	3,756,000	6,994,473	2,641,125	3,607,000	6,248,125
Payables to central bank	318	161,000	161,318	-	-	-
Current tax payable	-	-	-	16,174	-	16,174
Other liabilities	18,500	6,578	25,078	18,575	7,178	25,753
Provisions	3,705	1,801	5,506	4,312	2,318	6,630
Total Liabilities	**4,856,524**	**7,884,206**	**12,740,730**	**4,123,142**	**7,266,449**	**11,389,591**

Notes to the financial statements

19. Capital adequacy under the standardised approach and regulatory liquidity ratios

19.1 Capital

In thousands of NZD	Unaudited At 30/06/2022
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)	1,425,995
Accumulated other comprehensive income and other disclosed reserves	(10,756)
Less deductions from CET1 capital:	
Deferred tax assets	(14,641)
Goodwill and other intangible assets	(1,200)
Subtotal CET1 capital	**1,950,598**
Additional Tier 1 ("ATI") capital	
Subtotal AT1 capital	**-**
Total Tier 1 capital	**1,950,598**
Tier 2 capital	
Total Tier 2 capital	**-**
Total capital	**1,950,598**

The above balances are derived in accordance with the conditions of registration relating to capital adequacy and the Reserve Bank document entitled "Banking Prudential Requirement (BPR) 110 Capital Definitions".

Refer to note 12 for information about material terms and conditions of each instrument disclosed above.

Notes to the financial statements

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

19.2 Credit risk

19.2.1 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 30/06/2022 (Unaudited)				
Cash and gold bullion	-	0%	-	-
Sovereigns and central banks	1,219,851	0%	-	-
Multilateral development banks and other international organisations	312,366	0%	-	-
Multilateral development banks and other international organisations	41,058	20%	8,212	657
Banks	111,784	20%	22,357	1,789
Banks - related party[1]	9,078	20%	1,816	145
Public sector entities	-	20%	-	-
Corporate	-	50%	-	-
Residential mortgages not past due - LVR does not exceed 80%	116	40%	46	4
Residential mortgages not past due - LVR between 80% and 90%	169	70%	119	10
Residential mortgages not past due - LVR between 90% and 100%	-	90%	-	-
Past due residential mortgages	-	100%	-	-
Other past due assets[2]	9,616	100%	9,616	769
Other past due assets[2]	158,472	150%	237,708	19,017
Equity holdings (not deducted from capital) included in the NZX 50 or overseas equivalent index	-	300%	-	-
All other equity holdings (not deducted from capital)	-	400%	-	-
Other[3]	12,279,476	100%	12,279,476	982,358
Non-risk weighted assets[4]	41,554	N/A	-	-
Total on-balance sheet exposures	**14,183,540**		**12,559,350**	**1,004,749**

[1] The related party exposure disclosed above is the net exposure after credit risk mitigation tools have been applied in accordance with BS8 and BPR132. Refer to note 20.3 for more information.

[2] Other past due assets that have been risk weighted at 100% comprise of loans and advances classified as more than 90 days past due assets, and impaired assets when the provision for doubtful debt is greater than 20% of the outstanding amount of the loan. 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 100% comprise of loans and advances, finance leases, property, plant and equipment, sundry debtors and accrued interest receivable.

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

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

19.2.2 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 2022 (Unaudited)						
Direct credit substitutes	5,390	100%	5,390	100%	5,390	431
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 less than or equal to one year	-	20%	-	100%	-	-
Other commitments where original maturity is more than one year	46,719	50%	23,360	100%	23,360	1,869
Other commitments which can be cancelled unconditionally at any time without prior notice	1,979,507	0%	-	100%	-	-
Total off-balance sheet exposures	**2,031,616**		**28,750**		**28,750**	**2,300**

