

Disclosure Statement

Bank of Baroda (New Zealand) Limited

Disclosure Statement for the year ended 31 March 2012

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1. Definitions

In this Disclosure Statement, unless the context otherwise requires:

Act means the Reserve Bank of New Zealand Act 1989;

Bank means Bank of Baroda (New Zealand) Limited;

Banking Group means the Bank and its subsidiaries;

Board means the board of directors of the Bank;

BOB means Bank of Baroda (India);

Director means a director of the Bank;

INR means Indian Rupees;

Parent Guarantee has the meaning given in section 3.1; and

USD means United States Dollars.

Unless otherwise defined in this disclosure statement, terms defined in the Registered Bank Disclosure Statements (New Zealand Incorporated Registered Banks) Order 2012 (the **Order**) have the same meaning in this document.

2. General information

2.1 Name and address for service of registered bank

- (a) The full name of the Bank is Bank of Baroda (New Zealand) Limited and its address for service is:

Bank of Baroda (New Zealand) Limited
114 Dominion Road
PB No. 56580, Post Code 1446
Auckland
New Zealand

- (b) The Bank's website address is: www.barodanzltd.co.nz

2.2 Details of ultimate parent bank and ultimate holding company

- (a) **Ultimate parent bank**

The Bank's ultimate parent bank is Bank of Baroda (India), an Indian incorporated bank (**BOB**).

BOB is subject to regulatory oversight by the Reserve Bank of India and the Government of India. BOB is not a New Zealand registered bank and is not subject to regulatory oversight by the Reserve Bank of New Zealand.

The address for service of BOB is:

Baroda Corporate Centre
C-26, G-Block
Bandra Kurla Complex
Mumbai – 400 051
India

- (b) **Ultimate holding company**

BOB is the ultimate holding company of the Bank.

Shareholding in BOB

As at 31 March 2012, the Government of India held 54.31% of the total shares in BOB. The remaining 45.69% of the shares in BOB are held by public shareholding (governed by the laws of India). BOB shares are listed on both the National Stock Exchange (India) and on the Bombay Stock Exchange (India). Further details concerning the shareholdings in BOB are on the BOB website: www.bankofbaroda.com

Annual Report of BOB

A copy of the latest BOB annual report "Annual Report 2011–12 A winning performance through sales and services excellence." is on the BOB website: www.bankofbaroda.com

- (c) **A summary of any regulations, legislation or other restrictions of a legally enforceable nature that may materially inhibit the legal ability of BOB to provide material financial support to the Bank**

The obligations of the Bank are guaranteed by BOB (see section 3 below for further information on the guarantee arrangements).

There are no legislative, regulatory or other restrictions of a legally enforceable nature in India (BOB's country of incorporation) that may materially inhibit the legal ability of BOB to provide material financial support to the Bank.

2.3 Interest in 5% or more of voting securities of the Bank

The Bank is a wholly-owned subsidiary of BOB.

2.4 Registered bank

The Bank was incorporated on 27 May 2008 under the Companies Act 1993 as Baroda (New Zealand) Limited and changed its name to Bank of Baroda (New Zealand) Limited on 1 September 2009 upon registration as a bank at this date. The Bank commenced trading on 21 June 2010.

3. Guarantee

3.1 Guarantee arrangements

As at the date of this disclosure statement, the obligations of the Bank are guaranteed by BOB.

A copy of the guarantee of the Bank's indebtedness given by BOB is attached as Appendix 1 (the **Parent Guarantee**).

(a) Details of the guarantor

The guarantor is BOB. BOB is the Bank's ultimate parent and ultimate holding company. BOB is not a member of the Banking Group.

The address for service of the guarantor is:

Baroda Corporate Centre
C-26, G-Block
Bandra Kurla Complex
Mumbai – 400 051
India

As at 31 March 2012, the publicly disclosed capital of BOB was INR 263,031.70 million (USD 5,170.16 million) representing 14.67% of risk weighted exposure.

BOB has the following credit rating applicable to its long-term senior unsecured obligations (payable in INR):

Rating Agency	Current Rating	Outlook	Qualifications
Moody's Investor Services Limited	Baa3	Stable	Nil
Fitch IBCA, Inc.	BBB-	Negative	Nil

On 18 June 2012 Fitch IBCA, Inc. changed BOB's credit rating outlook from stable to negative. On 30 January 2012 Moody's Investor Services Limited changed BOB's credit rating from Baa2 to Baa3. There have been no other rating changes for BOB within the last two years.

Details of the applicable rating scale can be found at section 0 of this disclosure statement.

(b) Details of guaranteed obligations

a. BOB guarantees due payment of all indebtedness of the Bank to the Bank's depositors and other creditors.

(i) There are no limits on the amount of the obligations guaranteed.

- (ii) There are no material conditions applicable to the guarantee, other than non-performance by the Bank.
- (iii) There are no material legislative or regulatory restrictions in India (BOB's country of incorporation) that would have the effect of subordinating the claims of the Bank's creditors under the Parent Guarantee to other claims on BOB in a winding up of BOB.
- (iv) The Parent Guarantee does not have an expiry date.

4. Directors

4.1 Communications

The address to which any document or communication may be sent to any Director is:

Bank of Baroda (New Zealand) Limited
114 Dominion Road
PB No. 56580, Post Code 1446
Auckland
New Zealand

The document or communication should be marked to the attention of the relevant Director.

4.2 Responsible person

The responsible person authorised to sign this disclosure statement on behalf of the Directors in accordance with section 82 of the Act is Navin Chandra Upreti.

4.3 Directors' details

Mangalore Devadas Mallya

Chairman & Non-Executive Director

Bachelor of Engineering with Distinction from Karnataka Regional Engineering College, Suratkal.

Post-graduation Diploma in Management from Indian Institute of Science, Bangalore with Distinction.

Resident of India

Interested transactions

Nil

Directorships

Chairman & Managing Director BOB

Director of The New India Assurance Company Limited

Navin Chandra Upreti

Managing Director

MSc., CAIIB

Resident of New Zealand

Interested transactions

Nil

Directorships

Nil

Dr Rajen Prasad

Independent Director

Ph.D., MA (Hons), BA

Resident of New Zealand

Interested transactions

Nil

Directorships

Nil

Vijaya Vaidyanath

Independent Director

MBA, MA (Hons), BA (Hons)

Resident of Australia

Interested transactions

Nil

Directorships

Nil

(Resigned from the Board with effect from 5 June 2012)

Vailankanni Wenceslaus Melchoir Anthony

Independent Director

B Com (Hons), Post Graduate in Business Management

Resident of New Zealand

Interested transactions

WA Marketing Limited is having Standby Letter of Credit limit of USD 150,000 from Auckland branch

Directorships

WA Marketing Limited, Pact Industries Pty Limited

(Appointed to the Board with effect from 5 June 2012)

4.4 **Audit Committee**

The Bank has an Audit Committee.

The members of the Audit Committee as at the date of this Disclosure Statement are:

- (a) Vailankanni Wenceslaus Melchoir Anthony (Chair), Independent Director
- (b) Mangalore Devadas Mallya, Chairman of the Bank & Non-Executive Director
- (c) Dr Rajen Prasad, Independent Director.

(Audit Committee reconstituted after Vijaya Vaidyanath resignation from the Board)

The Audit Committee is responsible for the oversight of financial reporting disclosures and other regulatory and statistical compliance.

4.5 **Related parties transaction policy**

The Bank has adopted a related parties transaction policy, which governs the review, approval and ratification of "related party transactions". For these purposes, a "related party transaction" means:

- (a) any transaction, or a series of similar transaction, which is currently proposed or has been in effect at any time since the beginning of the last fiscal year, in which the Bank

was, or is proposed to be, a participant, in which a “related party” had, has or will have a direct or indirect material interest, and where the amount involved exceeds NZD50,000; and

- (b) any material amendment or modification to a transaction described in (a), regardless whether that transaction has previously been approved in accordance with the related parties transaction policy.

A “related party” is any person:

- (a) who is, or at any time since the beginning of the Bank’s last fiscal year was, a director or executive officer of the Bank (and includes a nominee to become a director of the Bank); or
- (b) who owns 5% or more of the shares in the Bank; or
- (c) who is an immediate family member of any of the persons described in (a) and (b) above.

Every related party transaction is subject to Board approval. Accordingly, any director or executive officer of the Bank that becomes aware of any potential related party transaction is required to submit details of that transaction to the Board as soon as practicable. In determining whether to approve a related party transaction, the Board will take into account the factors set out in the Bank’s related parties transaction policy document. All related party transactions are conducted on normal commercial terms and conditions.

5. **Auditors**

The name and address of the auditor whose independent auditors' report is referred to in this disclosure statement is:

PricewaterhouseCoopers
188 Quay Street
Private Bag 92162
Auckland 1142
New Zealand

6. Conditions of registration

The conditions of registration imposed on the Bank which applied on and after 31 December 2011 are as follows:

The registration of Bank of Baroda (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 \$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: "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 bank¹	Connected exposure limit (% of the banking group's Tier 1 capital)
AA/Aa2 and above	75
AA-/Aa3	70
A+/A1	60
A/A2	40
A-/A3	30
BBB+/Baa1 and below	15

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

For the purposes of this condition of registration, compliance with the rating-contingent connected exposure limit is determined in accordance with the Reserve Bank of New Zealand document entitled “Connected Exposures Policy” (BS8) dated 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. That the bank complies with the following corporate governance requirements:
 - (a) the board of the bank must have at least four directors, and on and after 1 April 2013 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;

¹ 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.)

- (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 non-executive, and on and after 1 April 2013 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. 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. 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) on and after 1 April 2012 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 the banking group complies with the following quantitative requirements for liquidity-risk management:
 - (a) the one-week mismatch ratio of the banking group is not less than zero per cent at the end of each business day;
 - (b) the one-month mismatch ratio of the banking group is not less than zero per cent at the end of each business day; and
 - (c) the one-year core funding ratio of the banking group is not less than 70 per cent at the end of each business day.

For the purposes of this condition of registration, the ratios identified must be calculated in accordance with the Reserve Bank of New Zealand documents entitled "Liquidity Policy"

(BS13) dated March 2011 and “Liquidity Policy Annex: Liquid Assets” (BS13A) dated December 2011.

12. That the bank has an internal framework for liquidity risk management that is adequate in the bank’s view for managing the bank’s liquidity risk at a prudent level, and that, in particular:
- (a) is clearly documented and communicated to all those in the organisation with responsibility for managing liquidity and liquidity risk;
 - (b) identifies responsibility for approval, oversight and implementation of the framework and policies for liquidity risk management;
 - (c) identifies the principal methods that the bank will use for measuring, monitoring and controlling liquidity risk; and
 - (d) considers the material sources of stress that the bank might face, and prepares the bank to manage stress through a contingency funding plan.
13. 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.

14. 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 Bank of Baroda (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.

7. Pending proceedings or arbitration

As at the date of this disclosure statement, there are no pending proceedings or arbitration concerning the Bank, whether in New Zealand or elsewhere, that may have a material adverse effect on the Bank.

8. Credit rating

8.1 Rating information

The credit rating of the Bank is as follows:

Rating Agency	Type of Rating	Current Rating	Outlook	Qualifications
Fitch IBCA, Inc.	Long-term foreign currency Issuer Default Rating	BBB-	Negative	Nil

On 18 June 2012 Fitch IBCA, Inc. changed the Bank's credit rating outlook from stable to negative. There have been no other rating changes for BOB within the last two years.

8.2 Applicable ratings scales

Long Term Debt Ratings	Moody's	S&P	FITCH
Highest quality/Extremely strong capacity to pay interest and principal	Aaa	AAA	AAA
High quality/Very strong	Aa	AA	AA
Upper medium grade/Strong	A	A	A
Medium grade (lowest investment grade)/Adequate	Baa	BBB	BBB
Predominately speculative/Less near term vulnerability to default	Ba	BB	BB
Speculative, low grade/Greater vulnerability	B	B	B
Poor to default/identifiable vulnerability	Caa	CCC	CCC
Highest speculations	Ca	CC	CC
Lowest quality, no interest	C	C	C
Payment in default, in arrears – questionable value		D	D

Moody's applies numeric modifiers to each generic rating category from Aa to B, indicating that the counterparty is (1) in the higher end of its letter rating category, (2) in mid-range, (3) in lower end.

Fitch and S&P apply plus (+) or minus (-) signs to ratings from 'AA to 'CCC' to indicate relative standing within the major rating categories.

9. Historical summary of financial statements

\$000's				
For the year ended 31 March	2012	2011	2010	2009 ⁽¹⁾
Statement of comprehensive income				
Interest income	2,635	1,724	660	3
Interest expense	(831)	(209)	-	-
Net interest income	1,804	1,515	660	3
Other income	746	265	(6,866)	(1,753)
Total operating income	2,550	1,780	(6,206)	(1,750)
Impairment losses on loans and advances	(43)	(32)	-	-
Other expenses	(1,812)	(1,554)	(470)	(133)
Net profit/(loss) before taxation	695	194	(6,676)	(1,883)
Taxation (expense)/benefit	-	-	-	-
Net profit/(loss) after taxation	695	194	(6,676)	(1,883)
Minority interests	-	-	-	-
Dividends paid	-	-	-	-

\$000's				
As at 31 March	2012	2011	2010	2009
Balance sheet				
Total assets	60,563	52,922	40,102	39,142
Total individually impaired assets	-	-	-	-
Total liabilities	19,599	12,653	27	16,025
Total shareholder's equity	40,964	40,269	40,075	23,117

⁽¹⁾ The first accounting period for the Bank is the period from 27 May 2008 to 31 March 2009.

The amounts disclosed in this historical summary of financial statements have been taken from the audited financial statements of the Banking Group, which were prepared in accordance with New Zealand equivalents to International Financial Reporting Standards.

10. **Banking Group**

At the date of this disclosure statement, the Bank does not have any subsidiaries and is the only member of the Banking Group.

11. **Other material matters**

There are no other matters relating to the business or affairs of the Bank, other than those contained in this disclosure statement that, if disclosed, would materially affect the decision of a person to subscribe for debt securities of which the Bank is the issuer.

12. Directors' statements

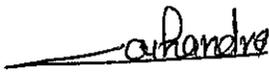
Each Director of the Bank, after due inquiry, believes as at the date of signing that this disclosure statement:

- a. contains all the information that is required by the Order; and
- b. is not false or misleading.

Each Director of the Bank, after due enquiry believes that for the year ended 31 March 2012:

- a. the Bank has complied with all conditions of registration imposed by the Reserve Bank of New Zealand under section 74 of the Reserve Bank Act 1989;
- b. credit exposures to connected persons were not contrary to interests of the Banking Group; and
- c. the Bank has 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.

For and on behalf of all of the Directors of the Bank, this disclosure statement is dated at Auckland, New Zealand this 29 June 2012 and signed by Navin Chandra Upreti as responsible person.



Navin Chandra Upreti
Managing Director
Bank of Baroda (New Zealand) Limited



13. **Independent auditors' report**

The independent auditors' report on this disclosure statement is attached with the financial statements for the Bank in Appendix 2 to this disclosure statement. The information required by Schedule 1 of the Order is included in the independent auditor's report.

14. **Financial statements**

The financial statements for the Bank for the year ended 31 March 2012 are attached as Appendix 2 to, and form part of, this disclosure statement. The information required by Schedules 4,7,9,13,14,15,and 17 of the Order is set out in those financial statements.

