



Disclosure Statement for the year ended 31 March 2020

Contents

1. Definitions.....	1
2. General information.....	2
3. Guarantee.....	4
4. Directors.....	5
5. Auditor.....	8
6. Conditions of registration.....	8
7. Pending proceedings or arbitration.....	14
8. Credit rating.....	14
9. Historical summary of financial statements.....	15
10. Banking Group.....	16
11. Other material matters.....	16
12. Directors' statements.....	16
13. Independent auditor's report.....	17
14. Financial statements.....	17
Appendix 1: Guarantee.....	18
Appendix 2: Financial statements.....	26

1. Definitions

In this Disclosure Statement, unless the context otherwise requires:

Act means the Reserve Bank of New Zealand Act 1989;

Bank means Bank of Baroda (New Zealand) Limited;

Banking Group means the Bank and its subsidiaries;

Board means the board of directors of the Bank;

BOB means Bank of Baroda;

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

2.1 Name and address for service of registered bank

Bank of Baroda (New Zealand) Limited (the "Bank") was incorporated on 27 May 2008 originally as Baroda (New Zealand) Limited and changed its name to Bank of Baroda (New Zealand) Limited on the 1 September 2009.

This Disclosure Statement is issued by the Bank for the year ended 31 March 2020 in accordance with the Registered Bank Disclosure Statements (New Zealand Incorporated Registered Banks) Order 2014 (as amended) (the "Order").

Words and phrases defined by the Order have the same meanings when used in this Disclosure Statement.

The Bank is not in the business of insurance.

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

The Bank's website address is: www.barodanzltd.co.nz

2.2 Details of ultimate parent bank and ultimate holding company

(a) Ultimate parent bank

The Bank's ultimate parent bank is Bank of Baroda, 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:

Bank of Baroda
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.

The ultimate parent bank and ultimate holding company's address for service is provided under 3.1(a) and 2.2(a).

Shareholding in BOB

As at 31 March 2020, the Government of India held 71.60% of the total shares in BOB. The remaining 28.40% 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.

Annual Report of BOB

A copy of the latest BOB Annual Report is on the BOB website: 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**

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

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 (if applicable) 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 (BOB).

A copy of the guarantee of the Bank's indebtedness given by BOB is attached as Appendix 1 (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:

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

As at 31 March 2020, the publicly disclosed capital of BOB was INR 869,748.70 million (USD11,494.72 million) representing (Basel III) 13.87% 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	Qualifications	Rating Change in the Last 2 Years
Moody's Investor Services Limited	Baa3	Nil	Yes as per comments below
Fitch Ratings	BBB-	Outlook negative	No

On 4 March 2020 Moody's Investor Service downgraded domestic and foreign bank Long –Term Counterparty Risk Rating (CRR) to Baa3 from Baa2.

On 2 June 2020 Moody's has placed the Baa3 long term domestic and foreign bank Long Term Counterparty Risk Rating (CCR) of BOB and their Ba3 Baseline Credit Assessment (BCA) under review for downgrade.

On 12 June 2018 Moody's Long Term Counterparty Risk Rating (CRR) of Bank of Baroda (BOB) was upgraded from Baa3 to Baa2.

On 21 June 2020, Fitch Ratings has affirmed the ratings on BOB. The Long-Term Issuer Default Ratings (IDR) on BOB has been affirmed at 'BBB-' with a change from stable to negative outlook.

Details of the applicable rating scale can be found at section 8.2 of this disclosure statement.

(b) Details of guaranteed obligations

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

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

4. Directors

4.1 Communications

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

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

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

4.2 Responsible person

The responsible persons authorised to sign this Disclosure Statement on behalf of the Directors in accordance with section 82 of the Act are Claudio Sandro Oberto and Anupam Srivastava.

4.3 Directors' details

Claudio Sandro Oberto

Chairman and Independent Director

MBA, Diploma in Corporate Management, Diploma in Business Policy &
Diploma in Banking
Resident of New Zealand

Interested transactions

Nil

Primary Occupation

Managing Director, NF Global Limited

Other Directorships

Amanah Ethical
Jafka Properties

Sunil Kumar Srivastava

Non Executive, Non Independent Director

B.Sc., CAIIB
Resident of Singapore

Interested transactions

Nil

Primary Occupation

Chief Executive, Bank of Baroda, Singapore

Other Directorships

Nil

Anupam Srivastava

*Managing Director (Executive), Non Independent
Director Master of Finance & Control, CAIIB
Resident of New Zealand*

Interested transactions

Nil

Primary Occupation

Managing Director, Bank of Baroda (New Zealand) Limited

Other Directorships

Nil

Kavita Singh

*Non Executive, Non Independent Director
M.Sc., CAIIB
Resident of Australia*

Interested transactions

Nil

Primary Occupation

Chief Executive, Bank of Baroda, Australia

Other Directorships

Nil

Kamini Kirthi Reddy

*Independent Director
BA/BCOM (majors in Japanese and Accounting), OPM (Harvard
Business School) Resident of New Zealand*

Interested transactions

Nil

Primary Occupation

Director, Reddy group of companies

Other Directorships

Jetwing Symphony PLC, Sri Lanka.

Vijay Kumar Goel

*Independent Director
B.Com, CA (Australia & New Zealand); FCA (India);
FFin Resident of New Zealand*

Interested transactions

Nil

Primary Occupation

Managing Director, Nine Consulting Limited

Other Directorships

Nil

Changes in the Directorate:

There were no changes in the composition of the Board of Directors of the Bank (the "Board") since 31 March 2019.

Conflict of interest:

The Board has a procedure to ensure that conflicts of interest between the Director's duty to the Bank and their personal, professional or business interests are avoided or dealt with.

Each Director must make full disclosure to the Board of any direct or indirect interest in a matter relating to the interest of the Bank as soon as practicable where the matter will be discussed in the Board meeting, in which the Board's practice is to manage any conflict of interest on a case-by-case basis, depending on the circumstances.

Interested transactions:

There have been no transactions entered into by any Director, or any immediate relative or close business associate of any Director, with the Bank, or any member of the Banking group:

- (a) on terms other than on those which would, in the ordinary course of business of the bank or any member of the banking group, be given to any other person of like circumstances or means; or
- (b) which would otherwise be reasonably likely to influence materially the exercise of that Director's duties.

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) Vijay Kumar Goel (Chairperson), Independent Director.
- (b) Kavita Singh (Member), Non-Executive Director.
- (c) Claudio Sandro Oberto, (Member), Independent Director.

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

5. Auditor

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

KPMG
18 Viaduct Harbour Avenue
Auckland 1010
New Zealand

6. Conditions of registration

During the period of review there was no change in the conditions of registration.

Effective 2 April 2020, the Reserve Bank of New Zealand (RBNZ) issued new conditions of registration for the bank. The amendment to the conditions of registration prohibit the payment of distributions (including dividends on ordinary shares), other than discretionary payments payable to holders of Additional Tier 1 capital (AT1) instruments. Amendments were also made to reduce the minimum core funding ratio from 75% to 50%.

Effective 1 May 2020, the Reserve Bank of New Zealand (RBNZ) further issued revised conditions of registration for the bank. The conditions of registration have been amended to incorporate removal of LVR restrictions.

The revised conditions of registration on or after 1 May 2020 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 1 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%;
 - (d) the Total capital of the banking group is not less than \$30 million;
 - (e) the bank must not include the amount of an Additional Tier 1 capital instrument or Tier 2 capital instrument issued after 1 January 2013 in the calculation of its capital ratios unless it has received a notice of non-objection to the instrument from the Reserve Bank; and
 - (f) the bank meets the requirements of Part 3 of the Reserve Bank of New Zealand document "Application requirements for capital recognition or repayment and notification requirements in respect of capital" (BS16) dated November 2015 in respect of regulatory capital instruments.

For the purposes of this condition of registration, —

"Total capital ratio", "Tier 1 capital ratio", and "Common Equity Tier 1 capital ratio" have the same meaning as in Part 3 of the Reserve Bank of New Zealand document "Capital Adequacy Framework (Standardised Approach)" (BS2A) dated November 2015;

"Total capital" has the same meaning as in Part 2 of the Reserve Bank of New Zealand document "Capital Adequacy Framework (Standardised Approach)" (BS2A) dated November 2015;

an Additional Tier 1 capital instrument is an instrument that meets the requirements of subsection 8(2)(a) or (c) of the Reserve Bank of New Zealand document "Capital Adequacy Framework (Standardised Approach)" (BS2A) dated November 2015.

a Tier 2 capital instrument is an instrument that meets the requirements of subsection 9(2)(a) or (c) of the Reserve Bank of New Zealand document "Capital Adequacy Framework (Standardised Approach)" (BS2A) dated November 2015.

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 assessment 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 November 2015; 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 any distributions of the bank's earnings payable to holders of Additional Tier 1 capital instruments to the percentage limit on distributions that corresponds to the banking group's buffer ratio:

Banking group's buffer ratio	Percentage limit on 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,—

an Additional Tier 1 capital instrument is an instrument that meets the requirements of subsection 8.2(a) or (c) of the Reserve Bank of New Zealand document "Capital Adequacy Framework (Standardised Approach)" (BS2A) dated November 2015;

"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 November 2015.

1C. That the bank must make no distributions, whether paid out of earnings, or out of accumulated previous years' retained earnings or other reserves included within the banking group's total capital, other than discretionary payments payable to holders of Additional Tier 1 capital instruments to the extent permitted by condition 1B.

For the purposes of this condition of registration,—

an Additional Tier 1 capital instrument is an instrument that meets the requirements of subsection 8.2(a) or (c) of the Reserve Bank of New Zealand document "Capital Adequacy Framework (Standardised Approach)" (BS2A) dated November 2015;

"total capital" has the same meaning as in Part 2 of the Reserve Bank of New Zealand document "Capital Adequacy Framework (Standardised Approach)" (BS2A) dated November 2015;

"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 November 2015.

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

Within the rating-contingent limit, credit exposures (of a non-capital nature and net of any allowances for impairment) to non-bank connected persons shall not exceed 15% 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 November 2015.

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

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

7. That no appointment of any director, chief executive officer, or executive who reports or is accountable directly to the chief executive officer, is made in respect of the bank unless:
- (a) the Reserve Bank has been supplied with a copy of the curriculum vitae of the proposed appointee; and

4

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.)

- (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 50 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 January 2018 and "Liquidity Policy Annex: Liquid Assets" (BS13A) dated October 2018.

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.

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.

7. Pending proceedings or arbitration

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

8. Credit rating

8.1 Rating information

The credit rating of the Bank is as follows:

Rating Agency	Type of Rating	Current Rating	Qualifications	Rating Change in the Last 2 Years
Fitch IBCA, Inc.	Long-term Issuer Default Rating	BBB-	Outlook negative	No

On 21 June 2020, Fitch Ratings has affirmed the above ratings with a change from stable to negative outlook.

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 1, 2 and 3 to show relative standing within the major rating categories with 1 indicating the higher end of that category and 3 indicating the lower end.

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

9. Historical summary of financial statements

For the year ended 31 March NZ \$000's	2020	2019	2018	2017	2016
Statement of comprehensive income					
Interest income	5,279	4,968	4,593	3,922	3,963
Interest expense	(1,986)	(1,828)	(1,504)	(1,186)	(1,132)
Net interest income	3,293	3,140	3,089	2,736	2,831
Other income	1,144	1,231	1,480	1,760	1,594
Total operating income	4,437	4,371	4,569	4,496	4,425
Impairment losses on loans and advances	(219)	(6)	(67)	(26)	(65)
Other expenses	(3,005)	(3,002)	(2,931)	(3,174)	(3,005)
Net profit before taxation	1,213	1,363	1,571	1,296	1,355
Taxation (expense)/benefit	(321)	(457)	(428)	(382)	40
Net profit after taxation	892	906	1,143	914	1,395
Minority interests	-	-	-	-	-
Dividends paid	123	51	-	-	-

NZ \$000's As at 31 March	2020	2019	2018	2017	2016
Balance sheet					
Total assets	131,871	125,258	115,879	103,021	91,682
Total individually impaired assets	-	-	-	-	111
Total liabilities	82,999	77,155	68,684	56,969	46,544
Total shareholder equity	48,872	48,103	47,195	46,052	45,138

NZ \$000's For the year ended March	2020	2019	2018	2017	2016
Summary of Cash Flow Statement					
Operating activities	18,712	(2,287)	(8,303)	10,046	3,196
Investing activities	(6)	-	(2)	-	-
Financing activities	(341)	(51)	-	-	-

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

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

11. Other material matters

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

12. Directors' statements

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

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

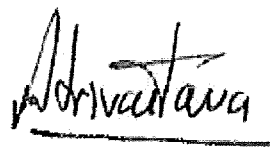
Each Director of the Bank, after due enquiry, believes that for the year ended 31 March 2020:

- (a) the Bank had 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 had systems in place to monitor and control adequately the Banking Group's material risks, including credit risk, concentration of credit risk, interest rate risk, currency risk, equity risk, liquidity risk, operational risk and other business risks, and that those systems were being properly applied.

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 30th day of June 2020 and signed by Claudio Sandro Oberto and Anupam Srivastava as responsible persons.



Claudio Sandro Oberto
Chairman



Anupam Srivastava
Managing Director

13. Independent auditor's report

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

14. Financial statements

The financial statements for the Bank for the year ended 31 March 2020 are attached at Appendix 2, and form part of, this disclosure statement. The information required by Schedules 2, 4, 7, 9, 13, 14, 15, and 17 of the Order is set out in those financial statements.