Counterparty credit risk	Total Exposure	Credit equivalent amount	Average risk weight %	Risk weighted exposure	Minimum pillar 1 capital requirement
At 30 June 2022 (Unaudited)					
Foreign exchange contracts	634	8	75%	6	-
Interest rate contracts	360,492	6,398	55%	3,530	282
Other	296,986	55,706	85%	47,285	3,783
Credit valuation adjustment				18,950	1,516
Total	**658,112**	**62,112**		**69,771**	**5,581**

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

Notes to the financial statements

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

19.2.3 Additional residential mortgages information

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

In thousands of NZD	At 30 June 2022 (Unaudited)		
	Drawn	Undrawn	Total
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	**284**	**395**	**679**

Reconciliation of mortgage related accounts

In thousands of NZD	Unaudited At 30/06/2022
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	284
Off-balance sheet residential mortgages exposures subject to the standardised approach	395
Total residential mortgage exposures subject to the standardised approach	**679**

19.3 Credit risk mitigation

In thousands of NZD	At 30/06/2022 (Unaudited) Total value of on- and off-balance sheet exposures covered by eligible collateral (after haircutting)	At 30/06/2022 (Unaudited) 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*	534,615	-
Corporate	-	-
Residential mortgage	-	-
Other	-	-
Total gross-exposure basis	**534,615**	**-**
Total net-exposure basis (note 19.2.1*)	**9,078**	**-**

* 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 BPR132, 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.

Notes to the financial statements

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

19.4 Operational risk

Operational risk capital requirement

	At 30/06/2022 (Unaudited)	
In thousands of NZD	**Implied risk weighted exposure**	**Total operational risk capital requirement**
Operational risk	853,238	68,259
Total	**853,238**	**68,259**

19.5 Market risk period-end capital charges

	At 30/06/2022 (Unaudited)	
In thousands of NZD	**Implied risk weighted exposure**	**Aggregate capital charges**
Interest rate risk	511,875	40,950
Foreign currency risk	1,625	130
Total	**513,500**	**41,080**

The bank does not take any equity risk.

19.6 Market risk peak end-of-day capital charges

	At 30/06/2022 (Unaudited)	
In thousands of NZD	**Implied risk weighted exposure**	**Aggregate capital charges**
Interest rate risk	582,125	46,570
Foreign currency risk	14,125	1,130
Total	**596,250**	**47,700**

The bank does not take any equity risk.

19.7 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".

Notes to the financial statements

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

19.8 Total capital requirements

In thousands of NZD	At 30/06/2022 (Unaudited) Total exposure after credit risk mitigation	Risk weighted exposure or implied risk weighted exposure	Total capital requirement
Total credit risk	16,873,269	12,657,871	1,012,630
Operational risk	N/A	853,238	68,259
Market risk	N/A	513,500	41,080
Total	**16,873,269**	**14,024,609**	**1,121,969**

19.9 Capital ratios

	At 30 June 2022 (Unaudited)		At 30 June 2021 (Unaudited)	
In percentage (%)	Ratio	Minimum ratio requirement	Ratio	Minimum ratio requirement
Common Equity Tier 1 capital ratio	13.91%	4.50%	13.60%	4.50%
Tier 1 capital ratio	13.91%	6.00%	13.60%	6.00%
Total capital ratio	**13.91%**	**8.00%**	**13.60%**	**8.00%**

19.10 Buffer ratio

In percentage (%)	At 30 June 2022 (Unaudited)	At 30 June 2021 (Unaudited)
Buffer ratio (in excess of the minimum tier 1 capital ratio requirement)	5.91%	5.60%
Buffer ratio requirement	2.50%	2.50%

19.11 Solo capital adequacy

In percentage (%)	At 30 June 2022 (Unaudited)	At 30 June 2021 (Unaudited)
Total capital ratio	13.91%	13.60%
Common equity tier 1 (CET1) capital ratio	13.91%	13.60%
Tier 1 capital ratio	13.91%	13.60%

The ratios above are derived in accordance with the conditions of registration relating to capital adequacy and the Reserve Bank document Banking Prudential Requirement (BPR) 100: Capital Adequacy.

