Rabobank

Disclosure Statement

For the year ended 31 December 2011

Rabobank New Zealand Limited

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Contents

General information and definitions

The information contained in this Disclosure Statement is as required by section 81 of the Reserve Bank of New Zealand Act 1989 and the Registered Bank Disclosure Statement (New Zealand Incorporated Registered Banks) Order (No 4) 2011 ("Order").

In this Disclosure Statement, unless the context otherwise requires:

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

The financial information is disclosed for the years ended 31 December 2011 and 31 December 2010 and has been audited by the external auditors, excluding the Capital Adequacy Information on pages 21-26 which has been reviewed.

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

General matters

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 23, 157 Lambton Quay, Wellington, New Zealand.

Summary of regulations

There are no 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.

Priority of creditors' claims

In the event that the Registered Bank is liquidated or ceases to trade, the claims of all creditors, except the preferential claims specified in Schedule 7 to the Companies Act 1993, would be unsecured and would rank in priority equally with each other and behind such preferential claims.

Directors

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

Name:	William Patrick Gurry	External Directorships:
Occupation(s):	Director (Chairman)	• Bristen Pty Ltd (Chr)
Qualifications:	Bachelor of Laws	• 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:	David Welsford Smithers
Occupation(s):	Director
Qualifications:	Fellow of the Institute of Chartered Accountants, Australia
Country of Residence:	Australia
Type of director:	Independent Non-Executive Director

External Directorships:

- Carbrook Investments Pty Ltd (Member & Director)
- Country Education Foundation Ltd (Honorary)
- Honey & Nut Management Pty Ltd
- International Energy Services Pty Ltd (Member & Director)
- James N Kirby Foundation Pty Ltd (Honorary)
- Lumime Pty Ltd
- Pineleaf Pty Ltd (Member & Director)
- Rabo Australia Ltd
- Rabobank Australia Ltd
- Genea Limited (Member & Director)
- Sydney Symphony Ltd (Honorary)
- Sydney Symphony Orchestra Holdings Pty Ltd (Honorary)

Name:	John Leonard Palmer
Occupation(s):	Director
Qualifications:	Bachelor of Agricultural Science
Country of Residence:	New Zealand
Type of director:	Independent Non-Executive Director

External Directorships:

- Air New Zealand Ltd (Chr)
- AMP Ltd
- AMP Life Ltd
- Rabo Australia Ltd
- Rabobank Australia Ltd
- Saxton Fruit Ltd
- Solid Energy Ltd (Chr)
- Washbourn Investments Ltd (Member)

Name:	Anne Bernadette Brennan
Occupation(s):	Director
Qualifications:	Bachelor of Commerce (Honours), Fellow of the Institute of Chartered Accountants, Australia and Fellow of the Australian Institute of Company Directors
Country of Residence:	Australia
Type of director:	Independent Non-Executive Director

External Directorships:

- Argo Investments Limited
- Cuscal Limited
- Charter Hall Group
- Myer Holdings Limited
- Nufarm Limited
- Rabo Australia Limited
- Rabobank Australia Limited

Name:	Theodorus Henny Lambertus Johannes Maria Gieskes
Occupation(s):	Banker
Qualifications:	Bachelor of Macro Economics, Master of Development Economics
Country of Residence:	Australia
Type of director:	Non-Independent Executive Director

External Directorships:

- De Lage Landen Pty Limited
- GrainCorp Pools Pty Limited
- Rabobank Australia Limited
- Rabo Australia Limited
- Rabo Equipment Finance Limited
- Soft Commodity Trading Pty Limited

Name: Bernardus Jacobus Marttin Occupation(s): Banker Qualifications: Degree in Master of Business Administration Country of Residence: The Netherlands Type of director: Non-Independent Non-Executive Director		External Directorships: • 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 • Climate Council Amsterdam (Klimaatraad) • Member of the Advisory Board of the Amsterdam University College • Member of the Supervisory Board of the Wageningen University • Member of the Supervisory Board of IDH (Initiatief Duurzame Handel – Dutch Sustainable Trade Initiative) • Member of the Dutch Trade Board
Name: Jan Alexander Pruijs Occupation(s): Banker Qualifications: Degree in Dutch Business Law from Leiden University Country of Residence: The Netherlands Type of director: Non-Independent Non-Executive Director		External Directorships: • Rabobank Australia Limited • Rabo Australia Limited • BGZ S.A. (Chairman) • ACC Bank plc (Chairman) • Rabobank Ireland plc (Chairman)

The address to which any documents or communication may be sent to any director is Rabobank New Zealand Limited, Level 23, 157 Lambton Quay, Wellington, New Zealand. The documents or communication should be marked for the attention of the director.

Additional disclosure regarding directors

On 5 March 2012 Roelof Jan Dekker resigned from the Board of the Registered Bank effective the same date. William Patrick Gurry will step down as Chairman of the Board of the Registered Bank (but remain a director on the Board) effective 23 March 2012. John Leonard Palmer has been appointed as the new Chairman of the Board of the Registered Bank effective 23 March 2012. Effective from 23 March 2012, David Welsford Smithers will retire from the Board of the Registered Bank and the Board Risk, Audit and Compliance Committee (BRACC). Anne Bernadette Brennan will become the Chairperson of the BRACC effective 23 March 2012. Sir Henry van der Heyden has been appointed as a director of the Board of the Registered Bank effective 23 March 2012. He will also be appointed to the BRACC effective 23 March 2012.

Signing of the director's statement to the disclosure statement

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

- William Patrick Gurry (Chairman)
- Anne Bernadette Brennan
- Theodorus Henny Lambertus Johannes Maria Gieskes
- Bernardus Jacobus Marttin
- John Leonard Palmer
- Jan Alexander Pruijs
- David Welsford Smithers

Director related transactions

In relation to each director, neither the director nor any immediate relative or close business associate of the director has entered into any transaction with the Registered Bank or any other member of the Banking Group that either:

- Has been entered into on terms other than those which would, in the ordinary course of business of the Registered Bank or any other member of the Banking Group, been given to any other person of like circumstances or means; or
- Could otherwise be reasonably likely to influence materially the exercise of that director's 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 Nederland 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 Harmer
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 2011 $m	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
Statement of Comprehensive Income					
Interest income	498.24	499.16	484.96	494.99	431.86
Interest expense	(293.22)	(296.42)	(304.03)	(367.38)	(332.45)
Net interest income	205.02	202.74	180.93	127.61	99.41
Other income	1.52	1.89	1.85	1.76	1.24
Other operating gains / (losses)	(5.64)	7.79	(0.08)	0.01	(0.90)
Total non-interest income	(4.12)	9.68	1.77	1.77	0.34
Total net operating income	200.90	212.42	182.70	129.38	99.75
Operating expenses	(93.16)	(78.36)	(71.29)	(64.74)	(62.06)
Release / (Charge) for provision for risk	-	9.60	(17.64)	-	(1.90)
Impairment losses on loans and advances	(32.77)	(34.71)	(80.93)	(23.09)	(2.44)
Profit before income tax	74.97	108.95	12.84	41.55	33.35
Income tax expense	(21.12)	(36.96)	(4.35)	(12.91)	(11.73)
Profit after income tax	53.85	71.99	8.49	28.64	21.62
Statement of Financial Position					
Total assets	7,866.54	7,178.13	6,936.10	6,015.49	4,945.18
Total impaired assets	395.67	390.78	298.35	134.81	3.18
Total liabilities	7,174.25	6,539.69	6,669.64	5,757.53	4,715.86
Equity	692.29	638.44	266.46	257.96	229.32

The amounts disclosed above are extracted 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 been changes to the rating in the two years immediately before 31 December 2011. On 30 November 2011, Standard & Poor's downgraded its rating of the Registered Bank from 'AAA' negative to 'AA' stable. On 7 December 2011, the outlook on the Registered Bank's Standard & Poor's credit rating was changed from "stable" to "credit watch negative".

Rating Agency	Current Credit Rating
Standard & Poor's	AA (credit watch negative)

Guarantee arrangements

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

Details of guarantor

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

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

Rabobank Nederland is not a member of the Banking Group.

The guarantor – Rabobank Nederland

As at 31 December	2011 €m	2010 €m
Qualifying Capital*	39,088	35,734
Qualifying Capital*/RWA (%)	17.5 %	16.3 %

** 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 been changes to the rating in the two years immediately before 31 December 2011. On 30 November 2011, Standard & Poor's changed its rating of Rabobank Nederland from 'AAA' negative to 'AA' stable. On 7 December 2011, the Standard & Poor's outlook on Rabobank Nederland's credit rating was changed from "stable" to "credit watch negative". Furthermore, on 15 February 2012 the outlook on the Rabobank Nederland's Moody's credit rating was changed from "stable" to "negative outlook".

Rating Agency	Current Credit Rating
Standard & Poor's	AA (credit watch negative)
Moody's	Aaa (negative outlook)
Fitch	AA+

Descriptions of the credit rating 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 Third 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 "Third Guarantee").

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

18 February 2012 to 17 February 2013

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

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.

Material cross guarantee

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

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 Nederland, in respect of its and its group-members' operations in Australia and New Zealand ("RAG"), has an integrated risk management framework that applies from governance 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. Credit risk includes concentration of credit risk, intra-day credit risk, credit risk to bank counterparties and related party credit risk. That RAG framework applies to the Banking Group and an approved Risk Management System Description ('RMSD'), defines how the Banking Group 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.

The components of RAG's risk management framework include:

- 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.

RAG's Board, Risk, Audit & Compliance Committee (BRACC) and Remuneration Committee oversee the implementation, review and monitoring of the RMS. This includes setting and monitoring risk appetite and approving risk limits and risk policies (within the overall limits set by Rabobank Nederland).

RAG 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 RAG 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 32 in the financial statements. The activities of the Banking Group that give rise to the various categories of risk are summarised below:

- Liquidity risk
  The main activities that give rise to liquidity risk are the Banking Group's typical banking activities of raising and repaying funding, lending that funding and having that funding repaid, and any other activities that involve the Banking Group requiring or generating liquidity.
- Credit risk
  The activities that give rise to credit risk are the Banking Group lending money and otherwise entering into transactions involving customers of the Banking Group, or others, owing money to the Banking Group.
- Market risk
  Market risk comprises (1) currency risk and (2) interest rate risk. The activities of the Banking Group that give rise to currency risk are holding foreign currency balances or liabilities, trading in any foreign currency denominated products and foreign currency interest rate derivatives. The activities of the Banking Group that give rise to interest rate risk are borrowing from and lending to customers, borrowing in the wholesale debt markets and trading and investing in money market, foreign exchange and derivative instruments.

Risk management review

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

Internal audit function

RAG (which includes the Registered Bank) has an established Internal Audit department that has reporting lines to Head Office Internal Audit, the BRACC and the RAG CEO. 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 performs audits using a risk based approach. Accordingly, greater emphasis is placed on those areas assessed as higher risk in Australia and New Zealand.