Appendix 1: Guarantee



बैंक ऑफ़ बड़ौदा Bank of Baroda

Deed of Guarantee

relating to
all indebtedness of Bank of Baroda (New Zealand) Limited to the
Creditors

Bank of Baroda
Guarantor

Date 14.08.2008



आंतरराष्ट्रीय विभाग : बड़ौदा कॉर्पोरेट सेंटर, सी-26, जी-ब्लॉक, बान्द्रा-कुर्ला कॉम्प्लेक्स, मुंबई 400 051, भारत
International Division Baroda Corporate Centre, C-26, G-Block, Bandra-Kurla Complex, Mumbai 400 051, India.
फोन / Phone : 91 22 6698 5000-04, 6698 5425 ☐ फॅक्स / Fax : 91 22 2652 3509
ईमेल / E-mail : gm.international.bcc@bankofbaroda.com ☐ वेब / Web : www.bankofbaroda.com



बैंक ऑफ बड़ौदा Bank of Baroda

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अंतरराष्ट्रीय विभाग : बड़ौदा कार्पोरेट सेन्टर, सी-26, जी-ब्लॉक, बान्द्रा-कुर्ला कॉम्प्लेक्स, मुंबई 400 051, भारत
International Division Baroda Corporate Centre, C-26, G-Block, Bandra-Kurla Complex, Mumbai 400 051, India.
फ़ोन / Phone : 91 22 6698 6000-04, 6698 6426 ☐ फ़ैक्स / Fax : 91 22 2652 8609
ई-मेल / E-mail : gm.international.bcc@bankofbaroda.com ☐ वेब / Web : www.bankofbaroda.com



बैंक ऑफ़ बड़ोदा Bank of Baroda

This Deed of Guarantee is made on 13th August, 2008

by Bank of Baroda (Guarantor)

Introduction

At the request of the Bank, the Guarantor has agreed to guarantee all of the indebtedness of the Bank to the Creditors on the terms of this Deed.

It is agreed

1. Interpretation

1.1

Definitions

In this Deed:

Bank means Baroda (New Zealand) Limited (to be renamed Bank of Baroda (New Zealand) Limited);

Creditor means a person to whom the Bank owes indebtedness, including, for the avoidance of doubt, any depositor of the Bank; and

Guaranteed Indebtedness means all indebtedness of the Bank to the Creditors.

1.2

Construction of certain references

In this Deed:

an agreement includes a contract, deed, licence, undertaking and other document or legally enforceable arrangement in writing (present and future) and includes that document as amended, assigned, novated or substituted from time to time;

a business day means a day (other than a Saturday or Sunday) on which registered banks are open for general banking business in Wellington and, where payment is required in foreign currency, banks are open for business in the required place of payment;

a consent includes an approval, authorisation, exemption, filing, licence, order, permit, recording and registration;

costs incurred by a person include all commissions, charges, losses, expenses (including legal fees on a solicitor and own client basis) and taxes incurred by that person;

a guarantee means a suretyship, the economic effect of which is to assume responsibility for the indebtedness or obligations of another person;

indebtedness includes any obligation (whether present or future, secured or unsecured, joint or several, as principal, surety or otherwise) relating to the payment of money;

the liquidation of a person includes the dissolution, administration, winding-up and bankruptcy of that person and any analogous procedure under the law of any jurisdiction in which that person is incorporated, domiciled, carries on business or has property;



International Division Baroda Corporate Centre, C-26, G-Block, Bandra-Kurla Complex, Mumbai 400 051, India.
फोन / Phone: 91 22 6698 5000-04, 6698 5426 ☐ फैक्स / Fax: 91 22 2652 3509
ई-मेल / E-mail: gm.international.bco@bankofbaroda.com ☐ वेब / Web: www.bankofbaroda.com



बैंक ऑफ़ बड़ोदा Bank of Baroda

a person includes an individual, body corporate, an association of persons (whether corporate or not), a trust, a state, an agency of a state and any other entity (in each case, established for lawful purposes and whether or not having separate legal personality);

property includes the whole and any part of the relevant person's business, assets, undertaking, revenues and rights (in each case, present and future), and reference to any property includes any legal or equitable interest in it;

writing includes an authenticated SWIFT message, facsimile transmission, an email communication and any means of reproducing words in a tangible and permanently visible form;

a reference to a party, clause, schedule or annexure is a reference to a party to, clause of, schedule to or annexure to, this Deed;

the word including when introducing an example does not limit the meaning of the words to which the example relates;

an agreement, representation or undertaking given by the Guarantor in favour of two or more persons is for the benefit of them jointly and each of them severally; to the extent of cumulative indebtedness only;

a gender includes each other gender;

the singular includes the plural and vice versa;

where a word or phrase is defined, its other grammatical forms have a corresponding meaning; and

any legislation includes a modification and re-enactment of, legislation enacted in substitution for, and a regulation, order-in-council and other instrument from time to time issued or made under, that legislation.

2.

2.1 Headings and the table of contents are to be ignored in construing this Deed.

Guarantee and indemnity

Guarantee

2.2 The Guarantor unconditionally and irrevocably guarantees to the Creditors due payment by the Bank of the Guaranteed Indebtedness.

Payment

2.3 The Guarantor undertakes to the Creditors that if, for any reason, the Bank does not pay to the Creditors when due (whether by acceleration or otherwise) any Guaranteed Indebtedness, it will pay the relevant amount to each relevant Creditor immediately on receiving a written demand from the Creditor accompanied by proof of the relevant Guaranteed Indebtedness.

Unenforceability of obligations

As a separate and continuing undertaking, the Guarantor unconditionally and irrevocably undertakes to the Creditors that, should any Guaranteed Indebtedness not be recoverable from the Bank due to:



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International Division Baroda Corporate Centre, C-26, C-Block, Bandra-Kurla Complex, Mumbai 400 051, India.
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- (a) a defect in or lack of powers of the Bank or the Guarantor or the irregular exercise of those powers; or
- (b) a defect in or lack of authority by a person purporting to act on behalf of the Bank or the Guarantor; or
- (c) a legal or other limitation (whether under the Limitation Act 1950 or otherwise), disability or incapacity of the Bank or the Guarantor; or
- (d) a liquidation, amalgamation, change in status, constitution or control, reconstruction or reorganisation of the Bank or the Guarantor (or the commencement of steps to effect the same),

it will, as a sole and independent obligation, pay to the Creditors on demand the amount that the Creditors would otherwise have been able to recover (on a full indemnity basis). In this clause, the expression "Guaranteed indebtedness" includes any indebtedness that would have been included in that expression but for anything referred to in this clause.

3. Nature of guarantee obligations

3.1 Liability as sole principal debtor

As between the Guarantor and the Creditors (but without affecting the obligations of the Bank) the Guarantor is liable under this Deed in relation to the Guaranteed Indebtedness as if it were the sole and principal debtor. However, the Bank will be discharged from its obligations in respect of any Guaranteed Indebtedness to the extent of any payment made by the Guarantor in relation to that Guaranteed Indebtedness.

3.2 No discharge

The Guarantor is not discharged, nor are its obligations affected, by:

- (a) any time, indulgence, waiver or consent at any time given to the Bank; or
- (b) an amendment (however fundamental) to, or replacement of, any agreement; or
- (c) the liquidation, amalgamation, change in status, constitution or control, reconstruction or reorganisation of the Bank (or the commencement of steps to effect any of these).

4. Payments

4.1 Mode of payments

Each payment to a Creditor under this Deed is to be made on the due date in immediately available freely transferable funds in the manner that the Creditor, by notice to the Guarantor, specifies from time to time.

Payments to be free and clear

Each payment by the Guarantor to a Creditor under this Deed is to be made:

- (a) free of any restriction or condition; and



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(b) free and clear of and without any deduction or withholding for or on account of tax or on another account, whether by way of set-off, counterclaim or otherwise (except to the extent required by law).

4.3 Reinstatement

If a payment made by the Guarantor to a Creditor pursuant to this Deed is avoided by law:

- (a) that payment will be deemed not to have discharged or affected the relevant obligation of the Guarantor; and
- (b) that Creditor and the Guarantor will be deemed to be restored to the position in which each would have been if that payment had not been made.

5. Assignment

Neither the Guarantor nor a Creditor may assign or transfer any of its rights or obligations under this Deed.

6. Notices

6.1 Addresses and references

Each notice or other communication under this Deed is to be made in writing and sent by SWIFT messaging, personal delivery or post to the addressee at the address, and marked for the attention of the person or office holder (if any), from time to time designated for the purpose by the addressee to the other party. The SWIFT code, address and relevant person or office holder of the Guarantor, and the address and relevant person or office holder of the Bank, is set out in the Schedule.

6.2 Deemed delivery

No communication will be effective until received in legible form.

7. Remedies and waivers

7.1 Exercise of rights and waivers

Time is of the essence in respect of all dates and times for compliance by the Guarantor with the Guarantor's obligations under this Deed. However, failure to exercise, and delay in exercising, a right of a Creditor under this Deed will not operate as a waiver of that right, subject to laws of limitation, nor will a single or partial exercise of a right preclude another or further exercise of that right or the exercise of another right. No waiver by a Creditor of that Creditor's rights under this Deed is effective unless it is in writing signed by that Creditor.

7.2 Remedies cumulative

The rights of the Creditors under this Deed are cumulative and not exclusive of any rights provided by law.

अंतरराष्ट्रीय प्रभाग : बड़ोदा कार्पोरेट सेन्टर, सी-26, जी-ब्लॉक, बान्द्रा-कुर्ला कॉम्प्लेक्स, मुंबई 400 051, भारत

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8. Miscellaneous

8.1 Partial Invalidity

The illegality, invalidity or unenforceability of a provision of this Deed under any law will not affect the legality, validity or enforceability of that provision under another law or the legality, validity or enforceability of another person.

8.2 Enforcement by Creditors

For the purposes of the Contracts (Privity) Act 1982, the Guarantor acknowledges and accepts that its obligations under this Deed shall be enforceable by the Creditors.

9. Governing law and jurisdiction

9.1 Governing law

This Deed is governed by and is to be construed in accordance with New Zealand law.

9.2 In New Zealand

Each of the parties irrevocably and unconditionally agrees that the Courts of New Zealand shall have jurisdiction to hear and determine each suit, action or proceeding (proceedings), and to settle disputes, that may arise out of or in connection with this Deed and for these purposes irrevocably submits to the jurisdiction of those courts.

9.3 Service in New Zealand

The Guarantor agrees that the process by which any suit, action or proceeding in New Zealand is begun may be served on it by being delivered to the Bank without prejudice to any other lawful means of service. The address and relevant person or office holder of the Bank is set out in the Schedule.





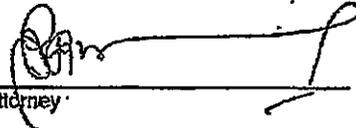
बैंक ऑफ़ बड़ौदा Bank of Baroda

Execution

Executed as a deed

This Deed of Guarantee in favour of the Creditors of Bank of Baroda (New Zealand) Limited is executed on this the 14th day of August 2008 by Bank of Baroda, a body corporate constituted under the Banking Companies (Acquisition & Transfer of Undertakings) Act, 1970 and having its Head Office at Mandvi, Baroda, India and its Corporate Office at Baroda Corporate Centre, C-26, G-Block, Bandra Kurla Complex, Bandra (East), Mumbai, India, by its attorney in the presence of :


Witness Signature


Attorney

BHAGAT SINGH BISHT
Print Name

RAJENDRA KUMAR GARG
Print Name

Asst. General Manager
(International Operations)
Occupation

Baroda Corporate Centre
C-26, G-Block
Bandra Kurla Complex
Mumbai - 400 051
INDIA
Address



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अंतरराष्ट्रीय विभाग : बड़ौदा कार्पोरेट सेंटर, सी-26, जी-ब्लॉक, बान्द्रा-कुर्ला कॉम्प्लेक्स, मुंबई 400 051, भारत
International Division: Baroda Corporate Centre, C-26, G-Block, Bandra-Kurla Complex, Mumbai 400 051, India.
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बैंक ऑफ बड़ोदा Bank of Baroda

The Schedule

Party Details

Guarantor Details

Name	Bank of Baroda
Address for Notices	Plot No. C-26, G-Block, Bandra-Kurla Complex, Bandra (East), Mumbai – 400051, India.
Attention	General Manager (International Operations)
Telephone Number	+91-22-66985454/5426
Email	gm.international.bcc@bankofbaroda.com
SWIFT Code	BARBINBBXXX

Bank Details

Name	Bank of Baroda (New Zealand) Limited
Address for Notices	The Bank's registered office
Attention	Managing Director

अंतरराष्ट्रीय मंत्रालय बैंक ऑफ बड़ोदा सेंटर, सी-26, जी-ब्लॉक, बान्द्रा-कुर्ला कॉम्प्लेक्स, मुंबई 400 051, भारत
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Appendix 2: Financial Statements

Bank of Baroda (New Zealand) Limited

Company Number 2135104

Financial Statements for the year ended 31 March 2012

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Independent Auditors' Report

To the shareholder of Bank of Baroda (New Zealand) Limited

Report on the Financial Statements (excluding Supplementary Information Relating to Capital Adequacy)

We have audited pages 39 to 79 of the Disclosure Statement of Bank of Baroda (New Zealand) Limited (the 'Bank') which consists of the financial statements and the supplementary information (excluding the supplementary information relating to capital adequacy disclosed in Note 45) required by Schedules 4, 7, 13 to 15 and 17 of the Registered Bank Disclosure Statements (New Zealand Incorporated Registered Banks) Order 2012 (the 'Order'). The financial statements comprise the balance sheet as at 31 March 2012, the statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information for the Bank.

Directors' Responsibility for the Financial Statements

The Directors of Bank of Baroda (New Zealand) Limited (the 'Directors') are responsible for the Disclosure Statement, which includes financial statements prepared in accordance with Clause 21 of the Order and generally accepted accounting practice in New Zealand and that give a true and fair view of the matters to which they relate. The Directors are also responsible for such internal controls as the Directors determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In addition, the Directors are responsible for including supplementary information in the Disclosure Statement which complies with Schedules 2, 4, 7, 13 to 15 and 17 and Clause 21 of the Order.

Auditors' Responsibility

Our responsibility is to express an opinion on the financial statements and the supplementary information (excluding the supplementary information relating to capital adequacy disclosed in Note 45) disclosed in accordance with Schedules 4, 7, 13 to 15 and 17 of the Order and presented to us by the Directors. We conducted our audit in accordance with International Standards on Auditing (New Zealand) and International Standards on Auditing. These 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 the auditors' 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, the auditors consider the internal controls relevant to the Bank's preparation of 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 controls. 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 that the evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

We carry out other assignments on behalf of the Bank in the area of other assurance related services. In addition, certain partners and employees of our firm may deal with the Bank on normal terms within the ordinary course of trading activities of the Bank. These matters have not impaired our independence as auditors of the Bank. We have no other interests in the Bank.

Opinion

In our opinion, the financial statements on pages 39 to 79 (excluding the supplementary information disclosed in accordance with Schedules 4, 7, 9, 13 to 15 and 17 of the Order and included within the balance sheet and Notes 27, 29, 30, 42, 43, 44 and 45):

- (i) comply with generally accepted accounting practice in New Zealand;
- (ii) comply with International Financial Reporting Standards; and
- (iii) give a true and fair view of the financial position of the Bank as at 31 March 2012, and its financial performance and cash flows for the year then ended.

