Rabobank

General Disclosure Statement

For the year ended 31 December 2010

Rabobank New Zealand Limited

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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.

In this General Disclosure Statement:

- "Rabobank Nederland" refers to Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A., incorporated in The Netherlands.
- "Registered Bank" refers to Rabobank New Zealand Limited.
- "Banking Group" refers to the Registered Bank and its subsidiary Rabo Securities and Investments (NZ) Limited.

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 years ended 31 December 2010 and 31 December 2009 and has been audited by the external auditors, excluding the Capital Adequacy Information on pages 18-28 which has been reviewed.

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 (Chr)
		• Rabobank Australia Ltd (Chr)
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
		• 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 • GrainCorp Pools Pty Limited • Lautrec (MR) Pty Limited • Platypus Finance Pty Limited • Rabobank Australia Limited • 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
Qualifications:	Bachelor's Degree in Macro Economics, Master's Degree in Development Economics	
Country of Residence:	Australia	
Type of director:	Non-Independent Executive Director	

Name:	Roelof Jan Dekker	External Directorships:
Occupation(s):	Banker	• Rabobank Australia Limited • Rabo Australia Limited • Rabo Financial Products B.V. • PT Bank Rabobank International Indonesia • BGZ S.A.
Qualifications:	Master's degree in Business Administration from the Interuniversity Interfaculty at Delft and a degree in Geology from Leiden University	
Country of Residence:	The Netherlands	
Type of director:	Non-Independent Non-Executive Director	

Name:	Bernardus Jabobus Marttin	External Directorships:
Occupation(s):	Banker	• RI Investment Holding B.V. • Rabobank International Holding B.V. • Rabobank Australia Limited • Rabo Australia Limited • Member of the Steering Committee of the Unico Banking Group • Member of the Board of Directors of the American Chamber of Commerce • Member of the Executive Board of Rabobank Nederland
Qualifications:	Degree in Master of Business Administration	
Country of Residence:	The Netherlands	
Type of director:	Non-Independent Non-Executive Director	

Name:	Jan Alexander Pruijs	External Directorships:
Occupation(s):	Banker	• Rabobank Australia Limited • Rabo Australia Limited • BGZ S.A. • ACC Bank plc
Qualifications:	Degree in Dutch Business Law from Leiden University	
Country of Residence:	The Netherlands	
Type of director:	Non-Independent Non-Executive Director	

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

Signing of the director's 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
- Roelof Jan Dekker
- Bernardus Jacobus Marttin
- Jan Alexander Pruijs

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 7 members, 4 of whom are independent non-executive directors of the Registered Bank (the other 3 are non-independent non-executive directors).

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 12 months ended 31-Dec 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	NZ IFRS 12 months ended 31-Dec 2006 $m
Statement of Comprehensive Income					
Interest income	499.16	484.96	495.00	431.86	372.90
Interest expense	(296.42)	(304.03)	(367.38)	(332.45)	(271.61)
Net interest income	202.74	180.93	127.61	99.41	101.29
Other revenue	1.89	1.85	1.76	1.24	0.86
Other operating gain / (loss)	7.79	(0.08)	0.01	(0.90)	(18.25)
Total non-interest income	9.68	1.77	1.77	0.34	(17.39)
Total net operating income	212.42	182.70	129.38	99.75	83.90
Operating expenses	(78.36)	(71.29)	(64.74)	(62.06)	(58.36)
Release / (Charge) for provision for risk	9.60	(17.64)	-	(1.90)	(3.11)
Impairment losses on loans and advances	(34.71)	(80.93)	(23.09)	(2.44)	(0.01)
Profit before income tax	108.95	12.84	41.55	33.35	22.42
Income tax expense	(36.96)	(4.35)	(12.91)	(11.73)	(7.41)
Profit after income tax	71.99	8.49	28.64	21.62	15.01
Statement of Financial Position					
Total assets	7,178.13	6,936.10	6,015.50	4,945.19	4,806.11
Total impaired assets	390.78	298.35	134.81	3.18	6.17
Total liabilities	6,539.69	6,669.64	5,757.53	4,715.86	4,598.40
Equity	638.44	266.46	257.96	229.32	207.71

The amounts disclosed above are obtained from audited financial statements.

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 31 December 2010.

Rating Agency	Current Credit Rating
Standard & Poor's	AAA

Supplemental 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.

Details of guarantor

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

Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A. (Rabobank Nederland)
Level 12
80 The Terrace
Wellington
New Zealand

Rabobank Nederland is not a member of the Banking Group.

The guarantor – Rabobank Nederland

As at 31 December	2010 €m	2009 €m
Qualifying Capital*	35,734	32,973
Qualifying Capital*/RWA (%)	16.3%	14.1%

** 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 applicable to its long term senior unsecured obligations payable in any country or currency, including obligations payable in New Zealand in New Zealand dollars and in The Netherlands (the country of its incorporation). There have not been any changes made to the ratings in the two years immediately before 31 December 2010.

Rating Agency	Current Credit Rating
Standard & Poor's	AAA
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	-	D

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 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 Rabobank Nederland, to other claims on Rabobank Nederland, in a winding up of Rabobank Nederland.

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

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

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 approved Risk Management System Description ('RMSD'), defines how Rabobank Australia and New Zealand Group (RAG) ensures that it manages risk across the enterprise within the constraints of its overall risk appetite. The RMSD covers:

- RAG's approach to risk management across all key risk categories;
- the risk management governance and organisational structure implemented in RAG to manage risk across key risk categories;
- key roles and responsibilities of the different functions within RAG to deal with risk; and
- the various tools and systems implemented to effectively manage risks.

RAG has an integrated framework of responsibilities and functions driven from Board level down to operational levels, covering all aspects of risk. The aim of good governance is to ensure the effective operation of the Risk Management System ('RMS'), within RAG, and ensure that decisions are being made within RAG's Risk Appetite. Amongst the components that make up governance are:

- documented and approved delegations of authority;
- standing risk committees with appropriate terms of reference;
- three lines of assurance model; and
- reporting including appropriate data and management information systems.

The Board, through the Board, Risk, Audit & Compliance Committee (BRACC) and Remuneration Committee oversees the establishment, implementation, review and monitoring of the RMS. This includes setting and monitoring risk appetite, approving risk limits and risk policies (within the overall limits set by Rabobank Group and Rabobank International).

Executive and Management Committees provide oversight across the separate risk categories. To ensure an appropriate level of oversight of the effective implementation of the RMS, sub-committees have also been established. The CEO via the CRO, CFO and Balance Sheet Risk Management Committee (BRMC) also ensures that the relevant support and control functions are linked to the RMSD to ensure the implementation of risk management in all aspects of RAG's business activities.

RAG develops and implements policies for specific business units supported by procedures, templates, and other tools covering product policy, procedure and other key aspects of the operations of RAG. These are designed to provide staff with the necessary guidance to allow them to fulfil their duties in a knowledgeable way and minimise operational risk.

The Banking Group does not take any equity risk.

For policies on liquidity risk, market risk and credit risk, refer to note 33 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 Rabobank's Internal Audit department.

Internal audit function

Rabobank in Australia and New Zealand (which includes the Registered Bank) has an established Internal Audit department that has reporting lines to Head Office Internal Audit, the local Board Risk, Audit and Compliance Committee ('BRACC') and the Chief Executive Officer. A Rabobank International Internal Audit charter sets out the terms of reference for the roles and responsibilities of the function. Internal Audit is charged with providing an independent review of the operations in an efficient manner.

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

The BRACC has responsibilities in relation to the whole of Rabobank in Australia and New Zealand. It is comprised of seven members, of which four members are independent non-executive directors of Rabobank New Zealand Limited (the other three are non-independent non-executive directors).

The BRACC meets at least 3 times per annum to review the progress made by Internal Audit in accordance with the above mentioned plan and considers the findings arising from the work conducted. In addition, the BRACC also monitors the external audit service.

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 the Registered Bank 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.

The Registered Bank 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 Rabobank Nederland. 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 Banking Group. The main arrangements are that no investment advice is provided to clients through RaboDirect. The Registered Bank purchases the managed fund investments and holds them as nominee on behalf of clients and the Registered Bank maintains comprehensive internal controls and obtains external professional advice in relation to the Cash Advantage Fund.

Those managed fund investments amounted to $293.43 million as at 31 December 2010 ($253.55 million as at 31 December 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 report

The General Disclosure Statement has been audited by external auditors Ernst & Young, excluding the Capital Adequacy Information on pages 18-28 which has been reviewed. The statement of the nature and scope of the audit is included in the attached auditor's report.

Conditions of registration

The conditions of registration which were effective from 15 October 2008 were replaced by conditions of registration which were effective from 15 October 2010 and further updated with effect from 1 December 2010. Below are the current conditions of registration which are required to be disclosed under the Order.

The changes contained in the current conditions of registration, when compared to those dated 15 October 2008 effective on 1 December 2010, are:

1. The new conditions of registration refer to the updated "Capital Adequacy Framework (Standardised Approach)" (BS2A) document dated October 2010, instead of the previous BS2A document dated November 2007.

2. Previously the Registered Bank was exempt from the normal condition of registration limiting exposures to connected persons. The new conditions of registration contain that condition.

Rabobank New Zealand Limited conditions of registration as from 1 December 2010

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 October 2010.

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 October 2010; 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 the aggregate credit exposures (of a non-capital nature and net of any allowances for impairment) of the banking group to all connected persons do not exceed the rating contingent limit outlined in the following matrix:

Credit rating of the registered bank*	Connected exposure limit (% of the Banking Group's Tier 1 capital)
AA/Aa2 and above	75
AA-/Aa3	70
A+/A1	60
A/A2	40
A-/A3	30
BBB+/Baa1 and below	15

Within the rating-contingent limit, credit exposures (of a non-capital nature and net of any allowances for impairment) to non-bank connected persons shall not exceed 15 percent of the banking group's tier 1 capital.

For the purposes of this condition of registration, compliance with the rating-contingent connected exposure limit is determined in accordance with the Reserve Bank of New Zealand document entitled "Connected Exposures Policy" (BS8) dated October 2010.

5. 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.

6. 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.

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

8. That Rabobank Nederland, explicitly, unconditionally and irrevocably guarantees the obligations of Rabobank New Zealand Limited in terms of the guarantee dated 1 September 2009.

9. 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.

10. 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.

11. 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.

12. 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:

** This table uses the rating scales of Standard & Poor's, Fitch Ratings and Moody's Investors Service. (Fitch Ratings' scale is identical to Standard & Poor's.)*

- 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).

13. 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.

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 (Rabobank Nederland) with a AAA credit rating from a Reserve Bank approved rating agency:

- The condition of registration requiring the Registered Bank to have at least two independent directors on its board;
- The condition of registration requiring that the chairperson of the Registered Bank's board not be an employee of the Registered Bank; and
- The condition of registration requiring the Registered 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 Registered Bank.