The BRACC has responsibilities in relation to the whole of RAG. It is comprised of seven members, of whom four members are independent non-executive directors of the Registered Bank (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 being provided from the external auditors.

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 $244.16 million as at 31 December 2011 ($293.43 million as at 31 December 2010).

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 this Disclosure Statement; and

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

Auditor's report

The Disclosure Statement has been audited by external auditors Ernst & Young, excluding the Capital Adequacy Information on pages 21-26 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

There have been changes to the Registered Bank's Conditions of Registration since 30 September 2011.

With effect on 30 September 2011 the Conditions of Registration were changed to re-define "insurance business" and to otherwise amend the condition relating to any insurance business.

With effect on 31 December 2011 the Conditions of Registration were further changed to require the Registered Bank to:

- notify the Reserve Bank, and supply certain information to the Reserve Bank, in relation to any acquisition or business combination where either the total consideration is or exceeds 15% (but does not exceed 25%) of the Banking Group's tier 1 capital or the value of the assets acquired is or exceeds 15% (but does not exceed 25%) of the Banking Group's total assets; and
- notify the Reserve Bank, supply certain information to the Reserve Bank and obtain a notice of non-objection from the Reserve Bank, in relation to any acquisition or business combination where either the total consideration is or exceeds 25% of the Banking Group's tier 1 capital or the value of the assets acquired is or exceeds 25% of the Banking Group's total assets.

The Registered Bank has not complied with all its Conditions of Registration in the twelve months period ended 31 December 2011. The non-compliance relates to the requirement contained in Condition 7 that no appointment of an executive who reports or is accountable directly to the Registered Bank's chief executive officer is made unless the Reserve Bank has been supplied with certain information about the proposed appointee and has advised that it has no objection to the appointment. The Registered Bank has been non-compliant with that requirement since the requirement was introduced on 1 July 2004.

Below is a copy of the Conditions of Registration that applied at 31 December 2011.

Conditions of registration for Rabobank New Zealand Limited

These conditions apply on and after 31 December 2011

The registration of Rabobank New Zealand Limited ('the bank') as a registered bank is subject to the following conditions:

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.

   In this condition of registration, the meaning of "material" is based on generally accepted accounting practice.

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

   For the purposes of this condition of registration, the banking group's insurance business is the sum of the following amounts for entities in the banking group:

   (a) if the business of an entity predominantly consists of insurance business and the entity is not a subsidiary of another entity in the banking group whose business predominantly consists of insurance business, the amount of the insurance business to sum is the total consolidated assets of the group headed by the entity; and

   (b) if the entity conducts insurance business and its business does not predominantly consist of insurance business and the entity is not a subsidiary of another entity in the banking group whose business predominantly consists of insurance business, the amount of the insurance business to sum is the total liabilities relating to the entity's insurance business plus the equity retained by the entity to meet the solvency or financial soundness needs of its insurance business.

   In determining the total amount of the banking group's insurance business—

   (a) all amounts must relate to on balance sheet items only, and must comply with generally accepted accounting practice; and

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

   For the purposes of this condition of registration,—

   "insurance business" means the undertaking or assumption of liability as an insurer under a contract of insurance:

   "insurer" and "contract of insurance" have the same meaning as provided in sections 6 and 7 of the Insurance (Prudential Supervision) Act 2010.

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

** 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.)*

   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 June 2011.

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. On and after 1 April 2012, that the bank complies with the following corporate governance requirements:

   (a) the board of the bank must have at least five directors;

   (b) the majority of the board members must be non-executive directors;

   (c) at least half of the board members must be independent directors;

   (d) an alternate director,—

      (i) for a non-executive director must be non-executive; and

      (ii) for an independent director must be independent;

   (e) at least half of the independent directors of the bank must be ordinarily resident in New Zealand;

   (f) the chairperson of the board of the bank must be independent; and

   (g) the bank's constitution must 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).

   For the purposes of this condition of registration, "non-executive" and "independent" have the same meaning as in the Reserve Bank of New Zealand document entitled "Corporate Governance" (BS14) dated March 2011.

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

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

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

8. On and after 1 April 2012, that a person must not be appointed as chairperson of the board of the bank unless:

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

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

9. On and after 1 April 2012, that the bank has a board audit committee, or other separate board committee covering audit matters, that meets the following requirements:

   (a) the mandate of the committee must include: ensuring the integrity of the bank's financial controls, reporting systems and internal audit standards;

   (b) the committee must have at least three members;

   (c) every member of the committee must be a non-executive director of the bank;

   (d) the majority of the members of the committee must be independent; and

   (e) the chairperson of the committee must be independent and must not be the chairperson of the bank.

   For the purposes of this condition of registration, "non-executive" and "independent" have the same meaning as in the Reserve Bank of New Zealand document entitled "Corporate Governance" (BS14) dated March 2011.

10. That a substantial proportion of the bank's business is conducted in and from New Zealand.
11. That Rabobank Nederland, explicitly, unconditionally and irrevocably guarantees the obligations of Rabobank New Zealand Limited in terms of the guarantee dated 1 September 2009.
12. 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.
13. 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.
14. 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.
15. That every quarterly disclosure statement of Rabobank New Zealand Limited up to and including the disclosure statement with reporting date of 31 March 2012 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 banks:

    (a) the condition of registration requiring that the bank have at least two independent directors on its board;

    (b) the condition of registration requiring that the chairperson of the bank's board not be an employee of the bank; and

    (c) 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).
16. 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 intend to withdraw or alter the guarantees referred to in these conditions of registration.
17. That no more than 10% of total assets may be beneficially owned by a SPV.

    For the purposes of this condition,—

    "total assets" means all assets of the banking group plus any assets held by any SPV that are not included in the banking group's assets:

    "SPV" means a person—

    (a) to whom any member of the banking group has sold, assigned, or otherwise transferred any asset;

    (b) who has granted, or may grant, a security interest in its assets for the benefit of any holder of any covered bond; and

    (c) who carries on no other business except for that necessary or incidental to guarantee the obligations of any member of the banking group under a covered bond:

    "covered bond" means a debt security issued by any member of the banking group, for which repayment to holders is guaranteed by a SPV, and investors retain an unsecured claim on the issuer.

18. That-

(a) no member of the banking group may give effect to a qualifying acquisition or business combination that meets the notification threshold, and does not meet the non-objection threshold, unless:

(i) the registered bank has notified the Reserve Bank in writing of the intended acquisition or business combination and at least 10 working days have passed; and

(ii) at the time of notifying the Reserve Bank of the intended acquisition or business combination, the registered bank provided the Reserve Bank with the information required under the Reserve Bank of New Zealand Banking Supervision Handbook document "Significant Acquisitions Policy" (BS15) dated December 2011; and

(b) no member of the banking group may give effect to a qualifying acquisition or business combination that meets the non-objection threshold unless:

(i) the registered bank has notified the Reserve Bank in writing of the intended acquisition or business combination;

(ii) at the time of notifying the Reserve Bank of the intended acquisition or business combination, the registered bank provided the Reserve Bank with the information required under the Reserve Bank of New Zealand Banking Supervision Handbook document "Significant Acquisitions Policy" (BS15) dated December 2011; and

(iii) the Reserve Bank has given the registered bank a notice of non-objection to the significant acquisition or business combination.

For the purposes of this condition of registration, "qualifying acquisition or business combination", "notification threshold" and "non-objection threshold" have the same meaning as in the Reserve Bank of New Zealand Banking Supervision Handbook document "Significant Acquisitions Policy" (BS15) dated December 2011.

This condition of registration applies to acquisitions and business combinations to which a member of the banking group intends to give effect on or after 1 April 2012.

In these conditions of registration,—

"banking group" means Rabobank New Zealand Limited's financial reporting group (as defined in Section 2(1) of the Financial Reporting Act 1993):

"generally accepted accounting practice" has the same meaning as in section 2 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:

- That the Registered Bank has at least two independent directors on its board;
- That the chairperson of the Registered Bank's board is not an employee of the Registered Bank; and
- That the Registered 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 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 Statements (New Zealand Incorporated Registered Banks) Order (No4) 2011; and
- The Disclosure Statement is not false or misleading; and

(ii) over the twelve months accounting period:

- The Registered Bank has not complied with all Conditions of Registration that applied during that period – see the disclosure above under the heading Conditions of Registration;
- Credit exposures to connected persons (if any) were not contrary to the interests of the Banking Group; and
- The 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 (the Registered Bank does not have any equity risk, and therefore neither has nor requires any system to monitor or control equity risk).

Signed by Benjamin Russell, Chief Executive Officer, under an authority from each of the directors.

……………………………………….

Benjamin Russell
Dated: 16 March 2012

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Independent Auditor's Report

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

Report on the Disclosure Statement (excluding supplementary information relating to Capital Adequacy)

We have audited the Disclosure Statement (excluding the supplementary information relating to Capital Adequacy on pages 21 to 26 (the "Capital Adequacy Information")) of Rabobank New Zealand Limited (the "Bank") and its subsidiaries (the "Banking Group") and Appendix 1. The Disclosure Statement comprises the financial statements and the supplementary information. The financial statements comprise the balance sheet of the Bank and the Banking Group as at 31 December 2011, the income statement and statements of comprehensive income, changes in equity and cash flows of the 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 that is required to be disclosed under the Registered Bank Disclosure Statements (New Zealand Incorporated Registered Banks) Order (No 4) 2011 (the "Order").

This report is made to the Registered Bank's Shareholders/Members and Directors in accordance with Clause 20(1) of the Order. Our audit has been undertaken so that we might state to the Bank's Shareholders/Members and Directors those matters we are required to state to them in an 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 Bank and the Bank's Shareholders/Members and Directors, for our audit work, for this report, or for the opinions we have formed.

Directors' Responsibility for the Disclosure Statement

The Directors of the Bank are responsible for the preparation of the Disclosure Statement, which includes financial statements prepared in accordance with Clause 24 of the Order, generally accepted accounting practice in New Zealand and International Financial Reporting Standards and that give a true and fair view of the matters to which they relate. The Directors are also responsible for such internal controls as they determine are necessary to enable the preparation of the Disclosure Statement that is free from material misstatement, whether due to fraud or error.

The Directors are responsible for the preparation and fair presentation of supplementary information, in accordance with Schedules 2, 4, 7, 13, 14, 15 and 17 of the Order.

Auditor's Responsibility

Our responsibility is to express an opinion on the Disclosure Statement (excluding the Capital Adequacy information) and Appendix 1 on pages 1 to 42 and presented to us by the Shareholders/Members and Directors. 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 Disclosure Statement (excluding the Capital Adequacy Information) is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Disclosure Statement (excluding the Capital Adequacy Information). The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the Disclosure Statement (excluding the Capital Adequacy Information), whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the Bank and Banking Group's preparation of the Disclosure Statement that gives a true and fair view of the matters to which it relates, 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 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 Disclosure Statement (excluding the Capital Adequacy Information).

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

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

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

Opinion

In our opinion the Disclosure Statement of the Bank and the Banking Group (excluding the Capital Adequacy information) and Appendix 1 on pages 1 to 42:

- 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 Bank and Banking Group as at 31 December 2011 and of their financial performance and cash flows for the year then ended.

