

# **Disclosure Statement**

**Bank of Baroda (New Zealand) Limited**

**Disclosure Statement for the year ended 31 March 2015**

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## **1. Definitions-**

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In this Disclosure Statement, unless the context otherwise requires:

**Act** means the Reserve Bank of New Zealand Act 1989;

**Bank** means Bank of Baroda (New Zealand) Limited;

**Banking Group** means the Bank and its subsidiaries;

**Board** means the board of directors of the Bank;

**BOB** means Bank of Baroda;

**Director** means a director of the Bank;

**INR** means Indian Rupees;

**Parent Guarantee** has the meaning given in section 3.1; and

**USD** means United States Dollars.

Unless otherwise defined in this disclosure statement, terms defined in the Registered Bank Disclosure Statements (New Zealand Incorporated Registered Banks) Order 2014 (as amended) have the same meaning in this document.

## 2. General information

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### 2.1 Name and address for service of registered bank

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

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

(b) The Bank's website address is: [www.barodanzltd.co.nz](http://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 BANK OF BARODA*

As at 31 March 2015, the Government of India held 57.53% of the total shares in BOB. The remaining 42.47% 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 shareholding in BOB are on its website: [www.bankofbaroda.com](http://www.bankofbaroda.com)

#### *Annual Report of BOB*

A copy of the latest BOB Annual Report is on the BOB website: [www.bankofbaroda.com](http://www.bankofbaroda.com) and can be requested from the bank.

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

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

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

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

The Bank is a wholly-owned subsidiary of BOB.

**2.4 Registered bank**

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

**2.5 Priority of financial liabilities in the event of liquidation**

In the unlikely event that the Bank was put into liquidation or ceases to trade, claims of secured creditors and those creditors set out in the Seventh Schedule of the Companies Act 1993 would rank ahead of the claims of unsecured creditors. Deposits from customers are unsecured and rank equally with other unsecured liabilities of the Bank.

### 3. Guarantee

#### 3.1 Guarantee arrangements

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

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

##### (a) Details of the guarantor

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

The address for service of the guarantor is:

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

As at 31 March 2015, the publicly disclosed capital of BOB was INR 398,353.50 million (USD 6,373.66 million) representing 13.33% of risk weighted exposure.

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

Rating Agency	Current Rating	Outlook	Qualifications	Rating Change in the Last 2 Years
Moody's Investor Services Limited	Baa3	Stable	Nil	YES
Fitch IBCA, Inc.	BBB-	Stable	Nil	YES

On 18 June 2012 Fitch IBCA, Inc. changed BOB's credit rating outlook from stable to negative. And on 14 June 2013 it upgraded the outlook from negative to stable. Further, on 3 September 2014, it kept the rating & outlook unchanged. On 30 January 2012 Moody's Investor services Limited changed BOB's credit rating from Baa2 to Baa3. On 13 December 2012 Moody's Investor Services Limited changed BOB's credit rating outlook from stable to negative and on 16 August 2013 it changed the outlook from negative to stable. There have been no other rating changes for BOB within the last two years.

Details of the applicable rating scale can be found at section 8 of this disclosure statement.

**(b) Details of guaranteed obligations**

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

## **4. Directors**

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### **4.1 Communications**

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

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

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

### **4.2 Responsible person**

The responsible person authorised to sign this disclosure statement on behalf of the Directors in accordance with section 82 of the Act is Prahlad Das Gupta.

### **4.3 Directors' details**

**Dr Rajen Prasad**  
*Chairman, Independent Director*  
Ph.D., MA (Hons.), BA  
Resident of New Zealand

*Interested transactions*  
Nil

*Primary Occupation*  
Retired Member of Parliament

*Other Directorships*  
Nil

**Prahlad Das Gupta**  
*Managing Director (Executive)*  
B.com (Hons.), CAIIB  
Resident of New Zealand

*Interested transactions*  
Nil

*Primary Occupation*  
Managing Director, Bank of Baroda (New Zealand) Limited

*Other Directorships*  
Nil

**Vailankanni Wenceslaus Melchoir Anthony**  
*Independent Director*  
B. Com (Hons), Post Graduate in Business Management  
Resident of New Zealand

*Interested transactions*  
Nil



*Primary Occupation*

Chairman & Managing Director of WAML GROUP LTD

*Other Directorships*

WA Marketing Limited, Pact Industries Pty Limited (Australia), Swansky Limited, Comet Limited, WAML Group Limited, WAML Limited, WAML Group PTE Limited (Singapore)

**R.S. Setia**

*Non-Executive Director, Non-Independent Director*

B. Com., CA, CAIIB

Resident of India

*Interested transactions*

Nil

*Primary Occupation*

Chief General Manager- Bank of Baroda (India)

*Other Directorships*

BOBCARDS Limited, Baroda Capital Markets Ltd.

**Ranjna Patel**

*Independent Director*

*No Tertiary Qualification*

Resident of New Zealand

*Interested transactions*

Nil

*Primary Occupation*

Director of Nirvana Health group

*Other Directorships*

Aynesa Ltd., East Tamaki Healthcare Ltd, Line Properties Ltd., YKN Management Ltd., Swami Narayan Trustee co. Ltd., ETHC Healthcare Group of Companies, Global Medical Health Investments Ltd., Synergia Health Ltd., Otara Integrated Health Centre Ltd., Global Health Ltd., Ranui Medical Centre Ltd., White Swan Medical Investments Ltd., Meera Trustee Co Ltd., Nirvana Central Healthcare Ltd., West Auckland Healthcare, Nirvana Group Ltd., Nirvana Ltd., Lincoln Road Medical Centre Ltd., Nirvana Associates Ltd., YKN Properties Ltd., Ranui Investments Ltd. Jai S Ltd., Manurewa Properties Ltd., Nilkunt Trustee Co. Ltd., Ghanshyam Trustee Co. Ltd., Ratanui Medical services Ltd.

**Claude Sandro Oberto**

*Independent Director*

MBA, PG Diploma in Corporate Management, Diploma in Business Policy & PG Diploma in Banking

Resident of New Zealand

*Interested transactions*

Nil

*Primary Occupation*

Managing Director, Orwell Union Limited

*Other Directorships*

NZ Financial Advisors Association, Goldman Henry US50 Global Fund, AmanahNZ Global Equity Fund & AmanahNZ Kiwisaver Fund

Mr. Oberto joined the Board on 12-01-2015 as an Independent Director.

During the period, the Bank accepted deposits from the directors. These were entered into in the normal course of the business and are at interest rates prevailing at the time for comparable transactions with other parties. These transactions are not considered of significant interests.

#### **4.4 Audit Committee**

The Bank has an Audit Committee.

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

- (a) Vailankanni Wenceslaus Melchoir Anthony (Chair), Independent Director
- (b) R.S. Setia, Non-Executive Director
- (c) Dr Rajen Prasad, Independent Director.

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

**5. Auditor**

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

**KPMG**  
KPMG Centre  
18 Viaduct Harbour Avenue  
Auckland  
New Zealand

## 6. Conditions of registration

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The conditions of registration imposed on the Bank which applied on or after 30 March 2014 and were reported in the Bank's Disclosure Statement for the half year ended 30 September 2014 remain unchanged up to 31 October 2014. The Bank has complied with its conditions throughout the period.

The conditions apply on and after 1 November 2014 are as follows:

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

1. That—

- (a) the Total capital ratio of the banking group is not less than 8%;
- (b) the tier one capital ratio of the banking group is not less than 6%;
- (c) the Common Equity Tier 1 capital ratio of the banking group is not less than 4.5%; and
- (d) the Total capital of the banking group is not less than \$30 million; and
- (e) the process in Subpart 2H of the Reserve Bank of New Zealand document: "Capital Adequacy Framework (Standardised Approach)" (BS2A) dated July 2014 is followed for the recognition and repayment of capital.

For the purposes of this condition of registration, capital, the Total capital ratio and the Tier 1 capital ratio, and the Common Equity Tier 1 capital ratio must be calculated in accordance with the Reserve Bank of New Zealand document: "Capital Adequacy Framework (Standardised Approach)" (BS2A) dated July 2014.

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 the Common Equity Tier 1 capital ratio, the Tier 1 capital ratio and the Total capital ratio under the requirements set out in the document "Capital Adequacy Framework (Standardised Approach)" (BS2A) dated July 2014; and
- (c) the bank determines an internal capital allocation for each identified and measured "other material risk".

1B. That, if the buffer ratio of the banking group is 2.5% or less, the bank must:

- (a) according to the following table, limit the aggregate distributions of the bank's earnings to the percentage limit to distributions that corresponds to the banking group's buffer ratio;

Banking group's buffer ratio	Percentage limit to distributions of the bank's earnings
0%-0.625%	0%
>0.625-1.25%	20%
>1.25-1.875%	40%
>1.875-2.5%	60%

(b) prepare a capital plan to restore the banking group's buffer ratio to above 2.5% within any timeframe determined by the Reserve Bank for restoring the buffer ratio; and

(c) have the capital plan approved by the Reserve Bank.

For the purposes of this condition of registration,—

"buffer ratio", "distributions", and "earnings" have the same meaning as in Part 3 of the Reserve Bank of New Zealand document: "Capital Adequacy Framework (Standardised Approach)" (BS2A) dated July 2014.

2. That the banking group does not conduct any non-financial activities that in aggregate are material relative to its total activities.

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

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

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

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

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

- (a) all amounts must relate to on balance sheet items only, and must comply with generally accepted accounting practice; and
- (b) if products or assets of which an insurance business is comprised also contain a non-insurance component, the whole of such products or assets must be considered part of the insurance business.

For the purposes of this condition of registration,—

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

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

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

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

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

For the purposes of this condition of registration, compliance with the rating-contingent connected exposure limit is determined in accordance with the Reserve Bank of New Zealand document entitled "Connected Exposures Policy" (BS8) dated October 2014.

5. That exposures to connected persons are not on more favourable terms (e.g. as relates to such matters as credit assessment, tenor, interest rates, amortisation schedules and requirement for collateral) than corresponding exposures to non-connected persons.
6. That the bank complies with the following corporate governance requirements:
- the board of the bank must have at least five directors,
  - the majority of the board members must be non-executive directors;
  - at least half of the board members must be independent directors;
  - an alternate director,—
    - for a non-executive director must be non-executive; and
    - for an independent director must be independent;
  - at least half of the independent directors of the bank must be ordinarily resident in New Zealand;
  - the chairperson of the board of the bank must be independent; and
  - the bank's constitution must not include any provision permitting a director, when exercising powers or performing duties as a director, to act other than in what he or she believes is the best interests of the company (i.e. the bank).

For the purposes of this condition of registration, "non-executive" and "independent" have the same meaning as in the Reserve Bank of New Zealand document entitled "Corporate Governance" (BS14) dated July 2014.

<sup>1</sup> 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.)

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

- (a) the Reserve Bank has been supplied with a copy of the curriculum vitae of the proposed appointee; and
  - (b) the Reserve Bank has advised that it has no objection to that appointment.
8. That a person must not be appointed as chairperson of the board of the bank unless:
- (a) the Reserve Bank has been supplied with a copy of the curriculum vitae of the proposed appointee; and
  - (b) the Reserve Bank has advised that it has no objection to that appointment.
9. That the bank has a board audit committee, or other separate board committee covering audit matters, that meets the following requirements:
- (a) the mandate of the committee must include: ensuring the integrity of the bank's financial controls, reporting systems and internal audit standards;
  - (b) the committee must have at least three members;
  - (c) every member of the committee must be a non-executive director of the bank;
  - (d) the majority of the members of the committee must be independent; and
  - (e) the chairperson of the committee must be independent and must not be the chairperson of the bank.

For the purposes of this condition of registration, "non-executive" and "independent" have the same meaning as in the Reserve Bank of New Zealand document entitled "Corporate Governance" (BS14) dated July 2014.

10. That a substantial proportion of the bank's business is conducted in and from New Zealand.
11. That the banking group complies with the following quantitative requirements for liquidity-risk management:
- (a) the one-week mismatch ratio of the banking group is not less than zero per cent at the end of each business day;
  - (b) the one-month mismatch ratio of the banking group is not less than zero per cent at the end of each business day; and
  - (c) the one-year core funding ratio of the banking group is not less than 75 per cent at the end of each business day.

For the purposes of this condition of registration, the ratios identified must be calculated in accordance with the Reserve Bank of New Zealand documents entitled "Liquidity Policy" (BS13) dated July 2014 and "Liquidity Policy Annex: Liquid Assets" (BS13A) dated December 2011.

12. That the bank has an internal framework for liquidity risk management that is adequate in the bank's view for managing the bank's liquidity risk at a prudent level, and that, in particular:
- (a) is clearly documented and communicated to all those in the organisation with responsibility for managing liquidity and liquidity risk;

- (b) identifies responsibility for approval, oversight and implementation of the framework and policies for liquidity risk management;
  - (c) identifies the principal methods that the bank will use for measuring, monitoring and controlling liquidity risk; and
  - (d) considers the material sources of stress that the bank might face, and prepares the bank to manage stress through a contingency funding plan.
13. That no more than 10% of total assets may be beneficially owned by a SPV.

For the purposes of this condition,—

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

“SPV” means a person—

- (a) to whom any member of the banking group has sold, assigned, or otherwise transferred any asset;
- (b) who has granted, or may grant, a security interest in its assets for the benefit of any holder of any covered bond; and
- (c) who carries on no other business except for that necessary or incidental to guarantee the obligations of any member of the banking group under a covered bond;

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

14. That—

- (a) no member of the banking group may give effect to a qualifying acquisition or business combination that meets the notification threshold, and does not meet the non-objection threshold, unless:
  - (i) the bank has notified the Reserve Bank in writing of the intended acquisition or business combination and at least 10 working days have passed; and
  - (ii) at the time of notifying the Reserve Bank of the intended acquisition or business combination, the bank provided the Reserve Bank with the information required under the Reserve Bank of New Zealand Banking Supervision Handbook document “Significant Acquisitions Policy” (BS15) dated December 2011; and
- (b) no member of the banking group may give effect to a qualifying acquisition or business combination that meets the non-objection threshold unless:
  - (i) the bank has notified the Reserve Bank in writing of the intended acquisition or business combination;
  - (ii) at the time of notifying the Reserve Bank of the intended acquisition or business combination, the bank provided the Reserve Bank with the information required under the Reserve Bank of New Zealand Banking Supervision Handbook document “Significant Acquisitions Policy” (BS15) dated December 2011; and
  - (iii) the Reserve Bank has given the bank a notice of non-objection to the significant acquisition or business combination.



