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**Disclosure Statement for the year ended 31 March 2019**

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# 1. Definitions

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In this Disclosure Statement, unless the context otherwise requires:

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

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

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

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

**BOB** means Bank of Baroda;

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

**INR** means Indian Rupees;

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

**USD** means United States Dollars.

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

## 2. General information

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

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 2019 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](http://www.barodanzltd.co.nz)

### 2.2 Details of ultimate parent bank and ultimate holding company

#### (a) Ultimate parent bank

The Bank’s ultimate parent bank is Bank of Baroda, 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 2019, the Government of India held 63.26% of the total shares in BOB. The remaining 36.74% of the shares in BOB are held by public shareholding (governed by the laws of India). BOB shares are listed on both the National Stock Exchange (India) and on the Bombay Stock Exchange (India). Further details concerning the shareholding in BOB are on its website: [www.bankofbaroda.com](http://www.bankofbaroda.com).

##### *Annual Report of BOB*

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

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

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 at 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 2019, the publicly disclosed capital of BOB was INR 622,237.18 million (USD 8,997.72 million) representing (Basel III) 14.52% of risk weighted exposure.

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

Rating Agency	Current Rating	Outlook	Qualifications	Rating Change in the Last 2 Years
Moody's Investor Services Limited	<b>Baa2</b>	---	Nil	one-notch upgrade from Baa3 to Baa2 on 12 June 2018
Fitch IBCA, Inc.	<b>BBB-</b>	Stable	Nil	No

Moody's Long Term Counterparty Risk Rating (CRR) of Bank of Baroda (BOB) has been upgraded from Baa3 to Baa2 on 12 June 2018, Moody's CRR do not carry outlooks. The rating was reaffirmed on 25 September 2018

Moody has also affirmed the Long-Term bank deposit domestic and foreign of BOB at Baa3 on 12 June 2018 and the outlook remains as Stable.

Fitch Ratings has affirmed the ratings on BOB. The Long-Term Issuer Default Ratings (IDR) on BOB has been affirmed at 'BBB-' on 26 September 2018. The Outlook on the IDRs is Stable.

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

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### 4.1 Communications

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

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

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

### 4.2 Responsible person

The responsible 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, PG 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*

Nil

#### **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)*  
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:**

The following changes in the composition of the Board of Directors of the Bank (the "Board") have been effected since 31 March 2018:

- Kavita Singh has been inducted as Non-Executive Director effective from 18 July 2018;
- Mayankkumar Kulinchandra Mehta, Non-Executive Director has resigned from the Board effective from 30 September 2018;
- Kamini Kirthi Reddy has been inducted as Independent Director effective from 11 October 2018;
- Ranjna Patel, Independent Director has resigned from the Board effective from 10 December 2018; and
- Sunil Kumar Srivastava has been inducted as Non Executive Director on 28 February 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

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

Deloitte Limited  
Deloitte Centre  
80 Queen Street  
Auckland 1010  
New Zealand

## **6. Conditions of registration**

Effective 1 January 2019, the Reserve Bank of New Zealand (RBNZ) issued revised conditions of registration for the bank. The conditions of registration have been amended to incorporate the changes that are included in the revised version of “Framework for Restriction on High-LVR Residential Mortgage Lending” (BS19).

Bank of Baroda (New Zealand) Limited has complied with all conditions of registration for the accounting period except for the following condition:

High LVR lending in respect of non-investment property made in April 2018 has exceeded the 15% limit for the six month period ending 30 September 2018 to 23.8%. This breach, however, stands rectified as at 01 October 2018

The revised conditions of registration on or after 1 January 2019 are as follows:

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 the aggregate distributions of the bank’s earnings to the percentage limit to distributions that corresponds to the banking group’s buffer ratio:

<b>Banking group’s buffer ratio</b>	<b>Percentage limit to distributions of the bank’s earnings</b>
0% – 0.625%	0%
>0.625 – 1.25%	20%
>1.25 – 1.875%	40%
>1.875 – 2.5%	60%

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

For the purposes of this condition of registration,—  
“buffer ratio”, “distributions”, and “earnings” have the same meaning as in Part 3 of the Reserve Bank of New Zealand document: “Capital Adequacy Framework (Standardised Approach)” (BS2A) dated 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 bank <sup>1</sup>	Connected exposure limit (% of the banking group's Tier 1 capital)
AA/Aa2 and above	75
AA-/Aa3	70
A+/A1	60
A/A2	40
A-/A3	30
BBB+/Baa1 and below	15

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

<sup>1</sup> This table uses the rating scales of Standard & Poor's, Fitch Ratings and Moody's Investors Service. (Fitch Ratings' scale is identical to Standard & Poor's.)

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

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

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

For the purposes of this condition of registration, the ratios identified must be calculated in accordance with the Reserve Bank of New Zealand documents entitled “Liquidity Policy” (BS13) dated 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.

15. That, for a loan-to-valuation measurement period, the total of the bank’s qualifying new mortgage lending amount in respect of property-investment residential mortgage loans with a loan-to-valuation ratio of more than 70%, must not exceed 5% of the total of the qualifying new mortgage lending amount in respect of property-investment residential mortgage loans arising in the loan-to-valuation measurement period.

16. That, for a loan-to-valuation measurement period, the total of the bank’s qualifying new mortgage lending amount in respect of non property-investment residential mortgage loans with a loan-to-valuation ratio of more than 80%, must not exceed 20% of the total of the qualifying new mortgage lending amount in respect of non property-investment residential mortgage loans arising in the loan-to-valuation measurement period.

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

In these conditions of registration,—

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

“generally accepted accounting practice” has the same meaning as in section 8 of the Financial Reporting Act 2013.

In conditions of registration 15 to 17,—

“loan-to-valuation ratio”, “non property-investment residential mortgage loan”, “property-investment residential mortgage loan”, “qualifying new mortgage lending amount in respect of property-investment residential mortgage loans”, “qualifying new mortgage lending amount in respect of non property-investment residential mortgage loans”, and “residential mortgage loan” have the same meaning as in the Reserve Bank of New Zealand document entitled “Framework for Restrictions on High-LVR Residential Mortgage Lending” (BS19) dated January 2019:

“loan-to-valuation measurement period” means a period of six calendar months ending on the last day of the sixth calendar month, the first of which ends on the last day of June 2019.



## 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	Outlook	Qualifications	Rating Change in the Last 2 Years
Fitch IBCA, Inc.	Long-term Issuer Default Rating	BBB-	Stable	Nil	No

There have been no rating changes for Bank of Baroda (New Zealand) Limited within the last two years. On 13 June 2018, Fitch Ratings has affirmed the ratings on Bank of Baroda (New Zealand) Limited. The Long-Term Issuer Default Ratings (IDR) on Bank of Baroda (New Zealand) Limited have been affirmed at 'BBB-'. The Outlook on the IDRs is Stable.

### 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	2019	2018	2017	2016	2015
<b>Statement of comprehensive income</b>					
Interest income	4,968	4,593	3,922	3,963	3,310
Interest expense	(1,828)	(1,504)	(1,186)	(1,132)	(727)
<b>Net interest income</b>	<b>3,140</b>	<b>3,089</b>	<b>2,736</b>	<b>2,831</b>	<b>2,583</b>
Other income	1,231	1,480	1,760	1,594	1,333
<b>Total operating income</b>	<b>4,371</b>	<b>4,569</b>	<b>4,496</b>	<b>4,425</b>	<b>3,916</b>
Impairment losses on loans and advances	(6)	(67)	(26)	(65)	(49)
Other expenses	(3,002)	(2,931)	(3,174)	(3,005)	(3,172)
<b>Net profit before taxation</b>	<b>1,363</b>	<b>1,571</b>	<b>1,296</b>	<b>1,355</b>	<b>695</b>
Taxation (expense)/benefit	(457)	(428)	(382)	40	131
<b>Net profit after taxation</b>	<b>906</b>	<b>1,143</b>	<b>914</b>	<b>1,395</b>	<b>826</b>
<b>Minority interests</b>	-	-	-	-	-
<b>Dividends paid</b>	51	-	-	-	-

NZ \$000's					
As at 31 March	2019	2018	2017	2016	2015
<b>Balance sheet</b>					
Total assets	125,258	115,879	103,021	91,682	77,331
Total individually impaired assets	-	-	-	111	111
Total liabilities	77,155	68,684	56,969	46,544	33,588
Total shareholder equity	48,103	47,195	46,052	45,138	43,743

NZ \$000's					
For the year ended March	2019	2018	2017	2016	2015
<b>Summary of Cash Flow Statement</b>					
Operating activities	(2,287)	(8,303)	10,046	3,196	505
Investing activities	-	(2)	-	-	-
Financing activities	(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

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

## 11. Other material matters

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

## 12. Directors' statements

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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.

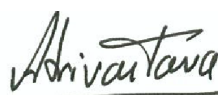
Each Director of the Bank, after due enquiry, believes that for the year ended 31 March 2019:

- (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, except for the breach as detailed on page 11 under conditions of registration;
- (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 26 June 2019 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**

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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 2019 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 बड़ौदा 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



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International Division Baroda Corporate Centre, C-26, G-Block, Bandra-Kurla Complex, Mumbai 400 051, India.  
फोन / Phone : 91 22 6898 5000-04, 6898 5425 ☐ फॅक्स / Fax : 91 22 2652 3509  
ईमेल / E-mail : gm.international.bco@bankofbaroda.com ☐ वेब / Web : www.bankofbaroda.com

Appendix 1: Guarantee



बैंक ऑफ़ बड़ोदा Bank of Baroda

This Deed of Guarantee is made on 13<sup>th</sup> August, 2008

by Bank of Baroda (Guarantor)

### Introduction

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

### It is agreed

#### 1. Interpretation

##### 1.1

##### Definitions

In this Deed:

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

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

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

##### 1.2

##### Construction of certain references

In this Deed:

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

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

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

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

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

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

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



International Division Baroda Corporate Centre, C-26, G-Block, Bandra-Kurla Complex, Mumbai 400 051, India.  
Phone : 91 22 6888 5000-04, 6688 5425 | फ़ैक्स / Fax : 91 22 2682 3509  
ईमेल / E-mail : gm.international.bco@bankofbaroda.com | वेब / Web : www.bankofbaroda.com



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-Kurta Complex, Mumbai 400 051, India.  
91 22 6998 5000-04, 6698 5426 ☎ फ़ैक्स / Fax : 91 22 2652 3509  
E-mail : gm.international.bcc@bankofbaroda.com | वेब / Web : www.bankofbaroda.com



बैंक ऑफ़ बड़ोदा 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 full indemnity basis). In this clause, the expression "Guaranteed Indebtedness" includes any indebtedness that would have been included in that expression but for anything referred to in this clause.

### 3. Nature of guarantee obligations

#### 3.1 Liability as sole principal debtor

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

#### 3.2 No discharge

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

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

### 4. Payments

#### 4.1 Mode of payments

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

#### Payments to be free and clear

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

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



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International Division Baroda Corporate Centre, C-26, G-Block, Bandra-Kurla Complex, Mumbai 400 051, India.  
दूरभाष / Phone : 91 22 6698 6000-04, 6698 6426 0 चैक्स / Fax : 91 22 2652 3509  
ई-मेल / 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 that 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 शाखा : बड़ौदा कॉर्पोरेट सेंटर, सी-26, जी-ब्लॉक, बंद्रा-कुला कॉम्प्लेक्स, मुंबई 400 051, भारत  
International Division Baroda Corporate Centre, C-26, G-Block, Bandra-Kurla Complex, Mumbai 400 051, India.  
फोन / Phone : 91 22 6688 5000-04, 6688 5428 ३ ईमेल / Fax : 91 22 2662 3509  
Email: [gm.international.lcc@bankofbaroda.com](mailto:gm.international.lcc@bankofbaroda.com) | वेब / Web : [www.bankofbaroda.com](http://www.bankofbaroda.com)





बैंक ऑफ़ बड़ौदा Bank of Baroda

## 8. Miscellaneous

### 8.1 Partial invalidity

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

### 8.2 Enforcement by Creditors

For the purposes of the Contracts (Privy) 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.

