



Rabobank

A wide-angle landscape photograph showing a valley with vibrant green fields in the foreground, a river winding through the middle ground, and a range of brown and grey mountains in the background under a clear blue sky with a few white clouds. The scene is viewed from an elevated position, looking down into the valley.

Coöperatieve Rabobank U.A. – New Zealand Banking Group

Disclosure Statement

For the nine months ended 30 September 2017

Contents

General disclosures	1
Directors' and New Zealand Chief Executive Officer's statements	6
Statement of comprehensive income	7
Statement of financial position	8
Statement of changes in equity	9
Condensed statement of cash flows	10

Notes to the interim financial statements

1	Reporting entity	11
2	Basis of preparation	11
3	Other income	13
4	Other expense	13
5	Other operating gains / (losses)	13
6	Impairment losses / (releases)	13
7	Available-for-sale (AFS) financial assets	14
8	Loans and advances	14
9	Due from related entities	14
10	Deposits	14
11	Due to related entities	15
12	Credit quality, impaired assets and provision for impairment	15
13	Asset quality of Registered Bank's Overseas Banking Group	15
14	Additional information on statement of financial position	15
15	Equity	16
16	Contingent liabilities	16
17	Expenditure commitments	17
18	Concentration of credit exposures to individual counterparties	17
19	Credit and market risk exposures and capital adequacy	18
20	Fair value of financial instruments	19
21	Additional information for the Registered Bank's Overseas Banking Group	21
22	Reconciliation of net cash flows from operating activities	21
23	Related party disclosures	21
24	Subsequent events	23
25	Dividend	23

General Disclosures

General information and definitions

The information contained in this Disclosure Statement is as required by section 81 of the Reserve Bank of New Zealand Act 1989 and the Registered Bank Disclosure Statements (Overseas Incorporated Registered Banks) Order 2014 (as amended) ("Order").

In this Disclosure Statement:

- "Registered Bank" refers to Coöperatieve Rabobank U.A., incorporated in the Netherlands and trading as Rabobank.
- "Branch" refers to the New Zealand business of the Registered Bank.
- "Banking Group" or "Rabobank New Zealand Banking Group" refers to:
 - (a) the Branch;
 - (b) Rabobank New Zealand Limited; and
 - (c) Rabo Capital Securities Limited,

but, in accordance with the Registered Bank's conditions of registration, does not include De Lage Landen Limited and AGCO Finance Limited.

- "Overseas Banking Group" means the Registered Bank and all entities included in the Registered Bank's group for the purposes of public reporting of group financial statements in the Netherlands.

General matters

Directors

There have been changes to the Registered Bank's Board of Directors since 31 December 2016. On 1 September 2017 the Registered Bank established, in addition to the existing Executive Board and Supervisory Board, a Managing Board. In connection with the establishment of the Managing Board, the following changes in the Registered Bank's board of directors occurred, all with effect on 1 September 2017:

- Wiebe Draijer was appointed a member and the chairman of the Managing Board
- Bas Brouwers was appointed a member of the Managing Board
- Petra van Hoeken was appointed a member of the Managing Board
- Mariëlle Lichtenberg was appointed a member of the Managing Board
- Christina Konst was appointed a member of the Managing Board and the Executive Board
- Jan van Nieuwenhuizen was appointed a member of the Managing Board
- Berry Marttin was appointed a member of the Managing Board
- Bart Leurs was appointed a member of the Managing Board
- Ieko Sevinga was appointed a member of the Managing Board
- Janine Vos was appointed a member of the Managing Board
- Ralf Dekker resigned as a member of the Executive Board
- Rien Nagel resigned as a member of the Executive Board

The directors of the Managing, Executive and Supervisory Boards, on whose behalf the New Zealand Chief Executive Officer has signed this Disclosure Statement, are listed as follows:

Managing Board

W. Draijer (Wiebe), chairman
B.C. Brouwers (Bas), member
P.C. van Hoeken (Petra), member
M.P.J. Lichtenberg (Mariëlle), member
C.M. Konst (Kirsten), member
J.L. van Nieuwenhuizen (Jan), member
B.J. Marttin (Berry), member
B. Leurs (Bart), member
L. Sevinga (Ieko), member
J. Vos (Janine), member

General Disclosures

General matters (continued)

Executive Board

W. Draijer (Wiebe), chairman
B.C. Brouwers (Bas), member
B.J. Marttin (Berry), member
J.L. van Nieuwenhuizen (Jan), member
P.van Hoeken (Petra), member
C.M. Konst (Kirsten), member

Supervisory Board

R. Teerlink (Ron), chairman
M. Trompetter (Marjan), vice chairman
I.P. Asscher-Vonk (Irene), member
L.N. Degle (Leo), member
S.L.J. Graafsma, (Leo), member
A.A.J.M. Kamp (Arian), member
J. J. Nooitgedagt (Jan), member
P.H.J.M. Visée (Pascal), member
P.H.M. Hofsté (Petri), member

Resignation of New Zealand Chief Executive Officer

Daryl Johnson has resigned as New Zealand Chief Executive Officer of the Bank. His resignation will take effect on 22 December 2017. The Bank has commenced a process to appoint a new New Zealand Chief Executive Officer.

No subordination of claims of creditors

There are no material legislative or regulatory restrictions in the Netherlands that, in a liquidation of the Registered Bank, subordinate the claims of any class of unsecured creditors of the Branch on the assets of the Registered Bank to those of any other class of unsecured creditors of the Registered Bank.

Requirement to hold excess assets over deposit liabilities

The Registered Bank is not required to hold in New Zealand an excess of assets over deposit liabilities.

Requirement to maintain sufficient assets to cover ongoing obligation to pay deposit liabilities

The Registered Bank is not subject to any regulatory or legislative requirement in the Netherlands to maintain sufficient assets in the Netherlands to cover an ongoing obligation to pay deposit liabilities in that country. However, the Financial Supervision Act, the EU Capital Requirements Regulation and the EU Capital Requirements Directive requires the Overseas Banking Group to maintain certain liquid assets in order to cover an ongoing obligation to pay liabilities of the Overseas Banking Group. The requirement is based on the consolidated position of the Overseas Banking Group and any liquidity requirements of the Banking Group will form part of the Overseas Banking Group's consolidated position. This requirement has the potential to impact on the management of the liquidity of the Branch.