Opinion on supplementary information (excluding Capital Adequacy Information)

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 Bank and Banking Group; and

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- presents fairly, in all material respects, the matters to which it relates, in accordance with those Schedules.

Report on Other Legal and Regulatory Requirements (excluding Capital Adequacy Information)

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 Bank and the banking group, 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 relating to capital adequacy as disclosed on pages 21 to 26 of the Disclosure Statement (the "Capital Adequacy Information") for the year ended 31 December 2011.

This report is made to the Bank's Shareholders/Members and Directors in accordance with Clause 20 of the Order. Our review has been undertaken so that we might state to the Bank's Shareholders/Members and Directors those matters we are required to state to them in 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 Bank and the Bank's Shareholders/Members and Directors, 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 of supplementary information relating to Capital Adequacy that is required to be disclosed under Schedule 11 of the Order and prepared in accordance with the Bank's Conditions of Registration and with the Bank's internal models for credit risk and operational risk, as accredited by the Reserve Bank of New Zealand and described in the Disclosure Statement.

Reviewer's Responsibilities

Our responsibility is to express an opinion on the Capital Adequacy Information based on our review. We conducted our review in accordance with the Review Engagement Standards issued by the New Zealand Institute of Chartered Accountants.

We are responsible for reviewing the disclosures in order to state whether, on the basis of the procedures described below, anything has come to our attention that would cause us to believe that the Capital Adequacy Information is not, in all material respects:

- prepared in accordance with the Bank's Conditions of Registration;
- prepared in accordance with the 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 11 of the Order;

and for reporting our findings to you.

Basis of statement

A review is limited primarily to enquiries of 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.

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

Partners and employees of our firm may deal with the Bank and Banking Group on normal terms within the ordinary course of trading activities of the business of the Bank and Banking Group. These matters have not impaired our independence as auditors of the Bank and 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 Bank's Conditions of Registration;
- prepared in accordance with the 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 11 of the Order.

Ernst + Young

Ernst and Young
16 March 2012
Sydney

1 Supplementary information on the statement of financial position

	2011 $000	2010 $000
Total interest earning and discount bearing assets	7,783,440	7,110,421
Total interest and discount bearing liabilities	7,035,892	6,092,977

2 Related party transactions

Please refer to note 36 in the Annual Report of Rabobank New Zealand Limited located in Appendix 1.

3 Net gain or loss attributable to derivatives designated in hedge accounting transactions

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

4 Accounting policies

Accounting policies disclosed below are only required by the Order in Council. For remaining policies both common to the Order in Council and the Annual Report, please refer to note 3 in the Annual Report 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

Past due assets disclosed below are only required by the Order in Council. For remaining asset quality disclosures both common to the Order in Council and the Annual Report, please refer to note 15 in the Annual Report of Rabobank New Zealand Limited located in Appendix 1.

Past due assets As at 31 December 2011	Residential mortgages $000	Corporate exposure $000	Retail exposure* $000	Total $000
Less than 30 days past due	-	-	60,968	60,968
At least 30 days but less than 60 days past due	-	-	29,286	29,286
At least 60 days but less than 90 days past due	-	-	1,743	1,743
At least 90 days past due	-	-	64,639	64,639
Total past due assets	-	-	156,636	156,636

As at 31 December 2010	Residential mortgages $000	Corporate exposure $000	Retail exposure* $000	Total $000
Less than 30 days past due	-	-	111,129	111,129
At least 30 days but less than 60 days past due	-	-	22,494	22,494
At least 60 days but less than 90 days past due	-	-	18,675	18,675
At least 90 days past due	-	-	67,984	67,984
Total past due assets	-	-	220,282	220,282

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

1 Capital

As at 31 December 2011	$000
Tier one capital	
Issued and fully paid up ordinary share capital	341,200
Perpetual fully paid up non-cumulative preference shares	-
Revenue and similar reserves	297,245
Current period's retained earnings	53,848
Tier one minority interests	-
Less: deductions from tier one capital	(27,085)
Plus: other adjustments to tier one capital	-
Total tier one capital	665,208
Tier two capital	
Upper tier two capital	
Term subordinated debt	300,000
Unaudited retained profits	-
Revaluation reserves	-
Upper tier two capital instruments	-
Total upper tier two capital	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
Total tier one capital plus tier two capital	965,208
Less: deductions from total capital	-
Plus: other adjustments to total capital	-
Total capital	965,208

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

As at 31 December 2011	Total exposure after credit risk mitigation $000	Risk weight %	Risk weighted exposure $000	Minimum pillar one capital requirement $000
Cash and gold bullion	21,995	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*	911	0%	-	-
Other**	3,292	20%	658	53
Other***	61,151	50%	30,576	2,446
Other ****	7,538,418	100%	7,538,418	603,073
Other *****	175,485	150%	263,227	21,058
Non risk weighted assets ******	65,289	0%	-	-
Total Assets	7,866,541		7,832,879	626,630

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

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

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

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

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

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

(ii) Calculation of off-balance sheet exposure

As at 31/12/2011	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	17,751	100%	17,751	100%	17,751	1,420
Asset sales with recourse	-	100%	-	0%	-	-
Forward asset purchase	-	100%	-	0%	-	-
Commitments with certain drawdown	63,392	100%	63,392	100%	63,392	5,071
Note issuance facility	-	50%	-	0%	-	-
Revolving underwriting facility	-	50%	-	0%	-	-
Performance-related contingency	-	50%	-	0%	-	-
Trade-related contingency	-	20%	-	0%	-	-
Placements of forward deposits	-	100%	-	0%	-	-
Other commitments where original maturity is more than one year	172,951	50%	86,476	100%	86,476	6,918
Other commitments where original maturity is less than or equal to one year	-	20%	-	100%	-	-
Other commitments which can be cancelled unconditionally at any time without prior notice	557,061	0%	-	100%	-	-
Market related contracts*						
(a) Foreign exchange forward	3,298	N/A	107	20%	21	2
Foreign exchange forward	2,996	N/A	196	100%	196	16
(b) Foreign exchange swaps	19,941	N/A	220	20%	44	4
(c) Interest rate swaps	75,703	N/A	403	20%	81	6
Interest rate swaps	67,703	N/A	8,048	100%	8,048	644
Total off-balance sheet exposures	980,796		176,593		176,009	14,081

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

(iii) Residential mortgages

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

As at 31/12/2011	Drawn amounts $000	Undrawn amounts $000	Total $000
LVR range			
Do not exceed 80%	-	-	-
Exceeds 80% and not 90%	61,151	9,394	70,545
Exceeds 90%	-	-	-
Total	61,151	9,394	70,545

Reconciliation of mortgage related amounts

As at 31/12/2011	$000
Loans and advances - loans with residential mortgages	61,151
Plus: short term residential mortgage classified as overdrafts	-
Less: housing loans made to corporate customers	-
On-balance sheet residential mortgage exposures subject to the standardised approach	61,151
Off-balance sheet residential mortgage exposures subject to the standardised approach	9,394
Total residential mortgage exposures subject to the standardised approach (as per LVR analysis)	70,545

3 Credit risk mitigation

As at 31 December 2011	Total value of on- and off- balance sheet exposures covered by eligible collateral (after haircutting) $000	Total value of on- and off- balance sheet exposures covered by guarantees or credit derivatives $000
Sovereign or central bank	-	-
Multilateral development bank	-	-
Public sector entities	-	-
Bank	-	-
Corporate	-	-
Residential mortgate	-	-
Other	-	-
Total	-	-

4 Operational risk

Operational risk capital requirement

As at 31 December 2011	Implied risk weighted exposure $000	Total operating risk capital requirement $000
Operational risk	472,000	37,760
Total	472,000	37,760

5 Market risk period-end capital charges

As at 31 December 2011	Implied risk weighted exposure $000	Aggregate capital charges $000
Interest rate risk	181,500	14,520
Foreign currency risk	12,250	980
Total	193,750	15,500

6 Market risk peak end-of-day capital charges

As at 31 December 2011	Implied risk weighted exposure $000	Aggregate capital charges $000
Interest rate risk	287,500	23,000
Foreign currency risk	40,750	3,260
Total	328,250	26,260

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

As at 31 December 2011	Total exposure after credit risk mitigation $000	Risk weighted exposure or implied risk weighted $000	Capital requirement $000
Total credit risk	8,847,337	8,008,888	640,711
Operational risk	N/A	472,000	37,760
Market risk	N/A	193,750	15,500
Total	8,847,337	8,674,638	693,971

9 Capital ratios

As at year end	31 December 2011 %	31 December 2010 %
Tier one capital / risk weighted exposure %	7.67%	8.22%
Capital / risk weighted exposure %	11.13%	12.11%

10 Solo capital adequacy

As at year end	31 December 2011 %	31 December 2010 %
Tier one capital / risk weighted exposure %	7.67%	8.22%
Capital / risk weighted exposure %	11.13%	12.11%

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

As at year end	31 December 2011 $000	31 December 2010 $000
Internal capital allocation for other material risks	34,699	30,840

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.
iii) Strategic/Business Risks: Current and prospective impact on earnings or capital arising from adverse business decisions, improper implementation of strategic 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.

As at 31 December (audited)	2011 %	2010 %
Tier one capital expressed as a percentage of total risk weighted exposures	17.00%	15.70%
Qualifying capital* expressed as a percentage of total risk weighted exposures	17.50%	16.30%
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 De Nederlandsche Bank to hold minimum capital at least equal to that specified under Basel framework and those requirements imposed on it by De Nederlandsche Bank have been met as at the reporting date. The Dutch Central Bank has granted Rabobank Group permission to determine the Basel II equity requirements in accordance with the most advanced methods, i.e. the Advanced Internal Ratings Based approach. For this purpose, Rabobank Group has developed its own risk models over the past few years.

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

1 Concentration of credit exposures to individual counterparties

	31/12/2011	
	As at	Peak for the quarter
Bank counterparties:		
Percentage of shareholders' equity		
10-15%	-	-
15-20%	-	-
20-25%	-	-
Non-bank counterparties:		
Percentage of shareholders' equity		
10-15%	1	1
15-20%	1	1
20-25%	-	-
25-30%	-	-
30-35%	-	-
35-40%	1	1

All non-bank counterparties included in the preceding table do not have a long-term credit rating.

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

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

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

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

Concentration of Credit Exposures to Connected Persons

1 Concentration of credit exposures to connected persons

As at 31 December 2011	Exposures $000	Exposures as a % of Banking Group's tier one capital %
Bank connected persons		
Aggregate at end-of-period	4,182	0.63%
Peak end-of-day for the year	10,736	1.61%
Contingent credit exposures arising from risk lay-off arrangements	-	-
Non-bank connected persons		
Aggregate at end-of-period	61	0.01%
Peak end-of-day for the year	61	0.01%
Contingent credit exposures arising from risk lay-off arrangements	-	-

As at 31 December 2011, the Banking Group's rating-contingent connected exposure limit was 75% of Tier One Capital. There have not been any changes in this limits during the year ended 31 December 2011. Within the overall rating-contingent connected exposure limit there is a sub-limit of 15% of Tier One capital which applies to the aggregate credit exposures to non-bank connected persons. Aggregate gross exposures to connected persons must not exceed 125% of the Tier One Capital.