5



आंतरराष्ट्रीय विभाग, बँकेचे कार्यालय, २६-२६, ग-ब्लॉक, बंदरा-कुर्या कॉम्प्लेक्स, मुंबई ४०० ०५१, भारत  
International Division, Baroda Corporate Centre, G-26, G-Block, Bandra-Kurla Complex, Mumbai 400 051, India.  
फोन / Phone: ९१ २२ २६५२ ५०००-०४, ६६९८ ५४२६ ☎ फॅक्स / Fax: ९१ २२ २६५२ ६५०९  
ईमेल / E-mail: gm.international.bco@bankofbaroda.com ☎ वेब / Web: www.bankofbaroda.com



बैंक ऑफ बड़ौदा Bank of Baroda

Execution

Executed as a deed

This Deed of Guarantee in favour of the Creditors of Bank of Baroda (New Zealand) Limited is executed on this the 14<sup>th</sup> day of August 2008 by Bank of Baroda, a body corporate constituted under the Banking Companies (Acquisition & Transfer of Undertakings) Act, 1970 and having its Head Office at Mandvi, Baroda, India and its Corporate Office at Baroda Corporate Centre, C-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 Division
Baroda Corporate Centre, C-26, G-Block, Bandra-Kurla Complex, Mumbai 400 051, India.
Phone / Phone : 91 22 6688 5000-04, 6898 6426 0 0 फोन / Fax : 91 22 2662 3506
ई-मेल / E-mail : grn.international.bcc@bankofbaroda.com 0 वेब / Web : www.bankofbaroda.com





बैंक ऑफ़ बड़ौदा 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	+91-22-66985454/5426
Email	<a href="mailto:gm.international.bcc@bankofbaroda.com">gm.international.bcc@bankofbaroda.com</a>
SWIFT Code	BARBINBXXX

##### Bank Details

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

बैंक ऑफ़ बड़ौदा (न्यू झीलैंड) लिमिटेड, प्लॉट नं. सी-26, को-ब्लॉक, बान्द्रा-कुर्ला कॉम्प्लेक्स, मुंबई 400 051, भारत  
International Office/Bank of Baroda Corporate Centre, C-26, G-Block, Bandra-Kurla Complex, Mumbai 400 051, India.  
फोन / Phone : 91-22-6698 5000-04, 6698 5426 | फैक्स / Fax : 91 22 2682 3509  
ई-मेल / E-mail : [gm.international.bcc@bankofbaroda.com](mailto:gm.international.bcc@bankofbaroda.com) | वेब / Web : [www.bankofbaroda.com](http://www.bankofbaroda.com)

## Appendix 2: Financial statements

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Bank of Baroda (New Zealand) Limited  
Company Number 2135104

Financial Statements for the year ended 31 March 2019

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## Independent Auditor's Report

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

#### REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION (EXCLUDING SUPPLEMENTARY INFORMATION RELATING TO CREDIT AND MARKET RISK EXPOSURES AND CAPITAL ADEQUACY)

##### Opinion

We have audited the financial statements and the supplementary information (excluding the information relating to Credit and Market Risk Exposures and Capital Adequacy on pages 73 to 87 of Bank of Baroda (New Zealand) Limited ('the Bank').

The financial statements comprise the statement of financial position as at 31 March 2019, and the statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

The supplementary information (excluding the information relating to Credit and Market Risk Exposures and Capital Adequacy) comprise the information required to be disclosed under 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').

In our opinion, the accompanying financial statements, on pages 35 to 87 (excluding the information relating to Credit and Market Risk Exposures and Capital Adequacy on pages 73 to 87):

- comply with generally accepted accounting practice in New Zealand; and
- give a true and fair view of the financial position of the Bank as at 31 March 2019, and its financial performance and cash flows for the year then ended in accordance with New Zealand Equivalents to International Financial Reporting Standards ('NZ IFRS') and International Financial Reporting Standards ('IFRS').

In our opinion, the supplementary information (excluding the information relating to Credit and Market Risk Exposures and Capital Adequacy) disclosed in accordance with Schedules 4, 7, 13, 14, 15 and 17 of the Order (the 'Supplementary Information'):

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

##### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing ('ISAs') and International Standards on Auditing (New Zealand) ('ISAs (NZ)'). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements and Supplementary Information* section of our report.

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

##### 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 of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
<p><b>Expected credit loss on loans and advances to customers</b></p> <p>As described in note 5, the expected credit loss has been determined as \$289k. We considered this a Key Audit Matter due to the significant judgement made by management in determining when to recognise an allowance for impairment losses on loans and advances to customers and in estimating the provision. As detailed in note 10, the Bank has loans and advances of \$100,804k. Impairment</p>	<p>We assessed the modelling methodology against the requirements of NZ IFRS 9.</p> <p>We tested the operating effectiveness of key controls in the lending cycle, specifically targeted to the assessment of credit risk related to each counterparty. We tested the approval of new lending arrangements, the performance of loan assessments and controls over the monitoring of counterparty credit quality.</p>

**Key audit matter****How our audit addressed the key audit matter**

allowances of \$211k (note 10) relates to loans and advances and \$78k (note 15) to undrawn commitments and guarantees

Key areas of judgement include:

- considerations on what is considered to be a significant increase in credit risk and default events;
- assumptions about past credit experience, current conditions and forecasts of economic conditions;
- assumptions used in the expected credit loss model such as the cash flows and macroeconomic environment as described in note 1(h).

Management has used assumptions including those related to probability of default, loss given default, exposure credit loss, discount rates, forward-looking economic conditions, and estimates of collateral value in order to calculate expected credit loss. We have performed analysis on the consistency and relevance of these inputs against market-based information, as well as assessed transactional data captured at commencement of the loan and internal credit quality assessment. We have challenged the probability of default for each borrower rating. We have also challenged the loss given default applied to each security type.

We assessed the mathematical accuracy of the expected credit loss model through recalculating the expected credit loss to verify it has been calculated in line with the Bank's policy and reconciling it back to the general ledger. We also assessed the design and implementation of controls over these inputs.

In addition, we assessed the adequacy of disclosure against the applicable financial reporting standards.

**Other information**

The directors are responsible on behalf of the Bank for the other information. The other information comprises the information required to be included in the Disclosure Statement in accordance with Schedule 2 of the Order on pages 1 to 28 that accompanies the financial statements, Supplementary Information, and the audit report.

Our opinion on the financial statements and Supplementary Information does not cover the other information and we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and consider whether it is materially inconsistent with the financial statements and Supplementary Information or our knowledge obtained in the audit or otherwise appears to be materially misstated. If so, we are required to report that fact. We have nothing to report in this regard.

**Directors' responsibilities for the financial statements and Supplementary Information**

The directors are responsible on behalf of the Bank for the preparation of financial statements in accordance with NZ IFRS and IFRS and that give a true and fair view of the matters to which they relate. The directors are also responsible on behalf of the Bank for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The directors are also responsible on behalf of the Bank for the preparation of Supplementary Information which fairly states the matters required to be disclosed under Schedules 2, 4, 7, 13, 14, 15 and 17 of the Order and which is prepared in accordance with any guidelines issued pursuant to Section 78(3) of the Reserve Bank of New Zealand Act 1989; any Conditions of Registration; and in accordance with the books and records of the Bank.

In preparing the financial statements, the directors are responsible on behalf of the Bank for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Bank 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**

Our objectives are to obtain reasonable assurance about whether the financial statements and Supplementary Information as a whole are free from material misstatement, whether due to fraud or error, and to issue an 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 ISAs and ISAs (NZ) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and 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 the financial statements and Supplementary Information.

It is our responsibility to express an opinion on the financial statements and Supplementary Information prepared and presented by the directors, and report our opinion in accordance with clause 2 of Schedule 1 of the Order. Our responsibility is to express an opinion based on our audit.

A further description of our responsibilities for the audit of the financial statements is located on the External Reporting Board's website at:

<https://www.xrb.govt.nz/standards-for-assurance-practitioners/auditors-responsibilities/audit-report-6>



This description forms part of our auditor's report.

**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.

**REPORT ON THE REVIEW OF THE SUPPLEMENTARY INFORMATION RELATING TO CREDIT AND MARKET RISK EXPOSURES AND CAPITAL ADEQUACY**

**Information subject to our review**

We have reviewed the supplementary information relating to Credit and Market Risk Exposures and Capital Adequacy on pages 73 to 87.

**Directors' responsibilities**

The directors are responsible on behalf of the Bank for the preparation and fair presentation of the supplementary information relating to Credit and Market Risk Exposures and Capital Adequacy prepared in accordance with Schedule 9 of the Order, and for such internal control as the directors determine is necessary to enable the preparation and fair presentation of the supplementary information relating to Credit and Market Risk Exposures and Capital Adequacy that is free from material misstatement, whether due to fraud or error.

**Our responsibilities**

Our responsibility is to express a conclusion on the supplementary information relating to Credit and Market Risk Exposures and Capital Adequacy 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'). We are required to conclude whether anything has come to our attention that would cause us to believe that the supplementary information relating to Credit and Market Risk Exposures and Capital Adequacy is not in all material respects:

- prepared in accordance with the guidelines issued pursuant to Section 78(3) of the Reserve Bank of New Zealand Act 1989; any Conditions of Registration; and in accordance with the books and records of the Bank;
- prepared in accordance with the Capital Adequacy Framework (Standardised Approach) (BS2A); and
- disclosed in accordance with Schedule 9 of the Order.

As the auditor of the Bank, NZ SRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial statements of the Bank.

A review 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 International Standards on Auditing (New Zealand). Accordingly we do not express an audit opinion on the supplementary information relating to Credit and Market Risk Exposures and Capital Adequacy.

**Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the supplementary information relating to Credit and Market Risk Exposures and Capital Adequacy, disclosed on pages 73 to 87, as required by Schedule 9 of the Order, is not in all material respects:

- prepared in accordance with the guidelines issued pursuant to Section 78(3) of the Reserve Bank of New Zealand Act 1989; any Conditions of Registration; and in accordance with the books and records of the Bank;
- prepared in accordance with Capital Adequacy Framework (Standardised Approach) (BS2A); and
- disclosed in accordance with Schedule 9 of the Order.

## AUDITOR INDEPENDENCE

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*, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Other than in our capacity as auditor, we have no relationship with or interests in the Bank, except that partners and employees of our firm may deal with the Bank on normal terms within the ordinary course of trading activities of the business of the Bank.

## RESTRICTION ON USE

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

*Deloitte Limited*

**Jason Stachurski, Partner  
for Deloitte Limited**  
Auckland, New Zealand  
26 June 2019

This audit report relates to the Disclosure Statement of Bank of Baroda (New Zealand) Limited (the 'Bank') for the year ended 31 March 2019 included on the Bank's website. The Directors are responsible for the maintenance and integrity of the Bank's website. We have not been engaged to report on the integrity of the Bank's website. We accept no responsibility for any changes that may have occurred to the Disclosure Statement since it was initially presented on the website. The audit report refers only to the financial statements and supplementary information described above. It does not provide an opinion on any other information which may have been hyperlinked to/from the Disclosure Statement. If readers of this report are concerned with the inherent risks arising from electronic data communication they should refer to the published hard copy of the Disclosure Statement and related audit report dated 26 June 2019 to confirm the information included in the Disclosure Statement presented on this website.