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

In our opinion, the supplementary information (excluding the supplementary information relating to capital adequacy in Note 45) prescribed by Schedules 4, 7, 13 to 15 and 17 of the Order fairly states the matters to which it relates in accordance with those Schedules.

We also report in accordance with the requirements of Sections 16(1)(d) and 16(1)(e) of the Financial Reporting Act 1993 and Clauses 2(1)(d) and 2(1)(e) of Schedule 1 of the Order. In relation to our audit of the financial statements (excluding the supplementary information relating to capital adequacy disclosed in Note 45) for the year ended 31 March 2012:

- (i) we have obtained all the information and explanations that we have required; and
- (ii) in our opinion, proper accounting records have been kept by the Bank as far as appears from an 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 in Note 45 of the financial statements of the Bank for the year ended 31 March 2012.

Directors' Responsibility for the Supplementary Information Relating to Capital Adequacy

The Directors are responsible for including supplementary information relating to capital adequacy prepared in accordance with Schedule 9 of the Order.

Auditors' Responsibility

Our responsibility is to express an opinion on the supplementary information relating to capital adequacy, disclosed in Note 45, based on our review.

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 supplementary information is not, in all material respects:

- (i) prepared in accordance with the Bank's conditions of registration; and
 - (ii) disclosed in accordance with Schedule 9 of the Order;
- and for reporting our findings to you.

We conducted our review in accordance with review engagement standard RS-1 Statement of Review Engagement Standards issued by the New Zealand Institute of Chartered Accountants. A review is limited primarily to enquiries of Bank personnel and analytical procedures applied to financial data, and thus provides less assurance than an audit. We have not performed an audit on the supplementary information relating to capital adequacy disclosed in Note 45 and, accordingly, we do not express an audit opinion on that supplementary information.

Opinion

Based on our review procedures, which are not an audit, nothing has come to our attention that causes us to believe that the supplementary information relating to capital adequacy disclosed in Note 45, as required by Schedule 9 of the Order, is not in all material respects:

- (i) prepared in accordance with the Bank's conditions of registration; and
- (ii) disclosed in accordance with Schedule 9 of the Order.

Restriction on Distribution or Use

This report is made solely to the Bank's shareholder. Our work has been undertaken so that we might state to the Bank's shareholder those matters which 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 shareholder, for our audit work, for this report, or for the opinions we have formed.



BANK OF BARODA (NEW ZEALAND) LIMITED

FINANCIAL STATEMENTS

For the year ended 31 March 2012

STATEMENT OF COMPREHENSIVE INCOME For the year ended 31 March 2012	Notes	2012 \$'000	2011 \$'000
Interest income	2	2,635	1,724
Interest expense	2	(831)	(209)
Net interest income	2	1,804	1,515
Net gains/(losses) on financial instruments at fair value through profit or loss	3	-	-
Other income	4	746	265
Total operating income		2,550	1,780
Operating expenses	5	(1,812)	(1,554)
Impairment losses on loans and advances	6	(43)	(32)
Net profit before taxation		695	194
Taxation (expense)/benefit	7	-	-
Net profit after taxation		695	194
Net change in available-for-sale reserve (net of tax)		-	-
Net change in cash-flow hedge reserve (net of tax)		-	-
Foreign currency translation reserve		-	-
Total other comprehensive income		-	-
Total comprehensive income		695	194

The accompanying notes form an integral part of these financial statements.

BANK OF BARODA (NEW ZEALAND) LIMITED**FINANCIAL STATEMENTS**

For the year ended 31 March 2012

STATEMENT OF CHANGES IN EQUITY For the year ended 31 March 2012	Notes	Share Capital \$'000	Retained Earnings \$'000	Total \$'000
Balance at 1 April 2011	26	40,000	269	40,269
Profit for the year		-	695	695
Total comprehensive income for the year		-	695	695
Balance at 31 March 2012	26	40,000	964	40,964
Balance at 1 April 2010	26	40,000	75	40,075
Profit for the year		-	194	194
Total comprehensive income for the year		-	194	194
Balance at 31 March 2011	26	40,000	269	40,269

The accompanying notes form an integral part of these financial statements.

BANK OF BARODA (NEW ZEALAND) LIMITED

FINANCIAL STATEMENTS

For the year ended 31 March 2012

BALANCE SHEET As at 31 March 2012	Notes	2012 \$'000	2011 \$'000
Assets			
Cash and cash equivalents	9	768	1,078
Balances due from related parties	20	3,006	1,790
Due from other financial institutions	10	36,800	41,400
Financial assets at fair value through profit or loss	11	-	-
Available-for-sale assets	12	-	-
Loans and advances	13	18,527	7,983
Property, plant and equipment	16	1,120	483
Intangible assets	17	-	-
Current taxation	8	-	-
Deferred tax asset	8	-	-
Other assets	18	342	188
Total assets		60,563	52,922
Liabilities			
Due to other financial institutions	19	-	-
Balances due to related parties	20	356	1,022
Deposits and other borrowings	21	19,100	11,559
Debt securities issued	22	-	-
Current taxation	8	-	-
Other liabilities	23	143	72
Term subordinated debt	25	-	-
Total liabilities		19,599	12,653
Shareholders' equity			
Share capital	26	40,000	40,000
Reserves	26	964	269
Total shareholders' equity		40,964	40,269
Total shareholders' equity and liabilities		60,563	52,922
Total interest earning and discount bearing assets		58,098	51,156
Total interest and discount bearing liabilities		18,602	10,820

For and on behalf of the Board



Director



Authorised for issue on 29 June 2012

The accompanying notes form an integral part of these financial statements

BANK OF BARODA (NEW ZEALAND) LIMITED

FINANCIAL STATEMENTS

For the year ended 31 March 2012

CASH FLOW STATEMENT For the year ended 31 March 2012	Notes	2012 \$'000	2011 \$'000
Cash flows from operating activities			
Interest received		2,568	1,587
Fees and other income		746	265
Operating expenses paid		(1,685)	(1,379)
Interest paid		(831)	(209)
Taxes paid		-	-
Net cash flows from operating activities before changes in operating assets and liabilities		798	264
Net changes in operating assets and liabilities:			
(Increase)/decrease in financial assets held for trading		-	-
Decrease/(increase) in available-for-sale-assets		-	-
Increase in loans and advances		(10,544)	(7,983)
Decrease/(increase) in balances due from other financial institutions		-	-
Increase in deposits and other borrowings		7,541	11,559
(Decrease)/increase in balances due to related parties		(666)	1,022
Increase in balances due to financial institutions		-	-
(Increase) in other assets		(87)	(13)
Increase/(decrease) in other liabilities and provisions		-	45
Net cash flows from operating activities		(2,958)	4,894
Cash flows from investing activities			
Purchase of property, plant and equipment		(736)	(263)
Purchase of intangible software assets		-	-
Purchase of customer relationships		-	-
Net cash flows from investing activities		(736)	(263)
Cash flows from financing activities			
Issue of shares		-	-
Capital injection from shareholders		-	-
Proceeds from term subordinated debt		-	-
Proceeds from related parties		-	-
Increase in debt securities issued		-	-
Dividends paid		-	-
Net cash flows from financing activities		-	-
(Decrease)/increase in cash and cash equivalents		(3,694)	4,631
Add opening cash and cash equivalents		44,268	39,637
Effect of exchange rate changes on cash and cash equivalents		-	-
Closing cash and cash equivalents		40,574	44,268
Represented by:			
Cash and bank balances	9	768	1,078
Short term deposits	10	36,800	41,400
Deposit/cash held with related parties	20	3,006	1,790
Closing cash and cash equivalents		40,574	44,268

The accompanying notes form an integral part of these financial statements.

BANK OF BARODA (NEW ZEALAND) LIMITED

FINANCIAL STATEMENTS

For the year ended 31 March 2012

CASH FLOW STATEMENT For the year ended 31 March 2012	2012 \$'000	2011 \$'000
Reconciliation of net profit after taxation to net cash-flows from operating activities		
Net profit/(loss) after taxation	695	194
Non cash movements:		
Unrealised fair value adjustments	-	-
Depreciation	99	130
Amortisation of intangibles	-	-
Increase in collective allowance for impairment losses	43	32
Increase in individual allowance for impairment losses	-	-
(Increase)/decrease in deferred expenditure	-	-
Unsecured lending losses	-	-
Unrealised foreign exchange loss/(gain)	-	-
(Increase)/decrease in deferred taxation	-	-
Increase in operating assets and liabilities	142	162
(Increase)/decrease in financial assets at fair value through profit or loss	-	-
Decrease/(increase) in available-for-sale assets	-	-
Increase in loans and advances	(10,587)	(8,015)
Decrease/(increase) in balances due from other financial institutions	-	-
Increase in deposits and other borrowings	7,541	11,559
Increase in balances due to other financial institutions	-	-
Increase in other liabilities	71	45
Increase in interest receivable	(67)	(129)
(Decrease)/increase in balances due to related parties	(666)	1,022
Increase in current taxation	-	69
Increase in other assets	(87)	(13)
Net cash flows from operating activities	(2,958)	4,894

The accompanying notes form an integral part of these financial statements.

BANK OF BARODA (NEW ZEALAND) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2012

1. STATEMENT OF ACCOUNTING POLICIES

GENERAL ACCOUNTING POLICIES

The reporting entity is Bank of Baroda (New Zealand) Limited (the "Bank"). The Bank is registered under the Companies Act 1993 and is incorporated in New Zealand. These financial statements have been drawn up in accordance with the requirements of the Companies Act 1993, the Financial Reporting Act 1993, and the Registered Bank Disclosure Statements (New Zealand Incorporated Registered Banks) Order 2012. They were approved for issue by the Directors on 29 June 2012. The address of its registered office is 114 Dominion Road, PB No. 56580, Post Code 1446, Auckland, New Zealand.

The Bank's financial statements have been prepared in accordance with New Zealand Generally Accepted Accounting Practice ("NZ GAAP"). They comply with New Zealand equivalents to International Financial Reporting Standards ("NZ IFRS") and other applicable Financial Reporting Standards, as appropriate for profit-oriented entities. These financial statements also comply with International Financial Reporting Standards.

Basis of preparation

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, and financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.

Critical accounting estimates and judgements

The preparation of financial statements in conformity with NZ IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Bank's accounting policies.

Estimates, judgements and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected. There have been no material estimates or judgements in the preparation of these financial statements.

Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Interpretations issued but not yet effective

The following new standards and amendments to standards relevant to the Bank are not yet effective and have not yet been applied in preparing the financial statements.

- NZ IFRS 9 *Financial Instruments: Classification and Measurement* - If this standard is not early adopted it will be effective for the 2016 financial year end. The major changes under the standard are that:
 - NZ IFRS 9 replaces the multiple classification and measurement models in NZ IAS 39 *Financial Instruments: Recognition and Measurement* with a single model that has two classification categories: amortised cost and fair value;
 - A financial asset is measured at amortised cost if two criteria are met: a) the objective of the business model is to hold the financial assets for the collection of the contractual cash flows, and b) the contractual cash flows under the instrument solely represent the payment of principal and interest;
 - If a financial asset is eligible for amortised cost measurement, an entity can elect to measure it at fair value if it eliminates or significantly reduces an accounting mismatch;
 - There will be no bifurcation of an embedded derivative where the host is a financial asset;
 - Equity instruments must be measured at fair value however, an entity can elect on initial recognition to present the fair value changes on an equity investment directly in other comprehensive income. There is no subsequent recycling of fair value gains and losses to profit or loss, however dividends from such investments will continue to be recognised in profit and loss; and
 - If an entity holds a tranche in a waterfall structure it must determine the classification of that tranche by looking through to the assets ultimately underlying that portfolio and assess the credit quality of the tranche compared with the underlying portfolio. If an entity is unable to look through, then the tranche must be measured at fair value.
- IFRS 13 Fair Value Measurement is effective for the year beginning 1 January 2013. It establishes a single source of guidance under IFRS for determining the fair value of assets and liabilities. It also expands the disclosure requirements for all assets or liabilities carried at fair value. This includes information about the assumptions made and the qualitative impact of those assumptions on the fair value determined. The bank is yet to assess the full impact of IFRS 13.

BANK OF BARODA (NEW ZEALAND) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2012

1. STATEMENT OF ACCOUNTING POLICIES (Continued)

Foreign currency translation

Functional and presentation currency

Items included in the financial statements of the Bank are measured using New Zealand dollars, the currency of the primary economic environment in which the Bank operates ("the functional currency"). The financial statements are presented in New Zealand dollars and rounded to thousands unless otherwise stated.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of the transaction or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income, except when deferred in equity as qualifying cash flow hedges.

Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different to those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment and is subject to risks and returns that are different from those of segments operating in other economic environments.

Revenue recognition

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

Interest income and expense

Financial instruments are classified in the manner described in the financial assets and liabilities sections below. Some are measured by reference to amortised cost, others by reference to fair value.

For financial instruments measured at amortised cost, interest income and expense is recognised on a time-proportion basis using the effective interest method. When an instrument is impaired, the Bank reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans is recognised using the original effective interest rate.

For financial instruments measured at fair value, interest income or expense is recognised on an accrual basis, either daily or on a yield to maturity basis.

Lending fees

Fees and direct costs relating to loan origination, financing or restructuring and to loan commitments are deferred and amortised to interest income over the life of the loan using the effective interest method. Lending fees not directly related to the origination of a loan are recognised over the period of service.

Commissions and other fees

When commissions or fees relate to specific transactions or events, they are recognised in the statement of comprehensive income when the service is provided to the customer. When they are charged for services provided over a period, they are taken to other income on an accruals basis as the service is provided.

Other income

Dividend income is recorded in the statement of comprehensive income when the Bank's right to receive the dividend is established. Realised and unrealised gains and losses from re-measurement of financial instruments at fair value through profit or loss are disclosed separately in the statement of comprehensive income.

Expense recognition

Operating lease payments are recognised in the statement of comprehensive income on a straight-line basis over the term of the lease, unless another systematic basis is more representative of the time pattern of the benefit received. All other expenses, excluding interest expense, are recognised in the statement of comprehensive income on an accrual basis.

BANK OF BARODA (NEW ZEALAND) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2012

1. STATEMENT OF ACCOUNTING POLICIES (Continued)

Financial assets

Classification

The Bank classifies its financial assets in the following categories: at fair value through profit or loss; loans and receivables; available for sale and held to maturity. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Financial assets at fair value through profit or loss

Assets in this category are either held for trading or designated at fair value through the profit or loss at inception. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term, if it eliminates an accounting mismatch or if it is managed by the Bank on a fair value basis. Derivatives are categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. The Bank's loans and receivables generally comprise advances to customers, trade and other receivables and cash and cash equivalents in the balance sheet.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date.

Held to maturity

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Bank's management has the positive intention and ability to hold to maturity. If the Bank were to sell other than an insignificant amount of held-to-maturity assets, the entire category would be reclassified as available for sale.

Recognition and measurement

Regular purchases and sales of financial assets are recognised on the trade-date – the date on which the Bank commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the statement of comprehensive income. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Bank has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables and held to maturity investments are carried at amortised cost using the effective interest method.

Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the statement of comprehensive income in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the statement of comprehensive income as part of other income when the Bank's right to receive payments is established.

Changes in the fair value of monetary securities denominated in a foreign currency and classified as available for sale are analysed between translation differences resulting from changes in amortised cost of the security and other changes in the carrying amount of the security. The translation differences on monetary securities are recognised in profit or loss; translation differences on non-monetary securities are recognised in equity. Changes in the fair value of monetary and non-monetary securities classified as available for sale are recognised in equity.