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

The information on credit exposure to connected persons has been derived in accordance with Rabobank New Zealand Limited's conditions of registration and Connected Exposures Policy (BS8), 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

Annual Report of the
Rabobank New Zealand Limited
for the year ended 31 December 2011

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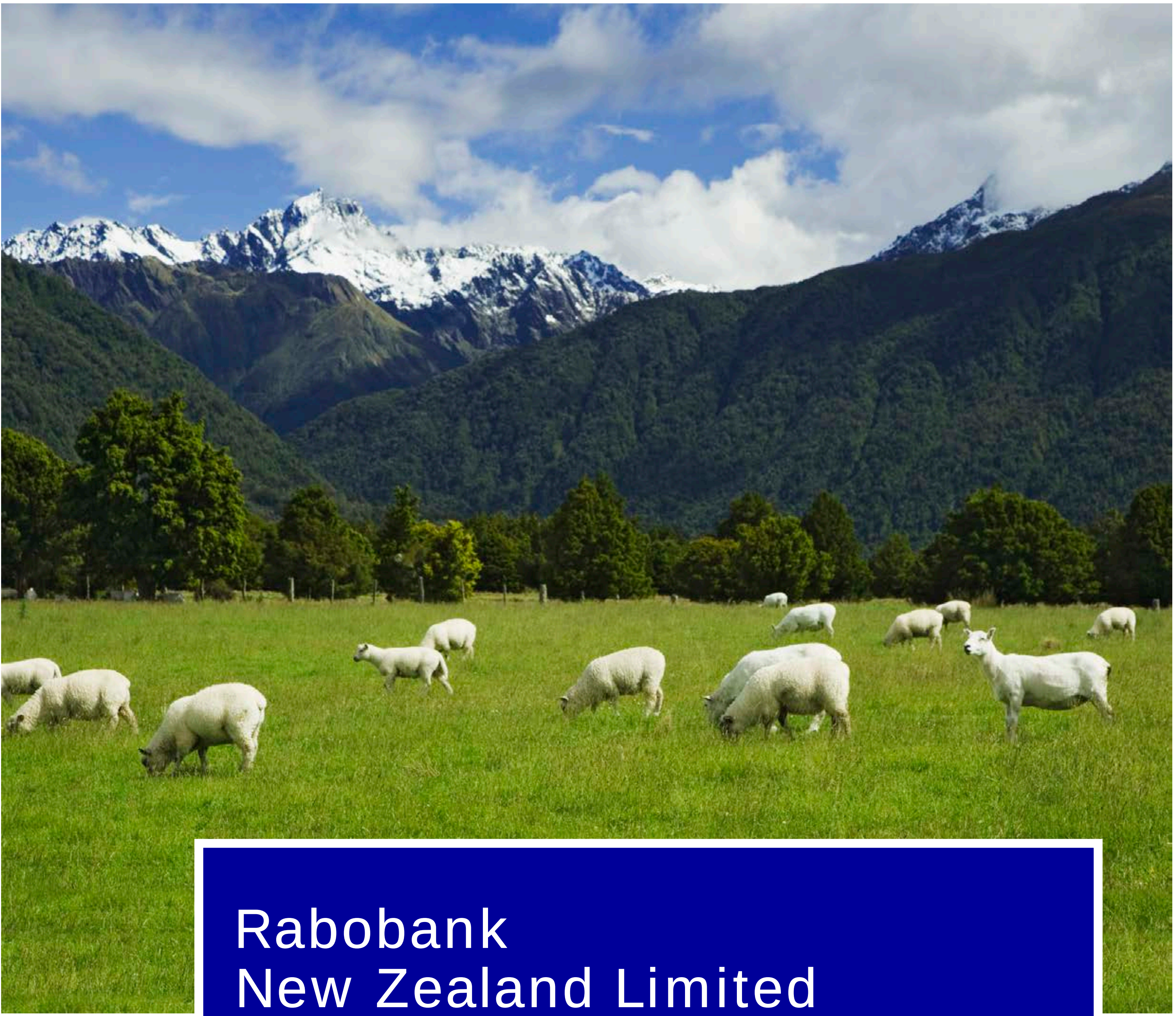

Rabobank New Zealand Limited

Annual Report – 31 December 2011

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Statement of Comprehensive Income
Year ended 31 December 2011

	Notes	2011 $000	2010 $000
Interest income	4	498,246	499,157
Interest expense	5	(293,222)	(296,418)
Net interest income		205,024	202,739
Other income	6	1,522	1,899
Other operating gains / (losses)	7	(5,642)	7,786
Non-interest income		(4,120)	9,685
Total net operating income		200,904	212,424
Operating expenses	8	(93,157)	(78,365)
Release for provision for risk		-	9,597
Impairment losses on loans and advances	9	(32,772)	(34,707)
Profit before income tax		74,975	108,949
Income tax expense	11(a)	(21,127)	(36,960)
Profit after income tax		53,848	71,989
Other comprehensive income after tax		-	-
Total comprehensive income after tax attributable to members of Rabobank New Zealand Limited		53,848	71,989

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

Statement of Financial Position
As at 31 December 2011

	Notes	2011 $000	2010 $000
Assets			
Due from other financial institutions	12	21,995	69,077
Derivative financial instruments	13	8,257	7,451
Loans and advances	14	7,758,379	7,034,671
Due from related entities	16	3,292	5,377
Other assets	17	13,454	10,330
Net deferred tax assets	11(c)	57,032	49,268
Investment in controlled entity	18	-	-
Property, plant and equipment	19	3,948	1,950
Intangible assets	20	184	7
Total assets		7,866,541	7,178,131
Liabilities			
Due to other financial institutions	21	2,553	146
Derivative financial instruments	13	8,270	4,578
Deposits	22	2,964,779	2,675,864
Due to related entities	23	3,858,315	3,517,111
Subordinated debt	24	300,000	300,000
Current tax payable		3,077	9,591
Other liabilities	25	35,585	30,976
Provisions	26	1,669	1,420
Total liabilities		7,174,248	6,539,686
Net assets		692,293	638,445
Equity			
Contributed equity	28	341,200	341,200
Retained earnings	29	351,093	297,245
Total equity		692,293	638,445

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

Statement of Changes in Equity
Year ended 31 December 2011

	Contributed equity $000	Retained earnings $000	Reserves $000	Total $000
Total equity at 1 January 2010	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
Total comprehensive income after tax	-	53,848	-	53,848
Total equity at 31 December 2011	341,200	351,093	-	692,293

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

Statement of Cash Flows
Year ended 31 December 2011

	Notes	2011 $000	2010 $000
Cash flows from operating activities			
Cash was provided from:			
Interest income		483,277	493,716
Other income		1,522	1,677
Bad debt recovery		69	25
Cash was applied to:			
Interest expense		(289,268)	(281,111)
Proceeds/Payments for derivative financial instruments*		(2,990)	460
Operating expenses		(93,714)	(75,445)
Tax payments		(35,405)	(40,056)
(Increase) / decrease in operating assets:			
Loans and advances		(741,572)	(504,063)
Due from related entities		2,085	302,092
Net cash flows (used in) / provided by operating activities	35	(675,996)	(102,705)
Cash flows from investing activities			
Cash was provided from:			
Sale of leased assets		76	76
Sale of property, plant and equipment		-	3
Cash was applied to:			
Purchase of property, plant and equipment		(2,812)	(10)
Purchase of intangible assets		(188)	(8)
Net cash flows (used in) / provided by investing activities		(2,924)	61
Cash flows from financing activities			
Cash was provided by:			
Issuance of subordinated debt		-	300,000
Issue of share capital		-	300,000
Increase / (decrease) in financing liabilities:			
Deposits		288,915	582,247
Due to related entities		340,516	(1,012,606)
Net cash flows (used in) / provided by financing activities		629,431	169,641
Net (decrease) / increase in cash and cash equivalents for the year		(49,489)	66,997
Cash and cash equivalents at the beginning of the year		68,931	1,934
Cash and cash equivalents at the end of the year		19,442	68,931
Cash and cash equivalents at the end of the year comprise of:			
Cash at other financial institutions	12	21,995	69,077
Bank overdraft	21	(2,553)	(146)
Cash and cash equivalents at the end of the year		19,442	68,931

* Transactions are settled on a net basis.

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

Contents

1 Reporting entity

Rabobank New Zealand Limited (the "Bank" or "RNZL") 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 are presented as at and for the year ended 31 December 2011.

The registered office is at Level 23,157 Lambton Quay, 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 Bank 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 Bank.

On 26 August 2011, Rabo Securities and Investments (NZ) Limited ('RSINZL'), a dormant subsidiary of the Bank, was removed from the New Zealand Companies Office register and thereby, on that date, ceased to be a member of the Banking Group.* Since that date, the Bank had no other subsidiaries, and therefore is not required to prepare group consolidated financial statements for the year ended 31 December 2011.

*Refer to note 18 for further details on RSINZL.

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 External Reporting Board, as appropriate for profit-oriented entities. These financial statements also comply with IFRS.

These financial statements were approved and authorised for issue by the board of directors on 5 March 2012.

(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 Bank, as this currency best reflects the economic substance of the underlying events and circumstances relevant to the Bank. All financial information presented in NZD has been rounded to the nearest thousand unless otherwise stated.

(d) Significant accounting judgments and estimates

The accounting policies adopted by the Bank are consistent with those adopted and disclosed in the prior period. There were no new accounting standards that have been adopted during the year that have a significant impact in the financial statements.

(i) Going concern

The Bank's management has made an assessment of the Bank's ability to continue as a going concern and is satisfied that the Bank 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 Bank'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

The fair value of a financial instrument is the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The best evidence of fair value is a quoted price in an active market. Accordingly, wherever possible, fair value is based on quoted market prices for the financial instrument. In the event that there is no active market for the instrument, fair value is based on present value estimates or other market accepted valuation techniques. The valuation models incorporate the impact of bid/ask spread and other factors that would influence the fair value determined by a market participant. The objective of using a valuation technique is to establish what the transaction price would have been on the measurement date in an arm's length exchange motivated by normal business considerations.

The majority of outstanding derivative positions are transacted over-the-counter and therefore need to be valued using valuation techniques.

The valuation of financial instruments is described in more detail in note 34.

(iii) Impairment losses on loans and advances

The Bank reviews its individually significant loans and advances at each reporting 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 Bank 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, grouped together on a portfolio of loans with similar risk characteristics, to determine whether a 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 (for example, prevailing and forecast economic and climatic or environmental factors which may adversely impact the economy or a specific sector or industry, etc).

The impairment losses on loans and advances are disclosed in more detail in note 9 and note 15.

