Rabobank

General Disclosure Statement

For the six months ended 30 June 2010

Rabobank New Zealand Limited

Contents

General Disclosures	1-12
Directors' Statement	13
Financial Statements Contents	14
Financial Statements	15-84
Auditor's Review Report	85-86

This page has been left blank intentionally

General information and definitions

The information contained in this General Disclosure Statement is as required by section 81 of the Reserve Bank of New Zealand Act 1989 and the Registered Bank Disclosure Statement (Full and Half Year – New Zealand Incorporated Registered Banks) Order 2008 ("Order").

In this General Disclosure Statement, reference is made to:

- Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A. (referred to as "Rabobank Nederland").
- Rabobank New Zealand Limited (referred to as the "Registered Bank").
- the Registered Bank and its subsidiary Rabo Securities and Investments (NZ) Limited (referred to jointly as the "Banking Group").

Rabo Securities and Investments (NZ) Limited is a special purpose entity which is 100% owned by the Registered Bank and is incorporated and domiciled in New Zealand. Rabo Securities and Investments (NZ) Limited is not guaranteed by either the Registered Bank or Rabobank Nederland. Pursuant to the conditions of registration for the Registered Bank, a guarantee is not required as Rabo Securities and Investments (NZ) Limited has no creditors.

The financial information is disclosed for the periods ended 30 June 2010 and 30 June 2009 and has been reviewed by the external auditors.

All amounts referred to in this General Disclosure Statement are in New Zealand dollars unless otherwise stated.

General matters

The address for service of the Registered Bank (Rabobank New Zealand Limited) is Level 12, 80 The Terrace, Wellington, New Zealand.

Ultimate parent bank

The Registered Bank's ultimate parent bank is Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A. (Rabobank Nederland). Rabobank Nederland's New Zealand address for service is Level 12, 80 The Terrace, Wellington, New Zealand.

Summary of regulations

There are no known regulations, legislation or other restrictions of a legally enforceable nature which may materially inhibit the legal ability of Rabobank Nederland to provide material financial support to the Registered Bank.

Interests in 5% or more of voting securities of registered bank

The Registered Bank is 100% owned by Rabobank International Holding B.V., which in turn is 100% owned by Rabobank Nederland. Therefore, Rabobank Nederland has the ability to indirectly appoint 100% of the board of directors of the Registered Bank.

Directors

The directors of the Registered Bank and their details at the time this General Disclosure Statement was signed were:

Name:	William Patrick Gurry	External Directorships:
Occupation(s):	Director (Chairman)	• Bristen Pty Ltd (Chr)
Qualifications:	Bachelor of Law	• Cheviot Bridge Ltd (Chr)
Country of Residence:	Australia	• Financial Markets Foundation for Children
Type of Director:	Independent Non-Executive Director	• Rabo Australia Ltd
		• Rabobank Australia Ltd
Name:	Erich Fraunschiel	External Directorships:
Occupation(s):	Director	• Corona Capital Management Pty Ltd
Qualifications:	Bachelor of Commerce (Hons)	• Rabo Australia Ltd
Country of Residence:	Australia	• Rabobank Australia Ltd
Type of Director:	Independent Non-Executive Director	• The WCM Group Limited
		• The Western Australian Opera Company
		• Wesfarmers Insurance Pty Ltd
		• Wesfarmers General Insurance limited
		• Woodside Petroleum Ltd
		• Worley Parsons Ltd
Name:	David Welsford Smithers	External Directorships:
Occupation(s):	Director	• Carbrook Investments Pty Ltd (Member & Director)
Qualifications:	Fellow of the Institute of Chartered Accountants, Australia	• Country Education Foundation Ltd (Honorary)
		• Honey & Nut Management Pty Ltd
Country of Residence:	Australia	• International Energy Services Pty Ltd (Member & Director)
Type of director:	Independent Non-Executive Director	• James N Kirby Foundation Pty Ltd (Honorary)
		• Lumime Pty Ltd
		• Pineleaf Pty Ltd (Member & Director)
		• Rabo Australia Ltd
		• Rabobank Australia Ltd
		• Sydney IVF Ltd (Member & Director)
		• Sydney Symphony Ltd (Honorary)
		• Sydney Symphony Orchestra Holdings Pty Ltd (Honorary)
Name:	John Leonard Palmer	External Directorships:
Occupation(s):	Director	• Air New Zealand Ltd (Chr)
Qualifications:	Bachelor of Agricultural Science	• AMP Ltd
Country of Residence:	New Zealand	• AMP Life Ltd
Type of director:	Independent Non-Executive Director	• Fruit Logistics (Nelson) Ltd (Chr)
		• Rabo Australia Ltd
		• Rabobank Australia Ltd
		• Saxton Fruit Ltd
		• Solid Energy Ltd (Chr)
		• Washbourn Investments Ltd (Member)

Name:	Theodorus Henny Lambertus Johannes Maria Gieskes	External Directorships:
Occupation(s):	Banker	• De Lage Landen Pty Limited
Qualifications:	Bachelor's Degree in Macro Economics, Master's Degree in Development Economics	• GrainCorp Pools Pty Limited • Lautrec (MR) Pty Limited • Platypus Finance Pty Limited
Country of Residence:	Australia	• Rabobank Australia Limited
Type of director:	Non-Independent Executive Director	• Rabo Australia Limited • Rabo Corporate Finance & Securities Pty Limited • Rabo Equipment Finance Limited • Rabo Securities & Investments (NZ) Limited • Rabo New Zealand Holdings Limited • Soft Commodity Trading Pty Limited • Neo Investments Limited

The address to which any documents or communication may be sent to any director is Rabobank New Zealand Limited, Level 12, AXA House, 80 The Terrace, Wellington, New Zealand. The documents or communication should be marked for the attention of the director.

Signing of the directors' statement to the general disclosure statement

Benjamin Russell, General Manager New Zealand, has signed this General Disclosure Statement on behalf of the following directors:

- William Patrick Gurry (Chairman)
- Erich Fraunschiel
- David Welsford Smithers
- John Leonard Palmer
- Theodorus Henny Lambertus Johannes Maria Gieskes

Director related transactions

There are no related party transactions that are not at arm's length or which could otherwise be reasonably likely to influence materially the exercise of the directors' duties.

Board audit committee composition

The Registered Bank does not have its own board audit committee. However, there is a Board Risk, Audit and Compliance Committee for the Rabobank Group in Australia and New Zealand (which includes the Registered Bank). It is comprised of 4 members, all of whom are independent directors of the Registered Bank.

Conflict of interest policy

The Registered Bank has specific provisions in its constitution relating to director conflicts of interest. These provisions mirror the provisions contained in the Companies Act 1993.

Auditors for the Registered Bank

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

Historical summary of financial statements for the Banking Group

	NZ IFRS 6 months ended 30-June 2010 $m	NZ IFRS 12 months ended 31-Dec 2009 $m	NZ IFRS 12 months ended 31-Dec 2008 $m	NZ IFRS 12 months ended 31-Dec 2007 $m	NZIFRS 12 months ended 31-Dec 2006 $m	NZ IFRS 12 months ended 31-Dec 2005 $m
Statement of Comprehensive Income						
Interest income	237.32	484.96	495.00	431.86	372.90	306.19
Interest expense	(143.65)	(304.03)	(367.38)	(332.45)	(271.61)	(201.73)
Net interest income	93.67	180.93	127.61	99.41	101.29	104.46
Other revenue	1.17	1.85	1.76	1.24	0.86	2.28
Other operating gain / (loss)	0.37	(0.08)	0.01	(0.90)	(18.25)	(25.40)
Total non-interest income	1.54	1.77	1.77	0.34	(17.39)	(23.12)
Total net operating income	95.21	182.70	129.38	99.75	83.90	81.34
Operating expenses	(35.57)	(71.29)	(64.74)	(62.06)	(58.36)	(51.55)
Charge for provision for risk	-	(17.64)	-	(1.90)	(3.11)	-
Impairment losses on loans and advances	(35.05)	(80.93)	(23.09)	(2.44)	(0.01)	(1.70)
Profit before income tax	24.59	12.84	41.55	33.35	22.42	28.09
Income tax expense	(7.39)	(4.35)	(12.91)	(11.73)	(7.41)	(8.76)
Profit after income tax	17.20	8.49	28.64	21.62	15.01	19.33
Statement of Financial Position						
Total assets	7,375.81	6,936.10	6,015.50	4,945.19	4,806.11	4,141.03
Total impaired assets	377.75	298.35	134.81	3.18	6.17	0.64
Total liabilities	7,092.15	6,669.64	5,757.53	4,715.86	4,598.40	3,948.33
Total equity	283.66	266.46	257.96	229.32	207.71	192.70

The amounts disclosed above are obtained from audited financial statements except for the six months to 30 June 2010 which have been reviewed by the auditors.

Credit ratings

The Registered 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. There have not been any changes made to the rating in the two years preceding 30 June 2010.

Rating Agency	Current Credit Rating
Standard & Poor's	AAA

Supplementary disclosure statement

Copies of the Registered Bank's most recent General Disclosure Statement and Supplemental Disclosure Statement will be provided immediately at no charge to any person requesting them at the Registered Bank's head office, or within five working days if the request is made at any branch or agency of the Registered Bank. It is also available at the internet address *www.rabobank.co.nz*.

Guarantee arrangements

Material obligations of the Registered Bank are guaranteed as at the date its directors signed this General Disclosure Statement. The guarantees are by Rabobank Nederland and also under the New Zealand deposit guarantee scheme. Details of the guarantees are set out in this section.

Details of guarantor

Rabobank Nederland

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

Rabobank Nederland
Level 12
80 The Terrace
Wellington
New Zealand

Rabobank Nederland is not part of the Banking Group.

The guarantor – Rabobank Nederland

As at 31 December	2009 €m	2008 €m
Qualifying Capital*	32,831	30,912
Qualifying Capital*/RWA (%)	14.10%	13.00%

**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 De Nederlandsche Bank.*

Rabobank Nederland has the following credit ratings with respect to its long term senior unsecured obligations payable in any country or currency, including obligations payable in New Zealand, in New Zealand dollars. There have not been any changes made to the ratings in the two years preceding 30 June 2010.

Rating Agency	Current Credit Rating
Standard & Poor's	AAA
Moody's	Aaa
Fitch	AA+

Descriptions of the credit rating scales are included on page 7.

Details of guaranteed obligations

Rabobank Nederland

18 February 1998 to 17 February 2008

For the period 18 February 1998 to 17 February 2008 ("the First Period"), the obligations of the Registered 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 Registered Bank (the "First Guarantee").

Whilst the First Guarantee expired on 17 February 2008 all obligations incurred by the Registered 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 Registered Bank were guaranteed pursuant to a deed of guarantee dated 6 February 2008 by Rabobank Nederland in favour of the creditors of the Registered Bank (the "Second Guarantee").

Whilst the Second Guarantee expired on 17 February 2010 all obligations incurred by the Registered 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 Current Period"), the obligations of the Registered Bank are guaranteed pursuant to a deed of guarantee dated 1 September 2009 by Rabobank Nederland in favour of the creditors of the Registered Bank (the "Current Guarantee").

The Current Guarantee will expire on 17 February 2012 and all obligations incurred by the Registered 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 Registered Bank on the assets of the guarantor, to other claims on the guarantor, in a winding up of that guarantor.

Details of government guarantors

Her Majesty the Queen in right of New Zealand (the "Crown") has provided a government guarantee in relation to the Registered Bank. The Crown's address for service is:

The Treasury
1 The Terrace
Wellington
New Zealand

Further information about the New Zealand deposit guarantee scheme can be obtained from the internet site maintained by the Treasury at *www.treasury.govt.nz*.

The most recent audited financial statements of the Crown can be obtained from the internet site maintained by the Treasury.

The Crown's issuer credit ratings in respect of its long term obligations payable in New Zealand dollars are as follows:

Domestic Currency

Rating Agency	Current Credit Rating
Standard & Poor's	AAA
Moody's	Aaa
Fitch	AAA

Foreign Currency

Rating Agency	Current Credit Rating
Standard & Poor's	AA+
Moody's	Aaa
Fitch	AA+

Descriptions of the credit ratings scales are as follows:

	Standard & Poor's	Moody's	Fitch IBCA
Ability to repay principal and interest is extremely strong. This is the highest investment category.	AAA	Aaa	AAA
Very strong ability to repay principal and interest.	AA	Aa	AA
Strong ability to repay principal and interest although somewhat susceptible to adverse changes in economic, business or financial conditions.	A	A	A
Adequate ability to repay principal and interest. More vulnerable to adverse changes.	BBB	Baa	BBB
Significant uncertainties exist which could affect the payment of principal and interest on a timely basis.	BB	Ba	BB
Greater vulnerability and therefore greater likelihood of default.	B	B	B
Likelihood of default now considered high. Timely repayment of principal and interest is dependent on favorable financial conditions.	CCC	Caa	CCC
Highest risk of default.	CC	Ca to C	CC
Obligations currently in default.	D	-	C

Moody's Investors Service apply numeric modifiers 1 (higher end), 2 or 3 (lower end) to ratings from Aa to B to show relative standing within major categories. Credit ratings by Fitch Ratings and Standard & Poor's may be modified by the addition of a plus (higher end) or minus (lower end) sign.

Details of obligations guaranteed by government guarantors

In general terms, the obligations guaranteed by the Crown are all deposits made with the Registered Bank except deposits by any related party of the Registered Bank and any financial institution.

There are limits on the amount of the obligations guaranteed. The main limit is that the maximum liability of the Crown to a depositor is NZD1,000,000.

There are no material conditions applicable to the Crown guarantee other than non-performance by the Registered Bank. The main conditions are that the Crown is not obliged to make payment unless and until the Crown:

- Receives a notice of claim in a form to be determined by the Crown; and
- Is satisfied as to the amount of the deposit.

The Crown guarantee expires at 12.01 am on 12 October 2010. The Crown guarantee may be withdrawn by the Crown in certain circumstances. The Registered Bank does not have an option to roll over or renew the guarantee.

Where the Registered Bank fails to comply with:

(i) certain information requests from the Crown;

(ii) any prudential supervision direction, notice or requirement under the Reserve Bank Act or otherwise; or

(iii) the terms of any trust deed for debt securities by the Registered Bank,

and the appropriate notice has been given by the Crown pursuant to the Crown guarantee, the Crown may withdraw the Crown guarantee.

The Crown guarantee does not cover indebtedness which arises following the date of a withdrawal (other than interest accruing on indebtedness existing at the date of withdrawal).

Availability of guarantee contracts

Copies of the Registered Bank's guarantee contracts are included in its most recent Supplemental Disclosure Statement. The Registered Bank's most recent Supplemental Disclosure Statement is available immediately, if the request is made at the Registered Bank's head office, or within five working days if a request is made at any branch or agency of the Registered Bank. Alternatively, it can also be accessed at the Registered Bank's internet address *www.rabobank.co.nz*.

Material cross guarantee

There are no material cross guarantees.

Pending proceedings or arbitration

The New Zealand Inland Revenue Department has issued Notices of Proposed Adjustments with respect to a conduit type transaction entered into by the Registered Bank and its subsidiary Rabo Securities and Investments (NZ) Limited. Further details of those proceedings are set out in note 29 to the financial statements included in this General Disclosure Statement.

Insurance business

The Banking Group does not conduct any insurance business.

Risk management policies

Rabobank in Australia and New Zealand has an integrated risk management framework, driven from Board level down to operational levels, covering all aspects of risk, most notably credit, market, and operational risk but also currency, interest rate and liquidity risk. The Board approves Rabobank Australia and New Zealand's Risk Management System Description ('RMSD'), taking into account the Group's risk appetite, overall business strategy and management expertise in each business unit.

Operational and other risks are closely reviewed by the Balance Sheet Risk Management Committee ('BRMC'). Management evaluates which controls and measures that need to be implemented to either reduce the likelihood of an incident occurring or reduce the potential damage arising from that incident. These controls also include measures to ensure that staff adhere to management's directives, policies, procedures and guidelines. Management use all opportunities to ensure that all controls are embedded in the Banking Group's system and corporate culture.

The Banking Group does not take any equity risk.

For policies on liquidity risk, market risk and credit risk, refer to note 32 in the financial statements.

Risk management review

The approach to risk management, as described in the RMSD, is reviewed on an annual basis. Aspects of the risk management policies, procedures and implementation are reviewed as part of the annual review cycle by the Rabobank Group's Internal Audit department.

Internal audit function

Rabobank in Australia and New Zealand (which includes the Registered Bank) has an established Internal Audit department. The Head of Internal Audit has reporting lines to Audit Rabobank Group (Head Office), the Chief Executive Officer of Rabobank Australia and New Zealand and the local Board Risk, Audit and Compliance Committee ('BRACC').

A Rabobank International Internal Audit charter sets out the terms of reference for the roles and responsibilities of the function. Internal Audit is responsible for providing management independent, objective and reasonable assurance with regard to them being in control of the activities and operations within their respective areas of responsibility.

An audit plan, covering all auditable areas, is developed annually as part of the global Internal Audit planning process and is formally tabled at the BRACC. The Internal Audit department undertakes its tasks using a risk based approach. Accordingly, greater emphasis is placed on those areas assessed as having a higher risk profile.

The BRACC has responsibilities in relation to the whole of Rabobank in Australia and New Zealand. Its current members are independent directors of the Registered Bank. The BRACC meets at least 3 times per annum to review the progress made by Internal Audit in accordance with the audit plan and considers the findings arising from the work conducted.

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.

Except as set out below, the Banking Group has no involvement in trust, custodial, funds management, or other fiduciary activities established, marketed or sponsored by a member of the Banking Group.

On 14 February 2006 Rabobank New Zealand Limited launched "RaboPlus", an online banking and investment service offering access to third party managed funds. On 15 August 2010 RaboPlus was re-named "RaboDirect". RaboDirect distributes managed fund investments to New Zealand residents. Distribution agreements are in place with selected unrelated fund managers and, on the basis of those agreements and with the exception of the Cash Advantage Fund, RaboDirect is entitled to distribution fees from the fund managers and entry fees from investors.

Rabobank New Zealand Limited and its directors are promoters of a managed fund known as the "Cash Advantage Fund". AMP Capital Investors (New Zealand) Limited and its directors are also promoters of the Cash Advantage Fund and AMP Investment Management (NZ) is the Cash Advantage Fund's manager. All amounts invested in the Cash Advantage Fund are held in an interest-bearing deposit account with the Overseas Bank. The Cash Advantage Fund is offered through RaboDirect and other distribution channels and was opened to investments from the public on 27 November 2007.

Arrangements are in place to ensure that difficulties arising from RaboDirect and the Cash Advantage Fund would not impact on the Rabobank Nederland New Zealand Banking Group. The main arrangements are that no investment advice is provided to clients through RaboDirect, Rabobank New Zealand Limited purchases the managed fund investments and holds them as nominee on behalf of clients and the Bank maintains comprehensive internal controls and obtains external professional advice in relation to the Cash Advantage Fund.

Those managed fund investments amounted to $ 334.69 million as at 30 June 2010 ($318.45 million as at 30 June 2009).

Other material matters

There have been no matters relating to the business or affairs of the Registered Bank and the Banking Group that:

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

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

Auditor's review report

The General Disclosure Statement has been reviewed by external auditors Ernst & Young. The statement of the nature and scope of the review is included in the attached auditor's review report.

Conditions of registration

Rabobank New Zealand Limited conditions of Registration as from 15 October 2008

The conditions of registration of the Registered Bank as a registered bank state:

1. That the banking group complies with the following requirements:

   (a) the total capital ratio of the banking group is not less than 8 percent;

   (b) the tier one capital ratio of the banking group is not less than 4 percent; and

   (c) the capital of the banking group is not less than NZ $30 million.

For the purposes of this condition of registration, capital, the total capital ratio and the tier one capital ratio must be calculated in accordance with the Reserve Bank of New Zealand document entitled "Capital Adequacy Framework (Standardised Approach)" (BS2A) dated November 2007.

1A. That-

   (a) the bank has an internal capital adequacy assessment process ("ICAAP") that accords with the requirements set out in the document "Guidelines on a Bank's Internal Capital Adequacy Process ("ICAAP")" (BS12) dated December 2007;

(b) under its ICAAP, the bank identifies and measures its "other material risks" defined as all material risks of the banking group that are not explicitly captured in the calculation of tier one and total capital ratios under the requirements set out in the document "Capital Adequacy Framework (Standardised Approach)" (BS2A) dated November 2007; and

(c) the bank determines an internal capital allocation for each identified and measured "other material risk".

2. That the banking group does not conduct any non-financial activities that in aggregate are material relative to its total activities, where the term material is based on generally accepted accounting practice, as defined in the Financial Reporting Act 1993.