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 full 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: 25 March 2011

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Independent Auditor's Report

To the Members of Rabobank New Zealand Limited

Report on the General Disclosure Statement

We have audited the General Disclosure Statement (excluding the supplementary information relating to Capital Adequacy on pages 18 to 28 (the "Capital Adequacy Information")) of Rabobank New Zealand Limited ("the Registered Bank") and its subsidiaries (the "Banking Group") and Appendix 1, pages 1 to 51. The General Disclosure Statement on pages 17 to 30 comprises the supplementary information and Appendix 1, pages 1 to 51 comprises the financial statements. The financial statements comprise the balance sheet of the Registered Bank and the Banking Group as at 31 December 2010, and the statement of comprehensive income, statement of changes in equity and statement of cash flows of the Registered Bank and the Banking Group for the year then ended, and a summary of significant accounting policies and other explanatory information. The supplementary information comprises the information disclosed on pages 18 to 28 of the General Disclosure Statement (the "Supplementary Information") as required by Schedules 4, 6 to 9 and clause 17 of Schedule 3 of the Registered Bank Disclosure Statement (Full and Half Year - New Zealand Incorporated Registered Banks) Order 2008, as amended (the "Order").

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

Directors' Responsibility for the General Disclosure Statement

The directors of the Registered Bank are responsible for the preparation of financial statements in accordance with generally accepted accounting practice in New Zealand and that give a true and fair view of the matters to which they relate. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement whether due to fraud or error.

The directors are also responsible for the preparation of the Supplementary Information and for its preparation in accordance with the guidelines issued pursuant to Section 78(3) of the Reserve Bank of New Zealand Act 1983 and any Conditions of Registration.

Auditor's Responsibility

Our responsibility is to express an opinion on the General Disclosure Statement (excluding the Capital Adequacy Information) and Appendix 1, pages 1 to 51, based on our audit. We conducted our audit in accordance with International Standards on Auditing (New Zealand). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the General Disclosure Statement (excluding the Capital Adequacy Information) and Appendix 1, pages 1 to 51 is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the General Disclosure Statement (excluding the Capital Adequacy Information) and Appendix 1, pages 1 to 51. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the General Disclosure Statement (excluding the Capital Adequacy Information) and Appendix 1, pages 1 to 51, whether due to fraud or error. In making those risk assessments, we have considered internal control relevant to the Registered Bank and Banking Group's preparation of the financial statements that give a true and fair view of the matters to which they relate, in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Registered Bank and Banking Group's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates, as well as evaluating the overall presentation of the General Disclosure Statement (excluding the Capital Adequacy Information).

We believe we have obtained sufficient and appropriate audit evidence to provide a basis for our audit opinion.

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

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

Opinion

In our opinion the General Disclosure Statement of the Registered Bank and the Banking Group (excluding the Capital Adequacy Information) and Appendix 1, pages 1 to 51:

- complies with generally accepted accounting practice in New Zealand;
- complies with International Financial Reporting Standards; and

- gives a true and fair view of the financial position of the Registered Bank and Banking Group as at 31 December 2010 and the financial performance and cash flows of the Registered Bank and Banking Group for the year then ended.

In our opinion, the Supplementary Information:

- has been prepared, in all material respects, in accordance with the guidelines issued pursuant to section 78(3) of the Reserve Bank of New Zealand Act 1989 and any Conditions of Registration;
- is in accordance with the books and records of the Registered Bank and Banking Group; and
- fairly states, in all material respects, the matters to which it relates, in accordance with those Schedules.

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of sections 16(1)(d) and 16(1)(e) of the Financial Reporting Act 1993, and clauses 2(d) and 2(e) of Schedule 1 of the Order, we report that:

- we have obtained all the information and explanations we have required; and
- in our opinion, proper accounting records have been kept by the Registered Bank, as far as appears from our examination of those records.

Report on the Supplementary Information Relating to Capital Adequacy

We have reviewed the supplementary information prescribed in Schedule 5 of the Order relating to Capital Adequacy on pages 18 to 28 of the General Disclosure Statement (the "Capital Adequacy Information").

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, for our review work, for this report, or for our findings.

Directors' Responsibility for the Capital Adequacy Information

The directors are responsible for the preparation and presentation of the Capital Adequacy Information which is required to be prepared in accordance with the Registered Bank's Conditions of Registration and with the Registered Bank's internal models for credit risk and operational risk, as accredited by the Reserve Bank of New Zealand.

Reviewer's Responsibilities

We are responsible for reviewing the Capital Adequacy Information in order to report to you whether, in our opinion and on the basis of the procedures performed by us, anything has come to our attention that would indicate that the Capital Adequacy Information is not free from material misstatement.

Basis of Statement

A review is limited primarily to enquiries of the Registered Bank and Banking Group personnel and analytical review procedures applied to the financial data, and thus provides less assurance than an audit. We have not performed an audit in respect of the Capital Adequacy Information, and accordingly, we do not express an audit opinion on these disclosures.

We conducted our review of the Capital Adequacy Information in accordance with the Review Engagement Standards issued by the New Zealand Institute of Chartered Accountants. Those standards require that we plan and perform the review to obtain moderate assurance as to whether the Capital Adequacy Information is free of material misstatement either caused by fraud or error. We also evaluated the overall adequacy of the presentation of the Capital Adequacy Information.

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

Statement of Review Findings

Based on our review procedures, which are not an audit, nothing has come to our attention that causes us to believe that the Capital Adequacy Information is not in all material respects:

- prepared in accordance with the Registered Bank's Conditions of Registration;
- prepared in accordance with the Registered Bank's internal models for credit risk and operational risk as accredited by the Reserve Bank of New Zealand; and
- disclosed in accordance with Schedule 5 of the Order.

Ernst & Young

Ernst & Young
25 March 2010
Sydney

1 Supplementary information on the statement of financial position

	Banking Group		Registered Bank	
	2010	2009	2010	2009
	$000	$000	$000	$000
Total interest earning and discount bearing assets	7,110,421	6,866,918	7,110,421	6,866,918
Total interest and discount bearing liabilities	6,092,977	6,352,809	6,092,977	6,352,809

2 Related party transactions

Please refer to note 37 in the Financial Statements of Rabobank New Zealand Limited located in Appendix 1.

3 Net gain or loss attributable to derivatives used for hedging purposes

The Banking Group has not entered into any hedge accounting transaction during the year. Please refer to note 7 in the Financial Statements of Rabobank New Zealand Limited located in Appendix 1.

4 Accounting policies

Accounting policies disclosed below are required by the council order only, for remaining policies both common to the council order and financial statements, please refer to note 3 in the Financial Statements of Rabobank New Zealand Limited located in Appendix 1.

(a) Other Assets under Administration

The Banking Group does not have other assets under administration.

(b) Sale and Repurchase Agreements

The Banking Group does not have repurchase agreements.

5 Asset quality of the Banking Group

For detail on asset quality please refer to note 16 in the Financial Statements of Robobank New Zealand Limited located in Appendix 1.

Risk Weighted Exposures and Capital Adequacy under Basel I Approach

1 Capital

	Banking Group		Registered Bank	
	2010	2009	2010	2009
	$000	$000	$000	$000
Tier one capital				
Issued and fully paid up ordinary share capital	341,200	41,200	341,200	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 retained earnings	71,989	8,495	71,989	8,495
Tier one minority interests	-	-	-	-
Less: deductions from tier one capital	(4,413)	(9,246)	(4,413)	(9,246)
Plus: other adjustments to tier one capital	-	-	-	-
Total tier one capital	634,032	257,210	634,032	257,210
Tier two capital				
Upper tier two capital				
Term subordinated debt	300,000	-	300,000	-
Unaudited retained profits	-	-	-	-
Revaluation reserves	-	-	-	-
Upper tier two capital instruments	-	-	-	-
Total upper tier two capital	300,000	-	300,000	-
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	300,000	-	300,000	-
Total tier one capital plus tier two capital	934,032	257,210	934,032	257,210
Less: deductions from total capital				
Equity investments in subsidiaries	-	-	-	-
Capital	934,032	257,210	934,032	257,210

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 (Basel I Approach)" (BS2) dated October 2010.

2 Risk weighted exposure

(i) Calculation of on-balance sheet exposure

	Banking Group			Registered Bank		
As at 31 December 2010	Principal amount $000	Risk weight %	Risk weighted exposure $000	Principal amount $000	Risk weight %	Risk weighted exposure $000
Cash and short term claims on government	69,077	0%	-	69,077	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*	921	0%	-	921	0%	-
Other **	5,377	20%	1,075	5,377	20%	1,075
Other ***	53,349	50%	26,675	53,349	50%	26,675
Other ****	6,992,688	100%	6,992,688	6,992,688	100%	6,992,688
Non risk weighted assets *****	56,719	0%	-	56,719	0%	-
Total assets	7,178,131		7,020,438	7,178,131		7,020,438

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

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

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

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

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

Risk Weighted Exposures and Capital Adequacy under Basel I Approach

(ii) Calculation of off-balance sheet exposure

	Banking Group				
As at 31 December 2010	Principal amount $000	Credit conversion factors %	Credit equivalent amount $000	Average counterparty risk weight %	Risk weighted exposure $000
Direct credit substitutes	7,773	100%	7,773	100%	7,773
Asset sales with recourse	-	100%	-	0%	-
Commitments with certain drawdown	47,021	100%	47,021	100%	47,021
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	164,724	50%	82,362	20%	16,472
Other commitments with an original maturity of less than 1 year	360,243	0%	-	0%	-
Market related contracts*					
(a) Foreign exchange forward	3,771	N/A	72	20%	14
Foreign exchange forward	3,895	N/A	39	50%	20
(b) Foreign exchange swaps	160,135	N/A	1,782	20%	356
Foreign exchange swaps	-	N/A	-	50%	-
(c) Foreign exchange options	4,931	N/A	55	20%	11
Foreign exchange options	6,946	N/A	69	50%	35
(d) Foreign exchange spots	862	N/A	-	20%	-
Foreign exchange spots	-	N/A	-	50%	-
(e) Interest rate swaps	59,216	N/A	318	20%	64
Interest rate swaps	94,216	N/A	6,869	50%	3,435
Total off-balance sheet exposures	913,733		146,360		75,201

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

As at 31 December 2010	Registered Bank Principal amount $000	Credit conversion factors %	Credit equivalent amount $000	Average counterparty risk weight %	Risk weighted exposure $000
Direct credit substitutes	7,773	100%	7,773	100%	7,773
Asset sales with recourse	-	100%	-	0%	-
Commitments with certain drawdown	47,021	100%	47,021	100%	47,021
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	164,724	50%	82,362	20%	16,472
Other commitments with an original maturity of less than 1 year	360,243	0%	-	0%	-
Market related contracts*					
(a) Foreign exchange forward	3,771	N/A	72	20%	14
Foreign exchange forward	3,895	N/A	39	50%	20
(b) Foreign exchange swaps	160,135	N/A	1,782	20%	356
Foreign exchange swaps	-	N/A	-	50%	-
(c) Foreign exchange options	4,931	N/A	55	20%	11
Foreign exchange options	6,946	N/A	69	50%	35
(d) Foreign exchange spots	862	N/A	-	20%	-
Foreign exchange spots	-	N/A	-	50%	-
(e) Interest rate swaps	59,216	N/A	318	20%	64
Interest rate swaps	94,216	N/A	6,869	50%	3,435
Total off-balance sheet exposures	913,733		146,360		75,201

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

3 Capital ratios

As at 31 December	Banking Group 2010 %	Banking Group 2009 %	Registered Bank 2010 %	Registered Bank 2009 %
Tier one capital expressed as a percentage of total risk weighted exposures	8.94%	17.81%	8.94%	17.81%
Total capital expressed as a percentage of total risk weighted exposures	13.16%	17.81%	13.16%	17.81%

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 (Basel I approach)" (BS2) dated October 2010.