(e) Comparative figures

Comparative information has been revised where appropriate to enhance comparability. Where necessary, comparative figures have been adjusted to conform with changes in presentation in the current year.

3 Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

(a) Revenue recognition

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

(i) Interest income and expense

For all interest bearing financial instruments, interest income or expense is recognised in profit or loss using the effective interest method. The effective interest method calculates the amortised cost of a financial instrument and allocates the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability (or, a shorter period, where appropriate) to the net carrying amount of the financial asset or liability. The calculation includes all transaction costs and fees that are directly attributable to the instrument and are an integral part of the effective interest method. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or liability.

(ii) Fee and Commission income

Fee and commission income and expense that are integral to the effective interest rate on a financial asset or liability are capitalised and included in the effective interest rate, and recognised in profit or loss over the expected life of the instrument.

Commitment fees to originate a loan, which is unlikely to be drawn down, are recognised as fee income over the commitment period.

Fees and commissions that relate to the execution of a significant act (for example, advisory or arrangement services, placement fees and underwriting fees) are recognised when the significant act has been completed. Fees charged for providing ongoing services (for example, maintaining and administering existing facilities) are recognised as income over the period the service is provided.

(iii) Other Income

Trading income is recognised when earned based on changes in fair value of financial instruments and is recorded from trade date.

(b) Foreign currency

Foreign currency transactions are translated into the functional currency, using the exchange rates prevailing at the dates of the transactions.

Monetary assets and liabilities resulting from foreign currency transactions are subsequently translated at the spot rate at reporting date.

Exchange differences arising on the settlement of monetary items, or on translating monetary items at rates different to those at which they were initially recognised or included in a previous financial report, are recognised in the statement of comprehensive income in the period in which they arise.

Translation differences on non-monetary items, such as derivatives measured at fair value through profit or loss, are reported as part of the fair value gains or losses on these items. Translation differences on non-monetary items measured at fair value through equity, such as equities classified as available-for-sale financial assets, are recognised in equity through other comprehensive income.

(c) 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.

(d) Assets

(i) Financial assets

The Bank classifies its financial assets in the following categories: financial assets at fair value through profit or loss, derivative assets, and loans and advances and other receivables. Management determines the classification of its financial assets at initial recognition.

Purchases and sales of financial assets at fair value through profit or loss are recognised on trade date, the date on which the Bank commits to purchase or sell the asset. Loans and advances are recognised when cash is advanced to the borrowers. Financial assets at fair value through profit or loss are recognised initially at fair value.

All other financial assets are recognised initially at fair value, including directly attributable transaction costs.

The Bank has not classified any of its financial assets as held to maturity investments or available for sale financial assets.

(i) Due from other financial institutions

Due from other financial institutions includes nostro balances, loans to other financial institutions, deposits with regulatory authorities and settlement account balances. They are measured at amortised cost using the effective interest method.

(ii) Derivative financial instruments

Derivative financial instruments are contracts whose value is derived from one or more underlying price, index or other variability. They include foreign exchange contracts, options, interest rate swaps, commodity derivatives and currency swaps. Derivative financial instruments are used as part of the Bank's sales and trading activities, and to hedge certain assets and liabilities.

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 reporting 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.

(iii) 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'.

(iv) Leased assets

Finance leases

Leases where the Bank 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.

(v) Offsetting

Financial assets and liabilities are offset where there is a legally enforceable right to set off, and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

(vi) 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 time frame generally established by regulation or convention in the market place.

(vii) Derecognition of financial assets

Financial assets are derecognised either when sold, or when the rights to receive cash flows from the financial assets, have expired or have been transferred, or when the Bank has transferred substantially all the risks and rewards of ownership. In transactions where substantially all the risks and rewards are neither retained nor transferred, the Bank derecognises assets, or when control is retained the assets are recognised to the extent of the Bank's continuing involvement.

(ii) Impairment of financial assets

The carrying amounts of the Bank's financial assets are assessed at each reporting 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 Bank first assesses individually whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant.

Individually significant financial assets are tested for impairment on an individual basis. 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 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. 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 reporting 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 Bank's average cost of funds at the date of restructuring.

(v) Past due loans

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 interest income until the loan is classified as non-accrual.

(iii) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are stated at historical cost less accumulated depreciation and any impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items. The Bank 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 Bank 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.

(iv) Intangible assets

(i) Computer software costs

Where computer software costs are not integrally related to associated hardware, the Bank 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 Bank 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 Bank 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.

(v) Other assets

Other assets include interest, fees and other income receivable and all other financial and non-financial assets. These assets are recorded at the cash value to be realised when settled.

(vi) Impairment of non-financial assets

The Bank 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 Bank 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.

(e) Liabilities

(i) Financial Liabilities

Financial liabilities are initially recognised at fair value plus transaction costs, except where they are designated at fair value, in which case, transaction costs are expensed as incurred. They are subsequently measured at amortised cost, except for derivatives and liabilities at fair value, which are held at fair value through profit or loss. Financial liabilities are recognised when an obligation arises and derecognised when it is discharged, cancelled or expires.

(i) 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 due to other financial institutions. They are brought to account at fair value plus directly attributable transaction costs at inception, and are subsequently measured at amortised cost. Interest expense and yield related fees are taken to the statement of comprehensive income using the effective interest method.

(ii) 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 measured at amortised cost. Interest expense and yield related fees are taken to the statement of comprehensive income based on the effective interest method.

(iii) 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 measured at amortised cost. Interest expense is recognised in the statement of comprehensive income using the effective interest method.

(iv) Subordinated debt

Subordinated debt is brought to account at the fair value including directly attributable transaction costs at inception, and subsequently measured at amortised cost. Interest expense is recognised in the statement of comprehensive income using the effective interest method.

(v) Other liabilities

Other liabilities include interest, fees and other unrealised expenses payable and all other financial liabilities. They are recognised initially at their fair value, and subsequently measured at the carrying value to be paid when settled.

(vi) Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged, or cancelled, or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the statement of comprehensive income.

(vii) 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.

(ii) Provisions

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

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

(iii) 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 for 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 the 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 Bank recognises a liability and an expense for other employee benefits based on a scheme that takes into consideration a variety of factors.

(f) Equity

Contributed equity

Contributed equity consists of ordinary share capital and is the amount of fully and partly 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.

(g) Goods and services tax

Income, 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. The non-recoverable GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable.

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.

(h) Accounting standards available for early adoption

The following standards and amendments were available for early adoption but have not been applied by the Bank in these financial statements. The Bank currently does not intend to apply any of these pronouncements until their effective date and is assessing their impact on its financial statements.

(i) NZ IFRS 9 Financial Instruments (2009 & 2010)

Specifies a simpler methodology for classifying and measuring financial assets, with two primary measurement categories: amortised cost and fair value. Requires the amount of change in the fair value attributable to changes in credit risk of certain liabilities designated under the fair value option to be presented in other comprehensive income. The standard will be effective for the 31 December 2013 financial year end.

(ii) NZ IFRS 13 Fair value measurement

Provides a single source of guidance on fair value measurement and requires certain disclosures regarding fair value.

(iii) Other amendments

Improvements to New Zealand equivalents to International Financial Reporting Standards 2010 is the International Accounting Standards Board's annual omnibus updates of standards.

Amendments to New Zealand International Accounting Standards arising from the Trans-Tasman Convergence project and FRS-44 New Zealand Additional Disclosures were issued in 2011 and will be effective for the 31 December 2012 financial year end. In 2009, the Australian and New Zealand Federal Governments announced their intention to undertake various short to medium-term projects to support the aim of a single economic market. This included a single set of accounting standards that was accepted in both jurisdictions that eliminate most of the existing differences between AASB, local New Zealand standards and IFRS. Where additional disclosures were considered necessary, these disclosures were moved to FRS-44. The amendments simplify some current disclosures, remove others altogether and align the requirements of the two countries. The new and amended standards are expected to simplify some disclosures for the Bank.

	2011 $000	2010 $000
4 Interest income		
Loans and advances	495,321	474,680
Related entities	165	21,170
Finance lease income	2,760	3,307
Total interest income	498,246	499,157

Total interest income for financial assets that are not at fair value through profit or loss is $498.2 million (2010: $499.2 million)

	2011 $000	2010 $000
5 Interest expense		
Deposits	128,824	89,063
Related entities	163,107	207,188
Other	1,291	167
Total interest expense	293,222	296,418

Total interest expense for financial liabilities that are not at fair value through profit or loss is $293.2 million (2010: $296.4 million)

	2011 $000	2010 $000
6 Other income		
Lending and credit facility related fee income	816	1,551
Other income	706	348
Total other income	1,522	1,899
7 Other operating gains / (losses)		
Net trading gains / (losses) on derivatives	(5,876)	7,210
Gains / (losses) on disposal of leased assets	76	76
Foreign exchange gains / (losses)	158	500
Total other operating gains / (losses)	(5,642)	7,786
8 Operating expenses		
Advertising and marketing	6,166	6,939
Professional fees	1,157	726
Computer charges	131	90
Depreciation and amortisation	825	850
Management fees	42,255	37,621
Personnel	30,802	23,772
Rental charges payable under operating leases	2,475	2,150
Telecommunication	1,225	969
Travel and lodging	4,515	3,844
Office supplies	1,407	963
Other	2,199	441
Total operating expenses	93,157	78,365
9 Impairment losses on loans and advances		
Collective provision	9,659	1,118
Specific provision	23,182	33,614
Bad debt recovery	(69)	(25)
Total impairment losses on loans and advances	32,772	34,707

	2011 $000	2010 $000
10 Auditors' remuneration		
All auditors' fees are paid by the Australian branch of Rabobank Nederland.		
Amounts received or due and receivable by Ernst & Young for:		
Audit and/or review of the financial statements of the Bank	125	134
Tax compliance	16	27
Total auditors' remuneration	141	161

11 Income tax

(a) Income tax expense

	2011 $000	2010 $000
Current income tax	29,946	44,960
(Increase) / decrease in net deferred tax assets / (liabilities)	(8,874)	(10,044)
Restatement of deferred tax balances to 28%*	-	3,520
(Over) / under provided in prior years relating to deferred tax	1,110	549
(Over) / under provision in current tax liabilities	(1,055)	(2,025)
	21,127	36,960

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

	2011 $000	2010 $000
Profit before income tax	74,975	108,949
Taxation @ 28% (2010: 30%)	20,993	32,685
Tax effect of amounts which are not deductible / (taxable) in calculating taxable income :		
Non-deductible expenses	79	2,231
(Over) / under provided in prior years relating to deferred tax	1,110	549
(Over) / under provision in current tax liabilities	(1,055)	(2,025)
Restatement of deferred tax balances to 28%*	-	3,520
Income tax expense	21,127	36,960

*The company tax rate was reduced by the New Zealand government from 30% to 28% effective from the 2011/2012 income year. This took effect from 1 January 2011. The resulting reduction in deferred tax asset increased the tax expense for the year ended 31 December 2010 by $3.5 million for the Bank.