3. That the banking group's insurance business is not greater than 1% of its total consolidated assets. For the purposes of this condition:

(i) Insurance business means any business of the nature referred to in section 4 of the Insurance Companies (Ratings and Inspections) Act 1994 (including those to which the Act is disapplied by sections 4(1)(a) and (b) and 9 of that Act), or any business of the nature referred to in section 3(1) of the Life Insurance Act 1908;

(ii) In measuring the size of the banking group's insurance business:

(a) where insurance business is conducted by any entity whose business predominantly consists of insurance business, the size of that insurance business shall be:

- the total consolidated assets of the group headed by that entity;
- or if the entity is a subsidiary of another entity whose business predominantly consists of insurance business, the total consolidated assets of the group headed by the latter entity;

(b) otherwise, the size of each insurance business conducted by any entity within the banking group shall equal the total liabilities relating to that insurance business, plus the equity retained by the entity to meet the solvency or financial soundness needs of the insurance business;

(c) the amounts measured in relation to parts (a) and (b) shall be summed and compared to the total consolidated assets of the banking group. All amounts in parts (a) and (b) shall relate to on balance sheet items only, and shall be determined in accordance with generally accepted accounting practice, as defined in the Financial Reporting Act 1993;

(d) where products or assets of which an insurance business is comprised also contain a non-insurance component, the whole of such products or assets shall be considered part of the insurance business.

4. That no appointment of any director, chief executive officer, or executive who reports or is accountable directly to the chief executive officer, shall be made in respect of the bank unless:

(i) the Reserve Bank has been supplied with a copy of the curriculum vitae of the proposed appointee; and

(ii) the Reserve Bank has advised that it has no objection to that appointment.

5. That a substantial proportion of the bank's business is conducted in and from New Zealand.

6. That Rabobank Nederland, explicitly, unconditionally and irrevocably guarantees the obligations of Rabobank New Zealand Limited in terms of the guarantee dated 6 February 2008.

7. That the obligations of any subsidiaries of Rabobank New Zealand Limited that have any creditors other than members of the Rabobank Nederland group must be explicitly, unconditionally and irrevocably guaranteed by Rabobank Nederland or Rabobank New Zealand Limited.

8. That every quarterly disclosure statement of Rabobank New Zealand Limited will contain a statement listing all subsidiaries of Rabobank New Zealand Limited. That statement will identify which subsidiaries are guaranteed by Rabobank Nederland or Rabobank New Zealand Limited, and which subsidiaries are not guaranteed.

9. That every quarterly disclosure statement of Rabobank New Zealand Limited will, if there are any guaranteed subsidiaries of Rabobank New Zealand Limited, state that copies of the guarantee are available on request.
10. That every quarterly disclosure statement of Rabobank New Zealand Limited will state that, because Rabobank New Zealand Limited's obligations are fully, irrevocably, and unconditionally guaranteed by a parent entity with a AAA credit rating from a Reserve Bank approved rating agency, Rabobank New Zealand Limited is not subject to the following conditions of registration that would normally apply to New Zealand incorporated registered banks:
    - The condition of registration limiting exposures to connected persons.
    - The condition of registration requiring that the bank have at least two independent directors on its board.
    - The condition of registration requiring that the chairperson of the bank's board not be an employee of the registered bank.
    - The condition of registration requiring that the bank's constitution does not include any provision permitting a director, when exercising powers or performing duties as a director, to act other than in what he or she believes is the best interests of the company (i.e. the bank).
11. That the Reserve Bank of New Zealand is to be given at least six months notice (or such shorter period as the Reserve Bank of New Zealand may agree to) if Rabobank Nederland or Rabobank New Zealand Limited intends to withdraw or alter the guarantees referred to in these conditions of registration.
12. That exposures to connected persons are not on more favourable terms (e.g. as relates to such matters as credit assessment, tenor, interest rates, amortisation schedules and requirement for collateral) than corresponding exposures to non-connected persons.

For the purposes of these conditions of registration, the term "banking group" means Rabobank New Zealand Limited financial reporting group (as defined in Section 2(1) of the Financial Reporting Act 1993).

Normal conditions of registration that do not apply

The Registered Bank is not subject to the following conditions of registration that would normally apply to New Zealand incorporated registered banks because its obligations are fully, irrevocably and unconditionally guaranteed by the parent entity with a AAA credit rating from a Reserve Bank approved rating agency:

- The condition of registration limiting exposures to connected persons;
- The condition of registration requiring the bank to have at least two independent directors on its board;
- The condition of registration requiring that the chairperson of the bank's board not be an employee of the registered bank; and
- The condition of registration requiring the bank's constitution not to include any provision permitting a director, when exercising powers or performing duties as a director, to act other than in what he or she believes is the best interests of the bank.

No changes to conditions of registration

There has been no change to the Conditions of Registration since the signing of the previous General Disclosure Statement.

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 Statement (Full and Half-Year – New Zealand Incorporated Registered Banks) Order 2008; and
- The Disclosure Statement is not false or misleading; and

(ii) over the half year accounting period:

- the Registered Bank has complied with the Conditions of Registration;
- Credit Exposures to Connected Persons (if any) were not contrary to the interests of the Banking Group; and
- the Registered 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.

Signed by Benjamin Russell, General Manager New Zealand, under an authority from each of the directors.

Ben Russell

……………………………………..

Benjamin Russell
Dated: 17 September 2010

Financial Statements

Contents

Statement of Comprehensive Income	**15**
Statement of Financial Position	**16**
Statement of Changes in Equity	**17**
Statement of Cash Flows	**18**
Notes to the Financial Statements	**19-84**

Statement of Comprehensive Income

		Banking Group			Bank		
	Note	30 June 2010 $000	30 June 2009 $000	31 December 2009 $000	30 June 2010 $000	30 June 2009 $000	31 December 2009 $000
Interest income	4	237,321	240,538	484,954	237,321	240,538	484,954
Interest expense	5	(143,655)	(154,826)	(304,028)	(143,655)	(154,826)	(304,028)
Net interest income		93,666	85,712	180,926	93,666	85,712	180,926
Other revenue	6	1,172	2,197	1,849	1,172	2,197	1,849
Other operating gains / (losses)	7	373	(2)	(76)	373	(2)	(76)
Total non-interest income		1,545	2,195	1,773	1,545	2,195	1,773
Total net operating income		95,211	87,907	182,699	95,211	87,907	182,699
Operating expenses	8	(35,572)	(33,143)	(71,288)	(35,572)	(33,143)	(71,288)
Charge for provision for risk	25	-	(2,788)	(17,638)	-	(2,788)	(17,638)
Impairment losses on loans and advances	9	(35,052)	(37,357)	(80,930)	(35,052)	(37,357)	(80,930)
Profit before income tax		24,587	14,619	12,843	24,587	14,619	12,843
Income tax expense	11	(7,384)	(4,395)	(4,348)	(7,384)	(4,395)	(4,348)
Profit after income tax		17,203	10,224	8,495	17,203	10,224	8,495
Other comprehensive income after tax		-	-	-	-	-	-
Total comprehensive income after tax		17,203	10,224	8,495	17,203	10,224	8,495
Attributable to:							
Members of the Banking Group		17,203	10,224	8,495	17,203	10,224	8,495
		17,203	10,224	8,495	17,203	10,224	8,495

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

Statement of Financial Position

		Banking Group			Bank		
	Note	30 June 2010 $000	30 June 2009 $000	31 December 2009 $000	30 June 2010 $000	30 June 2009 $000	31 December 2009 $000
Assets							
Due from other financial institutions	12	2,657	6,435	2,301	2,657	6,435	2,301
Derivative financial instruments	13	3,502	5,753	2,551	3,502	5,753	2,551
Loans and advances	14	6,776,310	6,316,891	6,557,156	6,776,310	6,316,891	6,557,156
Due from related entities	16	514,735	199,825	309,950	514,735	199,825	309,950
Other assets	17	18,571	23,754	18,055	17,269	22,452	16,753
Net deferred tax assets	11(c)	57,681	26,093	43,291	57,681	26,093	43,291
Investment in controlled entity	18	-	-	-	-	-	-
Property, plant and equipment	19	2,351	3,219	2,792	2,351	3,219	2,792
Intangible assets	20	-	3	-	-	3	-
Total assets		7,375,807	6,581,973	6,936,096	7,374,505	6,580,671	6,934,794
Liabilities							
Due to other financial institutions	21	143	411	367	143	411	367
Deposits	22	2,210,018	2,358,137	2,094,117	2,210,018	2,358,137	2,094,117
Derivative financial instruments	13	4,165	5,606	2,469	4,165	5,606	2,469
Due to related entities	23	4,839,692	3,925,651	4,535,801	4,838,390	3,924,349	4,534,499
Creditors and accruals	24	12,008	12,861	10,903	12,008	12,861	10,903
Provisions	25	26,122	11,122	25,983	26,122	11,122	25,983
Total liabilities		7,092,148	6,313,788	6,669,640	7,090,846	6,312,486	6,668,338
Net assets		283,659	268,185	266,456	283,659	268,185	266,456
Equity							
Contributed equity	27	41,200	41,200	41,200	41,200	41,200	41,200
Retained earnings	28	242,459	226,985	225,256	242,459	226,985	225,256
Total equity		283,659	268,185	266,456	283,659	268,185	266,456

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

Statement of Changes in Equity

	Banking Group			
	Contributed equity	Retained earnings	Reserves	Total
	$000	$000	$000	$000
Total equity at 1 January 2009	41,200	216,761	-	257,961
Six months ended 30 June 2009				
Total comprehensive income after tax	-	10,224	-	10,224
Total equity at 30 June 2009	41,200	226,985	-	268,185
Year ended 31 December 2009				
Total comprehensive income after tax	-	8,495	-	8,495
Total equity at 31 December 2009	41,200	225,256	-	266,456
Six months ended 30 June 2010				
Total comprehensive income after tax	-	17,203	-	17,203
Total equity at 30 June 2010	41,200	242,459	-	283,659

	Bank			
	Contributed equity	Retained earnings	Reserves	Total
	$000	$000	$000	$000
Total equity at 1 January 2009	41,200	216,761	-	257,961
Six months ended 30 June 2009				
Total comprehensive income after tax	-	10,224	-	10,224
Total equity at 30 June 2009	41,200	226,985	-	268,185
Year ended 31 December 2009				
Total comprehensive income after tax	-	8,495	-	8,495
Total equity at 31 December 2009	41,200	225,256	-	266,456
Six months ended 30 June 2010				
Total comprehensive income after tax	-	17,203	-	17,203
Total equity at 30 June 2010	41,200	242,459	-	283,659

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

Statement of Cash Flows

	Note	Banking Group			Bank		
		30 June 2010 $000	30 June 2009 $000	31 December 2009 $000	30 June 2010 $000	30 June 2009 $000	31 December 2009 $000
Cash flows from operating activities							
Cash was provided from:							
Interest income - related entities		7,397	4,355	9,414	7,397	4,355	9,414
Interest income - non-related entities		228,854	241,079	476,392	228,854	241,079	476,392
Other income		1,548	1,878	1,408	1,548	1,878	1,408
Receipts for derivative financial instruments*		378	-	-	378	-	-
Bad debt recovery		-	-	45	-	-	45
Cash was applied to:							
Interest expense - related entities		(108,622)	(99,079)	(203,415)	(108,622)	(99,079)	(203,415)
Interest expense - non-related entities		(32,884)	(59,568)	(100,755)	(32,884)	(59,568)	(100,755)
Payments for derivative financial instruments*		-	(169)	(231)	-	(169)	(231)
Operating expenses		(19,375)	(20,965)	(39,086)	(19,375)	(20,965)	(39,086)
Tax payments		(23,523)	(18,600)	(29,367)	(23,523)	(18,600)	(29,367)
(Increase) / decrease in operating assets:							
Loans and advances		(254,206)	(588,403)	(872,284)	(254,206)	(588,403)	(872,284)
Due from related entities		(202,890)	(13,921)	(123,071)	(202,890)	(13,921)	(123,071)
Increase / (decrease) in operating liabilities:							
Deposits		116,573	(194,996)	(458,930)	116,573	(194,996)	(458,930)
Due to related entities		287,257	740,592	1,328,142	287,257	740,592	1,328,142
Net cash flow (used in) /provided by operating activities	31	507	(7,797)	(11,738)	507	(7,797)	(11,738)
Cash flows from investing activities							
Cash was provided from:							
Sale of property, plant & equipment		73	70	33	73	70	33
Cash was applied to:							
Purchase of property, plant & equipment		-	(221)	(333)	-	(221)	(333)
Net cash flow (used in) / provided by investing activities		73	(151)	(300)	73	(151)	(300)
Cash flows from financing activities							
Net cash flow provided by / (used in) financing activities		-	-	-	-	-	-
Net (decrease) / increase in cash and cash equivalents for the period / year		580	(7,948)	(12,038)	580	(7,948)	(12,038)
Cash and cash equivalents at the beginning of the period / year		1,934	13,972	13,972	1,934	13,972	13,972
Cash and cash equivalents at the end of the period / year		2,514	6,024	1,934	2,514	6,024	1,934
Cash and cash equivalents at the end of the period / year comprise:							
Cash at other financial institutions	12	2,657	6,435	2,301	2,657	6,435	2,301
Bank overdraft	21	(143)	(411)	(367)	(143)	(411)	(367)
Cash and cash equivalents at the end of the period / year		2,514	6,024	1,934	2,514	6,024	1,934

* Transactions are settled on a net basis and exclude accrued interest on interest rate swaps.

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

1 Reporting entity

Rabobank New Zealand Limited (the "Bank") is a limited liability company incorporated and domiciled in New Zealand and registered under the Companies Act 1993. The Bank is an issuer for the purposes of the Financial Reporting Act 1993.

Financial statements for the Bank and consolidated financial statements are presented as at and for the period ended 30 June 2010. The consolidated financial statements comprise the Bank and its wholly owned subsidiary Rabo Securities and Investments (NZ) Limited (together referred to as the "Banking Group").

The registered office is at Level 12, 80 The Terrace, Wellington, New Zealand.

The Bank is wholly owned by Rabobank International Holding B.V. and its ultimate parent entity is Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A. trading as Rabobank Nederland and domiciled in the Netherlands.

The principal activities of the Banking Group during the year were the provision of secured mortgage loans predominantly to borrowers in the rural industry and the raising of retail deposits. There were no significant changes during the year in the nature of the activities of the Banking Group.

2 Basis of preparation

(a) Statement of compliance

The financial statements have been prepared and presented in accordance with the Financial Reporting Act 1993, the Reserve Bank of New Zealand Act 1989, the Companies Act 1993, applicable New Zealand equivalents to International Financial Reporting Standards (NZIFRS) and other authoritative pronouncements of the Accounting Standards Review Board, as appropriate for profit-oriented entities. These financial statements also comply with IFRS.

These financial statements were authorised for issue by the board of directors on 17 September 2010.

(b) Basis of measurement

The financial statements have been prepared under the historical cost convention, except for derivative financial instruments 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) 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 Banking Group, as this currency best reflects the economic substance of the underlying events and circumstances relevant to the Banking Group. All financial information presented in NZD has been rounded to the nearest thousand unless otherwise stated.

(d) Significant accounting judgments and estimates

In the process of applying the Banking Group's accounting policies, management has exercised judgment and estimates in determining the amounts recognised in the financial statements. The most significant uses of judgment and estimates are as follows:

(i) Going concern

The Banking Group's management has made an assessment of the Banking Group's ability to continue as a going concern and is satisfied that the Banking Group has the resources to continue in business for the foreseeable future. Furthermore, the management is not aware of any material uncertainties that may cast significant doubt upon the Banking Group's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

(ii) Fair value of financial instruments

Where the fair values of financial assets and financial liabilities recorded on the balance sheet cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The inputs to these models are derived from observable market data where possible, but where observable market data is not available, judgment is required to establish fair values. The valuation of financial instruments is described in more detail in note 38.

(iii) Impairment losses on loans and advances

The Banking Group reviews its individually significant loans and advances at each balance sheet date to assess whether an impairment loss should be recorded in the statement of comprehensive income. In particular, judgment by management is required in the estimation of the amount and timing of future cash flows when determining the impairment loss. In estimating these cash flows, the Banking Group makes judgments about the borrower's financial situation and the net realisable value of collateral. These estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the provision.

Loans and advances that have been assessed individually and found not to be impaired and all individually insignificant loans and advances are then assessed collectively, on portfolio of loans with similar risk characteristics, to determine whether provision should be made due to incurred loss events for which there is objective evidence but whose effects are not yet evident. The collective assessment takes account of data from the loan portfolio (such as credit quality, levels of arrears, credit utilisation, loan to collateral ratios etc), concentrations of risks and economic data (including levels of unemployment, real estate prices indices, country risk and the performance of different individual groups).

The impairment loss on loans and advances is disclosed in more detail in Note 9 and Note 15.

(iv) Deferred tax assets

Deferred tax assets are recognised in respect of tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Judgment is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits.

3 Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements, and have been applied consistently by the Banking Group entities.

(a) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Bank and of the Banking Group as at and for the period ended 30 June 2010. The financial statements of the subsidiaries are prepared for the same reporting period as the Bank, using consistent accounting policies.

(i) Subsidiaries

Subsidiaries are entities controlled by the Banking Group. Control is achieved when the Banking Group has the power directly or indirectly to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that are presently exercisable or convertible are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences and until the date that control ceases. The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the date of acquisition or up to the date of disposal, as appropriate. The financial statements have been prepared using uniform accounting policies for like transactions and other events in similar circumstances.

(ii) Transactions eliminated on consolidation

All intra-group balances, transactions, income and expenses and profits and losses resulting from intra-group transactions are eliminated in full in preparing the consolidated financial statements.

(iii) Business combinations

Subsequent to 1 January 2010

Business combinations are accounted for using the acquisition method. The consideration transferred in a business combination shall be measured at fair value, which shall be calculated as the sum of the acquisition-date fair values of the assets transferred by the acquirer, the liabilities incurred by the acquirer to former owners of the acquiree and the equity issued by the acquirer, and the amount of any non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred.

When the Banking Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic conditions, the Banking Group's operating or accounting policies and other pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held interest in the acquiree is remeasured at fair value as at the acquisition date through profit or loss. No changes in a subsidiary's assets (including goodwill) and liabilities will be recognised in a transaction in which the parent company increases its interest in a subsidiary that it already controls.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability will be recognised in accordance with NZ IAS 39 either in profit or loss or in other comprehensive income. If the contingent consideration is classified as equity, it shall not be remeasured.

Prior to 1 January 2010

The purchase method of accounting is used to account for business combinations regardless of whether equity instruments or other assets are acquired. Cost is measured as the fair value of the assets given, shares issued or liabilities incurred or assumed at the date of exchange plus costs directly attributable to the acquisition. Transaction costs arising on the issue of equity instruments are recognised directly in equity.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Banking Group's share of the identifiable net assets and contingent liabilities acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the statement of comprehensive income, but only after a reassessment of the identification and measurement of the net assets acquired.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of the transaction. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Measuring Goodwill

Goodwill acquired in a business combination is initially measured at cost of the business combination being the excess of the consideration transferred over the fair value of the net identifiable assets acquired and liabilities assumed. If this consideration transferred is lower than the fair value of the net identifiable assets of the subsidiary acquired, the difference is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses.

(b) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Bank and the revenue can be reliably measured. The principal sources of revenue are interest income, and fees and commissions.

(i) Interest income and expense

For all financial instruments measured at amortised cost, interest income or expense is recorded using the effective interest method, which is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or financial liability. The calculation takes into account any fees or incremental costs that are directly attributable to the instrument and are an integral part of the effective interest method.

(ii) Lending and credit facility related fee income

Fee income and direct costs relating to loan origination, financing or restructuring and loan commitments are deferred and amortised to interest income over the expected life of the loan using the effective interest method. Fees received for commitments which are not expected to result in a loan are recognised in the statement of comprehensive income over the commitment period. Loan syndication fees where the Banking Group does not retain a portion of the syndicated loan are recognised in income once the syndication has been completed. Where fees are received on an on-going basis, and represent the recoupment of the costs of maintaining and administering existing loans, these fees are taken to the statement of comprehensive income on an accruals basis.

(iii) Commission and other fees

When commission charges and fees relate to specific transactions or events, they are recognised as income in the period in which they are earned. However, when they are charged for services provided over a period, they are recognised as income on an accruals basis.

(c) Foreign currency

Transactions in foreign currencies are translated to the respective functional currencies of the Banking Group entities at the exchange rate at the date of the transaction. All foreign currency monetary items are re-valued at the rates of exchange prevailing at the balance sheet date and gains / (losses) arising from changes in the exchange rates are recorded in the statement of comprehensive income. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the rate of exchange at the end of the period.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the rate of exchange at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the rate of exchange ruling at the date the fair value was determined. With the exception of the revaluations classified in equity, unrealised foreign currency gains and losses arising from these revaluations and gains and losses arising from foreign exchange dealings are included in the statement of comprehensive income.

