Rabobank

Disclosure Statement

For the six months ended 30 June 2012

Rabobank New Zealand Limited

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Contents

General information and definitions

The information contained in this Disclosure Statement is as required by section 81 of the Reserve Bank of New Zealand Act 1989 and the Registered Bank Disclosure Statements (New Zealand Incorporated Registered Banks) Order 2012 ("Order").

In this Disclosure Statement, unless the context otherwise requires:

- "Bank" refers to Rabobank New Zealand Limited.
- "Banking Group" refers to the Bank and its subsidiary Rabo Securities and Investments (NZ) Limited. On 26 August 2011 Rabo Securities and Investments (NZ) Limited, a dormant subsidiary of the Bank, was voluntarily removed from the register of companies and thereby, on that date, ceased to be a member of the Banking Group. Therefore, as from 26 August 2011, the Banking Group comprised solely of the Bank.

General matters

Composition of the Board of directors

There have been changes in the composition of the Bank's Board of directors since 31 December 2011, which are outlined below:

On 5 March 2012 Roelof Jan Dekker retired as a director.

On 23 March 2012 the following changes occurred in the composition of the Board:

- John Leonard Palmer was appointed as the chairman of the Board replacing William Patrick Gurry (who remains a director);
- David Welsford Smithers retired as a director; and
- Sir Henricus (Henry) Wilhelmus van der Heyden was appointed a director.

Additionally, Evert Derks Drok was appointed as a director on 25 May 2012.

Signing of the disclosure statement

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

- John Leonard Palmer (Chairman)
- William Patrick Gurry
- Theodorus Henny Lambertus Johannes Maria Gieskes
- Bernardus Jacobus Marttin
- Jan Alexander Pruijs
- Anne Bernadette Brennan
- Sir Henry Wilhelmus van der Heyden
- Evert Derks Drok

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	AA (credit watch negative)

Guarantee arrangements

Material obligations of the Bank are guaranteed as at the date its directors signed this Disclosure Statement.

Details of guarantor

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

Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A. (Rabobank Nederland)
Level 23
157 Lambton Quay
Wellington
New Zealand

Rabobank Nederland is not a member of the Banking Group.

Rabobank Nederland 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	AA (credit watch negative)
Moody's	Aa2
Fitch	AA+

Details of guaranteed obligations

18 February 1998 to 17 February 2008

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 Nederland 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.

18 February 2008 to 17 February 2010

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 Nederland 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.

18 February 2010 to 17 February 2012

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 Nederland in favour of the creditors of the Bank (the "Third Guarantee").

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

18 February 2012 to 17 February 2013

For the period 18 February 2012 to 17 February 2013 ("the Current Period"), the obligations of the Bank will be guaranteed pursuant to a deed of guarantee dated 19 October 2011 by Rabobank Nederland in favour of the creditors of the Bank (the "Current Guarantee").

The Current Guarantee will expire on 17 February 2013 and all obligations incurred by the Bank during the Current Period will be covered by the Current Guarantee until those obligations are repaid.

There are no limits on the amount of the obligations guaranteed under the Current Guarantee. There are no material conditions applicable to the Current Guarantee other than non-performance by the principal obligator.

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

Further information about the guarantees

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

Material cross guarantee

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

Insurance business

The Banking Group does not conduct any insurance business.

Pending proceedings or arbitration

There are no pending legal proceedings or arbitration 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.

Risk management policies

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. Similarly the Banking Group has not become exposed to a new category of risk in the period since 31 March 2012.

The Banking Group does not take any equity risk.

Securitisation, funds management, other fiduciary activities and the marketing and distribution of insurance products

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

Since 31 March 2012, there has been no material change in the nature of the Banking Group's involvement in the establishment, marketing, or sponsorship of trust, custodial, funds management, or other fiduciary activities, or in any arrangements which have been put in place to ensure that difficulties arising from those activities would not impact adversely on the Banking Group.

Over the half year accounting period ended 30 June 2012, no services have been provided, other than on arm's length terms and conditions and at fair value, by the Banking Group to any entity involved in the establishment, marketing, or sponsorship of trust, custodial, funds management, or other fiduciary activities.

Over the half year accounting period ended 30 June 2012, no assets have been purchased, other than on arms length terms and conditions and at fair value, by the Banking Group from any entity involved in the establishment, marketing, or sponsorship of trust, custodial, funds management, or other fiduciary activities.

Other material matters

On 11 July 2012 the Bank's only credit rating, a AA (credit watch negative) rating from Standard & Poor's, was withdrawn at the Bank's request. In requesting the withdrawal of its Standard & Poor's credit rating, the Bank overlooked the requirements of section 80 of the Reserve Bank of New Zealand Act 1989 ('Section 80') and of an associated Notice from the Reserve Bank to the Bank requiring the Bank to obtain and maintain a credit rating.

When the Bank became aware of the prima facie breach of Section 80, it immediately requested Standard & Poor's to reinstate the credit rating. On 12 July 2012 Standard & Poor's announced the reinstatement of the Bank's AA (credit watch negative) credit rating.

Apart from the matter disclosed above, there have been no other matters relating to the business or affairs of the Bank and the Banking Group that:

(i) are not contained elsewhere in the Disclosure Statement; and

(ii) would, if disclosed, materially affect the decision of a person to subscribe for debt securities of which the Bank or any member of the Banking Group is the issuer.

Auditor for the Bank

Mr Andrew Harmer
C/- Ernst & Young
680 George Street
Sydney NSW 2000
Australia

Conditions of registration

The Conditions of Registration for the Bank were updated with effect from 1 July 2012 to remove Conditions that ceased to apply on or before 30 June 2012, remove commencement dates for Conditions that came into effect on or before 1 July 2012, and replace references to "the registered bank" with references to "the bank".

The Bank has not complied with all its Conditions of Registration in the six months period ended 30 June 2012. There has been only one type of non-compliance, which was rectified during the period ended 31 March 2012. The non-compliance relates to the requirement contained in Condition 7 that no appointment of an executive who reports or is accountable directly to the Bank's chief executive officer is made unless the Reserve Bank has been supplied with certain information about the proposed appointee and has advised that it has no objection to the appointment. The Bank was non-compliant with that requirement since the requirement was introduced on 1 July 2004.