When securities classified as available for sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the statement of comprehensive income as other income.

Interest on available-for-sale securities calculated using the effective interest method is recognised in the statement of comprehensive income as part of interest income. Dividends on available-for-sale equity instruments are recognised in the statement of comprehensive income as part of other income when the Bank's right to receive payments is established.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Bank establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models making maximum use of market inputs and relying as little as possible on entity-specific inputs.

The Bank assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. The impairment testing of loans and receivables is described further below in the asset quality section.

BANK OF BARODA (NEW ZEALAND) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2012

1. STATEMENT OF ACCOUNTING POLICIES (Continued)

Financial liabilities

The Bank classifies its financial liabilities in the following categories: at fair value through profit or loss; or other financial liabilities. The classification depends on the purpose for which the financial liability was entered into. Management determines the classification of its financial liabilities at initial recognition.

Financial liabilities at fair value through profit or loss

Liabilities in this category are either held for trading or designated at fair value through the profit or loss at inception. A financial liability is classified in this category if entered into principally for the purpose of selling in the short-term, if it eliminates an accounting mismatch or if it is managed by the Bank on a fair value basis.

Liabilities in this category are measured at fair value.

Derivative liabilities that do not meet the criteria for hedge accounting are classified as held for trading and measured at fair value through profit or loss.

Other financial liabilities

This category includes all financial liabilities other than those at fair value through profit or loss. Liabilities in this category are measured at amortised cost and include:

Due to other banks

This represents amounts due to other banks, apart from those designated as at fair value through profit or loss.

Deposits from customers

Deposits from customers cover all forms of funding, apart from those classified as at fair value through profit or loss and include transactional and savings accounts, term deposits and credit balances on cards.

Other liabilities

Other liabilities include the accrual of interest coupons and fees payable. For derivatives any accrued interest is recognised and measured as part of the derivative's fair value.

Subordinated debt

Subordinated debt is recognised in the balance sheet including accrued interest as both components are subordinate to other liabilities. When fair value hedge accounting is applied to fixed rate subordinated debt, the carrying value at amortised cost is adjusted for changes in fair value related to the hedged risk.

Other financial liabilities are recognised initially at fair value net of transaction costs incurred. Other financial liabilities are subsequently stated at amortised cost; any difference between proceeds net of transaction costs and the redemption value is recognised in the statement of comprehensive income over the period of the borrowings using the effective interest method.

Derivative financial instruments and hedge accounting

Derivatives, including foreign exchange contracts, forward rate agreements, futures, options, interest rate swaps and currency swaps, are used as part of the Bank's financial market activities and to hedge certain assets and liabilities. The Bank recognises derivatives in the balance sheet at their fair value on the date at which the derivative contract is entered into and subsequently remeasured at fair value. Fair values are obtained from market yields and discounted cash flow models or option pricing models as appropriate. Derivative assets are the fair value of derivatives which have a positive fair value. Derivative liabilities are the fair value of derivatives which have a negative fair value.

All derivatives that do not meet the criteria for hedge accounting under NZ IAS 39 are classified as at fair value through profit or loss. This includes derivatives transacted as part of the trading activity of the Bank, as well as derivatives transacted as economic hedges, but not qualifying for hedge accounting. Changes in fair value are reflected in the statement of comprehensive income immediately when they occur.

The Bank uses derivatives as part of its asset and liability management activities to manage exposures to interest rate, foreign currency and credit risks, including exposures arising from forecast transactions. The Bank applies either cash flow or fair value hedge accounting when transactions meet the specified criteria to obtain hedge accounting treatment.

The Bank discontinues hedge accounting when it is determined that a hedge has ceased to be highly effective; when the derivative expires, or is sold, terminated, or exercised; when the hedged item matures or is sold or repaid; when a forecast transaction is no longer deemed highly probable; or when the Bank elects to revoke the hedge designation.

BANK OF BARODA (NEW ZEALAND) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2012

1. STATEMENT OF ACCOUNTING POLICIES (Continued)

Cash flow hedge accounting

A fair valuation gain or loss associated with the effective portion of a derivative designated as a cash flow hedge is recognised initially in cash flow hedge reserve. The ineffective portion of a fair valuation gain or loss is recognised immediately in the statement of comprehensive income. When the transaction or item that the derivative is hedging (including cash flows from transactions that were only forecast when the derivative hedge was effected) affects income or expense then the associated gain or loss on the hedging derivative is simultaneously transferred from cash flow hedge reserve to the corresponding income or expense line item in the statement of comprehensive income. When a hedging derivative expires or is sold, the hedge no longer meets the criteria for hedge accounting, or the Bank elects to revoke the hedge designation, the cumulative gain or loss on the hedging derivative remains in cash flow hedge reserves until the forecast transaction occurs and affects income, at which point it is transferred to the corresponding income or expense line. If a forecast transaction is no longer expected to occur, the cumulative gain or loss on the hedging derivative previously reported in cash flow hedge reserves is immediately transferred to other income.

Fair value hedge accounting

For qualifying fair value hedges the change in fair value of the hedging derivative is recognised within other income in the statement of comprehensive income. Those changes in fair value of the hedged item which are attributable to the risks hedged with the derivative instrument are reflected in an adjustment to the carrying value of the hedged item, which is also recognised in other income. If the hedging instrument expires or is sold, terminated or exercised, if the hedge no longer meets the criteria for hedge accounting, or the Bank revokes the hedge designation, the difference between the carrying value of the hedged item at that point and the value at which it would have been carried had the hedge never existed (the "unamortised fair value adjustment"), is maintained as part of the carrying value of the hedged item and amortised to the statement of comprehensive income based on a recalculated effective interest rate.

Repurchase and reverse repurchase agreements

Securities sold under agreements to repurchase are retained within the relevant security portfolio and accounted for accordingly. The obligation to repurchase is recorded as a deposit. The difference between the sale and repurchase price represents interest expense and is recognised in the statement of comprehensive income over the term of the repurchase agreement. Securities held under reverse repurchase agreements are recorded as advances. The difference between the purchase and sale price represents interest income and is recognised in the statement of comprehensive income over the term of the reverse repurchase agreement.

Offsetting financial instruments

The Bank offsets financial assets and financial liabilities and reports the net balance in the balance sheet 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.

Asset quality

Impaired assets

Impaired assets consist of restructured assets, assets acquired through the enforcement of security and other impaired assets.

Other impaired assets means any credit exposures for which an impairment loss is required in accordance with NZ IAS 39, paragraphs 58 to 62, but is not a restructured asset or an asset acquired through the enforcement of security.

A restructured asset is any credit exposure for which:

- the original terms have been changed to grant the counterparty a concession that would not otherwise have been available, due to the counterparty's difficulties in complying with the original terms;
- the revised terms of the facility are not comparable with the terms of new facilities with comparable risks; and
- the yield on the asset following restructuring is equal to, or greater than, the Bank's average cost of funds, or that a loss is not otherwise expected to be incurred.

Assets acquired through the enforcement of security are those real estate and other assets acquired in full or partial satisfaction of a debt.

Past due assets

A past due asset is any credit exposure where a counterparty has failed to make a payment when contractually due, and which is not an impaired asset.

Assets under administration

An asset under administration is any credit exposure which is not an impaired asset or a past due asset, but which is to a counterparty:

- who is in receivership, liquidation, bankruptcy, statutory management or any form of administration in New Zealand; or
- who is in any other equivalent form of voluntary or involuntary administration in an overseas jurisdiction.

Renegotiated assets

A renegotiated asset is any credit exposure that would otherwise be past due or impaired whose terms have been renegotiated.

BANK OF BARODA (NEW ZEALAND) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2012

1. STATEMENT OF ACCOUNTING POLICIES (Continued)

Impairment of financial assets

Assets carried at amortised cost

An assessment is made at each balance sheet date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or group of financial assets is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. Objective evidence that a financial asset or group of assets is impaired includes observable data that comes to the attention of the directors about the following loss events:

- significant financial difficulty of the issuer or obligor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- a concession granted to the borrower that the lender would not otherwise consider for economic or legal reasons;
- relating to the borrower's financial difficulty;
- it becoming probable that the borrower will enter bankruptcy or other financial reorganisation;
- the disappearance of an active market for that financial asset because of financial difficulties; or
- observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the group; including adverse changes in the payment status of borrowers in the group.

Firstly an assessment is made whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence exists for an individually assessed financial asset, whether significant or not, the assets are included in a group of financial assets with similar credit risk characteristics and collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss on loans and receivables or held-to-maturity investments carried at amortised cost has been incurred, the amount of loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the statement of comprehensive income. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient impairment may be measured on the basis of an instrument's fair value using an observable market price.

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 collateral, whether or not foreclosure is probable. For the purposes of a collective evaluation of impairment, financial assets are grouped on the basis of similar credit risk characteristics (i.e. on the basis of the Bank's grading process that considers collateral type, past-due status and other relevant factors). Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated.

Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of the contractual cash flows of the assets and historical loss experience for assets with similar credit characteristics.

Estimates of changes in future cash flows for groups of assets should reflect and be directionally consistent with changes in related observable data from period to period (for example, changes in payment status or other factors indicative of changes in probability of losses in the group and their magnitude). The methodology and assumptions used for estimating future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

When a loan is uncollectible, it is written off to the statement of comprehensive income. Such loans are written off after all the necessary procedures have been completed and the amount of the loss has been determined.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtors credit rating), the previously recognised impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognised in the statement of comprehensive income.

Property, plant and equipment

Property, plant and equipment are recognised in the balance sheet at historical cost less accumulated depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

BANK OF BARODA (NEW ZEALAND) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2012

1. STATEMENT OF ACCOUNTING POLICIES (Continued)

Subsequent costs are included in the asset's carrying amount or are 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 measured reliably. All other repairs and maintenance are charged to other operating expenses during the financial period in which they are incurred.

The cost amount of property, plant and equipment less the estimated residual value is depreciated over their useful lives on a straight line basis. The range of useful lives of the major assets is:

- Furniture and fittings (5-7 years)
- Office equipment (3-5 years)
- Computer equipment (3 years)

The assets' residual values, useful lives and depreciation methods are reviewed and adjusted if appropriate at each balance date.

Assets are reviewed for impairment at least annually and whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. 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. The recoverable amount is the higher of the asset's fair value less costs to sell and value in use.

Where the Bank expects the carrying amount of assets held within property, plant and equipment to be recovered principally through a sale transaction rather than through continuing use, these assets are classified as held for sale.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in other operating expenses in statement of comprehensive income.

Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

Intangible assets

Intangible assets comprise computer software costs and computer software licences. Computer software licences are amortised over their expected useful lives (three to four years) on a straight line basis.

The Bank generally expenses computer software costs in the period incurred. However, some costs associated with developing identifiable and unique software products controlled by the Bank, including employee costs and an appropriate portion of relevant overheads are capitalised and treated as intangible assets. These assets are amortised using the straight line method over their useful lives (not exceeding three years).

Intangible assets are subject to the same impairment review process as property, plant and equipment. Any impairment loss is recognised under operating expenses in the statement of comprehensive income.

Taxation

Income tax on the net profit for the period comprises current and deferred tax. Income tax is recognised in the statement of comprehensive income except to the extent that it relates to items recognised directly within equity, in which case it is recognised directly in equity.

Current tax is the expected tax payable on the taxable income for the period, using tax rates enacted or substantively enacted as at balance date after taking advantage of all allowable deductions under current taxation legislation and any adjustment to tax payable in respect of previous financial years.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. 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 enacted or substantively enacted at balance date.

A deferred taxation asset is recognised only to the extent that it is probable (i.e. more likely than not) that a future taxable profit will be available against which the asset can be utilised. Deferred taxation assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred tax related to fair value re-measurement of available for sale financial assets, cash flow hedges and the revaluation of non-current assets, which are charged or credited directly to equity, is also credited or charged directly to equity and is subsequently recognised in the statement of comprehensive income if and when the deferred gain or loss on the related asset or liability affects income.

BANK OF BARODA (NEW ZEALAND) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2012

1. STATEMENT OF ACCOUNTING POLICIES (Continued)

Provisions

A provision is recognised in the balance sheet when: the Bank has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and a reliable estimate can be made of the amount of the obligation.

Contingent liabilities and credit commitments

The Bank is involved in a range of transactions that give rise to contingent and / or future liabilities. The Bank discloses a contingent liability when it has a possible obligation arising from past events that will be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the Bank's control. A contingent liability is disclosed when a present obligation is not recognised because it is not probable that an outflow of resources will be required to settle an obligation, or the amount of the obligation cannot be measured with sufficient reliability.

The Bank issues commitments to extend credit, letters of credit, guarantees and other credit facilities. These financial instruments attract fees in line with market prices for similar arrangements. They are not sold or traded. The items generally do not involve cash payments other than in the event of default. The fee pricing is set as part of the broader customer credit process and reflects the probability of default. They are disclosed as contingent liabilities at their face value. The fair values of guarantees are not considered to be material.

Leases

The leases entered into by the Bank are operating leases. The total payments made under operating leases are charged to other operating expenses in the statement of comprehensive income on a straight-line basis over the period of the lease.

When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

Share capital

Share issue costs

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

Dividend distribution

Dividends on ordinary shares are recognised in equity in the period in which they are approved by the Bank's shareholders. Dividends for the year that are declared after the balance sheet date are dealt with in the subsequent events note.

Cash and cash equivalents

Cash and cash equivalents comprises cash, cash at bank, cash in transit and call deposits due from / to other banks, all of which are used in the day-to-day cash management of the Bank.

Goods and Services Tax (GST)

The financial statements have been prepared so that all components are stated exclusive of GST except where the GST is not recoverable from the IRD. In these circumstances the GST component is recognised as part of the underlying item. Trade and other receivables and payables are stated GST inclusive. The net amount of GST recoverable from or payable to the IRD is included within these categories.

Cash flows in the cash flow statement include GST.

Employee benefits

Wages and salaries, annual leave and sick leave

Liabilities for wages and salaries, annual leave and sick leave accruing to employees and expected to be settled within twelve months of the reporting date are recognised and measured at the amounts expected to be paid when the liabilities are settled.

Long service leave

Liabilities for long service leave, which are not expected to be settled within twelve months of the balance sheet date are measured as the present value of estimated future cash outflows from the Bank in respect of services provided by employees up to balance date. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service.

Profit-sharing and bonus plans

The Bank recognises a liability and an expense for bonuses and profit-sharing based on a formula that takes into consideration the profit attributable to the Bank's shareholders after certain adjustments. A provision is recognised where there is a contractual obligation or where there is a past practice that has created a constructive obligation.

BANK OF BARODA (NEW ZEALAND) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2012

1. STATEMENT OF ACCOUNTING POLICIES (Continued)

Changes in accounting policies

Certain new standards, amendments and interpretations to existing standards have been published that are mandatory for the Bank's accounting periods beginning on or after 1 January 2011 or later periods. None of these standards materially impact the Bank's financial statements.

NZ IAS 24 *Related Party Disclosures* – The revised standard was approved in November 2009, and has been adopted by the Bank in the current year. The main changes to the standard simplify the definition of a related party and clarify its intended meaning. There has been no material change to the financial statements arising from the adoption of this standard.

There have been no changes to accounting policies in the year ended 31 March 2012.