Auditors for the Banking Group

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

General Disclosures

Credit ratings

The Registered Bank has a general credit rating applicable to its long term senior unsecured obligations payable in any country or currency, including obligations payable in New Zealand and in New Zealand dollars.

On 15 September 2017, Standard & Poor's changed its credit rating on the Registered Bank from A+ (stable) to A+ (positive) on receding economic imbalances in the Netherlands.

Rating Agency	Current Credit Rating
Standard & Poor's	A+ (positive)
Moody's	Aa2 (negative)
Fitch	AA- (stable)

Insurance business

The Banking Group does not conduct any insurance business.

Guarantee arrangements

Material obligations of the Registered Bank that relate to the Branch are guaranteed as at the date its directors and New Zealand Chief Executive Officer signed this Disclosure Statement.

Material cross guarantees

Through their mutual financial association between various legal entities within the Overseas Banking Group, an internal liability relationship exists. This relationship is formalised in an internal 'cross-guarantee' system, which stipulates that if a participating institution has insufficient funds to meet its obligations towards its creditors, the other participants must supplement that institution's funds in order to enable it to fulfil those obligations.

Material cross guarantees (continued)

There are no limits on the amount of obligations guaranteed and no material conditions on the guarantees other than insufficiency of funds to meet a participating institution's obligations towards its creditors. Nor are there any material or other legislative or regulatory restrictions in the Netherlands that, in a liquidation of a participating institution, would have the effect of limiting the claims under the cross-guarantee system of any creditors of the Registered Bank on the assets of the participating institution to other claims on the participating institution. Neither a single nor a standard representative cross-guarantee contract exists.

Participating institutions within the Overseas Banking Group are:

- The Registered Bank
- De Lage Landen International B.V.
- De Lage Landen Financiering B.V.
- De Lage Landen Trade Finance B.V.
- De Lage Landen Financial Services B.V.
- Rabohypotheekbank N.V.
- Raiffeisenhypotheekbank N.V.

For regulatory and financial reporting purposes, the Registered Bank and the participating subsidiaries are treated as one consolidated entity.

Non-consolidated activities

The Registered Bank does not conduct any insurance business or non-financial activities in New Zealand that are outside the Banking Group.

General Disclosures

Risk management policies

Since 30 June 2017:

- there has been no material change in the Banking Group's policies for managing credit, currency, interest rate, liquidity, operational, and other material business risks (the Banking Group does not take any equity risk); and
- the Banking Group has not become exposed to a new category of risk to which the Banking Group was not previously exposed.

Securitisation, funds management, other fiduciary activities and 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.

Rabobank New Zealand Limited has decided to cease offering managed funds through RaboDirect, its online banking and investments service. This decision includes the Cash Advantage Fund (CAF) and Term Advantage Fund (TAF). For managed funds excluding the CAF and TAF, Rabobank New Zealand Limited expects to complete the process to effect such cessation before 31 March 2018. The CAF will be wound-up on 13 March 2018 with the proceeds returned as cash to unitholders. No further investments were accepted into the TAF from 3 October 2017 and existing investors will have their investments repaid as they mature. Existing RaboDirect managed funds customers (excluding the CAF and TAF) have been offered the option to shift their fund holdings to another distributor of third party managed funds, InvestNow Saving and Investment Services Limited.

Since 30 June 2017 there have been no other material changes in the Banking Group's:

- involvement in the establishment, marketing, or sponsorship of trust, custodial, funds management, or other fiduciary activities (as set out above); or
- arrangements to ensure that difficulties arising from those activities would not impact adversely on the Banking Group.

Conditions of registration

There were no changes to the Conditions of Registration between 30 June 2017 and 30 September 2017.

Other material matters

Interest rate derivatives

The Registered Bank concludes interest rate derivatives with Dutch business customers who wish to reduce interest rate risk. In March 2016, the Dutch Minister of Finance appointed an independent committee which published a recovery framework (the Recovery Framework) on the reassessment of Dutch interest rate derivatives. The Registered Bank has decided to take part in the Recovery Framework. Implementation of the Recovery Framework is expected to be finalised in 2017.

The Registered Bank is involved in civil proceedings in the Netherlands relating to interest rate derivatives concluded with Dutch business customers. The majority of these concern individual cases. In addition, there is a collective action regarding interest rate derivatives. These actions concern allegations relating to alleged misconduct in connection with the Registered Bank's Euribor submissions (as described below) and/or allegations of misinforming clients with respect to interest rate derivatives. The Registered Bank will defend

General Disclosures

Other material matters (continued)

Interest rate derivatives (continued)

itself against all these claims. Furthermore, there are pending complaints and proceedings against the Registered Bank regarding interest rate derivatives brought before the Dutch Financial Services Complaints Authority, which has opened a conflict resolution procedure.

With respect to the (re-)assessment of the interest rate derivatives of its Dutch business customers, the Registered Bank has recognised a provision of 699 million euros as at 31 December 2016.

BSA/AML

In 2015, the Registered Bank concluded an agreement with the Federal Reserve Bank of New York and the New York State Department of Financial Services under which the Registered Bank is required to improve its anti-money laundering framework for its New York branch and oversight for the US region. In December 2013, the US Office of the Comptroller of the Currency (OCC) commenced civil enforcement actions against the Registered Bank in connection with its anti-money laundering compliance programme for its retail banking in California. The actions are still pending. In 2014, the US Department of Justice (DOJ) advised the Registered Bank that it was investigating possible violations of the Bank Secrecy Act. The Registered Bank has provided documentation and other information in response to various DOJ requests. The DOJ has also conducted interviews of both current and former employees. The investigation is on-going. Recently the Financial Crimes Enforcement Network (FinCEN) of the Department of the Treasury served a notice of investigation on the Registered Bank. The Registered Bank understands that FinCEN is investigating essentially the same issues that are the subject of the OCC matter. The Registered Bank is cooperating with all of these investigations and believes that these investigations will come to a conclusion in 2017.

Recently, a criminal complaint was filed with the Dutch Public Prosecutor (DPP) against the Registered Bank asking for a criminal investigation in relation to the matters related to the DOJ investigation. The Registered Bank understands that the DPP has received the complaint and awaits the DPP's response to it. The Registered Bank Group considers the anti-money laundering case to be a contingent liability. No provision has been made.