(d) Income tax

Income tax expense comprises of current tax and movements in deferred tax balances. Income tax expense is recognised in the statement of comprehensive income, except to the extent that it relates to items recognised directly in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates that have been enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding amounts used for taxation purposes. Deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting profit nor taxable profit or loss, and temporary differences associated with investments in subsidiaries to the extent that they probably will not reverse in the foreseeable future.

The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates that have been enacted or substantially enacted at the balance sheet date and that are expected to apply to the temporary differences when they reverse.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reviewed at each reporting date and reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exist to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxable authority.

(e) Due from other financial institutions

Due from other financial institutions includes nostro balances, loans to other financial institutions and settlement account balances. They are brought to account at the gross value of the outstanding balance. Interest is taken to the statement of comprehensive income using the effective interest method.

(f) Derivative financial instruments

Derivative financial instruments include foreign exchange contracts, options, interest rate swaps and currency options. Derivative financial instruments are used as part of the Banking Group's sales and trading activities.

Derivative financial instruments are initially recognised at fair value with transaction costs included in the statement of comprehensive income on the date the derivative contracts are entered into and are subsequently remeasured to their fair value at the balance sheet date. A positive fair value of a contract is reported as an asset and a negative fair value of a contract as a liability. Changes in the fair value of derivatives are included in 'net trading gains/(losses) on derivatives' in the statement of comprehensive income.

(g) Determination of fair value

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and subsequently remeasured to their fair value.

The fair value for financial instruments traded in active markets at the balance sheet date is based on their quoted market price or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs.

The fair value of interest-rate swaps is calculated as the present value of the estimated future cash flows. The fair value of forward exchange contracts is determined using forward exchange market rates at the balance sheet date.

For all other financial instruments not traded in an active market, the fair value is determined by using appropriate valuation techniques. Valuation techniques include the discounted cash flow method, comparison to similar instruments for which market observable prices exist and other relevant valuation models.

(h) Regular way purchase and sale of financial assets

All financial assets and liabilities are initially recognised on the trade date. This includes 'regular way trades': purchases or sales of financial assets that require delivery of assets within the timeframe generally established by regulation or convention in the market place.

(i) Loans and advances, and Due from related entities

Loans and advances and due from related entities are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, loans and advances and due from related entities are subsequently measured at amortised cost using the effective interest method adjusted for provisions for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees and costs that are an integral part of the effective interest rate. The amortisation is included in 'interest income' in the statement of comprehensive income. The losses arising from impairment are recognised in the statement of comprehensive income as 'impairment losses on loans and advances'.

(j) Other assets

Other assets include interest, fees and other income receivable, and other non-financial assets. These assets are recorded at amortised cost.

(k) Investment in controlled entity

The investment is recorded by the Bank at the lower of cost of acquisition or recoverable amount. This asset is brought to account at recoverable amount when impaired and a provision is raised in accordance with Note 3(p) Impairment of non-financial assets.

(l) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are stated at historical cost less accumulated depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. The Banking Group capitalises borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Acquisitions of property, plant and equipment that are not yet available for use are recognised as property, plant and equipment in the course of construction in other assets. The assets are transferred and capitalised as property, plant and equipment when they are available for use with commencement of depreciation charged to the statement of comprehensive income.

Gains and losses on disposals are determined by comparing the net disposal proceeds with the carrying amount. These are included in the statement of comprehensive income.

(ii) Subsequent costs

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Banking Group and the cost of the item can be reliably measured. All other repairs and maintenance are charged to the statement of comprehensive income during the financial year in which they are incurred.

(iii) Depreciation

Depreciation is recognised in statement of comprehensive income using the straight line method (SL) over the estimated useful lives. Land is not depreciated.

The estimated useful lives for the current and comparative periods are as follows:

Office fixtures & fittings	5 – 10 years (SL)
Office equipment	5 – 10 years (SL)
Computer hardware	3 – 5 years (SL)

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date to take into account of any changes in circumstances. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

(m) Intangible assets

(i) Computer software costs

Where computer software costs are not integrally related to associated hardware, the Banking Group recognises them as an intangible asset where they are clearly identifiable, can be reliably measured and it is probable that they will lead to future economic benefits that the Banking Group controls.

(ii) Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in the statement of comprehensive income when incurred.

(iii) Amortisation

The Banking Group carries capitalised computer software assets at cost less any accumulated amortisation and any impairment losses. These assets are amortised over their estimated useful economic lives from the date that they are available for use. Amortisation is recognised in the statement of comprehensive income using the straight line method. The estimated useful lives for the current and comparative years are 2.5 – 3 years.

(n) Leased assets

(i) Finance leases

Leases where the Banking Group as lessor transfers substantially all the risks and rewards incident to ownership of an asset to the lessee or a third party are classified as finance leases. Upon initial recognition the leased asset is presented as a receivable and measured at an amount equal to the net investment in the lease.

NZ IAS 17 Leases requires income on finance lease transactions to be recognised on a basis reflecting a constant periodic return based on the lessor's net investment outstanding in respect of the finance lease. The difference between the gross receivable and the present value of the receivable is unearned finance income and is recognised over the term of the lease using the effective interest method.

(o) Impairment of financial assets

The carrying amounts of the Banking Group's financial assets are assessed at each balance sheet date to determine whether there is objective evidence that a financial asset or a group of financial assets is impaired.

Evidence of impairment may include indications that the borrower or a group of borrowers is experiencing significant financial difficulty, the probability that they will enter bankruptcy or other financial reorganisation, default or delinquency in interest or principal payments and where observable data indicates that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

(i) Financial assets carried at amortised cost

For financial assets carried at amortised cost (such as Due from other financial institutions and Loans and advances), the Banking Group first assesses individually whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively by portfolio of loans that share similar credit risk characteristics.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost the reversal is recognised in the statement of comprehensive income.

(ii) Specific provisions

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The carrying amount of the asset is reduced through the use of an impairment provision account and the amount of the loss is recognised in the statement of comprehensive income. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of 'Interest income'. Loans together with the associated provision are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Bank. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the provision account. If a future write-off is later recovered, the recovery is credited to the statement of comprehensive income.

The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate. The calculation of the present value of the estimated future cash flows of a collateralised financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

(iii) Collective provisions

Collective provisions are maintained to reduce the carrying amount of portfolios of similar loans and receivables to their estimated recoverable amounts at the balance sheet date. The expected future cash flows for portfolios of assets with similar credit risk characteristics are estimated on the basis of historical loss experience. Loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the loss experience is based and to remove the effects of conditions in the period that do not currently exist. Increases or decreases in the provision amount are recognised in the statement of comprehensive income.

(iv) Renegotiated loans

Where possible, the Banking Group seeks to restructure the terms and conditions of the loans rather than to take possession of collateral. This may involve extending the payment arrangements and the agreement of new loan conditions. Once the terms have been renegotiated, the loan is no longer considered past due and it will continue to be subject to an individual or collective impairment assessment, calculated using the original effective interest method.

(v) Restructured assets

Restructured assets are those impaired loans on which the original contractual terms have been formally modified due to the financial difficulties of borrowers, and on which interest continues to be accrued at a rate which is equal to or greater than the Banking Group's average cost of funds at the date of restructuring.

(vi) Past due assets

Past due loans are where payment is overdue and adequate security is held to cover amounts owing including unpaid principal and interest in arrears. Interest due but not received is taken to income until the loan is classified as non-accrual.

(vii) 90 days past due assets

Where loans are past due for greater than 90 days and adequate security is held to cover amounts owing including unpaid principal and interest in arrears (note 15).

(p) Impairment of non-financial assets

The Banking Group assesses at each reporting date whether there is an indication that a non-financial asset may be impaired. If any such indication exists or when annual impairment testing for an asset is required, the Banking Group estimates the asset's recoverable amount.

An impairment loss is recognised if the carrying amount of an asset exceeds its recoverable amount. The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use. In assessing its value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the corresponding impairment loss is recognised immediately in the statement of comprehensive income.

A previously recognised impairment loss is assessed at each reporting date for any indications that the loss has decreased or no longer exists. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the recoverable amount since the last impairment loss was recognised. However, the reversal is not to an amount higher than the carrying amount that would have been determined, net of amortisation or depreciation, if no impairment loss had been recognised for the asset in prior periods.

(q) Due to other financial institutions

Due to other financial institutions include deposits placed by other financial institutions, nostro balances, bank overdrafts and settlement account balances. They are brought to account at fair value plus directly attributable transaction costs at inception and are subsequently recognised at amortised cost. Interest expense and yield related fees are taken to the statement of comprehensive income using the effective interest method.

(r) Deposits

Deposits include certificates of deposit, term deposits, savings deposits, cheque and other demand deposits. They are brought to account at fair value plus directly attributable transaction costs at inception and are subsequently stated at amortised cost. Interest expense and yield related fees are taken to the statement of comprehensive income based on the effective interest method.

(s) Due to related entities

Due to related entities includes deposits and settlement account balances due to related parties. They are brought to account at fair value plus directly attributable transaction costs at inception and are subsequently stated at amortised cost. Interest expense is recognised in the statement of comprehensive income using the effective interest method.

(t) Creditors and accruals

Creditors and accruals include interest, fees and other expenses payable and all other financial and non-financial liabilities. They are recorded at the carrying value to be paid when settled as effective discounting is not material.

(u) Provisions

A provision is recognised in the balance sheet if the Banking Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made. Provisions are not recognised for future operating losses.

A provision for dividends is recognised when dividends are declared by the Directors.

(v) Financial guarantees

In the ordinary course of business, the Bank gives financial guarantees, consisting of letters of credit, guarantees and acceptances. Financial guarantees are initially recognised in the financial statements (within 'Creditors and accruals') at fair value, being the premium received. Subsequent to initial recognition, the Bank's liability under each guarantee is measured at the higher of the amount initially recognised less, when appropriate, cumulative amortisation recognised in the statement of comprehensive income, and the best estimate of expenditure required to settle any financial obligation arising as a result of the guarantee.

Any increase in the liability relating to financial guarantees is recorded in the statement of comprehensive income in 'Impairment loss expense'. The premium received is recognised in the statement of comprehensive income on a straight line basis over the life of the guarantee.

(w) Employee benefits

(i) Wages and salaries and annual leave

Liabilities for wages and salaries, including non-monetary benefits and annual leave expected to be settled within 12 months of the reporting date, are recognised in creditors and accruals in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for annual leave are recognised when the leave is accrued and measured at the rates paid or payable.

(ii) Long service leave

The liability for long service leave is recognised in the provision for employee entitlements and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service.

(iii) Bonus plans

The Banking Group recognises a liability and an expense for bonuses that takes into consideration the profit attributable to the Bank after certain adjustments.

(x) Contributed equity

Contributed equity consists of ordinary share capital and is the amount of paid up capital from the issue of ordinary shares.

Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

Incremental costs directly attributable to the issue of new shares for the acquisition of a business, are included in the cost of the acquisition as part of the purchase consideration.

(y) Goods and services tax

Revenue, expenses, assets and liabilities are recognised net of the amount of Goods and Services Tax (GST) except where the GST incurred on purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable and where receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

Cash flows are included in the cash flow statement on a gross basis and the GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to the taxation authority.

(z) Operating segments

An operating segment is a component of an entity that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity), whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance and for which discrete financial information is available. Management will also consider other factors in determining operating segments such as the existence of a line manager and the level of segment information presented to the board of directors

Operating segments have been identified based on the information provided to the chief operating decision makers – being the executive management team (refer note 41).

(aa) Changes in accounting policies

The accounting policies adopted are consistent with those used in the previous periods except that the Banking Group has adopted the following standards, amendments and interpretations. The adoption of these standards, amendments and interpretations did not have any effect on the financial performance or position of the Banking Group. They did, however, give rise to additional disclosures.

(i) NZ IAS 3 (Revised 2008) Business Combinations and NZ IAS 27 (Revised 2008) Consolidated and Separate Financial Statements

The revised standards were issued in January 2008 and are effective for financial years beginning on or after 1 July 2009. NZ IAS 3 (Revised 2008) introduces a number of changes in the accounting for business combinations that will impact the amount of goodwill recognised, for future business combinations, the reported results in the period that an acquisition occurs and future reported results. NZ IAS 27 (Revised 2008) requires that a change in the ownership interest of a subsidiary is accounted for as an equity transaction. Therefore, such transactions will no longer give rise to goodwill, nor will they give rise to gain or loss in the statement of comprehensive income.

The Banking Group has adopted these standards. This will impact future acquisitions made by the Banking Group.

(ab) Accounting standards available for early adoption

The following standards, amendments to standards, and interpretations have been identified as those which may impact the Banking Group in the period of initial application. They are available for early adoption at 30 June 2010, but have not been applied in preparing these financial statements.

(i) NZ IFRS 9 Financial Instruments

NZ IFRS 9 Financial Instruments includes requirements for the classification and measurement of financial assets resulting from the first part of Phase 1 of the project to replace NZ IAS 39 Financial Instruments: Recognition and Measurement.

NZ IFRS 9 will become mandatory for the Banking Group's 31 December 2013 financial statements. The Banking Group has not yet determined the potential effect of the standard.

(ii) NZ IAS 24 Related Party Disclosures (revised December 2009)

AASB 124 Related Party Disclosures (revised December 2009) simplifies and clarifies the intended meaning of the definition of a related party and provides a partial exemption from the disclosure requirements for government-related entities. The amendments, which will become mandatory for the Banking Group's 31 December 2011 financial statements, are not expected to have a material impact on the financial statements.

(ac) Comparative figures

Where necessary, comparative figures have been adjusted to conform with changes in classification in these financial statements.

	Banking Group			Bank		
	30 June 2010 $000	30 June 2009 $000	31 December 2009 $000	30 June 2010 $000	30 June 2009 $000	31 December 2009 $000
4 Interest income						
Loans and advances	225,770	233,842	470,210	225,770	233,842	470,210
Related entities	9,292	4,468	10,436	9,292	4,468	10,436
Interest income accrued on impaired financial assets	484	3	55	484	3	55
Finance lease income	1,775	2,225	4,253	1,775	2,225	4,253
Total interest income	237,321	240,538	484,954	237,321	240,538	484,954
5 Interest expense						
Deposits	35,767	52,529	91,726	35,767	52,529	91,726
Related entities	107,805	102,211	212,139	107,805	102,211	212,139
Other	83	86	163	83	86	163
Total interest expense	143,655	154,826	304,028	143,655	154,826	304,028
6 Other revenue						
Lending and credit facility related fee income	920	1,848	1,500	920	1,848	1,500
Refund from the Inland Revenue Department	252	347	347	252	347	347
Other income	-	2	2	-	2	2
Total other revenue	1,172	2,197	1,849	1,172	2,197	1,849
7 Other operating gains / (losses)						
Net trading gains / (losses) on derivatives	(368)	(95)	(233)	(368)	(95)	(233)
Gains / (losses) on disposal of property, plant and equipment	69	55	33	69	55	33
Foreign exchange gains / (losses)	672	38	124	672	38	124
Total other operating gains / (losses)	373	(2)	(76)	373	(2)	(76)
8 Operating expenses						
Advertising and marketing	1,695	1,852	6,463	1,695	1,852	6,463
Professional fees	215	107	517	215	107	517
Computer charges	71	63	162	71	63	162
Depreciation and amortisation	437	483	1,040	437	483	1,040
Management fees	17,368	16,464	33,499	17,368	16,464	33,499
Personnel	11,636	10,233	20,871	11,636	10,233	20,871
Rental charges payable under operating	1,058	976	2,011	1,058	976	2,011
Telecommunication	425	625	1,426	425	625	1,426
Travel and lodging	1,717	1,296	2,979	1,717	1,296	2,979
Office supplies	375	423	874	375	423	874
Other	575	621	1,446	575	621	1,446
Total operating expenses	35,572	33,143	71,288	35,572	33,143	71,288
9 Impairment losses on loans and advances						
Collective provisions	620	7,661	12,324	620	7,661	12,324
Specific provisions	34,432	29,696	68,651	34,432	29,696	68,651
Bad debt recovery	-	-	(45)	-	-	(45)
Total impairment losses on loans and advances	35,052	37,357	80,930	35,052	37,357	80,930

	Banking Group			Bank		
	30 June 2010 $000	30 June 2009 $000	31 December 2009 $000	30 June 2010 $000	30 June 2009 $000	31 December 2009 $000
10 Auditors' remuneration						
All auditors' fees are paid by the Australian branch of Rabobank Nederland.						
Amounts received or due and receivable by Ernst & Young for:						
Audit or review of the financial statements of the entity and any other entity in the Banking Group	68	52	95	68	52	95
Tax compliance	8	30	35	8	30	35
Total auditors' remuneration	76	82	130	76	82	130

11 Income tax

(a) Income tax expense

Current income tax	21,774	16,893	33,913	21,774	16,893	33,913
(Increase) / decrease in deferred tax assets / (liabilities)	(14,390)	(12,498)	(29,696)	(14,390)	(12,498)	(29,696)
(Over) / under provided in prior years relating to deferred tax	-	-	152	-	-	152
(Over) / under provided in prior years relating to current income tax	-	-	(21)	-	-	(21)
	7,384	4,395	4,348	7,384	4,395	4,348

(b) Numerical reconciliation of income tax expense to prima facie tax payable

Profit before income tax	24,587	14,619	12,843	24,587	14,619	12,843
Taxation at 30%	7,376	4,386	3,853	7,376	4,386	3,853
Tax effect of amounts which are not deductible/(taxable) in calculating taxable income :						
Non-deductible expenses	8	9	364	8	9	364
(Over) /under provided in prior years	-	-	131	-	-	131
Income tax expense	7,384	4,395	4,348	7,384	4,395	4,348

There are no unrecognised income tax losses or unrecognised timing differences carried forward.

(c) Net deferred tax assets / (liabilities)

The balance comprises temporary differences attributable to:

Accruals	1,675	329	963	1,675	329	963
Depreciation	72	49	72	72	49	72
Impairment provisions	42,825	19,224	32,309	42,825	19,224	32,309
Employee benefits	712	576	857	712	576	857
Interest forgone on impaired assets	4,716	2,496	1,528	4,716	2,496	1,528
Others	(155)	83	(233)	(155)	83	(233)
Risk provision	7,227	2,772	7,227	7,227	2,772	7,227
Provision for long service leave	609	564	568	609	564	568
Other provisions	-	-	-	-	-	-
Total net deferred tax assets	57,681	26,093	43,291	57,681	26,093	43,291

	Banking Group			Bank		
	30 June 2010 $000	30 June 2009 $000	31 December 2009 $000	30 June 2010 $000	30 June 2009 $000	31 December 2009 $000
Movements:						
Opening balance	43,291	13,595	13,595	43,291	13,595	13,595
Credited / (charged) to statement of comprehensive income:						
Accruals	712	(1,236)	(602)	712	(1,236)	(602)
Depreciation	-	(1)	22	-	(1)	22
Impairment provisions	10,516	11,200	24,285	10,516	11,200	24,285
Employee benefits	(145)	17	168	(145)	17	168
Interest forgone on impaired assets	3,188	1,905	937	3,188	1,905	937
Others	78	(205)	(391)	78	(205)	(391)
Risk provision	-	836	5,291	-	836	5,291
Provision for long service leave	41	21	25	41	21	25
Other provisions	-	(39)	(39)	-	(39)	(39)
Total movement	14,390	12,498	29,696	14,390	12,498	29,696
(Over) / under provision from prior year	-	-	-	-	-	-
Closing balance	57,681	26,093	43,291	57,681	26,093	43,291

(d) Imputation credit account

	30 June 2010 $000	30 June 2009 $000	31 December 2009 $000
Opening balance	113,536	84,169	84,169
Net tax payment	23,522	18,599	29,367
Closing balance	137,058	102,768	113,536

12 Due from other financial institutions

	Banking Group 30 June 2010 $000	Banking Group 30 June 2009 $000	Banking Group 31 December 2009 $000	Bank 30 June 2010 $000	Bank 30 June 2009 $000	Bank 31 December 2009 $000
Cash on hand	13	13	14	13	13	14
Placements with other financial institutions	2,644	6,422	2,287	2,644	6,422	2,287
Total due from other financial institutions	2,657	6,435	2,301	2,657	6,435	2,301

	Banking Group			Bank		
	30 June 2010 $000	30 June 2009 $000	31 December 2009 $000	30 June 2010 $000	30 June 2009 $000	31 December 2009 $000
13 Derivative financial instruments						
Assets						
Held for trading derivatives						
Interest rate derivatives						
Swaps (related entities)*	273	1,079	392	273	1,079	392
Swaps (non-related entities)	2,231	4,141	2,085	2,231	4,141	2,085
Foreign exchange derivatives						
Swaps (related entities)*	913	7	-	913	7	-
Forwards (related entities)*	17	122	71	17	122	71
Forwards (non-related entities)	68	165	-	68	165	-
Options (related entities)*	-	239	3	-	239	3
Total derivative assets	3,502	5,753	2,551	3,502	5,753	2,551
Liabilities						
Held for trading derivatives						
Interest rate derivatives						
Swaps (related entities)*	2,504	5,072	2,394	2,504	5,072	2,394
Foreign exchange derivatives						
Swaps (related entities)*	1,642	250	67	1,642	250	67
Swaps (non-related entities)	-	-	5	-	-	5
Forwards (non-related entities)	19	45	-	19	45	-
Options (non-related entities)	-	239	3	-	239	3
Total derivative liabilities	4,165	5,606	2,469	4,165	5,606	2,469
Net derivative financial instruments	(663)	147	82	(663)	147	82

*Balance relates to other Rabobank Group related entities.