Appendix 1: Guarantee

Appendix 1: Guarantee



बैंक ऑफ बड़ोदा Bank of Baroda

Deed of Guarantee

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

Bank of Baroda
Guarantor

Date 14.08.2008



International Division Baroda Corporate Centre, C-26, G-Block, Bandra-Kurla Complex, Mumbai 400 051, India.
Phone : 91 22 6698 6000-04, 6198 5426 0 | Fax : 91 22 2852 3509
E-mail : gm.international.bco@bankofbaroda.com | Web : www.bankofbaroda.com

Appendix 1: Guarantee



बैंक ऑफ़ बड़ोदा Bank of Baroda

This Deed of Guarantee is made on 13th August, 2008
by Bank of Baroda (Guarantor)

Introduction

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

It is agreed

1. Interpretation

1.1

Definitions

In this Deed:

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

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

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

1.2

Construction of certain references

In this Deed:

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

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

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

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

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

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

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



पत्ता: बँक ऑफ़ बड़ोदा, १-२६, चौथी, नारायण नगर, मुंबई ४०० ०६१, भारत
International Division Baroda Corporate Centre, C-24, G-Block, Baroda-Kalin Complex, Mumbai 400 051, India
बँक ऑफ़ बड़ोदा / Phone: ९१ २२ ६६६ ६००-०४, ०६९ ६४२६ ६ ६/रे / Fax: ९१ २२ ६६६ २६०९
E-mail: gm.international.bco@bankofbaroda.com ई बँक ऑफ़ बड़ोदा / Web: www.bankofbaroda.com

Appendix 1: Guarantee



बैंक ऑफ बड़ोदा Bank of Baroda

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

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

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

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

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

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

a gender includes each other gender;

the singular includes the plural and vice versa;

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

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

2.

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

Guarantee and indemnity

Guarantee

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

Payment

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

Unenforceability of obligations

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



International Division Baroda Corporate Centre, C-26, G-Block, Bahdra-Kode Complex, Mumbai 400 651, India.
S1 22 6998 5000-04, 6998 6426 0 4 वर / Fax : 91 22 2692 3509
E-mail : gan.international.bcc@bankofbaroda.com ॥ वेब / Web : www.bankofbaroda.com



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 1950 or otherwise), disability or incapacity of the Bank or the Guarantor; or
- (d) a liquidation, amalgamation, change in status, constitution or control, reconstruction or reorganisation of the Bank or the Guarantor (or the commencement of steps to effect the same).

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

3. Nature of guarantee obligations

3.1 Liability as sole principal debtor

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

3.2 No discharge

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

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

4. Payments

4.1 Mode of payments

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

Payments to be free and clear

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

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

बरोडा बँकेचा पत्ता : बँकेचा कार्यालय, चौ-26, चौ-मल्लिक, बंधुवर्मा कॉम्प्लेक्स, मुंबई-400 051, महाराष्ट्र
International Division Baroda Corporate Centre, C-26, G-Block, Bhandarkar Complex, Mumbai 400 051, India.
Phone : 91 22 6698 6000-04, 6698 6426 0 बँकेचा / Fax : 91 22 2632 8509
E-mail : gm.international.bco@bankofbaroda.com 0 वेब / Web : www.bankofbaroda.com



बैंक ऑफ बड़ौदा 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 the purpose by the addressee to the other party. The SWIFT code, address and relevant person or office holder of the Guarantor, and the address and relevant person or office holder of the Bank, is set out in the Schedule.

6.2 Deemed delivery

No communication will be effective until received in legible form.

7. Remedies and waivers

7.1 Exercise of rights and waivers

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

7.2 Remedies cumulative

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

बैंक ऑफ बड़ौदा : बड़ौदा कॉर्पोरेट सेंटर, ए-28, जी-ब्लॉक, बंधुगंगा कॉम्प्लेक्स, मुंबई 400 051, भारत
International Division Baroda Corporate Centre, C-28, G-Block, Bandra-Kurla Complex, Mumbai 400 051, India.
बैंक / Phone : 81 22 6626 6000-64, 6696 6426 3 बैंक / Fax : 81 22 2652 3309
om.international@bankofbaroda.com | बैंक / Web : www.bankofbaroda.com





बैंक ऑफ बड़ोदा Bank of Baroda

8. Miscellaneous

8.1 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 person.

8.2 Enforcement by Creditors

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

9. Governing law and jurisdiction

9.1 Governing law

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

9.2 In New Zealand

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

9.3 Service in New Zealand

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



अंतर्राष्ट्रीय विभाग, बैंक ऑफ बड़ोदा, सी-26, सी-ब्लॉक, बंद्रा-कोटा कॉम्प्लेक्स, मुंबई 400 051, भारत
International Division Baroda Corporate Centre, C-26, G-Block, Bandra-Kurla Complex, Mumbai 400 051, India.
फोन / Phone: 5122 5539 5300-04, 6598 5426 B फॅक्स / Fax: 51 22 2652 3559
ईमेल / E-mail: gm.international.tcc@bankofbaroda.com | वेब / Web: www.bankofbaroda.com

Appendix 1: Guarantee




बैंक ऑफ बड़ोदा Bank of Baroda

Execution

Executed as a deed

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


Witness Signature


Attorney

BHAGAT SINGH BISHT
Print Name

RAJENDRA KUMAR GARG
Print Name

Asstt. General Manager
(International Operations)
Occupation

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

Address



International Operations, Baroda Corporate Centre, C-26, G-Block, Bandra Kurla Complex, Mumbai 400 051, India.
Phone: 91 22 2668 8000-04, 6688 6428 II फोन / Fax: 91 22 2662 9506
ईमेल / E-mail: gra.international.bco@bankofbaroda.com II वेब / 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. G-26, G-Block, Bandra-Kurla Complex, Bandra (East), Mumbai -- 400051, India.
Attention	General Manager (International Operations)
Telephone Number	+91-22-66965454/6426
Email	grn.international.boc@bankofbaroda.com
SWIFT Code	BARBINBXXX

Bank Details

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

7
बरोडा बँक न्यू झीलँड लिमिटेड, प्लॉट नं. G-26, G-ब्लॉक, बान्द्रा-कुर्ला कॉम्प्लेक्स, मुंबई 400 051, भारत
International Branch Bank of Baroda Corporate Centre, C-26, G-Block, Bandra-Kurla Complex, Mumbai 400 051, India.
फोन / Phone : +91 22 6696 5000-04, 6696 5426 0 फॅक्स / Fax: 91 22 2692 3509
ईमेल / E-mail : grn.international.boc@bankofbaroda.com वेब / Web : www.bankofbaroda.com

Appendix 2: Financial statements

Bank of Baroda (New Zealand) Limited
Company Number 2135104

Financial Statements for the year ended 31 March 2020

Contents

Page

28	Independent Auditor's Report
34	Statement of Comprehensive Income
35	Statement of Changes in Equity
36	Statement of Financial Position
37	Statement of Cash Flows
38	Reconciliation of net profit after taxation to net cash flow from operating activities
39	Note 1 Statement of accounting policies
47	Note 2 Interest
47	Note 3 Other income
47	Note 4 Operating expenses
48	Note 5 Credit loss allowance
50	Note 6 Taxation
50	Note 7 Deferred taxation
51	Note 8 Cash and cash equivalents
51	Note 9 Due from other financial institutions
51	Note 10 Loans and advances
51	Note 11 Leases
53	Note 12 Property, plant & equipment
53	Note 13 Other assets
54	Note 14 Related party disclosures
56	Note 15 Deposits and other borrowings
56	Note 16 Other liabilities
56	Note 17 Equity
57	Note 18 Asset quality
59	Note 19 Concentration of credit risk
60	Note 20 Concentration of funding
60	Note 21 Capital commitments
60	Note 22 Contingent liabilities
61	Note 23 Subsequent events after balance sheet date
61	Note 24 Interest rate repricing
62	Note 25 Financial instruments by category
63	Note 26 Foreign exchange risk
64	Note 27 Liquidity risk
66	Note 28 Sensitivity analysis
68	Note 29 Fair value of financial instruments
70	Note 30 Credit exposure concentrations
71	Note 31 Securitisation, funds, management, other fiduciary activities and the marketing and distribution of insurance products
71	Note 32 Risk management policies
76	Note 33 Capital adequacy
82	Note 34 Regulatory liquidity ratios
82	Note 35 Other material matters



Independent Auditor's Report

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

Report on the audit of the disclosure statement

Opinion

In our opinion, the accompanying financial statements (excluding supplementary information relating to Capital Adequacy and Regulatory Liquidity Requirements) of Bank of Baroda (New Zealand) Limited (the 'bank') on pages 34 to 82:

- i. give a true and fair view of the bank's financial position as at 31 March 2020 and its financial performance and cash flows for the year ended on that date; and
- ii. comply with New Zealand Generally Accepted Accounting Practice, which in this instance means New Zealand Equivalents to International Financial Reporting Standards ('NZ IFRS') and International Financial Reporting Standards ('IFRS').

In our opinion, the supplementary information (excluding supplementary information relating to Capital Adequacy and Regulatory Liquidity Requirements) 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'):

- i. 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;
- ii. is in accordance with the books and records of the bank in all material respects; and
- iii. fairly states the matters to which it relates in accordance with those Schedules.

We have audited the accompanying financial statements and supplementary information (excluding supplementary information relating to Capital Adequacy and Regulatory Liquidity Requirements) which comprise:

- the statement of financial position as at 31 March 2020;
- the statements of comprehensive income, changes in equity and cash flows for the year then ended;
- notes, including a summary of significant accounting policies and other explanatory information; and
- the information that is required to be disclosed in accordance with Schedules 4, 7, 13, 14, 15 and 17 of the Order.



Basis for Opinion

We conducted our Audit in accordance with International Standards on Auditing (New Zealand) ('ISA's (NZ)'). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



We are independent of the bank in accordance with Professional and Ethical Standard 1 (Revised) *Code of Ethics for Assurance Practitioners* issued by the New Zealand Auditing and Assurance Standards Board and the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* ('IESBA Code'), and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

Our responsibilities under ISA (NZ) are further described in the auditor's responsibilities for the audit of the financial statements (excluding supplementary information relating to Capital Adequacy and Regulatory Liquidity Requirements) section of our report.

Our firm has also provided other services to the bank in relation to the review of the bank's half-year disclosure statement and audit of the bank's Group Reporting Package at 31 March 2020. 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 auditor of the bank. The firm has no other relationship with, or interest in, the bank.

Materiality

The scope of our audit was influenced by our application of materiality. Materiality helped us to determine the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and on the financial statements as a whole. The materiality for the financial statements as a whole was set at \$484,000 determined with reference to a benchmark of the bank's net assets. We chose the benchmark because, in our view, this is a key measure of the bank's financial strength.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements in the current period. We summarise below those matters and our key audit procedures to address those matters in order that the shareholder as a body may better understand the process by which we arrived at our audit opinion. Our procedures were undertaken in the context of and solely for the purpose of our statutory audit opinion on the financial statements as a whole and we do not express discrete opinions on separate elements of the financial statements.

Key changes in the assessment of audit risks

COVID-19

The COVID-19 pandemic has created significant additional risks across a number of areas of the business, particularly the assessment of the provision for credit impairment. All forward looking assumptions are inherently more uncertain during these unprecedented times. While the key audit matter "Provisions for Credit Impairment", detailed below, is unchanged from what would have been disclosed without COVID-19, the underlying audit risk has increased which impacted the extent and nature of audit evidence that we had to gather.

The key audit matter	How the matter was addressed in our audit
Provision for credit impairment (31 March 2020: \$508k)	
Refer to Notes 1 (impact of COVID-19) and 5 (credit loss allowances) to the disclosure statement.	Our audit procedures included:
The expected credit loss (ECL) provision is a key audit matter owing	<ul style="list-style-type: none">Testing key controls relating to the Bank's lending, credit review and loan monitoring processes, including testing the approval of

The key audit matter

to the financial significance of loans and advances and the high degree of judgement and complexity involved in estimating the provision.

Due to COVID-19 and New Zealand entering into lockdown just prior to year-end, this judgement and complexity is heightened in respect of assessing the immediate impact and the path to recovery from the lockdown in relation to cashflows, security values, expected credit losses and the underlying assumptions used to estimate these.

There is judgement involved in identifying whether a loan is individually impaired, and if recognised, further judgement with the assessment of expected future cash flows, principally derived from estimating the timing and proceeds from the future sale of the property securing the loans.

For the provision for non-impaired loans, judgement is required to incorporate a forward-looking economic view in the estimation of the collective provision and the probability of default (PD) in the future and the amount of loss given default (LGD).

How the matter was addressed in our audit

new lending facilities and review of the provision for credit impairment calculation.

- **Provision for loans identified as impaired (individual provisions)**

Determining high risk criteria that could indicate a loan is at higher risk of being individually impaired;

Using these high-risk criteria, selecting a sample of loans for testing and performed an independent assessment of whether the loan should have a provision for impairment.

- **Provision estimated for the loan portfolio as a whole (collective provision)**

Assessing the Bank's methodology used in the ECL model to calculate the provision against the requirements of NZ IFRS 9: *Financial Instruments* ("NZ IFRS 9");

Involving specialists to develop an alternative comparison ECL model using loan PDs and loan LGDs based on industry data sourced from the RBNZ. To reflect the future impact of COVID-19 the loan probabilities of default were modified to incorporate the macroeconomic forecast from the New Zealand Treasury. The collective provision derived from the alternative comparison ECL model is compared to the Bank's collective provision to assess if the Bank's collective provision is within an acceptable range;

Assessing the Bank's disclosures in the financial statements relating to COVID-19 and specifically the disclosure of the impact on the Bank's determination of its ECL at balance date;

Assessing the Bank's significant accounting policies and disclosures in the financial statements against the requirements of the accounting standards.

Other information

The Directors, on behalf of the bank, are responsible for the other information included in the bank's Disclosure Statement. Other information includes the information required to be included in the Disclosure Statement in accordance with Schedule 2 of the Order on pages 1 to 25 that accompanies the financial statements, and the supplementary information relating to Capital Adequacy and Regulatory Liquidity Requirements. Our opinion on the disclosure statement does not cover any other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the disclosure statement our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the disclosure statement or our knowledge obtained in the audit or otherwise appears materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.