There are no other material matters relating to the business or affairs of the Registered Bank and/or the Banking Group that:

- (a) are not contained elsewhere in this Disclosure Statement; and
- (b) 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.

Financial Statements of Registered Bank and Overseas Banking Group

The most recent publicly available financial statements of the Registered Bank and the Overseas Banking Group are available at the internet address:

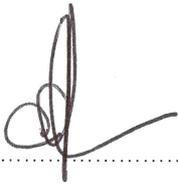
www.rabobank.com/en/about-rabobank/results-and-reports/index.html

Directors' and New Zealand Chief Executive Officer's Statement

After due enquiry, each director and the New Zealand Chief Executive Officer believe 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 (Overseas Incorporated Registered Banks) Order 2014 (as amended); and
 - The Disclosure Statement is not false or misleading;
- (ii) over the nine months period ended 30 September 2017:
 - The Registered Bank has complied with all conditions of registration that applied during that period; and
 - The Branch and the other members of the Banking Group had systems in place to monitor and control adequately the Banking Group's material risks, including credit risk, concentration of credit risk, interest rate risk, currency risk, liquidity risk and other business risks, and those systems were being properly applied (the Banking Group does not have any equity risk, and therefore neither has nor requires any system to monitor or control equity risk).

Signed by Daryl Johnson in his capacity as New Zealand Chief Executive Officer of the Registered Bank and as agent authorised in writing by each director.



Daryl Johnson

Dated: 24 November 2017

Statement of Comprehensive Income

In thousands of NZD	Notes	Unaudited 9 months to 30/09/2017	Unaudited 9 months to 30/09/2016 ¹	Audited Year to 31/12/2016
Statement of income				
Interest income		471,372	506,953	665,898
Interest expense		(233,679)	(283,893)	(369,915)
Net interest income		237,693	223,060	295,983
Other income	3	1,838	960	1,448
Other expense	4	(640)	(831)	(1,073)
Other operating gains / (losses)	5	(18,086)	18,382	9,516
Operating income		220,805	241,571	305,874
Operating expenses		(79,504)	(83,081)	(116,791)
Impairment releases / (losses)	6	(1,106)	(13,814)	(16,495)
Profit before income tax		140,195	144,676	172,588
Income tax expense		(42,976)	(44,606)	(54,813)
Net profit for the period/year		97,219	100,070	117,775
Other comprehensive income for the period/year				
Items that may be reclassified subsequently to profit or loss				
Changes in AFS financial assets revaluation reserve	15.2	1,192	4,456	956
Income tax expenses relating to changes in AFS financial assets revaluation reserve	15.2	(334)	(1,248)	(268)
Total items that may be reclassified subsequently to profit or loss		858	3,208	688
Items that will not be reclassified to profit or loss				
Other reserves		-	-	-
Total items that will not be reclassified to profit or loss		-	-	-
Total other comprehensive income for the period/year		858	3,208	688
Total comprehensive income attributable to members of the Banking Group		98,077	103,278	118,463

¹ Prior period comparatives have been restated. Refer to note 2.7 for details.

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

Statement of Financial Position

In thousands of NZD	Notes	Unaudited At 30/09/2017	Unaudited At 30/09/2016 ¹	Audited At 31/12/2016
Assets				
Cash and cash equivalents		419,296	406,850	517,705
Derivative financial instruments		164,879	151,841	134,099
AFS financial assets	7	665,450	687,629	724,154
Loans and advances	8	10,894,392	10,483,039	10,524,468
Due from related entities	9	2,246,423	2,376,218	2,373,741
Other assets		6,646	6,145	5,167
Income tax receivables		3,309	14,773	2,566
Net deferred tax assets		13,580	16,696	19,676
Property, plant and equipment		4,332	5,059	4,789
Intangible assets		97	139	129
Total assets		14,418,404	14,148,389	14,306,494
Liabilities				
Derivative financial instruments		103,024	124,164	112,721
Debt securities in issue		3,514,741	2,911,229	2,651,978
Deposits	10	4,574,187	4,862,688	4,981,364
Preference shares		280,632	280,678	280,666
Due to related entities	11	4,237,524	4,374,150	4,667,824
Other liabilities		8,807	9,226	10,674
Provisions		3,037	3,064	2,892
Head office account		250,522	233,328	231,864
Total liabilities		12,972,474	12,798,527	12,939,983
Net assets		1,445,930	1,349,862	1,366,511
Equity				
Contributed equity	15.1	551,201	551,201	551,201
Reserves	15.2	1,661	3,323	803
Retained earnings		893,068	795,338	814,507
Total equity		1,445,930	1,349,862	1,366,511

¹ Prior period comparatives have been restated. Refer to note 2.7 for details.

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

Statement of Changes in Equity

In thousands of NZD	Contributed equity	Retained earnings	Reserves	Total equity
At 1 January 2016	551,201	724,698	115	1,276,014
Net profit (excluding Branch*)	-	70,640	-	70,640
Other comprehensive income:				
Revaluation reserve - AFS financial assets	-	-	3,208	3,208
At 30 September 2016 (Unaudited)	551,201	795,338	3,323	1,349,862
At 1 January 2016	551,201	724,698	115	1,276,014
Net profit (excluding Branch*)	-	89,809	-	89,809
Other comprehensive income:				
Revaluation reserve - AFS financial assets	-	-	688	688
At 31 December 2016 (Audited)	551,201	814,507	803	1,366,511
At 1 January 2017	551,201	814,507	803	1,366,511
Net profit (excluding Branch*)	-	78,561	-	78,561
Other comprehensive income:				
Revaluation reserve - AFS financial assets	-	-	858	858
At 30 September 2017 (Unaudited)	551,201	893,068	1,661	1,445,930

* Statement of changes in equity excludes current year profit and cumulative surpluses of the Branch. The net surplus of the Branch is disclosed as head office account under liabilities in the statement of financial position.