4 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)	2010 %	2009 %
Tier one capital expressed as a percentage of total risk weighted exposures	15.70%	13.80%
Qualifying capital* expressed as a percentage of total risk weighted exposures	16.30%	14.10%
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.

1 Capital

	Banking Group		Registered Bank	
	2010	2009	2010	2009
As at 31 December	$000	$000	$000	$000
Tier one capital				
Issued and fully paid up ordinary share capital	341,200	41,200	341,200	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 retained earnings	71,989	8,495	71,988	8,495
Tier one minority interests	-	-	-	-
Less: deductions from tier one capital	(4,413)	(9,246)	(4,413)	(9,246)
Plus: other adjustments to tier one capital	-	-	-	-
Total tier one capital	634,032	257,210	634,032	257,210
Tier two capital				
Upper tier two capital				
Term subordinated debt	300,000	-	300,000	-
Unaudited retained profits	-	-	-	-
Revaluation reserves	-	-	-	-
Upper tier two capital instruments	-	-	-	-
Total upper tier two capital	300,000	-	300,000	-
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	300,000	-	300,000	-
Total tier one capital plus tier two capital	934,032	257,210	934,032	257,210
Less: deductions from total capital				
Equity investments in subsidiaries	-	-	-	-
Capital	934,032	257,210	934,032	257,210

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

2 Credit risk
(i) Calculation of on-balance sheet exposure

	Banking Group			
As at 31 December 2010	Total exposure after credit risk mitigation $000	Risk weight %	Risk weighted exposure $000	Minimum pillar one capital requirement $000
Cash and gold bullion	69,077	0%	-	-
Sovereigns and central banks	-	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*	921	0%	-	-
Other**	5,377	20%	1,075	86
Other***	53,349	50%	26,674	2,134
Other ****	6,992,688	100%	6,992,688	559,415
Non risk weighted assets *****	56,719	0%	-	-
Total Assets	7,178,131		7,020,437	561,635

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

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

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

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

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

(ii) Calculation of off-balance sheet exposure

	Banking Group					
As at 31 December 2010	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	7,773	100%	7,773	100%	7,773	622
Asset sales with recourse	-	100%	-	0%	-	-
Forward asset purchase	-	100%	-	0%	-	-
Commitments with certain drawdown	47,021	100%	47,021	100%	47,021	3,762
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	164,724	50%	82,362	20%	16,472	1,318
Other commitments where original maturity is less than or equal to one year	360,243	20%	72,049	0%	-	-
Market related contracts*						
(a) Foreign exchange forward	3,771	N/A	72	20%	14	1
Foreign exchange forward	3,895	N/A	39	100%	39	3
(b) Foreign exchange swaps	160,135	N/A	1,782	20%	356	28
Foreign exchange swaps	-	N/A	-	100%	-	-
(c) Foreign exchange options	4,931	N/A	55	20%	11	1
Foreign exchange options	6,947	N/A	69	100%	69	6
(d) Foreign exchange spots	862	N/A	-	20%	-	-
Foreign exchange spots	-	N/A	-	100%	-	-
(e) Interest rate swaps	59,216	N/A	318	20%	64	5
Interest rate swaps	94,216	N/A	6,869	100%	6,869	550
Total off-balance sheet exposures	913,734		218,410		78,688	6,296

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

3 Credit risk mitigation

	Banking Group	
	Total value of on- and off- balance sheet exposures covered by eligible collateral (after haircutting)	Total value of on- and off- balance sheet exposures covered by guarantees or credit derivatives
As at 31 December 2010	$000	$000
Sovereign or central bank	-	-
Multilateral development bank	-	-
Public sector entities	-	-
Bank	-	-
Corporate	-	-
Other	-	-
Total	-	-

4 Operational risk

Operational risk capital requirement

	Banking Group	
	Implied risk weighted exposure	Total operating risk capital requirement
As at 31 December 2010	$000	$000
Operational risk	406,626	32,530
Total	406,626	32,530

	Implied risk weighted exposure	Total operating risk capital requirement
As at 31 December 2009	$000	$000
Operational risk	372,820	28,902
Total	372,820	28,902

5 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 31 December 2010	$000	$000	%
Interest rate risk	197,375	15,790	1.69%
Foreign currency risk	6,750	540	0.06%
Total	204,125	16,330	1.75%

	Implied risk weighted exposure	Aggregate capital charges	Aggregate capital charge as a percentage of the Banking Group's equity
As at 31 December 2009	$000	$000	%
Interest rate risk	133,375	10,670	4.15%
Foreign currency risk	6,875	550	0.21%
Total	140,250	11,220	4.36%

6 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 31 December 2010	$000	$000	%
Interest rate risk	197,375	15,790	1.69%
Foreign currency risk	15,375	1,230	0.13%
Total	212,750	17,020	1.82%

	Implied risk weighted exposure	Aggregate capital charges	Aggregate capital charge as a percentage of the Banking Group's equity
As at 31 December 2009	$000	$000	%
Interest rate risk	141,375	11,310	4.40%
Foreign currency risk	20,625	1,650	0.64%
Total	162,000	12,960	5.04%

7 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 October 2010.

8 Total capital requirements

	Banking Group		
	Total exposure after credit risk mitigation	Risk weighted exposure or implied risk weighted	Capital requirement
As at 31 December 2010	$000	$000	$000
Total credit risk	8,091,865	7,099,125	567,931
Operational risk	N/A	406,626	32,530
Market risk	N/A	204,125	16,330
Total	8,091,865	7,709,876	616,791

9 Capital ratios

	Banking Group	
	31 December 2010	31 December 2009
As at year end	%	%
Tier one capital / risk weighted exposure %	8.22%	13.13%
Capital / risk weighted exposure %	12.11%	13.13%

10 Solo capital adequacy

	Banking Group	
	31 December 2010	31 December 2009
As at year end	%	%
Tier one capital / risk weighted exposure %	8.22%	13.13%
Capital / risk weighted exposure %	12.11%	13.13%

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

11 Pillar 2 capital for other material risks

	Banking Group	
	31 December 2010	31 December 2009
As at year end	$000	$000
Internal capital allocation for other material risks	30,840	7,786

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

i) Reputation Risk: The risk of potential damage to the Bank from a 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 of Africa, Asia, Latin America and Central and Eastern Europe.
iii) Strategic/Business Risks: Current and prospective 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 of inability to meet current financial obligations due to unplanned lack of liquid funds.

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.

12 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.

	2010	2009
As at 31 December (audited)	%	%
Tier one capital expressed as a percentage of total risk weighted exposures	15.70%	13.80%
Qualifying capital* expressed as a percentage of total risk weighted exposures	16.30%	14.10%
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.

Concentration of Credit Exposures to Individual Counterparties

1 Concentration of credit exposures to individual counterparties

	Banking Group	
	Number of counterparties	
As at year end	2010	2009
Bank counterparties:		
Percentage of shareholders' equity		
>10 - 20%	1	-

Non Bank Counterparties:

Please refer to Note 33 (c) (vi) in the Financial Statements of Rabobank New Zealand Limited located in Appendix 1.

2 Peak credit exposure to individual counterparties

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

3 Aggregate credit exposure*

	Banking Group			
	2010		2009	
	$000	%	$000	%
Bank counterparties:				
At or above investment credit rating	69,064	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	328,710	100%	601,603	100%

* Information on large exposures that equal or exceed 10% of equity as per requirements of Schedule 6 of the Order in Council.
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 allowances, 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 allowances provided against credit exposures to connected persons as at the balance date.

Credit Exposures to Connected Persons

1 Concentration of credit exposures to connected persons

	Banking Group			
	Exposures		Exposures as a % of Banking Group's tier one	
	2010	2009	2010	2009
As at year end	$000	$000	%	%
Bank connected persons				
Aggregate at end-of-period	7,623	310,862	1.00%	120.86%
Peak end-of-day for the quarter	7,623	310,862	1.00%	120.86%
Contingent credit exposures arising from risk lay-off arrangements	-	-	-	-
Non-bank connected persons				
Aggregate at end-of-period	440	1	-	-
Peak end-of-day for the quarter	440	1	-	-
Contingent credit exposures arising from risk lay-off arrangements	-	-	-	-

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 allowances, 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 allowances provided against credit exposures to connected persons as at the balance date.

Appendix 1

Financial Statements of the Rabobank New Zealand Limited for the year ended 31 December 2010

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Rabobank New Zealand Limited

Financial Statements – 31 December 2010

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Statement of Comprehensive Income
Year ended 31 December 2010

		Banking Group		Bank	
		2010	2009	2010	2009
	Notes	$000	$000	$000	$000
Interest income	4	499,157	484,954	499,157	484,954
Interest expense	5	(296,418)	(304,028)	(296,418)	(304,028)
Net interest income		202,739	180,926	202,739	180,926
Other revenue	6	1,899	1,849	1,899	1,849
Other operating gains / (losses)	7	7,786	(76)	7,786	(76)
Non-interest income		9,685	1,773	9,685	1,773
Total net operating income		212,424	182,699	212,424	182,699
Operating expenses	8	(78,365)	(71,288)	(78,365)	(71,288)
Release / (Charge) for provision for risk	9	9,597	(17,638)	9,597	(17,638)
Impairment losses on loans and advances	10	(34,707)	(80,930)	(34,707)	(80,930)
Profit before income tax		108,949	12,843	108,949	12,843
Income tax expense	12(a)	(36,960)	(4,348)	(36,960)	(4,348)
Profit after income tax		71,989	8,495	71,989	8,495
Other comprehensive income after tax		-	-	-	-
Total comprehensive income after tax attributable to members of the Banking Group		71,989	8,495	71,989	8,495

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

Statement of Financial Position
As at 31 December 2010

	Notes	Banking Group 2010 $000	Banking Group 2009 $000	Bank 2010 $000	Bank 2009 $000
Assets					
Due from other financial institutions	13	69,077	2,301	69,077	2,301
Derivative financial instruments	14	7,451	2,551	7,451	2,551
Loans and advances	15	7,034,671	6,557,156	7,034,671	6,557,156
Due from related entities	17	5,377	309,950	5,377	309,950
Other assets	18	10,330	18,055	10,330	16,753
Net deferred tax assets	12(c)	49,268	43,291	49,268	43,291
Investment in controlled entity	19	-	-	-	-
Property, plant and equipment	20	1,950	2,792	1,950	2,792
Intangible assets	21	7	-	7	-
Total assets		7,178,131	6,936,096	7,178,131	6,934,794
Liabilities					
Due to other financial institutions	22	146	367	146	367
Deposits	23	2,675,864	2,094,117	2,675,864	2,094,117
Derivative financial instruments	14	4,578	2,469	4,578	2,469
Due to related entities	24	3,517,111	4,535,801	3,517,111	4,534,499
Subordinated debt	25	300,000	-	300,000	-
Current tax payable		9,591	-	9,591	-
Creditors and accruals	26	30,976	10,903	30,976	10,903
Provisions	27	1,420	25,983	1,420	25,983
Total liabilities		6,539,686	6,669,640	6,539,686	6,668,338
Net assets		638,445	266,456	638,445	266,456
Equity					
Contributed equity	29	341,200	41,200	341,200	41,200
Retained earnings	30	297,245	225,256	297,245	225,256
Total equity		638,445	266,456	638,445	266,456