BANK OF BARODA (NEW ZEALAND) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2012

2. INTEREST

	31 March 2012 Year ended \$'000	31 March 2011 Year ended \$'000
Interest income		
Loans and advances	898	177
Government and local authority securities	-	-
From other financial institutions	1,662	1,540
Balances with related parties	75	7
Other securities	-	-
Cash and liquid assets	-	-
Income from impaired assets	-	-
Income from restructured assets	-	-
Total interest income	2,635	1,724
Interest expense		
Deposits by customers	831	209
Debt securities issued	-	-
Balances with related parties	-	-
Total interest expense	831	209

3. NET GAINS/(LOSSES) ON FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	31 March 2012 Year ended \$'000	31 March 2011 Year ended \$'000
Financial assets designated at fair value through profit or loss upon initial recognition	-	-
Derivative financial instruments held for trading	-	-
Financial liabilities designated at fair value through profit or loss upon initial recognition	-	-
Financial assets held for trading	-	-
Net ineffectiveness on qualifying cash flow hedges	-	-
Net ineffectiveness on qualifying fair value hedges	-	-
Cumulative gain/(loss) transferred from the available-for-sale reserve	-	-
Cumulative loss transferred from the cash flow hedge reserve	-	-
Total net gains/(losses) on financial instruments	-	-

4. OTHER INCOME

	31 March 2012 Year ended \$'000	31 March 2011 Year ended \$'000
Other Income		
Banking and lending fee income	-	-
Net commissions revenue	100	48
Payment services fee income	-	-
Bad debts recovered	-	-
Net foreign exchange gains and commissions	601	195
Other revenue	45	22
Total other income	746	265

BANK OF BARODA (NEW ZEALAND) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2012

5. OPERATING EXPENSES

	31 March 2012 Year ended \$'000	31 March 2011 Year ended \$'000
Operating expenses		
Auditors remuneration:		
– Audit fees	70	50
– Assurance and related services	6	6
Tax advisory services	25	-
Donations	-	-
Directors' fees	19	21
Depreciation:		
– Computer hardware	30	32
– Office equipment	3	5
– Furniture, fittings, and leasehold improvements	66	93
	99	130
Amortisation of intangible assets	-	-
Employee benefits	673	483
Rental and lease costs	364	254
Loss on sale of property, plant and equipment	-	-
Other operating expenses	581	610
Total operating expenses	1,812	1,554

6. IMPAIRMENT ALLOWANCE

	Other exposures excluding sovereigns and central banks	Retail mortgage lending	Corporate and institutional	31 March 2012 \$'000
Individually impaired assets				
Balance at the beginning of the year	-	-	-	-
Charge to statement of comprehensive income	-	-	-	-
Bad debts written off	-	-	-	-
Balance at the end of the year	-	-	-	-

	Other exposures excluding sovereigns and central banks	Retail mortgage lending	Corporate and institutional	31 March 2012 \$'000
Collective allowance for impairment losses				
Balance at beginning of the year	-	17	15	32
Charge to statement of comprehensive income	3	10	30	43
Advances written off	-	-	-	-
Total collective allowance for impairment losses	3	27	45	75

	Other exposures excluding sovereigns and central banks	Retail mortgage lending	Corporate and institutional	31 March 2011 \$'000
Individually impaired assets				
Balance at the beginning of the year	-	-	-	-
Charge to statement of comprehensive income	-	-	-	-
Bad debts written off	-	-	-	-
Balance at the end of the year	-	-	-	-

	Other exposures excluding sovereigns and central banks	Retail mortgage lending	Corporate and institutional	31 March 2011 \$'000
Collective allowance for impairment losses				
Balance at beginning of the year	-	-	-	-
Charge to statement of comprehensive income	-	17	15	32
Advances written off	-	-	-	-
Total collective allowance for impairment losses	-	17	15	32

BANK OF BARODA (NEW ZEALAND) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2012

7. TAXATION

	31 March 2012 Year ended \$'000	31 March 2011 Year ended \$'000
Net profit/(loss) before taxation	695	194
Tax calculated at a tax rate of 28% (31 March 2011:30%)	195	58
Income not subject to tax	-	-
Expenses not subject to tax	-	-
Tax losses utilised	(195)	(58)
Other permanent differences	-	-
Taxation charge as per the statement of comprehensive income	-	-
Represented by:		
Prior period adjustment	-	-
Current income tax	-	-
Deferred income tax	-	-
Taxation charge as per the statement of comprehensive income	-	-
The deferred tax charge in the statement of comprehensive income comprises the following temporary differences:		
Accelerated tax depreciation	-	-
Allowances for impairment losses	-	-
Other provisions	-	-
Tax effect of change in tax rate	-	-
Amortisation of intangibles	-	-
Unrealised currency losses	-	-
Total temporary differences	-	-

The effective tax rate on the Bank's profit before tax has been calculated at 28% (2011: 30%). Tax benefits not recognised in these financial statements amounted to \$2,018,000 at 31 March 2012 (31 March 2011: \$2,371,000). The availability of these tax benefits is subject to the requirements of income tax legislation being met.

BANK OF BARODA (NEW ZEALAND) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2012

8. CURRENT AND DEFERRED TAXATION

	31 March 2012 Year ended \$'000	31 March 2011 Year ended \$'000
Current income tax (payable)/ receivable		
Balance at beginning of the year	-	69
Prior period adjustment	-	-
Tax on profits/(losses) taken to reserves	-	-
Transfer from deferred tax	-	-
Tax return adjustments	-	-
Related party purchase of tax losses	-	-
Tax refunded	-	(69)
Balance at end of the year	-	-
Deferred tax		
Balance at beginning of the year	-	-
Prior period adjustment	-	-
Temporary differences for the year	-	-
Tax on losses taken directly to reserves	-	-
Tax effect of change in tax rate	-	-
Transfer to current tax	-	-
Balance at end of the year	-	-
Deferred income tax assets		
Cash flow hedges	-	-
Other provisions and accruals	-	-
Other temporary differences	-	-
Allowance for loan impairment	-	-
Total assets	-	-
Deferred income tax liabilities		
Accelerated tax depreciation	-	-
Net commissions receivable	-	-
Intangible assets	-	-
Total liabilities	-	-
Net deferred taxation	-	-
Recoverable within twelve months	-	-
Recoverable after twelve months	-	-

9. CASH AND CASH EQUIVALENTS

	31 March 2012 \$'000	31 March 2011 \$'000
Cash on hand	61	75
Cash with central banks	-	-
Call and overnight advances to financial institutions	707	1,003
Total cash and cash equivalents	768	1,078
Current	768	1,078
Non-Current	-	-

10. DUE FROM OTHER FINANCIAL INSTITUTIONS

	31 March 2012 \$'000	31 March 2011 \$'000
Short term deposits	36,800	41,400
Total amount due from other financial institutions	36,800	41,400
Current	36,800	41,400
Non-Current	-	-

BANK OF BARODA (NEW ZEALAND) LIMITED**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 March 2012

11. FINANCIAL ASSETS HELD AT FAIR VALUE THROUGH PROFIT OR LOSS

	31 March 2012 \$'000	31 March 2011 \$'000
Bank bills	-	-
Other securities	-	-
Total financial assets at fair value through profit or loss	-	-
Total financial assets held at fair value through profit or loss	-	-
Current	-	-
Non-Current	-	-

12. AVAILABLE FOR SALE ASSETS

	31 March 2012 \$'000	31 March 2011 \$'000
Government stock and multilateral development banks	-	-
Local authority securities	-	-
Other debt securities	-	-
Total available-for-sale assets	-	-
Current	-	-
Non-Current	-	-

13. LOANS AND ADVANCES

	31 March 2012 \$'000	31 March 2011 \$'000
Residential mortgage loans	6,629	4,121
Corporate exposures	11,164	3,858
Other exposures	809	36
Allowance for impairment losses	(75)	(32)
Total net loans and receivables	18,527	7,983
Current	7,470	2,806
Non-Current	11,057	5,177

14. DERIVATIVE FINANCIAL INSTRUMENTS

As at 31 March 2012, the Bank has no derivative financial instruments to disclose (31 March 2011: Nil).

15. SUBSIDIARIES

As at 31 March 2012, the Bank does not have any subsidiaries (31 March 2011: Nil).

BANK OF BARODA (NEW ZEALAND) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2012

16. PROPERTY, PLANT & EQUIPMENT

As at 31 March 2012	Computer hardware \$'000	Office equipment \$'000	Furniture, fittings & leasehold improvements \$'000	Assets in progress \$'000	TOTAL \$'000
At cost	95	23	497	-	615
Accumulated depreciation	(32)	(5)	(95)	-	(132)
Opening carrying amount	63	18	402	-	483
Additions	-	-	-	789	789
GST refunded on cost	(6)	(2)	(45)	-	(53)
Depreciation	(30)	(3)	(66)	-	(99)
Closing carrying amount	27	13	291	789	1,120
At cost	89	21	452	789	1,351
Accumulated depreciation	(62)	(8)	(161)	-	(231)
Closing carrying amount	27	13	291	789	1,120

As at 31 March 2011	Computer hardware \$'000	Office equipment \$'000	Furniture, fittings & leasehold improvements \$'000	Assets in progress \$'000	TOTAL \$'000
At cost	-	-	76	277	353
Accumulated depreciation	-	-	(3)	-	(3)
Opening carrying amount	-	-	73	277	350
Additions	95	23	421	-	539
Disposals	-	-	-	(277)	(277)
Depreciation	(32)	(5)	(92)	-	(129)
Closing carrying amount	63	18	402	-	483
At cost	95	23	497	-	615
Accumulated depreciation	(32)	(5)	(95)	-	(132)
Closing carrying amount	63	18	402	-	483

BANK OF BARODA (NEW ZEALAND) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2012

17. INTANGIBLE ASSETS

	31 March 2012 \$'000	31 March 2011 \$'000
Goodwill	-	-
Computer software	-	-
Computer software work in progress	-	-
Total intangible assets	-	-
Goodwill		
Balance at beginning of the year	-	-
Additions	-	-
Balance at end of the year	-	-
Computer software		
Cost brought forward	-	-
Accumulated amortisation brought forward	-	-
Opening net book value	-	-
Additions	-	-
Amortisation	-	-
Closing net book value	-	-
Cost	-	-
Accumulated amortisation	-	-
Closing net book value	-	-

18. OTHER ASSETS

	31 March 2012 \$'000	31 March 2011 \$'000
Other receivables	100	13
Commissions receivable	-	-
Interest receivable	242	175
Trade and other receivables	342	188
Current	342	188
Non-Current	-	-

19. DUE TO OTHER FINANCIAL INSTITUTIONS

	31 March 2012 \$'000	31 March 2011 \$'000
Loans from other banks	-	-
Items in course of settlement	-	-
ATM cash at other banks	-	-
Total due to other financial institutions	-	-
Current	-	-
Non-Current	-	-

BANK OF BARODA (NEW ZEALAND) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2012

20. BALANCES WITH RELATED PARTIES

	31 March 2012 \$'000	31 March 2011 \$'000
Cash held with related parties	-	-
Amounts due from related parties	3,006	1,790
Total balances due from related parties	3,006	1,790
Current	3,006	1,790
Non-Current	-	-
Amounts due to related parties	356	1,022
Total balances due to related parties	356	1,022
Current	356	1,022
Non-Current	-	-

21. DEPOSITS AND OTHER BORROWINGS

	31 March 2012 \$'000	31 March 2011 \$'000
Retail deposits	19,100	11,559
Wholesale deposits	-	-
Other	-	-
Total deposits	19,100	11,559
New Zealand	19,100	11,559
Overseas	-	-
Current	19,012	11,389
Non-Current	88	170

Included within retail deposits are deposits from The New India Assurance Company Limited totalling \$9,531,000 (31 March 2011:\$6,500,000). Further details on these deposits are contained in Note 28.

22. DEBT SECURITIES ISSUED

	31 March 2012 \$'000	31 March 2011 \$'000
Certificates of deposit	-	-
Other debt securities	-	-
Total debt securities issued	-	-
Current	-	-
Non-Current	-	-

23. OTHER LIABILITIES

	31 March 2012 \$'000	31 March 2011 \$'000
Employee entitlements	-	-
Accounts payable	-	-
Other payables and accruals	143	72
Total other liabilities	143	72
Current	143	72
Non-Current	-	-

24. DEFERRED SETTLEMENT LIABILITY

The Bank has no deferred settlement liability (31 March 2011: Nil).

25. TERM SUBORDINATED DEBT

The Bank has no term subordinated debt (31 March 2011: Nil).

BANK OF BARODA (NEW ZEALAND) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2012

26. EQUITY

	31 March 2012 \$'000	31 March 2011 \$'000
Equity		
Share capital	40,000	40,000
Retained earnings	964	269
Cash flow hedge reserve	-	-
Available-for-sale reserve	-	-
Total equity	40,964	40,269

Share capital – issued and paid up		
Opening balance	40,000	40,000
Shares issued	-	-
Balance at end of the year	40,000	40,000

	31 March 2012 Number of shares	31 March 2011 Number of shares
Number of shares		
Number of shares at the start of the year	40,000,000	40,000,000
Shares issued	-	-
Number of shares at the end of the year	40,000,000	40,000,000

All shares have equal voting rights and share equally in dividends and any profits on winding up. Shares do not have a par value.

BANK OF BARODA (NEW ZEALAND) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2012

27. ASSET QUALITY

As at 31 March 2012	Other exposures excluding sovereigns and central banks	Residential mortgage loans	Corporate exposures	TOTAL \$'000
Neither past due nor impaired				
Strong	251	6,203	2,304	8,758
Good/Satisfactory	558	-	8,605	9,163
Weak	-	-	-	-
Total neither past due nor impaired	809	6,203	10,909	17,921
Past due assets not impaired				
Less than 30 days past due	-	-	-	-
At least 30 days but less than 60 days past due	-	-	-	-
At least 60 days but less than 90 days past due	-	-	255	255
At least 90 days past due	-	426	-	426
Total past due assets not impaired	-	426	255	681
Individually impaired assets				
Balance at beginning of the year	-	-	-	-
Additions	-	-	-	-
Amounts written off	-	-	-	-
Deletions	-	-	-	-
Amounts written off	-	-	-	-
Total individually impaired assets	-	-	-	-
Total gross loans and advances	809	6,629	11,164	18,602
Individually assessed provisions				
Balance at beginning of the year	-	-	-	-
Charged/(credit) to the statement of comprehensive income:	-	-	-	-
New provisions	-	-	-	-
Amounts recovered	-	-	-	-
Reversals of previously recognised impairment losses	-	-	-	-
Amounts written off	-	-	-	-
Balance at end of the year	-	-	-	-
Collectively assessed provisions				
Balance at beginning of the year	-	17	15	32
Charged (credit) to the statement of comprehensive income	3	10	30	43
Balance at end of the year	3	27	45	75
Total provisions for impairment losses	3	27	45	75
Total net loans and advances	806	6,602	11,119	18,527

The Bank does not have any restructured assets, any financial, real estate or other assets acquired through security enforcement or any other assets under administration as at 31 March 2012.

Undrawn balances on lending commitments to counterparties within the impaired asset category were \$nil as at 31 March 2012.

There has been no interest revenue foregone on restructured, individually impaired or greater than 90 days past due assets during the year ended 31 March 2012.