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

15. That for a loan-to-valuation measurement period, the total of the bank's qualifying new mortgage lending amounts must not for residential properties with a loan-to-valuation ratio of more than 80% exceed 10% of the total of the qualifying new mortgage lending amounts arising in the loan-to-valuation measurement period.

16. That the bank must not make a residential mortgage loan unless the terms and conditions of the loan contract or the terms and conditions for an associated mortgage require that a borrower obtain the bank's agreement before the borrower can grant to another person a charge over the residential property used as security for the loan.

17. That the bank must not permit a borrower to grant a charge in favour of another person over a residential property used as security for a residential mortgage loan unless the sum of the lending secured by the charge and the loan value for the residential mortgage loan would not exceed 80% of the property value of the residential property when the lending secured by the charge is drawn down.

18. That the bank must not provide a residential mortgage loan if the residential property to be mortgaged to the bank as security for the residential mortgage loan is subject to a charge in favour of another person unless the total amount of credit secured by the residential property would not exceed 80% of the property value when the residential mortgage loan is drawn down.

19. That the bank must not act as broker or arrange for a member of its banking group to provide a residential mortgage loan.

In these conditions of registration,—

"banking group" ---

means Bank of Baroda (New Zealand) Limited (as reporting entity) and all other entities included in the group as defined in section 6(1) of the Financial Markets Conduct Act 2013 for the purposes of Part 7 of that Act.

"generally accepted accounting practice"—

has the same meaning as in section 8 of the Financial Reporting Act 2013.

In conditions of registration 15 to 19, ---

"loan-to-valuation ratio", "loan value", "property value", "qualifying new mortgage lending amount" and residential mortgage loan" have the same meaning as in the Reserve Bank of New Zealand document entitled "Framework for Restrictions on High-LVR Residential Mortgage Lending" (BS19) dated October 2014:

"loan-to-valuation measurement period" means a period of six calendar months ending on the last day of the sixth calendar month, the first of which ends on the last day of March 2014.

**7. Pending proceedings or arbitration**

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

## 8. Credit rating

### 8.1 Rating information

The credit rating of the Bank is as follows:

Rating Agency	Current Rating	Outlook	Qualifications	Rating Change in the Last 2 Years
Moody's Investor Services Limited	Baa3	Stable	Nil	YES
Fitch IBCA, Inc.	BBB-	Stable	Nil	YES

On 18 June 2012 Fitch IBCA, Inc. changed BOB's credit rating outlook from stable to negative. And on 14 June 2013 it upgraded the outlook from negative to stable. Further, on 3 September 2014, it kept the rating & outlook unchanged. On 30 January 2012 Moody's Investor services Limited changed BOB's credit rating from Baa2 to Baa3. On 13 December 2012 Moody's Investor Services Limited changed BOB's credit rating outlook from stable to negative and on 16 August 2013 it changed the outlook from negative to stable. There have been no other rating changes for BOB within the last two years.

### 8.2 Applicable ratings scales

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

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

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

## 9. Historical summary of financial statements

8000's					
For the year ended 31 March	2015	2014	2013	2012	2011
<b>Statement of comprehensive income</b>					
Interest income	3,310	2,922	2,532	2,635	1,724
Interest expense	(727)	(569)	(510)	(831)	(209)
<b>Net interest income</b>	<b>2,583</b>	<b>2,353</b>	<b>2,022</b>	<b>1,804</b>	<b>1,515</b>
Other income	1,333	1,361	911	746	265
<b>Total operating income</b>	<b>3,916</b>	<b>3,714</b>	<b>2,933</b>	<b>2,550</b>	<b>1,780</b>
Impairment losses on loans and advances	(49)	(28)	(160)	(43)	(32)
Other expenses	(3,172)	(2,807)	(2,515)	(1,812)	(1,554)
<b>Net profit/(loss) before taxation</b>	<b>695</b>	<b>879</b>	<b>258</b>	<b>695</b>	<b>194</b>
Taxation (expense)/benefit	131	384	432	-	-
<b>Net profit/(loss) after taxation</b>	<b>826</b>	<b>1,263</b>	<b>690</b>	<b>695</b>	<b>194</b>
<b>Minority interests</b>	-	-	-	-	-
<b>Dividends paid</b>	-	-	-	-	-

8000's					
As at 31 March	2015	2014	2013	2012	2011
<b>Balance sheet</b>					
Total assets	77,331	69,703	63,491	60,563	52,922
Total individually impaired assets	111	89	898	-	-
Total liabilities	33,588	26,786	21,837	19,599	12,653
Total shareholder's equity	43,743	42,917	41,654	40,964	40,269

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

## 10. **Banking Group**

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

## **11. Other material matters**

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

## 12. Directors' statements

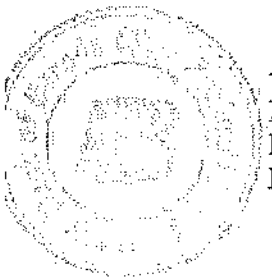
Each Director of the Bank, after due inquiry, believes as at the date of signing that this disclosure statement:

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

Each Director of the Bank, after due enquiry believes that for the year ended 31 March 2015:

- a. the Bank has complied with all conditions of registration imposed by the Reserve Bank of New Zealand under section 74 of the Reserve Bank Act 1989;
- b. credit exposures to connected persons were not contrary to interests of the Banking Group; and
- c. the Bank has systems in place to monitor and control adequately the Banking Group's material risks, including credit risk, concentration of credit risk, interest rate risk, currency risk, equity risk, liquidity risk, operational risk and other business risks, and that those systems were being properly applied.

For and on behalf of all of the Directors of the Bank (by Directors' Resolution), this disclosure statement is dated at Auckland, New Zealand this 19 June 2015 and signed by Prahlad Das Gupta as responsible person.



Prahlad Das Gupta  
Managing Director  
Bank of Baroda (New Zealand) Limited

Dr Rajen Prasad  
Chairman and Director  
Bank of Baroda (New Zealand) Limited

### **13. Independent-auditor's report**

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



#### **14. Financial statements**

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The financial statements for the Bank for the year ended 31 March 2015 are attached as Appendix 2 to, and form part of, this disclosure statement. The information required by Schedules 1, 2, 4, 7, 9, 13, 14, 15, and 17 of the Order is set out in those financial statements.

Appendix I: Guarantee



बैंक ऑफ बरोडा Bank of Baroda

Deed of Guarantee

relating to

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

Bank of Baroda  
Chairman

Date: 14.05.2005



आंतरराष्ट्रीय विभाग : बँक ऑफ बरोडा सेंट्रल, १०-२६, एम.एम.ए. कॉम्प्लेक्स, मुंबई-४०० ०६१, भारत  
International Division: Bank of Baroda Corporate Centre, Q-26, E-Block, BKC-Mumbai Complex, Mumbai-400 681, India.  
फोन / Phone: ०१ २२ ६६९९ ६०००-०४, ६०८९ ६४२६ II फॅक्स / Fax: ०१ २२ २६९२ ३६३२  
ईमेल / E-mail: gra.international.bco@bankofbaroda.com II वेब / Web: www.bankofbaroda.com

Appendix 1: Guarantee



बैंक ऑफ बरोडा Bank of Baroda

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International Division, Bank of Baroda, 15-20, C-Block, Bankers' Kuda Complex, Mumbai 400 051, India.  
Telephone: 91 22 6602 6000-04, 6602 6425. Telex: 9448 / Fax: 91 22 2002 9609  
E-mail: gm.international@bankofbaroda.co.in. Web: www.bankofbaroda.com

Appendix 1: Guarantees



बैंक ऑफ बरोडा Bank of Baroda

This Deed of Guarantee is made on 13<sup>th</sup> August, 2018

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 its 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 the indebtedness of the Bank to the Creditor.

##### 1.2

##### Construction of certain references

In this Deed:

an agreement includes a contract, deed, licence, undertaking and other document or legally enforceable arrangement (writing (present and future) and includes that document as amended, modified, 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 warrant includes an approval, authorisation, assignment, proxy, 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, conducted, carries on business or has property;



Baroda House, 25th Floor, 25, Market Street, New Zealand, Tel: 400 081, Fax: 400 081, Email: info@bankofbaroda.co.nz, C-26, G-Block, Baroda House Complex, Market Street, New Zealand, Tel: 400 081, Fax: 400 081, Email: info@bankofbaroda.co.nz, C-26, G-Block, Baroda House Complex, Market Street, New Zealand, Tel: 400 081, Fax: 400 081, Email: info@bankofbaroda.co.nz

## Appendix 1: Guarantee



बैंक ऑफ बरोडा Bank of Baroda

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

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

writing includes or incorporates E-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 signature is a reference to a party (a, clause of, schedule to or signature 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 its amendment of legislation enacted in substitution for, and a regulation, order in council and other instrument from time to time made or made under, that legislation.

2.

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

### Guarantee and Indemnity

#### Guarantee

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

#### Payment

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

#### Unenforceability of obligations

As a separate and continuing undertaking, the Guarantor unconditionally and irrevocably undertakes to the Creditors that, should any Guaranteed Indebtedness not be recoverable from the Bank of Baroda, it will pay the relevant amount to each relevant Creditor immediately on receiving a written demand from the Creditor accompanied by proof of the relevant Guaranteed Indebtedness.

International Division Bank of Baroda Corporate Centre, C-25, 5th Floor, Eastern Kurla Complex, Mumbai - 400 051, India.  
Tel: 22 6828 5000-04, 6628 5428. D. Fax: 01 22 2652 3599  
Email: [info@bankofbaroda.com](mailto:info@bankofbaroda.com) or [baroda@bankofbaroda.com](mailto:baroda@bankofbaroda.com) Web: [www.bankofbaroda.com](http://www.bankofbaroda.com)



## Appendix 1: Guarantee



बैंक ऑफ बरोडा Bank of Baroda

- (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 1980 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 any of these).

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 fully 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 conditions and



Head Office: Baroda, Gujarat, India. Tel: 0261 2551111, 2551112, 2551113, 2551114, 2551115, 2551116, 2551117, 2551118, 2551119, 2551120, 2551121, 2551122, 2551123, 2551124, 2551125, 2551126, 2551127, 2551128, 2551129, 2551130, 2551131, 2551132, 2551133, 2551134, 2551135, 2551136, 2551137, 2551138, 2551139, 2551140, 2551141, 2551142, 2551143, 2551144, 2551145, 2551146, 2551147, 2551148, 2551149, 2551150, 2551151, 2551152, 2551153, 2551154, 2551155, 2551156, 2551157, 2551158, 2551159, 2551160, 2551161, 2551162, 2551163, 2551164, 2551165, 2551166, 2551167, 2551168, 2551169, 2551170, 2551171, 2551172, 2551173, 2551174, 2551175, 2551176, 2551177, 2551178, 2551179, 2551180, 2551181, 2551182, 2551183, 2551184, 2551185, 2551186, 2551187, 2551188, 2551189, 2551190, 2551191, 2551192, 2551193, 2551194, 2551195, 2551196, 2551197, 2551198, 2551199, 2551200, 2551201, 2551202, 2551203, 2551204, 2551205, 2551206, 2551207, 2551208, 2551209, 2551210, 2551211, 2551212, 2551213, 2551214, 2551215, 2551216, 2551217, 2551218, 2551219, 2551220, 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Appendix 1: Guarantee



बीकॉ ऑफ़ बरोडा Bank of Baroda

- (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 this purpose by the addressee to the other party. The SWIFT code, 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 duties 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 law, 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.

International Division Baroda Corporate Centre, C-25, 6-Block, Baroda Kutch Complex, Mumbai 400 051, India.  
Tel / Phone: 91 22 0008 5000-04, 0008 5426 B. Fax: 91 22 2002 2500  
E-mail: [baroda.international@barodaofindia.com](mailto:baroda.international@barodaofindia.com) D. 49 / Web: [www.bankofbaroda.com](http://www.bankofbaroda.com)



Appendix I: Guarantee



बैंक ऑफ बरोडा Bank of Baroda

**B. Miscellaneous**

**B.1 Partial Invalidity**

The legality, 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 provision.

**B.2 Enforcement by Creditors**

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

**D. Governing law and Jurisdiction**

**D.1 Governing law**

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

**D.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 such suit, action or proceeding (proceedings), and in costs disputed, that may arise out of or in connection with this Deed and for those purposes irrevocably submits to the jurisdiction of those courts.

**D.3 Service in New Zealand**

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

बैंक ऑफ बरोडा लिमिटेड, 22/1, जवाहर रोड, 400 051, मुंबई, महाराष्ट्र, भारत  
International Division Baroda Corporate Centre, C-22, C-Block, Baroda-Midc Complex, Mumbai-400 051, India.  
फोन / Telephone: 91 22 2352 6500, 2352 6425 II फैक्स / Fax: 91 22 2352 6500  
ईमेल / E-mail: gm.international@co2.bankofbaroda.com II वेब / Web: www.bankofbaroda.com



Appendix I: Guarantee



बैंक ऑफ बरोडा Bank of Baroda

Execution

Executed as a deed

This Deed of Guarantee in favour of the Creditors of Bank of Baroda (New Zealand) Limited is executed on this the 14<sup>th</sup> 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-28, G-Block, Bandra Kurla Complex, Bandra (East), Mumbai, India, by its attorney in the presence of:

Witness Signature

Attorney

**BHAGAT BINGH RISHT**  
Print Name

**RAJENDRA KUMAR GARG**  
Print Name

Asst. General Manager  
(International Operations)  
Occupation

Baroda Corporate Centre  
C-28, G-Block  
Bandra Kurla Complex  
Mumbai - 400 051  
INDIA

Address



भारतीय बँक, एन. झील, न्यू झीलंड, १०० ००१, २२२  
International Division, Baroda Corporate Centre, C-28, G-Block, Bandra Kurla Complex, Mumbai 400 051, India.  
TIN / Phone: 81 22 6596 6000-04, 6428 8426 D. Fax / Fax: 81 22 2552 2506  
E-mail: gsm.international@barodabank.com II Web: www.bankofbaroda.com

Appendix 1: Guarantee



बैंक ऑफ बरोडा Bank of Baroda

The Schedule

Party Details

Guarantor Details

Name	Bank of Baroda
Address for Notices	Plot No. C-25, G-Floor, Bandra-Kurla Complex, Bandra (East), Mumbai - 400051, India.
Attention	General Manager (International Operations)
Telephone Number	+91-22-26120454/4125
Email	<a href="mailto:gm.international@bankofbaroda.com">gm.international@bankofbaroda.com</a>
SWIFT Code	BARBINSXXX

Bank Details

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

संपर्क के लिए: बैंक ऑफ बरोडा, एच. २५, जी-फ्लोर, बन्दरा-कुर्ला कॉम्प्लेक्स, मुंबई ४०० ०५१, भारत  
 International Operations: Bank of Baroda Corporate Centre, C-25, G-Floor, Bandra-Kurla Complex, Mumbai-400051, India.  
 Tlx / Phone : २२ २६१२ २०००-०४, ०६६६ ५४२६ || Fax / Tel : ९१ २२ २६१२ २६०९  
 E-mail: [gm.international@bankofbaroda.com](mailto:gm.international@bankofbaroda.com) || Web: [www.bankofbaroda.com](http://www.bankofbaroda.com)

## **Appendix 2: Financial Statements**

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Bank of Baroda (New Zealand) Limited

Company Number 2135104

Financial Statements for the year ended 31 March 2015

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## Independent auditor's report

### To the Shareholder of Bank of Baroda (New Zealand) Limited

#### Report on the Bank's disclosure statement

We have audited the accompanying financial statements and supplementary information (excluding supplementary information relating to Capital Adequacy) of Bank of Baroda (New Zealand) Limited ("the Bank") on pages 38 to 78 of the disclosure statement. The financial statements comprise the statement of financial position as at 31 March 2015, the statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information of the Bank. The supplementary information comprises the information that is required to be disclosed in accordance with Schedules 4, 7, 13, 14, 15 and 17 of the Registered Bank Disclosure Statements (New Zealand Incorporated Registered Banks) Order 2014 as amended (the "Order").