Other matter

The financial statements of Bank of Baroda (New Zealand) Limited, for the year ended 31 March 2019, was audited by another auditor who expressed an unmodified opinion on those statements on 26 June 2019.



Report on other legal and regulatory requirements

In accordance with the requirements of clauses 2(1)(d) and 2(1)(e) of Schedule 1 of the Order, we report that:

- we have obtained all the information and explanations we have required; and
- in our opinion, proper accounting records have been kept by the bank, as far as appears from our examination of those records.



Responsibilities of Directors for the financial statements and supplementary information (excluding supplementary information relating to Capital Adequacy and Regulatory Liquidity Requirements)

The Directors, on behalf of the bank, are responsible for:

- the preparation and fair presentation of the financial statements in accordance with Clause 24 of the Order, NZ IFRS and IFRS;
- the preparation and fair presentation of supplementary information (excluding the supplementary information relating to Capital Adequacy and Regulatory Liquidity Requirements), in accordance with Schedules 2, 4, 7, 13, 14, 15 and 17 of the Order;
- implementing necessary internal control to enable the preparation of financial statements that are fairly presented and free from material misstatement, whether due to fraud or error; and
- assessing the ability to continue as a going concern. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate or to cease operations, or have no realistic alternative but to do so.



Auditor's responsibilities for the audit of the financial statements and supplementary information (excluding supplementary information relating to Capital Adequacy and Regulatory Liquidity Requirements)

Our objective is:

- to obtain reasonable assurance about whether the disclosure statement, including the financial statements prepared in accordance with Clause 24 of the Order, and supplementary information (excluding the supplementary information relating to Capital Adequacy and Regulatory Liquidity Requirements), in accordance with Schedules 4, 7, 13, 14, 15 and 17 of the Order as a whole is free from material misstatement, whether due to fraud or error; and
- to issue an independent auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISA's (NZ) will always detect a material misstatement when it exists.



Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial statements.

A further description of our responsibilities for the audit of these financial statements is located at the External Reporting Board (XRB) website at:

<http://www.xrb.govt.nz/standards-for-assurance-practitioners/auditors-responsibilities/audit-report-2/>

This description forms part of our independent auditor's report.

Review conclusion on the supplementary information relating to Capital Adequacy and Regulatory Liquidity Requirements

Based on our review, nothing has come to our attention that causes us to believe that the supplementary information relating to Capital Adequacy and Regulatory Liquidity Requirements, disclosed in notes 33 and 34 to the disclosure statement, is not, in all material respects:

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

We have reviewed the supplementary information relating to Capital Adequacy and Regulatory Liquidity Requirements, as disclosed in notes 33 and 34 of the disclosure statement for the year ended 31 March 2020. The supplementary information relating to Capital Adequacy and Regulatory Liquidity Requirements comprises the information that is required to be disclosed in accordance with Schedule 9 of the Order.



Basis for conclusion on the supplementary information relating to Capital Adequacy and Regulatory Liquidity Requirements

A review of the supplementary information relating to Capital Adequacy and Regulatory Liquidity Requirements in accordance with NZ SRE 2410 *Review of Financial Statements Performed by the Independent Auditor of the Entity* ('NZ SRE 2410') is a limited assurance engagement. The auditor performs procedures, primarily consisting of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. Our responsibilities under that standard are further described in the Auditor's Responsibilities for the Review of the supplementary information relating to Capital Adequacy and Regulatory Liquidity Requirements section of our report.

As the auditor of Bank of Baroda (New Zealand) Limited, NZ SRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial statements.



Responsibilities of Directors for the supplementary information relating to Capital Adequacy and Regulatory Liquidity Requirements

The directors are responsible for the preparation of supplementary information relating to Capital Adequacy and Regulatory Liquidity Requirements 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 notes 33 and 34 to the disclosure statement.

Auditor's responsibilities for the review of the supplementary information relating to Capital Adequacy and Regulatory Liquidity Requirements

Our responsibility is to express a conclusion on the supplementary information relating Capital Adequacy and Regulatory Liquidity Requirements 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 ("NZ SRE 2410") issued by the New Zealand External Reporting Board. As the auditor of Bank of Baroda (New Zealand) Limited, 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 supplementary information relating Capital Adequacy and Regulatory Liquidity Requirements is, in all material respects:

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

A review of the supplementary information relating to Capital Adequacy and Regulatory Liquidity Requirements in accordance with NZ SRE 2410 is a limited assurance engagement. The auditor performs procedures, primarily consisting of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures.

The procedures performed in a review are substantially less than those performed in an audit conducted in accordance with ISAs (NZ). Accordingly, we do not express an audit opinion on the supplementary information relating to Capital Adequacy and Regulatory Liquidity Requirements disclosures.



Use of this independent auditor's report

This independent auditor's report is made solely to the shareholder as a body. Our work has been undertaken so that we might state to the shareholder those matters we are required to state to them in the independent auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the shareholder as a body for our work, this independent auditor's report, or any of the opinions or conclusions we have formed.

The engagement partner on the audit resulting in this independent auditor's report is Kay Baldock.

For and on behalf of



KPMG
Auckland

1 July 2020

Bank of Baroda (New Zealand) Limited

Statement of comprehensive income
For the year ended 31 March 2020

	Notes	2020 \$000's	2019 \$000's
Interest income	2	5,279	4,968
Interest expense	2	<u>(1,986)</u>	<u>(1,828)</u>
Net interest income		3,293	3,140
Other income	3	<u>1,144</u>	<u>1,231</u>
Total operating income		4,437	4,371
Operating expenses	4	(3,005)	(3,002)
Impairment losses on loans and advances	5	<u>(219)</u>	<u>(6)</u>
Profit before tax		1,213	1,363
Taxation expense	6	(321)	(457)
Profit after tax		<u>892</u>	<u>906</u>
Other comprehensive income		-	-
TOTAL COMPREHENSIVE INCOME		<u>892</u>	<u>906</u>

This statement should be read in conjunction with the notes to the financial statements.

Bank of Baroda (New Zealand) Limited

Statement of changes in equity
For the year ended 31 March 2020

	Notes	Share capital \$000's	Retained earnings \$000's	Total equity \$000's
Balance at 1 April 2019		40,000	8,103	48,103
Total comprehensive income for the year		-	892	892
<i>Transactions with owners</i>				
Dividend paid	17	-	(123)	(123)
Balance at 31 March 2020		40,000	8,872	48,872
Comparative year to 31 March 2019				
Balance at 1 April 2018		40,000	7,195	47,195
Changes on initial application of NZ IFRS 9		-	53	53
Adjusted opening balance as at 1 April 2018		40,000	7,248	47,248
Total comprehensive income for the period		-	906	906
<i>Transactions with owners</i>				
Dividend paid		-	(51)	(51)
Balance at 31 March 2019		40,000	8,103	48,103

This statement should be read in conjunction with the notes to the financial statements.

Bank of Baroda (New Zealand) Limited

Statement of financial position
As at 31 March 2020

	Notes	2020 \$000's	2019 \$000's
ASSETS			
Cash and cash equivalents	8	26,123	7,758
Balance due from related parties	14	107	5,195
Due from other financial institutions	9	3,000	11,000
Loans and advances	10	99,779	100,593
Property, plant and equipment	12	198	241
Right of use assets	11	2,131	-
Deferred tax asset	7	259	174
Other assets	13	274	297
TOTAL ASSETS		131,871	125,258
LIABILITIES			
Balance due to related parties	14	623	1,299
Deposits and other borrowings	15	79,575	74,731
Lease liabilities	11	2,213	-
Current taxation		55	406
Other liabilities	16	533	719
TOTAL LIABILITIES		82,999	77,155
EQUITY			
Share capital	17	40,000	40,000
Retained earnings	17	8,872	8,103
TOTAL EQUITY		48,872	48,103
TOTAL EQUITY AND LIABILITIES		131,871	125,258
Total interest earning and discount bearing assets		121,543	122,861
Total interest and discount bearing liabilities		71,050	70,522
Financial assets, pledged as collateral for liabilities or contingent liabilities		-	-

The financial statements were approved by the Board of Directors and authorised for issue on 30 June 2020



Chairman



Managing Director

This statement should be read in conjunction with the notes to the financial statements.

Bank of Baroda (New Zealand) Limited

Statement of cash flows

For the year ended 31 March 2020

	2020 \$000's	2019 \$000's
Cash Flows from Operating Activities		
<u>Cash was provided from:</u>		
Interest received	5,312	5,054
Fees and other income	1,144	1,231
	<u>6,456</u>	<u>6,285</u>
<u>Cash was applied to:</u>		
Operating expenses paid	(2,886)	(2,827)
Interest paid	(1,966)	(1,852)
Income tax paid	(757)	(68)
	<u>(5,609)</u>	<u>(4,747)</u>
Net Cash Flows from Operating Activities Before Changes in Operating Assets and Liabilities	<u>847</u>	<u>1,538</u>
Net Changes in Operating Assets and Liabilities:		
Decrease/(Increase) in loans and advances	599	(14,606)
Decrease in balances due from other financial institutions	8,000	3,200
Increase in deposits and other borrowings	4,844	7,673
(Decrease)/Increase in balance due to related parties	(676)	230
(Increase) in other assets	(10)	(2)
Increase/(Decrease) in other liabilities and provisions	20	(7)
Decrease/(Increase) due from related parties	5,088	(313)
Net Cash Flow from / (used in) Operating Activities	<u>18,712</u>	<u>(2,287)</u>
Cash Flows (used in) / from Investing Activities		
<u>Cash was applied to:</u>		
Purchase of property, plant and equipment	(6)	-
Net Cash Flow from/(used in) Investing Activities	<u>(6)</u>	<u>-</u>
Cash Flows used in Financing Activities		
<u>Cash was applied to:</u>		
Lease payments made	(218)	-
Payment of dividend	(123)	(51)
Net Cash Flow (used in)/from Financing Activities	<u>(341)</u>	<u>(51)</u>
(Decrease)/Increase in cash and cash equivalents	18,365	(2,338)
Cash at the beginning of the year	7,758	10,096
Cash at the end of the year	<u>26,123</u>	<u>7,758</u>
<u>Made up of:</u>		
Cash on hand	74	96
Call and overnight advances to financial institutions	26,049	7,662
Cash at the end of the year	<u>26,123</u>	<u>7,758</u>

This statement should be read in conjunction with the notes to the financial statements.

Bank of Baroda (New Zealand) Limited

Reconciliation of net profit after taxation to net cash flow from operating activities For the year ended 31 March 2020

	2020 \$000's	2019 \$000's
Net profit after taxation	892	906
Non cash movements:		
Depreciation	349	60
Increase in provision for impairment losses	219	6
Decrease/(increase) in deferred taxation	(85)	(17)
	<u>483</u>	<u>49</u>
Net movement in operating assets and liabilities:		
Decrease/((Increase) in loans and advances	599	(14,606)
Decrease in balances due from other financial institutions	8,000	3,200
Increase in deposits and other borrowings	4,844	7,673
Increase/(Decrease) in interest payable	20	(24)
Decrease in interest receivable	33	86
(Decrease)/Increase in balances due to related parties	(676)	230
(Increase) in other assets	(10)	(2)
(Decrease)/Increase in other liabilities and provisions	(210)	108
(Increase)/Decrease in balances due from related parties	5,088	(313)
(Decrease)/Increase in current tax liability	(351)	406
Net cash flows from / (used in) operating activities	<u>18,712</u>	<u>(2,287)</u>

Bank of Baroda (New Zealand) Limited

Notes to the financial statements
For the year ended 31 March 2020

1 Statement of accounting policies

The reporting entity is Bank of Baroda (New Zealand) Limited ("the Bank" or "the Company"). The Bank is an FMC reporting entity for the purposes of the Financial Markets Conduct Act 2013 ("FMCA 2013"), 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 Markets Conduct Act 2013, 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 30 June 2020. The address of its registered office is 114 Dominion Road, Auckland 1446, New Zealand. The Bank provides its products and services to retail and business customers. The Bank is a fully owned subsidiary of Bank of Baroda ("BOB"), an Indian incorporated bank.

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.

Statement of compliance and basis of preparation

The financial statements have been prepared under the historical cost convention. The functional and presentation currency is the New Zealand Dollar (NZD) and the figures have been rounded to the nearest thousand, unless otherwise stated.

Key estimates and judgements

In preparing these financial statements, the Bank has made significant judgements, estimates and assumptions that impact on the carrying value of certain assets and liabilities, revenue and expenses as well as other information reported in the notes.

The judgements made in the process of applying the Bank's accounting policies that have the most significant effect on the amounts recognised in the financial statements, and the estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are identified below.

Recognition of expected credit losses ("ECL") - See note 5

In determining ECL, management is required to exercise judgement in defining what is considered to be a significant increase in credit risk and default events.

While arriving at ECL, management judgement has been applied based on reasonable and supportable information of forward looking economic factors commensurate with the nature of bank's portfolio of loans.

Since the outbreak of the COVID-19 pandemic, global trade, travel, and business and consumer spending have been curtailed significantly. Increasingly, governments internationally have imposed a variety of restraints on people movement within and across national borders in order to mitigate the virus transmission. There is a high level of uncertainty in this respect. The immediate fallout due to restriction in movement is that loan borrowers deriving predominant income from travel, tourism, hospitality and transport may have increased in credit risk and such credit exposures have been moved to Stage Two, as defined in Note 1(h).

In response to the COVID-19 situation the government and the regulators have announced fiscal and monetary packages. The Reserve Bank of New Zealand has announced a significant reduction in the Official Cash Rate and a Large Scale Asset Purchase Programme. A six month principal and interest payment holiday for mortgage holders and small/medium enterprise customers whose incomes have been affected by the economic disruption from COVID-19 have also been announced, and the bank has also approved such deferrals. However, such loan deferral, by itself, would not automatically result in a significant increase in credit risk warranting movement to Stage Two. The government has also announced a wage subsidy scheme, income support package and tax package which is expected to support individuals and businesses. Although the outlook still remains uncertain, these measures may mitigate the economic impact of COVID-19. Note 5 provides details of the impact of this on the provision for expected credit losses at 31 March 2020.