# Bank of Baroda (New Zealand) Limited

Statement of comprehensive income  
For the year ended 31 March 2019

	Note	2019 \$000's	2018 \$000's
Interest income	2	4,968	4,593
Interest expense	2	(1,828)	(1,504)
<b>Net interest income</b>		<u>3,140</u>	<u>3,089</u>
Other income	3	1,231	1,480
<b>Total operating income</b>		<u>4,371</u>	<u>4,569</u>
Operating expenses	4	(3,002)	(2,931)
Impairment losses on loans and advances	5	(6)	(67)
<b>Profit before tax</b>		<u>1,363</u>	<u>1,571</u>
Taxation expense	6	(457)	(428)
<b>Profit after tax</b>		<u>906</u>	<u>1,143</u>
<b>Other comprehensive income</b>		-	-
<b>TOTAL COMPREHENSIVE INCOME</b>		<u>906</u>	<u>1,143</u>

The 31 March 2019 results reflect measurement changes arising from the adoption of NZ IFRS 9. Prior period comparatives have not been restated. Please refer to Note 1 for details of the changes to accounting policies.

*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 2019

	Notes	Share capital \$000's	Retained earnings \$000's	Total equity \$000's
<b>Balance at 1 April 2018 as previously reported</b>		<b>40,000</b>	<b>7,195</b>	<b>47,195</b>
Changes on initial application of NZ IFRS 9*		-	53	53
<b>Adjusted opening balance as at 1 April 2018</b>		<b>40,000</b>	<b>7,248</b>	<b>47,248</b>
Total comprehensive income for the year		-	906	906
<i>Transactions with owners</i>				
Dividend paid	16	-	(51)	(51)
<b>Balance at 31 March 2019</b>		<b>40,000</b>	<b>8,103</b>	<b>48,103</b>
<b>Comparative year to 31 March 2018</b>				
<b>Balance at 1 April 2017</b>		<b>40,000</b>	<b>6,052</b>	<b>46,052</b>
Total comprehensive income for the year		-	1,143	1,143
<b>Balance at 31 March 2018</b>		<b>40,000</b>	<b>7,195</b>	<b>47,195</b>

\* The 31 March 2019 results reflect the adoption of NZ IFRS 9, with the impact on initial adoption shown on this line. Please refer to Note 1 for details of the changes to accounting policies.

*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 2019

	Note	2019 \$000's	2018 \$000's
<b>ASSETS</b>			
Cash and cash equivalents	8	7,758	10,096
Balance due from related parties	13	5,195	4,882
Due from other financial institutions	9	11,000	14,200
Loans and advances	10	100,593	85,842
Property, plant and equipment	11	241	301
Deferred tax asset	7	174	177
Other assets	12	297	381
<b>TOTAL ASSETS</b>		<b>125,258</b>	<b>115,879</b>
<b>LIABILITIES</b>			
Balance due to related parties	13	1,299	1,069
Deposits and other borrowings	14	74,731	67,058
Current taxation		406	-
Other liabilities	15	719	557
<b>TOTAL LIABILITIES</b>		<b>77,155</b>	<b>68,684</b>
<b>EQUITY</b>			
Share capital	16	40,000	40,000
Retained earnings	16	8,103	7,195
<b>TOTAL EQUITY</b>		<b>48,103</b>	<b>47,195</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>125,258</b>	<b>115,879</b>
<b>Total interest earning and discount bearing assets</b>		122,861	113,268
<b>Total interest and discount bearing liabilities</b>		70,522	63,176
<b>Financial assets, pledged as collateral for liabilities or contingent liabilities</b>		-	-

The financial statements were approved by the Board of Directors and authorised for issue on 26 June 2019.



Chairman



Managing Director

The 31 March 2019 balances reflect the adoption of NZ IFRS 9. Prior period comparatives have not been restated. Please refer to Note 1 for details of the changes to accounting policies.

*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 2019

	2019 \$000's	2018 \$000's
<b>Cash Flows from Operating Activities</b>		
<u>Cash was provided from:</u>		
Interest received	5,054	4,482
Fees and other income	1,231	1,479
	<u>6,285</u>	<u>5,961</u>
<u>Cash was applied to:</u>		
Operating expenses paid	(2,827)	(2,799)
Interest paid	(1,852)	(1,468)
Income tax paid	(68)	-
	<u>(4,747)</u>	<u>(4,267)</u>
<b>Net Cash Flows from Operating Activities Before Changes in Operating Assets and Liabilities</b>	<b><u>1,538</u></b>	<b><u>1,694</u></b>
<b>Net Changes in Operating Assets and Liabilities:</b>		
(Increase) in loans and advances	(14,606)	(15,839)
Decrease/(Increase) in balances due from other financial institutions	3,200	(6,200)
Increase in deposits and other borrowings	7,673	11,539
Increase in balance due to related parties	230	72
Increase in other assets	(2)	(4)
Increase/(Decrease) in other liabilities and provisions	(7)	12
(Increase)/Decrease due from related parties	(313)	423
<b>Net Cash Flow (used in) / from Operating Activities</b>	<b><u>(2,287)</u></b>	<b><u>(8,303)</u></b>
<b>Cash Flows (used in) / from Investing Activities</b>		
<u>Cash was applied to:</u>		
Purchase of property, plant and equipment	-	(2)
<b>Net Cash Flow from/(used in) Investing Activities</b>	<b><u>-</u></b>	<b><u>(2)</u></b>
<b>Cash Flows used in Financing Activities</b>		
<u>Cash was applied to:</u>		
Payment of dividend	(51)	-
<b>Net Cash Flow (used in)/from Financing Activities</b>	<b><u>(51)</u></b>	<b><u>-</u></b>
<b>(Decrease)/Increase in cash and cash equivalents</b>	<b>(2,338)</b>	<b>(8,305)</b>
Cash at the beginning of the year	10,096	18,401
<b>Cash at the end of the year</b>	<b><u>7,758</u></b>	<b><u>10,096</u></b>
<u>Made up of:</u>		
Cash on hand	96	136
Call and overnight advances to financial institutions	7,662	9,960
<b>Cash at the end of the year</b>	<b><u>7,758</u></b>	<b><u>10,096</u></b>

# 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 2019

	2019 \$000's	2018 \$000's
<b>Net profit after taxation</b>	<b>906</b>	<b>1,143</b>
<b>Non cash movements:</b>		
Depreciation	60	76
Increase in collective allowance for impairment losses	6	67
Decrease/(increase) in deferred taxation	(17)	428
	<u>49</u>	<u>571</u>
<b>Net movement in operating assets and liabilities:</b>		
(Increase) in loans and advances	(14,606)	(15,839)
Decrease/(Increase) in balances due from other financial institutions	3,200	(6,200)
Increase in deposits and other borrowings	7,673	11,539
(Decrease)/Increase in interest payable	(24)	36
Decrease/(Increase) in interest receivable	86	(112)
Increase in balances due to related parties	230	72
(Increase) in other assets	(2)	(4)
Increase in other liabilities and provisions	108	68
(Increase)/Decrease in balances due from related parties	(313)	423
Increase in current tax liability	406	-
<b>Net cash flows (used in)/from operating activities</b>	<b><u>(2,287)</u></b>	<b><u>(8,303)</u></b>

# Bank of Baroda (New Zealand) Limited

Notes to the financial statements  
For the year ended 31 March 2019

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## 1 Statement of accounting policies

The reporting entity is Bank of Baroda (New Zealand) Limited ("the Bank" or "the Company"). The Bank is 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, and the Registered Bank Disclosure Statements (New Zealand Incorporated Registered Banks) Order 2014 (as amended). They were approved for issue by the Directors on 26 June 2019. 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 BOB.

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, as modified by the revaluation of financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss (if any). 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*

The implementation of NZ IFRS 9 (see *Changes in accounting policies* below) has resulted in a change to the assessment of the critical accounting estimates and judgements related to impairment of financial assets. 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.

Assumptions and estimates have been made based on readily obtainable and relevant information about past credit experience, current conditions and forecasts of economic conditions.

The probability of default, loss given default, and exposure at default assumptions which support the expected credit loss estimate will be reviewed regularly in light of differences between loss estimates and actual loss experience, but given that NZ IFRS 9 requirements are newly adopted, and the lack of loss experience in this time period, there has been limited opportunities to make these comparisons.

Both the underlying models and their calibration, including integration of forward-looking economic conditions, remain subject to review and refinement.



# Bank of Baroda (New Zealand) Limited

Notes to the financial statements  
For the year ended 31 March 2019

## 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.

#### **Adoption of New Zealand equivalent to International Financial Reporting Standards 9: Financial Instruments (NZ IFRS 9)**

The Bank has applied NZ IFRS 9 from 1 April 2018 without restatement of comparatives, in accordance with the transition requirements. NZ IFRS 9 is mandatorily applicable for accounting periods beginning on or after 1 January 2018. This standard sets out new requirements for classification and measurement, impairment and hedge accounting for financial assets and liabilities. It replaces NZ IAS 39 *Financial Instruments: Recognition and Measurement* (NZ IAS 39) and all previous versions of NZ IFRS 9.

As shown in the table below, all previously recognised financial assets were considered to be loans and receivables and measured at amortised cost under NZ IAS 39, which continued to be recognised at amortised cost under NZ IFRS 9. Disclosures provided for comparative information have not been restated.

	Loans and receivables as previously reported at 31 March 2018 \$000's	Adjustment on adoption of NZ IFRS 9 \$000's	Financial assets at amortised cost under NZ IFRS 9 at 1 April 2018 \$000's
<b>Financial assets</b>			
Cash and cash equivalents	10,096	-	10,096
Due from other financial	14,200	-	14,200
Loans and advances	85,842	121	85,963
Balances with related parties	4,882	-	4,882
Other financial assets	381	-	381
<b>Total financial assets</b>	<b>115,401</b>	<b>121</b>	<b>115,522</b>

NZ IFRS 9 also introduced new impairment requirements based on an expected credit loss model, replacing the incurred loss model previously applied under NZ IAS 39. The impact of this change is summarised below.

*Summary of impact of credit loss allowance measurement changes:*

	As previously reported as at 31 March 2018 \$000's	Adjustment on adoption of NZ IFRS 9 \$000's	Under NZ IFRS 9 as at 1 April 2018 \$000's
<b>Impact on statement of financial position:</b>			
Loans and advances	85,842	121	85,963
Deferred tax asset	177	(20)	157
Other liabilities	557	48	605
Retained earnings	7,195	53	7,248

# Bank of Baroda (New Zealand) Limited

Notes to the financial statements  
For the year ended 31 March 2019

## (a) Changes in accounting policies (continued)

Impact on impairment provision for loans and advances (including undrawn loan commitments):

	Retail mortgage loans \$000's	Corporate \$000's	Other \$000's	Total \$000's
Opening balance of provision as at 1 April 2018	224	122	10	356
Change on adoption	(175)	110	(8)	(73)
<b>Credit loss allowance under NZIFRS 9 as at 1 April 2018</b>	<b>49</b>	<b>232</b>	<b>2</b>	<b>283</b>
<i>Recognised in:</i>				
Loans and allowances - collective provision				235
Other liabilities				48
<b>Credit loss allowance under NZIFRS 9 as at 1 April 2018</b>				<b>283</b>

Upon transition to NZ IFRS 9, it was assessed that any expected credit losses arising from other credit exposures (including both related party advances and amounts due from other financial institutions) were immaterial.