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 2012; and
- The Disclosure Statement is not false or misleading; and

(ii) over the half year accounting period:

- The Bank has not complied with all Conditions of Registration that applied during that period – see the disclosure above under the heading Conditions of registration;
- Credit exposures to connected persons (if any) were not contrary to the interests of the Banking Group; and
- The Bank had systems in place to monitor and control adequately the Banking Group's material risks, including credit risk, concentration of credit risk, interest rate risk, currency risk, equity 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 Benjamin Russell, Chief Executive Officer, under an authority from each of the directors.

Ben Russell

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Benjamin Russell
Dated: 24 August 2012

Contents

Statement of Comprehensive Income

	Note	Unaudited 6 months to 30/6/2012 $000	Unaudited 6 months to 30/6/2011 $000	Audited Year to 31/12/2011 $000
Interest income		258,622	242,846	498,246
Interest expense		(145,519)	(145,344)	(293,222)
Net interest income		113,103	97,502	205,024
Other income	2	531	1,088	1,522
Other operating gains / (losses)	3	59	(6,050)	(5,642)
Total non-interest income / (loss)		590	(4,962)	(4,120)
Total net operating income		113,693	92,540	200,904
Operating expenses		(49,225)	(43,886)	(93,157)
Impairment (losses) / releases on loans and advances	4	541	(13,869)	(32,772)
Profit before income tax		65,009	34,785	74,975
Income tax expense		(18,082)	(9,768)	(21,127)
Profit after income tax		46,927	25,017	53,848
Other comprehensive income after tax				
Net gains / (losses) on available-for-sale financial assets	12	(552)	-	-
Income tax (expense) / benefit	12	155	-	-
Total comprehensive income after tax		46,530	25,017	53,848
Attributable to:				
Members of the Bank		46,530	25,017	53,848
		46,530	25,017	53,848

The above statement of comprehensive income should be read in conjunction with the accompanying notes.

Statement of Financial Position

	Note	Unaudited 6 months to 30/6/2012 $000	Unaudited 6 months to 30/6/2011 $000	Audited Year to 31/12/2011 $000
Assets				
Due from other financial institutions		35,880	17,723	21,995
Available-for-sale financial assets	5	344,347	-	-
Derivative financial instruments		7,843	10,011	8,257
Loans and advances	6	7,931,181	7,306,646	7,758,379
Due from related entities	8	317,399	4,825	3,292
Other assets		18,357	14,207	13,454
Net deferred tax assets		59,686	54,904	57,032
Property, plant and equipment		3,923	1,958	3,948
Intangible assets		-	6	184
Total assets		8,718,616	7,410,280	7,866,541
Liabilities				
Due to other financial institutions		484	5,154	2,553
Derivative financial instruments		7,843	10,484	8,270
Deposits	9	3,054,334	3,375,492	2,964,779
Due to related entities	10	4,592,124	3,017,241	3,863,647
Subordinated debt	11	300,000	300,000	300,000
Current tax payable		-	-	3,077
Other liabilities		23,272	36,883	30,253
Provisions		1,736	1,564	1,669
Total liabilities		7,979,793	6,746,818	7,174,248
Net assets		738,823	663,462	692,293
Equity				
Contributed equity	12	341,200	341,200	341,200
Reserves	12	(397)	-	-
Retained earnings		398,020	322,262	351,093
Total equity		738,823	663,462	692,293

The above statement of financial position should be read in conjunction with the accompanying notes.

Statement of Changes in Equity

	Contributed equity $000	Retained earnings $000	Reserves $000	Total $000
Total equity at 1 January 2011	341,200	297,245	-	638,445
Profit after income tax	-	25,017	-	25,017
Other comprehensive income after tax	-	-	-	-
Total equity at 30 June 2011 (Unaudited)	341,200	322,262	-	663,462
Total equity at 1 January 2011	341,200	297,245	-	638,445
Profit after income tax	-	53,848	-	53,848
Other comprehensive income after tax	-	-	-	-
Total equity at 31 December 2011 (Audited)	341,200	351,093	-	692,293
Total equity at 1 January 2012	341,200	351,093	-	692,293
Profit after income tax	-	46,927	-	46,927
Other comprehensive income after tax	-	-	(397)	(397)
Total equity at 30 June 2012 (Unaudited)	341,200	398,020	(397)	738,823

The above statement of changes in equity should be read in conjunction with the accompanying notes.

Condensed Statement of Cash Flows

	Note	Unaudited 6 months to 30/6/2012 $000	Unaudited 6 months to 30/6/2011 $000	Audited Year to 31/12/2011 $000
Cash flows from operating activities				
Interest received		252,486	235,942	483,277
Interest paid		(151,512)	(140,346)	(289,268)
Other cash inflows provided by operating activities		531	1,088	1,591
Other cash outflows used in operating activities		(51,879)	(55,731)	(132,109)
Cash flows from operating activities before changes in operating assets and liabilities		49,626	40,953	63,491
Net changes in operating assets and liabilities		(852,566)	(277,488)	(739,487)
Net cash flow (used in) / provided by operating activities	15	(802,940)	(236,535)	(675,996)
Cash flows from investing activities				
Cash inflows provided by investing activities		42	18	76
Cash outflows used in investing activities		(307)	(399)	(3,000)
Net cash flow (used in) / provided by investing activities		(265)	(381)	(2,924)
Cash flows from financing activities				
Net changes in financing liabilities		819,159	180,554	629,431
Net cash flow provided by / (used in) financing activities		819,159	180,554	629,431
Net (decrease) / increase in cash and cash equivalents for the period / year		15,954	(56,362)	(49,489)
Cash and cash equivalents at the beginning of the period / year		19,442	68,931	68,931
Cash and cash equivalents at the end of the period / year		35,396	12,569	19,442
Cash and cash equivalents at the end of the period / year comprise:				
Cash at other financial institutions		35,880	17,723	21,995
Bank overdraft		(484)	(5,154)	(2,553)
Cash and cash equivalents at the end of the period / year		35,396	12,569	19,442

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

1. Statement of accounting policies

(a) Reporting entity and statement of compliance

Rabobank New Zealand Limited (the 'Bank' and 'Banking Group') is domiciled in New Zealand.

On 26 August 2011, Rabo Securities and Investments (NZ) Limited ('RSINZL'), a dormant subsidiary of the Bank, was removed from the New Zealand Companies Office register and thereby, on that date, ceased to be a member of the Banking Group. Since that date, the Bank had no other subsidiaries.