Derivative contracts include forwards, swaps and options, all of which are bilateral contracts or payment exchange agreements, which values are derived from the notional value of an underlying asset, reference rate or index.

The derivative instruments become favourable (assets) or unfavourable (liabilities) as a result of fluctuations in market interest rates or foreign exchange rates relative to their terms.

The Bank enters into derivative contracts as part of its sales activities, but transfers the risks associated with derivatives by entering into back to back derivative transactions with other Rabobank Group related entities.

	Banking Group			Bank		
	30 June 2010 $000	30 June 2009 $000	31 December 2009 $000	30 June 2010 $000	30 June 2009 $000	31 December 2009 $000
13(a) The notional amounts of derivative financial instruments						
Held for trading derivatives						
Interest rate derivatives						
Swaps (related entities)*	67,987	183,514	93,216	67,987	183,514	93,216
Swaps (non-related entities)	51,559	122,514	98,216	51,559	122,514	98,216
Foreign exchange derivatives						
Forwards (related entities)*	1,591	4,637	600	1,591	4,637	600
Forwards (non-related entities)	1,358	1,562	168	1,358	1,562	168
Swaps (related entities)*	116,109	486	355	116,109	486	355
Options (related entities)*	-	10,370	4,538	-	10,370	4,538
Options (non-related entities)	-	10,370	4,538	-	10,370	4,538
Total notional amounts of derivative financial instruments	238,604	333,453	201,631	238,604	333,453	201,631

*Balance relates to other Rabobank Group related entities.

The notional amounts provides a basis upon which changes in the value of derivatives are measured. The notional amounts indicate the volume of transaction outstanding at period end, but do not indicate the Banking Group's exposure to credit or market risks.

	Banking Group			Bank		
	30 June 2010 $000	30 June 2009 $000	31 December 2009 $000	30 June 2010 $000	30 June 2009 $000	31 December 2009 $000
14 Loans and advances						
Overdrafts	5,183,000	4,622,168	4,874,947	5,183,000	4,622,168	4,874,947
Term loans	1,701,355	1,715,225	1,747,403	1,701,355	1,715,225	1,747,403
Finance leases (note 14(a))	34,704	43,577	42,503	34,704	43,577	42,503
Gross loans and advances	6,919,059	6,380,970	6,664,853	6,919,059	6,380,970	6,664,853
Provisions for doubtful debts:						
Collective (note 15(iv))	(17,603)	(12,320)	(16,983)	(17,603)	(12,320)	(16,983)
Specific (note 15(iv))	(125,146)	(51,759)	(90,714)	(125,146)	(51,759)	(90,714)
Total net loans and advances	6,776,310	6,316,891	6,557,156	6,776,310	6,316,891	6,557,156

	Banking Group			
	Lease $000	Future interest income over period $000	Unguaranteed residuals $000	Minimum lease payments $000
(a) Finance leases				
At 30 June 2010				
One year or less	16,167	2,521	-	18,688
Between one and two years	10,279	1,376	-	11,655
Between two and five years	8,258	863	-	9,121
Total finance leases	34,704	4,760	-	39,464
At 30 June 2009				
One year or less	19,277	3,344	-	22,621
Between one and two years	12,893	1,850	-	14,743
Between two and five years	11,407	1,311	-	12,718
Total finance leases	43,577	6,505	-	50,082
At 31 December 2009				
One year or less	18,840	3,068	-	21,908
Between one and two years	12,575	1,696	-	14,271
Between two and five years	11,088	1,259	-	12,347
Total finance leases	42,503	6,023	-	48,526

	Bank			
	Lease receivables $000	Future interest income over period $000	Unguaranteed residuals $000	Minimum lease payments $000
At 30 June 2010				
One year or less	16,167	2,521	-	18,688
Between one and two years	10,279	1,376	-	11,655
Between two and five years	8,258	863	-	9,121
Total finance leases	34,704	4,760	-	39,464
At 30 June 2009				
One year or less	19,277	3,344	-	22,621
Between one and two years	12,893	1,850	-	14,743
Between two and five years	11,407	1,311	-	12,718
Total finance leases	43,577	6,505	-	50,082
At 31 December 2009				
One year or less	18,840	3,068	-	21,908
Between one and two years	12,575	1,696	-	14,271
Between two and five years	11,088	1,259	-	12,347
Total finance leases	42,503	6,023	-	48,526

Leasing arrangements

The Bank provides equipment and motor vehicle finance under Hire Purchase and Leasing contracts to a broad range of industries. Contract terms are generally up to 5 years with either regular monthly payments or structured payments to match the customers' seasonal income patterns. The Bank only undertakes contracts where the underlying equipment or motor vehicle is used for a business purpose.

	Banking Group				Bank			
	Residential mortgages	Corporate	Retail	Total	Residential mortgages	Corporate	Retail	Total
	$000	$000	$000	$000	$000	$000	$000	$000
15 Impaired assets								
(i) Individually impaired assets								
As at 30 June 2010								
Opening balance	-	-	298,352	298,352	-	-	298,352	298,352
Additions	-	-	101,328	101,328	-	-	101,328	101,328
Bad debts written off	-	-	-	-	-	-	-	-
Repayments	-	-	(21,931)	(21,931)	-	-	(21,931)	(21,931)
Closing balance	-	-	377,749	377,749	-	-	377,749	377,749
Interest forgone for the period/year	-	-	(15,721)	(15,721)	-	-	(15,721)	(15,721)
As at 30 June 2009								
Opening balance	-	-	134,814	134,814	-	-	134,814	134,814
Additions	-	-	75,889	75,889	-	-	75,889	75,889
Bad debts written off	-	-	-	-	-	-	-	-
Repayments	-	-	(1,401)	(1,401)	-	-	(1,401)	(1,401)
Closing balance	-	-	209,302	209,302	-	-	209,302	209,302
Interest forgone for the period/year	-	-	(8,320)	(8,320)	-	-	(8,320)	(8,320)
As at 31 December 2009								
Opening balance	-	-	134,814	134,814	-	-	134,814	134,814
Additions	-	-	189,555	189,555	-	-	189,555	189,555
Bad debts written off	-	-	-	-	-	-	-	-
Repayments	-	-	(26,017)	(26,017)	-	-	(26,017)	(26,017)
Closing balance	-	-	298,352	298,352	-	-	298,352	298,352
Interest forgone for the period/year	-	-	(5,096)	(5,096)	-	-	(5,096)	(5,096)
(ii) 90 days past due assets								
As at 30 June 2010								
Opening balance	-	-	76,196	76,196	-	-	76,196	76,196
Additions	-	-	24,893	24,893	-	-	24,893	24,893
Bad debts written off	-	-	-	-	-	-	-	-
Repayments	-	-	(31,925)	(31,925)	-	-	(31,925)	(31,925)
Closing balance	-	-	69,164	69,164	-	-	69,164	69,164
Interest forgone for the period/year	-	-	-	-	-	-	-	-
As at 30 June 2009								
Opening balance	-	-	19,649	19,649	-	-	19,649	19,649
Additions	-	-	20,635	20,635	-	-	20,635	20,635
Bad debts written off	-	-	-	-	-	-	-	-
Repayments	-	-	(14,871)	(14,871)	-	-	(14,871)	(14,871)
Closing balance	-	-	25,413	25,413	-	-	25,413	25,413
Interest forgone for the period/year	-	-	-	-	-	-	-	-

	Banking Group				Bank			
	Residential mortgages	Corporate	Retail	Total	Residential mortgages	Corporate	Retail	Total
	$000	$000	$000	$000	$000	$000	$000	$000
As at 31 December 2009								
Opening balance	-	-	19,649	19,649	-	-	19,649	19,649
Additions	-	-	73,183	73,183	-	-	73,183	73,183
Bad debts written off	-	-	-	-	-	-	-	-
Repayments	-	-	(16,636)	(16,636)	-	-	(16,636)	(16,636)
Closing balance	-	-	76,196	76,196	-	-	76,196	76,196
Interest forgone for the period/year	-	-	-	-	-	-	-	-

(iii) Restructured assets

There are no restructured assets for the period (30 June 2009: Nil - 31 December 2009: Nil).

(iv) Provision for credit impairment

	Banking Group				Bank			
	Residential mortgages	Corporate	Retail	Total	Residential mortgages	Corporate	Retail	Total
As at 30 June 2010								
Collective provision								
Opening balance	-	-	16,983	16,983	-	-	16,983	16,983
Charge/(credit) to statement of comprehensive income	-	-	620	620	-	-	620	620
Closing balance	-	-	17,603	17,603	-	-	17,603	17,603
Specific provision								
Opening balance	-	-	90,714	90,714	-	-	90,714	90,714
Charge/(credit) to statement of comprehensive income	-	-	34,432	34,432	-	-	34,432	34,432
Closing balance	-	-	125,146	125,146	-	-	125,146	125,146
As at 30 June 2009								
Collective provision								
Opening balance	-	-	4,659	4,659	-	-	4,659	4,659
Charge/(credit) to statement of comprehensive income	-	-	7,661	7,661	-	-	7,661	7,661
Closing balance	-	-	12,320	12,320	-	-	12,320	12,320
Specific provision								
Opening balance	-	-	22,063	22,063	-	-	22,063	22,063
Charge/(credit) to statement of comprehensive income	-	-	29,696	29,696	-	-	29,696	29,696
Closing balance	-	-	51,759	51,759	-	-	51,759	51,759
As at 31 December 2009								
Collective provision								
Opening balance	-	-	4,659	4,659	-	-	4,659	4,659
Charge/(credit) to statement of comprehensive income	-	-	12,324	12,324	-	-	12,324	12,324
Closing balance	-	-	16,983	16,983	-	-	16,983	16,983
Specific provision								
Opening balance	-	-	22,063	22,063	-	-	22,063	22,063
Charge/(credit) to statement of comprehensive income	-	-	68,651	68,651	-	-	68,651	68,651
Closing balance	-	-	90,714	90,714	-	-	90,714	90,714

	Banking Group			Bank		
	30 June 2010 $000	30 June 2009 $000	31 December 2009 $000	30 June 2010 $000	30 June 2009 $000	31 December 2009 $000
16 Due from related entities						
Debit current account balances - wholly owned group*	-	358	2	-	358	2
Short term advances - wholly owned group*	510,359	197,961	307,467	510,359	197,961	307,467
Accrued interest receivable - wholly owned group*	4,376	1,506	2,481	4,376	1,506	2,481
Total due from related entities	514,735	199,825	309,950	514,735	199,825	309,950

* The wholly owned group refers to other Rabobank Group related entities. Refer to note 39 for further information on related party disclosures.

	Banking Group			Bank		
17 Other assets						
Interest receivable	7,364	7,912	8,673	7,364	7,912	8,673
GST receivable	844	775	839	844	775	839
Income tax receivables**	9,433	14,069	7,684	8,131	12,767	6,382
Sundry debtors	62	125	249	62	125	249
Prepayment	170	184	205	170	184	205
Others	698	688	405	698	688	405
Total other assets	18,571	23,754	18,055	17,269	22,452	16,753

** This primarily relates to regular tax instalments that have been prepaid in order to avoid incurring interest.

	Banking Group			Bank		
18 Investment in controlled entity						
Investment in Rabo Securities and Investments (NZ) Limited***	-	-	-	-	-	-

***Investment in controlled entity equal to $100.

Rabo Securities and Investments (NZ) Limited has a 31st December balance sheet date and is 100% owned by the Bank. It is dormant as at 30 June 2010.

19 Property, plant and equipment

	Banking Group			
	Office fixtures & fittings $000	Office equipment $000	Computer hardware $000	Total $000
Balance as at 30 June 2009				
Cost	6,247	552	1,778	8,577
Accumulated depreciation	(3,404)	(422)	(1,532)	(5,358)
Net book value	2,843	130	246	3,219
Balance as at 31 December 2009				
Cost	6,328	552	1,610	8,490
Accumulated depreciation	(3,744)	(445)	(1,509)	(5,698)
Net book value	2,584	107	101	2,792
Balance as at 30 June 2010				
Cost	6,313	551	1,130	7,994
Accumulated depreciation	(4,090)	(466)	(1,087)	(5,643)
Net book value	2,223	85	43	2,351

	Bank			
	Office fixtures & fittings $000	Office equipment $000	Computer hardware $000	Total $000
Balance as at 30 June 2009				
Cost	6,247	552	1,778	8,577
Accumulated depreciation	(3,404)	(422)	(1,532)	(5,358)
Net book value	2,843	130	246	3,219
Balance as at 31 December 2009				
Cost	6,328	552	1,610	8,490
Accumulated depreciation	(3,744)	(445)	(1,509)	(5,698)
Net book value	2,584	107	101	2,792
Balance as at 30 June 2010				
Cost	6,313	551	1,130	7,994
Accumulated depreciation	(4,090)	(466)	(1,087)	(5,643)
Net book value	2,223	85	43	2,351

Reconciliation

Reconciliation of the carrying amount of property, plant and equipment at the beginning and end of the period.

	Banking Group			
	Office fixtures & fittings $000	Office equipment $000	Computer hardware $000	Total $000
Balance as at 1 January 2009	3,011	162	322	3,495
Acquisitions	185	5	32	222
Disposals	-	(13)	(2)	(15)
Depreciation	(353)	(24)	(106)	(483)
Balance as at 30 June 2009	2,843	130	246	3,219
Acquisitions	186	-	5	191
Disposals	(61)	-	-	(61)
Depreciation	(384)	(23)	(150)	(557)
Balance as at 31 December 2009	2,584	107	101	2,792
Acquisitions	-	-	-	-
Disposals	-	-	(4)	(4)
Depreciation	(361)	(22)	(54)	(437)
Balance as at 30 June 2010	2,223	85	43	2,351

	Bank			
	Office fixtures & fittings $000	Office equipment $000	Computer hardware $000	Total $000
Balance as at 1 January 2009	3,011	162	322	3,495
Acquisitions	185	5	32	222
Disposals	-	(13)	(2)	(15)
Depreciation	(353)	(24)	(106)	(483)
Balance as at 30 June 2009	2,843	130	246	3,219
Acquisitions	186	-	5	191
Disposals	(61)	-	-	(61)
Depreciation	(384)	(23)	(150)	(557)
Balance as at 31 December 2009	2,584	107	101	2,792
Acquisitions	-	-	-	-
Disposals	-	-	(4)	(4)
Depreciation	(361)	(22)	(54)	(437)
Balance as at 30 June 2010	2,223	85	43	2,351

	Banking Group			Bank		
	30 June 2010 $000	30 June 2009 $000	31 December 2009 $000	30 June 2010 $000	30 June 2009 $000	31 December 2009 $000
20 Intangible assets						
Computer Software						
Opening balance						
At cost	48	48	48	48	48	48
Less : accumulated amortisation	(48)	(43)	(43)	(48)	(43)	(43)
	-	5	5	-	5	5
Closing balance						
At cost	48	48	48	48	48	48
Less : accumulated amortisation	(48)	(45)	(48)	(48)	(45)	(48)
	-	3	-	-	3	-
Reconciliations						
Opening balance	-	5	5	-	5	5
Acquisitions	-	-	-	-	-	-
Amortisation	-	(2)	(5)	-	(2)	(5)
Closing balance	-	3	-	-	3	-
21 Due to other financial institutions						
Bank overdraft	143	411	367	143	411	367
Total due to other financial institutions	143	411	367	143	411	367
22 Deposits						
Raboplus* deposits	1,881,394	1,916,637	1,787,934	1,881,394	1,916,637	1,787,934
Other deposits	328,624	441,500	306,183	328,624	441,500	306,183
Total deposits	2,210,018	2,358,137	2,094,117	2,210,018	2,358,137	2,094,117

* On 15 August 2010 Raboplus was renamed "RaboDirect".

	30 June 2010 $000	30 June 2009 $000	31 December 2009 $000	30 June 2010 $000	30 June 2009 $000	31 December 2009 $000
23 Due to related entities						
Credit current account balances - wholly owned group*	276,291	202,694	245,207	274,989	201,392	243,905
Short term advances - wholly owned group*	4,533,856	3,695,941	4,260,315	4,533,856	3,695,941	4,260,315
Accrued interest payable - wholly owned group*	29,545	27,016	30,279	29,545	27,016	30,279
Total due to related entities	4,839,692	3,925,651	4,535,801	4,838,390	3,924,349	4,534,499

* The wholly owned group refers to other Rabobank Group related entities. Refer to note 39 for further information on related party disclosures.

	30 June 2010 $000	30 June 2009 $000	31 December 2009 $000	30 June 2010 $000	30 June 2009 $000	31 December 2009 $000
24 Creditors and accruals						
Interest accruals	5,968	5,162	3,085	5,968	5,162	3,085
Sundry creditors	1,524	2,664	2,052	1,524	2,664	2,052
Accrued expenses	4,516	5,035	5,766	4,516	5,035	5,766
Total creditors and accruals	12,008	12,861	10,903	12,008	12,861	10,903

	Banking Group			Bank		
	30 June 2010 $000	30 June 2009 $000	31 December 2009 $000	30 June 2010 $000	30 June 2009 $000	31 December 2009 $000
25 Provisions						
Movements in provision for long service leave						
Opening balance	1,893	1,811	1,811	1,893	1,811	1,811
Additions	175	97	132	175	97	132
Used	(36)	(26)	(50)	(36)	(26)	(50)
Closing balance	2,032	1,882	1,893	2,032	1,882	1,893
Movements in provision for risks*						
Opening balance	24,090	6,452	6,452	24,090	6,452	6,452
Additions	-	2,788	17,638	-	2,788	17,638
Closing balance	24,090	9,240	24,090	24,090	9,240	24,090
Total Provisions	26,122	11,122	25,983	26,122	11,122	25,983

* The directors consider it appropriate to maintain the risk provisioning to allow for economic and financial risks inherent in the business.

26 Priority of financial liabilities in the event of a liquidation

The financial liabilities of the Banking Group reported in these financial statements are unsecured. Where the assets of the Banking Group are liquidated or the Banking Group ceases to trade, those financial liabilities would rank (under New Zealand law in relation to those assets) equally with the claims of the Banking Group's other unsecured creditors and behind the preferred creditors set out in Schedule 7 of the Companies Act 1993.

27 Contributed equity

Total paid up capital comprises 20,600,000 ordinary shares fully paid ranking equally as to dividends and voting rights and rights to share in any surplus on winding up (30 June 2009 and 31 December 2009: 20,600,000). Each share was issued at $2.

Ordinary share capital	41,200	41,200	41,200	41,200	41,200	41,200
Total contributed equity	41,200	41,200	41,200	41,200	41,200	41,200

28 Retained earnings

Opening balance	225,256	216,761	216,761	225,256	216,761	216,761
Net profit for the period/year	17,203	10,224	8,495	17,203	10,224	8,495
Closing balance	242,459	226,985	225,256	242,459	226,985	225,256

29 Contingent liabilities

Through the normal course of business, the Banking Group has been 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 Banking Group does not consider that the outcome of any claims made either individually or in aggregate are likely to have a material effect on its operation or financial position.

The Banking Group is party to financial instruments with off-balance sheet credit risk in the normal course of business to meet the financing needs of its customers and in managing its own risk profile. These financial instruments include commitments to extend credit, facilities, financial guarantees, and standby letters of credit.

The Banking Group's exposure to credit loss in the event of non-performance by the other party to such financial instruments is represented by the contract or notional amount of those instruments. However, some commitments to extend credit and provide underwriting facilities can be cancelled or revoked at any time at the Banking Group's option.

The Banking Group uses the same credit policies in making commitments and conditional obligations as it does for on-balance sheet instruments.

	Banking Group			Bank		
	30 June 2010 $000	30 June 2009 $000	31 December 2009 $000	30 June 2010 $000	30 June 2009 $000	31 December 2009 $000
Guarantees	8,799	10,151	10,605	8,799	10,151	10,605
Lending commitments	568,980	513,582	521,058	568,980	513,582	521,058
	577,779	523,733	531,663	577,779	523,733	531,663

Guarantees represent conditional undertakings by the Banking Group to support the financial obligations of its customers to third parties. Commitments include the Banking Group's obligations to provide funding facilities which remain undrawn at balance date.