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

	2011 $000	2010 $000
11 Income tax (continued)		
(c) Net deferred tax assets / (liabilities)		
The balance comprises temporary differences attributable to:		
Accruals	337	1,016
Depreciation	313	139
Impairment provisions	37,718	40,274
Employee benefits	1,019	907
Interest forgone on impaired assets	17,604	10,127
Others	(426)	(102)
Provision for long service leave	467	427
Restatement of deferred tax balances	-	(3,520)
Total net deferred tax assets	57,032	49,268
Movements:		
Opening balance	49,268	43,291
Credited / (charged) to statement of comprehensive income:		
Accruals	(679)	53
Depreciation	174	67
Impairment provisions	(2,556)	7,965
Employee benefits	112	50
Interest forgone on impaired assets	7,477	8,599
Others	(324)	131
Risk provision	-	(7,227)
Provision for long service leave	40	(141)
Restatement of deferred tax balances	3,520	(3,520)
Total movement	7,764	5,977
Closing balance	57,032	49,268
(d) Imputation credit account		
Opening balance	153,592	113,536
Net tax payment	30,520	40,056
Closing balance	184,112	153,592

12 Due from other financial institutions

	2011 $000	2010 $000
Cash on hand	13	13
Placements with other financial institutions	21,982	69,064
Total due from other financial institutions	21,995	69,077

13 Derivative financial instruments

	2011			2010		
	Notional amount $000	Fair value Assets $000	Fair value Liabilities $000	Notional amount $000	Fair value Assets $000	Fair value Liabilities $000
Held for trading derivatives						
Interest rate derivatives						
Swaps (related entities)*	75,703	96	8,023	63,216	192	2,671
Swaps (non-related entities)	67,703	7,927	-	90,216	6,576	5
Foreign exchange derivatives						
Swaps (related entities)*	19,941	57	70	160,135	573	1,792
Forwards (related entities)*	3,298	177	-	3,771	8	97
Forwards (non-related entities)	2,996	-	177	3,895	97	8
Options (related entities)*	-	-	-	4,931	5	-
Options (non-related entities)	-	-	-	6,946	-	5
Total derivatives	169,641	8,257	8,270	333,110	7,451	4,578

*Balance relates to other Rabobank Group related entities.

Derivative contracts include forwards, swaps and options, all of which are bilateral contracts or payment exchange agreements, 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 derivative contracts as part of its sales activities but transfers the majority of the risks associated with derivatives by entering into back to back derivative transactions with 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 Bank's exposure to credit or market risks.

	2011 $000	2010 $000
14 Loans and advances		
Lending	6,389,642	5,507,651
Other loans	1,471,375	1,627,850
Finance leases (note 14(a))	32,069	33,415
Gross loans and advances	7,893,086	7,168,916
Provisions for doubtful debts:		
Collective (note 15(iii))	(27,760)	(18,101)
Specific (note 15(iii))	(106,947)	(116,144)
Total net loans and advances	7,758,379	7,034,671

	Lease receivables $000	Future interest income over period $000	Unguaranteed residuals $000	Minimum lease payments $000
(a) Finance leases				
2011				
One year or less	15,380	2,061	-	17,441
Between one and two years	9,485	1,007	-	10,492
Between two and five years	7,204	508	-	7,712
Total finance leases	32,069	3,576	-	35,645
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

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.

	Residential mortgages $000	Corporate $000	Retail* $000	Total $000
15 Impaired assets				
(i) Individually impaired assets				
2011				
Opening balance	-	-	390,775	390,775
Additions	-	-	125,742	125,742
Amounts written off	-	-	(12,231)	(12,231)
Returned to performing or repaid	-	-	(108,616)	(108,616)
Closing balance	-	-	395,670	395,670
Interest forgone at year-end for impaired assets	-	-	(62,870)	(62,870)
Aggregate amount of undrawn balances on lending commitments on impaired assets	-	-	29,544	29,544
Analysis of individually impaired assets				
Non-performing assets	-	-	172,089	172,089
Specific provision against non-performing assets (note 15 (iii))	-	-	(30,550)	(30,550)
Net non-performing assets	-	-	141,539	141,539
Restructured assets	-	-	223,581	223,581
Specific provision against restructured assets (note 15(iii))	-	-	(76,397)	(76,397)
Net restructured assets	-	-	147,184	147,184
2010				
Opening balance	-	-	298,352	298,352
Additions	-	-	222,043	222,043
Amounts written off	-	-	-	-
Repayments	-	-	(129,620)	(129,620)
Closing balance	-	-	390,775	390,775
Interest forgone at year-end	-	-	(33,755)	(33,755)
Aggregate amount of undrawn balances on lending commitments on impaired assets	-	-	52,220	52,220
Analysis of individually impaired assets				
Non-performing assets	-	-	390,775	390,775
Specific provision against non-performing assets (note 15(iii))	-	-	(116,144)	(116,144)
Net non-performing assets	-	-	274,631	274,631
Restructured assets	-	-	-	-
Specific provision against restructured assets	-	-	-	-
Net restructured assets	-	-	-	-
(ii) At least 90 days past due assets				
2011				
Opening balance	-	-	67,984	67,984
Additions	-	-	55,478	55,478
Amounts written off	-	-	-	-
Repayments	-	-	(58,823)	(58,823)
Closing balance	-	-	64,639	64,639
Interest forgone at year-end	-	-	-	-
2010				
Opening balance	-	-	76,196	76,196
Additions	-	-	47,161	47,161
Amounts written off	-	-	-	-
Repayments	-	-	(55,373)	(55,373)
Closing balance	-	-	67,984	67,984
Interest forgone at year-end	-	-	-	-

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

	Residential mortgages $000	Corporate $000	Retail* $000	Total $000
(iii) Provision for credit impairment				
2011				
Collective provision				
Opening balance	-	-	18,101	18,101
Charge / (release) to statement of comprehensive income	-	-	9,659	9,659
Other movements	-	-	-	-
Closing balance	-	-	27,760	27,760
Specific provision				
Opening balance	-	-	116,144	116,144
Charge / (release) to statement of comprehensive income	-	-	23,182	23,182
Amounts written off	-	-	(17,402)	(17,402)
Recoveries	-	-	-	-
Reversals	-	-	-	-
Other movements	-	-	-	-
Discount unwind**	-	-	(14,977)	(14,977)
Closing balance	-	-	106,947	106,947
2010				
Collective provision				
Opening balance	-	-	16,983	16,983
Charge / (credit) to statement of comprehensive income	-	-	1,118	1,118
Other movements	-	-	-	-
Closing balance	-	-	18,101	18,101
Specific provision				
Opening balance	-	-	90,714	90,714
Charge / (credit) to statement of comprehensive income	-	-	33,614	33,614
Amounts written off	-	-	-	-
Recoveries	-	-	-	-
Reversals	-	-	-	-
Other movements	-	-	1,367	1,367
Discount unwind**	-	-	(9,551)	(9,551)
Closing balance	-	-	116,144	116,144

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

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

	2011 $000	2010 $000
16 Due from related entities		
Debit current account balances - wholly owned group***	2	2
Short term advances - wholly owned group***	3,290	5,375
Accrued interest receivable - wholly owned group***	-	-
Total due from related entities	3,292	5,377

*** The wholly owned group refers to other Rabobank Group related entities. Refer to note 36 for further information on related party disclosures.

	2011 $000	2010 $000
17 Other assets		
Interest receivable	8,403	8,411
GST receivable	911	921
Sundry debtors	129	215
Prepayments	144	82
Others	3,867	701
Total other assets	13,454	10,330
18 Investment in controlled entity		
Investment in Rabo Securities and Investments (NZ) Limited *	-	-

* Investment in controlled entity equals to nil ($100 as at 31 December 2010).

Rabo Securities and Investments (NZ) Limited (RSINZL) had a 31 December balance sheet date and was 100% owned by the Bank. RSINZL was removed from the Companies Office Register on 26 August 2011.

The total assets of RSINZL as at 31 December 2010 were $100 (cash assets), while the share capital was $100 (dormant as at 31 December 2010). These balances remained unchanged until the company was removed from the Companies Office Register.

19 Property, plant and equipment

	Office Fixtures & Fittings $000	Office Equipment $000	Computer Hardware $000	Total $000
Balance as at 1 January 2010				
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
Balance as at 31 December 2011				
Cost	8,831	473	1,183	10,487
Accumulated depreciation	(5,168)	(446)	(925)	(6,539)
Net book value	3,663	27	258	3,948

Reconciliation

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

	Office Fixtures & Fittings $000	Office Equipment $000	Computer Hardware $000	Total $000
Balance as at 1 January 2010	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
Acquisitions	2,530	-	282	2,812
Disposals	-	-	-	-
Depreciation	(731)	(37)	(46)	(814)
Balance as at 31 December 2011	3,663	27	258	3,948

	2011 $000	2010 $000
20 Intangible assets		
Computer software		
Opening balance		
At cost	56	48
Less: accumulated amortisation	(49)	(48)
Net book value	7	-
Closing balance		
At cost	196	56
Less: accumulated amortisation	(12)	(49)
Net book value	184	7
Reconciliation		
Opening balance	7	-
Acquisitions	188	8
Amortisation	(11)	(1)
Closing balance	184	7

21 Due to other financial institutions

	2011 $000	2010 $000
Bank overdraft	2,553	146
Total due to other financial institutions	2,553	146

22 Deposits

	2011 $000	2010 $000
Call deposits	1,900,392	1,596,629
Term deposits	1,064,387	1,079,235
Total deposits	2,964,779	2,675,864

23 Due to related entities

	2011 $000	2010 $000
Credit current account balances - wholly owned group*	61,145	340,073
Short term advances - wholly owned group*	3,772,287	3,152,843
Accrued interest payable - wholly owned group*	24,883	24,195
Total due to related entities	3,858,315	3,517,111

* The wholly owned group refers to other Rabobank Group related entities. Refer to note 36 for further information on related party disclosures.

24 Subordinated debt

	2011 $000	2010 $000
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 principal amount of NZ$300,000,000 (2010: NZ$300,000,000). The subordinated debt is subordinated in the rights of payment in the event of liquidation or wind up to the claims of depositors and all creditors of the Bank. The perpetual subordinated debt qualifies as Upper Level Tier Two capital for capital adquacy purposes.

25 Other liabilities

	2011 $000	2010 $000
Interest accruals	27,742	24,476
Sundry creditors	2,718	2,092
Accrued expenses	5,125	4,408
Total other liabilities	35,585	30,976

26 Provisions

	2011 $000	2010 $000
Movement in provision for long service leave		
Opening balance	1,420	1,893
Additions	300	347
Used	(41)	(44)
Release	(10)	(776)
Closing balance	1,669	1,420
Movement in provision for risks *		
Opening balance	-	24,090
Additions	-	-
Release	-	(24,090)
Closing balance	-	-
Total Provisions	1,669	1,420

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

27 Priority of financial liabilities in the event of a liquidation

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

28 Contributed equity

Total authorised and 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 2010: 170,600,000 - 1 January 2010: 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.