### *Classification and measurement of financial liabilities*

As disclosed in the table below, classification and measurement of financial liabilities has remained unchanged for the Bank, with all financial liabilities continuing to be measured at amortised cost.

	As previously reported as at 31 March 2018	Adjustment on adoption of NZ IFRS 9	Under NZ IFRS 9 as at 1 April 2018 reported as financial liabilities at amortised cost
	as other financial liabilities \$000's	\$000's	\$000's
<b>Financial liabilities</b>			
Deposits and other borrowings	67,058	-	67,058
Due to related parties	1,069	-	1,069
Other financial liabilities	557	48	605
<b>Total financial liabilities</b>	<b>68,684</b>	<b>48</b>	<b>68,732</b>

### ***Adoption of New Zealand equivalent to International Financial Reporting Standards 15 (NZ IFRS 15) Revenue from contracts with customers***

In addition, the Bank has adopted the requirements of NZ IFRS 15 *Revenue from contracts with customers* from 1 April 2018, which has not had a material effect on the measurement or presentation within the financial statements of the Bank.

### ***Other policy changes***

All other accounting policies remain unchanged from the previous reporting period.

# Bank of Baroda (New Zealand) Limited

Notes to the financial statements  
For the year ended 31 March 2019

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## **(b) Foreign currency translation**

### *Functional and presentation currency*

Items included in the financial statements of the Bank are measured using New Zealand dollars, the currency of the primary economic environment in which the Bank operates ("the functional currency").

### *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.

### *Other income*

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

# Bank of Baroda (New Zealand) Limited

Notes to the financial statements  
For the year ended 31 March 2019

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## (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.

### *Classification under NZ IAS 39 for comparative information*

The Bank classified assets in the following categories: at fair value through profit or loss and loans and receivables. The classification depended on the purpose for which the financial assets were acquired. Management determined the classification of its financial assets at initial recognition. All financial assets in the preceding periods were classified as loans and receivables.

Under NZ IAS 39, loans and receivables were non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. The Bank's loans and receivables generally comprised loans and advances to customers, trade and other receivables, and cash and cash equivalents in the balance sheet (excluding cash balances) and amounts due from related parties and financial institutions.

### *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.

### *Classification under NZ IFRS 9 for current year disclosures*

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

### *Classification under NZ IAS 39 for comparative information*

The Bank classified its financial liabilities under NZ IAS 39 in the following categories: at fair value through profit or loss; or other financial liabilities. The classification depended on the purpose for which the financial liability was entered into. Management determines the classification of its financial liabilities at initial recognition. All previously recognised financial liabilities were recognised in the other financial liability category.

# Bank of Baroda (New Zealand) Limited

Notes to the financial statements  
For the year ended 31 March 2019

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**(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.

**(h) Impairment of financial assets**

*Current policies under NZ IFRS 9*

The Bank now 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.

# Bank of Baroda (New Zealand) Limited

Notes to the financial statements  
For the year ended 31 March 2019

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## (h) Impairment of financial assets (continued)

### *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.

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 recognised in this category since adoption of NZ IFRS 9.

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 since the adoption of NZ IFRS 9.

# Bank of Baroda (New Zealand) Limited

Notes to the financial statements  
For the year ended 31 March 2019

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## (h) Impairment of financial assets (continued)

### *Purchased or originated credit impaired assets*

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

### **Impairment provisioning under NZ IAS 39 - Incurred loss model**

#### *Assets carried at amortised cost*

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

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

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

If there was objective evidence that an impairment loss on loans or investments carried at amortised cost had been incurred, the amount of loss was measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset was reduced through the use of an allowance account and the amount of the loss was recognised in the profit or loss. If loans or investments had variable interest rates, the discount rate for measuring any impairment loss was the current effective interest rate determined under the contract. As a practical expedient impairment may be measured on the basis of an instrument's fair value using an observable market price.

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

# Bank of Baroda (New Zealand) Limited

Notes to the financial statements  
For the year ended 31 March 2019

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## (h) Impairment of financial assets (continued)

### Impairment provisioning under the NZ IAS 39 - Incurred loss model (continued)

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

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

When a loan was uncollectible, it was written off to the profit or loss. Such loans were written off after all the necessary procedures have been completed and the amount of the loss has been determined.

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

## (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) Property, plant and equipment

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



# Bank of Baroda (New Zealand) Limited

Notes to the financial statements  
For the year ended 31 March 2019

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## (j) Property, plant and equipment (continued)

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

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

• Furniture, fittings and leasehold improvements	5-7 years
• Office equipment	3-5 years
• Computer hardware	3 years

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

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

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

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

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

## (k) Taxation

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

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

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

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

# Bank of Baroda (New Zealand) Limited

Notes to the financial statements  
For the year ended 31 March 2019

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## (l) 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.

## (m) 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.

## (n) Leases

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

Operating lease payments are 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. All other expenses, excluding interest expense, are recognised in the profit or loss on an accrual basis.

## (o) Share capital

### *Share issue costs*

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

### *Dividend distribution*

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

## (p) 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.

## (q) 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 2019

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## (r) Employee benefits

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

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

### *Long service leave*

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

## (s) Standards issued but not yet effective

The following new standards and interpretations which may have a material impact on the bank have been issued, but are not yet effective and have not been early adopted by the Bank.

NZ IFRS 16 *Leases* (NZ IFRS 16) was issued on 11 February 2016 and will be effective for the 31 March 2020 financial year. NZ IFRS 16 will replace NZ IAS 17 *Leases* (NZ IAS 17). The main changes under the standard for lessees are:

- all leases of greater than 12 months duration will be required to be presented on balance sheet. The net present value of these leases will be recognised as a right-of-use asset and a corresponding lease liability; and
- all leases on balance sheet will give rise to a combination of interest expense on the lease liability and depreciation of the leased asset.

Lessor accounting remains unchanged.

The impact of NZ IFRS 16 is expected to be the recognition of a right of use asset and corresponding liability of approximately \$2.66 million at 1 April 2019. The Bank's current operating lease commitments (at their undiscounted amount) at balance date are set out in note 20.

# Bank of Baroda (New Zealand) Limited

Notes to the financial statements  
For the year ended 31 March 2019

<b>2 Interest</b>	<b>2019</b>	<b>2018</b>
	<b>\$000's</b>	<b>\$000's</b>
<b>Interest income</b>		
Bank deposits/placements	579	635
Loans and advances to customers	4,389	3,958
<b>Total interest income</b>	<b>4,968</b>	<b>4,593</b>
<b>Interest expense</b>		
Deposits by customers	1,828	1,504
<b>Total interest expense</b>	<b>1,828</b>	<b>1,504</b>
<b>3 Other income</b>	<b>2019</b>	<b>2018</b>
	<b>\$000's</b>	<b>\$000's</b>
Banking and lending fee income	213	243
Commissions revenue	38	30
Net foreign exchange gains	974	1,201
Other revenue	6	6
<b>Total other income</b>	<b>1,231</b>	<b>1,480</b>
<b>4 Operating expenses</b>	<b>2019</b>	<b>2018</b>
	<b>\$000's</b>	<b>\$000's</b>
Audit and review of disclosure statement:		
• Deloitte Limited	102	96
Directors' fees	49	44
Depreciation:		
• Computer hardware	1	2
• Office equipment	8	10
• Furniture, fittings, and leasehold improvements	51	64
Employee benefits:		
• Salary & others	1,396	1,350
• Kiwisaver	16	37
Rental and lease costs	551	571
Other operating expenses	828	757
<b>Total operating expenses</b>	<b>3,002</b>	<b>2,931</b>

# Bank of Baroda (New Zealand) Limited

Notes to the financial statements  
For the year ended 31 March 2019

## 5 Credit loss allowances

	Retail mortgage \$000's	Corporate and institutional \$000's	Other exposures \$000's	Total \$000's
<b>For year ended 31 March 2019</b>				
<b>Collective allowance</b>				
Balance at the beginning of the year	224	122	10	356
Adjustment upon adoption of NZ IFRS 9	(175)	110	(8)	(73)
<b>Restated opening balance</b>	<b>49</b>	<b>232</b>	<b>2</b>	<b>283</b>
(Credit)/Charge to profit or loss	21	(16)	1	6
<b>Total collective allowance for credit losses at 31 March 2019</b>	<b>70</b>	<b>216</b>	<b>3</b>	<b>289</b>
<i>Recognised in:</i>				
Loans and advances - collective provision	65	145	1	211
Other liabilities - undrawn commitments	5	71	2	78
<b>Total collective allowance for credit losses at 31 March 2019</b>	<b>70</b>	<b>216</b>	<b>3</b>	<b>289</b>

Movement in provision for credit loss allowance	Collective provision			Total
	Collective provision 12-months ECL	lifetime ECL - significant increase in credit risk	Specific provision lifetime ECL - credit impaired	
<b>Residential mortgage lending</b>				
Balance at beginning of year	49	-	-	49
Charge/(credit) to profit or loss	21	-	-	21
<b>Balance at end of period - Residential mortgage lending</b>	<b>70</b>	<b>-</b>	<b>-</b>	<b>70</b>
<b>Other retail exposures</b>				
Balance at beginning of year	2	-	-	2
Charge/(credit) to profit or loss	1	-	-	1
<b>Balance at end of period - other retail exposures</b>	<b>3</b>	<b>-</b>	<b>-</b>	<b>3</b>
<b>Corporate exposures</b>				
Balance at beginning of year	232	-	-	232
Charge/(credit) to profit or loss	(16)	-	-	(16)
<b>Balance at end of period - Corporate exposures</b>	<b>216</b>	<b>-</b>	<b>-</b>	<b>216</b>
<b>Provision for credit loss allowances - Total</b>				
Balance at beginning of year	283	-	-	283
Charge/(credit) to income statement excluding transfer between ECL stages	6	-	-	6
<b>Total provision for credit loss allowances at 31 March 2019</b>	<b>289</b>	<b>-</b>	<b>-</b>	<b>289</b>

### Impact of changes in gross carrying amount on ECL

Overall, the net increase in the total provision for credit impairment of \$6,000 during the year was mainly driven by the change in profile of the Bank's loans. A number of corporate loans which existed at 1 April 2018 were repaid during the year to 31 March 2019, and new loans originated primarily were residential mortgage advances.