Signed in Sydney
For and on behalf of the Board who authorised these financial statements for issue on:

William Gurry
Chairman
Date: 7 March 2011

Theodorus Gieskes
Director
Date: 7 March 2011

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

Statement of Changes in Equity
Year ended 31 December 2010

	Banking Group			
	Contributed equity $000	Retained earnings $000	Reserves $000	Total $000
Total equity at 1 January 2009	41,200	216,761	-	257,961
Total comprehensive income after tax	-	8,495	-	8,495
Total equity at 31 December 2009	41,200	225,256	-	266,456
Ordinary Share Capital issued during the year	300,000	-	-	300,000
Total comprehensive income after tax	-	71,989	-	71,989
Total equity at 31 December 2010	341,200	297,245	-	638,445

	Bank			
	Contributed equity $000	Retained earnings $000	Reserves $000	Total $000
Total equity at 1 January 2009	41,200	216,761	-	257,961
Total comprehensive income after tax	-	8,495	-	8,495
Total equity at 31 December 2009	41,200	225,256	-	266,456
Ordinary Share Capital issued during the year	300,000	-	-	300,000
Total comprehensive income after tax	-	71,989	-	71,989
Total equity at 31 December 2010	341,200	297,245	-	638,445

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

Statement of Cash Flows
Year ended 31 December 2010

	Notes	Banking Group 2010 $000	Banking Group 2009 $000	Bank 2010 $000	Bank 2009 $000
Cash flows from operating activities					
Cash was provided from:					
Interest income - related entities		23,651	9,414	23,651	9,414
Interest income - non-related entities		470,065	476,392	470,065	476,392
Other income		1,677	1,408	1,677	1,408
Bad debt recovery		25	45	25	45
Cash was applied to:					
Interest expense - related entities		(213,272)	(203,415)	(213,272)	(203,415)
Interest expense - non-related entities		(67,839)	(100,755)	(67,839)	(100,755)
Proceeds/Payments for derivative financial instruments*		460	(231)	460	(231)
Operating expenses		(37,824)	(39,086)	(37,824)	(39,086)
Tax payments		(40,056)	(29,367)	(40,056)	(29,367)
(Increase) / decrease in operating assets:					
Loans and advances		(504,063)	(872,284)	(504,063)	(872,284)
Due from related entities		302,092	(123,071)	302,092	(123,071)
Increase / (decrease) in operating liabilities:					
Deposits		582,247	(458,930)	582,247	(458,930)
Due to related entities		(1,050,227)	1,328,142	(1,050,227)	1,328,142
Net cash flow (used in) / provided by operating activities	36	(533,064)	(11,738)	(533,064)	(11,738)
Cash flows from investing activities					
Cash was provided from:					
Sale of property, plant and equipment		76	33	76	33
Cash was applied to:					
Purchase of property, plant and equipment		(7)	(333)	(7)	(333)
Purchase of intangible assets		(8)	-	(8)	-
Net cash flow (used in) / provided by investing activities		61	(300)	61	(300)
Cash flows from financing activities					
Issuance of subordinated debt		300,000	-	300,000	-
Issue of share capital		300,000	-	300,000	-
Net cash flow (used in) / provided by financing activities		600,000	-	600,000	-
Net (decrease) / increase in cash and cash equivalents for the year		66,997	(12,038)	66,997	(12,038)
Cash and cash equivalents at the beginning of the year		1,934	13,972	1,934	13,972
Cash and cash equivalents at the end of the year		68,931	1,934	68,931	1,934
Cash and cash equivalents at the end of the year comprise of:					
Cash at other financial institutions	13	69,077	2,301	69,077	2,301
Bank overdraft	22	(146)	(367)	(146)	(367)
Cash and cash equivalents at the end of the year		68,931	1,934	68,931	1,934

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

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

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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 year ended 31 December 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 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 7 March 2011.

(b) Basis of measurement

These 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 35.

(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 10 and Note 16.

(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 year ended 31 December 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.

(b) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Banking Group 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.

(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 year, and the amortised cost in foreign currency translated at the rate of exchange at the end of the year.

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 substantively 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 exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation 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, trading and hedging 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' under 'other operating gains/(losses)' in the statement of comprehensive income.

(g) Hedge accounting

The Banking Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Banking Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions have been and will continue to be highly effective in offsetting changes in fair values or cash flows of hedged items.

The method of recognising the resulting gains or losses depends on whether the derivative is designated as a hedging instrument, and if so, the type of hedge.

(i) Fair value hedges

Fair value hedges are used by the Banking Group to protect it against changes in the fair values of financial assets and financial liabilities due to movements in exchange rates and interest rates. The change in fair value of both the hedging derivative and the hedged item for fair value hedges are recognised immediately in the statement of comprehensive income within 'gains / (losses) arising from hedging instrument' and 'gains / (losses) arising from hedged item attributable to hedged risk' respectively. If the fair value hedge relationship is terminated for reasons other than the derecognition of the hedged item, fair value hedge accounting ceases and, in the case of an interest bearing item, the fair value adjustment of the hedged item is amortised to the statement of comprehensive income over the remaining term of the original hedge. If the hedged item is derecognised the unamortised fair value adjustment is recognised immediately in the statement of comprehensive income.

(ii) Derivatives that do not qualify for hedge accounting

Certain derivative instruments do not qualify for hedge accounting. All gains and losses from changes in the fair value of any derivative instrument that is not designated in a hedging relationship and does not qualify for hedge accounting but are entered into to manage the interest rate and foreign exchange risk of funding instruments are recognised immediately in the statement of comprehensive income. The component of the fair value change in the derivative which relates to current period realised and accrued interest is included in net interest income. The remainder of the fair value movement is included in other income.

(h) 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.

(i) 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.

(j) 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'.

(k) Other assets

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

(l) 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(q) Impairment of non-financial assets.

(m) 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 the statement of comprehensive income using the straight line method (SL) over the estimated useful lives.

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.

(n) 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.

(o) 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.

(p) 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 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. All individually significant financial assets found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. The remaining financial assets that are not individually significant 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) *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.

(v) *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.

(vi) *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 16).

(q) 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.

(r) Due to other financial institutions

Due to other financial institutions includes 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.

(s) Deposits

Deposits include certificates of deposit, term deposits, savings deposits 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.

(t) 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.

(u) 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.

(v) 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, and 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 dividend is recognised when a dividend is declared by the directors.

(w) Financial guarantees

Financial guarantees are contracts that require the Bank to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument. Financial guarantee liabilities are recognised initially at their fair value, and the initial fair value is amortised over the life of the financial guarantee. The financial guarantee liability is subsequently carried at the higher of this amortised amount and the present value of any expected payment when a payment under the guarantee has become probable. Financial guarantees are included within other liabilities.

(x) 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) Other Employee Benefits

The Banking Group recognises a liability and an expense for other employee benefits based on a scheme that takes into consideration a variety of factors.

(y) 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.

(z) 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.

(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 IFRS 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 IFRS 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 31 December 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 and liabilities 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. This will impact the classification and measurement of the banking group's financial instruments.

(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	
	2010	2009	2010	2009
	$000	$000	$000	$000
4 Interest income				
Loans and advances	474,164	470,210	474,164	470,210
Related entities	21,170	10,436	21,170	10,436
Interest income accrued on impaired financial assets	516	55	516	55
Finance lease income	3,307	4,253	3,307	4,253
Total interest income	499,157	484,954	499,157	484,954
5 Interest expense				
Deposits	89,063	91,726	89,063	91,726
Related entities	207,188	212,139	207,188	212,139
Other	167	163	167	163
Total interest expense	296,418	304,028	296,418	304,028
6 Other revenue				
Lending and credit facility related fee income	1,551	1,687	1,551	1,687
Other income	348	162	348	162
Total other revenue	1,899	1,849	1,899	1,849
7 Other operating gains / (losses)				
Net trading gains / (losses) on derivatives	7,210	(233)	7,210	(233)
Gains / (losses) on disposal of property, plant and equipment	76	33	76	33
Foreign exchange gains / (losses)	500	124	500	124
Total other operating gains / (losses)	7,786	(76)	7,786	(76)
8 Operating expenses				
Advertising and marketing	6,939	6,463	6,939	6,463
Professional fees	726	517	726	517
Computer charges	90	162	90	162
Depreciation and amortisation	850	1,040	850	1,040
Management fees	37,621	33,499	37,621	33,499
Personnel	23,772	20,871	23,772	20,871
Rental charges payable under operating leases	2,150	2,011	2,150	2,011
Telecommunication	969	1,426	969	1,426
Travel and lodging	3,844	2,979	3,844	2,979
Office supplies	963	874	963	874
Other	441	1,446	441	1,446
Total operating expenses	78,365	71,288	78,365	71,288
9 Provision for risk				
Charge/(release) of provision for risk	(9,597)	17,638	(9,597)	17,638
10 Impairment losses on loans and advances				
Collective provisions	1,118	12,324	1,118	12,324
Specific provisions	33,614	68,651	33,614	68,651
Bad debt recovery	(25)	(45)	(25)	(45)
Total impairment losses on loans and advances	34,707	80,930	34,707	80,930

	Banking Group		Bank	
	2010	2009	2010	2009
	$000	$000	$000	$000
11 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	134	95	134	95
Tax compliance	27	35	27	35
Total auditors' remuneration	161	130	161	130
12 Income tax				
(a) Income tax expense				
Current income tax	44,960	33,913	44,960	33,913
(Increase) / decrease in net deferred tax assets / (liabilities)	(10,044)	(29,696)	(10,044)	(29,696)
Restatement of deferred tax balances to 28%*	3,520	-	3,520	
(Over) / under provided in prior years relating to deferred tax	549	152	549	152
(Over) / under provided in prior years relating to current income tax.	(2,025)	(21)	(2,025)	(21)
	36,960	4,348	36,960	4,348
(b) Numerical reconciliation of income tax expense to prima facie tax payable				
Profit before income tax	108,949	12,843	108,949	12,843
Taxation @ 30%	32,685	3,853	32,685	3,853
Tax effect of amounts which are not deductible / (taxable) in calculating taxable income :				
Non-deductible expenses	2,231	364	2,231	364
Under / (over) related to deferred tax	549	-	549	-
Under / (over) provided in prior years	(2,025)	131	(2,025)	131
Restatement of deferred tax balances to 28%*	3,520	-	3,520	-
Income tax expense	36,960	4,348	36,960	4,348

*The company tax rate has been reduced from 30% to 28% effective from the 2011/2012 income year. This will take effect from 1 January 2011. The resulting reduction in deferred tax asset has increased tax expense for the year ended 31 December 2010 by $3.5 million for both the Banking Group and the Bank