BANK OF BARODA (NEW ZEALAND) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2012

27. ASSET QUALITY (Continued)

As at 31 March 2011	Other exposures excluding sovereigns and central banks	Residential mortgage loans	Corporate exposures	TOTAL \$'000
Neither past due nor impaired				
Strong	-	3,691	1,414	5,105
Good/Satisfactory	36	-	2,444	2,480
Weak	-	-	-	-
Total neither past due nor impaired	36	3,691	3,858	7,585
Past due assets not impaired				
Less than 30 days past due	-	430	-	430
At least 30 days but less than 60 days past due	-	-	-	-
At least 60 days but less than 90 days past due	-	-	-	-
At least 90 days past due	-	-	-	-
Total past due assets not impaired	-	430	-	430
Individually impaired assets				
Balance at beginning of the year	-	-	-	-
Additions	-	-	-	-
Amounts written off	-	-	-	-
Deletions	-	-	-	-
Amounts written off	-	-	-	-
Total individually impaired assets	-	-	-	-
Total gross loans and advances	36	4,121	3,858	8,015
Individually assessed provisions				
Balance at beginning of the year	-	-	-	-
Charged (credit) to the statement of comprehensive income:	-	-	-	-
New provisions	-	-	-	-
Amounts recovered	-	-	-	-
Reversals of previously recognised impairment losses	-	-	-	-
Amounts written off	-	-	-	-
Balance at end of the year	-	-	-	-
Collectively assessed provisions				
Balance at beginning of the year	-	-	-	-
Charged (credit) to the statement of comprehensive income	-	17	15	32
Balance at end of the year	-	17	15	32
Total provisions for impairment losses	-	17	15	32
Total net loans and advances	36	4,104	3,843	7,983

The Bank does not have any restructured assets, any financial, real estate or other assets acquired through security enforcement or any other assets under administration as at 31 March 2011.

Undrawn balances on lending commitments to counterparties within the impaired asset category were \$nil as at 31 March 2011.

There has been no interest revenue foregone on restructured, individually impaired or greater than 90 days past due assets during the year ended 31 March 2011.

28. TRANSACTIONS WITH RELATED PARTIES

The Bank is wholly owned by the Bank of Baroda, a company incorporated in India. All related party transactions are conducted on normal commercial terms and conditions. No related party debts have been written off or forgiven during the year.

Key Management Personnel

Key management personnel are defined as being the Directors and senior management of the bank. The information relating to the key management personnel disclosed includes transactions with those individuals, their close family members and their controlled entities.

	31 March 2012 Year ended \$'000	31 March 2011 Year ended \$'000
Salaries and other short-term benefits	468	356
Total key management compensation	468	356

BANK OF BARODA (NEW ZEALAND) LIMITED**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 March 2012

28. TRANSACTIONS WITH RELATED PARTIES (Continued)**Guarantee**

The Company's ultimate parent company is Bank of Baroda (India), an Indian incorporated bank (BOB). BOB is subject to regulatory oversight by the Reserve Bank of India and the Government of India. BOB is not a New Zealand registered bank and is not subject to regulatory oversight by the Reserve Bank of New Zealand.

As at the 31 March 2012, the Government of India held 54.31% of the total shares in BOB (31 March 2011: 57.03%). The remaining 45.69% (31 March 2011:42.97%) of the shares in BOB are held by public shareholding (governed by the laws of India). BOB shares are listed on both the National Stock Exchange (India) and on the Bombay Stock Exchange (India).

The obligations of the Bank are guaranteed by BOB. There are no legislative, regulatory or other restrictions of a legally enforceable nature in India (BOB's country of incorporation) that may materially inhibit the legal ability of BOB to provide material financial support to the Bank. As at 31 March 2012, all the obligations of the Bank are guaranteed by BOB.

BOB has the following credit rating applicable to its long-term senior unsecured obligations (payable in INR):

Rating agency	Current rating	Qualifications	Rating change in the last 2 Years
Moody's Investor Services Limited	Baa3	Nil	Nil
Fitch IBCA, Inc.	BBB-	Nil	Nil

BOB guarantees due payment of all indebtedness of the Bank to the Bank's depositors and other creditors.

- (i) There are no limits on the amount of the obligations guaranteed.
- (ii) There are no material conditions applicable to the guarantee, other than non-performance by the Bank.
- (iii) There are no material legislative or regulatory restrictions in India (BOB's country of incorporation) that would have the effect of subordinating the claims of the Bank's creditors under the guarantee to other claims on BOB in a winding up of BOB.
- (iv) The BOB guarantee does not have an expiry date.

Other related party transactions

The Bank holds foreign currency cash deposits of USD201,500 (New York office), USD1,000,000 (Hong Kong office) and USD1,000,000 (Singapore office) with other members of the BOB Group (31 March 2011: USD184,000 (New York office) NZD1,500,000 (Treasury Mumbai – India).

The Bank also holds deposits for The New India Assurance Company Limited which is 100% owned by the Government of India, which owns 54.31% of the total shares in BOB, which in turn owns 100% of the Bank. These deposits are held at market rates of interest and as at 31 March 2012 the total amount on deposit was \$9,531,000 (31 March 2011: \$6,500,000). As at 31 March 2012 the total interest paid on these deposits was \$491,000 (31 March 2011:\$112,000).

The Bank also has current account balances owing to its parent company, Bank of Baroda (India) of \$353,000 and Bank of Baroda (Fiji) of \$3,000 (31 March 2011: Bank of Baroda (India) \$1,022,000) that are non interest bearing.

The Bank also holds the following foreign currency nostro current accounts with other members of BOB group and other related parties, these accounts are non interest bearing:

	31 March 2012 \$'000	31 March 2011 \$'000
USA, New York branch (USD)	212	7
India, Mumbai Main office (INR)	56	17
U.K. London branch (GBP)	19	2
Belgium, Brussels branch (EURO)	16	19
Fiji, Suva branch (FJD)	5	4
Australia, SBI, Sydney branch (AUD)	2	12
Total nostro balance	310	61

BANK OF BARODA (NEW ZEALAND) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2012

29. CONCENTRATION OF CREDIT RISK

The following table breaks down the Bank's main credit exposure at their carrying amounts, as categorised by the industry sectors of our counterparties. Industry analysis as at balance date is as follows.

	31 March 2012 \$'000	31 March 2011 \$'000
New Zealand		
Government	-	-
Finance	36,800	41,400
Households	7,063	4,129
Transport and storage	150	97
Communications	-	-
Electricity, gas and water	-	-
Construction	1,596	-
Property services	611	303
Agriculture	-	-
Health and community services	999	454
Personal and other services	2,647	1,507
Retail and wholesale trade	3,817	1,275
Food and other manufacturing	1,719	250
Overseas		
Finance, investment and insurance	2,696	1,741
Total financial assets (interest earning)	58,098	51,156
Less allowance for impairment losses	(75)	(32)
Other financial assets	1,420	1,315
Total net financial assets	59,443	52,439

An analysis of financial assets (interest earning) by geographical sector at balance date is as follows

	31 March 2012 \$'000	31 March 2011 \$'000
New Zealand		
Upper North Island	18,602	8,015
Lower North Island	36,800	41,400
South Island	-	-
Overseas	2,696	1,741
Total financial assets (interest earning)	58,098	51,156

Maximum exposure to credit risk before collateral held or other credit enhancements

	31 March 2012 \$'000	31 March 2011 \$'000
Loans and advances	18,602	8,015
Balances with related parties	3,006	1,790
Due from other financial institutions	36,800	41,400
Derivative financial instruments	-	-
Financial assets held for trading	-	-
Available-for-sale assets	-	-
Cash and cash equivalents	768	1,078
Other financial assets	342	188
Total gross financial assets	59,518	52,471
Allowance for impairment losses	(75)	(32)
Total net financial assets	59,443	52,439

BANK OF BARODA (NEW ZEALAND) LIMITED**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 March 2012

30. CONCENTRATION OF FUNDING

Concentrations of funding arise where the Bank is funded by industries of a similar nature or in particular geographies. An analysis of financial liabilities by industry sector and geography at balance date is as follows:

	31 March 2012 \$'000	31 March 2011 \$'000
New Zealand		
Transport and storage	-	-
Financing investment and insurance	9,518	6,572
Electricity, gas and water	-	-
Food and other manufacturing	-	-
Construction	-	-
Government, local authorities and services	-	-
Agriculture	-	-
Health and community services	-	-
Personal and other services	512	705
Property and business services	-	-
Education	-	-
Retail and wholesale trade	-	-
Other	779	505
Households	7,793	3,038
Overseas		
Amounts due to related parties	-	-
Total financial liabilities (interest bearing)	18,602	10,820
Other financial liabilities	641	811
Overseas		
Amounts due to related parties	356	1,022
Total financial liabilities	19,599	12,653

31. SEGMENTAL INFORMATION

The Bank operates as a single segment, in the banking and finance industry in New Zealand.

32. LEASE COMMITMENTS

	31 March 2012 \$'000	31 March 2011 \$'000
Operating lease commitments under non-cancellable operating leases:		
Not later than 1 year	265	181
1-2 years	257	146
2-5 years	769	438
5+ years	430	548
Total	1,721	1,313

33. CAPITAL COMMITMENTS

As at 31 March 2012 there are no material outstanding capital commitments (31 March 2011: Nil).

34. CONTINGENT LIABILITIES

	31 March 2012 \$'000	31 March 2011 \$'000
Contingent liabilities		
Performance/financial guarantees issued on behalf of customers	1,104	500
Total contingent liabilities	1,104	500

BANK OF BARODA (NEW ZEALAND) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2012
35. SUBSEQUENT EVENTS AFTER BALANCE SHEET DATE

On 18 June 2012 Fitch IBCA, Inc. changed the Bank's credit rating outlook from BBB- stable to BBB- negative. There have been no other material subsequent events.

36. INTEREST RATE SENSITIVITY

The tables below summarise the Bank's exposure to interest rate risk. It includes the financial instruments at carrying amounts, categorised by the earlier of contractual re-pricing or maturity dates. For further details on how interest rate risk is managed refer to Note 44.

31 March 2012	Total \$'000	Interest insensitive \$'000	Up to 3 months \$'000	Over 3	Over 6	Over 1	Over 2
				months and up to 6 months \$'000	months and up to 1 year \$'000	year and up to 2 years \$'000	years \$'000
Financial assets							
Cash and cash equivalents	768	768	-	-	-	-	-
Due from other financial institutions	36,800	-	32,700	4,100	-	-	-
Financial assets held at fair value through profit or loss	-	-	-	-	-	-	-
Available-for-sale assets	-	-	-	-	-	-	-
Loans and advances	18,527	-	17,227	1,205	63	32	-
Balances with related parties	3,006	310	2,696	-	-	-	-
Other financial assets	342	342	-	-	-	-	-
Total financial assets	59,443	1,420	52,623	5,305	63	32	-
Financial liabilities							
Due to other financial institutions	-	-	-	-	-	-	-
Deposits and other borrowings	19,100	498	8,436	5,441	4,637	29	59
Debt securities issued	-	-	-	-	-	-	-
Term subordinated debt	-	-	-	-	-	-	-
Due to related parties	356	356	-	-	-	-	-
Other financial liabilities	143	143	-	-	-	-	-
Total financial liabilities	19,599	997	8,436	5,441	4,637	29	59
On-balance sheet gap							
Net derivative notional principals	-	-	-	-	-	-	-
Net effective interest rate gap	39,844	423	44,187	(136)	(4,574)	3	(59)

31 March 2011	Total \$'000	Interest insensitive \$'000	Up to 3 months \$'000	Over 3	Over 6	Over 1	Over 2
				months and up to 6 months \$'000	months and up to 1 year \$'000	year and up to 2 years \$'000	years \$'000
Financial assets							
Cash and cash equivalents	1,078	1,078	-	-	-	-	-
Due from other financial institutions	41,400	-	29,400	12,000	-	-	-
Financial assets held at fair value through profit or loss	-	-	-	-	-	-	-
Available-for-sale assets	-	-	-	-	-	-	-
Loans and advances	7,983	-	6,569	1,414	-	-	-
Balances with related parties	1,790	49	1,667	74	-	-	-
Other financial assets	188	188	-	-	-	-	-
Total financial assets	52,439	1,315	37,636	13,488	-	-	-
Financial liabilities							
Due to other financial institutions	-	-	-	-	-	-	-
Deposits and other borrowings	11,559	739	2,627	2,667	5,357	9	160
Debt securities issued	-	-	-	-	-	-	-
Term subordinated debt	-	-	-	-	-	-	-
Due to related parties	1,022	1,022	-	-	-	-	-
Other financial liabilities	72	72	-	-	-	-	-
Total financial liabilities	12,653	1,833	2,627	2,667	5,357	9	160
On-balance sheet gap							
Net derivative notional principals	-	-	-	-	-	-	-
Net effective interest rate gap	39,786	(518)	35,009	10,821	(5,357)	(9)	(160)

BANK OF BARODA (NEW ZEALAND) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2012

37. FINANCIAL INSTRUMENTS BY CATEGORY

31 March 2012	Assets at fair value through profit or loss					Derivatives used for hedging \$'000	Total \$'000
	Loans and receivables \$'000	Available for sale \$'000	Held for trading \$'000	Designated at FVTPL \$'000			
Financial assets							
Cash and cash equivalents	768	-	-	-	-	-	768
Due from other financial institutions	36,800	-	-	-	-	-	36,800
Available-for-sale assets	-	-	-	-	-	-	-
Loans and advances	18,527	-	-	-	-	-	18,527
Balances with related parties	3,006	-	-	-	-	-	3,006
Other financial assets	342	-	-	-	-	-	342
Total financial assets	59,443	-	-	-	-	-	59,443

31 March 2012	Liabilities at fair value through profit or loss			Other financial liabilities at amortised cost \$'000	Total \$'000
	Held for trading \$'000	Designated at FVTPL \$'000	Derivatives used for hedging \$'000		
Financial liabilities					
Due to other financial institutions	-	-	-	-	-
Deposits and other borrowings	-	-	-	19,100	19,100
Debt securities issued	-	-	-	-	-
Term subordinated debt	-	-	-	-	-
Due to related parties	-	-	-	356	356
Other financial liabilities	-	-	-	143	143
Total financial liabilities	-	-	-	19,599	19,599

31 March 2011	Assets at fair value through profit or loss					Derivatives used for hedging \$'000	Total \$'000
	Loans and receivables \$'000	Available for sale \$'000	Held for trading \$'000	Designated at FVTPL \$'000			
Financial assets							
Cash and cash equivalents	1,078	-	-	-	-	-	1,078
Due from other financial institutions	41,400	-	-	-	-	-	41,400
Available-for-sale assets	-	-	-	-	-	-	-
Loans and advances	7,983	-	-	-	-	-	7,983
Balances with related parties	1,790	-	-	-	-	-	1,790
Other financial assets	188	-	-	-	-	-	188
Total financial assets	52,439	-	-	-	-	-	52,439

31 March 2011	Liabilities at fair value through profit or loss			Other financial liabilities at amortised cost \$'000	Total \$'000
	Held for trading \$'000	Designated at FVTPL \$'000	Derivatives used for hedging \$'000		
Financial liabilities					
Due to other financial institutions	-	-	-	-	-
Deposits and other borrowings	-	-	-	11,559	11,559
Debt securities issued	-	-	-	-	-
Term subordinated debt	-	-	-	-	-
Due to related parties	-	-	-	1,022	1,022
Other financial liabilities	-	-	-	72	72
Total financial liabilities	-	-	-	12,653	12,653

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38. FOREIGN EXCHANGE RISK

The Bank takes on exposure to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. The board sets limits on the level of exposure by currency and in aggregate for overnight positions, which are monitored daily. The table below summarises the Bank's exposure to foreign currency exchange rate risk as at year end. Included in the table are the Bank's financial instruments at carrying amounts, categorised by currency.