19.12 Pillar 2 capital for other material risks

In thousands of NZD	At 30 June 2022 (Unaudited)	At 30 June 2021 (Unaudited)
Internal capital allocation for other material risks	52,620	46,448

Notes to the financial statements

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

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

(i) Credit Concentration Risk of a loan portfolio is a function of the relative proportion of loans across industry sectors, geographic areas, single obligors, credit quality, etc. It is an overall spread of a bank's assets over the number or variety of debtors to whom the bank has lent money.

(ii) Compliance risk is the failure to comply with any legal or regulatory obligations. This includes the risk of impairment of Rabobank's integrity, which can damage the rights and interests of our clients as well as the reputation and trustworthiness of Rabobank, leading the legal claims or regulatory sanctions and/or financial loss.This includes the following sub-risks: Breach of Sanctions; Competition; Conflicts of Interest; Corruption; Data Privacy; Fraud; Market Inefficiency and Misconduct; Money Laundering; Record Keeping; Terrorism Financing; and Treating Clients Fairly.

(iii) Business risk includes shocks that threaten market and financial goals, reputation and adequacy. This includes the following sub-risks: Capital Adequacy; Climate-related & Environmental, Social and Governance Risk; Strategic Risk; and Reputational Risk.

- Strategic risk is the risk affecting the development and implementation of the Bank's business strategy. It is largely associated with the competitive positioning of the business and our ability to respond in a timely manner to changes in the competitive landscape.
- Contagion Risk is the risk associated with the Bank's dealings with related entities.
- Reputational risk is the negative perception on the part of customers, counterparties, market analysts, regulators and other relevant parties of Rabobank.

(iv) Liquidity and funding risk is the risk that the Bank will not have sufficient liquidity to meet its payment obligations (including repaying depositors or maturing wholesale debt) when they fall due, or that it does not have the appropriate amount, tenor and composition of funding and liquidity to support its assets.

(v) Interest rate risk in the banking book (IRRBB) is the risk of loss in earnings or in the economic value on banking book items as a consequence of movements in interest rates.

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. The Bank adopted capital buffer of 4.69% against strategic risk and interest rate risk in banking group (31 December 2021: an internal capital allocation of 4.35% of Pillar 1 capital). 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.

19.13 Capital adequacy of the ultimate parent bank

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

	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 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

19. Capital adequacy under the standardised approach and regulatory liquidity ratios (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

19.14 Regulatory liquidity ratios

	3 months to 31/03/2022 (Unaudited)	3 months to 30/06/2022 (Unaudited)
Quarterly average core funding ratio	84.4%	85.7%
Quarterly average one-month mismatch ratio	6.9%	7.3%
Quarterly average one-week mismatch ratio	7.1%	7.7%

20. Concentration of funding

20.1 Total funding comprised

In thousands of NZD	At 30/06/2022 (Unaudited)
Payable to central bank	161,318
Deposits	5,523,712
Due to related entities	6,994,473
Other liabilities	25,078
Total funding	**12,704,581**

20.2 Analysis of funding by industry

In thousands of NZD	At 30/06/2022 (Unaudited)
Agriculture	840,463
Finance and Insurance	7,391,221
Personal and other services	3,899,627
Other	573,270
Total funding	**12,704,581**

Notes to the financial statements

20. Concentration of funding (continued)

20.3 Analysis of funding by geographical areas

In thousands of NZD	At 30/06/2022 (Unaudited)
New Zealand	12,611,787
Australia	40,734
The Netherlands	12,598
United Kingdom	8,784
United States of America	12,609
All other countries	18,069
Total funding	**12,704,581**

21. Additional information on statement of financial position

In thousands of NZD	At 30/06/2022 (Unaudited)
Total interest earning and discount bearing assets	**14,604,970**
Total interest and discount bearing liabilities	**12,639,236**
Financial assets pledged as collateral	**-**

22. 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.

22.1 Transactions with related parties

22.1.1 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”).