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

	Banking Group		Bank	
	2010	2009	2010	2009
	$000	$000	$000	$000
12 Income tax (continued)				
(c) Net deferred tax assets / (liabilities)				
The balance comprises temporary differences attributable to:				
Accruals	1,016	963	1,016	963
Depreciation	139	72	139	72
Impairment provisions	40,274	32,309	40,274	32,309
Employee benefits	907	857	907	857
Interest forgone on impaired assets	10,127	1,528	10,127	1,528
Others	(102)	(233)	(102)	(233)
Risk provision	-	7,227	-	7,227
Provision for long service leave	427	568	427	568
Other provisions	-	-	-	-
Restatement of deferred tax balances	(3,520)	-	(3,520)	-
Total net deferred tax assets	49,268	43,291	49,268	43,291
Movements:				
Opening balance	43,291	13,595	43,291	13,595
Credited / (charged) to statement of comprehensive income:				
Accruals	53	(602)	53	(602)
Depreciation	67	22	67	22
Impairment provisions	7,965	24,285	7,965	24,285
Employee benefits	50	168	50	168
Interest forgone on impaired assets	8,599	937	8,599	937
Others	131	(391)	131	(391)
Risk provision	(7,227)	5,291	(7,227)	5,291
Provision for long service leave	(141)	25	(141)	25
Other provisions	-	(39)	-	(39)
Restatement of deferred tax balances	(3,520)	-	(3,520)	-
Total movement	5,977	29,696	5,977	29,696
(Over) / under provision from prior year	-	-	-	-
Closing balance	49,268	43,291	49,268	43,291
(d) Imputation credit account				
Opening balance	113,536	84,169	113,536	84,169
Net tax payment	40,056	29,367	40,056	29,367
Closing balance	153,592	113,536	153,592	113,536

	Banking Group		Bank	
	2010	2009	2010	2009
	$000	$000	$000	$000
13 Due from other financial institutions				
Cash on hand	13	14	13	14
Placements with other financial institutions	69,064	2,287	69,064	2,287
Total due from other financial institutions	69,077	2,301	69,077	2,301
14 Derivative financial instruments				
Assets				
Held for trading derivatives				
Interest rate derivatives				
Swaps (related entities)*	192	392	192	392
Swaps (non-related entities)	6,576	2,085	6,576	2,085
Foreign exchange derivatives				
Swaps (related entities)*	573	-	573	-
Swaps (non-related entities)	-	-	-	-
Forwards (related entities)*	8	71	8	71
Forwards (non-related entities)	97	-	97	-
Options (related entities)*	5	3	5	3
Total derivative assets	7,451	2,551	7,451	2,551
Liabilities				
Held for trading derivatives				
Interest rate derivatives				
Swaps (related entities)*	-	-	-	-
Swaps (non-related entities)	2,676	2,394	2,676	2,394
Foreign exchange derivatives				
Swaps (related entities)*	1,792	67	1,792	67
Swaps (non-related entities)	-	5	-	5
Forwards (related entities)*	97	-	97	-
Forwards (non-related entities)	8	-	8	-
Options (non-related entities)	5	3	5	3
Total derivative liabilities	4,578	2,469	4,578	2,469
Net derivative financial instruments	2,873	82	2,873	82

*Balance relates to other Rabobank Group related entities.

Derivatives contracts include forwards, swaps and options, all of which are bilateral contracts or payment exchange agreements, whose fair 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 derivatives 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 2010 $000	Banking Group 2009 $000	Bank 2010 $000	Bank 2009 $000
14 (a) The notional amounts of derivative instruments				
Held for trading derivatives				
Interest rate derivatives				
Swaps (related entities)*	63,216	93,216	63,216	93,216
Swaps (non-related entities)	90,216	98,216	90,216	98,216
Foreign exchange derivatives				
Forwards (related entities)*	3,771	600	3,771	600
Forwards (non-related entities)	3,895	168	3,895	168
Swaps (related entities)*	160,135	355	160,135	355
Swaps (non-related entities)	-	-	-	-
Options (related entities)*	4,931	4,538	4,931	4,538
Options (non-related entities)	6,946	4,538	6,946	4,538
Currency spots (related entities)*	862	-	862	-
Currency spots (non-related entities)	-	-	-	-
Total notional amounts of derivative instruments	333,972	201,631	333,972	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 year end, but do not indicate the Banking Group's exposure to credit or market risks.

15 Loans and advances

	Banking Group 2010 $000	Banking Group 2009 $000	Bank 2010 $000	Bank 2009 $000
Overdrafts	5,507,651	4,874,947	5,507,651	4,874,947
Term loans	1,627,850	1,747,403	1,627,850	1,747,403
Finance leases (note 15(a))	33,415	42,503	33,415	42,503
Gross loans and advances	7,168,916	6,664,853	7,168,916	6,664,853
Provisions for doubtful debts:				
Collective (note 16(iv))	(18,101)	(16,983)	(18,101)	(16,983)
Specific (note 16(iv))	(116,144)	(90,714)	(116,144)	(90,714)
Total net loans and advances	7,034,671	6,557,156	7,034,671	6,557,156

(a) Finance leases

Banking Group	Lease receivables $000	Future interest income over period $000	Unguaranteed residuals $000	Minimum lease payments $000
2010				
One year or less	15,802	2,292	-	18,094
Between one and two years	10,173	1,229	-	11,402
Between two and five years	7,440	654	-	8,094
Total finance leases	33,415	4,175	-	37,590
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
2010				
One year or less	15,802	2,292	-	18,094
Between one and two years	10,173	1,229	-	11,402
Between two and five years	7,440	654	-	8,094
Total finance leases	33,415	4,175	-	37,590
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 vehicle is used for a business purpose.

	Banking Group				Bank			
	Residential mortgages $000	Corporate $000	Retail $000	Total $000	Residential mortgages $000	Corporate $000	Retail $000	Total $000
16 Impaired assets								
(i) Individually impaired assets								
2010								
Opening balance	-	-	298,352	298,352	-	-	298,352	298,352
Additions	-	-	222,043	222,043	-	-	222,043	222,043
Bad debts written off	-	-		-	-	-	-	-
Repayments	-	-	(129,620)	(129,620)	-	-	(129,620)	(129,620)
Closing balance	-	-	390,775	390,775	-	-	390,775	390,775
Interest forgone at year-end	-	-	(33,755)	(33,755)	-	-	(33,755)	(33,755)
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 at year-end	-	-	(5,096)	(5,096)	-	-	(5,096)	(5,096)
(ii) 90 days past due assets								
2010								
Opening balance	-	-	76,196	76,196	-	-	76,196	76,196
Additions	-	-	52,451	52,451	-	-	52,451	52,451
Bad debts written off	-	-	-	-	-	-	-	-
Repayments	-	-	(52,632)	(52,632)	-	-	(52,632)	(52,632)
Closing balance	-	-	76,015	76,015	-	-	76,015	76,015
Interest forgone at year-end	-	-	-	-	-	-	-	-
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 at year-end	-	-	-	-	-	-	-	-

(iii) Restructured assets

There are no restructured assets for the year (2009: Nil).

	Banking Group				Bank			
	Residential mortgages $000	Corporate $000	Retail $000	Total $000	Residential mortgages $000	Corporate $000	Retail $000	Total $000
(iv) Provision for credit impairment								
2010								
Collective provision								
Opening balance	-	-	16,983	16,983	-	-	16,983	16,983
Charge / (credit) to statement of comprehensive income	-	-	1,118	1,118	-	-	1,118	1,118
Closing balance	-	-	18,101	18,101	-	-	18,101	18,101
Specific provision								
Opening balance	-	-	90,714	90,714	-	-	90,714	90,714
Charge / (credit) to statement of comprehensive income	-	-	33,614	33,614	-	-	33,614	33,614
Other movements	-	-	1,367	1,367	-	-	1,367	1,367
Bad debts (write offs)	-	-	-	-	-	-	-	-
Discount unwind*	-	-	(9,551)	(9,551)	-	-	(9,551)	(9,551)
Closing balance	-	-	116,144	116,144	-	-	116,144	116,144

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

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	
	2010	2009	2010	2009
	$000	$000	$000	$000
17 Due from related entities				
Debit current account balances - wholly owned group*	2	2	2	2
Short term advances - wholly owned group*	5,375	307,467	5,375	307,467
Accrued interest receivable - wholly owned group*	-	2,481	-	2,481
Total due from related entities	5,377	309,950	5,377	309,950

* The wholly owned group refers to other Rabobank Group related entities. Refer to note 37 for further information on related party disclosures.

	Banking Group 2010 $000	Banking Group 2009 $000	Bank 2010 $000	Bank 2009 $000
18 Other assets				
Interest receivable	8,411	8,673	8,411	8,673
GST receivable	921	839	921	839
Income tax receivables**	-	7,684	-	6,382
Sundry debtors	215	249	215	249
Prepayments	82	205	82	205
Others	701	405	701	405
Total other assets	10,330	18,055	10,330	16,753

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

	Banking Group 2010 $000	Banking Group 2009 $000	Bank 2010 $000	Bank 2009 $000
19 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 31 December balance sheet date and is 100% owned by the Bank. It is dormant as at 31 December 2010 (dormant as at 31 December 2009).

20 Property, plant and equipment

	Banking Group			
	Office Fixtures & Fittings $000	Office Equipment $000	Computer Hardware $000	Total $000
Balance as at 1 January 2009				
Cost	6,062	562	2,224	8,848
Accumulated depreciation	(3,051)	(400)	(1,902)	(5,353)
Net book value	3,011	162	322	3,495
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 31 December 2010				
Cost	6,301	551	996	7,848
Accumulated depreciation	(4,437)	(487)	(974)	(5,898)
Net book value	1,864	64	22	1,950

	Bank			
	Office Fixtures & Fittings $000	Office Equipment $000	Computer Hardware $000	Total $000
Balance as at 1 January 2009				
Cost	6,062	562	2,224	8,848
Accumulated depreciation	(3,051)	(400)	(1,902)	(5,353)
Net book value	3,011	162	322	3,495
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 31 December 2010				
Cost	6,301	551	996	7,848
Accumulated depreciation	(4,437)	(487)	(974)	(5,898)
Net book value	1,864	64	22	1,950

20 Property, plant and equipment (continued)

Reconciliation

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

	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	367	5	36	408
Disposals	(61)	(13)	(2)	(76)
Depreciation	(733)	(47)	(255)	(1,035)
Balance as at 31 December 2009	2,584	107	101	2,792
Acquisitions	-	-	10	10
Disposals	-	-	(3)	(3)
Depreciation	(720)	(43)	(86)	(849)
Balance as at 31 December 2010	1,864	64	22	1,950

	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	367	5	36	408
Disposals	(61)	(13)	(2)	(76)
Depreciation	(733)	(47)	(255)	(1,035)
Balance as at 31 December 2009	2,584	107	101	2,792
Acquisitions	-	-	10	10
Disposals	-	-	(3)	(3)
Depreciation	(720)	(43)	(86)	(849)
Balance as at 31 December 2010	1,864	64	22	1,950

	Banking Group		Bank	
	2010 $000	2009 $000	2010 $000	2009 $000
21 Intangible assets				
Computer software				
Opening balance				
At cost	48	48	48	48
Less: accumulated amortisation	(48)	(43)	(48)	(43)
	-	5	-	5
Closing balance				
At cost	56	48	56	48
Less: accumulated amortisation	(49)	(48)	(49)	(48)
	7	-	7	-
Reconciliation				
Opening balance	-	5	-	5
Acquisitions	8	-	8	-
Amortisation	(1)	(5)	(1)	(5)
Closing balance	7	-	7	-
22 Due to other financial institutions				
Bank overdraft	146	367	146	367
Total due to other financial institutions	146	367	146	367

	Banking Group		Bank	
	2010	2009	2010	2009
	$000	$000	$000	$000
23 Deposits				
RaboDirect deposits*	2,326,219	1,787,934	2,326,219	1,787,934
Other deposits	349,645	306,183	349,645	306,183
Total unsecured deposits	2,675,864	2,094,117	2,675,864	2,094,117

* On 15 August 2010 RaboPlus was renamed 'RaboDirect'.