# Bank of Baroda (New Zealand) Limited

Notes to the financial statements  
For the year ended 31 March 2019

## 5 Credit loss allowance (continued)

As at 31 March 2018 - measured and disclosed in accordance with NZ IAS 39 requirements	Retail mortgage lending \$000's	Corporate and institutional \$000's	Other exposures \$000's	Total \$000's
<i>Individually impaired assets</i>				
Balance at the beginning of the year	-	-	-	-
Charge to profit or loss	-	-	-	-
Reversal of previous amounts	-	-	-	-
Bad debts written off	-	-	-	-
<b>Balance at the end of the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<i>Collective allowance for impairment losses</i>				
Balance at the beginning of the year	181	98	10	289
Charge to profit or loss	43	24	-	67
Advances written off	-	-	-	-
<b>Total collective allowance for impairment losses</b>	<b>224</b>	<b>122</b>	<b>10</b>	<b>356</b>

## 6 Taxation

	2019 \$000's	2018 \$000's
<b>Net profit before taxation</b>	1,363	1,571
Tax calculated at a tax rate of 28%	(382)	(440)
Re-estimation of prior period current tax liability	(68)	-
Other permanent differences	(7)	12
<b>Taxation expense as per the statement of comprehensive income</b>	<b>(457)</b>	<b>(428)</b>
<b>Represented by:</b>		
Current tax - current year	(406)	-
Current tax - prior year	(68)	-
Deferred tax	17	(428)
<b>Taxation expense as per the statement of comprehensive income</b>	<b>(457)</b>	<b>(428)</b>

Imputation credits available for use in subsequent periods are as follows:

	2019 \$000's	2018 \$000's
Credits available from tax payments less dividends paid by 31 March	48	-
Credits expected to be available upon payment of year end tax liability	406	-
<b>Total imputation credits available for subsequent periods</b>	<b>454</b>	<b>-</b>

## 7 Deferred taxation

	2019 \$000's	2018 \$000's
<b>Deferred tax balances</b>		
Balance at the beginning of the year	177	605
Change on adoption of NZ IFRS 9	(20)	-
<b>Restated opening balance</b>	<b>157</b>	<b>605</b>
Credit/(charge) to statement of comprehensive income	17	(428)
<b>Balance at end of the year</b>	<b>174</b>	<b>177</b>
Recoverable within twelve months	174	177
Recoverable after twelve months	-	-

# Bank of Baroda (New Zealand) Limited

Notes to the financial statements  
For the year ended 31 March 2019

## 7 Deferred taxation (continued)

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
<b>Balance</b>	<b>177</b>	<b>(20)</b>	<b>17</b>	<b>174</b>

Movement in composition of balance - 2018 year	Opening balance as at 31 March 2017	Recognised in the profit and loss	Closing balance as at 31 March 2018
	\$000's	\$000's	\$000's
Property, plant and equipment	46	1	47
Provisions	111	19	130
Tax losses	448	(448)	-
<b>Balance</b>	<b>605</b>	<b>(428)</b>	<b>177</b>

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

8 Cash and cash equivalents	2019	2018
	\$000's	\$000's
Cash on hand	96	136
Call and overnight advances to financial institutions	7,662	9,960
<b>Total cash and cash equivalents</b>	<b>7,758</b>	<b>10,096</b>
Current	7,758	10,096
Non-current	-	-

9 Due from other financial institutions	2019	2018
	\$000's	\$000's
Term deposits	11,000	14,200
<b>Total amount due from other financial institutions</b>	<b>11,000</b>	<b>14,200</b>
Current	11,000	14,200
Non-current	-	-

10 Loans and advances	2019	2018
	\$000's	\$000's
Residential mortgage loans	73,189	54,122
Corporate exposures	25,294	29,684
Other exposures	2,321	2,392
Allowances for impairment losses	(211)	(356)
<b>Total net loans and receivables</b>	<b>100,593</b>	<b>85,842</b>
Current	18,636	25,359
Non-current	81,957	60,483

# Bank of Baroda (New Zealand) Limited

Notes to the financial statements  
For the year ended 31 March 2019

## 11 Property, plant and equipment

For the year ended 31 March 2018	Computer hardware \$000's	Office equipment \$000's	Furniture, fittings & leasehold improvements \$000's	Total \$000's
<b>As at 1 April 2017</b>				
Opening cost	198	170	1,101	1,469
Opening accumulated depreciation	(193)	(128)	(773)	(1,094)
<b>Opening net book value</b>	<b>5</b>	<b>42</b>	<b>328</b>	<b>375</b>
Additions during the 2018 year	-	-	2	2
Depreciation	(2)	(10)	(64)	(76)
<b>Closing net book value</b>	<b>3</b>	<b>32</b>	<b>266</b>	<b>301</b>
<b>At 31 March 2018</b>				
Closing cost	198	170	1,103	1,471
Closing accumulated depreciation	(195)	(138)	(837)	(1,170)
<b>Closing net book value</b>	<b>3</b>	<b>32</b>	<b>266</b>	<b>301</b>

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

## 12 Other assets

	2019 \$000's	2018 \$000's
Other receivables	84	82
Interest receivable	213	299
<b>Trade and other receivables</b>	<b>297</b>	<b>381</b>
Current	297	381
Non-current	-	-



# Bank of Baroda (New Zealand) Limited

Notes to the financial statements  
For the year ended 31 March 2019

## 13 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 are defined as being the directors and senior management of the Bank.

	2019 \$000's	2018 \$000's
Salaries and other short-term benefits	981	1,022
Total key management compensation	<b>981</b>	<b>1,022</b>

### 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 2019, 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 2019, the Bank holds foreign currency deposits equivalent to NZ\$4,903,390 (31 March 2018: NZ\$4,587,850) with other branches of BOB group, these deposits are interest bearing. The Bank also holds the following foreign currency Nostro current accounts deposits of NZ\$291,518 (31 March 2018 NZ\$294,589) 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\$1,215,909 (31 March 2018: NZ\$997,367) and Bank of Baroda (Fiji) of NZ\$1,446 (31 March 2018: NZ\$8,397) that are non-interest bearing.

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

	2019 \$000's	2018 \$000's
BOB International Banking Unit Branch, Gandhinagar, India (USD)	4,903	-
Uganda (USD)	-	2,907
Kenya (USD)	-	1,681
<b>Total balance</b>	<b>4,903</b>	<b>4,588</b>
USA New York branch (USD)	218	141
India Mumbai main office (INR)	32	124
U.K London branch (GBP)	8	9
Belgium Brussels branch (EURO)	6	8
Fiji Suva branch (FJD)	2	3
Australia SBI Sydney branch (AUD)	26	9
<b>Total Nostro balance</b>	<b>292</b>	<b>294</b>

# Bank of Baroda (New Zealand) Limited

Notes to the financial statements  
For the year ended 31 March 2019

13 Related party disclosures (continued)	2019 \$000's	2018 \$000's
<b>Transaction with related parties:</b>		
<i>Interest income</i>		
Bank of Baroda branches and its subsidiaries	107	110
Other related parties	-	-
<i>Interest expense</i>		
Bank of Baroda branches and its subsidiaries	-	-
Other related parties	-	-
<i>Support &amp; service fee/management fee</i>		
Bank of Baroda	117	141
<b>Due to related parties:</b>		
Bank of Baroda	1,217	1,006
Other related parties	82	63
<b>Total due to related parties</b>	<b>1,299</b>	<b>1,069</b>
Current	1,299	1,069
Non-current	-	-
<b>Total</b>	<b>1,299</b>	<b>1,069</b>
<b>Due from related parties:</b>		
Bank of Baroda branches	266	285
Subsidiaries of Bank of Baroda	4,903	4,588
Other related parties	26	9
<b>Total due from related parties</b>	<b>5,195</b>	<b>4,882</b>
Current	5,195	4,882
Non-current	-	-
<b>Total</b>	<b>5,195</b>	<b>4,882</b>
<b>14 Deposits and other borrowings</b>		
	<b>2019</b>	<b>2018</b>
	<b>\$000's</b>	<b>\$000's</b>
Retail deposits	74,731	67,058
Wholesale	-	-
Other	-	-
<b>Total deposits</b>	<b>74,731</b>	<b>67,058</b>
New Zealand	74,731	67,058
Overseas	-	-
Current	64,120	60,176
Non-current	10,611	6,882
<b>15 Other liabilities</b>		
	<b>2019</b>	<b>2018</b>
	<b>\$000's</b>	<b>\$000's</b>
Employee entitlements	106	78
Other payables and accruals	535	479
Credit loss allowance on undrawn lending commitments	78	-
<b>Total other liabilities</b>	<b>719</b>	<b>557</b>
Current	719	557
Non-current	-	-

# Bank of Baroda (New Zealand) Limited

Notes to the financial statements  
For the year ended 31 March 2019

16 Equity	2019 \$000's	2018 \$000's
Share capital	40,000	40,000
Retained earnings	8,103	7,195
<b>Total equity</b>	<b>48,103</b>	<b>47,195</b>

40,000,000 shares (2018: 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.

During the year, an interim dividend was paid of \$51,429 (0.13 cents per share, imputed at 28c) which was paid on 1 March 2019.

## 17 Asset quality

As at 31 March 2019	Residential mortgage loans \$000's	Corporate 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
<b>Gross loans and advances</b>	<b>73,189</b>	<b>25,294</b>	<b>2,321</b>	<b>100,804</b>
Less allowance for impairment	(65)	(145)	(1)	(211)
<b>Net loans and advances</b>	<b>73,124</b>	<b>25,149</b>	<b>2,320</b>	<b>100,593</b>
Other assets neither past due nor impaired	-	-	24,250	24,250
<b>Total net financial assets</b>	<b>73,124</b>	<b>25,149</b>	<b>26,570</b>	<b>124,843</b>

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	-	-
<b>Balance at end of period</b>	<b>100,804</b>	<b>100,804</b>

At 1 April 2018 and 31 March 2019 there were no loans in Stage 2 or 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 2019 (2018: 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 2019 (2018: nil).

# Bank of Baroda (New Zealand) Limited

Notes to the financial statements  
For the year ended 31 March 2019

## 17 Asset quality (continued)

Undrawn balances on lending commitments to counterparties within the impaired asset category were NZ\$ nil as at 31 March 2019 and 31 March 2018 balance was NZ\$ nil.

### As at 31 March 2018 - Under NZ IAS 39 requirements

	Residential mortgage NZ \$'000	Corporate exposures NZ \$'000	Other exposures NZ \$'000	Total NZ \$'000
Neither past due nor impaired	53,430	29,555	2,392	85,377
Past due but not impaired	692	129	-	821
Impaired	-	-	-	-
<b>Gross loans and advances</b>	<b>54,122</b>	<b>29,684</b>	<b>2,392</b>	<b>86,198</b>
Less allowance for impairment	(224)	(122)	(10)	(356)
<b>Net loans and advances</b>	<b>53,898</b>	<b>29,562</b>	<b>2,382</b>	<b>85,842</b>
Other assets neither past due nor impaired	-	-	29,559	29,559
<b>Total net financial assets</b>	<b>53,898</b>	<b>29,562</b>	<b>31,941</b>	<b>115,401</b>

### Past due but not impaired

Gross amount of finance receivables that were past due but not impaired were as follows:

Less than 30 days past due	692	129	-	821
At least 30 days but less than 60 days past due	-	-	-	-
More than 60 days but less than 90 days past due	-	-	-	-
At least 90 days past due	-	-	-	-
<b>Total</b>	<b>692</b>	<b>129</b>	<b>-</b>	<b>821</b>

### Gross impaired assets

Net additions	-	-	-	-
Amounts written off	-	-	-	-
<b>Balance at end of the year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

### Individual credit impairment allowance

Balance at beginning of the year	-	-	-	-
Charged to the statement of comprehensive income	-	-	-	-
Amounts written off	-	-	-	-
Recoveries of amounts previously written off	-	-	-	-
Reversals of previous amounts	-	-	-	-
Total amounts per statement of comprehensive income	-	-	-	-
<b>Balance at end of the year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

# Bank of Baroda (New Zealand) Limited

Notes to the financial statements  
For the year ended 31 March 2019

## 18 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.

	<b>2019</b>	<b>2018</b>
	<b>\$000's</b>	<b>\$000's</b>
<b>New Zealand</b>		
Finance	18,758	24,296
Households	78,144	57,533
Transport and storage	-	-
Communications	-	-
Electricity, gas and water	192	654
Construction	14,519	14,211
Property services	4,962	2,130
Agriculture	-	-
Education	-	4,400
Health and community services	1,079	1,116
Personal and other services	12,621	11,837
Retail and wholesale trade	3,003	3,859
Food and other manufacturing	885	1,021
Other financial assets	297	381
<b>Overseas</b>		
Finance, investment and insurance	5,195	4,882
<b>Total financial assets</b>	<b>139,655</b>	<b>126,321</b>
Allowance for impairment losses	(211)	(356)
<b>Total net financial assets</b>	<b>139,444</b>	<b>125,965</b>