#### *Directors' responsibility for the disclosure statement*

The directors are responsible for the preparation of Bank's disclosure statement, including financial statements prepared in accordance with Clause 24 of the Order and generally accepted accounting practice in New Zealand, and that presents fairly the matters to which they relate. The directors are also responsible for such internal controls as they determine are necessary to enable the preparation of the Bank's financial statements that are free from material misstatement whether due to fraud or error.

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

#### *Auditor's responsibility*

Our responsibility is to express an opinion on the disclosure statement, including the financial statements prepared in accordance with Clause 24 of the Order and the supplementary information disclosed in accordance with Schedules 4, 7, 13, 14, 15 and 17 of the Order. We conducted our audit in accordance with International Standards on Auditing (New Zealand). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the Bank's financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Bank's financial statements (excluding the supplementary information relating to Capital Adequacy). The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the Bank's preparation of the financial statements that present fairly the matters to which they relate in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates, as well as evaluating the presentation of the financial statements.

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

Our firm has provided other services to Bank in relation to tax services. Subject to certain restrictions, partners and employees of our firm may also deal with the Bank on normal terms within the ordinary course of trading activities of the business of the Bank. These matters have not impaired our independence as auditors of the Bank. The firm has no other relationship with, or interest in, the Bank.

***Opinion on financial statements***

In our opinion the financial statements of Bank of Baroda (New Zealand) Limited ("the Bank") on pages 38 to 78:

- complies with generally accepted accounting practice in New Zealand; and
- presents fairly, in all material respects, the financial position as at 31 March 2015 and of its financial performance and cash flows for the year ended on that date.

***Opinion on supplementary information (excluding supplementary information relating to Capital Adequacy)***

In our opinion, the supplementary information (excluding supplementary information relating to Capital Adequacy) that is required to be disclosed in accordance with Schedules 4, 7, 13, 14, 15 and 17 of the Order, and is included within page 40 and notes 10, 17, 19, 25, 28, 29, 31, 32 and 33 of the disclosure statement:

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

**Review report on the supplementary information relating to Capital Adequacy**

We have reviewed the capital adequacy information, as disclosed in note 34 of the disclosure statement for the year ended 31 March 2015.

***Directors' responsibility for the supplementary information relating to Capital Adequacy***

The directors are responsible for the preparation of supplementary information relating to capital adequacy that is required to be disclosed under Schedule 9 of the Order and prepared in accordance with the Capital Adequacy Framework (Standardised Approach) (BS2A) and described in note 34 of the disclosure statement.



### *Auditor's responsibility*

Our responsibility is to express an opinion on the capital adequacy information based on our review. We conducted our review in accordance with NZ SRE 2410 *Review of Financial Statements Performed by the Independent Auditor of the Entity* issued by the New Zealand External Board. As the auditor of the Bank, NZ SRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial statements, and plan and perform the review to obtain limited assurance about whether the capital adequacy information is, in all material respects:

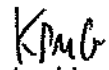
- prepared in accordance with the Capital Adequacy Framework (Standardised Approach) (BS2A); and
- disclosed in accordance with Schedule 9 of the Order.

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

### *Review opinion on the supplementary information relating to Capital Adequacy*

Based on our review, nothing has come to our attention that causes us to believe that the supplementary information relating to Capital Adequacy, disclosed in note 34 of the disclosure statement, is not, in all material respects:

- prepared in accordance with the Capital Adequacy Framework (Standardised Approach) (BS2A); and
- disclosed in accordance with Schedule 9 of the Order.

  
Auckland  
23 June 2015

**BANK OF BARODA (NEW ZEALAND) LIMITED**  
**FINANCIAL STATEMENTS**  
For the year ended 31 March 2015

<b>STATEMENT OF COMPREHENSIVE INCOME</b> For the year ended 31 March 2015		<b>2015</b> \$'000	<b>2014</b> \$'000
	<b>Notes</b>		
Interest income	2	3,310	2,922
Interest expense	2	(727)	(569)
<b>Net interest income</b>		<b>2,583</b>	<b>2,353</b>
Net gains/(losses) on financial instruments at fair value through profit or loss			
Other income	3	1,333	1,361
<b>Total operating income</b>		<b>3,916</b>	<b>3,714</b>
Operating expenses	4	(3,172)	(2,807)
Impairment losses on loans and advances	5	(49)	(28)
<b>Net profit before taxation</b>		<b>695</b>	<b>879</b>
Taxation benefit	6	131	384
<b>Net profit for the year</b>		<b>826</b>	<b>1,263</b>
<b>Total other comprehensive income</b>		<b>-</b>	<b>-</b>
<b>Total comprehensive income</b>		<b>826</b>	<b>1,263</b>

The accompanying notes on pages 35 to 76 form an integral part of these financial statements.

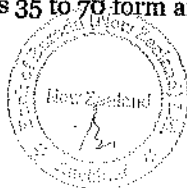




**BANK OF BARODA (NEW ZEALAND) LIMITED**  
**FINANCIAL STATEMENTS**  
For the year ended 31 March 2015

<b>STATEMENT OF CHANGES IN EQUITY</b> For the year ended 31 March 2015				
	Notes	Share Capital \$'000	Retained Earnings \$'000	Total \$'000
<b>Balance at 1 April 2014</b>	16	<b>40,000</b>	<b>2,917</b>	<b>42,917</b>
Total comprehensive income after tax		-	826	826
<b>Total comprehensive income for the year</b>		-	<b>826</b>	<b>826</b>
<b>Balance at 31 March 2015</b>	16	<b>40,000</b>	<b>3,743</b>	<b>43,743</b>
<b>Balance at 1 April 2013</b>		<b>40,000</b>	<b>1,654</b>	<b>41,654</b>
Profit for the year		-	1,263	1,263
<b>Total comprehensive income for the year</b>		-	<b>1,263</b>	<b>1,263</b>
<b>Balance at 31 March 2014</b>	16	<b>40,000</b>	<b>2,917</b>	<b>42,917</b>

The accompanying notes on pages 35 to 78 form an integral part of these financial statements.



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

**FINANCIAL STATEMENTS**

For the year ended 31 March 2015

<b>STATEMENT OF FINANCIAL POSITION</b>		<b>2015</b>	<b>2014</b>
<b>As at 31 March 2015</b>		<b>\$'000</b>	<b>\$'000</b>
	<b>Notes</b>		
<b>Assets</b>			
Cash and cash equivalents	8	5,159	4,657
Balances due from related parties	13	3,400	2,718
Due from other financial institutions	9	17,800	17,300
Financial assets at fair value through profit or loss		-	-
Available-for-sale assets		-	-
Other assets	12	346	354
Loans and advances	10	49,081	43,086
Property, plant and equipment	11	598	762
Intangible assets		-	-
Current taxation	7	-	-
Deferred tax asset	7	947	816
<b>Total assets</b>		<b>77,331</b>	<b>69,703</b>
<b>Liabilities</b>			
Due to other financial institutions		-	-
Balances due to related parties	13	980	1,337
Financial liabilities at fair value through profit or loss		-	-
Deposits and other borrowings	14	32,402	25,288
Debt securities issued		-	-
Current taxation	7	-	-
Other liabilities	15	206	161
Term subordinated debt		-	-
<b>Total liabilities</b>		<b>33,588</b>	<b>26,786</b>
<b>Shareholder's equity</b>			
Share capital	16	40,000	40,000
Reserves	16	3,743	2,917
<b>Total shareholder's equity</b>		<b>43,743</b>	<b>42,917</b>
<b>Total shareholder's equity and liabilities</b>		<b>77,331</b>	<b>69,703</b>
<b>Interest bearing assets and liabilities</b>			
Total interest and discount bearing assets	25	74,135	64,180
Total interest and discount bearing liabilities	25	28,744	23,196

For and on behalf of the Board

Director

Director

Authorised for issue on 19 June 2015

The accompanying notes on pages 35 to 78 form an integral part of these financial statements



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

**FINANCIAL STATEMENTS**

For the year ended 31 March 2015

<b>STATEMENT OF CASH FLOW</b> For the year ended 31 March 2015	<b>Notes</b>	<b>2015</b> \$'000	<b>2014</b> \$'000
<b>Cash flows from operating activities</b>			
Interest received		3,352	3,053
Fees and other income		1,333	1,381
Operating expenses paid		(2,966)	(2,547)
Interest paid		(721)	(579)
Taxes paid		-	-
<b>Net cash flows from operating activities before changes in operating assets and liabilities</b>		<b>998</b>	<b>1,288</b>
<b>Net changes in operating assets and liabilities:</b>			
(Increase)/decrease in financial assets held for trading		-	-
Decrease/(increase) in available-for-sale-assets		-	-
(Increase) in loans and advances		(6,034)	(14,969)
(Increase)/Decrease in balances due from other financial institutions		(500)	9,500
Increase in deposits and other borrowings		7,114	4,846
(Decrease)/increase in balances due to related parties		(357)	85
Increase in balances due to financial institutions		-	-
(Increase)/Decrease in other assets		(34)	214
Increase/(decrease) in other liabilities and provisions		-	-
(Increase)/Decrease in balances due from related parties		(682)	146
<b>Net cash flows from operating activities</b>		<b>505</b>	<b>1,110</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment		(3)	(21)
Purchase of intangible software assets		-	-
Purchase of customer relationships		-	-
<b>Net cash flows from investing activities</b>		<b>(3)</b>	<b>(21)</b>
<b>Cash flows from financing activities</b>			
Issue of shares		-	-
Capital injection from shareholders		-	-
Proceeds from term subordinated debt		-	-
Proceeds from related parties		-	-
Increase in debt securities issued		-	-
Dividends paid		-	-
<b>Net cash flows from financing activities</b>		<b>-</b>	<b>-</b>
<b>(Decrease)/Increase in cash and cash equivalents</b>		<b>502</b>	<b>1,089</b>
Add opening cash and cash equivalents		4,657	3,568
Effect of exchange rate changes on cash and cash equivalents		-	-
<b>Cash and cash equivalents</b>		<b>5,159</b>	<b>4,657</b>

The accompanying notes on pages 35 to 78 form an integral part of these financial statements.



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

**FINANCIAL STATEMENTS**

**For the year ended 31 March 2015**

<b>STATEMENT OF CASH FLOW</b>		
<b>For the year ended 31 March 2015</b>		
	<b>2015</b>	<b>2014</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Reconciliation of net profit after taxation to net cash-flows from operating activities</b>		
<b>Net profit after taxation</b>	<b>826</b>	<b>1,263</b>
<b>Non cash movements:</b>		
Unrealised fair value adjustments		
Depreciation	167	222
Amortisation of intangibles		
Increase in collective allowance for impairment losses	27	64
Increase/(Decrease) in individual allowance for impairment losses	22	(36)
(Increase)/Decrease in deferred expenditure		
Unsecured lending losses		
Unrealised foreign exchange loss/(gain)	(131)	(384)
(Increase)/Decrease in deferred taxation		
<b>Increase in operating assets and liabilities</b>	<b>85</b>	<b>(134)</b>
(Increase)/decrease in financial assets at fair value through profit or loss		
Decrease/(Increase) in available-for-sale assets		
(Increase) in loans and advances	(8,034)	(14,969)
(Increase)/Decrease in balances due from other financial institutions	(500)	9,500
Increase in deposits and other borrowings	7,114	4,846
Decrease/(Increase) in interest receivable	42	85
(Decrease)/Increase in balances due to related parties	(357)	
Increase in balances due to financial institutions		214
(Increase) in other assets	(34)	
Increase /(decrease) in other liabilities and provisions	45	146
(Increase)/Decrease in balances due from related parties	(682)	
<b>Net cash flows from operating activities</b>	<b>505</b>	<b>1,110</b>

The accompanying notes on pages 35 to 78 form an integral part of these financial statements



# **BANK OF BARODA (NEW ZEALAND) LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS**

**For the year ended 31 March 2015**

### **1. STATEMENT OF ACCOUNTING POLICIES**

#### **GENERAL ACCOUNTING POLICIES**

The reporting entity is Bank of Baroda (New Zealand) Limited (the "Bank"). The Bank is registered under the Companies Act 1993 and is incorporated in New Zealand. These financial statements have been drawn up in accordance with the requirements of the Companies Act 1993, the Financial Reporting Act 2013, and the Registered Bank Disclosure Statements (New Zealand Incorporated Registered Banks) Order 2014(as amended). They were approved for issue by the Directors on 29 May 2015. The address of its registered office is 114 Dominion Road, PB No. 56580, Post Code 1446, Auckland, New Zealand. The Bank provides its products and services to retail and business customers. The Bank is the fully owned subsidiary of Bank of Baroda (India).