	Banking Group 2010 $000	Banking Group 2009 $000	Bank 2010 $000	Bank 2009 $000
24 Due to related entities				
Credit current account balances - wholly owned group*	340,073	245,207	340,073	243,905
Short term advances - wholly owned group*	3,152,843	4,260,315	3,152,843	4,260,315
Accrued interest payable - wholly owned group*	24,195	30,279	24,195	30,279
Total due to related entities	3,517,111	4,535,801	3,517,111	4,534,499

* The wholly owned group refers to other Rabobank Group related entities. Refer to note 37 for further information on related party disclosures.

	Banking Group 2010 $000	Banking Group 2009 $000	Bank 2010 $000	Bank 2009 $000
25 Subordinated debt				
Due to wholly owned group	300,000	-	300,000	-
Total subordinated debt	300,000	-	300,000	-

The subordinated debt due to wholly owned group comprises of perpetual subordinated debt with a principle amount of NZ$300,000,000 (2009: Nil).

	Banking Group 2010 $000	Banking Group 2009 $000	Bank 2010 $000	Bank 2009 $000
26 Creditors and accruals				
Interest accruals	24,476	3,085	24,476	3,085
Sundry creditors	2,092	2,052	2,092	2,052
Accrued expenses	4,408	5,766	4,408	5,766
Total creditors and accruals	30,976	10,903	30,976	10,903

	Banking Group 2010 $000	Banking Group 2009 $000	Bank 2010 $000	Bank 2009 $000
27 Provisions				
Movement in provision for long service leave				
Opening balance	1,893	1,811	1,893	1,811
Additions	-	132	-	132
Used	(46)	(50)	(46)	(50)
Release	(427)	-	(427)	-
Closing balance	1,420	1,893	1,420	1,893
Movement in provision for risks *				
Opening balance	24,090	6,452	24,090	6,452
Additions	-	17,638	-	17,638
Release	(24,090)	-	(24,090)	-
Closing balance	-	24,090	-	24,090
Total Provisions	1,420	25,983	1,420	25,983

* It is considered that it is no longer necessary to keep a separate provision for risks for the Banking Group.

28 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.

29 Contributed equity

Total paid up capital comprises 170,600,000 ordinary shares fully paid ranking equally as to dividends and voting rights and rights to share in any surplus on winding up (31 December 2009: 20,600,000). Each share was issued at $2 and has no par value. There was a capital injection on the 11th August 2010, whereby the Bank issued 150,000,000 ordinary shares at a value of $2 per share.

	Banking Group		Bank	
	2010 $000	2009 $000	2010 $000	2009 $000
Ordinary share capital	341,200	41,200	341,200	41,200
Total contributed equity	341,200	41,200	341,200	41,200

30 Retained earnings

Opening balance	225,256	216,761	225,256	216,761
Net profit for the year	71,989	8,495	71,989	8,495
Closing balance	297,245	225,256	297,245	225,256

31 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.

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

	Banking Group		Bank	
	2010 $000	2009 $000	2010 $000	2009 $000
Guarantees	7,773	10,605	7,773	10,605
Lending commitments	524,965	521,058	524,965	521,058
	532,738	531,663	532,738	531,663

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

32 Expenditure Commitments

	Banking Group		Bank	
	2010	2009	2010	2009
	$000	$000	$000	$000
(a) Capital expenditure commitments				
Estimated capital expenditure contracted for at balance date, but not provided for, or payable:				
One year or less	5,051	2,927	5,051	2,927
	5,051	2,927	5,051	2,927
(b) Operating lease commitments				
One year or less	2,807	2,981	2,807	2,981
Between one and two years	1,891	2,021	1,891	2,021
Between two and five years	1,135	1,638	1,135	1,638
Over five years	-	84	-	84
Total operating lease commitments	5,833	6,724	5,833	6,724

Lease arrangements 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.

33 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 are constantly reviewed and further strengthened in 2010 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 a Banking Group level by the Treasury team based in Sydney.

For the Banking 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. The framework considers contractual and expected maturity on all asset 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 from turning negative over a 5 day horizon.

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

- Contractual maturity 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 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) summarises the maturity analysis of financial assets and financial liabilities according to when they are expected to be recovered or settled.

The Banking Group actively monitors and manages the mismatch between assets and liabilities as part of standard banking operations. The management of the mismatch of assets against liabilities using expected cash flows allows for the repayment behaviour of assets and liabilities that are not aligned to the contractual maturity. The Banking 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.

33 Risks arising from financial instruments (continued)

(a) Liquidity risk (continued)

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

	Banking Group 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	69,077	69,077	-	-	-	-	-
Derivative financial instruments	7,451	-	670	706	191	5,190	694
Loans and advances	10,969,270	-	642,216	365,305	1,151,354	1,126,170	7,684,225
Due from related entities	5,400	-	5,400	-	-	-	-
Other financial assets*	9,547	-	9,547				
Total undiscounted financial assets	11,060,745	69,077	657,833	366,011	1,151,545	1,131,360	7,684,919
Financial liabilities							
Due to other financial institutions	146	-	146	-	-	-	-
Deposits	2,706,438	1,541,911	772,586	258,160	44,272	36,753	52,756
Derivative financial instruments	4,578	-	1,895	706	191	1,092	694
Due to related entities	3,796,275	373,560	934,866	338,322	1,577,317	561,410	10,800
Subordinated debt	820,827	-	9,381	9,432	18,864	56,438	726,712
Creditors and accruals	30,976	-	30,976	-	-	-	-
Total undiscounted financial liabilities	7,359,240	1,915,471	1,749,850	606,620	1,640,644	655,693	790,962

	Banking Group 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
Subordinated debt	-	-	-	-	-	-	-
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

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

33 Risks arising from financial instruments (continued)

(a) Liquidity risk (continued)

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

	Bank 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	69,077	69,077	-	-	-	-	-
Derivative financial instruments	7,451	-	670	706	191	5,190	694
Loans and advances	10,969,270	-	642,216	365,305	1,151,354	1,126,170	7,684,225
Due from related entities	5,400	-	5,400	-	-	-	-
Other financial assets*	9,547	-	9,547	-	-	-	-
Total undiscounted financial assets	11,060,745	69,077	657,833	366,011	1,151,545	1,131,360	7,684,919
Financial liabilities							
Due to other financial institutions	146	-	146	-	-	-	-
Deposits	2,706,438	1,541,911	772,586	258,160	44,272	36,753	52,756
Derivative financial instruments	4,578	-	1,895	706	191	1,092	694
Due to related entities	3,796,275	373,560	934,866	338,322	1,577,317	561,410	10,800
Subordinated debt	820,827	-	9,381	9,432	18,864	56,438	726,712
Creditors and accruals	30,976	-	30,976	-	-	-	-
Total undiscounted financial liabilities	7,359,240	1,915,471	1,749,850	606,620	1,640,644	655,693	790,962

	Bank 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
Subordinated debt	-	-	-	-	-	-	-
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 receivables.

33 Risks arising from financial instruments (continued)

(a) Liquidity risk (continued)

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

	Banking Group 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	7,773	6,447	150	-	80	-	1,096
Lending commitments	524,965	473,920	1,587	377	762	10,118	38,201
Total guarantees and commitments	532,738	480,367	1,737	377	842	10,118	39,297

	Banking Group 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
Lending 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 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	7,773	6,447	150	-	80	-	1,096
Lending commitments	524,965	473,920	1,587	377	762	10,118	38,201
Total guarantees and commitments	532,738	480,367	1,737	377	842	10,118	39,297

	Bank 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
Lending 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

33 Risks arising from financial instruments (continued)
(a) Liquidity risk (continued)
(iii) Maturity analysis of financial assets and liabilities by expected maturity based on undiscounted cash flows (principal and interest)

	Banking Group 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	69,077	69,077	-	-	-	-
Derivative financial instruments	7,451	671	705	191	5,190	694
Loans and advances	8,200,560	932,418	1,142,094	2,413,056	3,712,992	-
Due from related entities	5,400	5,400	-	-	-	-
Other financial assets*	9,547	9,547	-	-	-	-
Total undiscounted financial assets	8,292,035	1,017,113	1,142,799	2,413,247	3,718,182	694
Financial liabilities						
Due to other financial institutions	146	146	-		-	-
Deposits	2,859,052	373,597	383,988	2,101,467	-	-
Derivative financial instruments	4,578	1,895	706	191	1,092	694
Due to related entities	3,796,275	1,308,426	338,322	1,577,317	561,410	10,800
Subordinated debt	820,827	9,381	9,432	18,864	56,438	726,712
Creditors and accruals	30,976	30,976	-	-	-	-
Total undiscounted financial liabilities	7,511,854	1,724,421	732,448	3,697,839	618,940	738,206

	Banking Group 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
Subordinated debt	-	-	-	-	-	-
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

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

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.

33 Risks arising from financial instruments (continued)
(a) Liquidity risk (continued)
(iii) Maturity analysis of financial assets and liabilities by expected maturity based on undiscounted cash flows (principal and interest) (continued)

	Bank 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	69,077	69,077	-	-	-	-
Derivative financial instruments	7,451	670	706	191	5,190	694
Loans and advances	8,200,560	932,418	1,142,094	2,413,056	3,712,992	-
Due from related entities	5,400	5,400	-	-	-	-
Other financial assets*	9,547	9,547	-	-	-	-
Total undiscounted financial assets	8,292,035	1,017,112	1,142,800	2,413,247	3,718,182	694
Financial liabilities						
Due to other financial institutions	146	146	-	-	-	-
Deposits	2,859,052	373,597	383,988	2,101,467	-	-
Derivative financial instruments	4,578	1,895	706	191	1,092	694
Due to related entities	3,796,275	1,308,426	338,322	1,577,317	561,410	10,800
Subordinated debt	820,827	9,381	9,432	18,864	56,438	726,712
Creditors and accruals	30,976	30,976	-	-	-	-
Total undiscounted financial liabilities	7,511,854	1,724,421	732,448	3,697,839	618,940	738,206

	Bank 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
Subordinated debt	-	-	-	-	-	-
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 receivables.

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.