# Bank of Baroda (New Zealand) Limited

Notes to the financial statements  
For the year ended 31 March 2019

## 18 Concentration of credit risk (continued)

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

	<b>2019</b>	<b>2018</b>
	<b>\$000's</b>	<b>\$000's</b>
<b>New Zealand</b>		
Upper North Island	117,839	106,434
Lower North Island	16,621	15,005
South Island	-	-
<b>Overseas</b>		
USA New York branch (USD)	218	141
India Mumbai Main Office (INR)	32	124
U.K London branch (EURO)	8	9
Belgium Brussels branch (EURO)	6	8
Fiji Suva branch (FJD)	2	3
Australia SBI Sydney (AUD)	26	9
India - International Banking Unit Branch (USD)	4,903	-
Uganda (USD)	-	2,907
Kenya (USD)	-	1,681
Allowance for impairment losses	(211)	(356)
<b>Total net financial assets</b>	<b>139,444</b>	<b>125,965</b>

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

	<b>2019</b>	<b>2018</b>
	<b>\$000's</b>	<b>\$000's</b>
Loans and advances	115,405	96,762
Balances with related parties	5,195	4,882
Due from other financial institutions	11,000	14,200
Cash and cash equivalents	7,758	10,096
Other financial assets	297	381
<b>Total gross financial assets</b>	<b>139,655</b>	<b>126,321</b>
Allowance for impairment losses	(211)	(356)
<b>Total net financial assets</b>	<b>139,444</b>	<b>125,965</b>

# Bank of Baroda (New Zealand) Limited

Notes to the financial statements  
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## 19 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:

	2019 \$000's	2018 \$000's
<b>New Zealand</b>		
Financing investment and insurance	2,194	1,636
Retail and wholesale trade	2,156	1,986
Other	719	557
Households	70,463	63,499
<b>Overseas</b>		
Finance, investment and insurance	1,217	1,006
<b>Total financial liabilities</b>	<b>76,749</b>	<b>68,684</b>

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

	2019 \$000's	2018 \$000's
<b>New Zealand</b>		
Upper North Island	60,612	53,699
Lower North Island	14,920	13,979
South Island	-	-
Overseas	1,217	1,006
<b>Total financial liabilities</b>	<b>76,749</b>	<b>68,684</b>

## 20 Lease commitments

	2019 \$000's	2018 \$000's
<b>Operating lease commitments under non-cancellable operating leases:</b>		
Not later than 1 year	460	512
1-2 years	191	351
2-5 years	248	417
5+ years	-	17
<b>Total</b>	<b>899</b>	<b>1,297</b>

Lease commitment includes operating lease under non-cancellable terms taken for branches and officials of the bank.

## 21 Capital commitments

As at 31 March 2019, there are no material outstanding commitments (31 March 2018: nil).

## 22 Contingent liabilities

	2019 \$000's	2018 \$000's
Performance/financial guarantees issued on behalf of customers	40	840
<b>Total contingent liabilities</b>	<b>40</b>	<b>840</b>

**Undrawn commitments available to customers** **14,561** **9,724**

## 23 Subsequent events after balance sheet date

A final dividend of \$123,393 in relation to the 2017-2018 financial year was declared subsequent to balance date and paid on 27 May 2019. There were no further subsequent events after balance date (31 March 2018: nil).

# Bank of Baroda (New Zealand) Limited

Notes to the financial statements  
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## 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.

As at 31 March 2019	Total \$000's	Not interest bearing \$000's	Up to 3 months \$000's	Over 3 months & up to 6 months \$000's	Over 6 months & up to 1 year \$000's	Over 1 & up to 2 years \$000's	Over 2 & up to 5 years \$000's	Over 5 years \$000's
<b>Financial assets</b>								
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	-	-	-	-	-	-
<b>Total financial assets</b>	<b>124,843</b>	<b>2,193</b>	<b>63,937</b>	<b>11,150</b>	<b>22,533</b>	<b>25,030</b>	-	-
<b>Financial liabilities</b>								
Due to other financial institutions	-	-	-	-	-	-	-	-
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	-	-	-	-	-	-
<b>Total financial liabilities</b>	<b>76,749</b>	<b>6,227</b>	<b>38,381</b>	<b>7,117</b>	<b>14,413</b>	<b>5,914</b>	<b>4,697</b>	-
<b>On-balance sheet gap</b>	<b>48,094</b>	<b>(4,034)</b>	<b>25,556</b>	<b>4,033</b>	<b>8,120</b>	<b>19,116</b>	<b>(4,697)</b>	-
Financial guarantee	40	40	-	-	-	-	-	-
Undrawn commitments	14,561	-	9,832	183	1,216	3,330	-	-
<b>Net effective interest rate gap</b>	<b>62,695</b>	<b>(3,994)</b>	<b>35,388</b>	<b>4,216</b>	<b>9,336</b>	<b>22,446</b>	<b>(4,697)</b>	-
<b>As at 31 March 2018</b>								
<b>Financial assets</b>								
Cash and cash equivalents	10,096	1,814	8,282	-	-	-	-	-
Due from other financial institutions	14,200	-	14,200	-	-	-	-	-
Loans and advances	85,842	-	38,262	14,724	15,533	17,323	-	-
Balances with related parties	4,882	294	4,588	-	-	-	-	-
Other financial assets	381	381	-	-	-	-	-	-
<b>Total financial assets</b>	<b>115,401</b>	<b>2,489</b>	<b>65,332</b>	<b>14,724</b>	<b>15,533</b>	<b>17,323</b>	-	-
<b>Financial liabilities</b>								
Due to other financial institutions	-	-	-	-	-	-	-	-
Deposits and other borrowings	67,058	3,945	37,650	8,794	9,787	4,438	2,444	-
Due to related parties	1,069	1,006	63	-	-	-	-	-
Other financial liabilities	557	557	-	-	-	-	-	-
<b>Total financial liabilities</b>	<b>68,684</b>	<b>5,508</b>	<b>37,713</b>	<b>8,794</b>	<b>9,787</b>	<b>4,438</b>	<b>2,444</b>	-
<b>On-balance sheet gap</b>	<b>46,717</b>	<b>(3,019)</b>	<b>27,619</b>	<b>5,930</b>	<b>5,746</b>	<b>12,885</b>	<b>(2,444)</b>	-
Financial guarantee	840	840	-	-	-	-	-	-
Undrawn commitments	9,724	-	6,257	202	2,134	1,131	-	-
<b>Net effective interest rate gap</b>	<b>57,281</b>	<b>(2,179)</b>	<b>33,876</b>	<b>6,132</b>	<b>7,880</b>	<b>14,016</b>	<b>(2,444)</b>	-



# Bank of Baroda (New Zealand) Limited

Notes to the financial statements  
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## 25 Financial instruments by category

<b>As at 31 March 2019</b>	<b>Amortised cost - NZ IFRS 9 \$000's</b>	<b>Total \$000's</b>
<b>Financial assets</b>		
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
<b>Total financial assets</b>	<b>124,843</b>	<b>124,843</b>

<b>As at 31 March 2019</b>	<b>Amortised cost - NZ IFRS 9 \$000's</b>	<b>Total \$000's</b>
<b>Financial liabilities</b>		
Deposits and other borrowings	74,731	74,731
Due to related parties	1,299	1,299
Other financial liabilities	719	719
<b>Total financial liabilities</b>	<b>76,749</b>	<b>76,749</b>

<b>As at 31 March 2018</b>	<b>Loans and receivables - NZ IAS 39 \$000's</b>	<b>Total \$000's</b>
<b>Financial assets</b>		
Cash and cash equivalents	10,096	10,096
Due from other financial institutions	14,200	14,200
Loans and advances	85,842	85,842
Balances with related parties	4,882	4,882
Other financial assets	381	381
<b>Total financial assets</b>	<b>115,401</b>	<b>115,401</b>

<b>As at 31 March 2018</b>	<b>Other financial liabilities - NZ IAS 39 \$000's</b>	<b>Total \$000's</b>
<b>Financial liabilities</b>		
Deposits and other borrowings	67,058	67,058
Due to related parties	1,069	1,069
Other financial liabilities	557	557
<b>Total financial liabilities</b>	<b>68,684</b>	<b>68,684</b>

# Bank of Baroda (New Zealand) Limited

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## 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 2019	FJD \$000's	GBP \$000's	EUR \$000's	INR \$000's	USD \$000's	AUD \$000's	Total \$000's
<b>Financial assets</b>							
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	-	-	-	-	-	-	-
<b>Total financial assets</b>	<b>2</b>	<b>8</b>	<b>6</b>	<b>32</b>	<b>6,170</b>	<b>26</b>	<b>6,244</b>
<b>Financial liabilities</b>							
Due to other financial institutions	-	-	-	-	-	-	-
Deposits and other borrowings	-	-	-	-	5,621	-	5,621
Other financial liabilities	-	-	-	-	-	-	-
Due to related parties	-	-	-	-	-	-	-
<b>Total financial liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>5,621</b>	<b>-</b>	<b>5,621</b>
<b>Net on statement of financial position</b>	<b>2</b>	<b>8</b>	<b>6</b>	<b>32</b>	<b>549</b>	<b>26</b>	<b>623</b>
<b>As at 31 March 2018</b>							
	FJD \$000's	GBP \$000's	EUR \$000's	INR \$000's	USD \$000's	AUD \$000's	Total \$000's
<b>Financial assets</b>							
Cash and cash equivalents	-	-	-	-	1,043	-	1,043
Due from other financial institutions	-	-	-	-	-	-	-
Loans and advances	-	-	-	-	-	-	-
Balances with related parties	3	9	8	124	4,729	9	4,882
Other financial assets	-	-	-	-	-	-	-
<b>Total financial assets</b>	<b>3</b>	<b>9</b>	<b>8</b>	<b>124</b>	<b>5,772</b>	<b>9</b>	<b>5,925</b>
<b>Financial liabilities</b>							
Deposits and other borrowings	-	-	-	-	5,721	-	5,721
Other financial liabilities	-	-	-	-	-	-	-
Due to related parties	-	-	-	-	-	-	-
<b>Total financial liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>5,721</b>	<b>-</b>	<b>5,721</b>
<b>Net on statement of financial position</b>	<b>3</b>	<b>9</b>	<b>8</b>	<b>124</b>	<b>51</b>	<b>9</b>	<b>204</b>

# Bank of Baroda (New Zealand) Limited

Notes to the financial statements  
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## 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 2019	On Demand \$000's	Up to 3 months \$000's	3 to 12 months \$000's	Between 1 & 5 years \$000's	More than 5 years \$000's	Total \$000's
<b>Financial assets</b>						
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
<b>Total financial assets</b>	<b>8,050</b>	<b>21,537</b>	<b>20,515</b>	<b>29,198</b>	<b>106,398</b>	<b>185,698</b>
<b>Financial liabilities</b>						
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
<b>Total financial liabilities</b>	<b>33,247</b>	<b>11,411</b>	<b>21,990</b>	<b>11,789</b>	<b>-</b>	<b>78,437</b>
<b>Net non-derivative cash flows</b>	<b>(25,197)</b>	<b>10,126</b>	<b>(1,475)</b>	<b>17,409</b>	<b>106,398</b>	<b>107,261</b>
<b>Derivative cash flows</b>						
Interest rate derivatives	-	-	-	-	-	-
Foreign exchange derivatives	-	-	-	-	-	-
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Off balance sheet cash flows</b>						
Financial guarantees provided to customers	40	-	-	-	-	40
Undrawn commitments to lend	14,561	-	-	-	-	14,561
<b>Total</b>	<b>14,601</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>14,601</b>
<b>Net cash flow</b>	<b>(10,596)</b>	<b>10,126</b>	<b>(1,475)</b>	<b>17,409</b>	<b>106,398</b>	<b>121,862</b>