The interim financial statements of the Bank are presented as at and for the six months ended 30 June 2012. The Bank primarily is involved in the provision of secured loans predominantly to borrowers in the rural industry and the raising of retail deposits. There were no significant changes during the six month period in the nature of the activities of the Bank.

These interim financial statements have been prepared and presented in accordance with the Order and the Reserve Bank Act and in accordance with the requirements of the New Zealand equivalent to International Accounting Standards ('NZ IAS') 34 Interim Financial Reporting and should be read in conjunction with the Bank's financial statements for the year ended 31 December 2011.

(b) Basis of measurement

These interim financial statements have been prepared under the historical cost convention, except for derivative financial instruments and available for sale financial assets which have been measured at fair value. The going concern concept and the accrual basis of accounting have been adopted.

The carrying values of recognised assets and liabilities that are hedged items in fair value hedges, and otherwise carried at amortised cost, are adjusted to record changes in the fair values attributable to the risks that are being hedged.

(c) Estimates

The preparation of interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies. In preparing these interim financial statements, the significant judgements made by management in applying the Bank's accounting policies and the key sources of estimation of uncertainty were the same as those applied to the financial statements as at and for the year ended 31 December 2011.

(d) Principal accounting policies

There have been no material changes in accounting policies during the interim financial period. The accounting policies used in the preparation of these interim financial statements are consistent with the accounting policies used in the preparation of the Bank's financial statements for the year ended 31 December 2011.

The Bank's operations are not subject to seasonality.

(e) Functional and presentation currency

Unless otherwise indicated, all amounts are expressed in New Zealand dollars (NZD), the functional and presentation currency of the operations of the entities in 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.

	Unaudited 6 months to 30/6/2012 $000	Unaudited 6 months to 30/6/2011 $000	Audited Year to 31/12/2011 $000
2 Other income			
Lending and credit facility related fee income	461	401	816
Other income	70	687	706
Total other income	531	1,088	1,522
3 Other operating gains / (losses)			
Net trading gains / (losses) on derivatives	(162)	(6,141)	(5,876)
Gains / (losses) on disposal of leased assets	42	18	76
Foreign exchange gains / (losses)	179	73	158
Total other operating gains / (losses)	59	(6,050)	(5,642)
4 Impairment losses / (releases) on loans and advances			
Collective provisions	(8,042)	(447)	9,659
Specific provisions	7,501	14,316	23,182
Bad debt recovery	-	-	(69)
Total impairment losses / (releases) on loans and advances	(541)	13,869	32,772
5 Available-for-sale (AFS) financial assets			
New Zealand Government Securities	344,347	-	-
Total available-for-sale financial assets	344,347	-	-
6 Loans and advances			
Overdrafts	6,616,352	5,886,118	6,389,642
Term loans	1,408,087	1,527,068	1,471,375
Finance leases	34,421	30,868	32,069
Gross loans and advances	8,058,860	7,444,054	7,893,086
Provisions for doubtful debts:			
Collective	(19,718)	(17,654)	(27,760)
Specific	(107,961)	(119,754)	(106,947)
Total net loans and advances	7,931,181	7,306,646	7,758,379

	Residential mortgages $000	Corporate exposures $000	Retail* exposures $000	Total $000
7 Impaired assets				
(a) Individually impaired assets				
As at 30/6/2012 (Unaudited)				
Opening balance	-	-	395,670	395,670
Additions	-	-	43,041	43,041
Amounts written off	-	-	(885)	(885)
Returned to performing or repaid	-	-	(28,605)	(28,605)
Closing balance	-	-	409,221	409,221
Aggregate amount of undrawn balances on lending commitments	-	-	18,064	18,064
(b) Past due assets				
As at 30/6/2012 (Unaudited)				
Less than 30 days past due	-	-	97,087	97,087
At least 30 days but less than 60 days past due	-	-	14,824	14,824
At least 60 days but less than 90 days past due	-	-	2,885	2,885
At least 90 days past due	-	-	56,229	56,229
Total past due assets	-	-	171,025	171,025
(c) Provision for credit impairment				
As at 30/6/2012 (Unaudited)				
Collective provision				
Opening balance	-	-	27,760	27,760
Charge/(credit) to statement of comprehensive income	-	-	(8,042)	(8,042)
Other movements	-	-	-	-
Closing balance	-	-	19,718	19,718
Specific provision				
Opening balance	-	-	106,947	106,947
Charge/(credit) to statement of comprehensive income	-	-	7,501	7,501
Amounts written off	-	-	(1,836)	(1,836)
Recoveries	-	-	-	-
Reversals	-	-	-	-
Other movements	-	-	2,041	2,041
Discount unwind**	-	-	(6,692)	(6,692)
Closing balance	-	-	107,961	107,961

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

**The impairment loss on an impaired asset is calculated as the difference between the asset's carrying amont and the estimated future cash flows discounted to its present value using the orginal effective interest rate for the asset. The discount unwinds over the period the asset is held as interest income.

(d) Other assets under administration

There are no other assets under administration for the half year period (2011: Nil).

	Unaudited 6 months to 30/6/2012 $000	Unaudited 6 months to 30/6/2011 $000	Audited Year to 31/12/2011 $000
8 Due from related entities			
Debit current account balances - wholly owned group*	61	2	2
Short term advances - wholly owned group*	317,242	4,823	3,290
Accrued interest receivable - wholly owned group*	96	-	-
Total due from related entities	317,399	4,825	3,292

* The wholly owned group refers to other Rabobank Group related entities. Refer to note 20 for further information on related party disclosures.

9 Deposits			
Call deposits	1,918,705	1,749,153	1,900,392
Term deposits	1,135,629	1,626,339	1,064,387
Total deposits	3,054,334	3,375,492	2,964,779

10 Due to related entities			
Credit current account balances - wholly owned group*	103,481	141,826	61,145
Short term advances - wholly owned group*	4,459,555	2,851,683	3,772,287
Accrued interest payable - wholly owned group*	29,088	23,732	30,215
Total due to related entities	4,592,124	3,017,241	3,863,647

* The wholly owned group refers to other Rabobank Group related entities. Refer to note 20 for further information on related party disclosures.