31 March 2012	FJD \$'000	GBP \$'000	EUR \$'000	INR \$'000	USD \$'000	AUD \$'000	Total \$'000
Financial assets							
Cash and cash equivalents	-	-	-	-	-	-	-
Due from other financial institutions	-	-	-	-	-	-	-
Financial assets at fair value through profit or loss	-	-	-	-	-	-	-
Available-for-sale assets	-	-	-	-	-	-	-
Loans and advances	-	-	-	-	-	-	-
Balances with related parties	5	19	16	56	2,908	2	3,006
Other financial assets	-	-	-	-	-	-	-
Total financial assets	5	19	16	56	2,908	2	3,006
Financial liabilities							
Due to other financial institutions	-	-	-	-	-	-	-
Deposits and other borrowings	-	-	-	-	2,894	-	2,894
Debt securities issued	-	-	-	-	-	-	-
Term subordinated debt	-	-	-	-	-	-	-
Other financial liabilities	-	-	-	-	-	-	-
Due to related parties	-	-	-	-	-	-	-
Total financial liabilities	-	-	-	-	2,894	-	2,894
Net on balance sheet financial position	5	19	16	56	14	2	112

31 March 2011	FJD \$'000	GBP \$'000	EUR \$'000	INR \$'000	USD \$'000	AUD \$'000	Total \$'000
Financial assets							
Cash and cash equivalents	-	-	-	-	-	-	-
Due from other financial institutions	-	-	-	-	-	-	-
Financial assets at fair value through profit or loss	-	-	-	-	-	-	-
Available-for-sale assets	-	-	-	-	-	-	-
Loans and advances	-	-	-	-	-	-	-
Balances with related parties	4	2	18	17	248	12	301
Other financial assets	-	-	-	-	-	-	-
Total financial assets	4	2	18	17	248	12	301
Financial liabilities							
Due to other financial institutions	-	-	-	-	-	-	-
Deposits and other borrowings	-	-	-	-	257	-	257
Debt securities issued	-	-	-	-	-	-	-
Term subordinated debt	-	-	-	-	-	-	-
Other financial liabilities	-	-	-	-	-	-	-
Due to related parties	-	-	-	-	-	-	-
Total financial liabilities	-	-	-	-	257	-	257
Net on balance sheet financial position	4	2	18	17	(9)	12	44

BANK OF BARODA (NEW ZEALAND) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2012
39. LIQUIDITY RISK

The Bank's policies for managing liquidity are set out in Note 44. The tables below summarises the cash flows payable by the Bank under non-derivative financial assets and liabilities by remaining contractual maturities at the balance sheet date. The amounts disclosed in the table are contractual undiscounted cash flows and are not disclosed based on expected cash flows.

31 March 2012	On Demand \$'000	Up to 3 months \$'000	3 to 12 Months \$'000	Between 1 & 5 years \$'000	More than 5 years \$'000	Total \$'000
Financial assets						
Cash and cash equivalents	768	-	-	-	-	768
Due from other financial institutions	-	33,009	4,152	-	-	37,161
Financial assets at fair value through profit or loss	-	-	-	-	-	-
Available-for-sale assets	-	-	-	-	-	-
Loans and advances	-	4,375	4,942	5,360	10,351	25,028
Due from related parties	310	2,723	-	-	-	3,033
Other financial assets	-	342	-	-	-	342
Total financial assets	1,078	40,449	9,094	5,360	10,351	66,332
Financial liabilities						
Due to other financial institutions	-	-	-	-	-	-
Deposits and other borrowings	498	8,490	10,411	97	-	19,496
Debt securities issued	-	-	-	-	-	-
Term subordinated debt	-	-	-	-	-	-
Due to related parties	356	-	-	-	-	356
Other financial liabilities	-	143	-	-	-	143
Total financial liabilities	854	8,633	10,411	97	-	19,995
Net non derivative cash flows	224	31,816	(1,317)	5,263	10,351	46,337
Derivative cash flows						
Interest rate derivatives	-	-	-	-	-	-
Foreign exchange derivatives	-	-	-	-	-	-
Total	-	-	-	-	-	-
Off balance sheet cash flows						
Financial guarantees	-	-	684	420	-	1,104
Total	-	-	684	420	-	1,104
Net cash flows	224	31,816	(2,001)	4,843	10,351	45,233

31 March 2011	On Demand \$'000	Up to 3 months \$'000	3 to 12 Months \$'000	Between 1 & 5 years \$'000	More than 5 years \$'000	Total \$'000
Financial assets						
Cash and cash equivalents	1,078	-	-	-	-	1,078
Due from other financial institutions	-	29,652	12,276	-	-	41,928
Financial assets at fair value through profit or loss	-	-	-	-	-	-
Available-for-sale assets	-	-	-	-	-	-
Loans and advances	-	154	3,461	2,298	7,388	13,301
Due from related parties	61	1,659	75	-	-	1,795
Other financial assets	-	188	-	-	-	188
Total financial assets	1,139	31,653	15,812	2,298	7,388	58,290
Financial liabilities						
Due to other financial institutions	-	-	-	-	-	-
Deposits and other borrowings	739	2,636	8,387	212	-	11,974
Debt securities issued	-	-	-	-	-	-
Term subordinated debt	-	-	-	-	-	-
Due to related parties	1,022	-	-	-	-	1,022
Other financial liabilities	-	72	-	-	-	72
Total financial liabilities	1,761	2,708	8,387	212	-	13,068
Net non derivative cash flows	(622)	28,945	7,425	2,086	7,388	45,222
Derivative cash flows						
Interest rate derivatives	-	-	-	-	-	-
Foreign exchange derivatives	-	-	-	-	-	-
Total	-	-	-	-	-	-
Off balance sheet cash flows						
Financial guarantees	500	-	-	-	-	500
Total	500	-	-	-	-	500
Net cash flows	(1,122)	28,945	7,425	2,086	7,388	44,722

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40. SENSITIVITY ANALYSIS

The tables below summarise the post-tax sensitivity of financial assets and liabilities to changes in three risk variables, interest rate, currency and credit risks. The market value of the assets and liabilities were used as the basis for the analysis and financial modelling was used to determine the impact on those values of changes in each risk scenario. The sensitivity analysis is performed based on the reporting of interest rate risk and foreign currency risk internally to key management personnel and represents management's assessment of the possible change in interest rates and foreign exchange rates.

INTEREST RATE RISK		-0.1%	+0.1%	-0.1%	+0.1%
31 March 2012	Carrying Amounts \$'000	Profit \$'000	Profit \$'000	Equity \$'000	Equity \$'000
Financial assets					
Cash and cash equivalents	768	-	-	-	-
Balances with related parties	3,006	(2)	2	(2)	2
Due from other financial institutions	36,800	(31)	31	(31)	31
Financial assets at fair value through profit or loss	-	-	-	-	-
Available-for-sale assets	-	-	-	-	-
Loans and advances	18,527	(15)	15	(15)	15
Other financial assets	342	-	-	-	-
Total financial assets	59,443	(48)	48	(48)	48
Financial liabilities					
Due to other financial institutions	-	-	-	-	-
Due to related parties	356	-	-	-	-
Deposits and other borrowings	19,100	(12)	12	(12)	12
Debt securities issued	-	-	-	-	-
Term subordinated debt	-	-	-	-	-
Other financial liabilities	143	-	-	-	-
Total financial liabilities	19,599	(12)	12	(12)	12
INTEREST RATE RISK					
31 March 2011	Carrying Amounts \$'000	Profit \$'000	Profit \$'000	Equity \$'000	Equity \$'000
Financial assets					
Cash and cash equivalents	1,078	-	-	-	-
Balances with related parties	1,790	(1)	1	(1)	1
Due from other financial institutions	41,400	(30)	30	(30)	30
Financial assets at fair value through profit or loss	-	-	-	-	-
Available-for-sale assets	-	-	-	-	-
Loans and advances	7,983	(6)	6	(6)	6
Other financial assets	188	-	-	-	-
Total financial assets	52,439	(37)	37	(37)	37
Financial liabilities					
Due to other financial institutions	-	-	-	-	-
Due to related parties	1,022	-	-	-	-
Deposits and other borrowings	11,559	8	(8)	8	(8)
Debt securities issued	-	-	-	-	-
Term subordinated debt	-	-	-	-	-
Other financial liabilities	72	-	-	-	-
Total financial liabilities	12,653	8	(8)	8	(8)

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For the year ended 31 March 2012

40. SENSITIVITY ANALYSIS (continue)

CURRENCY RISK		-10%	+10%	-10%	+10%
31 March 2012	Carrying Amounts \$'000	Profit \$'000	Profit \$'000	Equity \$'000	Equity \$'000
Financial assets					
Cash and cash equivalents	768	-	-	-	-
Balances with related parties	3,006	240	(197)	240	(197)
Due from other financial institutions	36,800	-	-	-	-
Financial assets at fair value through profit or loss	-	-	-	-	-
Available-for-sale assets	-	-	-	-	-
Loans and advances	18,527	-	-	-	-
Other financial assets	342	-	-	-	-
Total financial assets	59,443	240	(197)	240	(197)
Financial liabilities					
Due to other financial institutions	-	-	-	-	-
Due to related parties	356	-	-	-	-
Deposits and other borrowings	19,100	(231)	189	(231)	189
Debt securities issued	-	-	-	-	-
Term subordinated debt	-	-	-	-	-
Other financial liabilities	143	-	-	-	-
Total financial liabilities	19,599	(231)	189	(231)	189
CURRENCY RISK		-10%	+10%	-10%	+10%
31 March 2011	Carrying Amounts \$'000	Profit \$'000	Profit \$'000	Equity \$'000	Equity \$'000
Financial assets					
Cash and cash equivalents	1,078	-	-	-	-
Balances with related parties	1,790	(30)	30	(30)	30
Due from other financial institutions	41,400	(1)	1	(1)	1
Financial assets at fair value through profit or loss	-	-	-	-	-
Available-for-sale assets	-	-	-	-	-
Loans and advances	7,983	-	-	-	-
Other financial assets	188	-	-	-	-
Total financial assets	52,439	(31)	31	(31)	31
Financial liabilities					
Due to other financial institutions	-	-	-	-	-
Due to related parties	1,022	-	-	-	-
Deposits and other borrowings	11,559	26	(26)	26	(26)
Debt securities issued	-	-	-	-	-
Term subordinated debt	-	-	-	-	-
Other financial liabilities	72	-	-	-	-
Total financial liabilities	12,653	26	(26)	26	(26)

BANK OF BARODA (NEW ZEALAND) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2012

41. FAIR VALUE OF FINANCIAL INSTRUMENTS

31 March 2012	Carrying Amounts \$'000	Estimated Fair Value \$'000
Financial assets		
Cash and cash equivalents	768	768
Balances with related parties	3,006	3,006
Due from other financial institutions	36,800	36,800
Financial assets at fair value through profit or loss	-	-
Available-for-sale assets	-	-
Loans and advances	18,527	18,527
Other assets	342	342
Total financial assets	59,443	59,443
Financial liabilities		
Due to other financial institutions	-	-
Due to related parties	356	356
Deposits and other borrowings	19,100	18,479
Debt securities issued	-	-
Term subordinated debt	-	-
Other financial liabilities	143	143
Total financial liabilities	19,599	18,978
31 March 2011		
	Carrying Amounts \$'000	Estimated Fair Value \$'000
Financial assets		
Cash and cash equivalents	1,078	75
Balances with related parties	1,790	1,790
Due from other financial institutions	41,400	42,403
Financial assets at fair value through profit or loss	-	-
Available-for-sale assets	-	-
Loans and advances	7,983	7,983
Other assets	188	188
Total financial assets	52,439	52,439
Financial liabilities		
Due to other financial institutions	-	-
Due to related parties	1,022	1,022
Deposits and other borrowings	11,559	11,678
Debt securities issued	-	-
Term subordinated debt	-	-
Other financial liabilities	72	72
Total financial liabilities	12,653	12,772

Fair value estimation

For financial instruments not presented in the Bank's balance sheet at their fair value, fair value is estimated as follows:

Cash and cash equivalents

For cash assets, the carrying amount is equivalent to the fair value as assets are short term in nature.

Loans and advances

For variable rate loans and advances, the carrying amount is a reasonable estimate of fair value. For fixed rate loans and advances, fair values have been estimated using a discounted cash flow model with reference to market interest rates, prepayment rates and rates of estimated credit losses.

Other financial assets

For other financial assets, the carrying amount is approximately equal to the fair value.

BANK OF BARODA (NEW ZEALAND) LIMITED

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41. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

Deposits by customers

For fixed term deposits by customers, fair values have been estimated using a discounted cash flow model with reference to market interest rates. For other deposits by customers, such as call and variable rate deposits, the carrying amount is a reasonable estimate of fair value.

Debt securities issued

For debt securities issued, estimated fair values are based on quoted market prices.

Term subordinated debt

For term subordinated debt, estimated fair values are based on quoted market prices.

Due to/from related parties

For due to/from related parties, carrying amounts in the balance sheet are a reasonable estimate of fair value for these assets.

Other financial liabilities

For other financial liabilities, the carrying amount is equivalent to the fair value.

Impaired and past due assets

For non-accrual and restructured impaired assets as well as past due loans, the fair values are estimated by discounting the estimated future cash flows using current market interest rates incorporating an appropriate risk factor or, where such loans are collateralised and have been written down to the current market value of the collateral, the estimated fair value is based on the written down carrying value.

42. CREDIT EXPOSURE CONCENTRATIONS

Credit exposures to individual counterparties

Credit exposure concentrations are disclosed on the basis of actual exposures and gross of set-offs. Peak end-of-day aggregate credit exposures have been calculated using the Bank's tier one capital at the end of the quarter.

The number of individual counterparties, excluding connected persons, where the period end and peak end-of-day aggregate actual credit exposures, net of individual credit impairment allowances (which were nil), equalled or exceeded 10% of the Bank's shareholder's equity:

- as at 31 March 2012 was nil, and
- in respect of peak end-of-day aggregate credit exposure for the three months ended 31 March 2012 was nil.

Credit exposures to individual counterparties (not being members of a group of closely related counterparties) and to groups of closely related counterparties exclude exposures to connected persons, to the central government of any country with a long-term credit rating of A- or A3 or above, or its equivalent, or to any bank with a long-term credit rating of A- or A3 or above, or its equivalent. These calculations relate only to exposures held in the financial records of the Bank and were calculated net of individually assessed provisions.

Credit exposures to connected persons

The Reserve Bank defines connected persons to be other members of the BOB Group and Directors of the Bank. Credit exposures to connected persons are based on actual credit exposures rather than internal limits. The information on credit exposure to connected persons has been derived in accordance with the Reserve Bank of New Zealand's Connected Exposures Policy (BS8). Peak end-of-day aggregate credit exposures to connected persons expressed as a percentage of Tier One Capital of the Banking Group has been derived by determining the maximum end-of-day aggregate amount of credit exposure over the relevant three-month period and then dividing that amount by the Bank's Tier One Capital as at the end of the period. The rating-contingent limit, which is applicable to the Bank as at balance date, is 15%. There have been no changes to the limit during the period. Within the rating-contingent limit there is a sub-limit of 15%, which applies to non-bank connected persons. The aggregate credit exposures below have been calculated on a gross basis, net of individual credit impairment allowances and excludes advances to connected persons of a capital nature. There are no individual impairment credit allowances against credit exposures to connected persons nor are there any contingent exposures arising from risk lay-off arrangements to connected persons as at 31 March 2012.