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

Condensed Statement of Cash Flows

In thousands of NZD	Notes	Unaudited 9 months to 30/09/2017	Unaudited 9 months to 30/09/2016 ¹	Audited Year to 31/12/2016
Cash flows from operating activities				
Interest received		462,987	505,277	670,794
Interest paid		(245,421)	(285,939)	(376,455)
Other cash inflows provided by operating activities		1,838	972	1,468
Other cash inflows / (outflows) used in operating activities		(177,188)	(133,980)	(169,367)
Cash flows from operating profits before changes in operating assets and liabilities		42,216	86,330	126,440
Net changes in operating assets and liabilities		(576,946)	538,113	567,253
Net cash flows used in operating activities	22	(534,730)	624,443	693,693
Cash flows from investing activities				
Cash outflows used in investing activities		(380)	(463)	(472)
Net cash flows used in investing activities		(380)	(463)	(472)
Cash flows from financing activities				
Net changes in financing liabilities		436,701	(510,408)	(468,794)
Net cash flows from financing activities		436,701	(510,408)	(468,794)
Net change in cash and cash equivalents for the period / year				
		(98,409)	113,572	224,427
Cash and cash equivalents at beginning of the period / year		517,705	293,278	293,278
Cash and cash equivalents at end of the period / year		419,296	406,850	517,705
Cash and cash equivalents at end of the period / year comprise:				
Cash at bank and on hand		419,296	406,850	517,705
Cash and cash equivalents at end of the period / year		419,296	406,850	517,705

¹ Prior period comparatives have been restated. Refer to note 2.7 for details.

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

Notes to the Financial Statements

1 Reporting entity

The reporting entity is the Registered Bank (Coöperatieve Rabobank U.A.). These interim financial statements relate to the Rabobank New Zealand Banking Group, which comprises the Registered Bank's New Zealand Branch, Rabobank New Zealand Limited and Rabo Capital Securities Limited.

These interim financial statements as at and for the nine months ended 30 September 2017 are a combination of the interim financial statements of the above entities, but do not (in accordance with the Registered Bank's conditions of registration as issued by the Reserve Bank of New Zealand) include the businesses of De Lage Landen Limited and Agco Finance Limited.

2 Basis of preparation

2.1 Statement of compliance

The interim financial statements have been prepared and presented in accordance with the Order, and the Reserve Bank of New Zealand Act 1989. For this purpose the Banking Group comprises entities and operations as required by the RBNZ but it does not constitute a group in accordance with New Zealand equivalent to International Financial Reporting Standards ('NZ IFRS') 10 Consolidated Financial Statements.

These interim financial statements have been prepared in accordance with the requirements of the New Zealand equivalent to International Accounting Standard ('NZ IAS') 34 Interim Financial Reporting and should be read in conjunction with the Banking Group's financial statements for the year ended 31 December 2016. These interim financial statements do not include all the information and disclosures required in annual financial statements and should therefore be read in conjunction with the financial statements for the year ended 31 December 2016.

2.2 Basis of measurement

These interim financial statements have been prepared under the historical cost convention, except for derivative financial instruments and available-for-sale financial assets, which have been measured at fair value. The going concern assumption 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.

2.3 Estimates

The preparation of interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies. In preparing these interim financial statements, the significant judgements made by management in applying the Banking Group's accounting policies and the key sources of estimation of uncertainty were the same as those applied to the consolidated financial statements as at and for the year ended 31 December 2016.

2.4 Principal accounting policies

There have been no material changes in accounting policies during the interim financial period. The accounting policies used in the preparation of these interim financial statements are consistent with the accounting policies used in the preparation of the annual financial statements for the year ended 31 December 2016.

The Banking Group has not early adopted any NZ IFRS that are not yet in effect.

2.5 Functional and presentation currency

Unless otherwise indicated, all amounts are expressed in New Zealand dollars (NZD), the functional and presentation currency of the operations of the entities in the Banking Group, as this currency best reflects the economic substance of the underlying events and circumstances relevant to the Banking Group.

All financial information presented in NZD has been rounded to the nearest thousand unless otherwise stated.

2.6 Principles of consolidation

The basis of aggregation incorporates the assets and liabilities of all entities within the Banking Group and the results of those entities. The effects of transactions as well as balances between entities in the Banking Group have been eliminated.

2.7 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.

Notes to the Financial Statements

2 Basis of preparation (continued)

2.7 Comparative figures (continued)

Certain amounts reported as comparative information have changed as a result of review of classifications. The correction has been applied by restating each of the affected financial statement line items for the prior periods. The following tables summarise the line items that have been impacted by this change on the Banking Group's financial statements. As a result, some of the sub-totals and totals disclosed have also been revised.

There was no impact to net assets, total comprehensive income after tax, or cash and cash equivalents arising from these classification changes.

Statement of Comprehensive Income (Extract)

In thousands of NZD	Note	Unaudited 9 months to 30/09/2016	Change	Unaudited 9 months to 30/09/2016 Restated
Other income / (expense)		129	(129)	-
Other income	3	-	960	960
Other expense	4	-	(831)	(831)
Operating income		241,571	-	241,571
Profit before income tax		144,676	-	144,676
Net profit for the period/year		100,070	-	100,070
Total comprehensive income attributable to members of the Banking Group		103,278	-	103,278

Statement of Financial Position

In thousands of NZD	Note	Unaudited 30/09/2016	Change	Unaudited 30/09/2016 Restated
Loans and advances	8	10,472,006	11,033	10,483,039
Other assets		17,178	(11,033)	6,145
Total assets		14,148,389	-	14,148,389
Debt securities in issue		2,887,808	23,421	2,911,229
Deposits	10	4,831,958	30,730	4,862,688
Preference shares		280,000	678	280,678
Other liabilities		64,055	(54,829)	9,226
Total liabilities		12,798,527	-	12,798,527

Statement of Cash Flows

In thousands of NZD	Note	Unaudited 30/09/2016	Change	Unaudited 30/09/2016 Restated
Net changes in operating assets and liabilities		473,383	64,730	538,113
Net cash flows from / (used in) operating activities	22	559,713	64,730	624,443
Net changes in financing liabilities		(445,678)	(64,730)	(510,408)
Net cash flows from / (used in) financing activities	-	445,678	(64,730)	(510,408)

Notes to the Financial Statements

3 Other income

In thousands of NZD	Unaudited 9 months to 30/09/2017	Unaudited 9 months to 30/09/2016 ¹	Audited Year to 31/12/2016
Lending and credit facility related fee income	1,247	932	1,421
Other income	591	28	27
Total other income	1,838	960	1,448

¹ Prior period comparatives have been restated. Refer to note 2.7 for details.