11 Subordinated debt			
Due to wholly owned group	300,000	300,000	300,000
Total subordinated debt	300,000	300,000	300,000

The subordinated debt due to wholly owned group comprises of perpetual subordinated debt with a principal amount of NZ$300,000,000. The subordinated debt is subordinated in right of payment in the event of liquidation or wind up to the claims of depositors and all creditors of the Bank. The perpetual subordinated debt qualifies as Upper Level Tier Two Capital for capital adequacy purposes.

12 Contributed equity, Reserves and Capital management

(a) Contributed equity

Ordinary share capital	341,200	341,200	341,200
Total contributed equity	341,200	341,200	341,200

Total paid up capital comprises 170,600,000 ordinary shares fully paid ranking equally as to dividends and voting rights and rights to share in any surplus on winding up. Each share was issued at $2 and has no par value.

(b) Reserves

AFS reserve

Revaluation - gross	(552)	-	-
Revaluation - deferred tax	155	-	-
Total AFS reserve	(397)	-	-

Nature and purpose of reserves

AFS reserve

Records the unrealised gains or losses arising from changes in the fair value of AFS financial assets.

(c) 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 ratings 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.

Tier one or core capital includes paid up ordinary shares, retained earnings, reserves and other approved capital resources. Tier two or supplementary capital includes unaudited retained earnings and subordinated debt.

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

The Bank has complied in full with all of its externally imposed capital requirements during 2011 financial years and during the 2012 half year period.

13 Contingent liabilities

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

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

	Unaudited 6 months to 30/6/2012 $000	Unaudited 6 months to 30/6/2011 $000	Audited Year to 31/12/2011 $000
Guarantees	16,605	9,890	17,751
Lending commitments	832,761	770,250	793,404
	849,366	780,140	811,155

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.

14 Expenditure Commitments

(a) Capital expenditure commitments

	Unaudited 6 months to 30/6/2012 $000	Unaudited 6 months to 30/6/2011 $000	Audited Year to 31/12/2011 $000
Estimated capital expenditure contracted for at balance date, but not provided for, payable:			
One year or less	645	3,875	2,374
Between one and two years	1,491	1,963	-
	2,136	5,838	2,374

(b) Operating lease commitments

	Unaudited 6 months to 30/6/2012 $000	Unaudited 6 months to 30/6/2011 $000	Audited Year to 31/12/2011 $000
One year or less	5,142	3,607	3,828
Between one and two years	3,519	2,681	2,984
Between two and five years	5,130	3,435	4,433
Over five years	4,279	3,444	4,068
Total operating lease commitments	18,070	13,167	15,313

Lease arrangements entered into by the Bank are for the purpose of accommodating the Bank's needs. These include operating lease arrangements over premises, motor vehicles used by staff in conducting business and office equipment such as photocopiers and printers.

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

15 Reconciliation of profit after tax to net cash flow from operating activities

	Unaudited 6 months to 30/6/2012 $000	Unaudited 6 months to 30/6/2011 $000	Audited Year to 31/12/2011 $000
Net profit after tax	46,927	25,017	53,848
Non-cash items	(641)	28,272	33,432
Deferrals or accruals of past or future operating cash receipts or payments	(849,226)	(289,824)	(763,276)
Other items	-	-	-
Net cash flow provided by / (used in) operating activities	(802,940)	(236,535)	(675,996)

16 Risks arising from financial instruments

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

(a) 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 policy.

	Unaudited 30/6/2012 $000
New Zealand Government Securities	344,347

Liquidity risk disclosed below is presented following financial assets and financial liabilities and contingent liabilities contractual maturities. Contractual maturities are based on the undiscounted cash flows (principal and interest) based on the actual period of the contract. The table below summarises the maturity profile of the Bank's financial assets and financial liabilities and contingent liabilities based on the contractual undiscounted cash flows.

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.

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

	As at 30/6/2012 (Unaudited)						
	Total $000	On Demand $000	Less than 6 months $000	6-12 months $000	12-24 months $000	24-60 months $000	Over 60 months $000
Financial assets							
Due from other financial institutions	35,880	35,880	-	-	-	-	-
Available-for-sale financial assets	346,552	-	346,552	-	-	-	-
Derivative financial instruments	7,843	-	265	379	630	6,569	-
Loans and advances	11,097,519	-	438,186	519,050	439,756	1,408,627	8,291,900
Due from related entities	319,473	-	297,818	340	680	20,635	-
Other financial assets*	8,691	-	8,691	-	-	-	-
Total undiscounted financial assets	11,815,958	35,880	1,091,512	519,769	441,066	1,435,831	8,291,900
Financial liabilities							
Due to other financial institutions	484	-	484	-	-	-	-
Derivative financial instruments	7,843	-	268	376	630	6,569	-
Deposits	3,084,243	1,918,705	555,579	419,124	84,173	106,662	-
Due to related entities	4,844,816	103,481	589,034	1,155,866	2,048,084	679,303	269,048
Subordinated debt	675,051	-	7,142	7,181	14,362	42,967	603,399
Other liabilities	23,272	-	23,272	-	-	-	-
Total undiscounted financial liabilities	8,635,709	2,022,186	1,175,779	1,582,547	2,147,249	835,501	872,447
Contingent liabilities							
Guarantees	16,605	15,489	-	-	-	5	1,111
Lending commitments	832,761	604,781	50,487	10,277	4,029	18,719	144,468
Total contingent liabilities	849,366	620,270	50,487	10,277	4,029	18,724	145,579

* Other financial assets consist of interest receivable, sundry debtors and GST receivable.

(b) Market risk

Market risk is defined as the risk that the fair value or future cash flows of a financial instrument may fluctuate because of changes in market prices. The main types of market risk exposures for the Bank relate to interest rate risk and currency risk. The bank does not undertake trading activities that give rise to direct exposure to equity or commodity price risks. The Bank's market risk is governed by the policies and procedures agreed with the Balance Sheet and Risk Management Committee of Rabobank Nederland. The policies serve a two-fold purpose: to protect the capital and earnings of the Bank and to allow risk managers to benefit from movements in market risk without unduly compromising the Bank's capital or the stability of its earnings. The global market risk policy and procedures are continually updated in line with business developments. No material changes were made to the objectives, policies or processes impacting the Bank from the prior year.

The market risk from all activities across the Bank is warehoused and managed by the Global Financial Markets division (GFM). The acceptable limit for market risk is agreed with the Balance Sheet and Risk Management Committee. Primarily, the market risk appetite is expressed in terms of Value at Risk (VaR) which is allocated to each GFM portfolio.