Structured finance transactions

The bank and its wholly-owned controlled entity have received Notices of Proposed Adjustments ("NOPAs") for the 2001 to 2004 tax years from the IRD with respect to a conduit type transaction. No amended assessments at this stage have been received from the IRD in respect of this matter. The Bank has obtained independent legal advice that confirms the transaction complied with New Zealand tax law.

	Banking Group			Bank		
	30 June 2010 $000	30 June 2009 $000	31 December 2009 $000	30 June 2010 $000	30 June 2009 $000	31 December 2009 $000
30 Expenditure Commitments						
(a) Capital expenditure commitments						
Estimated capital expenditure contracted for at balance date, but not provided for, payable:						
One year or less	4,170	1,980	2,927	4,170	1,980	2,927
	4,170	1,980	2,927	4,170	1,980	2,927
(b) Operating lease commitments						
One year or less	2,729	2,994	2,981	2,729	2,994	2,981
Between one and two years	1,669	2,280	2,021	1,669	2,280	2,021
Between two and five years	982	2,038	1,638	982	2,038	1,638
Over five years	-	209	84	-	209	84
Total operating lease commitments	5,380	7,521	6,724	5,380	7,521	6,724

Leases entered into by the Banking Group are for the purpose of accommodating the Banking Group'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 Banking Group. Rental payments are determined in terms of the relevant lease requirements, usually reflecting market rentals as described by standard valuation practice.

The Banking Group as lessee has no purchase options over premises occupied. There are no restrictions imposed on the Banking Group's lease of space other than those forming part of the negotiated lease arrangements for each specific premises.

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

	Banking Group			Bank		
	30 June 2010 $000	30 June 2009 $000	31 December 2009 $000	30 June 2010 $000	30 June 2009 $000	31 December 2009 $000
Net profit after income tax	17,203	10,224	8,495	17,203	10,224	8,495
Add / (deduct) non-cash items:						
Depreciation	437	481	1,035	437	481	1,035
Amortisation of intangible assets	-	2	5	-	2	5
Charge for provision for risks	-	2,788	17,638	-	2,788	17,638
Impairment losses on loans and advances	35,052	37,357	80,975	35,052	37,357	80,975
Management fees	17,368	14,162	33,499	17,368	14,162	33,499
(Gains) / losses on disposal of property, plant and equipment	(69)	(55)	(33)	(69)	(55)	(33)
Foreign exchange (gains) / losses	(672)	(38)	(124)	(672)	(38)	(124)
(Increase) / decrease in net deferred tax assets	(14,390)	(12,498)	(29,696)	(14,390)	(12,498)	(29,696)
Add/(deduct) movements in operating assets or operating liabilities:						
(Increase) / decrease in loans and advances	(254,206)	(588,401)	(872,284)	(254,206)	(588,401)	(872,284)
(Increase) / decrease in due from related entities	(202,890)	(13,921)	(123,071)	(202,890)	(13,921)	(123,071)
(Increase) / decrease in other assets	407	(319)	(441)	407	(319)	(441)
Increase / (decrease) in deposits	116,573	(194,996)	(458,930)	116,573	(194,996)	(458,930)
Increase / (decrease) in due to related entities	287,257	740,592	1,328,142	287,257	740,592	1,328,142
Increase / (decrease) in creditors & accruals	(1,778)	(2,539)	(2,420)	(1,778)	(2,539)	(2,420)
Add / (deduct) movements in working capital:						
(Increase) / decrease in derivative financial instruments	746	(5)	2	746	(5)	2
(Increase) / decrease in income tax receivable	(1,749)	(1,706)	4,679	(1,749)	(1,706)	4,679
(Increase) / decrease in accrued interest receivable	(1,070)	1,733	852	(1,070)	1,733	852
Increase / (decrease) increase in accrued interest payable	2,149	(729)	(143)	2,149	(729)	(143)
Increase / (decrease) in employee entitlements	139	71	82	139	71	82
Net cash flow provided by / (used in) operating activities	507	(7,797)	(11,738)	507	(7,797)	(11,738)

32 Risks arising from financial instruments

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

(a) Liquidity risk

Liquidity risk is defined as the risk that the Banking Group will not have sufficient funds available to meet its financial and transactional cash flow obligations. The Banking Group's liquidity policies are designed to ensure that it has sufficient funds available, even in adverse circumstances, to meet its obligations, including advances to customers and maturities of deposits and other obligations. Liquidity policies have been reviewed and strengthened in 2009 in line with the conservative risk appetite of the Banking Group. Rabobank's commitment to build retail deposit clients and increased liquid asset provisions have supported the liquidity position during this period.

Liquidity is managed at Rabobank Australia and New Zealand Group level by the Treasury team based in Sydney.

For Rabobank Australia and New Zealand Group, both long term and short term liquidity frameworks are in place.

- The long term framework measures the mismatch of core assets and liabilities with maturities greater than one year. The mismatch is measured monthly. A shortfall of long term liabilities above a defined acceptable limit triggers a request for long term funds.
- The short term framework focuses upon the net cash outflow on a 1 day, 7 day and 30 day horizon. A general principle of prudence is applied for all assets and liability payments.

In addition, a crisis scenario is calculated on a daily basis that measures the potential outflows from committed facilities and deposit withdrawals under stressful market conditions. The stress scenario control prevents the net position of cash inflows verses cash outflows from turning negative over a 5 day horizon.

Liquidity risk is disclosed based on both contractual maturity and expected maturity.

- Contractual maturity below is based on the undiscounted cash flows (principal and interest) based on the actual period of the contract. The table in (i) summarises the maturity profile of the Banking Group's financial assets and financial liabilities based on the contractual undiscounted cash flows.
- Expected maturity below is based on how Treasury manages liquidity risk. The overriding principle which Treasury use is to take a prudent position. A key assumption regarding the expected maturity dates in the long term framework is that 75% of the Rural loan portfolio is equally distributed over a three year period whilst the remaining 25% is equally distributed over a 5 year period. The main reason for this approach is that the standard maturity for 'all-in-one' account holders is 15 years, however this does not correctly reflect the actual maturity profile experienced in the Rural portfolio. In the short term framework, corporate loans and assets held for collateral are always assumed to be rolled over, reflecting a worst case position. The table in (iii) below summarises the maturity analysis of financial assets and financial liabilities according to when they are expected to be recovered or settled.

Rabobank Group actively monitors and manages the mismatch between assets and liabilities as part of standard banking operations. The management of the mismatch of assets against liabilities using expected cash flows allows for the repayment behaviour of assets and liabilities that are not aligned to the contractual maturity. Rabobank Group have access to diverse sources of short term funding programs that are supported in the market by its AAA rating. These funding programs support the renewal of maturing liabilities.

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

	Banking Group as at 30 June 2010						
	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	2,657	2,657		-	-	-	-
Derivative financial instruments	3,502	-	1,520	-	308	499	1,175
Loans and advances	10,928,418	-	661,699	414,852	725,232	1,196,203	7,930,432
Due from related entities	582,154	-	26,428	41,554	391,373	111,726	11,073
Other financial assets*	8,270	-	8,270	-	-	-	-
Total undiscounted financial assets	11,525,001	2,657	697,917	456,406	1,116,913	1,308,428	7,942,680
Financial liabilities							
Due to other financial institutions	143	-	143	-	-	-	-
Deposits	2,230,314	1,559,425	442,268	169,286	37,310	22,025	-
Derivative financial instruments	4,165	-	2,183	-	308	499	1,175
Due to related entities	5,133,119	291,544	2,003,484	632,615	1,591,411	602,684	11,381
Creditors and accruals	12,008	-	12,008	-	-	-	-
Total undiscounted financial liabilities	7,379,749	1,850,969	2,460,086	801,901	1,629,029	625,208	12,556

	Banking Group as at 30 June 2009						
	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	6,435	6,435	-	-	-	-	-
Derivative financial instruments	5,753	-	1,864	1,720	1,229	450	490
Loans and advances	10,677,331	-	623,077	409,943	826,975	1,258,933	7,558,403
Due from related entities	221,999	12	73,368	53,034	5,301	90,284	-
Other financial assets*	8,812	-	8,812	-	-	-	-
Total undiscounted financial assets	10,920,330	6,447	707,121	462,977	832,276	1,349,217	7,558,403
Financial liabilities							
Due to other financial institutions	411	-	411	-	-	-	-
Deposits	2,367,249	1,909,708	392,970	23,538	25,931	15,102	-
Derivative financial instruments	5,606	-	1,829	1,608	1,229	450	490
Due to related entities	4,395,603	189,665	884,805	457,913	1,698,010	1,151,709	13,501
Creditors and accruals	12,861	-	12,861	-	-	-	-
Total undiscounted financial liabilities	6,781,730	2,099,373	1,292,876	481,451	1,723,941	1,166,811	13,501

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

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

	Banking Group as at 31 December 2009						
	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	2,301	2,301	-	-	-	-	-
Derivative financial instruments	2,551	-	1,080	632	196	194	449
Loans and advances	10,992,926	-	584,595	451,323	801,230	1,279,163	7,876,615
Due from related entities	350,117	8	141,019	5,549	11,098	192,443	-
Other financial assets*	9,761	-	9,761	-	-	-	-
Total undiscounted financial assets	11,357,656	2,309	736,455	457,504	812,524	1,471,800	7,877,064
Financial liabilities							
Due to other financial institutions	367	-	367	-	-	-	-
Deposits	2,104,583	1,904,426	122,617	22,608	34,705	20,227	-
Derivative financial instruments	2,469	-	998	632	196	194	449
Due to related entities	4,957,261	246,641	1,471,359	496,001	1,730,523	990,459	22,278
Creditors and accruals	10,903	-	10,903	-	-	-	-
Total undiscounted financial liabilities	7,075,583	2,151,067	1,606,244	519,241	1,765,424	1,010,880	22,727

	Bank as at 30 June 2010						
	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	2,657	2,657		-	-	-	-
Derivative financial instruments	3,502	-	1,520	-	308	499	1,175
Loans and advances	10,928,418	-	661,699	414,852	725,232	1,196,203	7,930,432
Due from related entities	582,154	-	26,428	41,554	391,373	111,726	11,073
Other financial assets*	8,270	-	8,270	-	-	-	-
Total undiscounted financial assets	11,525,001	2,657	697,917	456,406	1,116,913	1,308,428	7,942,680
Financial liabilities							
Due to other financial institutions	143	-	143	-	-	-	-
Deposits	2,230,314	1,559,425	442,268	169,286	37,310	22,025	-
Derivative financial instruments	4,165	-	2,183	-	308	499	1,175
Due to related entities	5,131,817	290,242	2,003,484	632,615	1,591,411	602,684	11,381
Creditors and accruals	12,008	-	12,008	-	-	-	-
Total undiscounted financial liabilities	7,378,447	1,849,667	2,460,086	801,901	1,629,029	625,208	12,556

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

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

	Bank as at 30 June 2009						
	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	6,435	6,435	-	-	-	-	-
Derivative financial instruments	5,753	-	1,864	1,720	1,229	450	490
Loans and advances	10,677,331	-	623,077	409,943	826,975	1,258,933	7,558,403
Due from related entities	221,999	12	73,368	53,034	5,301	90,284	-
Other financial assets*	8,812	-	8,812	-	-	-	-
Total undiscounted financial assets	10,920,330	6,447	707,121	462,977	832,276	1,349,217	7,558,403
Financial liabilities							
Due to other financial institutions	411	-	411	-	-	-	-
Deposits	2,367,249	1,909,708	392,970	23,538	25,931	15,102	-
Derivative financial instruments	5,606	-	1,829	1,608	1,229	450	490
Due to related entities	4,394,301	188,363	884,805	457,913	1,698,010	1,151,709	13,501
Creditors and accruals	12,861	-	12,861	-	-	-	-
Total undiscounted financial liabilities	6,780,428	2,098,071	1,292,876	481,451	1,723,941	1,166,811	13,501

	Bank as at 31 December 2009						
	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	2,301	2,301	-	-	-	-	-
Derivative financial instruments	2,551	-	1,080	632	196	194	449
Loans and advances	10,992,926	-	584,595	451,323	801,230	1,279,163	7,876,615
Due from related entities	350,117	8	141,019	5,549	11,098	192,443	-
Other financial assets*	9,761	-	9,761	-	-	-	-
Total undiscounted financial assets	11,357,656	2,309	736,455	457,504	812,524	1,471,800	7,877,064
Financial liabilities							
Due to other financial institutions	367	-	367	-	-	-	-
Deposits	2,104,583	1,904,426	122,617	22,608	34,705	20,227	-
Derivative financial instruments	2,469	-	998	632	196	194	449
Due to related entities	4,955,959	245,339	1,471,359	496,001	1,730,523	990,459	22,278
Creditors and accruals	10,903	-	10,903	-	-	-	-
Total undiscounted financial liabilities	7,074,281	2,149,765	1,606,244	519,241	1,765,424	1,010,880	22,727

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

(ii) Maturity analysis of contingent liabilities based on contractual maturity

	Banking Group as at 30 June 2010						
	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
Guarantees	8,799	7,355	-	150	-	80	1,214
Commitments	568,980	388,366	1,380	1,323	1,024	5,704	171,183
Total guarantees and commitments	577,779	395,721	1,380	1,473	1,024	5,784	172,397

	Banking Group as at 30 June 2009						
	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
Guarantees	10,151	8,057	-	750	50	80	1,214
Commitments	513,582	310,651	5,019	8,204	1,256	5,299	183,153
Total guarantees and commitments	523,733	318,708	5,019	8,954	1,306	5,379	184,367

	Banking Group as at 31 December 2009						
	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
Guarantees	10,605	8,811	150	-	50	80	1,514
Commitments	521,058	464,352	2,318	640	731	5,314	47,703
Total guarantees and commitments	531,663	473,163	2,468	640	781	5,394	49,217

	Bank as at 30 June 2010						
	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
Guarantees	8,799	7,355	-	150	-	80	1,214
Commitments	568,980	388,366	1,380	1,323	1,024	5,704	171,183
Total guarantees and commitments	577,779	395,721	1,380	1,473	1,024	5,784	172,397

	Bank as at 30 June 2009						
	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
Guarantees	10,151	8,057	-	750	50	80	1,214
Commitments	513,582	310,651	5,019	8,204	1,256	5,299	183,153
Total guarantees and commitments	523,733	318,708	5,019	8,954	1,306	5,379	184,367

	Bank as at 31 December 2009						
	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
Guarantees	10,605	8,811	150	-	50	80	1,514
Commitments	521,058	464,352	2,318	640	731	5,314	47,703
Total guarantees and commitments	531,663	473,163	2,468	640	781	5,394	49,217

(iii) Maturity analysis of financial assets and financial liabilities by expected maturity based on undiscounted cash flows (principal and interest)

	Banking Group as at 30 June 2010					
	Total $000	Call-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	2,657	2,657	-	-	-	-
Derivative financial instruments	3,502	1,520	-	308	499	1,175
Loans and advances	8,145,927	927,410	1,041,620	2,228,981	3,342,861	605,055
Due from related entities	582,154	26,428	41,554	391,373	111,726	11,073
Other financial assets*	8,270	8,270	-	-	-	-
Total undiscounted financial assets	8,742,510	966,285	1,083,174	2,620,662	3,455,086	617,303
Financial liabilities						
Due to other financial institutions	143	143	-	-	-	-
Deposits	2,322,965	618,554	636,149	1,068,262	-	-
Derivative financial instruments	4,165	2,183	-	308	499	1,175
Due to related entities	5,133,119	2,295,028	632,615	1,591,411	602,684	11,381
Creditors and accruals	12,008	12,008	-	-	-	-
Total undiscounted financial liabilities	7,472,400	2,927,916	1,268,764	2,659,981	603,183	12,556

	Banking Group as at 30 June 2009					
	Total $000	Call-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	6,435	6,435	-	-	-	-
Derivative financial instruments	5,753	1,864	1,720	1,229	450	490
Loans and advances	7,341,221	894,672	995,738	2,145,355	3,305,456	-
Due from related entities	221,999	73,380	53,034	5,301	90,284	-
Other financial assets*	8,812	8,812	-	-	-	-
Total undiscounted financial assets	7,584,220	985,163	1,050,492	2,151,885	3,396,190	490
Financial liabilities						
Due to other financial institutions	411	411	-	-	-	-
Deposits	2,496,963	450,217	459,176	1,587,570	-	-
Derivative financial instruments	5,606	1,829	1,608	1,229	450	490
Due to related entities	4,395,603	1,074,470	457,913	1,698,010	1,151,709	13,501
Creditors and accruals	12,861	12,861	-	-	-	-
Total undiscounted financial liabilities	6,911,444	1,539,788	918,697	3,286,809	1,152,159	13,991

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

Maturity analysis of contingent liabilities (guarantees and commitments) by expected maturity is not disclosed as it is not expected to be different from contractual maturity in managing liquidity risk under the long term liquidity risk framework.

(iii) Maturity analysis of financial assets and financial liabilities by expected maturity based on undiscounted cash flows (principal and interest) (continued)

	Banking Group as at 31 December 2009					
	Total $000	Call-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	2,301	2,301	-	-	-	-
Derivative financial instruments	2,551	1,080	632	196	194	449
Loans and advances	7,641,072	897,660	1,050,886	2,245,986	3,446,540	-
Due from related entities	350,117	141,027	5,549	11,098	192,443	-
Other financial assets*	9,761	9,761	-	-	-	-
Total undiscounted financial assets	8,005,802	1,051,829	1,057,067	2,257,280	3,639,177	449
Financial liabilities						
Due to other financial institutions	367	367	-	-	-	-
Deposits	2,241,197	275,033	282,962	1,683,202	-	-
Derivative financial instruments	2,469	998	632	196	194	449
Due to related entities	4,957,261	1,718,000	496,001	1,730,523	990,459	22,278
Creditors and accruals	10,903	10,903	-	-	-	-
Total undiscounted financial liabilities	7,212,197	2,005,301	779,595	3,413,921	990,653	22,727

	Bank as at 30 June 2010					
	Total $000	Call-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	2,657	2,657	-	-	-	-
Derivative financial instruments	3,502	1,520	-	308	499	1,175
Loans and advances	8,145,927	927,410	1,041,620	2,228,981	3,342,861	605,055
Due from related entities	582,154	26,428	41,554	391,373	111,726	11,073
Other financial assets*	8,270	8,270	-	-	-	-
Total undiscounted financial assets	8,742,510	966,285	1,083,174	2,620,662	3,455,086	617,303
Financial liabilities						
Due to other financial institutions	143	143	-	-	-	-
Deposits	2,322,965	618,554	636,149	1,068,262	-	-
Derivative financial instruments	4,165	2,183	-	308	499	1,175
Due to related entities	5,131,817	2,293,726	632,615	1,591,411	602,684	11,381
Creditors and accruals	12,008	12,008	-	-	-	-
Total undiscounted financial liabilities	7,471,098	2,926,614	1,268,764	2,659,981	603,183	12,556

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

Maturity analysis of contingent liabilities (guarantees and commitments) by expected maturity is not disclosed as it is not expected to be different from contractual maturity in managing liquidity risk under the long term liquidity risk framework.

(iii) Maturity analysis of financial assets and financial liabilities by expected maturity based on undiscounted cash flows (principal and interest) (continued)

	Bank as at 30 June 2009					
	Total $000	Call-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	6,435	6,435	-	-	-	-
Derivative financial instruments	5,753	1,864	1,720	1,229	450	490
Loans and advances	7,341,201	894,672	995,738	2,145,335	3,305,456	-
Due from related entities	221,999	73,380	53,034	5,301	90,284	-
Other financial assets*	8,812	8,812	-	-	-	-
Total undiscounted financial assets	7,584,200	985,163	1,050,492	2,151,865	3,396,190	490
Financial liabilities						
Due to other financial institutions	411	411	-	-	-	-
Deposits	2,496,963	450,217	459,176	1,587,570	-	-
Derivative financial instruments	5,606	1,829	1,608	1,229	450	490
Due to related entities	4,394,301	1,073,168	457,913	1,698,010	1,151,709	13,501
Creditors and accruals	12,861	12,861	-	-	-	-
Total undiscounted financial liabilities	6,910,142	1,538,486	918,697	3,286,809	1,152,159	13,991

	Bank as at 31 December 2009					
	Total $000	Call-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	2,301	2,301	-	-	-	-
Derivative financial instruments	2,551	1,080	632	196	194	449
Loans and advances	7,641,072	897,660	1,050,886	2,245,986	3,446,540	-
Due from related entities	350,117	141,027	5,549	11,098	192,443	-
Other financial assets*	9,761	9,761	-	-	-	-
Total undiscounted financial assets	8,005,802	1,051,829	1,057,067	2,257,280	3,639,177	449
Financial liabilities						
Due to other financial institutions	367	367	-	-	-	-
Deposits	2,241,197	275,033	282,962	1,683,202	-	-
Derivative financial instruments	2,469	998	632	196	194	449
Due to related entities	4,955,959	1,716,698	496,001	1,730,523	990,459	22,278
Creditors and accruals	10,903	10,903	-	-	-	-
Total undiscounted financial liabilities	7,210,895	2,003,999	779,595	3,413,921	990,653	22,727

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

Maturity analysis of contingent liabilities (guarantees and commitments) by expected maturity is not disclosed as it is not expected to be different from contractual maturity in managing liquidity risk under the long term liquidity risk framework.