4 Other expense

In thousands of NZD	Unaudited 9 months to 30/09/2017	Unaudited 9 months to 30/09/2016 ¹	Audited Year to 31/12/2016
Commission and fee expense*	(640)	(831)	(1,073)
Total other expense	(640)	(831)	(1,073)

* Balance relates to fee charged for the guarantee obligations provided by Rabobank. Refer to note 23 for further information on guarantees.

¹ Prior period comparatives have been restated. Refer to note 2.7 for details.

5 Other operating gains / (losses)

In thousands of NZD	Unaudited 9 months to 30/09/2017	Unaudited 9 months to 30/09/2016	Audited Year to 31/12/2016
Gains / (losses) arising from:			
hedging instruments	-	-	-
hedged items attributable to hedged risks	-	-	-
trading derivatives*	(21,246)	13,431	2,842
Fair value hedge amortisation	3,199	5,009	6,693
Losses on disposal/write off property, plant and equipment	-	(2)	-
Foreign exchange gains / (losses)	(39)	(56)	(19)
Total other operating gains / (losses)	(18,086)	18,382	9,516

*Within the balance of \$21.2 million loss, there is a balance of \$0.1 million loss (September 2016: \$0.2 million loss; December 2016: \$0.1 million loss) which relates to the Reserve Bank of New Zealand requiring the New Zealand Banking Group to produce a set of financial accounts that notionally consolidates a branch together with locally incorporated subsidiaries. The notional consolidation of branches with locally incorporated subsidiaries is not ordinarily allowed under generally accepted accounting principles. This results in internal hedges that are ordinarily effective to become ineffective. The gain / (loss) on consolidation is not required to be tax effected.

6 Impairment losses / (releases)

In thousands of NZD	Unaudited 9 months to 30/09/2017	Unaudited 9 months to 30/09/2016	Audited Year to 31/12/2016
Collective (provision) / releases	4,025	(10,862)	19,586
Specific (provision) / releases	(5,131)	(2,964)	(2,440)
Other losses	-	-	(631)
Bad debt recovery	-	12	(20)
Total impairment (losses) / releases	(1,106)	(13,814)	16,495

Notes to the Financial Statements

7 Available-for-sale (AFS) financial assets

In thousands of NZD	Unaudited At 30/09/2017	Unaudited 30/09/2016	Audited At 31/12/2016
New Zealand Government Securities	496,800	525,862	539,227
Other debt securities (Kauri)	168,650	161,767	184,927
Total AFS financial assets	665,450	687,629	724,154

Additional information on liquidity portfolio

The Banking Group holds a portfolio of high quality liquid securities to support liquidity risk management. The size of the Banking Group's liquidity portfolio is based on the amount required to meet its liquidity requirements.

8 Loans and advances

In thousands of NZD	Unaudited At 30/09/2017	Unaudited At 30/09/2016 ¹	Audited At 31/12/2016
Lending	10,862,182	10,443,716	10,492,426
Finance leases	58,869	60,564	59,698
Gross loans and advances	10,921,051	10,504,280	10,552,124
Accrued interest	10,992	11,033	11,230
Provisions for doubtful debts:			
Collective	(30,586)	(25,886)	(34,611)
Specific	(7,065)	(6,388)	(4,275)
Net loans and advances	10,894,392	10,483,039	10,524,468

¹ Prior period comparatives have been restated. Refer to note 2.7 for details.

9 Due from related entities

In thousands of NZD	Unaudited At 30/09/2017	Unaudited 30/09/2016	Audited At 31/12/2016
Current account balances - wholly owned group*	4,428	122	22,713
Loan and advances - wholly owned group*	1,957,685	2,092,652	2,067,341
Capital securities - wholly owned group*	280,000	280,000	280,000
Accrued interest receivable - wholly owned group*	4,310	3,444	3,687
Total due from related entities	2,246,423	2,376,218	2,373,741

* The wholly owned group refers to other Rabobank related entities. Refer to note 23 for further information on related party disclosures.

10 Deposits

In thousands of NZD	Unaudited At 30/09/2017	Unaudited At 30/09/2016 ¹	Audited At 31/12/2016
Call deposits	2,178,887	2,487,223	2,437,971
Term deposits	2,369,331	2,344,735	2,509,954
Accrued interest on call deposits	806	1,165	882
Accrued interest on term deposits	25,163	29,565	32,557
Total deposits	4,574,187	4,862,688	4,981,364

¹ Prior period comparatives have been restated. Refer to note 2.7 for details.

Notes to the Financial Statements

11 Due to related entities

In thousands of NZD	Unaudited At 30/09/2017	Unaudited 30/09/2016	Audited At 31/12/2016
Current account balances - wholly owned group*	110,495	89,497	101,015
Advances - wholly owned group*	4,118,760	4,275,607	4,557,131
Accrued interest payable - wholly owned group*	8,269	9,046	9,678
Total due to related entities	4,237,524	4,374,150	4,667,824

* The wholly owned group refers to other Rabobank related entities. Refer to note 23 for further information on related party disclosures.