# Bank of Baroda (New Zealand) Limited

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## 27 Liquidity risk (continued)

As at 31 March 2018	On Demand \$000's	Up to 3 months \$000's	3 to 12 months \$000's	Between 1 & 5 years \$000's	More than 5 years \$000's	Total \$000's
<b>Financial assets</b>						
Cash and cash equivalents	10,096	-	-	-	-	10,096
Due from other financial institutions	-	14,291	-	-	-	14,291
Loans and advances	-	1,906	29,751	22,050	77,944	131,651
Due from related parties	294	4,646	-	-	-	4,940
Other financial assets	-	381	-	-	-	381
<b>Total financial assets</b>	<b>10,390</b>	<b>21,224</b>	<b>29,751</b>	<b>22,050</b>	<b>77,944</b>	<b>161,359</b>
<b>Financial liabilities</b>						
Deposits and other borrowings	29,868	11,822	19,131	7,608	-	68,429
Due to related parties	1,069	-	-	-	-	1,069
Other financial liabilities	-	557	-	-	-	557
<b>Total financial liabilities</b>	<b>30,937</b>	<b>12,379</b>	<b>19,131</b>	<b>7,608</b>	<b>-</b>	<b>70,055</b>
<b>Net non-derivative cash flows</b>	<b>(20,547)</b>	<b>8,845</b>	<b>10,620</b>	<b>14,442</b>	<b>77,944</b>	<b>91,304</b>
<b>Derivative cash flows</b>						
Interest rate derivatives	-	-	-	-	-	-
Foreign exchange derivatives	-	-	-	-	-	-
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Off balance sheet cash flows</b>						
Financial guarantees provided to customers	840	-	-	-	-	840
Undrawn commitments to lend	9,724	-	-	-	-	9,724
<b>Total</b>	<b>10,564</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>10,564</b>
<b>Net cash flow</b>	<b>(9,983)</b>	<b>8,845</b>	<b>10,620</b>	<b>14,442</b>	<b>77,944</b>	<b>101,868</b>

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

	2019 \$000's	2018 \$000's
Cash and cash equivalents	7,758	10,096
Deposits with financial institutions	11,000	14,200
Deposit/cash held with related parties	5,195	4,882
<b>Total liquid assets</b>	<b>23,953</b>	<b>29,178</b>

## 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.

# Bank of Baroda (New Zealand) Limited

Notes to the financial statements  
For the year ended 31 March 2019

## 28 Sensitivity analysis (continued)

### 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
<b>Financial assets</b>					
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	-	-	-	-
<b>Total financial assets</b>	<b>124,843</b>	<b>(73)</b>	<b>73</b>	<b>(73)</b>	<b>73</b>
<b>Financial liabilities</b>					
Due to related parties	1,299	-	-	-	-
Deposits and other borrowings	74,731	44	(44)	44	(44)
Other financial liabilities	719	-	-	-	-
<b>Total financial liabilities</b>	<b>76,749</b>	<b>44</b>	<b>(44)</b>	<b>44</b>	<b>(44)</b>

### Interest rate risk

As at 31 March 2018	Carrying amounts \$000's	-0.1% profit \$000's	+0.1% profit \$000's	-0.1% equity \$000's	+0.1% equity \$000's
<b>Financial assets</b>					
Cash and cash equivalents	10,096	(8)	8	(8)	8
Balances with related parties	4,882	(4)	4	(4)	4
Due from other financial institutions	14,200	(13)	13	(13)	13
Loans and advances	85,842	(49)	49	(49)	49
Other financial asset	381	-	-	-	-
<b>Total financial assets</b>	<b>115,401</b>	<b>(74)</b>	<b>74</b>	<b>(74)</b>	<b>74</b>
<b>Financial liabilities</b>					
Due to related parties	1,069	-	-	-	-
Deposits and other borrowings	67,058	43	(43)	43	(43)
Other financial liabilities	557	-	-	-	-
<b>Total financial liabilities</b>	<b>68,684</b>	<b>43</b>	<b>(43)</b>	<b>43</b>	<b>(43)</b>

# Bank of Baroda (New Zealand) Limited

Notes to the financial statements  
For the year ended 31 March 2019

## 28 Sensitivity analysis (continued)

### 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
<b>Financial assets</b>					
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	-	-	-	-
<b>Total financial assets</b>	<b>124,843</b>	<b>(625)</b>	<b>625</b>	<b>(625)</b>	<b>625</b>
Due to related parties	1,299	-	-	-	-
Deposits and other liabilities	74,731	(562)	562	(562)	562
Other financial liabilities	719	-	-	-	-
<b>Total financial liabilities</b>	<b>76,749</b>	<b>(562)</b>	<b>562</b>	<b>(562)</b>	<b>562</b>

### Currency risk

As at 31 March 2018	Carrying amounts \$000's	-10% profit \$000's	+10% profit \$000's	-10% equity \$000's	+10% equity \$000's
<b>Financial assets</b>					
Cash and cash equivalents	10,096	(104)	104	(104)	104
Balances with related parties	4,882	(488)	488	(488)	488
Due from other financial institutions	14,200	-	-	-	-
Loans and advances	85,842	-	-	-	-
Other financial asset	381	-	-	-	-
<b>Total financial assets</b>	<b>115,401</b>	<b>(592)</b>	<b>592</b>	<b>(592)</b>	<b>592</b>
<b>Financial liabilities</b>					
Due to related parties	1,069	-	-	-	-
Deposits and other liabilities	67,058	(572)	572	(572)	572
Other financial liabilities	557	-	-	-	-
<b>Total financial liabilities</b>	<b>68,684</b>	<b>(572)</b>	<b>572</b>	<b>(572)</b>	<b>572</b>

# Bank of Baroda (New Zealand) Limited

Notes to the financial statements  
For the year ended 31 March 2019

## 29 Fair values of financial instruments

	As at 31 March 2019		As at 31 March 2018	
	Carrying Amounts \$000's	Estimated fair value \$000's	Carrying amounts \$000's	Estimated fair value \$000's
<b>Financial assets</b>				
Cash and cash equivalents	7,758	7,758	10,096	10,096
Balances with related parties	5,195	5,195	4,882	4,882
Due from other financial institutions	11,000	11,000	14,200	14,200
Loans and advances	100,593	104,496	85,842	89,174
Other financial assets	297	297	381	381
<b>Total financial assets</b>	<b>124,843</b>	<b>128,746</b>	<b>115,401</b>	<b>118,733</b>
<b>Financial liabilities</b>				
Due to related parties	1,299	1,299	1,069	1,069
Deposits and other borrowings	74,731	75,642	67,058	67,878
Other financial liabilities	719	719	557	557
<b>Total financial liabilities</b>	<b>76,749</b>	<b>77,660</b>	<b>68,684</b>	<b>69,504</b>

### Fair value estimation

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

#### *Cash and cash equivalents*

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

#### *Loans and advances*

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

#### *Other financial assets*

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

#### *Deposits by customers*

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

#### *Due to/from related parties*

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

#### *Other financial liabilities*

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

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

# Bank of Baroda (New Zealand) Limited

Notes to the financial statements  
For the year ended 31 March 2019

## 29 Fair values of financial instruments (continued)

### Other financial liabilities (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.

<b>As at 31 March 2019</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
	<b>\$'000's</b>	<b>\$'000's</b>	<b>\$'000's</b>	<b>\$'000's</b>
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
<b>Total financial assets</b>	<b>-</b>	<b>24,250</b>	<b>104,496</b>	<b>128,746</b>
Due to related parties	-	1,299	-	1,299
Deposits and borrowings	-	75,642	-	75,642
Other liabilities	-	719	-	719
<b>Total financial liabilities</b>	<b>-</b>	<b>77,660</b>	<b>-</b>	<b>77,660</b>
<b>As at 31 March 2018</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
	<b>\$'000s</b>	<b>\$'000s</b>	<b>\$'000s</b>	<b>\$'000s</b>
Cash and cash equivalents	-	10,096	-	10,096
Balances with related parties	-	4,882	-	4,882
Due from other financial institutions	-	14,200	-	14,200
Loans and advances	-	-	89,174	89,174
Other assets	-	381	-	381
<b>Total financial assets</b>	<b>-</b>	<b>29,559</b>	<b>89,174</b>	<b>118,733</b>
Due to related parties	-	1,069	-	1,069
Deposits and borrowings	-	67,878	-	67,878
Other liabilities	-	557	-	557
<b>Total financial liabilities</b>	<b>-</b>	<b>69,504</b>	<b>-</b>	<b>69,504</b>



# Bank of Baroda (New Zealand) Limited

Notes to the financial statements  
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## 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 2019	Peak end of the day between the previous disclosure statement and 31 March 2019	As at 31 March 2018	Peak end of the day between the previous disclosure statement and 31 March 2018
<b>Number of counterparties without a credit rating:</b>				
- Representing 10-15% of common equity tier one capital	-	-	2	2
- Representing 15-20% of common equity tier one capital	1	1	-	-
- Representing 25-30% of common equity tier one capital	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- or A3 or above, or its equivalent. These calculations relate only to exposures held in the financial records of the Bank and were calculated net of individually assessed provisions.

### Credit exposures to 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 2019	Peak end of the day between the previous disclosure statement and 31 March 2019	As at 31 March 2018	Peak end of the day between the previous disclosure statement and 31 March 2018
<b>Number of bank counterparties with an AA- Standard &amp; Poors credit rating:</b>				
- Representing more than or equal to 15% and less than 20% of common equity tier one capital:	1	-	1	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 30% and less than 35% 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	-	1

# Bank of Baroda (New Zealand) Limited

Notes to the financial statements  
For the year ended 31 March 2019

## 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 2019.

	As at 31 March 2019	Peak end of the day for the year ended 31 March 2019	As at 31 March 2018	Peak end of the day for the year ended 31 March 2018
Credit exposures to connected persons	5,195	5,625	4,882	11,844
As a percentage of Tier One Capital of the Bank	10.84%	11.74%	10.38%	25.77%
Credit exposures to non-bank connected persons	-	-	-	-
As a percentage of Tier One Capital of the Bank	0%	0%	0%	0%

### Breach of Condition of Registration

The Bank's prudential exposure limit for credit exposures to connected persons is 15% of the Tier 1 Capital, or \$6.817 million. During the previous period, on 15 May 2017, the connected exposure was \$11.844 million, exceeding the prudential exposure limit. This violation was remedied on 16 May 2017. Other than this instance, the limits on aggregate credit exposures to all connected persons and to non-bank connected persons in the Bank's conditions of registration have been complied with at all times during the years ended 31 March 2019 and 2018.

# Bank of Baroda (New Zealand) Limited

Notes to the financial statements  
For the year ended 31 March 2019

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## 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.

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.

# Bank of Baroda (New Zealand) Limited

Notes to the financial statements  
For the year ended 31 March 2019

## 32 Risk management policies (continued)

### Gross loan exposures by internal rating

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

Loans and advances not scored primarily include those which are secured by bank deposits held with the Bank.