33 Risks arising from financial instruments (continued)

(b) Market risk

Market risk is defined as the risk that the fair value or future cash flows of a financial instrument that may fluctuate because of changes in market prices. The main types of market risk exposures for the Banking Group relate to interest rate and currency risks. The Banking Group's market risk is governed by the policies and procedures agreed by the Global Market Risk function of Rabobank Nederland. The policies serve a two-fold purpose: to protect the capital and earnings of the Bank and to allow risk managers to benefit from movement in market risk without unduly compromising 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	
	2010	2009	2010	2009
	$000	$000	$000	$000
VaR at year end	1,036	627	1,036	627

33 Risks arising from financial instruments (continued)

(b) Market risk (continued)

(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 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	69,077	69,077	-	-	-	-
Derivative financial instruments	7,451	-	-	-	-	7,451
Loans and advances	7,034,671	2,850,927	1,078,535	3,081,355	23,854	-
Due from related entities	5,377	5,231	-	-	-	146
Other financial assets*	9,547	-	-	-	-	9,547
Total financial assets	7,126,123	2,925,235	1,078,535	3,081,355	23,854	17,144
Other assets**	783	-	-	-	-	783
Net deferred tax assets	49,268	-	-	-	-	49,268
Property, plant and equipment	1,950	-	-	-	-	1,950
Intangible assets	7	-	-	-	-	7
Total non-financial assets	52,008	-	-	-	-	52,008
Total assets	7,178,131	2,925,235	1,078,535	3,081,355	23,854	69,152
Financial liabilities						
Due to other financial institutions	146	146	-	-	-	-
Deposits	2,675,864	2,663,705	6,397	5,762	-	-
Derivative financial instruments	4,578	-	-	-	-	4,578
Due to related entities	3,517,111	1,083,607	275,000	1,738,500	20,000	400,004
Subordinated debt	300,000	-	-	-	300,000	-
Creditors and accruals	30,976	-	-	-	-	30,976
Total financial liabilities	6,528,675	3,747,458	281,397	1,744,262	320,000	435,558
Current tax payable	9,591	-	-	-		9,591
Provisions	1,420	-	-	-	-	1,420
Total non-financial liabilities	11,011	-	-	-	-	11,011
Total liabilities	6,539,686	3,747,458	281,397	1,744,262	320,000	446,569
Interest rate derivatives						
Swaps	-	(4,000)	-	4,000		
Repricing gap (interest bearing assets and liabilities)	1,015,862	(826,223)	797,138	1,341,093	(296,146)	
Cumulative mismatch	1,015,862	(826,223)	(29,085)	1,312,008	1,015,862	

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

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

33 Risks arising from financial instruments (continued)
(b) Market risk (continued)
(ii) Repricing analysis (continued)

	Banking Group 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
Subordinated debt	-	-	-	-	-	-
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 receivables.

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

33 Risks arising from financial instruments (continued)
(b) Market risk (continued)
(ii) Repricing analysis (continued)

	Bank 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	69,077	69,077	-	-	-	-
Derivative financial instruments	7,451	-	-	-	-	7,451
Loans and advances	7,034,671	2,850,927	1,078,535	3,081,355	23,853	-
Due from related entities	5,377	5,231	-	-	-	146
Other financial assets*	9,547	-	-	-	-	9,547
Total financial assets	7,126,123	2,925,235	1,078,535	3,081,355	23,853	17,144
Other assets**	783	-	-	-	-	783
Net deferred tax assets	49,268	-	-	-	-	49,268
Property, plant and equipment	1,950	-	-	-	-	1,950
Intangible assets	7	-	-	-	-	7
Total non-financial assets	52,008	-	-	-	-	52,008
Total assets	7,178,131	2,925,235	1,078,535	3,081,355	23,853	69,152
Financial liabilities						
Due to other financial institutions	146	146	-	-	-	-
Deposits	2,675,864	2,663,705	6,397	5,762	-	-
Derivative financial instruments	4,578	-	-	-	-	4,578
Due to related entities	3,517,111	1,083,607	275,000	1,738,500	20,000	400,004
Subordinated debt	300,000	-	-	-	300,000	-
Creditors and accruals	30,976	-	-	-	-	30,976
Total financial liabilities	6,528,675	3,747,458	281,397	1,744,262	320,000	435,558
Current tax payable	9,591	-	-	-	-	9,591
Provisions	1,420	-	-	-	-	1,420
Total non-financial liabilities	11,011	-	-	-	-	11,011
Total liabilities	6,539,686	3,747,458	281,397	1,744,262	320,000	446,569
Interest rate derivatives						
Swaps	-	(4,000)	-	4,000	-	
Repricing gap (interest bearing assets and liabilities)	1,015,862	(826,222)	797,138	1,341,093	(296,147)	
Cumulative mismatch	1,015,862	(826,222)	(29,084)	1,312,009	1,015,862	

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

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

33 Risks arising from financial instruments (continued)
(b) Market risk (continued)
(ii) Repricing analysis (continued)

	Bank 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
Subordinated debt	-	-	-	-	-	-
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 receivables.

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

33 Risks arising from financial instruments (continued)

(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.

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

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

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

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

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

	Banking Group		Bank	
	2010	2009	2010	2009
	$000	$000	$000	$000
Credit exposures consist of :				
Due from other financial institutions	69,077	2,301	69,077	2,301
Loans and advances	7,034,671	6,557,156	7,034,671	6,557,156
Due from related entities	5,377	309,950	5,377	309,950
Other financial assets*	9,547	9,761	9,547	9,761
Derivative financial instruments	7,451	2,551	7,451	2,551
Commitment and guarantees	532,738	531,663	532,738	531,663
Total credit exposures	7,658,861	7,413,382	7,658,861	7,413,382

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

	Banking Group 2010 $000	Banking Group 2009 $000	Bank 2010 $000	Bank 2009 $000
Analysis of credit exposures by industry type of borrowers:				
Agriculture, forestry and fishery	7,033,205	6,450,125	7,033,205	6,450,125
Construction	4,609	3,315	4,609	3,315
Education	609	698	609	698
Finance and insurance	245,731	412,282	245,731	412,282
Government	644	1,949	644	1,949
Health and community services	6,571	5,685	6,571	5,685
Manufacturing	77,072	81,336	77,072	81,336
Personal and other services	10,050	10,397	10,050	10,397
Property and business services	267,264	371,517	267,264	371,517
Retail trade	5,477	6,156	5,477	6,156
Transport and storage	4,548	8,662	4,548	8,662
Wholesale trade	3,081	61,260	3,081	61,260
Total credit exposures	7,658,861	7,413,382	7,658,861	7,413,382
Analysis of credit exposure by geographical areas				
New Zealand	7,658,861	7,413,382	7,658,861	7,413,382
Total credit exposures	7,658,861	7,413,382	7,658,861	7,413,382

33 Risks arising from financial instruments (continued)

(c) Credit risk (continued)

(ii) 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.

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 year ended 31 December 2010, the Banking Group took possession of $nil collateral (31 December 2009: $5.5 million).

(iii) 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 amounts 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
2010	$000	$000	$000	$000	$000	$000	$000
Due from other financial institutions	69,077	-	-	-	-	-	69,077
Gross loans and advances * (note 15)	81,977	784,956	3,334,824	2,356,102	220,282	390,775	7,168,916
Total	151,054	784,956	3,334,824	2,356,102	220,282	390,775	7,237,993
2009							
Due from other financial institutions	2,301	-	-	-	-	-	2,301
Gross loans and advances * (note 15)	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

	Bank						
	<-------------Neither past due nor impaired----------->						
	R0-R7	R8-R10	R11-R14	R15-R20	Past due but not impaired	Individually impaired	Total
2010	$000	$000	$000	$000	$000	$000	$000
Due from other financial institutions	69,077	-	-	-	-	-	69,077
Gross loans and advances * (note 15)	81,977	784,956	3,334,825	2,356,102	220,282	390,775	7,168,917
Total	151,054	784,956	3,334,825	2,356,102	220,282	390,775	7,237,994
2009							
Due from other financial institutions	2,301	-	-	-	-	-	2,301
Gross loans and advances * (note 15)	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 of the Banking Group.
R8-R10	Counterparties that have adequate capacity to meet current and future financial commitments to the Banking Group.
R11-R14	Counterparties that have adequate capacity to meet current financial commitments of 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.

33 Risks arising from financial instruments (continued)

(c) Credit risk (continued)

(iv) Ageing 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 90 days $000	Total $000
2010				
Loans and advances*	133,623	18,675	67,984	220,282
Estimated fair value of collateral				468,751
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 90 days $000	Total $000
2010				
Loans and advances*	133,623	18,675	67,984	220,282
Estimated fair value of collateral				468,751
2009				
Loans and advances*	102,945	12,750	76,196	191,891
Estimated fair value of collateral				780,497

* Based on contractual due dates.

(v) Estimated fair value of collateral on impaired loans

	Banking Group		Bank	
	2010 $000	2009 $000	2010 $000	2009 $000
Fair value of collateral held**	302,635	208,080	302,635	208,080
Total impaired assets (note 16(i))	390,775	298,352	390,775	298,352

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

(vi) Concentration of credit exposure

	Number of groups of closely related counterparties			
	Banking Group		Bank	
	2010	2009	2010	2009
Percentage of equity				
70-80%	-	-	-	-
120-130%	-	1	-	1

	Number of individual counterparties			
	Banking Group		Bank	
	2010	2009	2010	2009
Percentage of equity				
10-20%	6	5	6	5
20-30%	2	1	2	1
30-40%	-	2	-	2
50-60%	-	1	-	1

34 Concentration of funding of financial liabilities

	Banking Group		Bank	
	2010	2009	2010	2009
	$000	$000	$000	$000
Analysis of funding by product:				
Due to other financial institutions	146	367	146	367
Deposits	2,675,864	2,094,117	2,675,864	2,094,117
Due to related entities	3,517,111	4,535,801	3,517,111	4,534,499
Subordinated debt	300,000	-	300,000	-
Creditors and accruals	30,976	10,903	30,976	10,903
Total funding	6,524,097	6,641,188	6,524,097	6,639,886
Analysis of funding concentration by geographical areas:				
Australia	459	727	459	727
Canada	-	645	-	645
The Netherlands	435	285	435	285
New Zealand	6,521,567	6,637,544	6,521,567	6,636,242
Switzerland	-	792	-	792
United Kingdom	22	262	22	262
United States of America	1,567	520	1,567	520
All other countries	47	413	47	413
Total funding	6,524,097	6,641,188	6,524,097	6,639,886
Analysis of funding by industry:				
Agriculture, forestry and fishing	163,646	161,417	163,646	161,417
Finance and insurance	4,023,150	4,669,070	4,023,150	4,667,768
Government	4	3	4	3
Health and community services	83	107	83	107
Manufacturing	139	464	139	464
Personal and other services	2,327,688	1,796,647	2,327,688	1,796,647
Property and business services	9,273	13,277	9,273	13,277
Retail trade	-	6	-	6
Transport and storage	23	16	23	16
Wholesale trade	91	181	91	181
Total funding	6,524,097	6,641,188	6,524,097	6,639,886