Market Risk reports which include positions, interest rate sensitivities, stress scenarios and VaR reports are prepared daily to manage the financial risks from changes in foreign exchange and interest rates. The production of all sensitivities is performed within trade capture systems. At the end of each day, independent market data is captured and used to discount all expected and replicated cash flows. The foreign currency and interest rate sensitivities are then used to derive the VaR and stress risk scenarios. The VaR uses a 1 year historical simulation to compute the 97.5% confidence interval for loss on a 1 day holding period basis.

The VaR model is designed to measure market risk in normal market conditions. Although a valuable guide to market risk, VaR has its limitations. For example:

- the use of historical data as a proxy for estimating future events may not encompass all potential events, particularly those which are extreme in nature;
- the use of a 1-day holding period assumes that all positions can be liquidated or hedged in one day. This may not fully reflect the market risk arising at times of severe illiquidity, when a 1-day holding period may be insufficient to liquidate or hedge all positions fully;
- the use of 97.5% confidence level, by definition, does not take into account losses that might occur beyond this level of confidence; and
- VaR is calculated on the basis of exposures outstanding at the close of business and therefore does not necessarily reflect intra-day exposures.

(i) VaR

	Unaudited as at 30/6/2012 $000
VaR at period end	813

(ii) Repricing analysis

The tables below show the repricing of assets and liabilities based on the earlier of repricing and contractual maturity date.

	As at 30/6/2012 (Unaudited)						
	Total $000	Up to 3 months $000	3-6 months $000	6-12 months $000	12-24 months $000	Over 24 months $000	Non-interest bearing $000
Financial assets							
Due from other financial institutions	35,880	35,880	-	-	-	-	-
Available-for-sale financial assets	344,347	124,051	220,296	-	-	-	-
Derivative financial instruments	7,843	-	-	-	-	-	7,843
Loans and advances	7,931,181	3,349,898	1,018,758	1,427,945	1,420,588	713,992	-
Due from related entities	317,399	297,110	-	-	-	20,000	289
Other financial assets*	8,691	-	-	-	-	-	8,691
Total financial assets	8,645,341	3,806,939	1,239,054	1,427,945	1,420,588	733,992	16,823
Other assets**	9,666	-	-	-	-	-	9,666
Net deferred tax assets	59,686	-	-	-	-	-	59,686
Property, plant and equipment	3,923	-	-	-	-	-	3,923
Intangible assets	-	-	-	-	-	-	-
Total non-financial assets	73,275	-	-	-	-	-	73,275
Total assets	8,718,616	3,806,939	1,239,054	1,427,945	1,420,588	733,992	90,098
Financial liabilities							
Due to other financial institutions	484	484	-	-	-	-	-
Derivative financial instruments	7,843	-	-	-	-	-	7,843
Deposits	3,054,334	2,243,027	217,566	414,668	77,205	101,868	-
Due to related entities	4,592,124	2,042,092	580,000	675,000	1,008,000	149,500	137,532
Subordinated debt	300,000	300,000	-	-	-	-	-
Other liabilities	23,272	-	-	-	-	-	23,272
Total financial liabilities	7,978,057	4,585,603	797,566	1,089,668	1,085,205	251,368	168,647
Provisions	1,736	-	-	-	-	-	1,736
Total non-financial liabilities	1,736	-	-	-	-	-	1,736
Total liabilities	7,979,793	4,585,603	797,566	1,089,668	1,085,205	251,368	170,383
Interest rate derivatives							
Swaps	-	-	-	-	-	-	
Repricing gap (interest bearing assets and liabilities)	819,108	(778,664)	441,488	338,277	335,383	482,624	
Cumulative mismatch	819,108	(778,664)	(337,176)	1,101	336,484	819,108	

*Other financial assets consist of interest receivable, sundry debtors and GST receivable.

**Other assets consist of income tax receivable, prepayments and others.

(c) Credit risk

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

The Bank's credit policies focus, amongst other things, on facility terms, serviceability and relevant security. The Bank grants facilities only if it expects that a client will fully meet its payment commitment and the approval of facilities is undertaken by authorised personnel or an appropriate Credit Committee. Once a facility has been granted, the Bank monitors the extent to which the client meets its agreed obligations. In its approval process the Bank uses the Bank's Internal Risk Rating, which reflects the counterparty's probability of default. The credit processes, including compliance with policy, are subject to internal and external audit.

The Bank has a Model Portfolio framework which is established based on approved risk appetite to provide benchmarks for measuring and monitoring the credit and concentration risks. The Model Portfolio parameters are specified in terms of Credit Key Risk Indicators. The actual portfolio is evaluated regularly against the Model Portfolio to ensure the risk profile is at an acceptable level.

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

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

(i) Maximum exposure to credit risk without taking account of any collateral and other credit enhancements

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

	Unaudited as at 30/6/2012 $000
Credit exposures consist of :	
Due from other financial institutions	35,880
Available-for-sale financial assets	344,347
Loans and advances	7,931,181
Due from related entities	317,399
Other financial assets*	8,691
Derivative financial instruments	7,843
Commitment and guarantees	849,366
Total credit exposures	9,494,707

*Other financial assets consist of interest receivable, sundry debtors and GST receivable.

Analysis of credit exposures by industry type of borrowers:	
Agriculture	8,200,677
Forestry and fishery	68,057
Finance and insurance	557,320
Government	346,271
Manufacturing	64,672
Personal and other services	66,356
Property and business services	156,488
Other	34,866
Total credit exposures	9,494,707

Analysis of credit exposure by geographical areas	
New Zealand	9,494,707
Total credit exposures	9,494,707

(ii) Concentration of credit exposures to individual counterparties

	Unaudited 30/6/2012	
	As at	Peak for the quarter
Bank counterparties:		
Percentage of shareholders' equity		
10-15%	-	-
15-20%	-	-
20-25%	-	-
Non-bank counterparties:		
Percentage of shareholders' equity		
10-15%	1	1
15-20%	1	1
20-25%	-	-
25-30%	-	-
30-35%	-	-
35-40%	1	1

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 and excludes credit exposures to Connected Persons; credit exposures to the central government of any country with a long-term credit rating of A- or A3 or above, or its equivalent; and credit exposures to any bank with a long-term credit rating of A- or A3 or above, or its equivalent.

