General Disclosure Statement

Bank of Baroda (New Zealand) Limited

Initial disclosure statement for the period ended 31 March 2009

Contents

1. Definitions

In this General 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 initial general disclosure statement, terms defined in the Registered Bank Disclosure Statement (Full and Half-Year – New Zealand Incorporated Registered Banks) Order 2008 (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
c/o Bell Gully
Level 21, HP Tower
171 Featherston Street
Wellington
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 2009, the Government of India held 53.81% of the total shares in BOB. The remaining 46.19% 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 2008-09 – Performance next. The Baroda next effect" 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. As at 31 March 2009, the Bank had not commenced trading and thus there are no comparatives for the Bank.

3. Guarantee

3.1 Guarantee arrangements

As at the date of this initial general 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**

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

(ii) The address for service of the guarantor is:

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

(iii) As at 31 March 2009, the publicly disclosed capital of BOB and the BOB group was INR128,355,412,000 (USD2,558,060,000) and INR132,805,172,000 (USD2,618,400,000), respectively, representing 14.05% and 16.87% of risk weighted exposure, respectively.

(iv) 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	**Baa2**	Nil	Nil
Fitch IBCA, Inc.	**BBB-**	Nil	Nil

(v) Details of the applicable rating scale can be found at section 9.2 of this initial general disclosure statement.

(b) **Details of guaranteed obligations**

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

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

(iii) There are no material conditions applicable to the guarantee, other than non-performance by the Bank.

(iv) 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.

(v) The Parent Guarantee does not have an expiry date.

4. No supplemental disclosure statement

All of the information required to be disclosed by the Bank under the Order is contained in this initial general disclosure statement. Accordingly, there is no supplemental disclosure statement.

5. Directors

5.1 Communications

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

Bank of Baroda (New Zealand) Limited
c/o Bell Gully
Level 21, HP Tower
171 Featherston Street
Wellington
New Zealand

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

5.2 Responsible person

The responsible person authorised to sign this initial general disclosure statement on behalf of the Directors in accordance with section 82 of the Act is Satish C. Vermani.

5.3 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

Satish Chander Vermani
Managing Director

MSc, MA, Dip. Mgt.
Resident of Australia

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 New Zealand

Interested transactions
Nil

Directorships
Nil

5.4 Audit Committee

The Bank has an Audit Committee.

The members of the Audit Committee are:

(a) Dr Rajen Prasad, Independent Director;

(b) Vijaya Vaidyanath, Independent Director; and

(c) Satish Vermani, Managing Director.

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

5.5 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.

6. Auditors

The name and address of the auditor whose report is referred to in this initial general disclosure statement is:

PricewaterhouseCoopers
188 Quay Street
Private Bag 92162
Auckland 1142
New Zealand

7. Conditions of registration

The Bank was entered into the Reserve Bank of New Zealand register of registered banks effective 1 September 2009.

The registration of the Bank is subject to the following conditions, effective as from 1 September 2009:

Capital requirements – conditions for the standardised approach

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 NZD30,000,000.

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

1A That:

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

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

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

General conditions of registration

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

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

For the purposes of this condition:

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

(ii) In measuring the size of the Banking Group's insurance business:

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

- the total consolidated assets of the group headed by that entity;

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

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

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

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

4 That the aggregate credit exposures (of a non-capital nature and net of any allowances for impairment) of the Banking Group to all connected persons do not exceed the rating-contingent limit outlined in the following matrix:

Credit rating[1]	**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 one 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 March 2008.

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.)

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 board of the Bank contains at least two independent directors. In this context an independent director is a director who is not an employee of the Bank, and who is not a director, trustee or employee of any holding company of the Bank, or any other entity capable of controlling or significantly influencing the Bank.

7 That the chairperson of the Bank's board is not an employee of the Bank.

8 That the Bank's constitution does not include any provision permitting a director, when exercising powers or performing duties as a director, to act other than in what he or she believes is the best interests of the company (i.e., the Bank).

9 That no appointment of any director, chief executive officer, or executive who reports or is accountable directly to the chief executive officer, shall be made unless:

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

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

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

8. Pending proceedings or arbitration

As at the date of this initial general 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.

9. Credit rating

9.1 Rating information

The credit rating of the Bank is as follows:

Rating Agency	Type of Rating	Current Rating	Qualifications	Rating Change in the Last 2 Years
Fitch IBCA, Inc.	Long-term foreign currency Issuer Default Rating	BBB-	**Nil**	**Nil**

9.2 Applicable ratings scales

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

10. Historical summary of financial statements

As the Bank had not commenced operations prior to the date of this initial general disclosure statement, there are no historical financial statements for the Bank other than those attached for the period ending 31 March 2009.

11. Banking Group

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

12. Insurance business

The Bank does not conduct any insurance business.

13. Other material matters

As at the date of this initial general disclosure statement, the capital of the Bank was no less than $40,000,000.

There are no other matters relating to the business or affairs of the Bank, other than those contained in this initial general 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.

14. Directors' statements

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

(a) this initial general disclosure statement:

(i) contains all the information that is required by the Order; and

(ii) is not false or misleading; and

(b) 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 initial general disclosure statement is dated at Sydney, Australia this 1 September 2009 and signed by Satish C. Vermani as responsible person.

Satish C. Vermani
Managing Director
Bank of Baroda (New Zealand) Limited

15. Auditor's report

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

16. Financial statements

The financial statements for the Bank for the period ended 31 March 2009 are attached as Appendix 2 to, and form part of, this initial general disclosure statement. The information required by Schedules 4 to 9 of the Order is set out in those financial statements.

Appendix 1: Guarantee

बैंक ऑफ़ बड़ौदा Bank of Baroda

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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

अंतरराष्ट्रीय प्रभाग Bank of Baroda International Division

अंतरराष्ट्रीय प्रभाग : बड़ौदा कार्पोरेट सेन्टर, सी-26, जी-ब्लॉक, बान्द्रा-कुर्ला कॉम्पलेक्स, 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 5426 फैक्स / Fax : 91 22 2652 3509
ई-मेल / E-mail : gm.international.bcc@bankofbaroda.com वेब / Web : www.bankofbaroda.com

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

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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
2. issued or made under, that legislation.

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

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
2.3 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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(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.

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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.