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

#### **Basis of preparation**

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

#### **Critical accounting estimates and judgements**

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

Estimates, judgements and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected. There have been no material estimates or judgements in the preparation of these financial statements. The information about estimates and assumptions in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements is included in the following accounting policies and notes:

- Impairment Allowance (Note 5)
- Deferred Taxation (Note 7)

#### **Summary of significant accounting policies**

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

#### **Interpretations issued but not yet effective**

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

- IFRS 15-Revenue from customers  
NZ IFRS 15 replaces the following
  - IAS 18 Revenue
  - IAS 11 Construction Contracts
  - IFRIC 13 Customer loyalty Programmes
  - IFRIC 15 Agreement for the Construction of Real Estate
  - IFRIC 18 Transfer of Assets from Customers
  - SIC 31 Revenue-Barter Transaction involving advertising Services

The new Standard has introduced a new model for the recognition of revenue using which revenue is required to be recognized. The model requires revenue to be recognized based on the contractual implications of individual contracts. Moreover, consideration is required to be measured as the amount to which the Company expects to be entitled, rather than fair value of consideration. It is applicable for annual periods beginning on or after 1 January 2016.

#### **-IFRS 9-Financial Instruments**

The Standards has completely been issued by IASB for implementation. The Standards has specified how entity should classify and measure financial assets and liabilities. The Standard has also issued a new impairment model similar to the model proposed in 2013. This Standard is applicable for annual periods beginning on or after 1 January 2017.

#### **-NZ IFRS 9 (2013)-Financial Instruments**

The Standard provides a more principle-based approach to hedge accounting and aligns hedge accounting more closely with risk management. The Standard is applicable for annual periods beginning on or after 1 January 2017.

# **BANK OF BARODA (NEW ZEALAND) LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS**

**For the year ended 31 March 2015**

### **1. STATEMENT OF ACCOUNTING POLICIES (Continued)**

#### *-Amendments to the Defined Benefit Plans: Employee Contributions (Amendment of IAS 19)*

The amendments introduce a practical expedient for accounting for certain contributions from employees or third parties to defined benefit plans. The amendments have made such contributions eligible for the practical expedient if they are:

- Set out in the formal terms of the plan
- Linked to the service; and
- Independent of the number of years of service.

When contributions are eligible for the practical expedient, a company is permitted to recognize them as a reduction of the service cost in the period in which the related service is rendered. This amendment is applicable for periods beginning on or after 1 July 2014.

#### *-Amendments to NZ IAS 8 and IAS 38*

The Standard clarifies that it is not appropriate to have a depreciation or amortisation method which is based on revenue generated from an activity includes the use of an asset. It is not appropriate, because a revenue-based method would reflect a pattern of economic benefits generated from operating the business (of which the asset is part), rather than economic benefits consumed through use of the asset. The Standard is applicable for annual periods beginning on or after 1 January 2016.

#### *-Disclosure initiative (Amendment to IAS 1)*

The IASB has issued amendments over disclosure requirements under IAS 1, which emphasise on materiality based disclosures to be provided in the financial statements, to avoid excessive disclosures. Moreover, specific criteria has been provided for the presentation of subtotals on the balance sheet, statement of profit or loss and OCI, with additional reconciliation requirements for the statement of profit or loss and OCI.

#### *-Annual improvements to IFRSs 2010-2012 Cycle and 2011-2013 Cycle*

Effective for reporting periods beginning on or after 1 July 2014. This standard includes amendments to a number of Standards that are largely clarifications, including for example, amendments to NZ IAS 24: Related Party Disclosures, which clarifies that a management entity providing key management personnel services to a reporting entity is a related party of the reporting entity.

#### *-Annual improvements to IFRS 2012-2014 Cycle*

The IASB has issued an exposure draft (ED), proposing amendments to the following four standards:

- IFRS 5 Non-current assets held for sale and discontinued operations
- IFRS 7 Financial instruments: Disclosures
- IAS 19 Employee benefits
- IAS 34 Interim Financial Reporting

Except for the proposed amendments to IFRS 5, the proposals would apply retrospectively for annual periods beginning on or after 1 January 2016.

### **Standards and Interpretations effective in current period**

The following standards and interpretations have become mandatory for the Bank since the previous balance date.

**NZ IAS 32 (Amendment) - Financial instruments: Presentation-** The amendment clarifies existing application issues relating to the offsetting rules and reduces the level of diversity in current practice. It also clarifies the meaning of "currently has a legally enforceable right to set-off" and "simultaneous realisation and settlement".

**NZ IFRS 10, NZ IFRS 12 and NZ IFRS 27 (Amendment) -Investment Entities-** The amendment requires a qualifying investment entity to account for investment controlled entities -as investments in associates and joint ventures- at fair value through profit or loss; the only exception would be subsidiaries that are considered an extension of the investment entity's investing activities. The consolidation exception is mandatory- not optional.

**NZ IAS 36 (Amendment) - Impairment of Assets -** The amendment reverses the unintended requirement in IFRS 13 Fair Value Measurement to disclose the recoverable amount for every cash-generating unit to which significant goodwill or indefinite-lived intangible assets have been allocated. Under the amendments, recoverable amounts is required to be disclosed only when an impairment loss has been recognized or reversed.

**IFRIC 21 - Levies -** The Standard provides guidance on the accounting of levies in accordance with the requirements of IAS 37 Provisions, Contingent Liabilities and Contingent Assets. The Standards provides insights regarding the definition of levies, and the timing or recognition of provision related to government impose levies.

The amendments to the standards did not have any impact on the accounting policies, financial position or performance of the Bank.

# **BANK OF BARODA (NEW ZEALAND) LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS**

**For the year ended 31 March 2015**

### **1. STATEMENT OF ACCOUNTING POLICIES (Continued)**

#### **Foreign currency translation**

##### *Functional and presentation currency*

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

##### *Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of the transaction or valuation where items are premeasured. 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 profit or loss, except when deferred in equity as qualifying cash flow hedges.

#### **Revenue recognition**

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

##### *Interest income and expense*

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

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

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

##### *Lending fees*

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

##### *Commissions and other fees*

When commissions or fees relate to specific transactions or events, they are recognised in the profit or loss 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 accrual basis as the service is provided.

##### *Other income*

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

#### **Expense recognition**

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

#### **Financial assets**

##### *Classification*

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

# **BANK OF BARODA (NEW ZEALAND) LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS**

**For the year ended 31 March 2015**

### **1. STATEMENT OF ACCOUNTING POLICIES (Continued)**

#### *Financial assets at fair value through profit or loss*

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

#### *Loans and receivables*

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

#### *Available-for-sale financial assets*

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

#### *Held to maturity*

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

#### *Recognition and measurement*

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

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

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

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

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

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

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





# **BANK OF BARODA (NEW ZEALAND) LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS**

**For the year ended 31 March 2015**

### **1. STATEMENT OF ACCOUNTING POLICIES (Continued)**

#### **Financial liabilities**

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

#### *Financial liabilities at fair value through profit or loss*

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

Liabilities in this category are measured at fair value.

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

#### *Other financial liabilities*

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

#### *Due to other banks*

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

#### *Deposits from customers*

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

#### *Other liabilities*

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

#### *Subordinated debt*

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

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

#### **Derivative financial instruments and hedge accounting**

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

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

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

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

# **BANK OF BARODA (NEW ZEALAND) LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS**

**For the year ended 31 March 2015**

### **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 profit or loss. 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 profit or loss. When a hedging derivative expires or is sold, the hedge no longer meets the criteria for hedge accounting, or the Bank elects to revoke the hedge designation, the cumulative gain or loss on the hedging derivative remains in cash flow hedge reserves until the forecast transaction occurs and affects income, at which point it is transferred to the corresponding income or expense line. If a forecast transaction is no longer expected to occur, the cumulative gain or loss on the hedging derivative previously reported in cash flow hedge reserves is immediately transferred to other income.

#### *Fair value hedge accounting*

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

#### **Offsetting financial instruments**

The Bank offsets financial assets and financial liabilities and reports the net balance in the balance sheet where there is a legally enforceable right to set-off and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

#### **Asset quality**

##### *Impaired assets*

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

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

A restructured asset is any credit exposure for which:

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

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

##### *Past due assets*

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

##### *Assets under administration*

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

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

##### *Renegotiated assets*

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

# **BANK OF BARODA (NEW ZEALAND) LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS**

**For the year ended 31 March 2015**

### **1. STATEMENT OF ACCOUNTING POLICIES (Continued)**

#### **Impairment of financial assets**

##### *Assets carried at amortised cost*

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

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

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

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

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

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

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

When a loan is uncollectible, it is written off to the profit or loss. 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 profit or loss.

#### **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.

Property construction in progress is at cost and not depreciated. The property would be transferred to property, plant and equipment depending upon the use of property upon completion of work.



# **BANK OF BARODA (NEW ZEALAND) LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS**

**For the year ended 31 March 2015**

### **1. STATEMENT OF ACCOUNTING POLICIES (Continued)**

Subsequent costs are included in the asset's carrying amount or are recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Bank and the cost of the item can be measured reliably. All other repairs and maintenance are charged to other operating expenses during the financial period in which they are incurred.

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

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

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

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

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

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in other operating expenses in profit or loss.

#### **Impairment of non-financial assets**

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

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

#### **Intangible assets**

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

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

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

#### **Taxation**

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

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

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at balance date.

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

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

# **BANK OF BARODA (NEW ZEALAND) LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS**

**For the year ended 31 March 2015**

### **1. STATEMENT OF ACCOUNTING POLICIES (Continued)**

#### **Provisions**

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

#### **Contingent liabilities and credit commitments**

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

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

#### **Leases**

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

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

#### **Share capital**

##### *Share issue costs*

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

##### *Dividend distribution*

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

#### **Cash and cash equivalents**

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

#### **Goods and Services Tax (GST)**

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

Cash flows in the cash flow statement include GST.

#### **Employee benefits**

##### *Wages and salaries, annual leave and sick leave*

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

##### *Long service leave*

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

##### *Profit-sharing and bonus plans*

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

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

**NOTES TO THE FINANCIAL STATEMENTS**

**For the year ended 31 March 2015**

**1. STATEMENT OF ACCOUNTING POLICIES (Continued)**

**Changes in accounting policies**

There have been no other changes to accounting policies in the year ended 31 March 2015.

# BANK OF BARODA (NEW ZEALAND) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2015

### 2. INTEREST

	31 March 2015 Year ended \$'000	31 March 2014 Year ended \$'000
<b>Interest income</b>		
Loans and advances	2,556	2,033
Government and local authority securities	-	-
From other financial institutions	682	835
Balances with related parties	72	54
Other securities	-	-
Cash and liquid assets	-	-
Income from impaired assets	-	-
Income from restructured assets	-	-
<b>Total interest income</b>	<b>3,310</b>	<b>2,922</b>
<b>Interest expense</b>		
Deposits by customers	727	569
Debt securities issued	-	-
Balances with related parties	-	-
<b>Total interest expense</b>	<b>727</b>	<b>569</b>

### 3. OTHER INCOME

	31 March 2015 Year ended \$'000	31 March 2014 Year ended \$'000
<b>Other Income</b>		
Banking and lending fee income	125	123
Net commissions revenue	82	82
Payment services fee income	-	-
Bad debts recovered	-	-
Net foreign exchange gains and commissions	1,126	1,152
Other revenue	-	4
<b>Total other income</b>	<b>1,333</b>	<b>1,361</b>

### 4. OPERATING EXPENSES

	31 March 2015 Year ended \$'000	31 March 2014 Year ended \$'000
<b>Operating expenses</b>		
Auditor's fee:		
- Audit of annual financial statements	59	53
- Review of half year financial statements	31	19
Tax advisory services	-	-
Regulatory advisory services	52	12
Directors' fees	18	21
Depreciation:		
- Computer hardware	20	35
- Office equipment	9	32
- Furniture, fittings, and leasehold improvements	138	155
	167	222
Employee benefits	1,429	1,248
Rental and lease costs	611	598
Other operating expenses	805	636
<b>Total operating expenses</b>	<b>3,172</b>	<b>2,807</b>



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

**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 March 2015

**5. IMPAIRMENT ALLOWANCE**

	Other exposures excluding sovereigns and central banks	Retail mortgage lending	Corporate and institutional	31 March 2015 \$'000
<b>Individually impaired assets</b>				
Balance at the beginning of the year	11	-	78	89
Charge to statement of comprehensive income	(3)	-	25	22
Bad debts written off	-	-	-	-
<b>Balance at the end of the year</b>	<b>8</b>	<b>-</b>	<b>103</b>	<b>111</b>

	Other exposures excluding sovereigns and central banks	Retail mortgage lending	Corporate and institutional	31 March 2015 \$'000
<b>Collective allowance for impairment losses</b>				
Balance at beginning of the year	15	112	47	174
Charge to statement of comprehensive income	3	21	3	27
Advances written off	-	-	-	-
<b>Total collective allowance for impairment losses</b>	<b>18</b>	<b>133</b>	<b>50</b>	<b>201</b>

	Other exposures excluding sovereigns and central banks	Retail mortgage lending	Corporate and institutional	31 March 2014 \$'000
<b>Individually impaired assets</b>				
Balance at the beginning of the year	19	43	63	125
Charge to statement of comprehensive income	(8)	(43)	15	(36)
Bad debts written off	-	-	-	-
<b>Balance at the end of the year</b>	<b>11</b>	<b>-</b>	<b>78</b>	<b>89</b>

	Other exposures excluding sovereigns and central banks	Retail mortgage lending	Corporate and institutional	31 March 2014 \$'000
<b>Collective allowance for impairment losses</b>				
Balance at beginning of the year	8	60	36	110
Charge to statement of comprehensive income	7	46	11	64
Advances written off	-	-	-	-
<b>Total collective allowance for impairment losses</b>	<b>15</b>	<b>112</b>	<b>47</b>	<b>174</b>

**6. TAXATION**

	31 March 2015 Year ended \$'000	31 March 2014 Year ended \$'000
Net profit/(loss) before taxation	695	879
Tax calculated at a tax rate of 28%	195	246
Prior period adjustment	56	66
Recognition of tax losses	(131)	(384)
Tax losses utilised	(251)	(312)
Other permanent differences	-	-
<b>Taxation charge as per the statement of comprehensive income</b>	<b>131</b>	<b>384</b>
<b>Represented by:</b>		
Current tax	-	-
Deferred tax	(131)	(384)
<b>Taxation charge as per the statement of</b>	<b>(131)</b>	<b>(384)</b>



# BANK OF BARODA (NEW ZEALAND) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2015

<b>comprehensive income</b>		
The deferred tax charge in the statement of comprehensive income comprises the following temporary differences:		
Accelerated tax depreciation		
Allowances for impairment losses		
Other provisions		-
Tax effect of change in tax rate		-
Amortisation of intangibles		-
Recognised tax losses		-
<b>Total temporary differences</b>	<b>131</b>	<b>384</b>

The effective tax rate on the Bank's profit before tax has been calculated at 28%. Tax loss benefits not recognised in these financial statements amounted to \$ 419,000 at 31 March 2015 (31 March 2014: \$801,000). The availability of these tax benefits is subject to the requirements of income tax legislation being met.