(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 Banking Group relate to interest rate risk and currency risk. The Banking Group's market risk is governed by the policies and procedures agreed by the Global Market Risk function of Rabobank International. 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 Banking Group from the prior year.

The market risk from all activities across the Banking Group is warehoused and managed by the Global Financial Markets division (GFM). The acceptable limit for market risk is determined by the Balance Sheet and Risk Management Committee. The risk appetite is ultimately expressed by the level 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

	Banking Group			Bank		
	30 June 2010 $000	30 June 2009 $000	31 December 2009 $000	30 June 2010 $000	30 June 2009 $000	31 December 2009 $000
VaR at period/year end	649	631	627	649	631	627

(ii) Repricing analysis

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

	Banking Group as at 30 June 2010					
	Total $000	Call-6 months $000	6-12 months $000	12-60 months $000	Over 60 months $000	Non-interest bearing $000
Financial assets						
Due from other financial institutions	2,657	2,657	-	-	-	-
Derivative financial instruments	3,502	-	-	-	-	3,502
Loans and advances	6,776,310	3,841,226	656,028	2,256,350	22,706	-
Due from related entities	514,735	10,351	30,000	460,000	10,000	4,384
Other financial assets*	8,270	-	-	-	-	8,270
Total financial assets	7,305,474	3,854,234	686,028	2,716,350	32,706	16,156
Other assets**	10,301	-	-	-	-	10,301
Net deferred tax assets	57,681	-	-	-	-	57,681
Property, plant and equipment	2,351	-	-	-	-	2,351
Intangible assets	-	-	-	-	-	-
Total non-financial assets	70,333	-	-	-	-	70,333
Total assets	7,375,807	3,854,234	686,028	2,716,350	32,706	86,489
Financial liabilities						
Due to other financial institutions	143	143	-	-	-	-
Deposits	2,210,018	1,982,347	173,449	54,222	-	-
Derivative financial instruments	4,165	-	-	-	-	4,165
Due to related entities	4,839,692	2,246,613	470,000	1,777,000	21,500	324,579
Creditors and accruals	12,008	-	-	-	-	12,008
Total financial liabilities	7,066,026	4,229,103	643,449	1,831,222	21,500	340,752
Provisions	26,122	-	-	-	-	26122
Total non-financial liabilities	26,122	-	-	-	-	26,122
Total liabilities	7,092,148	4,229,103	643,449	1,831,222	21,500	366,874
Interest rate derivatives						
Swaps	-	(4,000)	-	4,000	-	
Repricing gap (interest bearing assets and liabilities)	564,044	(378,869)	42,579	889,128	11,206	
Cumulative mismatch	564,044	(378,869)	(336,290)	552,838	564,044	

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

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

(ii) Repricing analysis (continued)

	Banking Group as at 30 June 2009					
	Total $000	Call-6 months $000	6-12 months $000	12-60 months $000	Over 60 months $000	Non-interest bearing $000
Financial assets						
Due from other financial institutions	6,435	6,435	-	-	-	-
Derivative financial instruments	5,753	-	-	-	-	5,753
Loans and advances	6,316,891	2,514,721	970,714	2,788,389	43,066	-
Due from related entities	199,825	67,963	50,000	80,000	-	1,862
Other financial assets*	8,812	-	-	-	-	8,812
Total financial assets	6,537,716	2,589,120	1,020,714	2,868,389	43,066	16,427
Other assets**	14,942	-	-	-	-	14,942
Net deferred tax assets	26,093	-	-	-	-	26,093
Property, plant and equipment	3,219	-	-	-	-	3,219
Intangible assets	3	-	-	-	-	3
Total non-financial assets	44,257	-	-	-	-	44,257
Total assets	6,581,973	2,589,120	1,020,714	2,868,389	43,066	60,684
Financial liabilities						
Due to other financial institutions	411	411	-	-	-	-
Deposits	2,358,137	2,293,905	26,714	37,518	-	-
Derivative financial instruments	5,606	-	-	-	-	5,606
Due to related entities	3,925,651	851,000	375,000	2,448,000	16,500	235,151
Creditors and accruals	12,861	-	-	-	-	12,861
Total financial liabilities	6,302,666	3,145,316	401,714	2,485,518	16,500	253,618
Provisions	11,122	-	-	-	-	11,122
Non-financial liabilities	11,122	-	-	-	-	11,122
Total liabilities	6,313,788	3,145,316	401,714	2,485,518	16,500	264,740
Interest rate derivatives						
Swaps	-	(5,000)	5,000	-	-	
Repricing gap (interest bearing assets and liabilities)	472,241	(561,197)	624,000	382,872	26,566	
Cumulative mismatch	472,241	(561,197)	62,803	445,675	472,241	

*Other financial assets consist of interest receivable, sundry debtors and GST receivable.
**Other assets consist of income tax receivable, prepayments and others.

(ii) Repricing analysis (continued)

	Banking Group as at 31 December 2009					
	Total $000	Call-6 months $000	6-12 months $000	12-60 months $000	Over 60 months $000	Non-interest bearing $000
Financial assets						
Due from other financial institutions	2,301	2,301	-	-	-	-
Derivative financial instruments	2,551	-	-	-	-	2,551
Loans and advances	6,557,156	3,095,990	973,262	2,465,682	22,222	-
Due from related entities	309,950	132,461	-	175,000	-	2,489
Other financial assets*	9,761	-	-	-	-	9,761
Total financial assets	6,881,719	3,230,752	973,262	2,640,682	22,222	14,801
Other assets**	8,294	-	-	-	-	8,294
Net deferred tax assets	43,291	-	-	-	-	43,291
Property, plant and equipment	2,792	-	-	-	-	2,792
Intangible assets	-	-	-	-	-	-
Total non-financial assets	54,377	-	-	-	-	54,377
Total assets	6,936,096	3,230,752	973,262	2,640,682	22,222	69,178
Financial liabilities						
Due to other financial institutions	367	367	-	-	-	-
Deposits	2,094,117	2,026,480	18,092	49,545	-	-
Derivative financial instruments	2,469	-	-	-	-	2,469
Due to related entities	4,535,801	1,698,825	414,000	2,124,000	21,500	277,476
Creditors and accruals	10,903	-	-	-	-	10,903
Total financial liabilities	6,643,657	3,725,672	432,092	2,173,545	21,500	290,848
Provisions	25,983	-	-	-	-	25,983
Total non-financial liabilities	25,983	-	-	-	-	25,983
Total liabilities	6,669,640	3,725,672	432,092	2,173,545	21,500	316,831
Interest rate derivatives						
Swaps	-	(8,000)	4,000	4,000	-	
Repricing gap (interest bearing assets and liabilities)	514,109	(502,920)	545,170	471,137	722	
Cumulative mismatch	514,109	(502,920)	42,250	513,387	514,109	

*Other financial assets consist of interest receivable, sundry debtors and GST receivable.
**Other assets consist of income tax receivable, prepayments and others.

(ii) Repricing analysis (continued)

	Bank as at 30 June 2010					
	Total $000	Call-6 months $000	6-12 months $000	12-60 months $000	Over 60 months $000	Non-interest bearing $000
Financial assets						
Due from other financial institutions	2,657	2,657	-	-	-	-
Derivative financial instruments	3,502	-	-	-	-	3,502
Loans and advances	6,776,310	3,841,226	656,028	2,256,350	22,706	-
Due from related entities	514,735	10,351	30,000	460,000	10,000	4,384
Other financial assets*	8,270	-	-	-	-	8,270
Total financial assets	7,305,474	3,854,234	686,028	2,716,350	32,706	16,156
Other assets**	8,999	-	-	-	-	8,999
Net deferred tax assets	57,681	-	-	-	-	57,681
Property, plant and equipment	2,351	-	-	-	-	2,351
Intangible assets	-	-	-	-	-	-
Total non-financial assets	69,031	-	-	-	-	69,031
Total assets	7,374,505	3,854,234	686,028	2,716,350	32,706	85,187
Financial liabilities						
Due to other financial institutions	143	143	-	-	-	-
Deposits	2,210,018	1,982,347	173,449	54,222	-	-
Derivative financial instruments	4,165	-	-	-	-	4,165
Due to related entities	4,838,390	2,246,613	470,000	1,777,000	21,500	323,277
Creditors and accruals	12,008	-	-	-	-	12,008
Total financial liabilities	7,064,724	4,229,103	643,449	1,831,222	21,500	339,450
Provisions	26,122	-	-	-	-	26,122
Total non-financial liabilities	26,122	-	-	-	-	26,122
Total liabilities	7,090,846	4,229,103	643,449	1,831,222	21,500	365,572
Interest rate derivatives						
Swaps	-	(4,000)	-	4,000	-	
Repricing gap (interest bearing assets and liabilities)	564,044	(378,869)	42,579	889,128	11,206	
Cumulative mismatch	564,044	(378,869)	(336,290)	552,838	564,044	

*Other financial assets consist of interest receivable, sundry debtors and GST receivable.
**Other assets consist of income tax receivable, prepayments and others.

(ii) Repricing analysis (continued)

	Bank as at 30 June 2009					
	Total $000	Call-6 months $000	6-12 months $000	12-60 months $000	Over 60 months $000	Non-interest bearing $000
Financial assets						
Due from other financial institutions	6,435	6,435	-	-	-	-
Derivative financial instruments	5,753	-	-	-	-	5,753
Loans and advances	6,316,891	2,514,721	970,714	2,788,389	43,066	-
Due from related entities	199,825	67,963	50,000	80,000	-	1,862
Other financial assets*	8,812	-	-	-	-	8,812
Total financial assets	6,537,716	2,589,120	1,020,714	2,868,389	43,066	16,427
Other assets**	13,640	-	-	-	-	13,640
Net deferred tax assets	26,093	-	-	-	-	26,093
Property, plant and equipment	3,219	-	-	-	-	3,219
Intangible assets	3	-	-	-	-	3
Total non-financial assets	42,955	-	-	-	-	42,955
Total assets	6,580,671	2,589,120	1,020,714	2,868,389	43,066	59,382
Financial liabilities						
Due to other financial institutions	411	411	-	-	-	-
Deposits	2,358,137	2,293,905	26,714	37,518	-	-
Derivative financial instruments	5,606	-	-	-	-	5,606
Due to related entities	3,924,349	851,000	375,000	2,448,000	16,500	233,849
Creditors and accruals	12,861	-	-	-	-	12,861
Total financial liabilities	6,301,364	3,145,316	401,714	2,485,518	16,500	252,316
Provisions	11,122	-	-	-	-	11,122
Total non-financial liabilities	11,122	-	-	-	-	11,122
Total liabilities	6,312,486	3,145,316	401,714	2,485,518	16,500	263,513
Interest rate derivatives						
Swaps	-	(5,000)	5,000	-	-	
Repricing gap (interest bearing assets and liabilities)	472,241	(561,197)	624,000	382,872	26,566	
Cumulative mismatch	472,241	(561,197)	62,803	445,675	472,241	

*Other financial assets consist of interest receivable, sundry debtors and GST receivable.
**Other assets consist of income tax receivable, prepayments and others.

(ii) Repricing analysis (continued)

	Bank as at 31 December 2009					
	Total $000	Call-6 months $000	6-12 months $000	12-60 months $000	Over 60 months $000	Non-interest bearing $000
Financial assets						
Due from other financial institutions	2,301	2,301	-	-	-	-
Derivative financial instruments	2,551	-	-	-	-	2,551
Loans and advances	6,557,156	3,095,990	973,262	2,465,682	22,222	-
Due from related entities	309,950	132,461	-	175,000	-	2,489
Other financial assets*	9,761	-	-	-	-	9,761
Total financial assets	6,881,719	3,230,752	973,262	2,640,682	22,222	14,801
Other assets**	6,992	-	-	-	-	6,992
Net deferred tax assets	43,291	-	-	-	-	43,291
Property, plant and equipment	2,792	-	-	-	-	2,792
Intangible assets	-	-	-	-	-	-
Total non-financial assets	53,075	-	-	-	-	53,075
Total assets	6,934,794	3,230,752	973,262	2,640,682	22,222	67,876
Financial liabilities						
Due to other financial institutions	367	367	-	-	-	-
Deposits	2,094,117	2,026,480	18,092	49,545	-	-
Derivative financial instruments	2,469	-	-	-	-	2,469
Due to related entities	4,534,499	1,698,825	414,000	2,124,000	21,500	276,174
Creditors and accruals	10,903	-	-	-	-	10,903
Total financial liabilities	6,642,355	3,725,672	432,092	2,173,545	21,500	289,546
Provisions	25,983	-	-	-	-	25,983
Total non-financial liabilities	25,983	-	-	-	-	25,983
Total liabilities	6,668,338	3,725,672	432,092	2,173,545	21,500	315,529
Interest rate derivatives						
Swaps	-	(8,000)	4,000	4,000	-	
Repricing gap (interest bearing assets and liabilities)	514,109	(502,920)	545,170	471,137	722	
Cumulative mismatch	514,109	(502,920)	42,250	513,387	514,109	

*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 Banking Group's credit policies focus, amongst other things, on facility terms, serviceability and relevant security. The Banking Group 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 Banking Group monitors the extent to which the client meets its agreed obligations. In its approval process the Banking Group 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.

Concentration of credit risk is determined by management to be by industry sector. Industry sectors are determined by reference to the Standard Industrial Classification (SIC) 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.

	Banking Group			Bank		
	30 June 2010 $000	30 June 2009 $000	31 December 2009 $000	30 June 2010 $000	30 June 2009 $000	31 December 2009 $000
Credit exposures consist of :						
Due from other financial institutions	2,657	6,435	2,301	2,657	6,435	2,301
Loans and advances	6,776,310	6,316,891	6,557,156	6,776,310	6,316,891	6,557,156
Due from related entities	514,735	199,825	309,950	514,735	199,825	309,950
Other financial assets*	8,270	8,812	9,761	8,270	8,812	9,761
Derivative financial instruments	3,502	5,753	2,551	3,502	5,753	2,551
Commitment and guarantees	577,779	523,733	531,663	577,779	523,733	531,663
Total credit exposures	7,883,253	7,061,449	7,413,382	7,883,253	7,061,449	7,413,382

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

Analysis of credit exposures by industry type of borrowers:						
Agriculture, forestry and fishery	6,787,859	6,188,433	6,450,125	6,787,859	6,189,735	6,450,125
Construction	2,491	3,470	3,315	2,491	3,470	3,315
Education	660	721	698	660	721	698
Finance and insurance	619,107	332,516	412,282	619,107	331,214	412,282
Government	643	1,950	1,949	643	1,950	1,949
Health and community services	5,549	5,306	5,685	5,549	5,306	5,685
Manufacturing	79,283	80,805	81,336	79,283	80,805	81,336
Personal and other services	9,603	10,765	10,397	9,603	10,765	10,397
Property and business services	301,360	371,567	371,517	301,360	371,567	371,517
Retail trade	6,119	7,787	6,156	6,119	7,787	6,156
Transport and storage	8,628	8,562	8,662	8,628	8,562	8,662
Wholesale trade	61,951	49,567	61,260	61,951	49,567	61,260
Total credit exposures	7,883,253	7,061,449	7,413,382	7,883,253	7,061,449	7,413,382

Analysis of credit exposure by geographical areas:						
New Zealand	7,883,253	7,061,449	7,413,382	7,883,253	7,061,449	7,413,382
Total credit exposures	7,883,253	7,061,449	7,413,382	7,883,253	7,061,449	7,413,382

(ii) Concentration of credit exposure

Analysis of concentration of exposure to closely related counterparties

	Number of groups of closely related counterparties					
	Banking Group			Bank		
As at period end	30 June 2010	30 June 2009	31 December 2009	30 June 2010	30 June 2009	31 December 2009
Percentage of shareholders' equity						
70-80%	-	1	-	-	1	-
120-130%	-	-	1	-	-	1
190%-200%	1	-	-	1	-	-

Concentration of credit exposures to connected persons

	Banking Group			
	Exposures		Exposures as a % of Banking Group's tier one capital	
As at period end	30 June 2010 $000	30 June 2009 $000	30 June 2010 %	30 June 2009 %
Bank connected persons				
Aggregate at end-of-period	516,533	200,852	208.49%	77.55%
Peak end-of-day for the quarter	516,533	294,030	208.49%	106.77%
Contingent credit exposures arising from risk lay-off arrangements	-	-	-	-
Non-bank connected persons				
Aggregate at end-of-period	-	35	0.00%	0.01%
Peak end-of-day for the quarter	-	35	0.00%	0.01%
Contingent credit exposures arising from risk lay-off arrangements	-	-	-	-

Analysis of concentration of exposure to individual counterparties

	Number of individual counterparties					
	Banking Group			Bank		
As at period end	30 June 2010	30 June 2009	31 December 2009	30 June 2010	30 June 2009	31 December 2009
Percentage of shareholders' equity						
10-20%	5	5	5	5	5	5
20-30%	1	1	1	1	1	1
30-40%	2	1	2	2	1	2
40-50%	-	-	-	-	-	-
50-60%	1	1	1	1	1	1

Concentration of credit exposures to individual counterparties

	Banking Group	
	Number of counterparties	
As at period end	30 June 2010	30 June 2009
Bank counterparties:		
Percentage of shareholders' equity		
>10 - 20%	-	-

Peak credit exposure to individual counterparties

	Banking Group	
	Number of counterparties	
Peak end-of-day aggregate credit exposure	30 June 2010	30 June 2009
Bank counterparties:		
Percentage of shareholders' equity		
>10 - 20%	-	-
>20 - 30%	-	-
>30 - 40%	-	-
Non-bank counterparties:		
Percentage of shareholders' equity		
>10 - 20%	6	5
>20 - 30%	1	1
>30 - 40%	2	1
>40 - 50%	-	-
>50 - 60%	1	1

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 period.

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

Aggregate credit exposure

	Banking Group			
	30 June 2010		30 June 2009	
As at period end	$000	%	$000	%
Bank counterparties:				
At or above investment credit rating	-	100%	-	100%
Below investment credit rating	-	0%	-	0%
Credit rating not applicable	-	0%	-	0%
Non-bank counterparties:				
At or above investment credit rating	-	0%	-	0%
Below investment credit rating	-	0%	-	0%
Credit rating not applicable	625,343	100%	510,602	100%

An investment grade credit rating is a credit rating of BBB- or Baa3 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 tier one capital as at the end of the quarter.

The information on credit exposure to connected persons has been derived in accordance with Rabobank New Zealand Limited's conditions of registration and is net of individual credit impairment provision, excluding advances of a capital nature and gross of set-offs.

Credit exposure is calculated on the basis of actual exposure.

The Banking Group has no individual credit impairment provision provided against credit exposures to connected persons as at the balance date.

Because Rabobank New Zealand Limited’s obligations are fully, irrevocably and unconditionally guaranteed by the parent entity with an AAA credit rating from a Reserve Bank approved rating agency, it is not subject to the condition of registration limiting exposures to connected persons.

(iii) Collateral and other credit enhancements

The main types of collateral obtained are as follows:

- For rural lending, mortgages over rural, residential and commercial properties.
- For corporate lending, a fixed and floating charge over the company, specific mortgages and personal guarantees from the shareholders.

Moreover, under a guarantee dated 14 December 2000, Rabobank Nederland New Zealand Branch has irrevocably guaranteed all of the existing and future rural loans owed to the Bank. The Bank has decided not to call on any amounts due under this guarantee.

It is the Banking Group's policy to dispose of repossessed properties in an orderly fashion. The proceeds are used to reduce or repay the outstanding claim. The Banking Group does not use or take repossessed properties for business use. During the period to 30 June 2010, the Banking Group took possession of $5.5 million collateral (30 June 2009: Nil; 31 December 2009: $5.5 million).

(iv) Credit quality per class of financial assets

The credit quality of financial assets is managed by the Banking Group 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 Banking Group's internal credit rating system. The amount presented are gross of impairment provisions.