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

(iii) Credit quality per class of financial assets

The credit quality of financial assets is managed by the Bank using internal credit ratings. The table below shows the credit quality by class of asset for all financial assets exposed to credit risk, based on the Bank's internal credit rating system. The amounts presented are gross of impairment provisions.

	As at 30/6/2012 (Unaudited)						
	<-------------Neither past due nor impaired----------->						
	R0-R7	R8-R10	R11-R14	R15-R20	Past due but not impaired	Individually impaired	Total
	$000	$000	$000	$000	$000	$000	$000
Due from other financial institutions	35,880	-	-	-	-	-	35,880
Available-for-sale financial assets	344,347				-	-	344,347
Gross loans and advances (note 6)	86,117	882,696	4,483,249	2,026,552	171,025	409,221	8,058,860
Total	466,344	882,696	4,483,249	2,026,552	171,025	409,221	8,439,087

Credit rating descriptions

R0-R7 Counterparties that are strong to extremely strong in meeting current and future financial commitments of the Bank.
R8-R10 Counterparties that have adequate capacity to meet current and future financial commitments to the Bank.

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

R15-R20 Counterparties that currently have the capacity to meet financial commitments but are vulnerable to adverse business, financial or economic conditions. The higher the rating the more sensitive the counterparty is to adverse changes in business, financial or economic conditions.

17 Capital adequacy under the Basel II standardised approach

(a) Capital

	Unaudited 30/6/2012 $000
Tier one capital	
Issued and fully paid up ordinary share capital	341,200
Perpetual fully paid up non-cumulative preference shares	-
Revenue and similar reserves	351,093
Current period's reviewed retained earnings	46,927
Tier one minority interests	-
Less: deductions from tier one capital (net future tax benefits arising from timing differences)	(39,104)
Plus: other adjustments to tier one capital	-
Total tier one capital	700,116
Tier two capital	
Upper tier two capital	
Term subordinated debt	300,000
Unaudited retained profits	-
Revaluation reserves	(397)
Upper tier two capital instruments	-
Total upper tier two capital	299,603
Lower tier two capital	
Term subordinated debt	-
Others capital elements with original maturity of five years or more	-
Total lower tier two capital	-
Total tier two capital	299,603
Total tier one capital plus tier two capital	999,719
Less: deductions from total capital	-
Plus: other adjustements to total capital	-
Total capital	999,719

The above balances are derived in accordance with the conditions of registration relating to capital adequacy and the Reserve Bank document entitled "Capital Adequacy Framework (Standarised Approach)" (BS2A) dated October 2010.

(b) Credit risk

(i) Calculation of on-balance sheet exposure

As at 30/6/2012 (Unaudited)	Total exposure after credit risk mitigation $000	Risk weight %	Risk weighted exposure $000	Minimum pillar one capital requirement $000
Cash and gold bullion	35,880	0%	-	-
Sovereigns and central banks	344,347	0%	-	-
Multilateral development banks and other international organisations	-	0%	-	-
Public sector entities	-	20%	-	-
Banks	-	20%	-	-
Corporate	-	50%	-	-
Residential mortgages not past due	-	75%	-	-
Past due residential mortgage	-	100%	-	-
Other past due assets	-	100%	-	-
Equity holdings (not deducted from capital) that are publicity traded	-	300%	-	-
All other equity holdings (not deducted from capital)	-	400%	-	-
Other*	5,106	0%	-	-
Other**	317,399	20%	63,480	5,078
Other ***	61,584	50%	30,792	2,463
Other ****	7,702,270	100%	7,702,270	616,182
Other *****	184,501	150%	276,752	22,140
Non risk weighted assets ******	67,529	0%	-	-
Total Assets	8,718,616		8,073,294	645,863

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

** Other assets risk weighted at 20% comprise of related party loans.

*** Other assets that have been risk weighted at 50% comprise of loans and advances related to residential mortgage with LVR of 85%.

**** 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.

***** Other assets that have been risk weighted at 150% comprise of loans and advances classified as more than 90 day past due assets, and impaired assets when the allowance for impairment for the loan is less than 20% of the outstanding amount of the loan.

****** Non-risk weighted assets relate to net deferred tax assets and derivative assets.

(ii) Calculation of off-balance sheet exposure

As at 30/6/2012 (Unaudited)	Total exposure $000	Credit conversion factor %	Credit equivalent amount $000	Average risk weight %	Risk weighted exposure $000	Minimum pillar one capital requirement $000
Direct credit substitutes	16,605	100%	16,605	100%	16,605	1,328
Asset sales with recourse	-	100%	-	0%	-	-
Forward asset purchase	-	100%	-	0%	-	-
Commitments with certain drawdown	61,781	100%	61,781	100%	61,781	4,942
Note issuance facility	-	50%	-	0%	-	-
Revolving underwriting facility	-	50%	-	0%	-	-
Performance-related contingency	-	50%	-	0%	-	-
Trade-related contingency	-	20%	-	0%	-	-
Placements of forward deposits	-	100%	-	0%	-	-
Other commitments where original maturity is more than one year	166,421	50%	83,211	100%	83,211	6,657
Other commitments where original maturity is less than or equal to one year	-	20%	-	100%	-	-
Other commitments which can be cancelled unconditionally at any time without prior notice	604,559	0%	-	100%	-	-
Market related contracts*						
(a) Foreign exchange forwards	8,748	N/A	93	20%	19	2
Foreign exchange forwards	7,824	N/A	174	100%	174	14
(b) Foreign exchange swaps	419	N/A	5	20%	1	-
Foreign exchange swaps	-	N/A	-	100%	-	-
(c) Foreign exchange options	-	N/A	-	20%	-	-
Foreign exchange options	-	N/A	-	100%	-	-
(c) Interest rate swaps	74,273	N/A	340	20%	68	5
Interest rate swaps	74,273	N/A	7,450	100%	7,450	596
Total off-balance sheet exposures	1,014,903		169,659		169,309	13,544

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

(iii) Residential mortgages

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

As at 30/6/2012 (Unaudited)

LVR range	Drawn amounts $000	Undrawn amounts $000	Total $000
Do not exceed 80%	-	-	-
Exceeds 80% and not 90%	61,584	11,143	72,727
Exceeds 90%	-	-	-
Total	61,584	11,143	72,727