12 Credit quality, impaired assets and provision for impairment

In thousands of NZD	Residential mortgages	30/09/2017 (Unaudited)		Total
		Corporate	Retail*	
Individually impaired assets	-	-	222,610	222,610
Assets that are at least 90 days past due but not impaired	-	-	3,365	3,365
Specific provision	-	-	7,065	7,065
Collective provision	-	-	30,586	30,586

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

13 Asset quality of Registered Bank's Overseas Banking Group

As at 31 December (audited)	2016 EURm
Total individually impaired assets (before allowances for credit impairment loss and net of interest held in suspense)	16,648
Total individually impaired assets as a percentage of total assets (%)	2.5%
Total individual credit impairment allowance	5,846
Total individual credit impairment allowance as a percentage of total individually impaired assets (%)	35.1%
Total collective credit impairment allowance	756

14 Additional information on statement of financial position

In thousands of NZD	Banking Group Unaudited 30/09/2017
Total interest earning and discount bearing assets	14,210,250
Total interest and discount bearing liabilities	12,547,002
Financial assets pledged as collateral for liabilities or contingent liabilities	-

In thousands of NZD	Branch Unaudited 30/09/2017
Total liabilities of the Registered Bank in New Zealand, net of amounts due to related entities	4,504,170
Retail deposits of the Registered Bank in New Zealand	-

Notes to the Financial Statements

15 Equity

15.1 Contributed equity

In thousands of NZD	Unaudited At 30/09/2017	Unaudited 30/09/2016	Audited At 31/12/2016
Paid up capital in Rabobank New Zealand Limited	551,200	551,200	551,200
Total authorised and paid up capital comprises 275,600,000 ordinary shares fully paid ranking equally as to dividends, voting rights and rights to share in any surplus on winding up (31 December 2016: 275,600,000; 30 September 2016: 275,600,000). Each share was issued at \$2 and has no par value.			
Paid up capital Rabo Capital Securities Limited	1	1	1
Total authorised and paid up capital comprises 1,000 ordinary shares fully paid ranking equally as to voting rights but are not entitled to receive or participate in any dividend or distribution made by the Company. Each share was issued at \$1 and has no par value.			
Total contributed equity	551,201	551,201	551,201

15.2 Reserves

AFS financial assets reserve

In thousands of NZD	Unaudited At 30/09/2017	Unaudited 30/09/2016	Audited At 31/12/2016
AFS financial assets reserve			
Opening balance	803	115	115
Changes in AFS financial assets revaluation reserve (gross)	1,192	4,456	956
Changes in AFS financial assets revaluation reserve (deferred tax)	(334)	(1,248)	(268)
Total AFS financial assets reserve	1,661	3,323	803

The nature and purpose of the AFS financial assets reserve is to record the unrealised gains or losses arising from changes in the fair value of AFS financial assets.

16 Contingent liabilities

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

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

In thousands of NZD	Unaudited At 30/09/2017	Unaudited 30/09/2016	Audited At 31/12/2016
Guarantees	10,553	8,271	8,583
Lending commitments			
Irrevocable lending commitments	880,771	611,430	712,058
Revocable lending commitments	1,711,819	1,158,949	1,217,728
Total contingent liabilities	2,603,143	1,778,650	1,938,369

Guarantees represent conditional undertakings by the Banking Group to support the financial obligations of its customers to third parties.

Lending commitments include the Banking Group's obligations to provide lending facilities which remain undrawn at the balance date, or where letter of offers have been issued but not yet accepted.

Notes to the Financial Statements

17 Expenditure commitments

17.1 Capital expenditure commitments

Estimated capital expenditure contracted for at balance date, but not provided for, or payable:

In thousands of NZD	Unaudited At 30/09/2017	Unaudited 30/09/2016	Audited At 31/12/2016
One year or less	-	-	-
Total capital expenditure commitments	-	-	-

17.2 Operating lease commitments

In thousands of NZD	Unaudited At 30/09/2017	Unaudited 30/09/2016	Audited At 31/12/2016
One year or less	3,923	4,566	4,414
Between one and two years	2,976	3,316	2,610
Between two and five years	4,236	5,247	4,778
Over five years	903	1,636	1,426
Total operating lease commitments	12,038	14,765	13,228

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

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

18 Concentration of credit exposures to individual counterparties

	At 30/09/2017	Peak for the quarter
Number of bank counterparties:		
Percentage of shareholders' equity		
10-15%	-	-
Number of non-bank counterparties:		
Percentage of shareholders' equity		
10-15%	-	-

All counterparties included in the preceding tables 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; credit exposures to any bank with a long-term credit rating of A- or A3 or above, or its equivalent; and credit exposures to an individual counterparty or a group of closely related counterparties if they are booked outside New Zealand.

The credit exposure is measured over the Overseas Banking Group's equity as at the date of the most recent audited financial statements (31 December 2016).

The peak end-of-day credit exposure is measured by taking the maximum end-of-day aggregate amount of credit exposure over the period and dividing it by the Overseas Banking Group's equity.

Notes to the Financial Statements

19 Credit and market risk exposures and capital adequacy

19.1 Residential mortgages

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

In thousands of NZD	Drawn amounts	Undrawn amounts	Total
At 30/09/2017 (Unaudited)			
LVR range			
Does not exceed 80%	32,463	7,274	39,737
Exceeds 80% and not 90%	4,593	944	5,537
Exceeds 90%	-	-	-
Total	37,056	8,218	45,274

19.2 Market risk end-of-period notional capital charges

In thousands of NZD	Implied risk weighted exposure	Notional capital charge
At 30/09/2017 (Unaudited)		
Interest rate risk	477,625	38,210
Foreign currency risk	119,375	9,550
Total	597,000	47,760

The Banking Group does not take any equity risk.

19.3 Market risk peak end-of-day notional capital charges

In thousands of NZD	Implied risk weighted exposure	Notional capital charge
At 30/09/2017 (Unaudited)		
Interest rate risk	510,125	40,810
Foreign currency risk	147,500	11,800
Total	657,625	52,610

The Banking Group does not take any equity risk.

19.4 Method for deriving peak end-of-day notional capital charge

The market risk information above has been derived in accordance with the "Capital Adequacy Framework" (Standardised Approach) (BS2A).

19.5 Capital Ratios of the Overseas Banking Group - Rabobank

As at 30 June (Unaudited)	2017 %	2016 %
Common equity Tier 1 capital ratio	15.0%	13.4%
Tier 1 capital ratio	18.1%	16.8%
Total capital ratio	25.5%	23.5%

Minimum Capital Requirements

Rabobank is required by Dutch Central Bank (DNB) and the European Central Bank (ECB) to hold minimum capital at least equal to that specified under Basel framework and those requirements imposed on it by the DNB have been met as at the reporting date.

Rabobank calculates the regulatory capital, the external required capital for credit risk, for virtually its entire loan portfolio on the basis of the Advanced Internal Rating Approach approved by the DNB. The Standardised Approach is applied, in consultation with DNB, to portfolios with relatively limited exposure and to a few smaller foreign portfolios that are not suited to the Advanced Internal Rating Approach. Operational risk is measured using the internal model approved by DNB that is based on the Advanced Measurement Approach. Regarding market risk, Rabobank has obtained permission from DNB to calculate the general and specific position risk using its own internal value-at-risk (VaR) models, based on the rules of CAD II (Capital Adequacy Directive).