	2011 $000	2010 $000
Ordinary share capital	341,200	341,200
Total contributed equity	341,200	341,200

29 Retained earnings

Opening balance	297,245	225,256
Net profit for the year	53,848	71,989
Closing balance	351,093	297,245

30 Contingent liabilities

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

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

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

	2011 $000	2010 $000
Guarantees	17,751	7,773
Lending commitments	793,404	524,965
	811,155	532,738

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

31 Expenditure Commitments

(a) Capital expenditure commitments

	2011 $000	2010 $000
Estimated capital expenditure contracted for at balance date, but not provided for, or payable:		
One year or less	2,374	5,051
	2,374	5,051

(b) Operating lease commitments

	2011 $000	2010 $000
One year or less	3,828	2,807
Between one and two years	2,984	1,891
Between two and five years	4,433	1,135
Over five years	4,068	-
Total operating lease commitments	15,313	5,833

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

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

32 Risks arising from financial instruments

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

(a) Liquidity risk

Liquidity risk is defined as the risk that the Bank will not have sufficient funds available to meet its financial and transactional cash flow obligations. The Bank'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 2011 in line with the conservative risk appetite of the Bank. 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 Bank level by the Treasury team based in Sydney.

For the Bank, 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 Bank's financial assets and financial liabilities and contingent liabilities based on the contractual undiscounted cash flows.
- Expected maturity is based on an internally approved model and reflects how Treasury manages liquidity risk. The overriding principle is to match fund assets to the expected maturity of the liquidity commitment. Key assumptions regarding the expected maturity dates in the long term framework are applied to both the Rural asset portfolio and retail deposit liabilities. The main reason for the asset assumption is that the standard maturity for 'all-in-one' account holders is 15 years, however this does not correctly reflect the maturity profile in the Rural portfolio. Similarly at call retail deposits are modeled with a longer maturity than the overnight contractual position.
- In the short term framework, the expected maturity of corporate and rural loans and assets held for collateral are always assumed to be rolled over, reflecting a conservative position whereby Rabobank commits to refinancing its core client base. The table in (ii) summarises the maturity analysis of financial assets and financial liabilities according to when they are expected to be recovered or settled.

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

32 Risks arising from financial instruments (continued)

(a) Liquidity risk (continued)

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

2011	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	21,995	21,995	-	-	-	-	-
Derivative financial instruments	8,257	-	211	181	5,572	2,293	-
Loans and advances	11,229,391	-	434,151	400,323	561,835	1,449,706	8,383,376
Due from related entities	3,294	-	3,294	-	-	-	-
Other financial assets*	9,443	-	9,443	-	-	-	-
Total undiscounted financial assets	11,272,380	21,995	447,099	400,504	567,407	1,451,999	8,383,376
Financial liabilities							
Due to other financial institutions	2,553	2,553	-	-	-	-	-
Derivative financial instruments	8,270	-	221	184	5,572	2,293	-
Deposits	2,984,280	1,900,392	814,428	162,855	34,188	72,417	-
Due to related entities	3,966,885	61,149	1,906,865	656,915	718,456	613,383	10,117
Subordinated debt	724,794	-	7,939	7,981	15,962	47,757	645,155
Other liabilities	35,585	-	35,585	-	-	-	-
Total undiscounted financial liabilities	7,722,367	1,964,094	2,765,038	827,935	774,178	735,850	655,272
Contingent liabilities							
Guarantees	17,751	16,635	-	-	-	-	1,116
Lending commitments	793,404	557,347	61,368	2,336	2,577	16,571	153,205
Total contingent liabilities	811,155	573,982	61,368	2,336	2,577	16,571	154,321

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	-	-	-	-
Derivative financial instruments	4,578	-	1,895	706	191	1,092	694
Deposits	2,706,438	1,541,911	772,586	258,160	44,272	36,753	52,756
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
Other liabilities	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
Contingent liabilities							
Guarantees	7,773	6,447	150	-	80	-	1,096
Lending commitments	524,965	473,920	1,587	377	762	10,118	38,201
Total contingent liabilities	532,738	480,367	1,737	377	842	10,118	39,297

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

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

	2011					
	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	21,995	21,995	-	-	-	-
Derivative financial instruments	8,257	211	181	5,572	2,293	-
Loans and advances	8,146,951	1,991,952	2,008,635	3,991,514	154,850	-
Due from related entities	3,294	3,294	-	-	-	-
Other financial assets*	9,443	9,443	-	-	-	-
Total undiscounted financial assets	8,189,940	2,026,895	2,008,816	3,997,086	157,143	-
Financial liabilities						
Due to other financial institutions	2,553	2,553	-	-	-	-
Derivative financial instruments	8,270	221	184	5,572	2,293	-
Deposits	3,064,899	1,501,948	607,414	440,555	514,982	-
Due to related entities	3,966,885	1,968,014	656,915	718,456	613,383	10,117
Subordinated debt	724,793	7,938	7,981	15,962	47,757	645,155
Other liabilities	35,585	35,585	-	-	-	-
Total undiscounted financial liabilities	7,802,985	3,516,259	1,272,494	1,180,545	1,178,415	655,272

	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	7,501,372	1,812,742	1,781,244	3,734,040	173,104	242
Due from related entities	5,400	5,400	-	-	-	-
Other financial assets*	9,547	9,547	-	-	-	-
Total undiscounted financial assets	7,592,847	1,897,436	1,781,950	3,734,231	178,294	936
Financial liabilities						
Due to other financial institutions	146	146	-	-	-	-
Derivative financial instruments	4,578	1,895	706	191	1,092	694
Deposits	2,811,471	1,199,755	685,346	443,408	482,962	-
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
Other liabilities	30,976	30,976	-	-	-	-
Total undiscounted financial liabilities	7,464,273	2,550,579	1,033,806	2,039,780	1,101,902	738,206

*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.

32 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 Bank's main types of market risk exposures relate to interest rate and currency risks. The Bank's market risk is governed by the policies and procedures agreed by the Global Risk function of Rabobank International. The policies serve a two-fold purpose: to protect the capital and earnings of the Bank and to allow risk managers to benefit from 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 Bank from the prior year.

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

	2011 $000	2010 $000
VaR at year end	1,035	1,036

32 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.

	2011						
	Total $000	Call-3 Months $000	3-6 Months $000	6-12 Months $000	12-24 Months $000	Over 24 Months $000	Non-Interest bearing $000
Financial assets							
Due from other financial institutions	21,995	21,995	-	-	-	-	-
Derivative financial instruments	8,257	-	-	-	-	-	8,257
Loans and advances	7,758,379	2,617,794	1,757,563	1,310,053	1,167,856	905,113	-
Due from related entities	3,292	3,066	-	-	-	-	226
Other financial assets*	9,443	-	-	-	-	-	9,443
Total financial assets	7,801,366	2,642,855	1,757,563	1,310,053	1,167,856	905,113	17,926
Other assets**	4,011	-	-	-	-	-	4,011
Net deferred tax assets	57,032	-	-	-	-	-	57,032
Property, plant and equipment	3,948	-	-	-	-	-	3,948
Intangible assets	184	-	-	-	-	-	184
Total non-financial assets	65,175	-	-	-	-	-	65,175
Total assets	7,866,541	2,642,855	1,757,563	1,310,053	1,167,856	905,113	83,101
Financial liabilities							
Due to other financial institutions	2,553	2,553	-	-	-	-	-
Derivative financial instruments	8,270	-	-	-	-	-	8,270
Deposits	2,964,779	2,137,256	571,150	157,593	30,266	68,514	-
Due to related entities	3,858,315	1,081,060	1,175,000	280,000	690,000	542,500	89,755
Subordinated debt	300,000	300,000	-	-	-	-	-
Other liabilities	35,585	-	-	-	-	-	35,585
Total financial liabilities	7,169,502	3,520,869	1,746,150	437,593	720,266	611,014	133,610
Current tax payable	3,077	-	-	-	-	-	3,077
Provisions	1,669	-	-	-	-	-	1,669
Total non-financial liabilities	4,746	-	-	-	-	-	4,746
Total liabilities	7,174,248	3,520,869	1,746,150	437,593	720,266	611,014	138,356
Interest rate derivatives							
Swaps	-	-	-	-	-	-	
Repricing gap (interest bearing assets and liabilities)	747,548	(878,014)	11,413	872,460	447,590	294,099	
Cumulative mismatch	747,548	(878,014)	(866,601)	5,859	453,449	747,548	

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

**Other assets consist of prepayments and others.

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

	2010						
	Total $000	Call-3 Months $000	3-6 Months $000	6-12 Months $000	12-24 Months $000	Over 24 Months $000	Non-Interest bearing $000
Financial assets							
Due from other financial institutions	69,077	69,077	-	-	-	-	-
Derivative financial instruments	7,451	-	-	-	-	-	7,451
Loans and advances	7,034,671	2,033,091	817,837	1,078,535	1,288,753	1,816,455	-
Due from related entities	5,377	5,231	-	-	-	-	146
Other financial assets*	9,547	-	-	-	-	-	9,547
Total financial assets	7,126,123	2,107,399	817,837	1,078,535	1,288,753	1,816,455	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	2,107,399	817,837	1,078,535	1,288,753	1,816,455	69,152
Financial liabilities							
Due to other financial institutions	146	146	-	-	-	-	-
Derivative financial instruments	4,578	-	-	-	-	-	4,578
Deposits	2,675,864	2,651,016	12,689	6,397	4,285	1,477	-
Due to related entities	3,517,111	778,607	305,000	275,000	736,000	1,022,500	400,004
Subordinated debt	300,000	300,000	-	-	-	-	-
Other liabilities	30,976	-	-	-	-	-	30,976
Total financial liabilities	6,528,675	3,729,769	317,689	281,397	740,285	1,023,977	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	3,729,769	317,689	281,397	740,285	1,023,977	446,569
Interest rate derivatives							
Swaps	-	(4,000)	-	-	4,000	-	
Repricing gap (interest bearing assets and liabilities)	1,015,862	(1,626,370)	500,148	797,138	552,468	792,478	
Cumulative mismatch	1,015,862	(1,626,370)	(1,126,222)	(329,084)	223,384	1,015,862	

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

**Other assets consist of prepayments and others.

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

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

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

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

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

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

	2011 $000	2010 $000
Credit exposures consist of :		
Due from other financial institutions	21,995	69,077
Loans and advances	7,758,379	7,034,671
Due from related entities	3,292	5,377
Other financial assets*	9,443	9,547
Derivative financial instruments	8,257	7,451
Commitment and guarantees	811,155	532,738
Total credit exposures	8,612,521	7,658,861

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

	2011 $000	2010 $000
Analysis of credit exposures by industry type of borrowers:		
Agriculture	8,154,913	7,040,517
Finance and insurance	43,412	102,748
Forestry and fishery	69,502	77,016
Government	2,121	1,012
Manufacturing	66,188	66,815
Personal and other services	66,489	72,806
Property and business services	186,037	260,404
Retail trade	5,420	17,072
Transport and storage	3,755	3,352
Wholesale trade	1,070	3,528
Other	13,614	13,591
Total credit exposures	8,612,521	7,658,861

	2011 $000	2010 $000
Analysis of credit exposure by geographical areas		
New Zealand	8,612,521	7,658,861
Total credit exposures	8,612,521	7,658,861

32 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, general security agreements over the company and specific mortgages.