	Banking Group						
	<------------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
At 30 June 2010							
Due from other financial institutions	2,657	-	-	-	-	-	2,657
Gross loans and advances* (note 14)	67,402	766,366	3,153,529	2,255,139	298,874	377,749	6,919,059
Total	70,059	766,366	3,153,529	2,255,139	298,874	377,749	6,921,716
At 30 June 2009							
Due from other financial institutions	6,435	-	-	-	-	-	6,435
Gross loans and advances* (note 14)	97,499	1,045,133	2,832,099	1,803,069	393,868	209,302	6,380,970
Total	103,934	1,045,133	2,832,099	1,803,069	393,868	209,302	6,387,405
At 31 December 2009							
Due from other financial institutions	2,301	-	-	-	-	-	2,301
Gross loans and advances* (note 14)	92,229	828,134	2,856,719	2,397,528	191,891	298,352	6,664,853
Total	94,530	828,134	2,856,719	2,397,528	191,891	298,352	6,667,154

*Gross loans and advances exclude provisions for doubtful debts.

Credit rating descriptions:

R0-R7 - Counterparties that are strong to extremely strong in meeting current and future financial commitments to the Banking Group.

R8-R10 - Counterparties that have adequate capacity to meet current and future financial commitments to the the Banking Group.

R11-R14 - Counterparties that have adequate capacity to meet current financial commitments to the Banking Group.

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.

(iv) Credit quality per class of financial assets (continued)

	Bank						
	<------------Neither past due nor impaired---------->						
	R0-R7 $000	R8-R10 $000	R11-R14 $000	R15-R20 $000	Past due but not impaired $000	Individually impaired $000	Total $000
At 30 June 2010							
Due from other financial institutions	2,657	-	-	-	-	-	2,657
Gross loans and advances* (note 14)	67,402	766,366	3,153,529	2,255,139	298,874	377,749	6,919,059
Total	70,059	766,366	3,153,529	2,255,139	298,874	377,749	6,921,716
At 30 June 2009							
Due from other financial institutions	6,435	-	-	-	-	-	6,435
Gross loans and advances* (note 14)	97,499	1,045,133	2,832,099	1,803,069	393,868	209,302	6,380,970
Total	103,934	1,045,133	2,832,099	1,803,069	393,868	209,302	6,387,405
At 31 December 2009							
Due from other financial institutions	2,301	-	-	-	-	-	2,301
Gross loans and advances* (note 14)	92,229	828,134	2,856,719	2,397,528	191,891	298,352	6,664,853
Total	94,530	828,134	2,856,719	2,397,528	191,891	298,352	6,667,154

*Gross loans and advances exclude provisions for doubtful debts.

Credit rating descriptions

R0-R7 - Counterparties that are strong to extremely strong in meeting current and future financial commitments to the Banking Group.

R8-R10 - Counterparties that have adequate capacity to meet current and future financial commitments to the the Banking Group.

R11-R14 - Counterparties that have adequate capacity to meet current financial commitments to the Banking Group.

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.

(v) Aging analysis of past due but not impaired loans per class of financial assets and fair value of collateral

	Banking Group			
	Less than 60 days $000	61 to 90 days $000	More than 91 days $000	Total $000
At 30 June 2010				
Loans and advances*	224,104	5,606	69,164	298,874
Estimated fair value of collateral				647,633
At 30 June 2009				
Loans and advances*	333,772	34,683	25,413	393,868
Estimated fair value of collateral				1,001,851
At 31 December 2009				
Loans and advances*	102,945	12,750	76,196	191,891
Estimated fair value of collateral				780,497

	Bank			
	Less than 60 days $000	61 to 90 days $000	More than 91 days $000	Total $000
At 30 June 2010				
Loans and advances*	224,104	5,606	69,164	298,874
Estimated fair value of collateral				647,633
At 30 June 2009				
Loans and advances*	333,772	34,683	25,413	393,868
Estimated fair value of collateral				1,001,851
At 31 December 2009				
Loans and advances*	102,945	12,750	76,196	191,891
Estimated fair value of collateral				780,497

* Based on contractual due dates.

(vi) Estimated fair value of collateral on impaired loans

	Banking Group			Bank		
	30 June 2010 $000	30 June 2009 $000	31 December 2009 $000	30 June 2010 $000	30 June 2009 $000	31 December 2009 $000
Fair value of collateral held**	253,456	157,706	208,080	253,456	157,706	208,080
Total impaired loans (note 15 (i))	377,749	209,302	298,352	377,749	209,302	298,352

** Loans are cross collaterised against all facilities held by a customer, the estimated fair value of collateral represents the total aggregate collateral relating to the customer.

33 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, other approved capital resources. Tier two or supplementary capital includes unaudited retained earnings, general reserve for credit losses and subordinated debt. The Bank currently does not have any tier two 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 2009 and 2010 financial years.

34 Risk weighted exposures and capital adequacy under the Basel I approach

(a) Capital

	Banking Group		Bank	
	30 June 2010 $000	30 June 2009 $000	30 June 2010 $000	30 June 2009 $000
Tier one capital				
Issued and fully paid up ordinary share capital	41,200	41,200	41,200	41,200
Perpetual fully paid up non-cumulative preference shares	-	-	-	-
Revenue and similar reserves	225,256	216,761	225,256	216,761
Current period's reviewed retained earnings	17,203	10,224	17,203	10,224
Tier one minority interests	-	-	-	-
Less: deductions from tier one capital	(35,908)	(9,200)	(35,908)	(9,200)
Plus: other adjustments to tier one capital	-	-	-	-
Total tier one capital	247,751	258,985	247,751	258,985
Tier two capital				
Upper tier two capital				
Unaudited retained profits	-	-	-	-
Revaluation reserves	-	-	-	-
Upper tier two capital instruments	-	-	-	-
Total upper tier two capital	-	-	-	-
Lower tier two capital				
Term subordinated debt	-	-	-	-
years or more	-	-	-	-
Total lower tier two capital	-	-	-	-
Total tier two capital	-	-	-	-
Total tier one capital plus tier two capital	247,751	258,985	247,751	258,985
Less: deductions from total capital				
Equity investments in subsidiaries	-	-	-	-
Capital	247,751	258,985	247,751	258,985

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" (BS2) as amended from time to time.

(b) Risk weighted exposure

(i) Calculation of on-balance sheet exposure

As at 30 June 2010	Banking Group Principal amount $000	Banking Group Risk weight %	Banking Group Risk weighted exposure $000	Bank Principal amount $000	Bank Risk weight %	Bank Risk weighted exposure $000
Cash and short term claims on government	13	0%	-	13	0%	-
Long term claims on government	-	10%	-	-	10%	-
Claims on banks	-	20%	-	-	20%	-
Claims on public sector entities	-	20%	-	-	20%	-
Residential mortgages	-	50%	-	-	50%	-
Other*	10,277	0%	-	8,975	0%	-
Other **	7,266,341	20%	1,453,268	7,266,341	20%	1,453,268
Other ***	37,993	100%	37,993	37,993	100%	37,993
Non risk weighted assets ****	61,183	0%	-	61,183	0%	-
Total assets	7,375,807		1,491,261	7,374,505		1,491,261

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

** Other assets that have been risk weighted at 20% comprise of loans and advances and accrued interest receivable which are guaranteed by Rabobank Nederland.

*** Other assets that have been risk weighted at 100% comprise of finance leases, property plant and equipment and sundry debtors.

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

(ii) Calculation of off-balance sheet exposure

	Banking Group				
As at 30 June 2010	Principal amount $000	Credit conversion factors %	Credit equivalent amount $000	Average counterparty risk weight %	Risk weighted exposure $000
Direct credit substitutes	8,799	100%	8,799	100%	8,799
Asset sales with recourse	-	100%	-	0%	-
Commitments with certain drawdown	40,180	100%	40,180	20%	8,036
Underwriting and sub-underwriting facilities	-	50%	-	0%	-
Transaction related contingent items	-	50%	-	0%	-
Short term, self liquidating trade related contingencies	-	20%	-	0%	-
Other commitments to provide financial services which have an original maturity of 1 year or more	180,830	50%	90,415	20%	18,083
Other commitments with an original maturity of less than 1 year	347,970	0%	-	0%	-
Market related contracts*					
(a) Foreign exchange forwards	1,358	N/A	15	20%	3
Foreign exchange forwards	1,591	N/A	21	50%	11
(b) Foreign exchange swaps	116,109	N/A	1,167	20%	233
Foreign exchange swaps	-	N/A	-	50%	-
(c) Foreign exchange options	-	N/A	-	50%	-
Foreign exchange options	-	N/A	-	20%	-
(c) Interest rate swaps	59,773	N/A	346	20%	69
Interest rate swaps	59,773	N/A	2,455	50%	1,228
Total off-balance sheet exposures	816,383		143,398		36,462

	Bank				
As at 30 June 2010	Principal amount $000	Credit conversion factors %	Credit equivalent amount $000	Average counterparty risk weight %	Risk weighted exposure $000
Direct credit substitutes	8,799	100%	8,799	100%	8,799
Asset sales with recourse	-	100%	-	0%	-
Commitments with certain drawdown	40,180	100%	40,180	20%	8,036
Underwriting and sub-underwriting facilities	-	50%	-	0%	-
Transaction related contingent items	-	50%	-	0%	-
Short term, self liquidating trade related contingencies	-	20%	-	0%	-
Other commitments to provide financial services which have an original maturity of 1 year or more	180,830	50%	90,415	20%	18,083
Other commitments with an original maturity of less than 1 year	347,970	0%	-	0%	-
Market related contracts*					
(a) Foreign exchange forwards	1,358	N/A	15	20%	3
Foreign exchange forwards	1,591	N/A	21	50%	11
(b) Foreign exchange swaps	116,109	N/A	1,167	20%	233
Foreign exchange swaps	-	N/A	-	50%	-
(c) Foreign exchange options	-	N/A	-	50%	-
Foreign exchange options	-	N/A	-	20%	-
(c) Interest rate swaps	59,773	N/A	346	20%	69
Interest rate swaps	59,773	N/A	2,455	50%	1,228
Total off-balance sheet exposures	816,383		143,398		36,462

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

(c) Capital ratios

	Banking Group		Bank	
	2010	2009	2010	2009
As at 30 June	%	%	%	%
Tier one capital expressed as a percentage of total risk weighted exposures	16.22%	18.53%	16.22%	18.53%
Total capital expressed as a percentage of total risk weighted	16.22%	18.53%	16.22%	18.53%

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 " (BS2) as amended from time to time.

(d) 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.

	2009	2008
As at 31 December (audited)	%	%
Tier one capital expressed as a percentage of total risk weighted exposures	13.80%	12.70%
Qualifying capital* expressed as a percentage of total risk weighted exposures	14.10%	13.00%
Dutch Central 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 the Dutch Nederlandsche Bank to hold minimum capital at least equal to that specified under Basel framework and those requirements imposed on it by the Dutch Nederlandsche Bank have been met as at the reporting date.

* 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 Nederlandsche Bank.

35 Capital adequacy under the Basel II standardised approach

(a) Capital

As at 30 June	Banking Group 2010 $000	Banking Group 2009 $000	Bank 2010 $000	Bank 2009 $000
Tier one capital				
Issued and fully paid up ordinary share capital	41,200	41,200	41,200	41,200
Perpetual fully paid up non-cumulative preference shares	-	-	-	-
Revenue and similar reserves	225,256	216,761	225,256	216,761
Current period's reviewed retained earnings	17,203	10,224	17,203	10,224
Tier one minority interests	-	-	-	-
Less: deductions from tier one capital	(35,908)	(9,200)	(35,908)	(9,200)
Plus: other adjustments to tier one capital	-	-	-	-
Total tier one capital	247,751	258,985	247,751	258,985
Tier two capital				
Upper tier two capital				
Unaudited retained profits	-	-	-	-
Revaluation reserves	-	-	-	-
Upper tier two capital instruments	-	-	-	-
Total upper tier two capital	-	-	-	-
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	-	-	-	-
Total tier one capital plus tier two capital	247,751	258,985	247,751	258,985
Less: deductions from total capital				
Equity investments in subsidiaries	-	-	-	-
Capital	247,751	258,985	247,751	258,985

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 (Standarised Approach)" (BS2A) dated November 2007.

(b) Credit risk

(i) Calculation of on-balance sheet exposure

As at 30 June 2010	Banking Group: Total exposure afte credit risk mitigation $000	Risk weight %	Risk weighted exposure $000	Minimum pillar one capital requirement $000
Cash and gold bullion	13	0%	-	-
Sovereigns and central banks	10,277	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*	7,266,341	20%	1,453,268	116,261
Other **	37,993	100%	37,993	3,039
Non risk weighted assets ***	61,183	0%	-	-
Total Assets	7,375,807		1,491,261	119,301

* Other assets that have been risk weighted at 20% represent loans and advances and accrued interest receivable which are guaranteed by Rabobank Nederland.

** Other assets that have been risk weighted at 100% comprise of finance leases, property plant and equipment and sundry debtors.

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

(ii) Calculation of off-balance sheet exposure

As at 30 June 2010	Banking Group 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	8,799	100%	8,799	100%	8,799	704
Asset sales with recourse	-	100%	-	0%	-	-
Forward asset purchase	-	100%	-	0%	-	-
Commitments with certain drawdown	40,180	100%	40,180	20%	8,036	643
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 or equal to one year	180,830	50%	90,415	20%	18,083	1,447
Other commitments where original maturity is less than or equal to one year	347,970	20%	69,594	0%	-	-
Market related contracts*						
(a) Foreign exchange forwards	1,358	N/A	15	20%	3	-
Foreign exchange forwards	1,591	N/A	21	100%	21	2
(b) Foreign exchange swaps	116,109	N/A	1,167	20%	233	19
Foreign exchange swaps	-	N/A	-	100%	-	-
(c) Foreign exchange options	-	N/A	-	20%	-	-
Foreign exchange options	-	N/A	-	100%	-	-
(c) Interest rate swaps	59,773	N/A	346	20%	69	6
Interest rate swaps	59,773	N/A	2,455	100%	2,455	196
Total off-balance sheet exposures	816,383		212,992		37,699	3,017

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

(c) Credit risk mitigation

As at 30 June 2010	Banking Group Total value of on- and off- balance sheet exposures covered by eligible collateral (after haircutting) $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	-	-
Other	-	7,306,521
Total	-	7,306,521

Under a guarantee dated 14 December 2000, Rabobank Nederland New Zealand Branch has irrevocably guaranteed to Rabobank New Zealand Limited the payment of all the existing and future loans owed to the Bank.

(d) Operational risk

Operational risk capital requirement

	Banking Group	
	Implied risk weighted exposure	Total operating risk capital requirement
As at 30 June 2010	$000	$000
Operational risk	393,169	31,454
Total	393,169	31,454

	Implied risk weighted exposure	Total operating risk capital requirement
As at 30 June 2009	$000	$000
Operational risk	347,917	27,833
Total	347,917	27,833

(e) Market risk period-end capital charges

	Banking Group		
	Implied risk weighted exposure	Aggregate capital charges	Aggregate capital charge as a percentage of the Banking Group's equity
As at 30 June 2010	$000	$000	%
Interest rate risk	234,250	18,740	7.56%
Foreign currency risk	22,625	1,810	0.73%
Total	256,875	20,550	8.29%

	Implied risk weighted exposure	Aggregate capital charges	Aggregate capital charge as a percentage of the Banking Group's equity
As at 30 June 2009	$000	$000	%
Interest rate risk	128,500	10,280	3.97%
Foreign currency risk	10,375	830	0.32%
Total	138,875	11,110	4.29%

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

	Banking Group		
	Implied risk weighted exposure	Aggregate capital charges	Aggregate capital charge as a percentage of the Banking Group's equity
As at 30 June 2010	$000	$000	%
Interest rate risk	282,125	22,570	9.11%
Foreign currency risk	23,375	1,870	0.75%
Total	305,500	24,440	9.86%

	Implied risk weighted exposure	Aggregate capital charges	Aggregate capital charge as a percentage of the Banking Group's equity
As at 30 June 2009	$000	$000	%
Interest rate risk	147,500	11,800	4.56%
Foreign currency risk	15,375	1,230	0.47%
Total	162,875	13,030	5.03%

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

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 November 2007.

(h) Total capital requirements

	Banking Group		
	Total exposure after credit risk mitigation	Risk weighted exposure or implied risk weighted	Capital requirement
As at 30 June 2010	$000	$000	$000
Total credit risk	8,192,190	1,528,960	122,318
Operational risk	N/A	393,169	31,454
Market risk	N/A	256,875	20,550
Total	8,192,190	2,179,004	174,321

(i) Capital ratios

	Banking Group	
	30 June 2010	30 June 2009
As at period end	%	%
Tier one capital / risk weighted exposure %	11.37%	13.73%
Capital / risk weighted exposure %	11.37%	13.73%

(j) Solo capital adequacy

	Banking Group	
	30 June 2010	30 June 2009
As at period end	%	%
Tier one capital / risk weighted exposure %	11.37%	13.73%
Capital / risk weighted exposure %	11.37%	13.73%

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 November 2007.

(k) Pillar 2 capital for other material risks

	Banking Group	
	30 June 2010	30 June 2009
As at period end	$000	$000
Internal capital allocation for other material risks	8,716	7,544

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 banks activities.

vii) Liquidity risk : Risk that the Bank fails to have sufficient liquidity to meet obligations as they fall due across a wide range of operating circumstances.

The Registered 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 Registered Bank's ICAAP and the Registered 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 Registered 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.

As at 31 December (audited)	2009 %	2008 %
Tier one capital expressed as a percentage of total risk weighted exposures	13.80%	12.70%
Qualifying capital* expressed as a percentage of total risk weighted exposures	14.10%	13.00%
Dutch 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 the Dutch Nederlandsche Bank to hold minimum capital at least equal to that specified under Basel framework and those requirements imposed on it by the Dutch Nederlandsche Bank have been met as at the reporting date.

* 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 Nederlandsche Bank.

36 Concentration of funding of financial liabilities

	Banking Group			Bank		
	30 June 2010 $000	30 June 2009 $000	31 December 2009 $000	30 June 2010 $000	30 June 2009 $000	31 December 2009 $000
Analysis of funding by product:						
Due to other financial institutions	143	411	367	143	411	367
Deposits	2,210,018	2,358,137	2,094,117	2,210,018	2,358,137	2,094,117
Due to related entities	4,839,692	3,925,651	4,535,801	4,838,390	3,924,349	4,534,499
Creditors and accruals	12,008	12,861	10,903	12,008	12,861	10,903
Total funding	7,061,861	6,297,060	6,641,188	7,060,559	6,295,758	6,639,886
Analysis of funding concentration by geographical areas:						
Australia	1,415	672	727	1,415	672	727
Canada	264	3,069	645	264	3,069	645
The Netherlands	185	416	285	185	416	285
New Zealand	7,053,391	6,287,717	6,637,544	7,052,088	6,286,415	6,636,242
Switzerland	2,228	2,490	792	2,228	2,490	792
United Kingdom	1,451	914	262	1,451	914	262
United States of America	1,000	1,073	520	1,000	1,073	520
All other countries	1,927	709	413	1,928	709	413
Total funding	7,061,861	6,297,060	6,641,188	7,060,559	6,295,758	6,639,886
Analysis of funding by industry:						
Agriculture, forestry and fishing	181,909	225,195	161,417	181,909	225,195	161,417
Construction	-	20	-	-	20	-
Cultural and recreational services	-	13	-	-	13	-
Education	-	8	-	-	8	-
Finance and insurance	5,601,207	4,499,720	4,818,320	5,599,905	4,498,418	4,817,018
Government	5	2	3	5	2	3
Health and community services	84	99	107	84	99	107
Manufacturing	336	452	464	336	452	464
Personal and other services	1,268,238	1,553,494	1,647,397	1,268,238	1,553,494	1,647,397
Property and business services	10,002	17,842	13,277	10,002	17,842	13,277
Retail trade	-	36	6	-	36	6
Transport and storage	-	123	16	-	123	16
Wholesale trade	80	56	181	80	56	181
Total funding	7,061,861	6,297,060	6,641,188	7,060,559	6,295,758	6,639,886

37 Interest earning and discount bearing assets and liabilities

	Banking Group			Bank		
	30 June 2010 $000	30 June 2009 $000	31 December 2009 $000	30 June 2010 $000	30 June 2009 $000	31 December 2009 $000
Total interest earning and discount bearing assets	7,289,318	6,521,289	6,866,918	7,289,318	6,521,289	6,866,918
Total interest and discount bearing liabilities	6,725,274	6,049,048	6,352,809	6,725,274	6,049,048	6,352,809

38 Fair value of financial instruments

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

	Banking Group					
	30 June 2010		30 June 2009		31 December 2009	
	Carrying value $000	Fair value $000	Carrying value $000	Fair value $000	Carrying value $000	Fair value $000
Financial assets						
Due from other financial institutions	2,657	2,657	6,435	6,435	2,301	2,301
Derivative financial instruments	3,502	3,502	5,753	5,753	2,551	2,551
Loans and advances	6,776,310	6,854,897	6,316,891	6,443,014	6,557,156	6,605,873
Due from related entities	514,735	518,872	199,825	200,286	309,950	306,613
Other financial assets*	8,270	8,270	8,812	8,812	9,761	9,761
Total financial assets	7,305,474	7,388,198	6,537,716	6,664,300	6,881,719	6,927,099
Financial liabilities						
Due to other financial institutions	143	143	411	411	367	367
Deposits	2,210,018	2,231,286	2,358,137	2,360,736	2,094,117	2,095,348
Derivative financial instruments	4,165	4,165	5,606	5,606	2,469	2,469
Due to related entities	4,839,692	4,896,892	3,925,651	4,014,200	4,535,801	4,567,983
Creditors and accruals	12,008	12,008	12,861	12,861	10,903	10,903
Total financial liabilities	7,066,026	7,144,494	6,302,666	6,393,814	6,643,657	6,677,070

	Bank					
	30 June 2010		30 June 2009		31 December 2009	
	Carrying Value $000	Fair value $000	Carrying Value $000	Fair value $000	Carrying Value $000	Fair value $000
Financial assets						
Due from other financial institutions	2,657	2,657	6,435	6,435	2,301	2,301
Derivative financial instruments	3,502	3,502	5,753	5,753	2,551	2,551
Loans and advances	6,776,310	6,854,897	6,316,891	6,443,014	6,557,156	6,605,873
Due from related entities	514,735	518,872	199,825	200,286	309,950	306,613
Other financial assets*	8,270	8,270	8,812	8,812	9,761	9,761
Total financial assets	7,305,474	7,388,198	6,537,716	6,664,300	6,881,719	6,927,099
Financial liabilities						
Due to other financial institutions	143	143	411	411	367	367
Deposits	2,210,018	2,231,286	2,358,137	2,360,736	2,094,117	2,095,348
Derivative financial instruments	4,165	4,165	5,606	5,606	2,469	2,469
Due to related entities	4,838,390	4,895,590	3,924,349	4,012,898	4,534,499	4,566,681
Creditors and accruals	12,008	12,008	12,861	12,861	10,903	10,903
Total financial liabilities	7,064,724	7,143,192	6,301,364	6,392,512	6,642,355	6,675,768

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

38 Fair value of financial instruments (continued)

The methods and assumptons used to determine the fair values for each class of financial instrument are detailed below:

Due from other financial institutions and loans and advances

Fair values were calculated using discounted cash flow models based on repricing dates, with discount rates at current interest rates for loans and advances with similar maturity. The carrying value and fair value are net of specific and collective provision.