### 7. CURRENT AND DEFERRED TAXATION

	31 March 2015 Year ended \$'000	31 March 2014 Year ended \$'000
<b>Current income tax (payable)/ receivable</b>		
Balance at beginning of the year	-	-
Prior period adjustment	-	-
Tax on profits/(losses) taken to reserves	-	-
Transfer from deferred tax	-	-
Tax return adjustments	-	-
Related party purchase of tax losses	-	-
Tax refunded	-	-
<b>Balance at end of the year</b>	<b>-</b>	<b>-</b>
<b>Deferred tax</b>		
Balance at beginning of the year	816	432
Prior period adjustment	-	-
Temporary differences for the year	-	-
Tax on losses taken directly to reserves	-	-
Tax effect of change in tax rate	-	-
Credit to current tax	131	384
<b>Balance at end of the year</b>	<b>947</b>	<b>816</b>
<b>Deferred income tax assets</b>		
Cash flow hedges	-	-
Other provisions and accruals	-	-
Other temporary differences	-	-
Allowance for loan impairment	-	-
<b>Total assets</b>	<b>-</b>	<b>-</b>
<b>Deferred income tax liabilities</b>		
Accelerated tax depreciation	-	-
Net commissions receivable	-	-
Intangible assets	-	-
<b>Total liabilities</b>	<b>-</b>	<b>-</b>
<b>Net deferred taxation</b>	<b>947</b>	<b>816</b>
Recoverable within twelve months	434	336
Recoverable after twelve months	513	480

### 8. CASH AND CASH EQUIVALENTS

	31 March 2015 \$'000	31 March 2014 \$'000
Cash on hand	253	414
Cash with central banks	-	-
Call and overnight advances to financial institutions	4,906	4,243
<b>Total cash and cash equivalents</b>	<b>5,159</b>	<b>4,657</b>
Current	5,159	4,657
Non-Current	-	-



**BANK OF BARODA (NEW ZEALAND) LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the year ended 31 March 2015

**9. DUE FROM OTHER FINANCIAL INSTITUTIONS**

	31 March 2015 \$'000	31 March 2014 \$'000
Short term deposits	14,300	9,300
Other term deposits	3,500	8,000
<b>Total amount due from other financial institutions</b>	<b>17,800</b>	<b>17,300</b>
Current	17,800	17,300
Non-Current	-	-

**10. LOANS AND ADVANCES**

	31 March 2015 \$'000	31 March 2014 \$'000
Residential mortgage loans	38,178	27,869
Corporate exposures	5,354	11,297
Other exposures	5,861	4,193
Allowance for impairment losses	(312)	(263)
<b>Total net loans and receivables</b>	<b>49,081</b>	<b>43,096</b>
Current	6,672	7,894
Non-Current	42,409	35,202

**11. PROPERTY, PLANT & EQUIPMENT**

As at 31 March 2015	Computer hardware \$'000	Office equipment \$'000	Furniture, fittings & leasehold improvements \$'000	Assets in progress \$'000	TOTAL \$'000
At cost	195	170	1,100	-	1,465
Accumulated depreciation	(156)	(80)	(467)	-	(703)
<b>Opening carrying amount</b>	<b>39</b>	<b>90</b>	<b>633</b>	<b>-</b>	<b>762</b>
Additions	3	-	-	-	3
Disposals	-	-	-	-	-
Depreciation	(20)	(9)	(138)	-	(167)
<b>Closing carrying amount</b>	<b>22</b>	<b>81</b>	<b>495</b>	<b>-</b>	<b>598</b>
At cost	198	170	1,100	-	1,468
Accumulated depreciation	(176)	(89)	(605)	-	(870)
<b>Closing carrying amount</b>	<b>22</b>	<b>81</b>	<b>495</b>	<b>-</b>	<b>598</b>

As at 31 March 2014	Computer hardware \$'000	Office equipment \$'000	Furniture, fittings & leasehold improvements \$'000	Assets in progress \$'000	TOTAL \$'000
At cost	191	170	1,083	-	1,444
Accumulated depreciation	(121)	(48)	(312)	-	(481)
<b>Opening carrying amount</b>	<b>70</b>	<b>122</b>	<b>771</b>	<b>-</b>	<b>963</b>
Additions	4	-	17	-	21
GST refunded on cost	-	-	-	-	-
Depreciation	(35)	(32)	(155)	-	(222)
<b>Closing carrying amount</b>	<b>39</b>	<b>90</b>	<b>633</b>	<b>-</b>	<b>762</b>
At cost	195	170	1,100	-	1,465
Accumulated depreciation	(156)	(80)	(467)	-	(703)
<b>Closing carrying amount</b>	<b>39</b>	<b>90</b>	<b>633</b>	<b>-</b>	<b>762</b>

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

**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 March 2015.

**12. OTHER ASSETS**

	31 March 2015	31 March 2014
	\$'000	\$'000
Other receivables	65	31
Commissions receivable	-	-
Interest receivable	-	-
<b>Trade and other receivables</b>	<b>281</b>	<b>323</b>
Current	346	354
Non-Current	346	354

**13. BALANCES WITH RELATED PARTIES**

	31 March 2015	31 March 2014
	\$'000	\$'000
Cash held with related parties	-	-
Amounts due from related parties	3,400	2,718
<b>Total balances due from related parties</b>	<b>3,400</b>	<b>2,718</b>
Current	3,400	2,718
Non-Current	3,400	2,718
Amounts due to related parties	980	1,337
<b>Total balances due to related parties</b>	<b>980</b>	<b>1,337</b>
Current	980	1,337
Non-Current	980	1,337

**14. DEPOSITS AND OTHER BORROWINGS**

	31 March 2015	31 March 2014
	\$'000	\$'000
Retail deposits	32,402	25,288
Wholesale deposits	-	-
Other	-	-
<b>Total deposits</b>	<b>32,402</b>	<b>25,288</b>
New Zealand	32,402	25,288
Overseas	-	-
Current	30,333	23,915
Non-Current	2,069	1,373

**15. OTHER LIABILITIES**

	31 March 2015	31 March 2014
	\$'000	\$'000
Employee entitlements	8	11
Other payables and accruals	198	150
<b>Total other liabilities</b>	<b>206</b>	<b>161</b>
Current	206	161
Non-Current	206	161

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

**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 March 2015

**16. EQUITY**

	31 March 2015 \$'000	31 March 2014 \$'000
<b>Equity</b>		
Share capital	40,000	40,000
Retained earnings	3,743	2,917
<b>Total equity</b>	<b>43,743</b>	<b>42,917</b>
<b>Share capital – issued and paid up</b>		
Opening balance	40,000	40,000
Shares issued	-	-
<b>Balance at end of the year</b>	<b>40,000</b>	<b>40,000</b>

	31 March 2015 Number of shares	31 March 2014 Number of shares
<b>Number of shares</b>		
Number of shares at the start of the year	40,000,000	40,000,000
Shares issued	-	-
<b>Number of shares at the end of the year</b>	<b>40,000,000</b>	<b>40,000,000</b>

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

**17. ASSET QUALITY**

As at 31 March 2015	Other exposures excluding sovereigns and central banks	Residential mortgage loans	Corporate exposures	TOTAL \$'000
<b>Neither past due nor impaired</b>				
Strong	4,878	38,177	51	43,106
Good/Satisfactory	951	-	5,193	6,144
Weak	-	-	-	-
<b>Total neither past due nor impaired</b>	<b>5,829</b>	<b>38,177</b>	<b>5,244</b>	<b>49,250</b>
<b>Past due assets not impaired</b>				
Less than 30 days past due	24	1	7	32
At least 30 days but less than 60 days past due	-	-	-	-
At least 60 days but less than 90 days past due	-	-	-	-
At least 90 days past due	-	-	-	-
<b>Total past due assets not impaired</b>	<b>24</b>	<b>1</b>	<b>7</b>	<b>32</b>
<b>Individually impaired assets</b>				
Balance at beginning of the year	11	-	78	89
Additions	-	-	25	25
Amounts written off	-	-	-	-
Deletions	(3)	-	-	(3)
Amounts written off	-	-	-	-
<b>Total individually impaired assets</b>	<b>8</b>	<b>0</b>	<b>103</b>	<b>111</b>
<b>Total gross loans and advances</b>	<b>5,861</b>	<b>38,178</b>	<b>5,354</b>	<b>49,393</b>
<b>Individually assessed provisions</b>				
Balance at beginning of the year	11	-	78	89
Charged/(credit) to the statement of comprehensive income:	(3)	-	25	22
New provisions	-	-	-	-
Amounts recovered	-	-	-	-
Reversals of previously recognised impairment losses	-	-	-	-
Amounts written off	-	-	-	-
<b>Balance at end of the year</b>	<b>8</b>	<b>-</b>	<b>103</b>	<b>111</b>
<b>Collectively assessed provisions</b>				
Balance at beginning of the year	15	112	47	174
Charged (credit) to the statement of comprehensive income	3	21	3	27
<b>Balance at end of the year</b>	<b>18</b>	<b>133</b>	<b>50</b>	<b>201</b>
<b>Total provisions for impairment losses</b>	<b>26</b>	<b>133</b>	<b>153</b>	<b>312</b>
<b>Total net loans and advances</b>	<b>5,835</b>	<b>38,045</b>	<b>5,201</b>	<b>49,081</b>

# BANK OF BARODA (NEW ZEALAND) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2015

### 17. ASSET QUALITY (Continued).

The Bank does not have any restructured/renegotiated assets, any financial, real estate or other assets acquired through security enforcement or any other assets under administration as at 31 March 2015. Therefore, the Bank does not have any such collateral sold or re-pledged and not having an obligation to return it.

Undrawn balances on lending commitments to counterparties within the impaired asset category were \$nil as at 31 March 2015.

There has been no interest revenue foregone on restructured, individually impaired or greater than 90 days past due assets during the year ended 31 March 2015.

### 17. ASSET QUALITY

As at 31 March 2014	Other exposures excluding sovereigns and central banks	Residential mortgage loans	Corporate exposures	TOTAL \$'000
<b>Neither past due nor impaired</b>				
Strong	1,557	27,506	3,597	32,660
Good/Satisfactory	2,624	364	7,189	10,177
Weak	-	-	433	433
<b>Total neither past due nor impaired</b>	<b>4,181</b>	<b>27,870</b>	<b>11,219</b>	<b>43,270</b>
<b>Past due assets not impaired</b>				
Less than 30 days past due	-	-	-	-
At least 30 days but less than 60 days past due	-	-	-	-
At least 60 days but less than 90 days past due	-	-	-	-
At least 90 days past due	-	-	-	-
<b>Total past due assets not impaired</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Individually impaired assets</b>				
Balance at beginning of the year	19	424	455	898
Additions	-	-	23	23
Amounts written off	-	-	-	-
Deletions	(8)	(424)	(400)	(832)
Amounts written off	-	-	-	-
<b>Total individually impaired assets</b>	<b>11</b>	<b>-</b>	<b>78</b>	<b>89</b>
<b>Total gross loans and advances</b>	<b>4,192</b>	<b>27,870</b>	<b>11,297</b>	<b>43,359</b>
<b>Individually assessed provisions</b>				
Balance at beginning of the year	19	43	63	125
Charged/(credit) to the statement of comprehensive income:	(8)	(43)	-	(51)
New provisions	-	-	15	15
Amounts recovered	-	-	-	-
Reversals of previously recognised impairment losses	-	-	-	-
Amounts written off	-	-	-	-
<b>Balance at end of the year</b>	<b>11</b>	<b>-</b>	<b>78</b>	<b>89</b>
<b>Collectively assessed provisions</b>				
Balance at beginning of the year	8	66	36	110
Charged (credit) to the statement of comprehensive income	7	46	11	64
<b>Balance at end of the year</b>	<b>15</b>	<b>112</b>	<b>47</b>	<b>174</b>
<b>Total provisions for impairment losses</b>	<b>26</b>	<b>112</b>	<b>125</b>	<b>263</b>
<b>Total net loans and advances</b>	<b>4,166</b>	<b>27,758</b>	<b>11,172</b>	<b>43,096</b>

The Bank does not have any restructured assets, any financial, real estate or other assets acquired through security enforcement or any other assets under administration as at 31 March 2014. Therefore, the Bank does not have any such collateral sold or repledged and not having an obligation to return it.

Undrawn balances on lending commitments to counterparties within the impaired asset category were \$nil as at 31 March 2014.

There has been no interest revenue foregone on restructured, individually impaired or greater than 90 days past due assets during the year ended 31 March 2014.

### 18. TRANSACTIONS WITH RELATED PARTIES

The Bank is wholly owned by the Bank of Baroda, a Bank 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.

**BANK OF BARODA (NEW ZEALAND) LIMITED****NOTES TO THE FINANCIAL STATEMENTS****For the year ended 31 March 2015****TRANSACTIONS WITH RELATED PARTIES (Continued).****Key Management Personnel**

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

	31 March 2015 Year ended \$'000	31 March 2014 Year ended \$'000
Salaries and other short-term benefits	1,170	1,007
<b>Total key management compensation</b>	<b>1,170</b>	<b>1,007</b>

During the period, the Bank accepted deposits from the key management personnel. These were entered into in the normal course of the business and are at interest rates prevailing at the time for comparable transactions with other parties.

**Guarantee**

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

As at the 31 March 2015, the Government of India held 57.53% of the total shares in BOB (31 March 2014: 56.26%). The remaining 42.47% (31 March 2014: 43.74%) of the shares in BOB are held by public shareholding (governed by the laws of India). BOB shares are listed on both the National Stock Exchange (India) and on the Bombay Stock Exchange (India).

The obligations of the Bank are guaranteed by BOB. There are no legislative, regulatory or other restrictions of a legally enforceable nature in India (BOB's country of incorporation) that may materially inhibit the legal ability of BOB to provide material financial support to the Bank. As at 31 March 2015, all the obligations of the Bank are guaranteed by BOB.