Notes to the financial statements

22. Related party disclosures (continued)

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 to17 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.

22.1.2 Guarantee fees (Unaudited)

A fee of $0.14 million was charged to the Bank 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).

22.1.3 Management fees (Unaudited)

Management expenses and recharges mainly consisted of two types, namely expenses incurred in relation to services received from Australian Branch of Rabobank; and overseas Rabobank Head Office.

Expenses that are related to provision of administrative and management services to the Bank (e.g. employee expenses, rent, professional fees) incurred by the Australian Branch of Rabobank are recharged as per service level agreements. In total, management expenses and recharge costs of $21 million were charged by the Australian Branch of Rabobank (six month period June 2021: $21 million).

A management fee of $8 million (six month period June 2021: $6 million) was charged to the Bank by the Rabobank Head Office for the provision of administrative and management services.

A management fee of $3 million (six month period June 2021: $6.4 million) was charged to NZ Branch of Rabobank by the Bank for the provision of administrative and management services.

Notes to the financial statements

22. Related party disclosures (continued)

22.1.4 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	Unaudited 30/06/2022	Unaudited 6 months to 30/06/2021	Audited At 31 December 2021
Interest income due from related entities	2,830	39	-
Interest expense due to related entities	48,948	30,815	-
Due from related entities	534,615	-	115,613
Due to related entities	6,994,473	-	6,248,125

Derivatives with a combined notional of $382 million (31 December 2021: $250 million) and a net fair value liability position of ($23.2 million) (31 December 2021: ($8.6 million)) are held with the New Zealand Branch of Rabobank and with Rabobank.

Working capital facilities
A loan facility of EUR 4.8 billion was granted by the New Zealand Branch of Rabobank to the Bank. The unused amount at 30 June 2022 was EUR0.66 billion (31 December 2021: EUR 0.53 billion).

22.2 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.

22.3 Provision for impairment

For the period ended 30 June 2022, the Bank has not made any specific provision for impairment relating to amounts owed by related parties (31 December 2021: Nil). Provision has not been recognised on grounds of it being minimal and immaterial. The Bank recognises collective impairment allowance relating to amounts owned by related parties in accordance with expected credit loss impairment model. The Bank recognised stage 1 impairment allowance relating to amounts owned by related parties of $0.24 million as at 30 June 2022 (31 December 2021 $0.05 million).

22.4 Dividend

No dividend was proposed or paid by the Bank for the six months period ended 30 June 2022 (30 June 2021: Nil).

23. 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.

Independent auditor's review report

To the shareholder of Rabobank New Zealand Limited

Report on the Disclosure Statement

Our conclusions

We have reviewed the "Insurance business" section on page 2, "Risk management policies" section on page 3 and pages 5 to 38 of the Disclosure Statement for the six months ended 30 June 2022 (the 'Disclosure Statement') of Rabobank New Zealand Limited (the 'Bank') which includes the interim financial statements (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 on pages 5 to 38 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 on page 2, "Risk management policies" 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 5 to 38 (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, 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.

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.

We are independent of the Bank 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 Bank. Certain partners and employees of our firm 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.

PricewaterhouseCoopers, ABN 52 780 433 757
One International Towers Sydney, Watermans Quay, Barangaroo, GPO BOX 2650, SYDNEY NSW 2001
T: +61 2 8266 0000, F: +61 2 8266 9999, www.pwc.com.au

Level 11, 1PSQ, 169 Macquarie Street, Parramatta NSW 2150, PO Box 1155 Parramatta NSW 2124
T: +61 2 9659 2476, F: +61 2 8266 9999, www.pwc.com.au

Liability limited by a scheme approved under Professional Standards Legislation.

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 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 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.

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 capital adequacy and regulatory liquidity requirements), taken as a whole, 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, 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 Bank's shareholder. 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 the Bank and the Bank's shareholder 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:

PricewaterhouseCoopers

Chartered Accountants

Sydney, Australia

29 August 2022