### 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.

# Bank of Baroda (New Zealand) Limited

Notes to the financial statements  
For the year ended 31 March 2019

## 32 Risk management policies (continued)

### 32.1 Credit risk (continued)

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 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)
<b>Loans and advances</b>	<b>100,593</b>	-	<b>100,593</b>	<b>10,735</b>	<b>89,858</b>

	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)
<b>Deposits</b>	<b>74,731</b>	-	<b>74,731</b>	<b>10,735</b>	<b>63,996</b>

As at 31 March 2018 - \$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)
<b>Loans and advances</b>	<b>85,842</b>	-	<b>85,842</b>	<b>10,530</b>	<b>75,312</b>

	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)
<b>Deposits</b>	<b>67,058</b>	-	<b>67,058</b>	<b>10,530</b>	<b>56,528</b>

### 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.

# Bank of Baroda (New Zealand) Limited

Notes to the financial statements  
For the year ended 31 March 2019

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## 32 Risk management policies (continued)

### 32.2 Market risk (continued)

#### *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.

### 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.

# Bank of Baroda (New Zealand) Limited

Notes to the financial statements  
For the year ended 31 March 2019

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## 32 Risk management policies (continued)

### 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 quarterly/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 2019

## 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 2019. The Bank was registered on 1 September 2009 and from the date of registration to 31 March 2019; 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.

	2019	2018
	\$000's	\$000's
<b>Tier One Capital</b>		
<b>Common equity Tier One Capital</b>		
Issued and fully paid up share capital	40,000	40,000
Retained earnings	8,103	7,195
Accumulated other comprehensive income and other disclosed reserves	-	-
Interest from issue of ordinary shares	-	-
Less:		
Regulatory adjustments	-	-
Deferred tax assets	(174)	(177)
<b>Total common equity Tier One Capital</b>	<b>47,929</b>	<b>47,018</b>
<b>Additional Tier One Capital</b>		
Nil	-	-
<b>Total Tier One Capital</b>	<b>47,929</b>	<b>47,018</b>
<b>Tier Two Capital</b>		
Nil	-	-
<b>Total Tier Two Capital</b>	-	-
<b>Total Capital</b>	<b>47,929</b>	<b>47,018</b>



# Bank of Baroda (New Zealand) Limited

Notes to the financial statements  
For the year ended 31 March 2019

## 33 Capital adequacy (continued)

31 March 2019 Calculation of on-balance-sheet exposures	Total exposure after credit risk mitigation \$000's	Risk Weight	Risk weighted exposure \$000's	Minimum pillar 1 capital requirement \$000's
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
<b>Residential mortgages not past due</b>			-	-
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
<b>Total on-balance-sheet exposures</b>	<b>124,843</b>		<b>50,643</b>	<b>4,053</b>

# Bank of Baroda (New Zealand) Limited

Notes to the financial statements  
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## 33 Capital adequacy (continued)

As at 31 March 2019	Total exposure	Credit conversion factor	Credit equivalent amount	Average risk weight	Risk weighted exposure	Minimum pillar 1 capital requirement
Calculation of off-balance-sheet exposures	\$000's	%	\$000's	%	\$000's	\$000's
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	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%	-	-
<b>Market related contracts</b>						
(a) Foreign exchange contracts	-	0%	-	0%	-	-
(b) Interest rate contracts	-	0%	-	0%	-	-
(c) Other - OTC, etc	-	0%	-	0%	-	-
<b>Total off-balance-sheet exposures</b>	<b>14,601</b>		<b>7,301</b>		<b>5,117</b>	<b>409</b>

## Residential mortgages by loan-to-valuation ratio

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

## Reconciliation of residential mortgage-related amounts

Residential mortgage loans (as disclosed in Note 17)	31 March 2019
Undrawn commitments related to residential mortgages	73,189
	4,955
<b>Residential mortgages by loan-to-valuation ratio</b>	<b>78,144</b>

### Breach of condition of registration

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.

# Bank of Baroda (New Zealand) Limited

Notes to the financial statements  
For the year ended 31 March 2019

## 33 Capital adequacy (continued)

31 March 2018	Total exposure after credit risk mitigation \$000's	Risk Weight	Risk weighted exposure \$000's	Minimum pillar 1 capital \$000's
<b>Calculation of on-balance-sheet exposures</b>				
Cash and gold bullion	136	0%	-	-
Sovereigns and central banks	-	0%	-	-
Multilateral development banks and other international organisation	-	0%	-	-
Public sector entities	-	20%	-	-
Banks (Due from other financial institutions)	24,160	20%	4,832	387
Banks (Due from related parties)	4,882	50%	2,441	195
Corporate	21,208	100%	21,208	1,697
<b>Residential mortgages not past due</b>				
Non property investment-LVR up to 80%	42,046	35%	14,716	1,177
Non property investment-LVR >80% but <90%	1,294	50%	647	52
Property investment-LVR <80%	9,869	40%	3,948	316
Property investment-LVR >80% but <90%	-	40%	-	-
Past due residential mortgages	689	35%	241	19
Other past due assets	128	100%	128	10
Equity holdings (not deducted from capital) that are publicly traded	-	100%	-	-
All other equity holdings (not deducted from capital)	-	100%	-	-
Non risk weighted assets	10,486	0%	-	-
Other assets	648	100%	648	52
<b>Total on-balance-sheet exposures</b>	<b>115,546</b>		<b>48,809</b>	<b>3,905</b>

31 March 2018	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
<b>Calculation of off-balance-sheet exposures</b>						
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	-	0%	-	0%	-	-
Performance-related contingency	840	50%	420	100%	420	34
Trade-related contingency	-	0%	-	0%	-	-
Placements of forward deposits	-	0%	-	0%	-	-
Other commitments where original maturity is more than one year	9,724	50%	4,862	67%	3,258	261
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%	-	-
<b>Market related contracts</b>						
(a) Foreign exchange contracts	-	0%	-	0%	-	-
(b) Interest rate contracts	-	0%	-	0%	-	-
(c) Other - OTC, etc	-	0%	-	0%	-	-
<b>Total off-balance-sheet exposures</b>	<b>10,564</b>		<b>5,282</b>		<b>3,678</b>	<b>295</b>

# Bank of Baroda (New Zealand) Limited

Notes to the financial statements  
For the year ended 31 March 2019

## 33 Capital adequacy (continued)

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

As at 31 March 2018	Does not exceed 80%	Exceeds 80% and not 90%	Exceeds 90%	Total
<b>Loan-to-valuation ratio</b>				
On-balance sheet exposures	52,823	1,299	-	54,122
Off-balance sheet exposures	3,144	267	-	3,411
<b>Total loan-to value ratio</b>	<b>55,967</b>	<b>1,566</b>	<b>-</b>	<b>57,533</b>

### Reconciliation of residential mortgage-related amounts

	31-Mar-18
Residential mortgage loans (as disclosed in Note 17)	54,122
Undrawn commitments related to residential mortgages	3,411
<b>Residential mortgages by loan-to-valuation ratio</b>	<b>57,533</b>

### Credit risk mitigation

As at 31 March 2019	Total value of on-and-off-balance-sheet exposures covered by eligible collateral (after haircutting) \$000's	Total value of on-and-off-balance-sheet exposures covered by guarantees or credit derivatives \$000's
<b>Exposure class</b>		
Sovereign or central bank	-	-
Multilateral development bank	-	-
Public sector entities	-	-
Bank	-	-
Corporate	924	-
Residential mortgage	-	-
Other	1,989	-
<b>Total</b>	<b>2,913</b>	<b>-</b>

As at 31 March 2018*	Total value of on-and-off-balance-sheet exposures covered by eligible collateral (after haircutting)* \$000's	Total value of on-and-off-balance-sheet exposures covered by guarantees or credit derivatives \$000's
<b>Exposure class</b>		
Sovereign or central bank	-	-
Multilateral development bank	-	-
Public sector entities	-	-
Bank	-	-
Corporate	954	-
Residential mortgage	-	-
Other	1,782	-
<b>Total</b>	<b>2,736</b>	<b>-</b>

\* The 2018 comparative information for the credit risk mitigation has been restated due to the correction of an error.

# Bank of Baroda (New Zealand) Limited

Notes to the financial statements  
For the year ended 31 March 2019

## 33 Capital Adequacy (continued)

### Operational risk capital requirement

	31 March 2019		31 March 2018	
	Implied risk weighted exposure \$000's	operational risk requirement \$000's	Implied risk weighted exposure \$000's	operational risk requirement \$000's
Operational risk	5,500	440	4,625	370

### 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](http://www.bankofbaroda.com)).

As per latest available data at 31 March 2019, BOB's Tier One Capital was 12.72% of total risk-weighted assets and total capital was 14.52% of total risk-weighted assets (31 March 2018: Tier One Capital was 11.27% of total risk-weighted assets and total capital was 12.87% of total risk-weighted assets). BOB's capital ratios during the year ended 31 March 2019 and 31 March 2018 exceeded the Reserve Bank of India's minimum capital adequacy requirements.

### Market risk

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

	End-period capital charges		Peak end-of-day capital charges	
	Implied risk \$000's	Aggregate \$000's	Implied risk \$000's	Aggregate \$000's
<b>Year ended 31 March 2019</b>				
Interest rate risk	4,202	336	4,202	336
Foreign currency risk	623	50	1,050	84
Equity risk	-	-	-	-
<b>Total capital requirements</b>	<b>4,825</b>	<b>386</b>	<b>5,252</b>	<b>420</b>
<b>Year ended 31 March 2018</b>				
Interest rate risk	2,925	234	4,113	329
Foreign currency risk	200	16	1,063	85
Equity risk	-	-	-	-
<b>Total capital requirements</b>	<b>3,125</b>	<b>250</b>	<b>5,176</b>	<b>414</b>

# Bank of Baroda (New Zealand) Limited

Notes to the financial statements  
For the year ended 31 March 2019

## 33 Capital adequacy (continued)

	Total exposure after credit risk mitigation \$000's	Risk weighted exposure or implied risk weighted \$000's	Capital requirement \$000's
<b>As at 31 March 2019</b>			
Total credit risk + equity	139,444	55,760	4,461
Operational risk	-	5,500	440
Market risk	-	4,825	386
<b>Total</b>	<b>139,444</b>	<b>66,085</b>	<b>5,287</b>
<b>As at 31 March 2018</b>			
Total credit risk + equity	126,110	52,487	4,199
Operational risk	-	4,625	370
Market risk	-	3,125	250
<b>Total</b>	<b>126,110</b>	<b>60,237</b>	<b>4,819</b>

### Capital ratios

	Common equity tier 1 capital ratio	Tier 1 capital ratio	Total capital ratio
<b>31-Mar-19</b>			
Ratio	72.53%	72.53%	72.53%
Minimum ratio requirement	4.5%	6.0%	8.0%
<b>31-Mar-18</b>			
Ratio	78.06%	78.06%	78.06%
Minimum ratio requirement	4.5%	6.0%	8.0%

### Buffer ratios

<b>31-Mar-19</b>			
Buffer ratio			64.53%
Buffer ratio requirement			2.5%
<b>31-Mar-18</b>			
Buffer ratio			70.06%
Buffer ratio requirement			2.5%

# Bank of Baroda (New Zealand) Limited

Notes to the financial statements  
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## 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.

	<b>Three months ended 31 March 2019</b>	<b>Three months ended 31 December 2018</b>
One-week mismatch ratio	17.2	20.6
One-month mismatch ratio	26.7	23.7
Core funding ratio	126.4	128.0

## 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.