अंतर्राष्ट्रीय प्रभाग : 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.
फोन / Phone : 91 22 6698 5000-04, 6698 5426 ▢ फैक्स / Fax : 91 22 2652 3509
ईमेल / E-mail : gm.international.bcc@bankofbaroda.com ▢ वेब / Web : www.bankofbaroda.com

बैंक ऑफ़ बड़ौदा Bank of Baroda

100 YEARS banking with passion

Execution

Executed as a deed

This Deed of Gaurantee 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

Asstt. 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 प्रभाग, बड़ौदा कार्पोरेट सेन्टर, सी-26, जी-ब्लॉक, बान्द्रा-कुर्ला कॉम्पलेक्स, मुंबई 400 051. भारत
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बैंक ऑफ़ बड़ौदा **Bank of Baroda**

100 YEARS banking with passion

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 प्रभाग, बड़ौदा कॉर्पोरेट सेन्टर, सी-26, जी-ब्लॉक, बान्द्रा-कुर्ला कॉम्प्लेक्स, मुंबई 400 051. भारत
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Baroda (New Zealand) Limited

Company Number 2135104

Financial Statements for the period ended 31 March 2009

Contents

PRICEWATERHOUSECOOPERS

PricewaterhouseCoopers
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Private Bag 92162
Auckland 1142
New Zealand
Telephone +64 9 355 8000
Facsimile +64 9 355 8001
www.pwc.com/nz

Auditors' Report

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

We have examined pages 37 to 73 of the financial statements which consists of the financial statements and the supplementary information required by Schedules 4 to 9 and Clause 17 of Schedule 3 of the Order. The financial statements provide information about the past financial performance and cash flows of Bank of Baroda (New Zealand) Limited (the "Company") and its financial position as at 31 March 2009. This information is stated in accordance with the accounting policies set out on pages 42 to 50 and the requirements of the Registered Bank Disclosure Statement (Full and Half-Year – New Zealand Incorporated Registered Banks) Order 2008 (the "Order").

The supplementary information contains information prepared in accordance with Schedules 4 to 9 and Clause 17 of Schedule 3 of the Order.

Directors' Responsibilities

The Directors of Bank of Baroda (New Zealand) Limited are responsible for the preparation and presentation of the financial statements, which includes financial statements which give a true and fair view of the financial position of the Company as at 31 March 2009 and its financial performance and cash flows for the period ended on that date and which are not false or misleading. The financial statements also include supplementary information which complies with Schedules 3 to 9 of the Order.

Auditors' Responsibilities

We are responsible for expressing an independent opinion on the financial statements and the supplementary information disclosed in accordance with Clause 22, Schedules 4 to 9, and Clause 17 of Schedule 3 of the Order and presented to us by the Directors.

In respect of the financial statements (excluding the supplementary information disclosed in Notes 6, 27, 42, 43, 44, 45 and 46), we are responsible for auditing these financial statements in order to state whether, on the basis of the procedures described below, these financial statements give a true and fair view of the matters to which they relate, and for reporting our findings to you.

In respect of the supplementary information (excluding the capital adequacy information disclosed in Notes 45 and 46), we are responsible for auditing the disclosures in order to state whether, on the basis of the procedures described below, the disclosures are fairly stated in accordance with Schedules 4 and 6 to 9 of the Order, and for reporting our findings to you.

PRICEWATERHOUSECOOPERS

Auditors' Report

Bank of Baroda (New Zealand) Limited

In respect of the supplementary information relating to capital adequacy disclosed in Notes 45 and 46, 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 Schedule 5A; and
(ii) disclosed in accordance with Schedule 5A

and for reporting our findings to you.

Basis of Opinions

An audit of the financial statements includes examining, on a test basis, evidence relevant to the amounts and disclosures in the financial statements (excluding the supplementary information relating to capital adequacy disclosed in Notes 45 and 46). It also includes assessing:

(a) the significant estimates and judgements made by the Directors in the preparation of the financial statements; and

(b) whether the accounting policies are appropriate to the circumstances of the Company, consistently applied and adequately disclosed.

We conducted our audit of the financial statements (excluding the supplementary information relating to capital adequacy disclosed in Note 45 and 46) in accordance with generally accepted auditing standards in New Zealand. We planned and performed our audit so as to obtain all the information and explanations which we considered necessary to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatements, whether caused by fraud or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Our examination of the supplementary information relating to capital adequacy disclosed in Notes 45 and 46 has been conducted 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 the Company 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 Notes 45 and 46 and, accordingly, we do not express an audit opinion on that supplementary information.

We have no relationship with or interests in the Company other than in our capacities as auditors and providers of other assurance services.

PricewaterhouseCoopers

Auditors' Report

Bank of Baroda (New Zealand) Limited

Unqualified Audit Opinion

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

In our opinion:

(a) proper accounting records have been kept by the Company as far as appears from our examination of those records;

(b) the financial statements on pages 37 to 73 (excluding the supplementary information disclosed in Notes 6, 27, 42, 43, 44, 45 and 46):

(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 Company as at 31 March 2009 and its financial performance and cash flows for the period ended on that date.

(c) the supplementary information disclosed in Notes 6, 27, 42, 43 and 44 prescribed by Schedules 4 and 6 to 9 and Clause 17 of Schedule 3 of the Order fairly states the matters to which it relates in accordance with those Schedules.

Unqualified Review 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 Notes 45 and 46, as required by Schedule 5A of the Order, is not in all material respects:

(i) prepared in accordance with Schedule 5A of the Order; and

(ii) disclosed in accordance with Schedule 5A of the Order.

Our work was completed on 1 September 2009 and our unqualified opinions are expressed as at that date.

PricewaterhouseCoopers

Chartered Accountants

Auckland

FINANCIAL STATEMENTS

INCOME STATEMENT
For the period ended 31 March 2009

	Notes	Company 2009 $'000
Interest income	2	3
Interest expense	2	-
Net interest income	2	3
Gains/(losses) on financial instruments at fair value	3	-
Other income	4	(1,753)
Total operating income		(1,750)
Operating expenses	5	(133)
Impairment losses on loans and advances	6	-
Net (loss) /profit before taxation		(1,883)
Taxation (expense)/benefit	7	-
Net (loss)/profit after taxation		(1,883)

STATEMENT OF CHANGES IN EQUITY
For the period ended 31 March 2009

	Notes	Company 2009 $'000
Equity at beginning of period	26	-
Net (loss)/profit after taxation		(1,883)
Movement in items recognised directly in equity:		
Net change in available-for-sale reserve (net of tax)	26	-
Net change in cash-flow hedge reserve (net of tax)	26	-
Foreign currency translation reserve		-
Total recognised income and expense for the period		(1,883)
Share capital issued	26	25,000
Equity at end of period	26	23,117