Bank of Baroda (New Zealand) Limited

Notes to the financial statements
For the year ended 31 March 2020

Recognition of expected credit losses ("ECL") - (continued)

In determining the provision for expected credit losses as at 31 March 2020, due to the lack of historical default experience, publicly available information was considered while applying default estimates which were also factored for negative outlook on macro-economic factors.

The probability of default, loss given default, and exposure at default assumptions which support the expected credit loss estimate are reviewed regularly in light of differences between loss estimates and actual loss experience.

Specific 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 years presented, unless otherwise stated.

(a) Changes in accounting policies

The following outlines changes in accounting policies adopted for the first time in the preparation of these financial statements.

New Zealand equivalent to International Financial Reporting Standards 16: Leases (NZ IFRS 16) The Bank has adopted NZ IFRS 16 *Leases* retrospectively from 1 April 2019, but has not restated comparatives for the 2019 reporting period as permitted under the specific transition provisions in the standard. On adoption of NZ IFRS 16, the Bank recognised new lease liabilities in relation to leases which had previously been classified as 'operating leases' under the previous NZ IAS 17 *Leases* standard. These liabilities were measured at the present value of the remaining lease payments, discounted using the Bank's incremental borrowing rate as of 1 April 2019. The weighted average incremental borrowing rate applied to the lease liabilities on 1 April 2019 was estimated at 6.65%.

Impact of adoption

Upon adoption, lease liabilities of \$2.431m were recognised, along with corresponding right of use assets of an equal amount.

	As at 1 April 2019
	\$000's
<i>Reconciliation of previously disclosed lease commitments</i>	
Total minimum lease payments previously disclosed at 31 March 2019	899
Short-term lease payments not included in lease liability	(100)
Additional lease payments included in lease liability (extension options)	2,453
Effect of discounting	(821)
Total lease liability and right of use asset recognised on adoption	2,431

Right of use assets were measured at an amount equal to the lease liability on initial adoption.

Lease liabilities include the net present value of the following lease payments over the lease term:
- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payments that are based on an index or a rate to the extent that the variable amount is known.

Variable lease payments that are not based on an index or rate are excluded from lease liabilities, and recognised when they become due. There are no residual value guarantees, purchase options or termination penalties relevant to the company's lease obligations.

Extension options, exercisable by the Bank, are included in a number of property leases. Where it is considered reasonably certain these will be exercised they are included within the lease term, which is the case for all such options in the current reporting period. Management considers all facts and circumstances that create an economic incentive to exercise an extension option. The assessment will be reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the Bank.

Bank of Baroda (New Zealand) Limited

Notes to the financial statements
For the year ended 31 March 2020

(a) Changes in accounting policies (continued)

The lease payments, over the lease term, are discounted using an estimate of the Bank's incremental borrowing rate for an equivalent asset.

Right-of-use assets arising from lease arrangements are measured at cost comprising the following:

- the amount of the initial measurement of lease liability; and
- any restoration costs (such as make good provisions).

When lease payments are made these reduce the related lease liability; a finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term, on a straight-line basis.

(b) Foreign currency 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 re-measured. 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.

(c) 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.

For financial instruments measured at amortised cost, interest income and expense is recognised on a time-proportion basis using the effective interest method.

Banking and 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 revenue

When commissions or similar fees are related to specific non-lending transactions or events, they are recognised in the profit or loss when the service is provided to the customer. When they are charged for service provided over a period, they are taken to other income on an accrual basis as the service is provided.

Net foreign exchange gains

Net foreign exchange gains represent the net amount of foreign exchange gains and losses recognised during the period.

Bank of Baroda (New Zealand) Limited

Notes to the financial statements
For the year ended 31 March 2020

(d) Financial assets

Classification of financial assets under NZ IFRS 9

The Bank classifies its financial assets as subsequently measured at amortised cost, based on both the business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

A financial asset is classified as measured at amortised cost only if both the following conditions are met:

- it is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset represent contractual cash flows that are solely payments of principal and interest.

Recognition and measurement

Regular purchases and sales of financial assets were recognised on the trade-date - the date on which the Bank commits to purchase or sell the asset. Financial assets are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through 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.

(e) Financial liabilities

Financial liabilities are recognised when an obligation arises and derecognised when it is discharged, cancelled or expired. Financial liabilities are initially recognised at fair value less transaction costs, except where they are designated at fair value, in which case transaction costs are expensed as incurred.

The Bank's financial liabilities include balances due to related parties, deposit and other borrowings, and other liabilities. Deposits from customers cover all forms of funding, and include transactional and savings accounts, term deposits and credit balances on cards. Other liabilities include the accrual of interest coupons and fees payable.

The Bank classified its financial liabilities as subsequently measured at amortised cost, as it has no held for trading or derivative financial liabilities.

(f) Derivative financial instruments and hedge accounting

In both the current and preceding period, the Bank has not entered into any derivative financial instruments and does not apply hedge accounting to any transactions.

(g) 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.

Bank of Baroda (New Zealand) Limited

Notes to the financial statements
For the year ended 31 March 2020

(h) Impairment of financial assets

The Bank applies a three stage approach to measuring expected credit losses (ECL) on debt instruments accounted for at amortised cost. Such assets may move through the following three stages based on their change in credit quality since their initial recognition:

Stage 1: 12-months ECL (Stage 1)

For exposures where there has not been a significant increase in credit risk since initial recognition and that are not credit impaired upon origination, the portion of the lifetime ECL associated with the probability of default events occurring within the next 12 months is recognised.

Stage 2: Lifetime ECL - not credit impaired (Stage 2)

For credit exposures where there has been a significant increase in credit risk since initial recognition, but that are not credit impaired, a lifetime ECL is recognised. Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument.

Stage 3: Lifetime ECL - credit impaired (Stage 3)

Financial assets are assessed as credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of that asset have occurred. For financial assets that have become credit impaired, a lifetime ECL is recognised and interest revenue is calculated by applying the effective interest rate to the amortised cost (net of provision) rather than the gross carrying amount.

Assessment of significant increases in credit risk

At each reporting date, the Bank assesses whether there has been significant increase in credit risk since initial recognition by comparing the risk of default occurring over the expected life between that of the reporting date to that of the date of initial recognition.

The Bank assesses whether the credit risk on a financial asset has increased significantly on an individual and collective basis. For the purposes of collective evaluation, financial assets are grouped on the basis of shared credit risk characteristics, taking into account instrument type, internal credit risk rating, date of initial recognition, remaining term to maturity, industry, geographical location of the borrower and other relevant factors.

Regardless of other changes since the origination of the financial asset, it will be considered to have had a significant increase in credit risk where it is more than 30 days past due.

Subsequent improvement in credit quality

If, in a subsequent reporting period, the credit quality improves and reverses any previously assessed significant increase in credit risk since origination, then the provision for credit losses reverts from full lifetime ECL to 12-months ECL.

Measurement of expected credit losses

The estimated amount of ECL is measured as the probability-weighted present value of all cash shortfalls over the expected life of the financial asset discounted at its original effective interest rate. The cash shortfall is the difference between all contractual cash flows that are due to the Bank and all the cash flows that the Bank expects to receive. The amount of the loss is recognised using a provision for credit loss allowance.

Bank of Baroda (New Zealand) Limited

Notes to the financial statements

For the year ended 31 March 2020

(h) Impairment of financial assets (continued)

The Bank considers its historical loss experience and adjusts this for current observable data. In addition, the Bank uses reasonable and supportable forecasts of future economic conditions including experienced judgement to estimate the amount of an expected impairment loss. The Bank assesses a range of macroeconomic factors which include, but are not limited to, unemployment, interest rates, gross domestic product, inflation and property prices, and requires an evaluation of both the current and forecast direction of the economic cycle. Incorporating forward-looking information increases the level of judgement as to how changes in these macroeconomic factors will affect ECL. The methodology and assumptions, including any forecasts of future economic conditions are reviewed regularly.

Collective assessment of credit loss allowances

For collectively assessed provisions, expected credit losses are estimated based on the probability of default, loss given default, and the anticipated exposure at default.

The probability of default ("PD")

This estimates the likelihood of default occurring (either over the lifetime of the financial instrument, or the within 12 months from reporting period).

Exposure at default ("EAD")

An estimate of the exposure at a future default date, taking into account expected changes in the exposure after reporting date – for instance due to available borrowing facilities.

Loss given default ("LGD")

This is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the Banks would expect to receive, including cash flows expected from collateral and other credit enhancements.

For credit-impaired financial assets that are assessed on an individual basis, a discounted cash flow calculation will be performed and consider multiple cash flow scenarios. However, no loans have been written off during the current reporting period.

Allowance is also made for the expected credit losses arising from undrawn loan commitments available to borrowers, which is recognised within other liabilities.

Default

In defining default for the purposes of determining the risk of a default occurring, the Bank applies a default definition consistent with the definition used for internal credit risk management purposes for the relevant financial instrument and considers qualitative indicators when appropriate. The Bank applies a presumption that default does not occur later than when a financial asset is 90 days past due, or where it operates outside of agreed facility limits for a period of more than 90 days.

Write-off of financial assets

Financial assets (and the related impairment allowances) will be written off, either partially or in full, when there is no realistic prospect of recovery. Where loans are secured, this is generally after receipt of any proceeds from the realisation of security. No loans have been written off during the current reporting period.

Purchased or originated credit impaired assets

The Bank has no purchased or originated credit impaired assets during the current reporting period.

Bank of Baroda (New Zealand) Limited

Notes to the financial statements
For the year ended 31 March 2020

(i) Asset quality disclosures

Restructured assets

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 financial asset is disclosed as a past due asset 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.

(j) Taxation

Income tax on the net profit for the period comprises current and deferred tax.

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.

(k) 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.

Bank of Baroda (New Zealand) Limited

Notes to the financial statements
For the year ended 31 March 2020

(l) **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 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.

(m) **Leases under NZ IAS 17 - Comparative period**

During the comparative period leases entered into by the Bank were classified as operating leases.

Operating lease payments were recognised in profit and loss on a straight-line basis over the term of the lease, unless another systematic basis is more representative of the pattern of the benefit received.

(n) **Dividends**

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 date are dealt with in the subsequent events note.

(o) **Cash and cash equivalents**

Cash and cash equivalents comprise 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.

(p) **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 statement of cash flows include GST.

Bank of Baroda (New Zealand) Limited

Notes to the financial statements
For the year ended 31 March 2020

2 Interest	2020 \$000's	2019 \$000's
Interest income		
Bank deposits/placements	308	579
Loans and advances to customers	4,971	4,389
Total interest income	5,279	4,968
Interest expense		
Deposits by customers	1,986	1,828
Total interest expense	1,986	1,828
3 Other income	2020 \$000's	2019 \$000's
Banking and lending fee income	201	213
Commissions revenue	46	38
Net foreign exchange gains	891	974
Other revenue	6	6
Total other income	1,144	1,231
4 Operating expenses	2020 \$000's	2019 \$000's
Audit and review of disclosure statement:		
• Audit of disclosure statement - KPMG	72	-
• Half year review of disclosure statement - KPMG	30	-
• Audit and review of disclosure statement - Deloitte	10	102
Directors' fees	44	49
Depreciation:		
• Computer hardware	1	1
• Office equipment	7	8
• Furniture, fittings, and leasehold improvements	41	51
• Right of use to leased assets*	300	-
Employee benefits:		
• Salary & others	1,724	1,396
• Kiwisaver	16	16
Rental and lease costs not included in lease liabilities*	34	551
Other operating expenses	726	828
Total operating expenses	3,005	3,002

* Comparative information has continued to be presented under NZ IAS 17 whereas current period presentation reflects accounting for leases under NZ IFRS 16.

Bank of Baroda (New Zealand) Limited

Notes to the financial statements
For the year ended 31 March 2020

5 Credit loss allowances

	Retail mortgage lending \$000's	Corporate and institutional \$000's	Other exposures \$000's	Total \$000's
For year ended 31 March 2020				
Collective allowance				
Balance at the beginning of the year	70	216	3	289
Charge to profit or loss	97	122	-	219
Total collective allowance for credit losses at 31 March 2020	167	338	3	508
<i>Recognised in:</i>				
Loans and advances - collective provision	155	270	1	426
Other liabilities - undrawn commitments	12	68	2	82
Total collective allowance for credit losses at 31 March 2020	167	338	3	508

For year ended 31 March 2020

Movement in provision for credit loss allowance	Collective provision 12-months ECL	Collective provision lifetime ECL -		Specific provision lifetime ECL - credit impaired	Total
		significant increase in credit risk			
Residential mortgage lending					
Balance at beginning of period	70	-	-	-	70
Charge to profit or loss	48	49	-	-	97
Balance at end of period - Residential mortgage lending	118	49			167
Corporate exposures					
Balance at beginning of period	216	-	-	-	216
Charge to profit or loss	77	45	-	-	122
Balance at end of period - Corporate exposures	293	45			338
Other exposures					
Balance at beginning of period	3	-	-	-	3
Charge to profit or loss	-	-	-	-	-
Balance at end of period - Other exposures	3				3
Provision for credit loss allowances - Total					
Balance at beginning of period	289	-	-	-	289
Charge to profit or loss	125	94	-	-	219
Total provision for credit loss allowances balance at end of year	414	94			508

Impact of changes in gross carrying amount on ECL

Overall, the net increase in the total provision for credit impairment of \$219,000 during the year was mainly driven by changes to the economic outlook as a result of COVID-19, and to a lesser extent by a degree of change in profile of the Bank's loans, as the proportion of corporate loans increased during this period, and residential mortgage lending decreased. Further, a number of loans were transferred to Stage 2, meaning their lifetime ECL was recognised.