Due from related entities

Fair values were calculated using discounted cash flow models based on repricing dates, with discount rates at current interest rates for loans with similar maturity.

Other financial assets and creditors and accruals

The carrying values approximate their net fair value as they are short term in nature or are receivable or payable on demand.

Due to other financial institutions, deposits and due to related entities

The fair value is estimated based on current market rates available to the Banking Group for debt of similar maturity.

Derivative financial instruments

The Banking Group uses the following heirarchy for determining and disclosing the fair value of derivatives:
Level 1: quoted prices in active markets for the same instrument;
Level 2: quoted prices in active markets for similar assets or liabilities or other valuation techniques for which all significant inputs are based on observable market data;
Level 3: valuation techniques for which any significant input is not based on observable market data.

	Banking Group			
At 30 June 2010	Level 1	Level 2	Level 3	Total Fair Value
Derivative assets				
Interest rate swaps	-	2,504	-	2,504
Foreign exchange swaps	-	913	-	913
Foward foreign exchange contracts	-	85	-	85
Total Derivative Assets	-	3,502	-	3,502
Derivative liabilities				
Interest rate swaps	-	2,504	-	2,504
Foreign exchange swaps	-	1,642	-	1,642
Foward foreign exchange contracts		19		19
Total Derivative Liabilities	-	4,165	-	4,165

	Banking Group			
At 30 June 2009	Level 1	Level 2	Level 3	Total Fair Value
Derivative assets				
Interest rate swaps	-	5,220	-	5,220
Foreign exchange swaps	-	7	-	7
Foward foreign exchange contracts	-	287	-	287
Foreign exchange options	-	239	-	239
Total Derivative Assets	-	5,753	-	5,753
Derivative liabilities				
Interest rate swaps	-	5,072	-	5,072
Foreign exchange swaps	-	295	-	295
Foreign exchange options	-	239	-	239
Total Derivative Liabilities	-	5,606	-	5,606

38 Fair value of financial instruments (continued)

	Banking Group			
At 31 December 2009	Level 1	Level 2	Level 3	Total Fair Value
Derivative assets				
Interest rate swaps	-	2,477	-	2,477
Foreign exchange forwards	-	71	-	71
Foreign exchange options	-	3	-	3
Total Derivative Assets	-	2,551	-	2,551
Derivative liabilities				
Interest rate swaps	-	2,394	-	2,394
Foreign exchange swaps	-	72	-	72
Foreign exchange options	-	3	-	3
Total Derivative Liabilities	-	2,469	-	2,469

	Bank			
At 30 June 2010	Level 1	Level 2	Level 3	Total Fair Value
Derivative assets				
Interest rate swaps	-	2,504	-	2,504
Foreign exchange swaps	-	913	-	913
Foward foreign exchange contracts	-	85	-	85
Total Derivative Assets	-	3,502	-	3,502
Derivative liabilities				
Interest rate swaps	-	2,504	-	2,504
Foreign exchange swaps	-	1,642	-	1,642
Foward foreign exchange contracts	-	19	-	19
Total Derivative Liabilities	-	4,165	-	4,165

	Bank			
At 30 June 2009	Level 1	Level 2	Level 3	Total Fair Value
Derivative assets				
Interest rate swaps	-	5,220	-	5,220
Foreign exchange swaps	-	7	-	7
Foward foreign exchange contracts	-	287	-	287
Foreign exchange options	-	239	-	239
Total Derivative Assets	-	5,753	-	5,753
Derivative liabilities				
Interest rate swaps	-	5,072	-	5,072
Foreign exchange swaps	-	295	-	295
Foreign exchange options	-	239	-	239
Total Derivative Liabilities	-	5,606	-	5,606

38 Fair value of financial instruments (continued)

	Bank			
At 31 December 2009	Level 1	Level 2	Level 3	Total Fair Value
Derivative assets				
Interest rate swaps	-	2,477	-	2,477
Foreign exchange forwards	-	71	-	71
Foreign exchange options	-	3	-	3
Total Derivative Assets	-	2,551	-	2,551
Derivative liabilities				
Interest rate swaps	-	2,394	-	2,394
Foreign exchange swaps	-	72	-	72
Foreign exchange options	-	3	-	3
Total Derivative Liabilities	-	2,469	-	2,469

39 Related party disclosures

The Banking Group'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) The obligations of the Bank up to 17 February 2008 were guaranteed under a guarantee dated 18 February 1998 (as amended by a deed dated 19 February 1998) given by its ultimate parent bank, Rabobank Nederland, in favour of Permanent Trustee Company Limited (the "Trustee") as trustee for the creditors of the Bank (the "First Guarantee"). The expiry of the First Guarantee on 17 February 2008 does not affect any obligations which the Bank incurred prior to the expiry of that guarantee.

Another guarantee was entered into solely between the Bank and Rabobank Nederland which contains substantially similar terms as the First Guarantee (the "Second Guarantee"). The Second Guarantee became effective upon the expiry of the First Guarantee on 17 February 2008 and expired on 17 February 2010.

A new guarantee has been entered into solely between the Bank and Rabobank Nederland which contains substantially similar terms as the previous Guarantees (the "Current Guarantee"). The Current Guarantee became effective upon the expiry of the Second Guarantee on 17 February 2010 and the Current Guarantee will expire on 17 February 2012.

(2) Pursuant to a Deed of Assignment dated 1 June 2000 ("the Deed") to which Primary Industry Bank of Australia Limited (now known as Rabobank Australia Limited), Cooperateive Centrale Raffeisen-Boerenleenbank B.A. (acting through its New Zealand Branch) and the Bank are parties, Rabobank New Zealand Branch has guaranteed the due and punctual payment by the Obligors (as defined in the Deed) of all of their respective obligations under or in respect of the Loans (as described in the Deed) as and when they fall due for payment in accordance with their terms and agreed to pay to the Bank on demand all moneys payable pursuant to such guarantee as set out in clause 7 of the Deed.

(3) Pursuant to a guarantee dated 14 December 2000, Rabobank Nederland New Zealand Branch has irrevocably guaranteed the payment of all existing and future loans owing to the Bank. The Bank has decided not to call on any amounts due under the guarantee.

(4) A management fee of $14.23 million (2009: $13.17 million) was charged to the Banking Group by the Australian Branch of Rabobank Nederland for the provision of administrative and management services. Some operating expenses of the Banking Group are paid and re-charged to the Banking Group by this related entity.

(5) The Banking Group enters into a number of transactions with other related entities within the Rabobank Group of entities, but mainly with the Australian 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.

39 Related party disclosures (continued)

(b) Terms and conditions of transactions with related parties

Except for the guarantees noted in note 39 (a) above, all transactions with related parties are made in the ordinary course of business on normal terms and conditions.

Outstanding balances at year 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 2010, the Banking Group has not made any provision for impairment relating to amounts owed by related parties as the payment history has been excellent (2009: Nil). An impairment assessment is undertaken each financial year by examining the financial position of the related party and the market in which the related party operates to determine whether there is objective evidence that a related party receivable is impaired. When such objective evidence exists, the Banking Group recognises a provision for impairment.

40 Key management personnel

(a) Compensation of key management personnel paid by Australian Branch of Rabobank Netherland.

The amounts below are stated in whole dollars.

	Banking Group			Bank		
	Period ended 30 June 2010 $	Period ended 30 June 2009 $	Year ended 31 December 2009 $	Period ended 30 June 2010 $	Period ended 30 June 2009 $	Year ended 31 December 2009 $
Short term employee benefits	3,197,784	4,765,883	6,851,863	3,197,784	4,765,883	6,851,863
Post employment benefits	135,359	135,458	293,043	135,359	135,458	293,043
Other long term benefits	614,017	46,948	716,611	614,017	46,948	716,611
Termination benefits	-	-	343,223	-	-	343,223
	3,947,160	4,948,289	8,204,740	3,947,160	4,948,289	8,204,740

(b) Transactions and balances with key management personnel and their related parties

The following table provides the total amount of loans to key management personnel. The interest payable on the loan is at market rates. Outstanding loan balances at 30 June 2010 are secured. No provision for impairment is recognised as at 30 June 2010 as the payment history has been excellent.

	Banking Group		
	30 June 2010 $	30 June 2009 $	31 December 2009 $
Loans outstanding at the beginning of the period / year	46,783	39,306	39,306
Loan repayments during the period / year	(41,284)	(17,539)	-
Loans outstanding at the period / year end	5,499	21,767	46,783
Redraws during the period / year	-	-	7,477
Interest revenue during the period / year	410	504	1,133

41 Segment information

For management purposes, the Banking Group is organised into two operating segments based on products and services as follows:

- Retail Banking (include rural and business banking) - Individual customers' deposits and loans, overdrafts, credit card facilities and funds transfer facilities.
- Group Function - Treasury, finance and other central functions.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating results which in certain respects is measured differently from operating results in the consolidated financial statements.

Interest income is reported net since the majority of the segments' revenues are from interest. Management primarily relies on net interest revenue, not the gross revenue and expense amounts.

The Banking Group operates within New Zealand.

	Banking Group			
At 30 June 2010	Retail Banking $000	Group Functions $000	Unallocated $000	Total $000
Net operating income				
Net interest income (expense)	73,357	20,309	-	93,666
Non-interest income	1,243	302	-	1,545
Inter-segment	-	-	-	-
Total net operating income	74,600	20,611	-	95,211
Expenses				
Depreciation of property, plant and equipment	(426)	(11)	-	(437)
Amortisation of intangible assets	-	-	-	-
Other operating expenses	(35,035)	(100)	-	(35,135)
Charge for provision for risk	-	-	-	-
Impairment losses on loans and advances	(35,052)	-	-	(35,052)
Segment profit (loss) before tax	4,087	20,500	-	24,587
Income tax expense	-	-	(7,384)	(7,384)
Profit after tax				17,203
Total Assets	6,778,283	530,410	67,114	7,375,807
Total Liabilities	2,224,154	4,867,994	-	7,092,148

The mismatch between assets and liabilities and net interest income by segment is consistent with the information that is reported to the chief operating decision maker ("CODM"). The Retail Banking segment reports the loans and the Group Functions segment (Treasury) reports the funding. Interest income is allocated to Retail Banking by the Bank's transactions system based on the client margin, the remaining interest income is allocated to Group Functions (treasury), this enables the CODM to monitor the net interest income generated by the business line separate from treasury operations.

41 Segment information (continued)

At 30 June 2009	Banking Group Retail Banking $000	Group Functions $000	Unallocated $000	Total $000
Net operating income				
Net interest income (expense)	66,334	19,378	-	85,712
Non-interest income	2,220	(25)	-	2,195
Inter-segment	-	-	-	-
Total net operating income	68,554	19,353	-	87,907
Expenses				
Depreciation of property, plant and equipment	(434)	(49)	-	(483)
Amortisation of intangible assets	-	(2)	-	(2)
Other operating expenses	(32,629)	(29)	-	(32,658)
Charge for provision for risk	-	-	(2,788)	(2,788)
Impairment losses on loans and advances	(37,357)	-	-	(37,357)
Segment profit (loss) before tax	(1,866)	19,273	(2,788)	14,619
Income tax expense	-	-	(4,395)	(4,395)
Profit after tax				10,224
Total Assets	6,319,672	222,139	40,162	6,581,973
Total Liabilities	2,367,806	3,945,982	-	6,313,788

The mismatch between assets and liabilities and net interest income by segment is consistent with the information that is reported to the chief operating decision maker ("CODM"). The Retail Banking segment reports the loans and the Group Functions segment (Treasury) reports the funding. Interest income is allocated to Retail Banking by the Bank's transactions system based on the client margin, the remaining interest income is allocated to Group Functions (treasury), this enables the CODM to monitor the net interest income generated by the business line separate from treasury operations.

At 31 December 2009	Banking Group Retail Banking $000	Group Functions $000	Unallocated $000	Total $000
Net operating income				
Net interest income (expense)	145,977	34,949	-	180,926
Non-interest income	1,885	(112)	-	1,773
Inter-segment	-	-	-	-
Total net operating income	147,862	34,837	-	182,699
Expenses				
Depreciation of property, plant and equipment	(877)	(158)	-	(1,035)
Amortisation of intangible assets	-	(5)	-	(5)
Other operating expenses	(70,359)	111	-	(70,248)
Charge for provision for risk	-	-	(17,638)	(17,638)
Impairment losses on loans and advances	(80,930)	-	-	(80,930)
Segment profit (loss) before tax	(4,304)	34,785	(17,638)	12,843
Income tax expense	-	-	(4,348)	(4,348)
Profit after tax				8,495
Total Assets	6,559,746	325,374	50,976	6,936,096
Total Liabilities	2,103,125	4,566,515	-	6,669,640

The mismatch between assets and liabilities and net interest income by segment is consistent with the information that is reported to the chief operating decision maker ("CODM"). The Retail Banking segment reports the loans and the Group Functions segment (Treasury) reports the funding. Interest income is allocated to Retail Banking by the Bank's transactions system based on the client margin, the remaining interest income is allocated to Group Functions (treasury), this enables the CODM to monitor the net interest income generated by the business line separate from treasury operations.

42 Subsequent events

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

43 Dividends

Dividends proposed or paid by the Bank and the Banking Group for 2010 is Nil (2009: Nil).

Ernst & Young Centre
680 George Street
Sydney NSW 2000 Australia
GPO Box 2646 Sydney NSW 2001

Tel: +61 2 9248 5555
Fax: +61 2 9248 5959
www.ey.com/au

Auditor's Review Report

To the Members of Rabobank New Zealand Limited

We have reviewed the interim financial statements on pages 14 to 84 prepared and disclosed in accordance with Clause 22 of the Registered Bank Disclosure Statement (Full and Half-Year - New Zealand Incorporated Registered Banks) Order 2008 (the "Order"), and the supplementary information required by Schedules 4 to 9 and Clause 17 of Schedule 3 of the Order. The interim financial statements and supplementary information provide information about the past financial performance and cash flows of Rabobank New Zealand Limited (the "Registered Bank") and its subsidiary (the "Banking Group") and their financial position as at 30 June 2010. The information included in the financial statements and the supplementary information is stated in accordance with the accounting policies set out on pages 20 to 29 and Schedules 4 to 9 and Clause 17 of Schedule 3 of the Order.

This report is made solely to the Registered Bank's members in accordance with Clause 19(2) of the Order. Our review has been undertaken so that we might state to the Registered Bank's members those matters we are required to state to them in a 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 Registered Bank and the Registered Bank's members and Directors, for our review work, for this report, or for the opinions we have formed.

Directors' responsibilities

The directors are responsible for the preparation and presentation of:

- financial statements in accordance with Clause 22 of the Order which comply with generally accepted accounting practice in New Zealand and which give a true and fair view of the financial position of the Registered Bank and Banking Group as at 30 June 2010 and their financial performance and cash flows for the 6-month period ended on that date; and

- the supplementary information prescribed in Schedules 4 to 9 of the Order.

Reviewer's Responsibilities

We are responsible for reviewing the interim financial statements and supplementary information disclosed in accordance with Clause 22, Schedules 4 to 9 and Clause 17 of Schedule 3 of the Order and presented to us by the directors in order to state whether, 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 and supplementary information (excluding capital adequacy information) do not present a true and fair view of the matters to which they relate, and for reporting our findings to you.

In respect of disclosure in respect of Risk Weighted Exposures and Capital Adequacy under the Basel I approach and Capital adequacy under the standardised approach (together, the "capital adequacy information"), Clause 3(b) of Schedule 1 of the Order requires us to express a "true and fair view". "True and fair view" only has meaning in the context of financial information because of its prescribed basis of preparation, i.e. generally accepted accounting practice. The supplementary information disclosed in relation to capital adequacy does not, and is not intended to comply with generally accepted accounting practice in New Zealand. Therefore we do not state whether capital adequacy information provides a "true and fair view", but on the basis of the procedures performed by us, we state whether anything has come to our attention to indicate that the capital adequacy information has not been presented in accordance with the Order, and report our findings to you.

ERNST & YOUNG

Ernst & Young Centre
680 George Street
Sydney NSW 2000 Australia
GPO Box 2646 Sydney NSW 2001

Tel: +61 2 9248 5555
Fax: +61 2 9248 5959
www.ey.com/au

Basis of statement

Our review is limited primarily to enquiries of the Registered Bank and the Banking Group personnel and analytical procedures applied to financial data, and thus provides less assurance than an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

We conducted our review of the interim financial statements and supplementary information of the Registered Bank and the Banking Group for the 6-month period ended on 30 June 2010 in accordance with RS-1: *Statement of Review Engagement Standards* issued by the Institute of Chartered Accountants of New Zealand. Those standards require that we plan and perform our review to obtain a moderate level of assurance as to whether the financial data is 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 and supplementary information.

Ernst & Young provides taxation compliance services to the Registered Bank and Banking Group.

Statement of review findings

We have reviewed the General Disclosure Statement prepared in accordance with Clause 22 of the Order and the supplementary information prescribed in Schedules 4 to 9 and Clause 17 of Schedule 3 of the Order. Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that:

(a) the interim financial statements on page 14 to 84 (excluding the supplementary information included in Note 32c (ii), 34, 35) do not:
- i) comply with generally accepted accounting practice in New Zealand; and
- ii) give a true and fair view of the financial position of the Registered Bank and the Banking Group as at 30 June 2010 and their financial performance and cash flows for the 6-month period ended on that date; and

(b) the supplementary information disclosed in Notes 32c (ii), 34 and 35 (excluding Note 34 (d) and 35 (j) & (l)) prescribed by Schedules 4 and 6 to 9 of the order are not fairly stated in accordance with those schedules; and

(c) the supplementary information relating to capital adequacy information in Note 34 (d) and 35 (j) & (l), as required by Schedule 5A of the Order, derived from the Registered Bank's interim financial statements and sources other than the Registered Bank's accounting records, is not in all material respects in accordance with:
- i) the Registered Bank's Conditions of Registration;
- ii) the Reserve Bank of New Zealand document Capital Adequacy Framework (Standardised Approach) (BS2A); and
- iii) the disclosure requirements of Schedule 5A of the Order.

Our review was completed on 17 September 2010 and our findings are expressed as at that date.

Ernst & Young

Ernst &Young

Andrew Gilder
Sydney
17 September 2010

14597 / SEPT 2010

www.rabobank.co.nz

Rabobank