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

DOC REF 10128902_9

BALANCE SHEET
as at 31 March 2009

	Notes	Company 2009 $'000
Assets		
Cash and cash equivalents	9	
Balances due from related parties	20	-
Due from other financial institutions	10	-
Financial assets at fair value through profit or loss	11	39,139
Available-for-sale assets	12	-
Loans and advances	13	-
Property, plant and equipment	16	
Intangible assets	17	-
Deferred tax asset	8	-
Other assets	18	3
Total assets		39,142
Liabilities		
Due to other financial institutions	10	
Balance due to related parties	20	-
Deposits and other borrowings	21	16,025
Debt securities issued	22	-
Current taxation	8	-
Other liabilities	23	-
Term subordinated debt	25	-
Total liabilities		16,025
Shareholders' equity		
Share capital	26	25,000
Retained earnings/(accumulated losses)		(1,883)
Total shareholders' equity		23,117
Total shareholders' equity and liabilities		39,142

For and on behalf of the Board

Director

Director

Authorised for issue on 21 August 2009

The accompanying notes form an integral part of these financial statements

DOC REF 10120902_9

CASH FLOW STATEMENT
For the period ended 31 March 2009

	Notes	Company 2009 $'000
Cash flows from operating activities		
Interest received		-
Fees and other income		-
Operating expenses paid		-
Interest paid		-
Taxes paid		-
Net cash flows from operating activities before changes in operating assets and liabilities		-
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		-
Decrease/(increase) in balances due from other financial institutions		-
Increase in deposits and other borrowings		-
Increase in balances due to related parties		15,892
Increase in balances due to financial institutions receivables		-
Net cash flows from operating activities		**15,892**
Cash flows from investing activities		
Purchase of property, plant and equipment		-
Purchase of intangible software assests		-
Purchase of customer relationships		-
Net cash flows from investing activities		-
Cash flows from financing activities		
Issue of shares		25,000
Proceeds from term subordinated debt		-
Proceeds from related parties		-
Increase in debt securities issued		-
Dividends paid		-
Net cash flows from financing activities		**25,000**
Increase/(decrease) in cash and cash equivalents		
Add opening cash and cash equivalents		-
Effect of exchange rate changes on cash and cash equivalents		(1,753)
Closing cash and cash equivalents		**39,139**
Represented By:		
Bank balances		-
Short term deposits	10	39,139
Closing cash and cash equivalents		**39,139**

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

CASH FLOW STATEMENT
For the period ended 31 March 2009

	Notes	Company 2009 $'000
Reconciliation of net profit after taxation to net cash-flows from operating activities		
Net (loss)/profit after taxation		(1,883)
Non cash movements:		
Unrealised fair value adjustments		-
Depreciation		-
Amortisation of intangibles		-
Increase in collective allowance for impairment losses		-
Increase in individual allowance for impairment losses		-
(Increase)/decrease in deferred expenditure		-
Unsecured lending losses		-
Unrealised foreign exchange loss/(gain)		1,753
(Increase)/decrease in deferred taxation		-
(Decrease)/increase in operating assets and liabilities		1,753
(Increase)/decrease in financial assets at fair value through profit or loss		-
Decrease/(increase) in available-for-sale assets		-
Increase in loans and advances		-
Decrease/(increase) in balances due from other financial institutions		-
Increase in deposits and other borrowings		-
Increase in balances due to other financial institutions		-
Increase in accrued operating expenses		-
Increase in interest payable		-
(Increase) in interest receivable		(3)
Decrease in balances with related parties		16,025
Increase/(decrease) in current taxation		-
(Increase)/decrease in other assets		-
Net cash flows from operating activities		15,892

1. STATEMENT OF ACCOUNTING POLICIES

GENERAL ACCOUNTING POLICIES

The reporting entity is Baroda (New Zealand) Limited (the "Company"). The Company 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 Statement (Full and Half-Year – New Zealand Incorporated Registered Banks) Order 2008. They were approved for issue by the Directors on 21 August 2009. The company will change its name to Bank of Baroda (New Zealand) Limited once it gets approval to become a registered bank in New Zealand. The address of its registered office is Level 21, HP Tower, 171 Featherston Street, Wellington, New Zealand.

The Company'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.

The company was incorporated on the 27th of May 2008 and the Financial Statements have been prepared up to the 31st of March 2009. Also, as the Company has not commenced operations prior to the issue of these financial statements there are no comparatives for the Company.

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.

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 Company's accounting policies. As the Company has not commenced operations, there are no significant areas of judgments to the 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 Company are not yet effective and have not yet been applied in preparing the financial statements. Adoption of these standards will not have any impact on the company's reported profit or financial position.

- NZ IAS1 Presentation of Financial Statements(revised) will apply to the company from 1 April 2009 and will result in changes to the disclosure of changes in Equity
- NZIFRS 3 Business Combinations(revised) will apply to the company from the 1 April 2009 and will result in additional disclosures in the event of a business combination
- NZIFRS 8 Operating Segments will apply to the company from the 1 April 2009 and may affect the financial and descriptive information disclosed about the company's reportable segments.

Foreign currency translation

Functional and presentation currency

Items included in the financial statements of the Company are measured using New Zealand dollars, the currency of the primary economic environment in which the entity operates ('the functional currency'). The financial statements are presented in New Zealand dollars.

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 income statement, except when deferred in equity as qualifying cash flow hedges.

1. STATEMENT OF ACCOUNTING POLICIES (Continued)

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. The Company has yet to begin trading therefore no segmental information has been prepared.

Revenue recognition

Revenue is recognised to the extent that it is probable that economic benefit will flow to the Company 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 Company 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.

Commission and other fees

When commissions or fees relate to specific transactions or events, they are recognised in the income statement 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 income statement when the Company'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 included in other income.

Expense recognition

Operating lease payments are recognised in the income statement 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 expense, excluding interest expense, are recognised in the income statement on an accrual basis.

Financial assets

Classification

The Company 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 Company 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.

1. STATEMENT OF ACCOUNTING POLICIES (Continued)

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 Company'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 Company's management has the positive intention and ability to hold to maturity. If the Company 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 Company 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 income statement. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Company 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 income statement within other income in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the income statement as part of other income when the Company'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 income statement as other income.

Interest on available-for-sale securities calculated using the effective interest method is recognised in the income statement as part of interest income. Dividends on available-for-sale equity instruments are recognised in the income statement as part of other income when the Company'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 Company 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 Company 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.

Financial liabilities

The Company 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.

1. STATEMENT OF ACCOUNTING POLICIES (Continued)

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 Company 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 income statement 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 Company's financial market activities and to hedge certain assets and liabilities. The Company 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 Company, as well as derivatives transacted as economic hedges, but not qualifying for hedge accounting. Changes in fair value are reflected in the income statement immediately when they occur.

The Company 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 Company applies either cash flow or fair value hedge accounting when transactions meet the specified criteria to obtain hedge accounting treatment.

The Company 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 Company elects to revoke the hedge designation.

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 income statement. 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 income statement. When a hedging derivative expires or is sold, the hedge no longer meets the criteria for hedge accounting, or the Company 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 income statement. 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 Company 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 income statement 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 income statement 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 income statement over the term of the reverse repurchase agreement.