Bank of Baroda (New Zealand) Limited

Notes to the financial statements
For the year ended 31 March 2020

5 Credit loss allowances (continued)

	Retail mortgage lending \$000's	Corporate and institutional \$000's	Other exposures \$000's	Total \$000's
For year ended 31 March 2019				
Collective allowance				
Balance at the beginning of the year	49	232	2	283
Charge/(credit) to profit or loss	21	(16)	1	6
Total collective allowance for credit losses at 31 March 2019	70	216	3	289
Recognised in				
Loans and advances - collective provision	65	145	1	211
Other liabilities - undrawn commitments	5	71	2	78
Total collective allowance for credit losses at 31 March 2019	70	216	3	289

For year ended 31 March 2019

Movement in provision for credit loss allowance	Collective provision 12-months ECL	Collective provision lifetime ECL - significant increase in credit risk	Specific provision lifetime ECL - credit impaired	Total
Residential mortgage lending				
Balance at beginning of period	49	-	-	49
(Credit)/charge to profit or loss	21	-	-	21
Balance at end of period - Residential mortgage lending	70	-	-	70
Corporate exposures				
Balance at beginning of period	232	-	-	232
Charge/(credit) to profit or loss	(16)	-	-	(16)
Balance at end of period - Corporate exposures	216	-	-	216
Other exposures				
Balance at beginning of period	2	-	-	2
(Credit)/charge to profit or loss	1	-	-	1
Balance at end of period - Other exposures	3	-	-	3
Provision for credit loss allowances - Total				
Balance at beginning of period	283	-	-	283
Charge/(credit) to profit or loss	6	-	-	6
Total provision for credit loss allowances balance at end of period	289	-	-	289

Bank of Baroda (New Zealand) Limited

Notes to the financial statements
For the year ended 31 March 2020

6 Taxation	2020 \$000's	2019 \$000's
Net profit before taxation	1,213	1,363
Tax calculated at a tax rate of 28% Re-estimation of prior period current tax liability	(340)	(382)
Other permanent differences	39	(68)
	(20)	(7)
Taxation expense as per the statement of comprehensive income	(321)	(457)
Represented by:		
Current tax - current year	(445)	(406)
Current tax - prior year	39	(68)
Deferred tax	85	17
Taxation expense as per the statement of comprehensive income	(321)	(457)
	2020 \$000's	2019 \$000's
Imputation credits available for use in subsequent periods	814	454

7 Deferred taxation	2020 \$000's	2019 \$000's
Deferred tax balances		
Balance at the beginning of the year	174	177
Change on adoption of NZ IFRS 9	-	(20)
Restated opening balance	174	157
Credit to statement of comprehensive income	85	17
Balance at end of the year	259	174

Movement in composition of balance - 2020 year	Opening balance as at 31 Mar 2019	Recognised in the profit and loss	Closing balance as at 31 Mar 2020
	\$000's	\$000's	\$000's
Property, plant and equipment	46	(4)	42
Provisions	128	66	194
Leases	-	23	23
Balance	174	85	259

Movement in composition of balance - 2019 year	Opening balance as at 31 Mar 2018	Recognised through equity upon adoption of NZ IFRS 9	Recognised in the profit and loss	Closing balance as at 31 Mar 2019
	\$000's	\$000's	\$000's	\$000's
Property, plant and equipment	47	-	(1)	46
Provisions	130	(20)	18	128
Balance	177	(20)	17	174

Deferred tax accounts for temporary differences between the carrying amounts of assets and liabilities in the financial statements and their values for taxation purposes.

Bank of Baroda (New Zealand) Limited

Notes to the financial statements

For the year ended 31 March 2020

8 Cash and cash equivalents	2020	2019
	\$000's	\$000's
Cash on hand	74	96
Call and overnight advances to financial institutions	26,049	7,662
Total cash and cash equivalents	26,123	7,758
Current	26,123	7,758
Non-current	-	-
9 Due from other financial institutions	2020	2019
	\$000's	\$000's
Term deposits	3,000	11,000
Total amount due from other financial institutions	3,000	11,000
Current	3,000	11,000
Non-current	-	-
10 Loans and advances	2020	2019
	\$000's	\$000's
Residential mortgage loans	67,546	73,189
Corporate exposures	30,681	25,294
Other exposures	1,978	2,321
Allowances for impairment losses	(426)	(211)
Total net loans and receivables	99,779	100,593
Current	15,572	18,636
Non-current	84,207	81,957

11 Leases

Nature and extent of lease activities

The Bank leases three properties for operational purposes as its branches. These leases contain a variety of lease terms which typically include rent review (fixed, market and/or CPI) and extension options. Further variable costs due under the lease agreements and expensed in the current period amounted to \$34,000.

In addition, there are lease costs recognised on a straight-line basis in relation to short-term leases of residential properties, provided as accommodation to certain Bank staff members. Costs amounting to \$196,000 were expensed during the period. These have been disclosed as employee benefits, within note 4.

Total cash outflows related to leases during the period under review amounted to \$373,000.

Right of use to leased assets

The following amounts are included in the balance sheet in relation to right of use assets held under lease arrangements:

	As at
	31 March 2020
Right of use assets	
Properties - cost	2,431
Properties - accumulated depreciation	(300)
Right of use assets	2,131

Bank of Baroda (New Zealand) Limited

Notes to the financial statements
For the year ended 31 March 2020

11 Leases (continued)

	For the year ended 31 March 2020
Right of use assets	
Balance at 1 April 2019	2,431
Depreciation charge for the period	(300)
Balance at 31 March 2020	2,131

There were no additions during the period to leased properties.

	As at 31 March 2020
Liabilities for leases	
The following amounts are included as lease liabilities:	
Due within one year	250
Due after one year	1,963
	2,213

The Bank is not exposed to significant liquidity risk as a result of the lease liabilities, which are payable monthly and managed in accordance with the Bank's overall liquidity management.

Maturity profile for lease liabilities

The following undiscounted amounts are due under the Bank's lease arrangements during the assumed lease term:

	Up to 3 months	3 to 12 months	Between 1 & 5 years	More than 5 years	Total
At 31 March 2020:	\$000's	\$000's	\$000's	\$000's	\$000's
Lease payments included within lease liabilities	97	293	1,518	971	2,879

Lease commitments where no liability is recognised

In the current period no lease liability has been recognised in relation to short-term leases of less than 12 months duration. In the preceding periods, leases meeting the definition of operating leases under NZ IAS 17 Leases were also not recognised as a liability. Payments were due under such leases as follows:

	As at 31 Mar 2020 \$000's	As at 31 Mar 2019 \$000's
	Short-term leases	Operating leases
Not later than 1 year	43	460
1-2 years	-	191
2-5 years	-	248
Total	43	899

Bank of Baroda (New Zealand) Limited

Notes to the financial statements
For the year ended 31 March 2020

12 Property, plant and equipment

For the year ended 31 March 2019	Computer hardware \$000's	Office equipment \$000's	Furniture, fittings & leasehold improvements \$000's	Total \$000's
As at 1 April 2018				
Opening cost	198	170	1,103	1,471
Opening accumulated depreciation	(195)	(138)	(837)	(1,170)
Opening net book value	3	32	266	301
Additions during the 2019 year	-	-	-	-
Depreciation	(1)	(8)	(51)	(60)
Closing net book value	2	24	215	241
At 31 March 2019				
Closing cost	198	170	1,103	1,471
Closing accumulated depreciation	(196)	(146)	(888)	(1,230)
Closing net book value	2	24	215	241

For the year ended 31 March 2020	Computer hardware \$000's	Office equipment \$000's	Furniture, fittings & leasehold improvements \$000's	Total \$000's
At 1 April 2019				
Opening cost	198	170	1,103	1,471
Opening accumulated depreciation	(196)	(146)	(888)	(1,230)
Opening net book value	2	24	215	241
Additions during the 2020 year	1	-	5	6
Depreciation	(1)	(7)	(41)	(49)
Closing net book value	2	17	179	198
At 31 March 2020				
Closing cost	199	170	1,108	1,477
Closing accumulated depreciation	(197)	(153)	(929)	(1,279)
Closing net book value	2	17	179	198

13 Other assets

	2020 \$000's	2019 \$000's
Other receivables	94	84
Interest receivable	180	213
Trade and other receivables	274	297
Current	274	297
Non-current	-	-

Bank of Baroda (New Zealand) Limited

Notes to the financial statements
For the year ended 31 March 2020

14 Related party disclosures

The Bank is wholly owned by the Bank of Baroda, a bank incorporated in India. No related party debts have been written off or forgiven during the year.

Key management personnel

Key management personnel (KMP) are defined as being the directors and senior management of the Bank.

	2020 \$000's	2019 \$000's
Salaries and other short-term benefits	1,124	981
Total key management compensation	<u>1,124</u>	<u>981</u>
Deposits from KMP bearing interest at 1.25% to 2% (2019: 2%)	186	200
Loans to KMP at interest rates of 2.29% to 2.70% (2019: 2.29% to 2.70%)	1	7
Interest earned from loans with KMP	-	-
Interest paid to KMP during the year	1	2

Guarantee from Parent

The Bank's ultimate parent company is Bank of Baroda, 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 obligations of the Bank are guaranteed by BOB. There are no legislative, regulatory or 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 2020, all the obligations of the Bank are guaranteed by BOB.

Related party transactions and balances:

Related parties include branches of Bank of Baroda, its subsidiaries and other related parties.

As at 31 March 2020, the Bank holds no foreign currency deposits (31 March 2019: NZ\$4,903,390) with other branches of BOB group, these deposits are interest bearing. The Bank holds foreign currency Nostro current accounts deposits of NZ\$106,737 (31 March 2019 NZ\$291,518) with other members of BOB group and other related parties, these accounts are non-interest bearing.

The Bank also has current account balances owing to its parent company, Bank of Baroda of NZ\$621,994 (31 March 2019: NZ\$1,215,909) and Bank of Baroda (Fiji) of NZ\$1,326 (31 March 2019: NZ\$1,446) that are non-interest bearing.

Bank of Baroda (New Zealand) Limited

Notes to the financial statements
For the year ended 31 March 2020

14 Related party disclosures (continued)

	2020 \$000's	2019 \$000's
BOB International Banking Unit Branch, Gandhinagar, India (USD)	-	4,903
Total balance	-	4,903
USA New York branch (USD)	73	218
India Mumbai main office (INR)	-	32
U.K London branch (GBP)	9	8
Belgium Brussels branch	10	6
(EURO) Fiji Suva branch (FJD)	2	2
Australia SBI Sydney branch (AUD)	13	26
Total Nostro balance	107	292

	2020 \$000's	2019 \$000's
Transaction with related parties:		
Interest income		
Bank of Baroda branches and its subsidiaries	65	107
Other related parties	-	-
Interest expense		
Bank of Baroda branches and its subsidiaries	-	-
Other related parties	-	-
Support & service fee/management fee		
Bank of Baroda	95	117
Due to related parties:		
Bank of Baroda	623	1,217
Total due to related parties*	623	1,217
Current	623	1,217
Non-current	-	-
Total	623	1,217

* Deposits from KMP at commercial rates have been included in the KMP note. In the March 2019 year, \$82,000 of deposits included within Deposits from KMP were included in within balances due to related parties on the face of the balance sheet of \$1,299,000.

Due from related parties:		
Bank of Baroda branches	107	292
Subsidiaries of Bank of Baroda	-	4,903
Total due from related parties	107	5,195
Current	107	5,195
Non-current	-	-
Total	107	5,195

Bank of Baroda (New Zealand) Limited

Notes to the financial statements
For the year ended 31 March 2020

	2020	2019
	\$000's	\$000's
15 Deposits and other borrowings		
Retail deposits	79,575	74,731
Total deposits	79,575	74,731
New Zealand	79,575	74,731
Overseas	-	-
Current	71,915	64,120
Non-current	7,660	10,611
16 Other liabilities		
	2020	2019
	\$000's	\$000's
Employee entitlements	126	106
Other payables and accruals	325	535
Credit loss allowance on undrawn lending commitments	82	78
Total other liabilities	533	719
Current	533	719
17 Equity		
	2020	2019
	\$000's	\$000's
Share capital	40,000	40,000
Retained earnings	8,872	8,103
Total equity	48,872	48,103

40,000,000 shares (2019: 40,000,000) have been issued with equal voting rights and share equally in dividends and any profits on winding up. Shares do not have a par value. There have been no issues or other changes in share capital in the current or previous year.

A dividend was paid of \$123,392 (0.31 cents per share, imputed at 28%) in May 2019.

Bank of Baroda (New Zealand) Limited

Notes to the financial statements
For the year ended 31 March 2020

18 Asset quality

As at 31 March 2020	Residential mortgage loans \$000's	Corporate exposures \$000's	Other exposures excluding sovereigns and central banks \$000's	Total \$000's
Loans and advances				
<i>No significant increase in credit risk</i>				
Not past due	58,479	30,503	1,978	90,960
Less than 30 days past due	9,067	178	-	9,245
Gross loans and advances	67,546	30,681	1,978	100,205
Less allowance for impairment	(155)	(270)	(1)	(426)
Net loans and advances	67,391	30,411	1,977	99,779
Other assets neither past due nor impaired	-	-	29,504	29,504
Total net financial assets	67,391	30,411	31,481	129,283

Movements in gross balances - by credit loss allowance stage	Stage 1	Stage 2	Total
Balance at 1 April 2019	100,804	-	100,804
Loans repaid in their entirety	(23,986)	-	(23,986)
New loans originated	28,038	-	28,038
Net further lending/(repayment)	(4,651)	-	(4,651)
Transfers between loss allowance stages	(6,734)	6,734	-
Amounts written off	-	-	-
Balance at end of period	93,471	6,734	100,205

At 1 April 2019 and 31 March 2020 there were no loans in Stage 3.

The Bank does not have any modified or restructured assets, and financial, real estate or other assets acquired through security enforcement or any other assets under administration as at 31 March 2020 (2019: nil). Therefore, the Bank does not have any such collateral which it can sell or re-pledge.

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 2020 (2019: nil).