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

Rating agency	Current rating	Qualifications	Rating change in the last 2 Years
Moody's Investor Services Limited	Baa3	Nil	On 13 December 2012, credit rating outlook from stable to negative and on 16 August 2013 from negative to stable
Fitch IBCA, Inc.	BBB-	Nil	On 16 June 2012, credit rating outlook from stable to negative and on 14 June 2013 from negative to stable. Further, on 3 <sup>rd</sup> September 2014, it kept the rating & outlook unchanged

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

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

**Other related party transactions**

The Bank holds foreign currency (USD) cash deposits with subsidiaries other branches of BOB group, these deposits are interest bearing:

	31 March 2015 \$'000	31 March 2014 \$'000
USA, New York branch	-	87
Singapore branch	-	-
Kenya	1,335	1,154
Uganda	1,335	1,154
<b>Total balance</b>	<b>2,670</b>	<b>2,395</b>

**BANK OF BARODA (NEW ZEALAND) LIMITED****NOTES TO THE FINANCIAL STATEMENTS****For the year ended 31 March 2015****TRANSACTIONS WITH RELATED PARTIES (Continued).**

As at 31 March 2015 the total interest earning on these deposits was \$58,000 (31 March 2014: \$54,000). Other transactions include deposits and withdrawals with other related parties. The net amount in deposits are \$ 275,000. (31 March 2014: \$84,000).

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

	31 March 2015 \$'000	31 March 2014 \$'000
USA, New York branch (USD)	433	211
India, Mumbai Main office (INR)	250	46
U.K. London branch (GBP)	16	14
Belgium, Brussels branch (EURO)	12	14
Fiji, Suva branch (FJD)	13	19
Australia, SBI, Sydney branch (AUD)	6	19
<b>Total nostro balance</b>	<b>730</b>	<b>323</b>

The Bank also has Vostro current account balances owing to its parent company, Bank of Baroda (India) of \$978,000 and Bank of Baroda (Fiji) of \$2,000 (31 March 2014: Bank of Baroda (India) \$1,334,000 Bank of Baroda (Fiji) \$3,000) that are non interest bearing.

**19. CONCENTRATION OF CREDIT RISK**

The following table breaks down the Bank's main credit exposure at their carrying amounts, as categorised by the industry sectors of its counterparties. Industry analysis as at balance date is as follows. For further details on how credit risk is managed and refer to note 33.

	31 March 2015 \$'000	31 March 2014 \$'000
<b>New Zealand</b>		
Government	-	-
Finance	22,384	18,689
Households	38,178	29,758
Transport and storage	-	-
Communications	-	-
Electricity, gas and water	-	-
Construction	2,306	3,916
Property services	2,426	1,572
Agriculture	-	-
Health and community services	1,011	1,050
Personal and other services	2,787	3,398
Retail and wholesale trade	2,221	3,147
Food and other manufacturing	464	518
<b>Overseas</b>		
Finance, Investment and Insurance	2,670	2,395
Less allowance for impairment losses	(312)	(263)
<b>Total financial assets (interest bearing)</b>	<b>74,135</b>	<b>64,180</b>
Finance (non-interest bearing)	1,052	3,945
Others (non-interest bearing)	346	-
<b>Total net financial assets</b>	<b>75,533</b>	<b>68,125</b>

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

	31 March 2015 \$'000	31 March 2014 \$'000
<b>New Zealand</b>		
Upper North Island	60,297	34,595
Lower North Island	11,836	27,453
South Island	-	-
<b>Overseas</b>		
USA	433	87
Singapore	-	-
India	250	-
UK	16	-
Belgium	12	-
Fiji	13	-
Australia	6	-
Kenya	1,335	1,154
Uganda	1,335	1,154
<b>Total financial assets</b>	<b>75,533</b>	<b>64,443</b>

**BANK OF BARODA (NEW ZEALAND) LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended 31 March 2015**

**19. CONCENTRATION OF CREDIT RISK (Continued).**

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

	31 March 2015 \$'000	31 March 2014 \$'000
Loans and advances	49,393	43,359
Balances with related parties	3,400	2,718
Due from other financial institutions	17,800	17,300
Derivative financial instruments	-	-
Financial assets held for trading	-	-
Available-for-sale assets	-	-
Cash and cash equivalents	4,906	4,657
Other financial assets	346	354
<b>Total gross financial assets</b>	<b>75,845</b>	<b>68,388</b>
Allowance for impairment losses	(312)	(263)
<b>Total net financial assets</b>	<b>75,533</b>	<b>68,125</b>

**20. CONCENTRATION OF FUNDING**

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

	31 March 2015 \$'000	31 March 2014 \$'000
<b>New Zealand</b>		
Transport and storage	-	-
Financing, investment and insurance	-	-
Electricity, gas and water	-	-
Food and 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	2,829	2,002
Households	25,915	21,194
<b>Overseas</b>		
Amounts due to related parties	-	-
<b>Total financial liabilities (interest bearing)</b>	<b>28,744</b>	<b>23,196</b>
Households (non-interest bearing)	3,658	2,253
Others (non-interest bearing)	206	-
<b>Overseas</b>		
Finance (non-interest bearing)	980	1,337
<b>Total financial liabilities</b>	<b>33,588</b>	<b>26,786</b>

**21. LEASE COMMITMENTS**

	31 March 2015 \$'000	31 March 2014 \$'000
<b>Operating lease commitments under non-cancellable operating leases:</b>		
Not later than 1 year	421	389
1-2 years	351	332
2-5 years	701	820
5+ years	85	335
<b>Total</b>	<b>1,558</b>	<b>1,876</b>

**22. CAPITAL COMMITMENTS**

As at 31 March 2015 there are no material outstanding capital commitments (31 March 2014: Nil).



**BANK OF BARODA (NEW ZEALAND) LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the year ended 31 March 2015

**23. CONTINGENT LIABILITIES**

	31 March 2015 \$'000	31 March 2014 \$'000
<b>Contingent liabilities</b>		
Performance/financial guarantees issued on behalf of customers	950	650
<b>Total contingent liabilities</b>	<b>950</b>	<b>650</b>
<b>Undrawn Commitments</b>	<b>4,592</b>	<b>2,662</b>

**24. SUBSEQUENT EVENTS AFTER BALANCE SHEET DATE**

There were no subsequent events after balance date. (31 March 2014: Nil)

**25. INTEREST RATE SENSITIVITY**

The tables below summarise the Bank's exposure to interest rate risk. It includes the financial instruments at carrying amounts, categorised by contractual re-pricing. For further details on how interest rate risk is managed refer to Note 33.

31 March 2015	Total \$'000	Interest insensitive \$'000	Up to 3 months \$'000	Over 3 months and up to 6 months \$'000	Over 6 months and up to 1 year \$'000	Over 1 year and up to 2 years \$'000	Over 2 years \$'000
<b>Financial assets</b>							
Cash and cash equivalents	5,159	575	4,584	-	-	-	-
Due from other financial institutions	17,800	-	14,300	500	3,000	-	-
Loans and advances	49,081	-	26,650	543	5,701	16,187	-
Balances with related parties	3,400	730	2,670	-	-	-	-
Other financial assets	346	346	-	-	-	-	-
<b>Total financial assets</b>	<b>75,786</b>	<b>1,651</b>	<b>48,204</b>	<b>1,043</b>	<b>8,701</b>	<b>16,187</b>	<b>-</b>
<b>Financial liabilities</b>							
Due to other financial institutions	-	-	-	-	-	-	-
Deposits and other borrowings	32,402	3,658	19,787	4,117	2,771	852	1,217
Due to related parties	980	980	-	-	-	-	-
Other financial liabilities	206	206	-	-	-	-	-
<b>Total financial liabilities</b>	<b>33,588</b>	<b>4,844</b>	<b>19,787</b>	<b>4,117</b>	<b>2,771</b>	<b>852</b>	<b>1,217</b>
<b>On-balance sheet gap</b>							
Net effective interest rate gap	42,198	(3,193)	28,417	(3,074)	5,930	15,335	(1,217)

**BANK OF BARODA (NEW ZEALAND) LIMITED**
**NOTES TO THE FINANCIAL STATEMENTS**
**For the year ended 31 March 2015**
**25. INTEREST RATE SENSITIVITY (Continued).**

31 March 2014	Total \$'000	Interest insensitive \$'000	Up to 3 months \$'000	Over 3 months and up to 6 months \$'000	Over 6 months and up to 1 year \$'000	Over 1 year and up to 2 years \$'000	Over 2 years \$'000
<b>Financial assets</b>							
Cash and cash equivalents	4,657	3,268	1,389	-	-	-	-
Due from other financial institutions	17,300	-	9,300	4,000	4,000	-	-
Financial assets held at fair value through profit or loss	-	-	-	-	-	-	-
Available-for-sale assets	-	-	-	-	-	-	-
Loans and advances	43,096	-	38,343	106	1,527	3,120	-
Balances with related parties	2,718	323	2,308	-	87	-	-
Other financial assets	354	354	-	-	-	-	-
<b>Total financial assets</b>	<b>68,125</b>	<b>3,945</b>	<b>51,340</b>	<b>4,106</b>	<b>5,614</b>	<b>3,120</b>	<b>-</b>
<b>Financial liabilities</b>							
Due to other financial institutions	-	-	-	-	-	-	-
Financial liabilities held at fair value through profit or loss	-	-	-	-	-	-	-
Deposits and other borrowings	25,288	2,092	16,294	4,337	1,192	763	610
Debt securities issued	-	-	-	-	-	-	-
Term subordinated debt	-	-	-	-	-	-	-
Due to related parties	1,337	1,337	-	-	-	-	-
Other financial liabilities	161	161	-	-	-	-	-
<b>Total financial liabilities</b>	<b>26,786</b>	<b>3,590</b>	<b>16,294</b>	<b>4,337</b>	<b>1,192</b>	<b>763</b>	<b>610</b>
<b>On-balance sheet gap</b>							
Net derivative notional principals	-	-	-	-	-	-	-
Net effective interest rate gap	41,339	355	35,046	(231)	4,422	2,357	(610)

**26. FINANCIAL INSTRUMENTS BY CATEGORY**

31 March 2015	Loans and receivables \$'000	Available for sale \$'000	Assets at fair value through profit or loss		Derivatives used for hedging \$'000	Total \$'000
			Held for trading \$'000	Designated at FVTPL \$'000		
<b>Financial assets</b>						
Cash and cash equivalents	5,159	-	-	-	-	5,159
Due from other financial institutions	17,800	-	-	-	-	17,800
Loans and advances	49,081	-	-	-	-	49,081
Balances with related parties	3,400	-	-	-	-	3,400
Other financial assets	346	-	-	-	-	346
<b>Total financial assets</b>	<b>75,786</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>75,786</b>

31 March 2015	Liabilities at fair value through profit or loss		Derivatives used for hedging \$'000	Other financial liabilities at amortised cost \$'000	Total \$'000
	Held for trading \$'000	Designated at FVTPL \$'000			
<b>Financial liabilities</b>					
Due to other financial institutions	-	-	-	-	-
Deposits and other borrowings	-	-	-	32,402	32,402
Due to related parties	-	-	-	980	980
Other financial liabilities	-	-	-	206	206
<b>Total financial liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>33,588</b>	<b>33,588</b>

**BANK OF BARODA (NEW ZEALAND) LIMITED**
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**FINANCIAL INSTRUMENTS BY CATEGORY (Continued).**

31 March 2014	Assets at fair value through profit or loss		Held for trading \$'000	Designated at FVTPL \$'000	Derivatives used for hedging \$'000	Total \$'000
	Loans and receivables \$'000	Available for sale \$'000				
<b>Financial assets</b>						
Cash and cash equivalents	4,657	-	-	-	-	4,657
Due from other financial institutions	17,300	-	-	-	-	17,300
Financial assets at fair value through profit or loss	-	-	-	-	-	-
Loans and advances	43,096	-	-	-	-	43,096
Balances with related parties	2,718	-	-	-	-	2,718
Other financial assets	354	-	-	-	-	354
<b>Total financial assets</b>	<b>68,125</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>68,125</b>

31 March 2014	Liabilities at fair value through profit or loss		Derivatives used for hedging \$'000	Other financial liabilities at amortised cost \$'000	Total \$'000
	Held for trading \$'000	Designated at FVTPL \$'000			
<b>Financial liabilities</b>					
Due to other financial institutions	-	-	-	-	-
Financial liabilities at fair value through profit or loss	-	-	-	-	-
Deposits and other borrowings	-	-	-	25,288	25,288
Debt securities issued	-	-	-	-	-
Term Subordinated debt	-	-	-	1,337	1,337
Due to related parties	-	-	-	161	161
Other financial liabilities	-	-	-	-	-
<b>Total financial liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>26,786</b>	<b>26,786</b>

**27. FOREIGN EXCHANGE RISK**

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

31 March 2015	FJD \$'000	GBP \$'000	EUR \$'000	INR \$'000	USD \$'000	AUD \$'000	Total \$'000
<b>Financial assets</b>							
Cash and cash equivalents	-	-	-	-	81	-	81
Due from other financial institutions	-	-	-	-	-	-	-
Loans and advances	-	-	-	-	42	-	42
Balances with related parties	13	16	12	250	3,103	6	3,400
Other financial assets	-	-	-	-	-	-	-
<b>Total financial assets</b>	<b>13</b>	<b>16</b>	<b>12</b>	<b>250</b>	<b>3,226</b>	<b>6</b>	<b>3,523</b>
<b>Financial liabilities</b>							
Due to other financial institutions	-	-	-	-	-	-	-
Deposits and other borrowings	-	-	-	-	3,178	-	3,178
Other financial liabilities	-	-	-	-	-	-	-
Due to related parties	-	-	-	-	-	-	-
<b>Total financial liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,178</b>	<b>-</b>	<b>3,178</b>
<b>Net on balance sheet financial position</b>	<b>13</b>	<b>16</b>	<b>12</b>	<b>250</b>	<b>48</b>	<b>6</b>	<b>345</b>

**BANK OF BARODA (NEW ZEALAND) LIMITED**
**NOTES TO THE FINANCIAL STATEMENTS**
**For the year ended 31 March 2015**
**27. FOREIGN EXCHANGE RISK (Continued).**

31 March 2014	FJD \$'000	GBP \$'000	EUR \$'000	INR \$'000	USD \$'000	AUD \$'000	Total \$'000
<b>Financial assets</b>							
Cash and cash equivalents	-	-	-	-	1,263	-	1,263
Due from other financial institutions	-	-	-	-	-	-	-
Financial assets at fair value through profit or loss	-	-	-	-	-	-	-
Available-for-sale assets	-	-	-	-	-	-	-
Loans and advances	-	-	-	-	203	-	203
Balances with related parties	19	14	14	46	2,606	19	2,718
Other financial assets	-	-	-	-	-	-	-
<b>Total financial assets</b>	<b>19</b>	<b>14</b>	<b>14</b>	<b>46</b>	<b>4,072</b>	<b>19</b>	<b>4,184</b>
<b>Financial liabilities</b>							
Due to other financial institutions	-	-	-	-	-	-	-
Deposits and other borrowings	-	-	-	-	3,910	-	3,910
Debt securities issued	-	-	-	-	-	-	-
Term subordinated debt	-	-	-	-	-	-	-
Other financial liabilities	-	-	-	-	-	-	-
Due to related parties	-	-	-	-	-	-	-
<b>Total financial liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,910</b>	<b>-</b>	<b>3,910</b>
<b>Net on balance sheet financial position</b>	<b>19</b>	<b>14</b>	<b>14</b>	<b>46</b>	<b>162</b>	<b>19</b>	<b>274</b>

**28. LIQUIDITY RISK**

The Bank's policies for managing liquidity are set out in Note 33. The tables below summarises the cash flows payable or receivable by the Bank 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 and is not disclosed based on expected cash flows.