Offsetting financial instruments

The Company 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 Company'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.

1. STATEMENT OF ACCOUNTING POLICIES (Continued)

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.

Impairment of financial assets

Assets carried at amortised cost

An assessment is made at each balance 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 income statement. 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 Company'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.

1. STATEMENT OF ACCOUNTING POLICIES (Continued)

When a loan is uncollectible, it is written off to the income statement. 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 income statement.

Assets carried at fair value

At each balance sheet date an assessment is made whether there is objective evidence that a financial asset or group of financial assets is impaired.

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.

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 Company 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 (5-25 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 Company 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 the income statement.

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.

1. STATEMENT OF ACCOUNTING POLICIES (Continued)

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 Company generally expenses computer software costs in the period incurred. However, some costs associated with developing identifiable and unique software products controlled by the Company, 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 income statement.

Taxation

Income tax on the net profit for the period comprises current and deferred tax. Income tax is recognised in the income statement 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.

In accordance with NZ IAS 12 *Income Taxes*, 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 income statement if and when the deferred gain or loss on the related asset or liability affects income.

Provisions

A provision is recognised in the balance sheet when: the Company 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 Company is involved in a range of transactions that give rise to contingent and / or future liabilities. The Company 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 Company'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 Company 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 Company are operating leases. The total payments made under operating leases are charged to other operating expenses in the income statement 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.

1. STATEMENT OF ACCOUNTING POLICIES (Continued)

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 Company'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 Company.

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 date are measured as the present value of estimated future cash outflows from the Company 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 Company recognises a liability and an expense for bonuses and profit-sharing based on a formula that takes into consideration the profit attributable to the Company'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.

Changes in accounting policies

There have been no significant changes in accounting policies during the current period.

2. INTEREST

Interest Income	Company 2009 $'000
Loans and advances	-
Government and local authority securities	-
Owed by other financial institutions	3
Balances with related parties	-
Other securities	-
Cash and liquid assets	-
Income from impaired assets	-
Income from restructured assets	-
Total interest income	3

Interest Expense	-
Deposits by customers	-
Debt securities issued	-
Balances with related parties	-
Total interest expense	-

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

	Company 2009 $'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 gains/(losses) on financial instruments	-

4. OTHER INCOME

Other Income	Company 2009 $'000
Banking and lending fee income	-
Net commissions revenue	-
Payment services fee income	-
Bad debts recovered	-
Gain on sale of property, plant and equipment	-
Net foreign exchange (losses)/gains	(1,753)
Other revenue	-
Total other income	(1,753)

5. OPERATING EXPENSES

Operating Expenses	Company 2009 $'000
Auditors remuneration:	
– Audit fees	15
– Assurance and related services	2
Tax advisory services	-
Donations	-
Directors' fees	-
Depreciation:	-
– Computer hardware and software	-
– Office equipment	-
– Motor vehicles	-
– Furniture, fittings, and leasehold improvements	-
Amortisation of intangible assets	-
Employee benefits	-
Rental and lease costs	-
Loss on sale of property, plant and equipment	-
Other operating expenses	116
Total operating expenses	133

6. IMPAIRMENT ALLOWANCE

Individually impaired assets	Company 2009 $'000
Balance at the beginning of the period	-
Charge to income statement	-
Bad debts written off	-
Balance at the end of the period	-

Collective allowance for impairment losses	Retail unsecured lending	Retail mortgage lending	Corporate and institutional	Company 2009 $'000
Balance at beginning of the period	-	-	-	-
Impairment losses	-	-	-	-
Advances written off	-	-	-	-
Total collective allowance for impairment losses	-	-	-	-

7. TAXATION

	Company 2009 $'000
Net (loss)/profit before taxation	(1,883)
Tax calculated at a tax rate of 30%	(565)
Income not subject to tax	-
Expenses not subject to tax	-
Tax losses not recognised	565
Other permanent differences	-
Taxation charge as per the income statement	-
Represented by:	
Prior period adjustment	-
Current income tax	-
Deferred income tax	-
Taxation charge as per the income statement	-
The deferred tax charge in the income statement 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 Company's profit before tax has been calculated at 30%. Tax benefits not recognised in these financial statements amounted to $564,900 as at 31 March 2009.

8. CURRENT AND DEFERRED TAXATION

	Company 2009 $'000
Current income tax (payable)/ receivable	
Balance at beginning of period	-
Prior period adjustment	-
Current period profit	-
Tax on profits/(losses) taken to reserves	-
Transfer from deferred tax	-
Tax return adjustments booked	-
Related party purchase of tax losses	-
Tax paid	
Balance at end of period	-
Deferred tax	
Balance at beginning of period	-
Prior period adjustment	-
Temporary differences for the period	-
Tax on losses taken directly to reserves	-
Tax effect of change in tax rate	-
Transfer to current tax	-
Balance at end of period	-
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

	Company 2009 $'000
Cash in hand	-
Cash with central banks	-
Call and overnight advances to financial institutions	-
Short term deposits	-
Total cash and cash equivalents	-
Current	-
Non-Current	-

10. DUE FROM OTHER FINANCIAL INSTITUTIONS

	Company 2009 $'000
Short term deposits	39,139
Total amount due from other financial institutions	39,139
Current	39,139
Non-Current	-

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

	Company 2009 $'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

	Company 2009 $'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

	Company 2009 $'000
Loans and advances	-
Allowance for impairment losses	-
Total net loans and receivables	-
Current	-
Non-Current	-

14. DERIVATIVE FINANCIAL INSTRUMENTS

The Company has not started trading and has no derivative financial instruments to disclose.

15. SUBSIDIARIES

As at 31 March 2009, the Company does not have any subsidiaries.