Undrawn balances on lending commitments to counterparties within the impaired asset category were NZ\$ nil as at 31 March 2020 and 31 March 2019 balance was NZ\$ nil.

Bank of Baroda (New Zealand) Limited

Notes to the financial statements
For the year ended 31 March 2020

18 Asset quality (continued)

As at 31 March 2019	Residential mortgage loans \$000's	Corporate sovereigns and exposures \$000's	Other exposures excluding central banks \$000's	Total \$000's
Loans and advances				
<i>No significant increase in credit risk</i>				
Not past due	68,198	20,604	2,321	91,123
Less than 30 days past due	4,991	4,690	-	9,681
Gross loans and advances	73,189	25,294	2,321	100,804
Less allowance for impairment	(65)	(145)	(1)	(211)
Net loans and advances	73,124	25,149	2,320	100,593
Other assets neither past due nor impaired	-	-	24,250	24,250
Total net financial assets	73,124	25,149	26,570	124,843

Movements in gross balances - by credit loss allowance stage	Stage 1	Total
Balance at 1 April 2018	86,198	86,198
Loans repaid in their entirety	(17,416)	(17,416)
New loans originated	32,391	32,391
Net further lending/(repayment)	(369)	(369)
Amounts written off	-	-
Balance at end of period	100,804	100,804

Bank of Baroda (New Zealand) Limited

Notes to the financial statements
For the year ended 31 March 2020

19 Concentration of credit risk

The following table breaks down the Bank's main credit exposure at their carrying amounts plus off balance sheet exposures, as categorised by the industry sectors of its counterparties. For further details on how credit risk is managed and is set out in note 32.1.

	2020 \$000's	2019 \$000's
New Zealand		
Finance	29,123	18,758
Households	74,398	78,144
Electricity, gas and water	154	192
Construction	20,881	14,519
Property services	6,095	4,962
Health and community services	1,076	1,079
Personal and other services	12,078	12,621
Retail and wholesale trade	1,411	3,003
Food and other manufacturing	833	885
Other financial assets	274	297
Overseas		
Finance, investment and insurance	107	5,195
Total financial assets	<u>146,430</u>	<u>139,655</u>
Allowance for impairment losses	(426)	(211)
Total net financial assets	<u>146,004</u>	<u>139,444</u>

Analysis of financial assets by geographical sector at balance date is as follows:

	2020 \$000's	2019 \$000's
New Zealand		
Upper North Island	130,483	117,839
Lower North Island	15,840	16,621
Allowance for impairment losses	(426)	(211)
Overseas		
USA New York branch (USD)	73	218
India Mumbai Main Office (INR)	-	32
U.K London branch (EURO)	9	8
Belgium Brussels branch (EURO)	10	6
Fiji Suva branch (FJD)	2	2
Australia SBI Sydney (AUD)	13	26
India - International Banking Unit Branch (USD)	-	4,903
Total net financial assets	<u>146,004</u>	<u>139,444</u>

Bank of Baroda (New Zealand) Limited

Notes to the financial statements
For the year ended 31 March 2020

19 Concentration of credit risk (continued)

Maximum exposure to credit risk before collateral held or other credit enhancements at balance date is as follows:

	2020 \$000's	2019 \$000's
Loans and advances	116,926	115,405
Balances with related parties	107	5,195
Due from other financial institutions	3,000	11,000
Cash and cash equivalents	26,123	7,758
Other financial assets	274	297
Total gross financial assets	146,430	139,655
Allowance for impairment losses	(426)	(211)
Total net financial assets	146,004	139,444

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:

	2020 \$000's	2019 \$000's
New Zealand		
Financing investment and insurance	2,258	2,194
Retail and wholesale trade	2,865	2,156
Other	533	719
Households	74,452	70,463
Overseas		
Finance, investment and insurance	623	1,217
Total financial liabilities	80,731	76,749

An analysis of financial liabilities by geographical sector, based on the branch of the customer, at balance date is as follows:

	2020 \$000's	2019 \$000's
New Zealand		
Upper North Island	63,724	60,612
Lower North Island	16,384	14,920
South Island	-	-
Overseas	623	1,217
Total financial liabilities	80,731	76,749

21 Capital commitments

As at 31 March 2020, there are no material outstanding commitments (31 March 2019: nil).

22 Contingent liabilities

	2020 \$000's	2019 \$000's
Performance/financial guarantees issued on behalf of customers	40	40
Total contingent liabilities	40	40
Undrawn commitments available to customers	16,681	14,561

Bank of Baroda (New Zealand) Limited

Notes to the financial statements
For the year ended 31 March 2020

23 Subsequent events after balance sheet date

In response to the Covid-19 environment, in order to allow the bank to support its customers, the conditions of registration were amended as follows:

Effective 2 April 2020: The conditions of registration for the bank was amended in order that it prohibits the payment of distributions (including dividends on ordinary shares), other than discretionary payments payable to holders of Additional Tier I capital (AT1) instruments. Amendments were also made to reduce the minimum core funding ratio from 75% to 50%.

Effective 1 May 2020: The conditions of registration was further amended incorporate removal of LVR restrictions.

Since 31 March 2020, Covid-19 has continued to have a significant impact on the New Zealand economy, with customers continuing to request for, and the Bank providing support for, COVID-19 related hardship. These requests and the support provided since 31 March 2020 are in line with the forecast economic factors incorporated into the model for Expected Credit Loss provisions on loans and advances at 31 March 2020.

On 21 June 2020, Fitch has affirmed the Bank's credit rating to BBB- but changed the rating outlook from stable to negative.

24 Interest rate repricing

The tables below summarise the Bank's exposure to interest rate risk. It includes the financial instruments at carrying amounts, financial guarantees and undrawn amounts, categorised by contractual re-pricing. For further details on how interest rate risk is managed, refer to note 32.2.

	Total	Not interest bearing	Up to 3 months	Over 3 months & up to 6 months	Over 6 months & up to 1 year	Over 1 & up to 2 years	Over 2 & up to 5 years	Over 5 years
As at 31 March 2020	\$000's	\$000's	\$000's	\$000's	\$000's	\$000's	\$000's	\$000's
Financial assets								
Cash and cash equivalents	26,123	7,785	18,338	-	-	-	-	-
Due from other financial institutions	3,000	-	3,000	-	-	-	-	-
Loans and advances	99,779	-	40,828	15,271	23,786	19,894	-	-
Balances with related parties	107	107	-	-	-	-	-	-
Other financial assets	274	274	-	-	-	-	-	-
Total financial assets	129,283	8,166	62,166	15,271	23,786	19,894	-	-
Financial liabilities								
Deposits and other borrowings	79,575	10,738	38,891	8,852	13,435	5,290	2,369	-
Due to related parties	623	623	-	-	-	-	-	-
Other financial liabilities	533	533	-	-	-	-	-	-
Total financial liabilities	80,731	11,894	38,891	8,852	13,435	5,290	2,369	-
On-balance sheet gap	48,552	(3,728)	23,275	6,419	10,351	14,604	(2,369)	-
Financial guarantee	40	40	-	-	-	-	-	-
Undrawn commitments	16,681	-	10,508	2,518	1,502	2,153	-	-
Net effective interest rate gap	65,273	(3,688)	33,783	8,937	11,853	16,757	(2,369)	-

Bank of Baroda (New Zealand) Limited

Notes to the financial statements
For the year ended 31 March 2020

24 Interest rate repricing (continued)

As at 31 March 2019	Total	Not interest bearing	Up to 3 months	Over 3 months & up to 6 months	Over 6 months & up to 1 year	Over 1 & up to 2 years	Over 2 & up to 5 years	Over 5 years
	\$000's	\$000's	\$000's	\$000's	\$000's	\$000's	\$000's	\$000's
Financial assets								
Cash and cash equivalents	7,758	1,604	6,154	-	-	-	-	-
Due from other financial institutions	11,000	-	11,000	-	-	-	-	-
Loans and advances	100,593	-	41,880	11,150	22,533	25,030	-	-
Balances with related parties	5,195	292	4,903	-	-	-	-	-
Other financial assets	297	297	-	-	-	-	-	-
Total financial assets	124,843	2,193	63,937	11,150	22,533	25,030	-	-
Financial liabilities								
Deposits and other borrowings	74,731	4,291	38,299	7,117	14,413	5,914	4,697	-
Due to related parties	1,299	1,217	82	-	-	-	-	-
Other financial liabilities	719	719	-	-	-	-	-	-
Total financial liabilities	76,749	6,227	38,381	7,117	14,413	5,914	4,697	-
On-balance sheet gap	48,094	(4,034)	25,556	4,033	8,120	19,116	(4,697)	-
Financial guarantee	40	40	-	-	-	-	-	-
Undrawn commitments	14,561	-	9,832	183	1,216	3,330	-	-
Net effective interest rate gap	62,695	(3,994)	35,388	4,216	9,336	22,446	(4,697)	-

25 Financial instruments by category

As at 31 March 2020	Amortised cost \$000's	Total \$000's
Financial assets		
Cash and cash equivalents	26,123	26,123
Due from other financial institutions	3,000	3,000
Loans and advances	99,779	99,779
Balances with related parties	107	107
Other financial assets	274	274
Total financial assets	129,283	129,283
Financial liabilities		
Deposits and other borrowings	79,575	79,575
Due to related parties	623	623
Other financial liabilities	533	533
Total financial liabilities	80,731	80,731

Bank of Baroda (New Zealand) Limited

Notes to the financial statements
For the year ended 31 March 2020

25 Financial instruments by category (continued)

As at 31 March 2019	Amortised cost \$000's	Total \$000's
Financial assets		
Cash and cash equivalents	7,758	7,758
Due from other financial institutions	11,000	11,000
Loans and advances	100,593	100,593
Balances with related parties	5,195	5,195
Other financial assets	297	297
Total financial assets	124,843	124,843

As at 31 March 2019	Amortised cost \$000's	Total \$000's
Financial liabilities		
Deposits and other borrowings	74,731	74,731
Due to related parties	1,299	1,299
Other financial liabilities	719	719
Total financial liabilities	76,749	76,749

26 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. This note is denominated in New Zealand Dollars.

As at 31 March 2020	FJD \$000's	GBP \$000's	EUR \$000's	INR \$000's	USD \$000's	AUD \$000's	Total \$000's
Financial assets							
Cash and cash equivalents	-	-	-	-	6,286	-	6,286
Due from other financial institutions	-	-	-	-	-	-	-
Loans and advances	-	-	-	-	-	-	-
Balances with related parties	2	9	10	-	73	13	107
Other financial assets	-	-	-	-	-	-	-
Total financial assets	2	9	10	-	6,359	13	6,393
Financial liabilities							
Due to other financial institutions	-	-	-	-	-	-	-
Deposits and other borrowings	-	-	-	-	5,832	-	5,832
Other financial liabilities	-	-	-	-	-	-	-
Due to related parties	-	-	-	1	-	-	1
Total financial liabilities	-	-	-	1	5,832	-	5,833
Net on statement of financial position	2	9	10	(1)	527	13	560

Bank of Baroda (New Zealand) Limited

Notes to the financial statements

For the year ended 31 March 2020

26 Foreign exchange risk (continued)

As at 31 March 2019	FJD \$000's	GBP \$000's	EUR \$000's	INR \$000's	USD \$000's	AUD \$000's	Total \$000's
Financial assets							
Cash and cash equivalents	-	-	-	-	1,049	-	1,049
Due from other financial institutions	-	-	-	-	-	-	-
Loans and advances	-	-	-	-	-	-	-
Balances with related parties	2	8	6	32	5,121	26	5,195
Other financial assets	-	-	-	-	-	-	-
Total financial assets	2	8	6	32	6,170	26	6,244
Financial liabilities							
Deposits and other borrowings	-	-	-	-	-	-	-
Other financial liabilities	-	-	-	-	5,621	-	5,621
Due to related parties	-	-	-	-	-	-	-
Total financial liabilities	-	-	-	-	5,621	-	5,621
Net on statement of financial position	2	8	6	32	549	26	623

27 Liquidity risk

The Bank's policies for managing liquidity are set out in note 32.3. The tables below summarises the undiscounted cash flows payable or receivable by the Bank under non-derivative financial assets and liabilities by remaining contractual maturities at the balance sheet date.