35 Fair value of financial instruments

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

	Banking Group			
	2010		2009	
	Carrying Value $000	Fair Value $000	Carrying Value $000	Fair Value $000
Financial assets				
Due from other financial institutions	69,077	69,077	2,301	2,301
Derivative financial instruments	7,451	7,451	2,551	2,551
Loans and advances	7,034,671	7,088,879	6,557,156	6,605,873
Due from related entities	5,377	5,379	309,950	306,613
Other financial assets*	9,547	9,547	9,761	9,761
Total financial assets	7,126,123	7,180,333	6,881,719	6,927,099
Financial liabilities				
Due to other financial institutions	146	146	367	367
Deposits	2,675,864	2,676,007	2,094,117	2,095,348
Derivative financial instruments	4,578	4,578	2,469	2,469
Due to related entities	3,517,111	3,566,917	4,535,801	4,567,983
Subordinated debt	300,000	367,345	-	-
Creditors and accruals	30,976	30,976	10,903	10,903
Total financial liabilities	6,528,675	6,645,969	6,643,657	6,677,070

	Bank			
	2010		2009	
	Carrying Value $000	Fair Value $000	Carrying Value $000	Fair Value $000
Financial assets				
Due from other financial institutions	69,077	69,077	2,301	2,301
Derivative financial instruments	7,451	7,451	2,551	2,551
Loans and advances	7,034,671	7,088,879	6,557,156	6,605,873
Due from related entities	5,377	5,379	309,950	306,613
Other financial assets*	9,547	9,547	9,761	9,761
Total financial assets	7,126,123	7,180,333	6,881,719	6,927,099
Financial liabilities				
Due to other financial institutions	146	146	367	367
Deposits	2,675,864	2,676,007	2,094,117	2,095,348
Derivative financial instruments	4,578	4,578	2,469	2,469
Due to related entities	3,517,111	3,566,917	4,534,499	4,566,681
Subordinated debt	300,000	367,345	-	-
Creditors and accruals	30,976	30,976	10,903	10,903
Total financial liabilities	6,528,675	6,645,969	6,642,355	6,675,768

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

The methods and assumptions 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 provisions.

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 values 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.

Subordinated Debt

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.

35 Fair value of financial instruments (continued)

Derivative financial instruments

The Banking Group uses the following hierarchy 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 2010			
	Level 1	Level 2	Level 3	Total
Derivative assets				
Interest rate swaps	-	6,768	-	6,768
Foreign exchange swaps	-	573	-	573
Foreign exchange forwards	-	105	-	105
Foreign exchange options	-	5	-	5
Total Derivative Assets	-	7,451	-	7,451
Derivative liabilities				
Interest rate swaps	-	2,676	-	2,676
Foreign exchange forwards	-	105	-	105
Foreign exchange swaps	-	1,792	-	1,792
Foreign exchange options	-	5	-	5
Total Derivative Liabilities	-	4,578	-	4,578

	Banking Group 2009			
	Level 1	Level 2	Level 3	Total
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

35 Fair value of financial instruments (continued)

	Bank 2010			
	Level 1	Level 2	Level 3	Total
Derivative assets				
Interest rate swaps	-	6,768	-	6,768
Foreign exchange swaps	-	573	-	573
Foreign exchange forward	-	105	-	105
Foreign exchange options	-	5	-	5
Total Derivative Assets	-	7,451	-	7,451
Derivative liabilities				
Interest rate swaps	-	2,676	-	2,676
Foreign exchange forwards	-	105	-	105
Foreign exchange swaps	-	1,792	-	1,792
Foreign exchange options	-	5	-	5
Total Derivative Liabilities	-	4,578	-	4,578

	Bank 2009			
	Level 1	Level 2	Level 3	Total
Derivative assets				
Interest rate swaps	-	2,477	-	2,477
Foreign exchange forward	-	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

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

	Banking Group		Bank	
	2010	2009	2010	2009
	$000	$000	$000	$000
Net profit after tax	71,989	8,495	71,989	8,495
Add / (deduct) non-cash items:				
Depreciation	849	1,035	849	1,035
Amortisation of intangible assets	1	5	1	5
Impairment losses on loans and advances	34,732	80,975	34,732	80,975
Management fees	37,621	33,499	37,621	33,499
(Profit) / loss on disposal of property, plant and equipment	(76)	(33)	(76)	(33)
Foreign exchange losses / (gains)	(500)	(124)	(500)	(124)
(Increase) / decrease in net deferred tax assets	(5,976)	(29,696)	(5,976)	(29,696)
Add/(deduct) movements in operating assets or operating liabilities:				
(Increase) / decrease in loans and advances	(504,063)	(872,284)	(504,063)	(872,284)
(Increase) / decrease in due from related entities	302,092	(123,071)	302,092	(123,071)
(Increase) / decrease in other assets	(222)	(441)	(222)	(441)
Increase / (decrease) in deposits	582,247	(458,930)	582,247	(458,930)
Increase / (decrease) in due to related entities	(1,050,227)	1,328,142	(1,050,227)	1,328,142
Increase / (decrease) in creditors & accruals	(1,318)	(2,420)	(1,318)	(2,420)
(Increase) / decrease in derivative financial instruments	(2,791)	2	(2,791)	2
Add / (deduct) movements in working capital:				
(Increase) / decrease in income tax receivable	7,684	4,679	7,684	4,679
Increase / (decrease) in income tax payable	9,591	-	9,591	-
(Increase) / decrease in accrued interest receivable	(5,441)	852	(5,441)	852
Increase / (decrease) in accrued interest payable	15,307	(143)	15,307	(143)
Increase / (decrease) in provision for risks	(24,090)	17,638	(24,090)	17,638
Increase / (decrease) in employee entitlements	(473)	82	(473)	82
Net cash flow provided by / (used in) operating activities	(533,064)	(11,738)	(533,064)	(11,738)

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

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

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

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

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

The Current Guarantee will expire on 17 February 2012 and all obligations incurred by RNZL during the Current Period will be covered by the Current Guarantee until those obligations are repaid.

(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), Rabobank Nederland (acting through its New Zealand Branch)("Rabobank 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 has 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) A management fee of $37.6 million (2009: $33.5 million) was charged to the Banking Group by the Australia 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.

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

(b) Terms and conditions of transactions with related parties

Except for the guarantees noted in note 37 (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 year ended 31 December 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.

38 Key management personnel

(a) Compensation of key management personnel paid by Australia and New Zealand Branch of Rabobank Nederland

The amounts below are stated in whole dollars.

	Banking Group		Bank	
	2010	2009	2010	2009
	$	$	$	$
Short term employee benefits	4,969,231	6,851,863	4,969,231	6,851,863
Post employment benefits	240,996	293,043	240,996	293,043
Other long term benefits	551,327	716,611	551,327	716,611
Termination benefits	-	343,223	-	343,223
	5,761,554	8,204,740	5,761,554	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. On average, the interest payable on the loan is approximately 0.8% (2009: 0.8%) below published market rate. Outstanding loan balances at 31 December 2010 are secured. No provision for impairment is recognised as at 31 December 2010 as the payment history has been excellent (2009: nil).

	Banking Group	
	2010	2009
	$	$
Loans outstanding at the beginning of the year	46,783	39,306
Net loan draw downs/(payments) during the year	826,666	7,477
Loans outstanding at the end of the year	873,449	46,783
Interest revenue during the year `	4,499	1,133

39 Subsequent events

On 22 February 2011, Christchurch experienced a substantial earthquake. Whilst a preliminary assessment indicated the impact on the Banking Group should not be material, the final assessment of that impact and the wider dislocation effects on the New Zealand economy cannot yet be determined.

Apart from the matter disclosed above, the directors are not aware of any other event or circumstances since the end of the year 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.

40 Dividend

No dividend was proposed or paid by the Bank or the Banking group for 2010 (2009: Nil).

41 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, audited retained earnings, reserves and other approved capital resources. Tier two or supplementary capital includes unaudited retained earnings, general reserve for credit loss and subordinated debt.

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

The Bank has complied in full with all of its externally imposed capital requirements during 2009 and 2010 financial years.

	Bank	
	2010 $000	2009 $000
Tier One Capital		
Contributed equity and retained profits	638,445	266,456
Less: deductions	(4,413)	(9,246)
Total tier one capital	634,032	257,210
Tier Two Capital		
General reserve for credit loss	-	-
Perpetual subordinated debt	300,000	-
AFS reserve	-	-
Total tier two capital	300,000	-
Total Tier One and Two Capital	934,032	257,210
Basel I		
Risk weighted exposure	7,099,126	1,444,405
Tier One capital ratio	8.93%	17.81%
Tier Two capital ratio	4.23%	0.00%
Total Capital Ratio	13.16%	17.81%
Basel II Standardised		
Risk weighted exposure	7,709,877	1,958,900
Tier One capital ratio	8.22%	13.13%
Tier Two capital ratio	3.89%	0.00%
Total Capital Ratio	12.11%	13.13%
Minimum Regulatory Capital Ratios		
Minimum Tier One Capital Ratio	4.00%	4.00%
Minimum Capital Ratio	8.00%	8.00%

The Board of Directors present their Annual Report including the financial statements of the Company for the year ended 31 December 2010 and the auditor's report thereon.

The shareholders of the Company have exercised their right under section 211 (3) of the Companies Act 1993 and unanimously agreed that the Annual report does not need to comply with any of paragraphs (a) and (e) to (j) of section 211 (1) of the Act.

Signed in Sydney

For and on behalf of the Board who authorised these financial statements for issue on:

William Gurry	Theodorus Gieskes
Chairman	Director
Date: 7 March 2011	Date: 7 March 2011

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Independent Auditor's Report

To the Shareholders of Rabobank New Zealand Limited

Report on the Financial Statements

We have audited the financial statements of Rabobank New Zealand Limited and its subsidiaries on pages1 to 51, which comprise the statement of financial position of Rabobank New Zealand Limited and the group as at 31 December 2010, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended of the company and group, and a summary of significant accounting policies and other explanatory information.

This report is made solely to the company's shareholders, as a body, in accordance with section 205(1) of the Companies Act 1993. Our audit has been undertaken so that we might state to the company's shareholders those matters we are required to state to them in an auditor's 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 company and the company's shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

Directors' Responsibility for the Financial Statements

The directors are responsible for the preparation of the financial statements in accordance with generally accepted accounting practice in New Zealand and that give a true and fair view of the matters to which they relate, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (New Zealand). These auditing standards require that we comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected, depend on our judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we have considered the internal control relevant to the entity's preparation of the financial statements that give a true and fair view of the matters to which they relate in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates, as well as evaluating the overall presentation of the financial statements.

We believe we have obtained sufficient and appropriate audit evidence to provide a basis for our audit opinion.

Ernst & Young provides taxation advice to Rabobank New Zealand Limited. We have no other relationship, or interest in the Rabobank New Zealand Limited.

Partners and employees of our firm may deal with the bank on normal terms within the ordinary course of trading activities of the business of the bank.

Opinion

In our opinion, the financial statements on pages 1 to 51:

- comply with generally accepted accounting practice in New Zealand;
- comply with International Financial Reporting Standards; and
- give a true and fair view of the financial position of Rabobank New Zealand Limited and the group as at 31 December 2010 and the financial performance and cashflows of the company and group for the year then ended.

Report on Other Legal and Regulatory Requirements

We have obtained all the information and explanations we have required.

In our opinion proper accounting records have been kept by Rabobank New Zealand Limited as far as appears from our examination of those records.

Ernst & Young

Ernst & Young

7 March 2011
Sydney

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3715 / MAR 2011

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Rabobank