16. PROPERTY, PLANT & EQUIPMENT

	Computer hardware and software $'000	Office equipment $'000	Motor vehicles $'000	Furniture, fittings & leasehold improvements $'000	TOTAL $'000
At cost	-	-	-	-	-
Accumulated depreciation	-	-	-	-	-
Opening carrying amount	-	-	-	-	-
Additions	-	-	-	-	-
Disposals	-	-	-	-	-
Depreciation	-	-	-	-	-
Closing carrying amount	-	-	-	-	-
At cost	-	-	-	-	-
Accumulated depreciation	-	-	-	-	-
Closing carrying amount	-	-	-	-	-

17. INTANGIBLE ASSETS

	Company 2009 $'000
Goodwill	-
Computer software	-
Computer software work in progress	-
Total intangible assets	-
Goodwill	
Balance at beginning of period	-
Additions	-
Balance at end of period	-
	-
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	-
Computer software work in progress	-

18. OTHER ASSETS

	Company 2009 $'000
Other receivables	-
Deferred acquisition costs	-
Commissions receivable	-
Interest receivable	3
Trade and other receivables	3
Current	3
Non-Current	-

19. DUE TO OTHER FINANCIAL INSTITUTIONS

	Company 2009 $'000
Loans from other banks	-
Items in course of settlement	-
ATM cash at other banks	-
Total due to other financial institutions	-
Current	-
Non-Current	-

20. BALANCES WITH RELATED PARTIES

	Company 2009 $'000
Amounts due from related parties	-
Amounts due to related parties	(16,025)
Total balances with related parties	**(16,025)**
Current	(16,025)
Non-Current	-

21. DEPOSITS AND OTHER BORROWINGS

	Company 2009 $'000
Retail deposits	-
Wholesale deposits	-
Other	-
Total deposits	-
New Zealand	-
Overseas	-
Current	-
Non-Current	-

22. DEBT SECURITIES ISSUED

	Company 2009 $'000
Certificates of deposit	-
Other debt securities	-
Total debt securities issued	-
Current	-
Non-Current	-

23. OTHER LIABILITIES

	Company 2009 $'000
Trade and other payables	-
Employee entitlements	-
Accounts payable	-
Other payables and accruals	-
Total other liabilities	-
Current	-
Non-Current	-

24. DEFERRED SETTLEMENT LIABILITY

The Company has not started trading and has no deferred settlement liability.

25. TERM SUBORDINATED DEBT

The Company has not started trading and has no term subordinated debt.

26. EQUITY

Issued and paid up capital	Company 2009 $'000
25,000,000 shares issued	25,000
Retained earnings/(accumulated losses)	(1,883)
Cash flow hedge reserve	-
Available-for-sale reserve	-
Total equity	23,117

Share capital	
Opening balance	-
25,000,000 shares Issued	25,000
Balance at end of the period	25,000

Retained earnings/(accumulated losses)	
Opening balance	-
Net (loss)/profit for the period	(1,883)
Balance at end of the period	(1,883)

Cash-flow hedge reserve	
Balance at beginning of period	-
Net loss from changes in fair value after tax	-
Cumulative loss transferred to the income statement on	-
disposal of financial assets	-
Tax effect of items transferred to income statement	-
	-
Balance at end of the period	-

Available-for-sale reserve	
Balance at beginning of period	
Net gains/(losses) from changes in fair value after tax	-
Cumulative (gain)/loss transferred to the income	-
statement on disposal of financial assets	-
Tax effect of items transferred to income statement	
Balance at end of period	-

The Company issued 25,000,000 ordinary shares on the 27th of May 2008. These 25,000,000 ordinary shares were called on the 16th March 2009. Subsequent to the 31 March 2009, the company issued a further 15,000,000 shares on the 20th of April 2009. All ordinary shares have equal voting rights and share equally in dividends and any profits on winding up and have a par value of $1.

27. ASSET QUALITY

	Loans and advances to retail customers	Loans and advances to corporate and institutional customers	Company 2009 $'000
Neither past due nor impaired	-	39,139	39,139
Past due but not impaired	-	-	-
Impaired	-	-	-
Gross loans and advances	-	39,139	39,139
Less Allowance for impairment	-	-	-
Net loans and advances	-	39,139	39,139

Finance receivables past due but not impaired	Retail unsecured lending	Retail mortgage lending	Corporate and institutional	Company 2009 $'000
Gross amount of finance receivables that were past due but not impaired were as follows:				
Business				
Past due up to 30 days	-	-	-	-
Past due 30 – 60 days	-	-	-	-
Past due 60 – 90 days	-	-	-	-
Past due 90+ days	-	-	-	-
Total	-	-	-	-

Past due asset > 90 Days	Retail unsecured lending	Retail mortgage lending	Corporate and institutional	Company 2009 $'000
Gross Impaired				
Balance at beginning of the period	-	-	-	-
Net additions	-	-	-	-
Deletions	-	-	-	-
Amounts written off	-	-	-	-
Balance at end of period	-	-	-	-

Impaired assets	Retail unsecured lending	Retail mortgage lending	Corporate and institutional	Company 2009 $'000
Gross impaired				
Balance at beginning of the period	-	-	-	-
Net additions	-	-	-	-
Deletions	-	-	-	-
Amounts written off	-	-	-	-
Balance at end of period	-	-	-	-

28. TRANSACTIONS WITH RELATED PARTIES

The company 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

The Company has no transactions or balances with Key Management Personnel as the Company has yet to commence business.

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.

28. TRANSACTIONS WITH RELATED PARTIES (Continued)

As at the 31st March 2009, the Government of India held 53.81% of the total shares in BOB. The remaining 46.19% 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 Company 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 Company. As at the 31st March 2009, all the obligations of the Company 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	Baa2	Nil	Nil
Fitch IBCA, Inc.	BBB-	Nil	Nil

BOB guarantees due payment of all indebtedness of the Company to the Company'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 Company'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.

As at 31st March 2009, the Company has a non-interest bearing current payable with BOB for $15,891,300.

During the period, BOB paid for expenses incurred by the Company and these amounts are payable to BOB. Total expenses payable amount to $178,500.

29. CONCENTRATION OF CREDIT RISK

The following table breaks down the Company'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.

	Company 2009 $'000
New Zealand	
Government	-
Finance	39,139
Households	-
Transport and storage	-
Communications	-
Electricity, gas and water	-
Construction	-
Property services	-
Agriculture	-
Health and community services	-
Personal and other services	-
Retail and wholesale trade	-
Food & other manufacturing	-
Overseas	
Finance, Investment and insurance	-
Total financial assets (interest earning)	39,139
Less allowance for impairment losses	-
Other financial assets	3
Total financial assets	39,142

29. CONCENTRATION OF CREDIT RISK (Continued)

An analysis of financial assets by geographical sector at balance date is as follows

	Company 2009 $'000
New Zealand	
Upper North Island	-
Lower North Island	39,139
South Island	-
Overseas	-
Total financial assets (interest earning)	**39,139**

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

	Company 2009 $'000
Other loans and advances	
Fixed rate mortgages	-
Variable rate mortgages	-
Unsecured lending	-
Balances with related parties	-
Due from other financial institutions	39,139
Derivative financial instruments	-
Financial assets held for trading	-
Available-for-sale assets	-
Cash and cash equivalents	-
Other financial assets	3
Total gross financial assets	**39,142**
Allowance for impairment losses	-
Total net financial assets	**39,142**

30. CONCENTRATION OF FUNDING

Concentrations of funding arise where the company 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:

	Company 2009 $'000
New Zealand	
Transport and storage	-
Financing investment and insurance	-
Electricity, gas and water	-
Food & other manufacturing	-
Construction	-
Government, local authorities and services	-
Agriculture	-
Health and community services	-
Personal and other services	-
Property and business services	-
Education	-
Retail and wholesale trade	-
Other	-
Households	-
Overseas	
Amounts due to related parties	-
Total financial liabilities (interest bearing)	-
Other financial liabilities	16,025
Total financial liabilities	16,025

31. SEGMENTAL INFORMATION

The Company operates predominantly in the banking and finance industry in New Zealand and has yet to commence business, so no segmental information has been supplied.