It is the Bank's policy to dispose of repossessed properties in an orderly fashion. The proceeds are used to reduce or repay the outstanding claim. The Bank does not use or take repossessed properties for business use. During the year ended 31 December 2011, the Bank took possession of no collateral (31 December 2010: nil).

(iii) Credit quality per class of financial assets

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

	<-------------Neither past due nor impaired----------->						
	R0-R7	R8-R10	R11-R14	R15-R20	Past due but not impaired	Individually impaired	Total
2011	$000	$000	$000	$000	$000	$000	$000
Due from other financial institutions (note 12)	21,995	-	-	-	-	-	21,995
Gross loans and advances * (note 14)	74,097	888,825	4,326,888	2,050,970	156,636	395,670	7,893,086
Total	96,092	888,825	4,326,888	2,050,970	156,636	395,670	7,915,081
2010							
Due from other financial institutions (note 12)	69,077	-	-	-	-	-	69,077
Gross loans and advances * (note 14)	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

*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 Bank.
R8-R10	Counterparties that have adequate capacity to meet current and future financial commitments to the Bank.
R11-R14	Counterparties that have adequate capacity to meet current financial commitments of the Bank.
R15-R20	Counterparties that currently have the capacity to meet financial commitments but are vulnerable to adverse business, financial or economic conditions. The higher the rating the more sensitive the counterparty is to adverse changes in business, financial or economic conditions.

32 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

	Less than 30 days $000	30-59 days $000	60 - 89 days $000	At least 90 days $000	Total $000
2011					
Loans and advances*	60,968	29,286	1,743	64,639	156,636
2010					
Loans and advances*	111,129	22,494	18,675	67,984	220,282

* Based on contractual due dates.

(v) Estimated fair value of collateral on impaired loans

	2011 $000	2010 $000
Fair value of collateral held**	288,723	302,635
Total impaired assets (note 15(i))	395,670	390,775

** 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	
	2011	2010
Percentage of equity		
10-15%	-	-
15-20%	-	-
20-25%	-	-
25-30%	-	-

	Number of individual counterparties	
	2011	2010
Percentage of equity		
10-15%	1	2
15-20%	1	-
20-25%	-	-
25-30%	-	1
30-35%	-	-
35-40%	1	-

33 Concentration of funding of financial liabilities

	2011 $000	2010 $000
Analysis of funding by product:		
Due to other financial institutions	2,553	146
Deposits	2,964,779	2,675,864
Due to related entities	3,858,315	3,517,111
Subordinated debt	300,000	300,000
Other liabilities	35,585	30,976
Total funding	7,161,232	6,524,097
Analysis of funding concentration by geographical areas:		
Australia	293	459
The Netherlands	102	435
New Zealand	7,160,250	6,521,567
United Kingdom	21	22
United States of America	562	1,567
All other countries	4	47
Total funding	7,161,232	6,524,097
Analysis of funding by industry:		
Agriculture	216,956	182,420
Finance and insurance	4,338,820	3,994,404
Forestry and fishery	2,145	1,433
Manufacturing	1,239	1,115
Mining	499	636
Personal and other services	2,589,691	2,328,701
Property and business services	7,298	9,745
Retail trade	1,149	2,763
Transport and storage	252	27
Wholesale trade	21	25
Other	3,162	2,828
Total funding	7,161,232	6,524,097

34 Fair value of financial instruments

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

	2011		2010	
	Carrying Value $000	Fair Value $000	Carrying Value $000	Fair Value $000
Financial assets				
Due from other financial institutions	21,995	21,995	69,077	69,077
Derivative financial instruments	8,257	8,257	7,451	7,451
Loans and advances	7,758,379	7,773,689	7,034,671	7,088,879
Due from related entities	3,292	3,292	5,377	5,379
Other financial assets*	9,443	9,443	9,547	9,547
Total financial assets	7,801,366	7,816,676	7,126,123	7,180,333
Financial liabilities				
Due to other financial institutions	2,553	2,553	146	146
Derivative financial instruments	8,270	8,270	4,578	4,578
Deposits	2,964,779	2,983,828	2,675,864	2,676,007
Due to related entities	3,858,315	3,905,311	3,517,111	3,566,917
Subordinated debt	300,000	378,762	300,000	367,345
Other liabilities	35,585	35,585	30,976	30,976
Total financial liabilities	7,169,502	7,314,309	6,528,675	6,645,969

*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 are 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 are 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 Other liabilities

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 Bank for debt of similar maturity.

Subordinated debt

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

34 Fair value of financial instruments (continued)

Derivative financial instruments

The Bank 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 (i.e. discounted cash flows) 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.

	2011			
	Level 1 $000	Level 2 $000	Level 3 $000	Total $000
Derivative assets				
Interest rate swaps	-	8,023	-	8,023
Foreign exchange swaps	-	57	-	57
Foreign exchange forwards	-	177	-	177
Total Derivative Assets	-	8,257	-	8,257
Derivative liabilities				
Interest rate swaps	-	8,023	-	8,023
Foreign exchange swaps	-	70	-	70
Foreign exchange forwards	-	177	-	177
Total Derivative Liabilities	-	8,270	-	8,270

	2010			
	Level 1 $000	Level 2 $000	Level 3 $000	Total $000
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

35 Reconciliation of profit after tax to net cash flows from operating activities

	2011 $000	2010 $000
Net profit after tax	53,848	71,989
Add / (deduct) non-cash items:		
Depreciation	814	849
Amortisation of intangible assets	11	1
Impairment losses on loans and advances	32,841	34,732
(Profit) / loss on disposal of leased assets	(76)	(76)
Foreign exchange losses / (gains)	(158)	(500)
Add / (deduct) movements in operating assets or operating liabilities:		
(Increase) / decrease in loans and advances	(741,572)	(504,063)
(Increase) / decrease in due from related entities	2,085	302,092
(Increase) / decrease in other assets	(3,132)	(222)
Increase / (decrease) in other liabilities	1,343	(1,318)
(Increase) / decrease in derivative financial instruments	3,044	(2,791)
Add / (deduct) movements in working capital:		
(Increase) / decrease in income tax receivable	-	7,684
Increase / (decrease) in income tax payable	(6,514)	9,591
(Increase) / decrease in accrued interest receivable	(14,969)	(5,441)
Increase / (decrease) in accrued interest payable	3,954	15,307
Increase / (decrease) in provision for risks	-	(24,090)
(Increase) / decrease in net deferred tax assets	(7,764)	(5,976)
Increase / (decrease) in employee entitlements	249	(473)
Net cash flows provided by / (used in) operating activities	(675,996)	(102,705)

36 Related party disclosures

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

(a) Transactions with related parties

(1) For the period 18 February 1998 to 17 February 2008 ("the First Period"), the obligations of 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 Guarantee") of each and every obligation on and after 18 February 1998 owing or become owing by RNZL to each creditor during the Term of the Guarantee (the "First Guarantee").

Whilst the First Guarantee expired on 17 February 2008 all obligations incurred by 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 Guarantee").

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 Third 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 "Third Guarantee").

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

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

(2) A management fee of $42.2 million (2010: $37.6 million) was charged to the Bank by the Australia Branch of Rabobank Nederland for the provision of administrative and management services. Some operating expenses of the Bank are paid and re-charged to the Bank by this related entity.

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

(b) Terms and conditions of transactions with related parties

Except for the guarantees noted in note 36 (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 2011, the Bank has not made any provision for impairment relating to amounts owed by related parties as the payment history has been excellent (2010: 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 Bank recognises a provision for impairment.

37 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.

	2011 $	2010 $
Short term employee benefits	6,060,199	4,969,231
Post employment benefits	294,286	240,996
Other long term benefits	739,581	551,327
	7,094,066	5,761,554

(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% (2010: 0.8%) below published market rate. Outstanding loan balances at 31 December 2011 are secured. No provision for impairment is recognised as at 31 December 2011 as the payment history has been excellent (2010: nil).

	2011 $	2010 $
Loans outstanding at the beginning of the year	873,449	46,783
Net loan movements during the year	(56,828)	826,666
Loans outstanding at the end of the year	816,621	873,449
Interest revenue during the year `	41,734	4,499

38 Subsequent events

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 Bank, the results of those operations or the state of affairs of the Bank in subsequent financial years.

39 Dividend

No dividend was proposed or paid by the Bank for 2011 (2010: Nil).

40 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 2010 and 2011 financial years.

	2011 $000	2010 $000
Tier One Capital		
Contributed equity and retained profits	692,293	638,445
Less: deductions	(27,085)	(4,413)
Total tier one capital	665,208	634,032
Tier Two Capital		
Perpetual subordinated debt	300,000	300,000
Total tier two capital	300,000	300,000
Total Tier One and Two Capital	965,208	934,032
Basel I		
Risk weighted exposure	8,582,775	7,099,126
Tier One capital ratio	7.75%	8.93%
Tier Two capital ratio	3.50%	4.23%
Total Capital Ratio	11.25%	13.16%
Basel II Standardised		
Risk weighted exposure	8,674,639	7,709,877
Tier One capital ratio	7.67%	8.22%
Tier Two capital ratio	3.46%	3.89%
Total Capital Ratio	11.13%	12.11%
Minimum Regulatory Capital Ratios		
Minimum Tier One Capital Ratio	4.00%	4.00%
Minimum Capital Ratio	8.00%	8.00%

Rabobank New Zealand Limited
Director's Declaration

In accordance with a resolution of the directors of Rabobank New Zealand Limited, we state that in the opinion of the directors:

(a) the financial report and notes of the Bank comply with the applicable accounting standards, are in accordance with the requirements of the Financial Reporting Act 1993 and the Companies Act 1993 and give a true and fair view of the Bank's financial position as at 31 December 2011 and its performance for the year ended 31 December 2011; and

(b) there are reasonable grounds to believe that the Bank will be able to pay its debts as and when they become due and payable;

Signed in Sydney

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

William Gurry
Chairman
Date: 5 March 2012

Theodorus Gieskes
Director
Date: 5 March 2012

Ernst & Young

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 ("the Bank") on pages 1 to 42, which comprise the statement of financial position of Rabobank New Zealand Limited as at 31 December 2011, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended of the Bank, and a summary of significant accounting policies and other explanatory notes.

This report is made solely to the Bank'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 Bank'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 Bank and the Bank'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 Bank'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 Bank'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 42:

- 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 as at 31 December 2011 and of the financial performance and cash flows of the Bank for the year then ended.

ERNST & YOUNG

Report on Other Legal and Regulatory Requirements

In accordance with the Financial Reporting Act 1993, we report that:

- We have obtained all the information and explanations that 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

Date: 5 March 2012
Sydney

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