Rabobank Group's Capital Adequacy and Risk Management Report (pillar 3) are publicly available on

<https://www.rabobank.com/en/images/01-interim-report-2017.pdf>

Notes to the Financial Statements

20 Fair value of financial instruments

Financial assets and financial liabilities are measured on an ongoing basis either at fair value or amortised cost, in accordance with NZ IFRS 13 'Fair Value Measurement' requires the Banking Group to disclose the fair value of those financial instruments not already carried at fair value in the statement of financial position.

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

In thousands of NZD	At 30/09/2017 (Unaudited)		At 30/09/2016 (Unaudited) ¹		At 31/12/2016 (Audited)	
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets						
Cash and cash equivalents	419,296	419,296	406,850	406,850	517,705	517,705
Derivative financial instruments	164,879	164,879	151,841	151,841	134,099	134,099
Available-for-sale financial assets	665,450	665,450	687,629	687,629	724,154	724,154
Loans and advances	10,894,392	11,088,768	10,483,039	10,662,060	10,524,468	10,691,732
Due from related entities	2,246,423	2,271,123	2,376,218	2,399,514	2,373,741	2,393,808
Other financial assets	5,894	5,894	5,943	5,943	4,682	4,682
Total financial assets	14,396,334	14,615,410	14,111,520	14,313,837	14,278,849	14,466,180
Financial liabilities						
Derivative financial instruments	103,024	103,024	124,164	124,164	112,721	112,721
Debt securities in issue	3,514,741	3,534,137	2,911,229	2,937,760	2,651,978	2,654,690
Deposits	4,574,187	4,595,939	4,862,688	4,886,979	4,981,364	5,001,051
Preference shares	280,632	297,708	280,678	294,560	280,666	302,120
Due to related entities	4,237,524	4,251,968	4,374,150	4,378,627	4,667,824	4,677,423
Other financial liabilities	7,738	7,738	9,226	9,226	9,308	9,308
Head office account	250,522	250,522	233,328	233,328	231,864	231,864
Total financial liabilities	12,968,368	13,041,036	12,795,463	12,864,644	12,935,725	12,989,177

¹ Prior period comparatives have been restated. Refer to note 2.7 for details.

Fair value hierarchy

The Banking Group uses the following hierarchy for determining and disclosing the fair value of derivatives and available-for-sale financial assets:

Level 1: Financial instruments that have been valued by reference to unadjusted quoted prices in active markets for identical financial instruments. This category includes financial instruments valued using quoted yields where available for specific debt securities.

Level 2: Financial instruments that have been valued through valuation techniques incorporating inputs other than quoted prices within Level 1 that are observable for a similar financial asset or liability, either directly or indirectly.

Level 3: Financial instruments that have been valued using valuation techniques which incorporate significant inputs that are not based on observable market data (unobservable inputs).

Valuation methodology

Financial assets and financial liabilities carried at fair value

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

Derivative financial instruments and Available-for-sale financial assets

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

Notes to the Financial Statements

20 Fair value of financial instruments (continued)

Financial assets and financial liabilities carried at fair value

The following table categorise financial assets and financial liabilities that are recognised and measured at fair value, and the valuation methodology according to the three levels of hierarchy.

In thousands of NZD	Level 1	Level 2	Level 3	Total
At 30 September 2017 (Unaudited)				
Financial assets				
Derivative financial instruments	-	164,879	-	164,879
Available-for-sale financial assets	665,450	-	-	665,450
Financial liabilities				
Derivative financial instruments		103,024		103,024

In thousands of NZD	Level 1	Level 2	Level 3	Total
At 30 September 2016 (Unaudited)				
Financial assets				
Derivative financial instruments	-	151,841	-	151,841
Available-for-sale financial assets	687,629	-	-	687,629
Financial liabilities				
Derivative financial instruments	-	124,164	-	124,164

In thousands of NZD	Level 1	Level 2	Level 3	Total
At 31 December 2016 (Audited)				
Financial assets				
Derivative financial instruments	-	134,099	-	134,099
Available-for-sale financial assets	724,154	-	-	724,154
Financial liabilities				
Derivative financial instruments	-	112,721	-	112,721

Transfers into and transfers out of fair value hierarchy levels are reported using the end-of-period fair values.

Financial assets and financial liabilities carried at amortised cost

For financial assets and financial liabilities carried at amortised cost, an estimate of the fair value has been derived as follows and are categorised as Level 3 investments. (With the exception of cash and cash equivalents which are level 1, and due from other financial institutions and deposits which are level 2).

Cash and cash equivalents

Fair value approximates carrying value due to their short term nature, frequent repricing or high credit rating.

Loans and advances and Due from related entities

The carrying value of loans and advances and due from related entities is net of collective and specific provisions. Fair value of call and variable rate loans and advances approximate their carrying value as they are short term in nature or payable on demand. Fair value of term loans and advances are estimated using discounted cash flows, applying market rates offered for loans of similar remaining maturities.

Other financial assets and Other financial liabilities

For all other financial assets and liabilities fair value approximates carrying value due to their short term nature, frequent repricing or high credit rating.

Due to other financial institutions, Debt securities in issue, Deposits and Due to related entities

Fair value of call and variable rate deposits/debt securities approximate their carrying value as they are short term in nature or payable on demand. Fair value of term deposits/debt securities are estimated using discounted cash flows, applying market rates offered for deposits/debt securities of similar remaining maturities.

For financial liabilities carried at amortised cost, an estimate of the fair value has been derived as follows, and are categorised as level 1 instruments.

Preference shares

The fair values are based on the NZDX closing prices of the preference shares at each period/year end.