32. LEASE COMMITMENTS

	Company 2009 $'000
Operating lease commitments under non-cancellable operating leases:	
Not later than 1 year	-
1-2 years	-
2-5 years	-
5+ years	-
Total	-

The Company has no current or future lease commitments as at 31 March 2009.

33. CAPITAL COMMITMENTS

The Company has no current or future capital commitments as at 31 March 2009.

34. CONTINGENT LIABILITIES

As at the 31st of March 2009, there are no contingent liabilities, pending proceedings or arbitration concerning the Company, whether in New Zealand or elsewhere, that may have a material adverse effect on the Company.

35. SUBSEQUENT EVENTS AFTER BALANCE DATE

Other than those reported in Note 26, there were no subsequent events after balance date.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 March 2009

36. INTEREST REPRICING

The tables below summarises the Company'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.

Company 2009	Total $'000	Interest insensitive $'000	Within 6 months $'000	Between 6 months & 1 year $'000	Between 1& 2 years $'000	Between 2& 5 years $'000	Over 5 years $'000
Financial assets							
Cash and cash equivalents	-	-	-	-	-	-	-
Due from other financial institutions	39,139	-	39,139	-	-	-	-
Financial assets held at fair value through profit or loss	-	-	-	-	-	-	-
Available-for-sale assets	-	-	-	-	-	-	-
Loans and advances	-	-	-	-	-	-	-
Balances with related parties	-	-	-	-	-	-	-
Other financial assets	3	3	-	-	-	-	-
Total financial assets	39,142	3	39,139	-	-	-	-
Financial liabilities							
Due to other financial institutions	-	-	-	-	-	-	-
Deposits and other borrowings	-	-	-	-	-	-	-
Debt securities issued	-	-	-	-	-	-	-
Term subordinated debt	-	-	-	-	-	-	-
Due to related parties	16,025	16,025	-	-	-	-	-
Other financial liabilities	-	-	-	-	-	-	-
Total financial liabilities	16,025	16,025	-	-	-	-	-
Off-balance sheet gap	-	-	-	-	-	-	-
Net derivative notional principals	-	-	-	-	-	-	-
Net effective interest rate gap	-	-	-	-	-	-	-

37. FINANCIAL INSTRUMENTS BY CATEGORY

Company 2009	Loans and receivables	Available for sale	Assets at fair value through profit or loss: Held for trading	Designated at FVTPL	Derivatives used for hedging	Total
Financial assets						
Cash and cash equivalents	-	-	-	-	-	-
Due from other financial institutions	39,139	-	-	-	-	39,139
Available-for-sale assets	-	-	-	-	-	-
Loans and advances	-	-	-	-	-	-
Balances with related parties	-	-	-	-	-	-
Other financial assets	3	-	-	-	-	3
Total financial assets	39,142	-	-	-	-	39,142

37. FINANCIAL INSTRUMENTS BY CATEGORY (Continued)

Company 2009	Liabilities at fair value through profit or loss				
	Held for trading	Designated at FVTPL	Derivatives used for hedging	Other financial liabilities at amortised cost	Total
Financial Liabilities					
Due to other financial institutions	-	-	-	-	-
Deposits and other borrowings	-	-	-	-	-
Debt securities issued	-	-	-	-	-
Term subordinated debt	-	-	-	-	-
Other financial liabilities	-	-	-	-	-
Due to related parties	-	-	-	16,025	16,025
Total financial liabilities	-	-	-	16,025	16,025

38. FOREIGN EXCHANGE RISK

The Company 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 Company's exposure to foreign currency exchange rate risk as at period end. Included in the table are the Company's financial instruments at carrying amounts, categorised by currency.

Company 2009	GBP $'000	EUR $'000	AUD $'000	USD $'000	Total $'000
Assets					
Cash and cash equivalents	-	-	-	-	-
Due from other financial institutions	-	-	-	39,139	39,139
Financial assets at fair value through profit or loss	-	-	-	-	-
Available-for-sale assets	-	-	-	-	-
Loans and advances	-	-	-	-	-
Balances with related parties	-	-	-	-	-
Other financial assets	-	-	-	3	3
Total financial assets	-	-	-	39,142	39,142
Financial Liabilities					
Due to other financial institutions	-	-	-	-	-
Deposits and other borrowings	-	-	-	-	-
Debt securities issued	-	-	-	-	-
Term subordinated debt	-	-	-	-	-
Other financial liabilities	-	-	-	-	-
Due to related parties	-	-	-	16,025	16,025
Total financial liabilities	-	-	-	16,025	16,025
Net on balance sheet financial position	-	-	-	23,117	23,117

39. LIQUIDITY RISK

The Company's policies for managing liquidity are set out in note 44. The tables below summarises the cash flows payable by the Company under non-derivative financial liabilities by remaining contractual maturities at the balance sheet date. The amounts disclosed in the table are contractual undiscounted cash flows, whereas the inherent liquidity risk is managed based on expected cash flows.

Company 2009	Up to 3 months $'000	3 to 12 Months $'000	Between 1 & 5 years $'000	More than 5 years $'000	Total $'000
Liabilities					
Due to other financial institutions	-	-	-	-	-
Deposits and other borrowings	-	-	-	-	-
Debt securities issued	-	-	-	-	-
Term subordinated debt	-	-	-	-	-
Due to related parties	16,025	-	-	-	16,025
Other financial liabilities	-	-	-	-	
Total financial liabilities	**16,025**	-	-	-	**16,025**
Financial Assets					
Cash and cash equivalents	-	-	-	-	-
Due from other financial institutions	39,148	-	-	-	39,148
Financial assets at fair value through profit or loss	-	-	-	-	-
Available-for-sale assets	-	-	-	-	-
Loans and advances	-	-	-	-	-
Due from related parties	-	-	-	-	-
Other financial assets	-	-	-	-	-
Total financial assets	39,148	-	-	-	39,148
Net non derivative cash flows	23,123	-	-	-	23,123
Derivative cash flows					
Interest rate derivatives	-	-	-	-	-
Foreign exchange derivatives	-	-	-	-	-
Total	-	-	-	-	-
Off Balance sheet cash flows					
Capital commitments	-	-	-	-	-
Loan commitments	-	-	-	-	-
Lease commitments	-	-	-	-	-
Total	-	-	-	-	-
Net cash flows	23,123	-	-	-	23,123
Cumulative cash flows	23,123	-	-	-	23,123

40. SENSITIVITY ANALYSIS

The tables below summarise the pre-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.