As at 31 March 2020	Between					Total \$000's
	On Demand \$000's	Up to 3 months \$000's	3 to 12 months \$000's	1 & 5 years \$000's	More than 5 years \$000's	
Financial assets						
Cash and cash equivalents	26,123	-	-	-	-	26,123
Due from other financial institutions	-	3,014	-	-	-	3,014
Loans and advances	1,199	3,028	18,381	34,290	99,902	156,800
Due from related parties	107	-	-	-	-	107
Other financial assets	-	274	-	-	-	274
Total financial assets	27,429	6,316	18,381	34,290	99,902	186,318
Financial liabilities						
Deposits and other borrowings	41,286	8,529	22,767	8,383	-	80,965
Due to related parties	623	-	-	-	-	623
Other financial liabilities	-	533	-	-	-	533
Total financial liabilities	41,909	9,062	22,767	8,383	-	82,121
Net non-derivative cash flows	(14,480)	(2,746)	(4,386)	25,907	99,902	104,197
Derivative cash flows						
Interest rate derivatives	-	-	-	-	-	-
Foreign exchange derivatives	-	-	-	-	-	-
Total	-	-	-	-	-	-
Off balance sheet cash flows						
Financial guarantees provided to customers	(40)	-	-	-	-	(40)
Undrawn commitments to lend	(16,681)	-	-	-	-	(16,681)
Total	(16,721)	-	-	-	-	(16,721)
Net cash flow	(31,201)	(2,746)	(4,386)	25,907	99,902	87,476

Bank of Baroda (New Zealand) Limited

Notes to the financial statements
For the year ended 31 March 2020

27 Liquidity risk (continued)

As at 31 March 2019	On Demand \$000's	Up to 3 months \$000's	3 to 12 months \$000's	Between		Total \$000's
				1 & 5 years \$000's	More than 5 years \$000's	
Financial assets						
Cash and cash equivalents	7,758	-	-	-	-	7,758
Due from other financial institutions	-	11,033	-	-	-	11,033
Loans and advances	-	5,267	20,515	29,198	106,398	161,378
Due from related parties	292	4,940	-	-	-	5,232
Other financial assets	-	297	-	-	-	297
Total financial assets	8,050	21,537	20,515	29,198	106,398	185,698
Financial liabilities						
Deposits and other borrowings	31,948	10,692	21,990	11,789	-	76,419
Due to related parties	1,299	-	-	-	-	1,299
Other financial liabilities	-	719	-	-	-	719
Total financial liabilities	33,247	11,411	21,990	11,789	-	78,437
Net non-derivative cash flows	(25,197)	10,126	(1,475)	17,409	106,398	107,261
Derivative cash flows						
Interest rate derivatives	-	-	-	-	-	-
Foreign exchange derivatives	-	-	-	-	-	-
Total	-	-	-	-	-	-
Off balance sheet cash flows						
Financial guarantees provided to customers	(40)	-	-	-	-	(40)
Undrawn commitments to lend	(14,561)	-	-	-	-	(14,561)
Total	(14,601)	-	-	-	-	(14,601)
Net cash flow	(39,798)	10,126	(1,475)	17,409	106,398	92,660

The bank holds following liquid assets for the purpose of managing liquidity risk:

	2020 \$000's	2019 \$000's
Cash and cash equivalents	26,123	7,758
Deposits with financial institutions	3,000	11,000
Deposit/cash held with related parties	107	5,195
Total liquid assets	29,230	23,953

Bank of Baroda (New Zealand) Limited

Notes to the financial statements
For the year ended 31 March 2020

28 Sensitivity analysis

The table below summarise the post-tax sensitivity of financial assets and liabilities to changes in interest rate and currency risks. The carrying 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 risk and foreign exchange rates.

Interest rate risk

As at 31 March 2020	Carrying amounts \$000's	-0.5% profit \$000's	+0.5% profit \$000's	-0.5% equity \$000's	+0.5% equity \$000's
Financial assets					
Cash and cash equivalents	26,123	(88)	88	(88)	88
Balances with related parties	107	-	-	-	-
Due from other financial institutions	3,000	(14)	14	(14)	14
Loans and advances	99,779	(273)	273	(273)	273
Other financial asset	274	-	-	-	-
Total financial assets	129,283	(375)	375	(375)	375
Financial liabilities					
Due to related parties	623	-	-	-	-
Deposits and other borrowings	79,575	227	(227)	227	(227)
Other financial liabilities	533	-	-	-	-
Total financial liabilities	80,731	227	(227)	227	(227)

Interest rate risk

As at 31 March 2019	Carrying amounts \$000's	-0.1% profit \$000's	+0.1% profit \$000's	-0.1% equity \$000's	+0.1% equity \$000's
Financial assets					
Cash and cash equivalents	7,758	(6)	6	(6)	6
Balances with related parties	5,195	(5)	5	(5)	5
Due from other financial institutions	11,000	(10)	10	(10)	10
Loans and advances	100,593	(52)	52	(52)	52
Other financial asset	297	-	-	-	-
Total financial assets	124,843	(73)	73	(73)	73
Financial liabilities					
Due to related parties	1,299	-	-	-	-
Deposits and other borrowings	74,731	44	(44)	44	(44)
Other financial liabilities	719	-	-	-	-
Total financial liabilities	76,749	44	(44)	44	(44)

Bank of Baroda (New Zealand) Limited

Notes to the financial statements
For the year ended 31 March 2020

28 Sensitivity analysis (continued)

Currency risk

As at 31 March 2020	Carrying amounts \$000's	-10% profit \$000's	+10% profit \$000's	-10% equity \$000's	+10% equity \$000's
Financial assets					
Cash and cash equivalents	26,123	(629)	629	(629)	629
Balances with related parties	107	(11)	11	(11)	11
Due from other financial institutions	3,000	-	-	-	-
Loans and advances	99,779	-	-	-	-
Other financial asset	274	-	-	-	-
Total financial assets	129,283	(640)	640	(640)	640
Due to related parties	623	-	-	-	-
Deposits and other liabilities	79,575	583	(583)	583	(583)
Other financial liabilities	533	-	-	-	-
Total financial liabilities	80,731	583	(583)	583	(583)

Currency risk

As at 31 March 2019	Carrying amounts \$000's	-10% profit \$000's	+10% profit \$000's	-10% equity \$000's	+10% equity \$000's
Financial assets					
Cash and cash equivalents	7,758	(105)	105	(105)	105
Balances with related parties	5,195	(520)	520	(520)	520
Due from other financial institutions	11,000	-	-	-	-
Loans and advances	100,593	-	-	-	-
Other financial asset	297	-	-	-	-
Total financial assets	124,843	(625)	625	(625)	625
Financial liabilities					
Due to related parties	1,299	-	-	-	-
Deposits and other liabilities	74,731	(562)	562	(562)	562
Other financial liabilities	719	-	-	-	-
Total financial liabilities	76,749	(562)	562	(562)	562

Bank of Baroda (New Zealand) Limited

Notes to the financial statements
For the year ended 31 March 2020

29 Fair values of financial instruments

	As at 31 March 2020		As at 31 March 2019	
	Carrying Amounts \$000's	Estimated fair value \$000's	Carrying amounts \$000's	Estimated fair value \$000's
Financial assets				
Cash and cash equivalents	26,123	26,123	7,758	7,758
Balances with related parties	107	107	5,195	5,195
Due from other financial institutions	3,000	3,000	11,000	11,000
Loans and advances	99,779	108,668	100,593	104,496
Other financial assets	274	274	297	297
Total financial assets	129,283	138,172	124,843	128,746
Financial liabilities				
Due to related parties	623	623	1,299	1,299
Deposits and other borrowings	79,575	80,596	74,731	75,642
Other financial liabilities	533	533	719	719
Total financial liabilities	80,731	81,752	76,749	77,660

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.

The following table provides an analysis of financial instruments not measured at fair value.

Bank of Baroda (New Zealand) Limited

Notes to the financial statements
For the year ended 31 March 2020

29 Fair values of financial instruments (continued)

Fair value estimation (continued)

Level 1: Quoted market price

Level 1 inputs 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 2020	Level 1 \$000's	Level 2 \$000's	Level 3 \$000's	Total \$000's
Cash and cash equivalents	-	26,123	-	26,123
Balances with related parties	-	107	-	107
Due from other financial institutions	-	3,000	-	3,000
Loans and advances	-	-	108,668	108,668
Other assets	-	274	-	274
Total financial assets	-	29,504	108,668	138,172
Due to related parties	-	623	-	623
Deposits and borrowings	-	80,596	-	80,596
Other liabilities	-	533	-	533
Total financial liabilities	-	81,752	-	81,752
As at 31 March 2019	Level 1 \$'000s	Level 2 \$'000s	Level 3 \$'000s	Total \$'000s
Cash and cash equivalents	-	7,758	-	7,758
Balances with related parties	-	5,195	-	5,195
Due from other financial institutions	-	11,000	-	11,000
Loans and advances	-	-	104,496	104,496
Other assets	-	297	-	297
Total financial assets	-	24,250	104,496	128,746
Due to related parties	-	1,299	-	1,299
Deposits and borrowings	-	75,642	-	75,642
Other liabilities	-	719	-	719
Total financial liabilities	-	77,660	-	77,660

Bank of Baroda (New Zealand) Limited

Notes to the financial statements
For the year ended 31 March 2020

30 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.

Credit exposures to individual counterparties

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 common equity tier one capital was:

	As at 31 March 2020	Peak end of the day between the previous disclosure statement and 31 March 2020	As at 31 March 2019	Peak end of the day between the previous disclosure statement and 31 March 2019
Number of counterparties without a credit rating:				
- Representing 15-20% of common equity tier one capital	-	-	1	1
- Representing 25-30% of common equity tier one capital	2	2	1	1

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 or central bank of any country with a long-term credit rating of A- or A3 or above, or its equivalent, or to any supranational or quasi-sovereign agency with a long-term credit rating of A- of 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 bank counterparties

The number of bank 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 common equity tier one capital was:

	As at 31 March 2020	Peak end of the day between the previous disclosure statement and 31 March 2020	As at 31 March 2019	Peak end of the day between the previous disclosure statement and 31 March 2019
Number of bank counterparties with an AA- Standard & Poors credit rating:				
- Representing more than or equal to 15% and less than 20% of common equity tier one capital:	-	-	1	-
- Representing more than or equal to 20% and less than 25% of common equity tier one capital	-	-	1	-
- Representing more than or equal to 25% and less than 30% of common equity tier one capital	-	-	-	1
- Representing more than or equal to 35% and less than 40% of common equity tier one capital	-	1	-	-
- Representing more than or equal to 40% and less than 45% of common equity tier one capital	-	-	-	1
- Representing more than or equal to 50% and less than 55% of common equity tier one capital	1	1	-	-

Bank of Baroda (New Zealand) Limited

Notes to the financial statements
For the year ended 31 March 2020

30 Credit exposure concentrations (continued)

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 twelve 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 2020.

	Peak end of the			
	As at 31 March 2020	day for the year ended 31 March 2020	As at 31 March 2019	Peak end of the day for the year ended 31 March 2019
Credit exposures to connected persons	107	5,121	5,195	5,625
As a percentage of Tier One Capital of the Bank	0.22%	10.53%	10.84%	11.74%
Credit exposures to non-bank connected persons	-	-	-	-
As a percentage of Tier One Capital of the Bank	0%	0%	0%	0%

31 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 business.

32 Risk management policies

32.1 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.

Credit risk management

The Bank is responsible for implementing and operating within established risk management frameworks and policies and has adapted the Bank's credit risk policy to the Bank's customer and product set.

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

Bank of Baroda (New Zealand) Limited

Notes to the financial statements
For the year ended 31 March 2020

32.1 Credit risk (continued)

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.

Gross loan exposures by internal rating

Internal rating as at 31 March 2020	Gross loan advances	Undrawn facility available to borrower	Performance guarantees
	\$000's	\$000's	\$000's
AAA	12,501	3,248	-
AA	37,938	3,637	-
A	22,844	3,592	-
BBB	16,443	1,927	-
BB	1,537	82	-
B	-	-	-
Not scored	8,942	4,195	40
Total exposures	100,205	16,681	40

Internal rating as at 31 March 2019	Gross loan advances	Undrawn facility available to borrower	Performance guarantees
	\$000's	\$000's	\$000's
AAA	6,195	3,235	-
AA	40,598	2,449	-
A	26,011	3,712	-
BBB	14,459	3,191	-
BB	2,582	600	-
B	327	-	-
Not scored	10,632	1,374	40
Total exposures	100,804	14,561	40

In the above, AAA ratings represent the highest rating.

Loans and advances not scored primarily include those which are secured by bank deposits held either by Bank of Baroda (New Zealand) Limited or its parent entity, Bank of Baroda (India).

Bank of Baroda (New Zealand) Limited

Notes to the financial statements
For the year ended 31 March 2020

32 Risk management policies (continued)

32.1 Credit risk (continued)

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 nature of collateral held for each type of financial asset differs. Cash and cash equivalents are considered zero risk assets and do not have collateral. Amounts due from other financial institutions and related parties are also relatively low risk exposures and are not collateralised.

The Bank uses a variety of techniques to reduce the credit risk arising from its loans and advances. Enforceable legal documentation has established the Bank's direct, irrevocable and unconditional recourse to any collateral, security or other credit enhancements provided.

Housing and other loans for consumer purposes may be secured, partially secured or unsecured depending on the product. Security is typically taken by a fixed and/or floating charge over property, business assets, or other assets. Other forms of credit protection may also be sought or taken out if warranted, such as guarantees from sovereign entities or authorised deposit-taking institutions and overseas banks.

The estimated realisable value of collateral held in support of loans is based on a combination of:

- Formal valuations currently held for such collateral; and
- Management's assessment of the estimated realisable value of all collateral held.

This also takes into account relevant knowledge available to management at the time. Updated valuations are obtained when appropriate. Refer to note 33 for further information.

Creditworthy customers may also enter into formal agreements with the Bank, permitting both the Bank and the customer to set-off gross credit and debit balances in their nominated accounts. Financial assets subject to offsetting, enforceable master netting arrangements and similar agreements are below:

As at 31 March 2020 - \$000's

	Gross amounts of recognised financial assets	Gross amounts of recognised financial liabilities set off in the statement of financial position	Net amounts of financial assets presented in the statement of financial position	Related deposits not set off in the statement of financial position	Net amount
	(a)	(b)	(c) = (a) - (b)	(d)	(e) = (c) - (d)
Loans and advances	99,779	-	99,779	8,491	91,288
	Gross amounts of recognised financial liabilities	Gross amounts of recognised financial assets set off in the statement of financial position	Net amounts of financial liabilities presented in the statement of financial position	Related loans not set off in the statement of financial position	Net amount
	(a)	(b)	(c) = (a) - (b)	(d)	(e) = (c) - (d)
Deposits	79,575	-	79,575	8,491	71,084

Bank of Baroda (New Zealand) Limited

Notes to the financial statements
For the year ended 31 March 2020

32 Risk management policies (continued)

32.1 Credit risk (continued)

As at 31 March 2019 - \$000's

	Gross amounts of recognised financial assets (a)	Gross amounts of recognised financial liabilities set off in the statement of financial position (b)	Net amounts of financial assets presented in the statement of financial position (c) = (a) - (b)	Related deposits not set off in the statement of financial position (d)	Net amount (e) = (c) - (d)
Loans and advances	100,593	-	100,593	10,735	89,858

	Gross amounts of recognised financial liabilities (a)	Gross amounts of recognised financial assets set off in the statement of financial position (b)	Net amounts of financial liabilities presented in the statement of financial position (c) = (a) - (b)	Related loans not set off in the statement of financial position (d)	Net amount (e) = (c) - (d)
Deposits	74,731	-	74,731	10,735	63,996

32.2 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 repricing 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.