Reconciliation of mortgage related amounts As at 30/6/2012 (Unaudited)	$000
Loans and advances - loans with residential mortgages	61,584
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	61,584
Off-balance sheet residential mortgage exposures subject to the standardised approach	11,143
Total residential mortgage exposures subject to the standardised approach (as per LVR analysis)	72,727

(c) Credit risk mitigation

As at 30/6/2012 (Unaudited)	Total value of on- and off- balance sheet exposures covered by eligible collateral $000	Total value of on- and off- balance sheet exposures covered by guarantees or credit derivatives $000
Sovereign or central bank	-	-
Multilateral development bank	-	-
Public sector entities	-	-
Bank	-	-
Corporate	-	-
Residential mortgage	-	-
Other	-	-
Total	-	-

(d) Operational risk

Operational risk capital requirement

As at 30/6/2012 (Unaudited)	Implied risk weighted exposure $000	Total operating risk capital requirement $000
Operational risk	490,652	39,252
Total	490,652	39,252

(e) Market risk period-end capital charges

As at 30/6/2012 (Unaudited)	Implied risk weighted exposure $000	Aggregate capital charges $000
Interest rate risk	193,750	15,500
Foreign currency risk	16,000	1,280
Total	209,750	16,780

The bank does not take any equity risk.

(f) Market risk peak end-of-day capital charges

As at 30/6/2012 (Unaudited)	Implied risk weighted exposure $000	Aggregate capital charges $000
Interest rate risk	253,375	20,270
Foreign currency risk	32,125	2,570
Total	285,500	22,840

The bank does not take any equity risk.

(g) Method for deriving peak end-of-day aggregate capital charge

The above market risk information is derived in accordance with the conditions of registration relating to capital adequacy and the Reserve Bank document entitled "Capital Adequacy Framework" (Standardised Approach) (BS2A) dated October 2010.

(h) Total capital requirements

As at 30/6/2012 (Unaudited)	Total exposure after credit risk mitigation $000	Risk weighted exposure or implied risk weighted exposure $000	Capital requirement $000
Total credit risk	9,733,519	8,242,603	659,407
Operational risk	N/A	490,652	39,252
Market risk	N/A	209,750	16,780
Total	9,733,519	8,943,005	715,439

(i) Capital ratios

	Unaudited	
	30/6/2012	30/6/2011
As at period end	%	%
Tier one capital / risk weighted exposure %	7.83%	7.65%
Capital / risk weighted exposure %	11.18%	11.32%

(j) Solo capital adequacy

	Unaudited	
	30/6/2012	30/6/2011
As at period end	%	%
Tier one capital / risk weighted exposure %	7.83%	7.65%
Capital / risk weighted exposure %	11.18%	11.32%

The above ratios are derived in accordance with the conditions of registration relating to capital adequacy and the Reserve Bank document entitled "Capital Adequacy Framework" (Standardised Approach) (BS2A) dated October 2010.

(k) Pillar 2 capital for other material risks

	Unaudited	
	30/6/2012	30/6/2011
As at period end	$000	$000
Internal capital allocation for other material risks	35,772	32,643

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

i) Reputation Risk: The risk of potential damage to the Bank due to deterioration of reputation.

ii) Transfer Risk: The risk that funds in foreign currencies cannot be transferred out of a country. The risk relates to specific explicit government restrictions or simply depleted foreign exchange funds in the non-industrial countries.

iii) Strategic/Business Risks: The impact on earnings or capital arising from adverse business decisions, improper implementation of decisions, or lack of responsiveness to industry changes.

iv) Human Resources Risk: Lack of availability of appropriately skilled and motivated people to undertake the Bank's activities including health, safety and staff action/disputes.

v) Tax Risk: Risk arising from adverse changes in relevant taxation laws, failure to correctly identify implications of existing taxation laws or breaches of tax laws.

vi) Legal Risk: Risk arising from legal proceedings or failure to legally enforce a contractual arrangement relating to the Bank's activities.

vii) Liquidity risk: Risk of inability to meet current financial obligations due to unplanned lack of liquid funds.

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

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

(l) Capital adequacy of the ultimate parent bank

Capital adequacy of Rabobank Nederland under Basel II (internal models based) approach

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

	2011	2010
As at 31 December (audited)	%	%
Tier one capital expressed as a percentage of total risk weighted exposures	17.00%	15.70%
Qualifying capital* expressed as a percentage of total risk weighted exposures	17.50%	16.30%
De Nederlandsche Bank's minimum ratios :		
Tier one capital expressed as a percentage of total risk weighted exposures	4.00%	4.00%
Qualifying capital* expressed as a percentage of total risk weighted exposures	8.00%	8.00%

Rabobank Group is required by De Nederlandsche Bank (Dutch Central Bank) to hold minimum capital at least equal to that specified under Basel framework and those requirements imposed on it by the Dutch Central Bank have been met as at the reporting date. The Dutch Central Bank has granted Rabobank Group permission to determine the Basel II equity requirements in accordance with the most advanced methods, i.e. the Advanced Internal Ratings Based approach. For this purpose, Rabobank Group has developed its own risk models over the past few years.

* Qualifying capital consists of the sum of core capital (tier one) and supplementary capital (tier two). Tier two capital includes the revaluation reserves, part of the subordinated loans less deductible items specified by the Dutch Central Bank.

18 Concentration of funding of financial liabilities

	Unaudited 6 months to 30/6/2012 $000
Analysis of funding by product:	
Due to other financial institutions	484
Deposits	3,054,334
Due to related entities	4,592,124
Subordinated debt	300,000
Other liabilities	23,272
Total funding	7,970,214
Analysis of funding concentration by geographical areas:	
Australia	160
The Netherlands	396
New Zealand	7,969,407
United Kingdom	21
United States of America	196
All other countries	34
Total funding	7,970,214
Analysis of funding by industry:	
Agriculture	268,013
Finance and insurance	5,063,035
Personal and other services	2,626,551
Other	12,615
Total funding	7,970,214

19 Additional information on statement of financial position

	Unaudited 6 months to 30/6/2012 $000
Total interest earning and discount bearing assets	8,628,650
Total interest and discount bearing liabilities	7,809,411
Financial assets pledged as collateral	-

20 Related party disclosures

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

(a) Transactions with related parties

(1) 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 Nederland in favour of Permanent Trustee Company Limited (the "Trustee") as trustee for the creditors of the Bank (the "First Guarantee"). of each and every obligation on and after 18 February 1998 owing or become owing by the Bank to each creditor during the Term of the Guarantee (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.