BANK OF BARODA (NEW ZEALAND) LIMITED**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 March 2012

42. CREDIT EXPOSURE CONCENTRATIONS (continued)

	As at 31 March 2012 \$'000	Peak end of day for the year ended 31 March 2012 \$'000
Credit exposures to connected persons	3,006	5,832
As a percentage of Tier One Capital of the Bank	7.3%	14.5%
Credit exposures to non-bank connected persons	-	-
As a percentage of Tier One Capital of the Bank	-	-

The limits on aggregate credit exposure to all connected persons and to non-bank connected persons in the Bank's conditions of registration have been complied with at all times during the three months ended 31 March 2012.

43. SECURITISATION, FUNDS, MANAGEMENT, OTHER FIDUCIARY ACTIVITIES AND THE MARKETING AND DISTRIBUTION OF INSURANCE PRODUCTS

As at balance date the Bank is not involved in:

- The establishment, marketing, or sponsorship of trust, custodial, funds management and other fiduciary activities; or
- The origination of securitised assets; or
- The marketing or servicing of securitisation schemes; or
- The marketing and distribution of insurance products.

44. RISK MANAGEMENT POLICIES**44.1 Credit Risk**

Credit risk is the risk of loss arising as a result of the diminution in credit quality of the borrower or counterparty and the risk that the borrower or counterparty will default on contractual repayments under an advance.

As at 31 March 2012, the Bank deposited its funds with financial institutions with a credit rating from Standard and Poors of AA-. The Bank has a Credit Committee that specifically oversees and co-ordinates the Bank's credit risk management functions. The Credit Committee has primary responsibility for identifying, measuring and monitoring the Bank's exposure to credit risk. The Credit Committee reports to the Board on credit risk on a quarterly basis.

The credit and lending policy has been set by the Credit Committee and approved by the Board. Bank officers seek Credit Committee approval before deviating from any lending guideline or policy. Credit approval authorities have been delegated by the Board to lending officers, senior executives of the Bank and the Credit Committee. Compliance with these policies is monitored by the Credit Committee and reported to the Board.

In issuing credit approval, the Credit Committee takes into account the borrower's credit rating, the type of lending (including margins on advances and the pricing of loans), the security offered, the Bank's single and group exposures (with reference to the Bank's credit exposure ceilings) and the Bank's exposure to capital markets.

The Bank has two key systems for controlling credit risk: credit rating models and credit exposure ceilings.

Credit rating models

The Bank assesses risk at the time of appraisal of the loan using its rating model for various types of borrowers. A business portfolio is assessed on a risk rated basis and a consumer portfolio on a scoring basis.

Credit exposure ceilings

As a means of avoiding concentration of credit risk, the Bank sets ceilings in relation to single/group borrowers, unsecured borrowers and with respect to each industry sector.

44.2 Market Risk

Market risk is the risk that exposure to price movements in financial instruments, arising as a result of changes in market variables, will result in a loss suffered by the Bank. The Bank has an Asset and Liability Committee that is responsible for, among other things, identifying, measuring and monitoring the Bank's exposure to market risk. The Asset and Liability Committee meets on a monthly basis and receives guidance and technical support from staff in the BOB head office. The relevant process for each category of market risk is as follows:

BANK OF BARODA (NEW ZEALAND) LIMITED

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For the year ended 31 March 2012

44. RISK MANAGEMENT POLICIES (continued)

Interest rate risk

The Bank undertakes interest rate sensitivity gap analysis on a quarterly basis as a means of monitoring interest rate risk. Short term interest rate risk is calculated using the Earnings at Risk tool.

Foreign exchange risk

The Bank undertakes analysis to ensure there are no material open foreign exchange positions through ensuring foreign exchange deposits are matched by corresponding foreign exchange balances held with financial institutions.

Equity risk

The Bank does not have any equity risk.

44.3 Liquidity Risk

Liquidity risk occurs when an institution is unable to fulfil its commitment in the time when the commitment falls due. The Asset and Liability Committee is responsible for identifying, measuring and monitoring liquidity risk affecting the Bank.

To ensure that adequate liquidity is maintained consistently, the Bank ensures that, in the time buckets of 1 day, 2 to 7 days, 8 to 14 days and 15 to 30 days, the cumulative negative liquidity gap should not exceed 5, 10, 15 and 20 percent of cash flows in the respective time periods. The Bank reviews the liquidity position on a daily basis to ensure that the negative liquidity gap does not exceed the tolerance limit in the first four time buckets. In addition, the Bank prepares monthly maturity gap reports and liquidity assessment reports to facilitate an appropriately liquid combination of assets and liabilities.

Liquidity risk is measured by flow approach on a monthly basis through Structural Liquidity Gap reports. Dynamic Gap reports, which measure liquidity risk on a dynamic basis, are also prepared monthly.

44.4 Operational Risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events.

The Bank's senior management is responsible for implementing the operational risk management initiatives formulated by the Board. The Bank's senior management meet quarterly to analyse changes or trends in respect of operational risk. The Bank's senior management may make recommendations to the Board on strategies that may improve the Bank's operational risk profile.

44.5 Capital Adequacy

The Board and senior management undertake capital planning, in accordance with the Bank's internal capital adequacy assessment policy. As part of the capital planning process, the Board reviews:

- The current capital requirements of the Bank;
- The targeted and sustainable capital in terms of business strategy and risk appetite; and
- Future capital planning (with a three year outlook).

The capital plan is revised on an annual basis or more regularly, if necessary, to meet the Bank's obligations under Basel II. For further information see Note 45.

44.6 Reviews of Bank's risk management systems

There have been no reviews conducted in respect of the Bank's risk management systems to date.

44.7 Internal audit function

The Bank utilises BOB's internal audit function as a control measure to enable both BOB and senior management of the Bank to monitor and review the Bank on an ongoing basis. The internal audit function of the Bank is part of BOB's policy to ensure that all BOB branches and subsidiaries have appropriate systems and procedures in place and comply with all applicable home and host country regulations. Specifically, the Bank is subject to the following internal audit measures:

- A monthly compliance review is undertaken by senior management of the Bank. The purpose of this review is to check and confirm to BOB constant and concurrent compliance with all systems and procedures by the Bank;
- An annual internal audit carried out by an inspecting officer appointed by BOB; and
- Every three years, senior executives from BOB (for example, a general manager and an executive officer) will undertake an on-site inspection at the Bank.

BANK OF BARODA (NEW ZEALAND) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2012

44. RISK MANAGEMENT POLICIES (continued)

BOB – Audit Committee of the Board

BOB, in consonance with the fundamentals of corporate governance and in pursuance of directives of the Reserve Bank of India, has an Audit Committee of the Board comprising of six BOB directors. A non-executive BOB director who is a professional chartered accountant is the chairman of the committee.

During the year, the Audit Committee of the Board met 11 times.

The main functions of the Audit Committee of the Board are to assess and review the financial reporting system of BOB to ensure that the financial statements are correct, sufficient and credible. It reviews and recommends with BOB management the quarterly / annual financial statements before their submission to the board of BOB.

The Audit Committee of the Board provides directions and oversees the operations of total audit functions of BOB, including the organisation, operation and quality control of internal audit and inspection within BOB and follow up on the statutory / external audit of BOB and inspections by the Reserve Bank of India.

The Audit Committee of the Board also reviews the adequacy of internal control systems, the structure of the internal audit department, its staffing patterns and discussions with the internal auditors / inspectors on any significant finding and follow up action. Further, it reviews the financing and risk management policies of BOB.

45. CAPITAL ADEQUACY

The Bank has 40,000,000 fully paid up ordinary shares (tier one capital) issued at NZ \$1.00 per share.

BOB is the sole shareholder. Each share confers on the holder the right to:

- one vote on a poll at a meeting of the shareholders on any resolution to:
 - appoint or remove a Director or auditor; or
 - alter the Bank's constitution; or
 - approve a major transaction; or
 - approve an amalgamation under section 221 of the Companies Act 1993; or
 - put the Bank into liquidation;
- a proportionate share in dividends authorised by the Board; and
- a proportionate share in the distribution of the surplus assets of the Bank.

Other classes of capital instrument

The Bank does not have any other classes of capital instrument in its capital structure.

Regulatory capital adequacy ratios are calculated by expressing capital as a percentage of risk weighted exposures. As a condition of registration, the Bank must comply with the following minimum capital requirements set by the RBNZ:

- Total regulatory capital must not be less than 8% of risk weighted exposures.
- Tier One capital must not be less than 4% of risk weighted exposures.
- Capital must not be less than NZ\$30 million.

The capital adequacy tables set out below summarise the composition of regulatory capital and capital adequacy ratios for the year ended 31 March 2012. The Bank was registered on 1 September 2009 and from the date of registration to 31 March 2012, the Bank has complied with both regulatory and internal capital adequacy requirements.

BANK OF BARODA (NEW ZEALAND) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2012

45. CAPITAL ADEQUACY (continued)

The Bank has considered other material risks not included below and whether to allocate any capital to cover these risks and concluded that these risks are not significant and have therefore not allocated any capital to cover them.

	Unaudited 31 March 2012 \$'000
Tier one capital	
Issued and fully paid up share capital	40,000
Perpetual fully paid up non-cumulative preference shares	-
Revenue and similar reserves (1)	269
Current period's retained profits	695
Tier one minority interests	-
Less: deductions from tier one capital	-
Plus: other adjustments to tier one capital	-
Total tier one capital	40,964
Tier two capital	-
Upper tier two capital	
Unaudited retained profits	-
Revaluation reserves	-
Upper tier two capital instruments	-
Lower tier two capital	
Term subordinated debt	-
Other capital elements with original maturity of five years or more	-
Total tier two capital	-
Tier one capital plus tier two capital	40,964
Less: deductions from total capital	-
Plus: other adjustments to total capital	-
Total capital	40,964

(1) Revenue and similar reserves consists of prior period retained profits.

Credit risk

Unaudited 31 March 2012 Calculation of on-balance-sheet exposures	Total exposure after credit risk mitigation \$'000	Risk weight	Risk weighted exposure \$'000	Minimum Pillar 1 capital requirement \$'000
Cash and gold bullion	61	0%	-	-
Sovereigns and central banks	-	0%	-	-
Multilateral development banks and other international organisation	-	0%	-	-
Public sector entities	-	20%	-	-
Banks	37,507	20%	7,501	600
Banks	3,075	50%	1,538	123
Corporate	8,877	100%	8,877	710
Residential mortgages not past due –LVR up to 80%	4,654	35%	1,629	131
Residential mortgages not past due –LVR >80% but up to 90%	1,549	50%	775	62
Past due residential mortgages	430	100%	430	34
Other past due assets	-	100%	-	-
Equity holdings (not deducted from capital) that are publicly traded	-	100%	-	-
All other equity holdings (not deducted from capital)	-	100%	-	-
Non Risk Weighted Assets	-	0%	-	-
Other assets	1,872	100%	1,872	150
Total on balance sheet exposures after credit risk mitigation	58,025		22,622	1,810

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For the year ended 31 March 2012

45. CAPITAL ADEQUACY (continued)

Unaudited 31 March 2012	Total exposure \$'000	Credit conversion factor	Credit equivalent amount \$'000	Average risk weight	Risk weighted exposure \$'000	Minimum Pillar 1 capital require- ment \$'000
Calculation of off-balance sheet exposures						
Direct credit substitute	-	-	-	-	-	-
Asset sale with recourse	-	-	-	-	-	-
Forward asset purchase	-	-	-	-	-	-
Commitment with certain drawdown	-	-	-	-	-	-
Undrawn commitments on existing facilities	2,863	20%	573	100%	573	46
Note issuance facility	-	-	-	-	-	-
Revolving underwriting facility	-	-	-	-	-	-
Performance-related contingency	1,104	50%	552	100%	552	44
Trade-related contingency	-	-	-	-	-	-
Placements of forward deposits	-	-	-	-	-	-
Other commitments where original maturity is more than one year	-	-	-	-	-	-
Other commitments where original maturity is less than or equal to one year	-	-	-	-	-	-
Other commitments that cancel automatically when the creditworthiness of the counterparty deteriorates or that can be cancelled unconditionally at any time without prior notice	-	-	-	-	-	-
Market related contracts						
(a) Foreign exchange contracts	-	-	-	-	-	-
(b) Interest rate contracts	-	-	-	-	-	-
(c) Other – OTC, etc	-	-	-	-	-	-
Total off-balance sheet exposures	3,967		1,125		1,125	90

Residential mortgages by loan-to-valuation ratio

Unaudited 31 March 2012	Does not exceed 80%	Exceeds 80% and not 90%	Exceeds 90%	Total
Loan-to-valuation ratio				
Value of exposures	5,080	1,549	-	6,629

Reconciliation of residential mortgage-related amounts

	Unaudited 31 March 2012
Residential mortgage loans (as disclosed in Note 13)	6,629
Residential mortgages by loan-to-valuation ratio	6,629

Credit risk mitigation

Unaudited 31 March 2012	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
Exposure class		
Sovereign or central bank	-	-
Multilateral development bank	-	-
Public sector entities	-	-
Bank	-	-
Corporate	2,687	-
Residential mortgage	-	-
Other	251	69
Total	2,938	69

Operational risk capital requirement

Unaudited 31 March 2012	Implied risk weighted exposure \$'000	Total operational risk capital requirement \$'000
Operational risk	2,888	231

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For the year ended 31 March 2012

Capital adequacy of Ultimate Parent Bank

The Ultimate Parent Bank of Bank of Baroda (New Zealand) Limited is BOB.

BOB is required by the Reserve Bank of India to hold minimum capital at least equal to that specified under the Basel II (standardised) approach. This information is made available to users via the BOB website (www.bankofbaroda.com).

As at 31 March 2012, BOB's Tier One Capital was 10.83% of Total Risk-weighted Assets and Total Capital was 14.67% of Total Risk-weighted Assets (31 March 2011: Tier One Capital was 9.20% of Total Risk-weighted Assets and Total Capital was 14.36% of Total Risk-weighted Assets). BOB's capital ratios during the year ended 31 March 2012 and 31 March 2011 exceeded both of the Reserve Bank of India's minimum capital adequacy requirements.

Market risk

Market risk exposures have been calculated in accordance with the methodology detailed in Part 10 of the RBNZ's BS2A Capital Adequacy framework, and schedule 9 of the Registered Bank Disclosure Statements (New Zealand Incorporated Registered Banks) Order 2012. Peak exposures are calculated using the Bank's shareholders equity at the end of the quarter.

Unaudited 31 March 2012	End-period capital charges		Peak end-of-day capital charges	
	Implied risk weighted exposure	Aggregate capital charge	Implied risk weighted exposure	Aggregate capital charge
	\$'000	\$'000	\$'000	\$'000
Interest rate risk	588	47	788	63
Foreign currency risk	113	9	3,325	266
Equity risk	-	-	-	-
Total capital requirements	701	56	4,113	329

Unaudited 31 March 2012	Total exposure after credit risk mitigation	Risk weighted exposure or implied risk weighted exposure	Capital requirement
	\$'000	\$'000	\$'000
	Total credit risk + equity	61,992	23,747
Operational risk	-	2,888	231
Market risk	-	701	56
Total	61,992	27,336	2,187

Capital ratios

	Unaudited 31 March 2012	Unaudited 31 March 2011
Tier one capital ratio	149.9%	230.9%
Total capital ratio	149.9%	230.9%