32.3 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, and compliance with the RBNZ's liquidity requirements.

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 periods. The Bank reviews the liquidity position on a daily basis to ensure that the negative liquidity gap does not exceed the tolerance limit in the first four time buckets. In addition, the Bank prepares monthly maturity gap reports and liquidity assessment reports to facilitate an appropriately liquid combination of assets and liabilities.

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

Bank of Baroda (New Zealand) Limited

Notes to the financial statements
For the year ended 31 March 2020

32 Risk management policies (continued)

32.4 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 may make recommendations to the Board on strategies that may improve the Bank's operational risk profile.

32.5 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 regulatory 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 33.

32.6 Reviews of Bank's risk management systems

Bank's risk management policy was reviewed on 24 September 2018 and is valid for two years from that date.

32.7 Internal audit function

The Bank utilises services of a chartered accounting firm to carry out internal audit functions as a control measure to enable senior management of the Bank to monitor and review the Bank on an ongoing basis. 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 constant and concurrent compliance with all systems and procedures by the Bank; and
- Internal audit carried out by a firm of chartered accountants appointed by Board from time to time.

Audit committee of the Board

The Bank, in accordance with the fundamentals of corporate governance and in pursuance of the directives of the Reserve Bank of New Zealand, has an Audit Committee of the Board comprising of three directors. A non-executive independent 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 the Bank to ensure that the financial statements are correct, sufficient and credible. It reviews and recommends with Bank management the half-year/annual financial statements before their submission to the board of directors.

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

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 the Bank.

Bank of Baroda (New Zealand) Limited

Notes to the financial statements
For the year ended 31 March 2020

33 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:

- 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 instruments 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 2020. The Bank was registered on 1 September 2009 and from the date of registration to 31 March 2020; 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.

	2020 \$000's	2019 \$000's
Tier One Capital		
Common equity Tier One Capital		
Issued and fully paid up share capital	40,000	40,000
Retained earnings	8,872	8,103
Accumulated other comprehensive income and other disclosed reserves	-	-
Interest from issue of ordinary shares	-	-
Less:		
Regulatory adjustments	-	-
Deferred tax assets	(259)	(174)
Total common equity Tier One Capital	48,613	47,929
Additional Tier One Capital		
Nil	-	-
Total Tier One Capital	48,613	47,929
Tier Two Capital		
Nil	-	-
Total Tier Two Capital	-	-
Total Capital	48,613	47,929

Bank of Baroda (New Zealand) Limited

Notes to the financial statements
For the year ended 31 March 2020

33 Capital adequacy (continued)

31 March 2020	Total exposure after credit risk mitigation \$000's	Risk Weight	Risk weighted exposure \$000's	Minimum pillar 1 capital requirement \$000's
Calculation of on-balance-sheet exposures				
Cash and gold bullion	74	0%	-	-
Sovereigns and central banks	-	0%	-	-
Multilateral development banks and other international organisation	-	0%	-	-
Public sector entities	-	20%	-	-
Banks (Due from other financial institutions)	29,049	20%	5,810	465
Banks (Due from related parties)	107	50%	54	4
Corporate	23,803	100%	23,803	1,904
Residential mortgages not past due				
Non property investment-LVR up to 80%	31,846	35%	11,146	892
Non property investment-LVR >80% but <90%	1,829	50%	915	73
Property investment-LVR <80%	33,716	40%	13,486	1,079
Property investment-LVR >80% but <90%	-	70%	-	-
Past due residential mortgages	-	35%	-	-
Other past due assets	-	100%	-	-
Equity holdings (not deducted from capital) that are publicly traded	-	300%	-	-
All other equity holdings (not deducted from capital)	-	400%	-	-
Non risk weighted assets	-	0%	-	-
Other assets	2,499	100%	2,499	200
Total on-balance-sheet exposures	122,923		57,713	4,617

As at 31 March 2020	Total exposure \$000's	Credit conversion factor %	Credit equivalent amount \$000's	Average risk weight %	Risk weighted exposure \$000's	Minimum pillar 1 capital requirement \$000's
Calculation of off-balance-sheet exposures						
Direct credit substitute	-	0%	-	0%	-	-
Asset sale with recourse	-	0%	-	0%	-	-
Forward asset purchase	-	0%	-	0%	-	-
Commitment with certain drawdown	-	0%	-	0%	-	-
Note issuance facility	-	0%	-	0%	-	-
Performance-related contingency	40	50%	20	100%	20	2
Revolving underwriting facility	-	0%	-	0%	-	-
Trade-related contingency	-	0%	-	0%	-	-
Placements of forward deposits	-	0%	-	0%	-	-
Other commitments where original maturity is more than one year	16,681	50%	8,341	55%	4,588	367
Other commitments where original maturity is less than or equal to one year	-	0%	-	0%	-	-
Other commitments that cancel automatically when the creditworthiness of the counterparty deteriorates or that can be cancelled unconditionally at any time without prior notice	-	0%	-	0%	-	-
Market related contracts						
(a) Foreign exchange contracts	-	0%	-	0%	-	-
(b) Interest rate contracts	-	0%	-	0%	-	-
(c) Other - OTC, etc	-	0%	-	0%	-	-
Total off-balance-sheet exposures	16,721		8,361		4,608	369

Bank of Baroda (New Zealand) Limited

Notes to the financial statements
For the year ended 31 March 2020

33 Capital adequacy (continued)

Residential mortgages by loan-to-valuation ratio

As at 31 March 2020	Does not exceed 80%	Exceeds 80% and not 90%	Exceeds 90%	Total
Loan-to-valuation ratio				
On-balance-sheet exposures	66,374	1,172	-	67,546
Off-balance-sheet exposures	6,851	1	-	6,852
Total loan-to-value ratio	73,225	1,173	-	74,398

Reconciliation of residential mortgage-related amounts

	31 March 2020
Residential mortgage loans (as disclosed in Note 18)	67,546
Undrawn commitments related to residential mortgages	6,852
Residential mortgages by loan-to-valuation ratio	74,398

Breach of condition of registration

During the 2019 year, High LVR lending in respect of non-investment property made in April 2018 exceeded the 15% limit for the six month period ending 30 September 2018, amounting to 23.8%. This breach, however, was rectified as on 1 October 2018.

31 March 2019	Total exposure after credit risk mitigation \$000's	Risk Weight	Risk weighted exposure \$000's	Minimum pillar 1 capital requirement \$000's
Calculation of on-balance-sheet exposures				
Cash and gold bullion	96	0%	-	-
Sovereigns and central banks	-	0%	-	-
Multilateral development banks and other international organisation	-	0%	-	-
Public sector entities	-	20%	-	-
Banks (Due from other financial institutions)	18,662	20%	3,732	299
Banks (Due from related parties)	5,195	50%	2,598	208
Corporate	16,410	100%	16,410	1,313
Residential mortgages not past due				
Non property investment-LVR up to 80%	43,093	35%	15,083	1,207
Non property investment-LVR >80% but <90%	1,868	50%	934	75
Property investment-LVR <80%	28,163	40%	11,265	901
Property investment-LVR >80% but <90%	-	70%	-	-
Past due residential mortgages	-	100%	-	-
Other past due assets	-	100%	-	-
Equity holdings (not deducted from capital) that are publicly traded	-	300%	-	-
All other equity holdings (not deducted from capital)	-	400%	-	-
Non risk weighted assets	10,735	0%	-	-
Other assets	621	100%	621	50
Total on-balance-sheet exposures	124,843		50,643	4,053

Bank of Baroda (New Zealand) Limited

Notes to the financial statements
For the year ended 31 March 2020

33 Capital adequacy (continued)

31 March 2019	Total exposure \$000's	Credit conversion factor %	Credit equivalent amount \$000's	Average risk weight %	Risk weighted exposure \$000's	Minimum pillar 1 capital requirement \$000's
Calculation of off-balance-sheet exposures						
Direct credit substitute	-	0%	-	0%	-	-
Asset sale with recourse	-	0%	-	0%	-	-
Forward asset purchase	-	0%	-	0%	-	-
Commitment with certain drawdown	-	0%	-	0%	-	-
Note issuance facility	-	0%	-	0%	-	-
Revolving underwriting facility	40	50%	20	100%	20	2
Performance-related contingency	-	0%	-	0%	-	-
Trade-related contingency	-	0%	-	0%	-	-
Placements of forward deposits	-	0%	-	0%	-	-
Other commitments where original maturity is more than one year	14,561	50%	7,281	70%	5,097	407
Other commitments where original maturity is less than or equal to one year	-	0%	-	0%	-	-
Other commitments that cancel automatically when the creditworthiness of the counterparty deteriorates or that can be cancelled unconditionally at any time without prior notice	-	0%	-	0%	-	-
Market related contracts						
(a) Foreign exchange contracts	-	0%	-	0%	-	-
(b) Interest rate contracts	-	0%	-	0%	-	-
(c) Other - OTC, etc	-	0%	-	0%	-	-
Total off-balance-sheet exposures	14,601		7,301		5,117	409

Residential mortgages by loan-to-valuation ratio

As at 31 March 2019	Does not exceed 80%	Exceeds 80% and not 90%	Exceeds 90%	Total
Loan-to-valuation ratio				
On-balance sheet exposures	71,318	1,871	-	73,189
Off-balance sheet exposures	4,950	5	-	4,955
Total loan-to value ratio	76,268	1,876	-	78,144

Reconciliation of residential mortgage-related amounts

	31-Mar-19
Residential mortgage loans (as disclosed in Note 18)	73,189
Undrawn commitments related to residential mortgages	4,955
Residential mortgages by loan-to-valuation ratio	78,144

Bank of Baroda (New Zealand) Limited

Notes to the financial statements
For the year ended 31 March 2020

33 Capital adequacy (continued)

Credit risk mitigation

The following are the gross and non-risk weighted amounts of exposures which are 100% mitigated, by exposure class:

As at 31 March 2020	On balance	Off balance	Total value of on and off balance sheet exposures covered by eligible collateral (after haircutting)
	sheet exposure \$000's	sheet exposure \$000's	sheet exposures \$000's
Exposure class			
Corporate	6,609	2,316	8,925
Other	1,882	964	2,846
Total	8,491	3,280	11,771

As at 31 March 2019*	On balance	Off balance	Total value of on and off balance sheet exposures covered by eligible collateral (after haircutting)
	sheet exposure \$000's	sheet exposure \$000's	sheet exposures \$000's
Exposure class			
Corporate	8,738	50	8,788
Other	1,997	1,148	3,145
Total	10,735	1,198	11,933

*The comparative information for the credit mitigation has been restated due to the correction of an error.

Operational risk capital requirement

	31 March 2020		31 March 2019	
	Implied risk weighted exposure \$000's	Total operational risk capital requirement \$000's	Implied risk weighted exposure \$000's	Total operational risk capital requirement \$000's
Operational risk	8,550	684	8,000	640

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. BOB is using the standardised method for calculation of Capital Adequacy. This information is made available to users via the BOB website (www.bankofbaroda.com).

As per latest available data at 31 March 2020, BOB's Tier One Capital was 11.32% of total risk-weighted assets and total capital was 13.87% of total risk-weighted assets (31 March 2019: Tier One Capital was 12.72% of total risk-weighted assets and total capital was 14.52% of total risk-weighted assets). BOB's capital ratios during the year ended 31 March 2020 and 31 March 2019 exceeded the Reserve Bank of India's minimum capital adequacy requirements.

Bank of Baroda (New Zealand) Limited

Notes to the financial statements
For the year ended 31 March 2020

33 Capital adequacy

(continued) 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.

	End-period capital charges		Peak end-of-day capital charges	
	Implied risk \$000's	Aggregate \$000's	Implied risk \$000's	Aggregate capital \$000's
Year ended 31 March 2020				
Interest rate risk	3,700	296	4,563	365
Foreign currency risk	563	45	1,713	137
Equity risk	-	-	-	-
Total capital requirements	4,263	341	6,275	502
Year ended 31 March 2019				
Interest rate risk	4,202	336	4,202	336
Foreign currency risk	623	50	1,050	84
Equity risk	-	-	-	-
Total capital requirements	4,825	386	5,252	420

	Total exposure after credit risk mitigation \$000's	Risk weighted	Capital requirement \$000's
		exposure or implied risk weighted \$000's	
As at 31 March 2020			
Total credit risk + equity	139,644	62,321	4,986
Operational risk	-	8,550	684
Market risk	-	4,263	341
Total	139,644	75,134	6,011
As at 31 March 2019			
Total credit risk + equity	139,444	55,760	4,461
Operational risk	-	8,000	640
Market risk	-	4,825	386
Total	139,444	68,585	5,487

Capital ratios

	Common equity	Tier 1 capital	Total capital ratio
	tier 1 capital ratio	ratio	
31-Mar-20			
Ratio	64.70%	64.70%	64.70%
Minimum ratio requirement	4.5%	6.0%	8.0%
31-Mar-19			
Ratio	69.88%	69.88%	69.88%
Minimum ratio requirement	4.5%	6.0%	8.0%

Bank of Baroda (New Zealand) Limited

Notes to the financial statements
For the year ended 31 March 2020

33 Capital adequacy

(continued) Buffer ratios

31-Mar-20	
Buffer ratio	56.70%
Buffer ratio requirement	2.5%
31-Mar-19	
Buffer ratio	61.88%
Buffer ratio requirement	2.5%

34 Regulatory liquidity ratios

The following were the average values of each of the following regulatory liquidity ratios of the stated periods, calculated based on the average of the close of each working day.

	Minimum per conditions of registration applicable to 31 March 2020	Three months ended 31 March 2020	Three months ended 31 December 2019
One-week mismatch ratio	0	28.6	29.1
One-month mismatch ratio	0	32.2	32.1
Core funding ratio	75	120.3	118.6

35 Other material matters

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