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 Nederland 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.

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 Nederland in favour of the creditors of the Bank (the "Third Guarantee").

The Third Guarantee expired on 17 February 2012 and all obligations incurred by the Bank during the Third Period will be covered by the Third Guarantee until those obligations are repaid.

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

(2) A management fee of $16.8 million (2011: $15.4 million) was charged to the Bank by the Australia Branch of Rabobank Nederland for the provision of administrative and management services. Some operating expenses of the Bank are paid and re-charged to the Bank by this related entity.

(3) The Bank enters into a number of transactions with other related entities within the Rabobank Group of entities, but mainly with the Australia and New Zealand Branches of Rabobank Nederland. These include funding, deposits and derivative transactions. The amounts of principal and interest due from and due to the parent and ultimate controlling entity are included in the statement of comprehensive income, statement of financial position and the accompanying notes for those balances.

(b) Terms and conditions of transactions with related parties

Except for the guarantees noted in note 20(a) above, 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 (Interest is not charged on current account of related parties).

(c) Provision for impairment

For the period ended 30 June 2012, the Bank has not made any provision for impairment relating to amounts owed by related parties as the payment history has been excellent. An impairment assessment is undertaken at each period end by examining the financial position of the related party and the market in which the related party operates to determine whether there is objective evidence that a related party receivable is impaired. When such objective evidence exists, the Bank recognises a provision for impairment.

21 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.

22 Dividend

No dividend was proposed or paid by the Bank for the six months period ended 30 June 2012 (2011:Nil).

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Auditor's Independent Review Report

To the Shareholders/Members and Directors of Rabobank New Zealand Limited

We have reviewed pages 1 to 29 of the Disclosure Statement for the six months ended 30 June 2012 of Rabobank New Zealand Limited ("the Bank") which consists of the interim financial statements, required by Clause 25 of the Registered Bank Disclosure Statements (New Zealand Incorporated Registered Banks) Order 2012 (the "Order"), and the supplementary information required by Schedules 3, 5, 7, 9, 13, 16 and 18 of the Order. The interim financial statements comprise the statement of financial position as at 30 June 2012, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the six months then ended, and a statement of accounting policies and other explanatory information for the Bank.

This report is made solely to the Bank's Shareholders/Members and Directors. Our review has been undertaken so that we might state to the Bank's Shareholders/Members and Directors those matters we are required to state to them in an independent auditor's 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 Shareholders/Members and Directors, for our review work, for this report, or for our findings.

Directors' Responsibilities
The Directors of Rabobank New Zealand Limited (the "Directors") are responsible for the Disclosure Statement which includes interim financial statements prepared in accordance with Clause 25 of the Order and that fairly present the financial position of the Bank as at 30 June 2012, and its financial performance and cash flows for the six months ended on that date. The Directors are also responsible for such internal controls as they determine are necessary to enable the preparation of interim financial statements that are free from material misstatement, whether due to fraud or error.

In addition, the Directors are responsible for including supplementary information in the Disclosure Statement which complies with Schedules 3, 5, 7, 9, 13, 16, and 18 of the Order.

Reviewer's Responsibilities
We are responsible for reviewing the interim financial statements and the supplementary information, disclosed in accordance with Clause 25, Schedules 3, 5, 7, 9, 13, 16 and 18 of the Order and presented to us by the Shareholders/Members and Directors.

We are responsible for reviewing the interim financial statements (excluding the supplementary information) in order to report to you whether, in our opinion on the basis of the procedures performed by us, anything has come to our attention that would cause us to believe that the interim financial statements have not been prepared, in all material respects, in accordance with New Zealand Equivalent to International Accounting Standard 34: Interim Financial Reporting ("NZ IAS 34") and do not fairly present the financial position of the Bank as at 30 June 2012 and its financial performance and cash flows for the six months ended on that date.

We are responsible for reviewing the supplementary information (excluding the supplementary information relating to capital adequacy) in order to report to you whether, in our opinion on the basis of procedures performed by us, anything has come to our attention that would cause us to believe that the supplementary information does not fairly state the matters to which it relates in accordance with Schedules 3, 5, 7, 13, 16 and 18 of the Order.

We are responsible for the reviewing the supplementary information relating to capital adequacy in order to report to you whether, in our opinion on the basis of procedures performed by us, anything has come to our attention that would cause us to believe that the supplementary information relating to capital adequacy is not in all material respects:

a) prepared in accordance with the Bank's Conditions of Registration; and

b) disclosed in accordance with Schedule 9 of the Order.

ERNST & YOUNG

Basis of Review Opinion

A review is limited primarily to enquiries of the Bank's personnel and analytical review procedures applied to financial data, and thus provides less assurance than an audit. We have not performed an audit on the interim financial statements and, accordingly, we do not express an audit opinion.

We have reviewed the interim financial statements, and the supplementary information required by Schedules 3, 5, 7, 9, 13, 16 and 18 of the Order, of the Bank for the six months ended 30 June 2012 in accordance with the Review Engagement Standards issued by the New Zealand Institute of Chartered Accountants. These standards require that we plan and perform the review to obtain moderate assurance as to whether the interim financial statements are free of material misstatement whether caused by fraud or error. We also evaluated the overall adequacy of the presentation of information in the interim financial statements.

Ernst & Young provides regulatory audit and other assurance related services to the Bank. We have no other relationship with, or interest in, the Bank.

Partners and employees of our firm deal with the Bank on normal terms within the ordinary course of trading activities of the business of the Bank. These matters have not impaired our independence as auditors of the Bank.

Statement of Review Findings

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

- the interim financial statements on pages 7 to 29 (excluding the supplementary information), which have been prepared in all material respects in accordance with NZ IAS 34, do not fairly present the financial position of the Bank as at 30 June 2012 and its financial performance and cash flows for the six month period ended on that date;
- the supplementary information (excluding supplementary information relating to capital adequacy) prescribed by Schedules 3, 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
- the supplementary information relating to capital adequacy prescribed in Schedule 9 of the Order, is not, in all material respects:
    - prepared in accordance with the Bank's Conditions of Registration; and
    - disclosed in accordance with Schedule 9 of the Order.

Our review was completed on 24 August 2012 and our findings are expressed as at that date.

Ernst & Young

Ernst & Young
24 August 2012
Sydney

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6671 / AUG 2012

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