INTEREST RATE RISK

Company 2009	Carrying Amounts	-0.1% Income Statement	+0.1% Income Statement	-0.1% Equity	+0.1% Equity
Financial Assets					
Cash and cash equivalents	-	-	-	-	-
Balances with related parties	-	-	-	-	-
Due from other financial institutions	39,139	(28)	28	(28)	28
Financial assets at fair value through profit or loss	-	-	-	-	-
Available-for-sale assets	-	-	-	-	-
Loans and advances	-	-	-	-	-
Other financial assets	3	-	-	-	-
Total financial assets	**39,142**	**(28)**	**28**	**(28)**	**28**
Financial Liabilities					
Due to other financial institutions	-	-	-	-	-
Due to related parties	16,025	-	-	-	-
Deposits and other borrowings	-	-	-	-	-
Debt securities issued	-	-	-	-	-
Term subordinated debt	-	-	-	-	-
Other financial liabilities	-	-	-	-	-
Total financial liabilities	**16,025**	**-**	**-**	**-**	**-**

CURRENCY RISK

Company 2009	Carrying Amounts $'000	-10% Income Statement $'000	+10% Income Statement $'000	-10% Equity $'000	+10% Equity $'000
Financial Assets					
Cash and cash equivalents	-	-	-	-	-
Balances with related parties	-	-	-	-	-
Due from other financial institutions	39,139	3,044	(2,491)	3,044	(2,491)
Financial assets at fair value through profit or loss	-	-	-	-	-
Available-for-sale assets	-	-	-	-	-
Loans and advances	-	-	-	-	-
Other financial assets	3	-	-	-	-
Total financial assets	**39,139**	**3,044**	**(2,491)**	**3,044**	**(2,491)**
Financial Liabilities					
Due to other financial institutions	-	-	-	-	-
Due to related parties	16,025	(1,111)	1,136	(1,111)	1,136
Deposits and other borrowings	-	-	-	-	-
Debt securities issued	-	-	-	-	-
Term subordinated debt	-	-	-	-	-
Other financial liabilities	-	-	-	-	-
Total financial liabilities	**16,025**	**(1,111)**	**1,136**	**(1,111)**	**1,136**

41. FAIR VALUE OF FINANCIAL INSTRUMENTS

Company 2009	Carrying Amount $'000	Estimated Fair Value $'000
Financial Assets		
Cash and cash equivalents	-	-
Balances with related parties	-	-
Due from other financial institutions	39,139	39,139
Financial assets at fair value through profit or loss	-	-
Available-for-sale assets	-	-
Loans and advances	-	-
Other assets	3	3
Total financial assets	39,142	39,142
Financial Liabilities		
Due to other financial institutions	-	-
Due to related parties	16,025	16,025
Deposits and other borrowings	-	-
Debt securities issued	-	-
Term subordinated debt	-	-
Other financial liabilities	-	-
Total financial liabilities	16,025	16,025

Fair value estimation

For financial instruments not presented in the Company'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. This is explained further in the critical estimates and judgements note.

Other financial assets

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

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 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 Company's tier one capital at the end of the period.

Credit exposures to individual counterparties

Company 2009	Non Bank	Bank
As at balance date		
10-19%	-	-
20-29%	-	-
30-39%	-	-
40-49%	-	-
50-59%	-	-
60-69%	-	-
70-79%	-	-
80-89%	-	-
90-100%	-	1
Peak exposure		
10-19%	-	-
20-29%	-	-
30-39%	-	-
40-49%	-	-
50-59%	-	-
60-69%	-	-
70-79%	-	-
80-89%	-	-
90-100%	-	1

Credit exposures by credit rating

The following table presents the Company's credit exposure based on the credit rating of the issuer. Credit exposure concentrations are disclosed on the basis of actual credit exposures and calculated gross basis, (net of specific provisions and excluding advances of a capital nature). An investment grade credit rating means a credit rating of BBB- or Baa3 or above, or its equivalent.

Company 2009	Amount $'000	% of total credit exposure
Bank counterparties		
Investment grade credit rating	39,139	100
Below investment grade credit rating	-	-
Not rated	-	-
Total credit exposure	39,139	100
Non-bank counterparties		
Investment grade credit rating	-	-
Below investment grade credit rating	-	-
Not rated	-	-
Total credit exposure	-	-

Credit exposures to connected persons

As the Company had not, prior to the date of this initial general disclosure statement, commenced operations, there is no connected person's credit exposure information to report and there is no information to disclose.

43. FIDUCIARY ACTIVITIES

As at balance date the Company 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 2009, the Company deposited its funds with a financial institution with a credit rating from Standard and Poors of AA. On becoming a registered bank the Company will establish a Credit Policy Committee that specifically oversees and co-ordinates the Company's credit risk management functions. The Credit Policy Committee will have primary responsibility for identifying, measuring and monitoring the Company's exposure to credit risk. The Credit Policy Committee will report to the Board on credit risk on a quarterly basis.

All new lending schemes will be subject to Credit Policy Committee approval. The Credit Policy Committee will set guidelines as to how each lending scheme should be implemented. Company officers will seek Credit Policy Committee approval before deviating from any lending guideline.

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

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

Credit rating models
The Company will assess 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 Company will set 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 Company. The Company will establish an Asset Liability Management Committee that is responsible for, among other things, identifying, measuring and monitoring the Company's exposure to market risk. The Asset Liability Management Committee will meet on a monthly basis and will receive guidance and technical support from staff in the BOB head office. The relevant process for each category of market risk is as follows:

Interest rate risk
The Company on becoming a registered bank will undertake interest rate sensitivity gap analysis as a means of monitoring interest rate risk. Short term interest rate risk is calculated using the Earnings at Risk tool. Long term interest rate risk is calculated on a Modified Duration of Equity basis.

Foreign exchange risk
The Company on becoming a registered bank will assess Value at Risk, being the statistical estimate of the likely daily loss based on historical market movements, is calculated on a weekly basis in respect of the Company's portfolio of fixed income securities, equities and foreign exchange positions. Value at Risk in respect of the Company's treasury positions is also calculated on a weekly basis, at a 99% confidence level.

Equity risk
The Company 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. On becoming a registered bank, the Asset Liability Management Committee will be responsible for identifying, measuring and monitoring liquidity risk affecting the Company.