Notes to the Financial Statements

21 Additional information for the Registered Bank's Overseas Banking Group

	2017	2016
For the year ended 30 June (Unaudited)	EURm	EURm
Net profit after income tax	1,516	997
Percentage (on a twelve month rolling basis) of average total assets	0.2%	0.3%

As at 30 June (Unaudited)	EURm	EURm
Total assets	623,197	686,593
% change over the previous twelve months	-9.2%	1.8%

22 Reconciliation of net cash flows from operating activities

In thousands of NZD	Unaudited 9 months to 30/09/2017	Unaudited 9 months to 30/09/2016 ¹	Audited Year to 31/12/2016
Profit after income tax	97,219	100,070	117,775
Non-cash items	6,071	18,567	18,290
Deferrals or accruals of past or future operating cash receipts or payments:			
Change in net operating assets and liabilities	(576,946)	538,113	567,253
Change in interest receivable/payable	(19,832)	(4,245)	(2,194)
Change in other deferrals or accruals	(41,242)	(28,062)	(7,431)
Net cash flows used in operating activities	(534,730)	624,443	693,693

¹ Prior period comparatives have been restated. Refer to note 2.7 for details.

23 Related party disclosures

The Banking Group consists of RNZL, a wholly owned subsidiary of Rabobank International Holdings B.V. whose ultimate parent is Rabobank; the Branch which is the New Zealand business of Rabobank and RCSL. De Lage Landen Limited and AGCO Finance Limited are related entities of the Banking Group, but are not included in the financial statements pursuant to the conditions of registration as issued by the Reserve Bank of New Zealand. Dealings with the parent and ultimate controlling entity include lending, funding, deposits and derivative transactions.

23.1 Transactions with related parties

(i) Guarantees

The first period

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 in favour of Permanent Trustee Company Limited (the "Trustee") as trustee for the creditors of RNZL (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.

The second period

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 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.

The third period

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

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

The fourth period

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

Whilst the Fourth Guarantee expired on 17 February 2013, all obligations incurred by RNZL during the Fourth Period will continue to be covered by the Fourth Guarantee until those obligations are repaid.

Notes to the Financial Statements

23 Related party disclosures (continued)

23.1 Transactions with related parties (continued)

(i) Guarantees (continued)

The fifth period

For the period 18 February 2013 to 17 February 2014 ("the Fifth Period"), the obligations of RNZL are guaranteed pursuant to a deed of guarantee dated 9 July 2012 by Rabobank in favour of the creditors of RNZL (the "Fifth Guarantee").

Whilst the Fifth Guarantee expired on 17 February 2014, all obligations incurred by RNZL during the Fifth Period will be covered by the Fifth Guarantee until those obligations are repaid.

The sixth period

For the period 18 February 2014 to 17 February 2015 ("the Sixth Period"), the obligations of RNZL are guaranteed pursuant to a deed of guarantee dated 20 August 2013 by Rabobank in favour of the creditors of RNZL (the "Sixth Guarantee").

Whilst the Sixth Guarantee expired on 17 February 2015, all obligations incurred by RNZL during the Sixth Period will be covered by the Sixth Guarantee until those obligations are repaid.

The seventh period

For the period 18 February 2015 to 30 April 2015 ("the Seventh Period"), the obligations of RNZL will be guaranteed pursuant to a deed of guarantee dated 19 September 2014 by Rabobank in favour of the creditors of RNZL (the "Seventh Guarantee").

Whilst the Seventh Guarantee expired on 30 April 2015, all obligations incurred by RNZL up to the close of 30 April 2015 will continue to be covered by the Seventh Guarantee or one of the earlier guarantees described above (as applicable), until those obligations are repaid or otherwise satisfied. All new obligations incurred by RNZL after 30 April 2015 are not guaranteed.

Further information about the expiry of the guarantee can be found at www.rabodirect.co.nz.

(ii) Management fees

A management fee of \$29 million was charged to the Banking Group by the Australia Branch of Rabobank for the provision of administrative and management services. Some operating expenses of the Bank are paid and re-charged to the Banking Group by this related entity (September 2016: \$30.2 million; December 2016: \$39.1 million).

A management fee of \$6.8 million was charged to the Banking Group by Rabobank for the provision of administrative and management services (September 2016: \$8.2 million; December 2016: \$17 million).

(iii) Commission and fee expense

A fee of \$0.6 million was charged to RNZL by Rabobank in consideration for providing the obligations guarantees (September 2016: \$0.8 million; December 2016: \$1.1 million).

(iv) Other transactions

The Banking Group enters into a number of transactions with other related entities within the Overseas Banking Group. These include lending, funding, deposits and derivative transactions to manage market risk exposures. The interest income earned on related entities transactions was \$38.9 million (September 2016: \$43.9 million; December 2016: \$55.7 million), and the interest expense paid on related entities transactions was \$61.1 million (September 2016: \$71.1 million; December 2016: \$90.9 million). The principal amounts of due from and due to the related entities are separately disclosed in the statement of financial position and the accompanying notes to the financial statements.

(v) Capital securities

RCSL held \$280 million capital securities which are debt obligations of Rabobank. The capital securities carry the rights to a quarterly distribution, which equals the five-year swap interest plus an annual 3.75% mark-up and was set at 8.7864% per annum on 25 May 2009. As from the issue date (27 May 2009), the distribution was made payable every quarter in arrears, for the first time on 18 June 2009 (short first interest period). From 18 June 2014, the distribution is made payable every quarter based on five-year swap interest plus an annual 3.75% mark-up and was set at 8.3425% per annum. From 18 June 2019, the distribution will be made payable every quarter based on the 90-day bank bill swap interest rate plus an annual 3.75% mark-up. The capital securities are not transferable and the scheduled repayment date is 18 June 2039. They are unsecured. All interest payments have been made on the due date and there is no observable data that would indicate that an allowance for impairment is required.

23.2 Terms and conditions of transactions with related parties

All transactions with related parties are made in the ordinary course of business on normal terms and conditions.

23.3 Provision for impairment on due from related entities

For the period ended 30 September 2017, the Banking Group has not made any provision for impairment relating to amounts owed by related parties as the payment history has been excellent (2016: Nil). An impairment assessment is undertaken each financial year by examining the financial position of the related party and the market in which the related party operates to determine whether there is objective evidence that a related party receivable is impaired. When such objective evidence exists, the Banking Group recognises a provision for impairment.

Notes to the Financial Statements

24 Subsequent events

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

25 Dividend

No dividend was proposed or paid by the Banking Group for the nine month period ended 30 September 2017 (2016: Nil).