31 March 2015	On Demand \$'000	Up to 3 months \$'000	3 to 12 Months \$'000	Between 1 & 5 years \$'000	More than 5 years \$'000	Total \$'000
<b>Financial assets</b>						
Cash and cash equivalents	5,159	-	-	-	-	5,159
Due from other financial institutions	-	14,338	3,578	-	-	17,916
Loans and advances	-	1,197	6,645	15,886	55,236	78,964
Due from related parties	730	2,680	-	-	-	3,410
Other financial assets	346	-	-	-	-	346
<b>Total financial assets</b>	<b>6,235</b>	<b>18,215</b>	<b>10,223</b>	<b>15,886</b>	<b>55,236</b>	<b>105,795</b>
<b>Financial liabilities</b>						
Due to other financial institutions	-	-	-	-	-	-
Deposits and other borrowings	3,658	19,825	7,925	2,227	99	33,734
Due to related parties	980	-	-	-	-	980
Other financial liabilities	208	-	-	-	-	208
<b>Total financial liabilities</b>	<b>4,844</b>	<b>19,825</b>	<b>7,925</b>	<b>2,227</b>	<b>99</b>	<b>34,920</b>
<b>Net non derivative cash flows</b>	<b>1,391</b>	<b>(1,610)</b>	<b>2,298</b>	<b>13,659</b>	<b>55,137</b>	<b>70,875</b>
<b>Derivative cash flows</b>						
Interest rate derivatives	-	-	-	-	-	-
Foreign exchange derivatives	-	-	-	-	-	-
<b>Total</b>						
<b>Off balance sheet cash flows</b>						
Financial guarantees	-	-	800	150	-	950
<b>Total</b>			<b>800</b>	<b>150</b>		<b>950</b>
<b>Net cash flows</b>	<b>1,391</b>	<b>(1,610)</b>	<b>1,498</b>	<b>13,509</b>	<b>55,137</b>	<b>69,837</b>

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**28. LIQUIDITY RISK (Continued).**

31 March 2014	On Demand \$'000	Up to 3 months \$'000	3 to 12 Months \$'000	Between 1 & 5 years \$'000	More than 5 years \$'000	Total \$'000
<b>Financial assets</b>						
Cash and cash equivalents	4,657	-	-	-	-	4,657
Due from other financial institutions	-	9,441	8,253	-	-	17,694
Financial assets at fair value through profit or loss	-	-	-	-	-	-
Available-for-sale assets	-	-	-	-	-	-
Loans and advances	-	5,238	5,778	12,644	41,264	64,924
Due from related parties	323	2,367	88	-	-	2,778
Other financial assets	-	354	-	-	-	354
<b>Total financial assets</b>	<b>4,980</b>	<b>17,400</b>	<b>14,119</b>	<b>12,644</b>	<b>41,264</b>	<b>90,407</b>
<b>Financial liabilities</b>						
Due to other financial institutions	-	-	-	-	-	-
Financial liabilities at fair value through profit or loss	-	-	-	-	-	-
Deposits and other borrowings	1,867	16,629	5,724	1,500	-	25,720
Debt securities issued	-	-	-	-	-	-
Term subordinated debt	-	-	-	-	-	-
Due to related parties	1,337	-	-	-	-	1,337
Other financial liabilities	-	161	-	-	-	161
<b>Total financial liabilities</b>	<b>3,204</b>	<b>16,790</b>	<b>5,724</b>	<b>1,500</b>	<b>-</b>	<b>27,218</b>
<b>Net non derivative cash flows</b>	<b>1,776</b>	<b>610</b>	<b>8,395</b>	<b>11,144</b>	<b>41,264</b>	<b>63,189</b>
<b>Derivative cash flows</b>						
Interest rate derivatives	-	-	-	-	-	-
Foreign exchange derivatives	-	-	-	-	-	-
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Off balance sheet cash flows</b>						
Financial guarantees	-	-	250	400	-	650
<b>Total</b>	<b>-</b>	<b>-</b>	<b>250</b>	<b>400</b>	<b>-</b>	<b>650</b>
<b>Net cash flows</b>	<b>1,776</b>	<b>610</b>	<b>8,145</b>	<b>10,744</b>	<b>41,264</b>	<b>62,539</b>

**29. SENSITIVITY ANALYSIS**

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

<b>INTEREST RATE RISK</b>		-0.1%	+0.1%	-0.1%	+0.1%
31 March 2015	Carrying Amounts \$'000	Profit \$'000	Profit \$'000	Equity \$'000	Equity \$'000
<b>Financial assets</b>					
Cash and cash equivalents	5,159	(4)	4	(4)	4
Balances with related parties	3,400	(2)	2	(2)	2
Due from other financial institutions	17,800	(10)	10	(10)	10
Loans and advances	49,081	(26)	26	(26)	26
Other financial asset	346	-	-	-	-
<b>Total financial assets</b>	<b>75,786</b>	<b>(42)</b>	<b>42</b>	<b>(42)</b>	<b>42</b>
<b>Financial liabilities</b>					
Due to other financial institutions	-	-	-	-	-
Due to related parties	980	-	-	-	-
Deposits and other borrowings	32,402	21	(21)	21	(21)
Other financial liabilities	206	-	-	-	-
<b>Total financial liabilities</b>	<b>33,588</b>	<b>21</b>	<b>(21)</b>	<b>21</b>	<b>(21)</b>

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**29. SENSITIVITY ANALYSIS (Continued).**

<b>INTEREST RATE RISK</b>		-0.1%	+0.1%	-0.1%	+0.1%
31 March 2014	Carrying Amounts \$'000	Profit \$'000	Profit \$'000	Equity \$'000	Equity \$'000
<b>Financial assets</b>					
Cash and cash equivalents	4,857	(1)	1	(1)	1
Balances with related parties	2,718	(2)	2	(2)	2
Due from other financial institutions	17,300	(12)	12	(12)	12
Financial assets at fair value through profit or loss	-	-	-	-	-
Available-for-sale assets	-	-	-	-	-
Loans and advances	43,096	(33)	33	(33)	33
Other financial assets	354	-	-	-	-
<b>Total financial assets</b>	<b>68,125</b>	<b>(48)</b>	<b>48</b>	<b>(48)</b>	<b>48</b>
<b>Financial liabilities</b>					
Due to other financial institutions	-	-	-	-	-
Due to related parties	1,337	-	-	-	-
Financial liabilities at fair value through profit or loss	-	-	-	-	-
Deposits and other borrowings	25,288	18	(18)	18	(18)
Debt securities issued	-	-	-	-	-
Term subordinated debt	-	-	-	-	-
Other financial liabilities	161	-	-	-	-
<b>Total financial liabilities</b>	<b>26,786</b>	<b>18</b>	<b>(18)</b>	<b>18</b>	<b>(18)</b>

<b>CURRENCY RISK</b>		-10%	+10%	-10%	+10%
31 March 2015	Carrying Amounts \$'000	Profit \$'000	Profit \$'000	Equity \$'000	Equity \$'000
<b>Financial assets</b>					
Cash and cash equivalents	5,159	(8)	8	(8)	8
Balances with related parties	3,400	(340)	340	(340)	340
Due from other financial institutions	17,800	-	-	-	-
Financial assets at fair value through profit or loss	-	-	-	-	-
Available-for-sale assets	-	-	-	-	-
Loans and advances	49,081	(4)	4	(4)	4
Other financial assets	346	-	-	-	-
<b>Total financial assets</b>	<b>75,786</b>	<b>(352)</b>	<b>352</b>	<b>(352)</b>	<b>352</b>
<b>Financial liabilities</b>					
Due to other financial institutions	-	-	-	-	-
Due to related parties	980	-	-	-	-
Financial liabilities at fair value through profit or loss	-	-	-	-	-
Deposits and other borrowings	32,402	(318)	318	(318)	318
Debt securities issued	-	-	-	-	-
Term subordinated debt	-	-	-	-	-
Other financial liabilities	206	-	-	-	-
<b>Total financial liabilities</b>	<b>33,588</b>	<b>(318)</b>	<b>318</b>	<b>(318)</b>	<b>318</b>

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**29. SENSITIVITY ANALYSIS (continue)**

<b>CURRENCY RISK</b>		-10%	+10%	-10%	+10%
31 March 2014	Carrying Amounts \$'000	Profit \$'000	Profit \$'000	Equity \$'000	Equity \$'000
<b>Financial assets</b>					
Cash and cash equivalents	4,657	126	(126)	126	(126)
Balances with related parties	2,718	272	(272)	272	(272)
Due from other financial institutions	17,300	-	-	-	-
Financial assets at fair value through profit or loss	-	-	-	-	-
Available-for-sale assets	-	-	-	-	-
Loans and advances	43,096	20	(20)	20	(20)
Other financial assets	354	-	-	-	-
<b>Total financial assets</b>	<b>68,125</b>	<b>418</b>	<b>(418)</b>	<b>418</b>	<b>(418)</b>
<b>Financial liabilities</b>					
Due to other financial institutions	-	-	-	-	-
Due to related parties	1,337	-	-	-	-
Financial liabilities at fair value through profit or loss	-	-	-	-	-
Deposits and other borrowings	25,288	(391)	391	(391)	391
Debt securities issued	-	-	-	-	-
Term subordinated debt	-	-	-	-	-
Other financial liabilities	161	-	-	-	-
<b>Total financial liabilities</b>	<b>26,786</b>	<b>(391)</b>	<b>391</b>	<b>(391)</b>	<b>391</b>

**30. FAIR VALUE OF FINANCIAL INSTRUMENTS**

31 March 2015	Carrying Amounts \$'000	Estimated Fair Value \$'000
<b>Financial assets</b>		
Cash and cash equivalents	5,159	5,159
Balances with related parties	3,400	3,400
Due from other financial institutions	17,800	17,800
Loans and advances	49,081	49,236
Other assets	346	346
<b>Total financial assets</b>	<b>75,786</b>	<b>75,941</b>
<b>Financial liabilities</b>		
Due to other financial institutions	-	-
Due to related parties	980	980
Deposits and other borrowings	32,402	32,448
Other financial liabilities	206	206
<b>Total financial liabilities</b>	<b>33,588</b>	<b>33,634</b>



**BANK OF BARODA (NEW ZEALAND) LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**30. FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued).**

31 March 2014	Carrying Amounts \$'000	Estimated Fair Value \$'000
<b>Financial assets</b>		
Cash and cash equivalents	4,657	4,657
Balances with related parties	2,718	2,718
Due from other financial institutions	17,300	17,300
Financial assets at fair value through profit or loss	-	-
Available-for-sale assets	-	-
Loans and advances	43,096	43,096
Other assets	354	354
<b>Total financial assets</b>	<b>68,125</b>	<b>68,125</b>
<b>Financial liabilities</b>		
Due to other financial institutions	-	-
Due to related parties	1,337	1,337
Financial liabilities at fair value through profit or loss	-	-
Deposits and other borrowings	25,288	25,317
Debt securities issued	-	-
Term subordinated debt	-	-
Other financial liabilities	161	161
<b>Total financial liabilities</b>	<b>26,786</b>	<b>26,815</b>

**Fair value estimation**

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

**Cash and cash equivalents**

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

**Loans and advances**

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

**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.

**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.

The following table provides an analysis of financial instruments not measured at fair value. The financial instruments are grouped into Level 1 to 3 based on the degree to which the fair value is observable.



**BANK OF BARODA (NEW ZEALAND) LIMITED****NOTES TO THE FINANCIAL STATEMENTS****For the year ended 31 March 2015****30. FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued).****Level 1: Quoted market price**

Level 1 input are quoted prices in active markets for identical assets or liabilities that the entity can access at the measurement date.

**Level 2: Valuation technique using observable inputs**

Level 2 inputs are inputs other than quoted market prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

**Level 3: Valuation technique with significant unobservable inputs**

Financial instruments valued using valuation techniques where one or more significant inputs are unobservable.

As at 31 March 2015	Level 1 \$000	Level 2 \$000	Level 3 \$000	Total \$000
Cash and cash equivalents	-	5,159	-	5,159
Balances with Related Parties	-	3,400	-	3,400
Due from other Financial Institutions	-	17,800	-	17,800
Loans and Advances	-	-	49,236	49,236
Other assets	-	346	-	346
<b>Total Financial Assets</b>	-	<b>26,705</b>	<b>49,236</b>	<b>75,941</b>
Due to related parties	-	980	-	980
Deposits and borrowings	-	32,448	-	32,448
Due to other financial institutions	-	206	-	206
<b>Total Financial Liabilities</b>	-	<b>33,634</b>	-	<b>33,634</b>

As at 31 March 2014	Level 1 \$000	Level 2 \$000	Level 3 \$000	Total \$000
Cash and cash equivalents	-	4,657	-	4,657
Balances with Related Parties	-	2,718	-	2,718
Due from other Financial Institutions	-	17,300	-	17,300
Loans and Advances	-	-	43,096	43,096
Other assets	-	354	-	354
<b>Total Financial Assets</b>	-	<b>25,029</b>	<b>43,096</b>	<b>68,125</b>
Due to related parties	-	1,337	-	1,337
Deposits and borrowings	-	25,317	-	25,317
Due to other financial institutions	-	161	-	161
<b>Total Financial Liabilities</b>	-	<b>26,815</b>	-	<b>26,815</b>

Transfers between levels of fair value hierarchy are determined at the end of the reporting period. There have been no transfers between Level 1 and Level 2 during the year. There have also been no transfers into/out of Level 3 during the period ended 31 March 2015 (2014:\$nil).