To ensure that adequate liquidity is maintained consistently, the Company will ensure that, in the time buckets of 1 day, 2 to 7 days, 8 to 14 days and 15 to 28 days, the cumulative negative liquidity gap should not exceed 5, 10, 15 and 20 percent of cash flows in the respective time periods. The Company will review 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 Company will prepare a fortnightly 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 fortnightly basis through Structural Liquidity Gap reports. Dynamic Gap reports, which measure liquidity risk on a dynamic basis, will also be prepared fortnightly.

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 Company's senior management is responsible for implementing the operational risk management initiatives formulated by the Board. On becoming a registered bank the Company will build an operational risk profile for the institution to identify measure and monitor operational risk. The Company's senior management will meet monthly to analyse changes or trends in the risk profile. The Company's senior management may make recommendations to the Board on strategies that may improve the Company's risk profile.

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

- The current capital requirements of the Company;
- 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 Company's obligations under Basel II. For further information see note 45.

44.6 Reviews of Company's risk management systems
As the Company had not commenced operations, there have been no reviews conducted in respect of the Company's risk management systems.

44.7 Internal audit function
The Company will utilise BOB's internal audit function as a control measure to enable both BOB and senior management of the Company to monitor and review the Company on an ongoing basis. The internal audit function of the Company 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 Company is subject to the following internal audit measures:

- A monthly concurrent internal audit undertaken by senior management of the Company. The purpose of this monthly internal audit is to check and confirm to BOB constant and concurrent compliance with all systems and procedures by the Company;
- 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 Company.

44.7 Internal audit function (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 2007 – 2008, 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 financing 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 Company has 25,000,000 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 Company's constitution; or
  - approve a major transaction; or
  - approve an amalgamation under section 221 of the Companies Act 1993; or
  - put the Company into liquidation;
- a proportionate share in dividends authorised by the Board; and
- a proportionate share in the distribution of the surplus assets of the Company.

Other classes of capital instrument

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

	Company 2009 $'000
Tier one capital	
Issued and fully paid up share capital	25,000
Revenue and similar reserves	-
Current periods retained earnings	(1,883)
Less: Deductions from tier one capital	-
Intangible assets	-
Cash-flow hedge reserve	-
Total tier one capital	23,117
Lower tier two capital	
Term subordinated debt	-
Total tier two capital	-
Total tier one and tier two capital	23,117
Less deduction from capital	
Equity investment	-
Capital	23,117

45. CAPITAL ADEQUACY (Continued)

	Company 2009
Capital adequacy ratios	
Total tier one capital expressed as a percentage of total risk weighted exposures	74.7%
Total capital (pillar 1) expressed as a percentage of total risk weighted exposures	74.7%
Capital ratio (pillar 1 and 2) expressed as a percentage of total risk weighted exposures	74.7%

Company 2009	Principal Amount 31/03/2009 $'000	Risk weighting	Risk weighted exposure $'000	Minimum Pillar one Capital Requirement $'000
On Balance Sheet Exposures				
Cash and gold bullion	-	0%	-	-
Sovereign and central banks	-	0%	-	-
	-	20%	-	-
	-	50%	-	-
	-	100%	-	-
	-	150%	-	
Multilateral development banks	-	0%	-	-
	-	20%	-	-
	-	50%	-	-
	-	100%	-	-
	-	150%	-	-
Claims on public sector entities	-	20%	-	-
	-	50%	-	-
	-	100%	-	-
	-	150%	-	-
Claims on other banks	39,142	20%	7,828	626
	-	50%	-	-
	-	100%	-	-
	-	150%	-	-
Corporate	-	20%	-	-
	-	50%	-	-
	-	100%	-	-
	-	150%	-	-
Residential mortgages	-	20%	-	-
	-	50%	-	-
	-	100%	-	-
	-	150%	-	-
Impaired assets	-	100%	-	-
Past due residential mortgages	-	100%	-	-
Other past due assets	-	100%	-	-
Other assets	-	100%	-	-
Non risk weighted assets	-	100%	-	-
Total balance sheet exposures	39,142		7,828	626

45. CAPITAL ADEQUACY (Continued)

Company 2009	Total Exposure $'000	Credit conversion factor	Credit equivalent amount	Average risk weighting	Risk weighted exposure $'000	Minimum Pillar one Capital Requirement $'000
Off- Balance Sheet Exposures and market related contracts						
Direct credit substitutes	-	100%	-	-	-	-
Asset sale with recourse	-	100%	-	-	-	-
Commitments with certain drawdown	-	100%	-	-	-	-
Note issuance facility	-	50%	-	-	-	-
Revolving credit facilities	-	50%	-	-	-	-
Performance related contingency	-	50%	-	-	-	-
Trade related contingency	-	20%	-	-	-	-
Placements of forward deposits	-	100%	-	-	-	-
Other commitments greater than 1 year	-	50%	-	-	-	-
Other commitments less than 1 year	-	20%	-	-	-	-
Market related contracts:						
Interest rate contracts	-	n/a	-	-	-	-
Foreign exchange contracts	-	n/a	-	-	-	-
Total off balance sheet exposures	-	-	-	-	-	-
Credit risk mitigation						
Total value of on and off balance sheet exposures covered by eligible collateral	-	-	-	-	-	-
Total value of on and off balance sheet exposures covered by guarantees or credit derivatives	-	-	-	-	-	-
Operational risk	n/a	-	-	-	-	-
Market risk:						
Interest rate risk	n/a	-	-	-	-	-
Foreign currency risk	n/a	-	-	-	23,117	1,849
Equity risk	n/a	-	-	-	-	-
Total risk weighted exposures	39,142	-	-	-	30,945	2,475
Other material risk	-	-	-	-	-	-

46. LOAN TO VALUE RATIO

The information in the following table is provided in respect of the Company as at 31 March 2009

Company 2009

LVR Range	0% - 80%	80% - 90%	Over 90%
Value of exposures	-	-	-

47. MARKET RISK EXPOSURES

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 4A of the Registered Bank Disclosure Statement (Full and half-year - New Zealand Incorporated Registered Banks) Order 2008. Peak exposures are calculated using the Company's shareholders equity at the end of the quarter.

Company 2009

Interest rate exposures	as at 31 March 2009	peak for the 3 months ended 31/3/2009
Aggregate interest rate exposures	-	-
Aggregate interest rate exposures expressed as a percentage of the Company's equity	0%	0%
Implied interest rate risk weighted exposure	-	-
Foreign currency exposures		
Aggregate foreign currency exposures	1,849	1,849
Aggregate foreign currency exposures expressed as a percentage of the Company's equity	8.00%	8.00%
Implied foreign currency risk weighted exposure	23,117	23,117
The Company holds no equity instruments and so has no equity exposures		

48. OTHER MATERIAL MATTERS

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