**31. CREDIT EXPOSURE CONCENTRATIONS****Credit exposures to individual counterparties**

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

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

- as at 31 March 2015 was nil (31 March 2014:nil), and
- in respect of peak end-of-day aggregate credit exposure for the full year ended 31 March 2015 was nil (31 March 2014:nil).

**BANK OF BARODA (NEW ZEALAND) LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended 31 March 2015**

**31. CREDIT EXPOSURE CONCENTRATIONS (Continued).**

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

**Credit exposures to connected persons**

The Reserve Bank of New Zealand defines connected persons to be other members of the BOB Group and Directors of the Bank. Credit exposures to connected persons are based on actual credit exposures rather than internal limits. The information on credit exposure to connected persons has been derived in accordance with the Reserve Bank of New Zealand's Connected Exposures Policy (BS8). Peak end-of-day aggregate credit exposures to connected persons expressed as a percentage of Tier One Capital of the Banking Group has been derived by determining the maximum end-of-day aggregate amount of credit exposure over the relevant three-month period and then dividing that amount by the Bank's Tier One Capital as at the end of the period. The rating-contingent limit, which is applicable to the Bank as at balance date, is 15%. There have been no changes to the limit during the period. Within the rating-contingent limit there is a sub-limit of 15%, which applies to non-bank connected persons. The aggregate credit exposures below have been calculated on a gross basis, net of individual credit impairment allowances and exclude advances to connected persons of a capital nature. There are no individual impairment credit allowances against credit exposures to connected persons nor are there any contingent exposures arising from risk lay-off arrangements to connected persons as at 31 March 2015.

	As at 31 March 2015 \$'000	Peak end of day for the year ended 31 March 2015 \$'000
Credit exposures to connected persons	2,420	3,277
As a percentage of Tier One Capital of the Bank	6%	8%
Credit exposures to non-bank connected persons	1,175	1,175
As a percentage of Tier One Capital of the Bank	3%	3%

The limits on aggregate credit exposure to all connected persons and to non-bank connected persons in the Bank's conditions of registration have been complied with at all times during the year ended 31 March 2015.

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

As at balance date the Bank is not involved in:

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

**33. RISK MANAGEMENT POLICIES**

**33.1 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 2015, the Bank deposited its funds with financial institutions with credit rating from Standard and Poors of AA- to A+. The Bank has a Credit Committee that specifically oversees and co-ordinates the Bank's credit risk management functions. The Credit Committee has primary responsibility for identifying, measuring and monitoring the Bank's exposure to credit risk. The Credit Committee reports to the Board on credit risk on a quarterly basis.

The credit and lending policy has been set by the Credit Committee and approved by the Board. Bank officers seek Credit Committee approval before deviating from any lending guideline or policy. Credit approval authorities have been delegated by

## **BANK OF BARODA (NEW ZEALAND) LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS**

**For the year ended 31 March 2015**

#### **33. RISK MANAGEMENT POLICIES (Continued).**

the Board to lending officers, senior executives of the Bank and the Credit Committee. Compliance with these policies is monitored by the Credit Committee and reported to the Board.

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

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

##### **Credit rating models**

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

##### **Credit exposure ceilings**

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

##### **Credit risk mitigation and collateral**

The Bank uses different risk mitigation techniques to reduce the credit risk arising from its lending activities. Enforceable legal documentation binding the all parties to recourse any security or collateral provided.

The nature of collateral held for each type of financial asset as follows:

- Cash and cash equivalents: This asset class is considered zero risk assets. These balances are not collateralised.
- Due from other financial institutions and related parties: These assets are relatively low risk banks exposures. These balances are not collateralised.
- Loans and advances: Housing loan are secured by residential mortgages. Business loan are secured by fully or partly by residential or commercial property mortgages or charge on the assets of the business, charge over the term deposits also created under some loan products. Personal loans are unsecured. However, third party guarantee is available to secure these loans.
- Other assets: Collateral is not sought on these balances.

#### **33.2 Market Risk**

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

##### **Interest rate risk**

The Bank undertakes interest rate sensitivity gap analysis on a quarterly basis as a means of monitoring interest rate risk. Short term interest rate risk is calculated using the Earnings at Risk tool. The Bank ensures that the tolerance limits in respect of gaps for contractual reprising maturity time buckets are not breached.

##### **Foreign exchange risk**

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

##### **Equity risk**

The Bank does not have any equity risk exposure.

#### **33. RISK MANAGEMENT POLICIES (Continued)**

#### **33.3 Liquidity Risk**

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

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

## **BANK OF BARODA (NEW ZEALAND) LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS**

**For the year ended 31 March 2015**

#### **33. RISK MANAGEMENT POLICIES (Continued).**

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

##### **33.4 Operational Risk**

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

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

##### **33.5 Capital Adequacy**

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

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

The capital plan is revised on an annual basis or more regularly, if necessary, to meet the Bank's obligations under Basel III. For further information see Note 34.

##### **33.6 Reviews of Bank's risk management systems**

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

##### **33.7 Internal audit function**

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

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

#### **BOB – Audit Committee of the Board**

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

During the year, the Audit Committee of the Board met 4 times.

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

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

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

#### **34. CAPITAL ADEQUACY**

The Bank has 40,000,000 fully paid up ordinary shares (tier one capital) issued at NZ \$1.00 per share on 22 May 2008 (25,000,000 shares) and 20 April 2009 (15,000,000 shares).

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

**BANK OF BARODA (NEW ZEALAND) LIMITED****NOTES TO THE FINANCIAL STATEMENTS****For the year ended 31 March 2015****34. CAPITAL ADEQUACY (Continued).**

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

**Other classes of capital instrument**

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

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

- Total regulatory capital must not be less than 8% of risk weighted exposures.
- Tier One capital must not be less than 6% of risk weighted exposures.
- The Common Equity Tier one capital must not be less than 4.5% of risk weighted exposures.
- Capital must not be less than NZ\$30 million.

The capital adequacy tables set out below summarise the composition of regulatory capital and capital adequacy ratios for the year ended 31 March 2015. The Bank was registered on 1 September 2009 and from the date of registration to 31 March 2015; the Bank has complied with both regulatory and internal capital adequacy requirements.

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

	Unaudited 31 March 2015 \$'000
<b>Tier one capital</b>	
<b>Common Equity Tier one capital</b>	
Issued and fully paid up share capital	40,000
Retained earnings	3,743
Accumulated other comprehensive income and other disclosed reserves	-
Interest from issue of ordinary shares	-
Less:	
Regulatory adjustments	-
Deferred tax assets	(947)
<b>Total common equity tier one capital</b>	<b>42,796</b>
<b>Additional Tier one capital</b>	
High-quality capital	-
Instruments issued	-
Share premium from issue of Instruments	-
Associated retained earnings	-
Less: Regulatory adjustments	-
<b>Total additional tier one capital</b>	<b>-</b>
<b>Total tier one capital</b>	<b>42,796</b>
<b>Tier two capital</b>	
Instruments issued by bank	-
Share premium from issue of instruments	-
Revaluation reserves	-
Foreign currency translation reserves	-
Less: Regulatory adjustments	-
<b>Total tier two capital</b>	<b>-</b>
<b>Total capital</b>	<b>42,796</b>

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

**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 March 2015

**34. CAPITAL ADEQUACY (continued)**

**Credit risk**

Unaudited 31 March 2015	Total exposure after credit risk mitigation \$'000	Risk weight	Risk weighted exposure \$'000	Minimum Pillar 1 capital requirement \$'000
<b>Calculation of on-balance-sheet exposures</b>				
Cash and gold bullion	253	0%	-	-
Sovereigns and central banks	-	0%	-	-
Multilateral development banks and other international organisation	-	0%	-	-
Public sector entities	-	20%	-	-
Banks rating grade 1	22,706	20%	4,541	363
Banks rating grade 2	3,400	50%	1,700	136
Corporate	5,348	100%	5,348	428
Residential mortgages not past due –LVR up to 80%	27,860	35%	9,751	780
Residential mortgages not past due –LVR >80% but up to 90%	10,318	50%	5,159	413
Past due residential mortgages	-	100%	-	-
Other past due assets	32	100%	32	3
Equity holdings (not deducted from capital) that are publicly traded	-	100%	-	-
All other equity holdings (not deducted from capital)	-	100%	-	-
Non Risk Weighted Assets	-	0%	-	-
Other assets	2,868	100%	2,868	229
<b>Total on balance sheet exposures after credit risk mitigation</b>	<b>72,785</b>		<b>29,399</b>	<b>2,352</b>

Unaudited 31 March 2015	Total exposure \$'000	Credit conversion factor	Credit equivalent amount \$'000	Average risk weight	Risk weighted exposure \$'000	Minimum Pillar 1 capital requirement \$'000
<b>Calculation of off-balance sheet exposures</b>						
Direct credit substitute	-	-	-	-	-	-
Asset sale with recourse	-	-	-	-	-	-
Forward asset purchase	-	-	-	-	-	-
Commitment with certain drawdown	-	-	-	-	-	-
Note issuance facility	-	-	-	-	-	-
Revolving underwriting facility	-	-	-	-	-	-
Performance-related contingency	950	50%	475	100%	475	38
Trade-related contingency	-	-	-	-	-	-
Placements of forward deposits	-	-	-	-	-	-
Other commitments where original maturity is more than one year	3,792	50%	1,896	46%	872	70
Other commitments where original maturity is less than or equal to one year	801	20%	160	46%	74	6
Other commitments that cancel automatically when the creditworthiness of the counterparty deteriorates or that can be cancelled unconditionally at any time without prior notice	-	-	-	-	-	-
<b>Market related contracts</b>						
(a) Foreign exchange contracts	-	-	-	-	-	-
(b) Interest rate contracts	-	-	-	-	-	-
(c) Other – OTC, etc	-	-	-	-	-	-
<b>Total off-balance sheet exposures</b>	<b>5,543</b>		<b>2,531</b>		<b>1,421</b>	<b>114</b>

**Residential mortgages by loan-to-valuation ratio**

Unaudited 31 March 2015	Does not exceed 80%	Exceeds 80% and not 90%	Exceeds 90%	Total
<b>Loan-to-valuation ratio</b>				
On-balance sheet exposures	27,860	10,318	-	38,178
Off-balance sheet exposures	-	950	-	950
<b>Total loan-to value ratio</b>	<b>27,860</b>	<b>11,268</b>	<b>-</b>	<b>39,128</b>

**Reconciliation of residential mortgage-related amounts**

Unaudited 31 March 2015
Residential mortgage loans (as disclosed in Note 10)
Residential mortgages by loan-to-valuation ratio
38,178
38,178

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

**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 March 2015

**34. CAPITAL ADEQUACY (continued)**

**Credit risk mitigation**

Unaudited 31 March 2015	Total value of on-and-off-balance sheet exposures covered by eligible collateral (after haircutting) \$'000	Total value of on-and-off-balance sheet exposures covered by guarantees or credit derivatives \$'000
Exposure class		
Sovereign or central bank	-	-
Multilateral development bank	-	-
Public sector entities	-	-
Bank	-	-
Corporate	-	-
Residential mortgage	-	-
Other	4,858	-
<b>Total</b>	<b>4,858</b>	<b>-</b>

**Operational risk capital requirement**

Unaudited 31 March 2015	Implied risk weighted exposure \$'000	Total operational risk capital requirement \$'000
Operational risk	3,289	263

**Capital adequacy of Ultimate Parent Bank**

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

BOB is required by the Reserve Bank of India to hold minimum capital at least equal to that specified under the Basel III. This information is made available to users via the BOB website ([www.bankofbaroda.com](http://www.bankofbaroda.com)).

As latest available data at 31 March 2015, BOB's Tier One Capital was 10.14% of Total Risk-weighted Assets and Total Capital was 13.33% of Total Risk-weighted Assets (31 March 2014: Tier One Capital was 9.28% of Total Risk-weighted Assets and Total Capital was 12.28% of Total Risk-weighted Assets). BOB's capital ratios during the year ended 31 March 2014 and 31 March 2013 exceeded both of the Reserve Bank of India's minimum capital adequacy requirements.

**Market risk**

Market risk exposures have been calculated in accordance with the methodology detailed in Part 10 of the RBNZ's BS2A Capital Adequacy framework, and schedule 9 of the Registered Bank Disclosure Statements (New Zealand Incorporated Registered Banks) Order 2014. Peak exposures are calculated using the Bank's shareholders equity at the end of the quarter.

Unaudited 31 March 2015	End-period capital charges		Peak end-of-day capital charges	
	Implied risk weighted exposure \$'000	Aggregate capital charge \$'000	Implied risk weighted exposure \$'000	Aggregate capital charge \$'000
Interest rate risk	3,688	295	3,775	302
Foreign currency risk	345	28	363	29
Equity risk	-	-	-	-
<b>Total capital requirements</b>	<b>4,033</b>	<b>323</b>	<b>4,138</b>	<b>331</b>

Unaudited 31 March 2015	Total exposure after credit risk mitigation \$'000	Risk weighted exposure or implied risk weighted exposure \$'000	Capital requirement \$'000
Total credit risk + equity	78,328	30,820	2,466
Operational risk	n/a	3,289	263
Market risk	n/a	4,033	323
<b>Total</b>	<b>78,328</b>	<b>38,142</b>	<b>3,052</b>

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

**NOTES TO THE FINANCIAL STATEMENTS**

**For the year ended 31 March 2015**

**34. CAPITAL ADEQUACY (continued)**

**Capital ratios**

Unaudited 31 March 2015	Common Equity Tier 1 capital ratio	Tier 1 capital ratio	Total capital ratio
Ratio	112%	112%	112%
Minimum ratio requirement	4.5%	6.0%	8.0%
Unaudited 31 March 2014	Common Equity Tier 1 capital ratio	Tier 1 capital ratio	Total capital ratio
Ratio	118.8%	118.8%	118.8%
Minimum ratio requirement	4.5%	6.0%	8.0%

**Buffer ratios**

Unaudited 31 March 2015	
Buffer ratio	103%
Buffer ratio requirement	2.5%