

Disclosure Statement

Bank of Baroda (New Zealand) Limited

Disclosure statement for the nine months ended 31 December 2011

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1. Definitions

In this Disclosure Statement, unless the context otherwise requires:

Act means the Reserve Bank of New Zealand Act 1989;

Bank means Bank of Baroda (New Zealand) Limited;

Banking Group means the Bank and its subsidiaries;

Board means the board of directors of the Bank;

BOB means Bank of Baroda (India);

Director means a director of the Bank;

INR means Indian Rupees;

Parent Guarantee has the meaning given in section 3.1; and

USD means United States Dollars.

Unless otherwise defined in this disclosure statement, terms defined in the Registered Bank Disclosure Statement (New Zealand Incorporated Registered Banks) Order (No 4) 2011 (the **Order**) have the same meaning in this document.

2. General information

2.1 Name and address for service of registered bank

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

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

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

2.2 Details of ultimate parent bank and ultimate holding company

- (a) **Ultimate parent bank**

The Bank's ultimate parent bank is Bank of Baroda (India), an Indian incorporated bank (**BOB**). There has been no change to the ultimate parent bank since 31 March 2011. There have been no changes to the name or address for service of the ultimate parent bank since 31 March 2011.

- (b) **Ultimate holding company**

There has been no change to the ultimate holding company since 31 March 2011. There have been no changes to the name or address for service of the ultimate holding company since 31 March 2011.

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

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

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

3. Guarantee

3.1 Guarantee arrangements

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

A copy of the guarantee of the Bank's indebtedness given by BOB is provided in the Bank's General Disclosure Statement for the year ended 31 March 2011. A copy of the General Disclosure Statement can be obtained from the Bank's website www.barodanzltd.co.nz.

There have been no material changes to the guarantee since the signing of that General Disclosure Statement.

(a) Details of the guarantor

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

The address for service of the guarantor is:

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

As at 31 December 2011, the publicly disclosed capital of BOB was INR 253,562,700,000 (USD 4,774,742,491) representing 13.45% 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	Baa2	Stable	Nil	Nil
Fitch IBCA, Inc.	BBB-	Stable	Nil	Nil

Details of the applicable rating scale can be found at section 7.2 of this disclosure statement.

(b) Details of guaranteed obligations

- a. BOB guarantees due payment of all indebtedness of the Bank to the Bank's depositors and other creditors.
 - (i) There are no limits on the amount of the obligations guaranteed.
 - (ii) There are no material conditions applicable to the guarantee, other than non-performance by the Bank.

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

4. Directors

4.1 Communications

The following changes in the composition of the Board of Directors of the Bank (the "Board") have been effected since 31 March 2011:

- Satish Chander Vermani resigned from the Board with effect from 29 July 2011.
- Navin Chandra Upreti was appointed to the Board with effect from 23 July 2011.

4.2 Responsible person

The responsible person authorised to sign this disclosure statement on behalf of the Board, comprising:

- Mangalore Devadas Mallya, Chairman & Non-Executive Director
- Navin Chandra Upreti, Managing Director
- Dr Rajen Prasad, Independent Director
- Vijaya Vaidyanath, Independent Director

in accordance with section 82 of the Act is Navin Chandra Upreti.

5. Conditions of registration

The conditions of registration imposed on the Bank which applied from 30 September 2011 and were reported in the Bank's Disclosure Statement for the six months ended 30 September 2011 remain unchanged at the reporting date of this Disclosure Statement. The Bank has complied with its conditions throughout the period.

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

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

1. That the banking group complies with the following requirements:

- (a) the total capital ratio of the banking group is not less than 8 percent;
- (b) the tier one capital ratio of the banking group is not less than 4 percent; and
- (c) the capital of the banking group is not less than \$30 million.

For the purposes of this condition of registration, capital, the total capital ratio and the tier one capital ratio must be calculated in accordance with the Reserve Bank of New Zealand document: "Capital Adequacy Framework (Standardised Approach)" (BS2A) dated October 2010.

1A. That—

- (a) the bank has an internal capital adequacy assessment process ("ICAAP") that accords with the requirements set out in the document "Guidelines on a Bank's Internal Capital Adequacy Process ("ICAAP")" (BS12) dated December 2007;
- (b) under its ICAAP, the bank identifies and measures its "other material risks" defined as all material risks of the banking group that are not explicitly captured in the calculation of tier one and total capital ratios under the requirements set out in the document "Capital Adequacy Framework (Standardised Approach)" (BS2A) dated October 2010; and
- (c) the bank determines an internal capital allocation for each identified and measured "other material risk".

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

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

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

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

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

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

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

For the purposes of this condition of registration,—

“insurance business” means the undertaking or assumption of liability as an insurer under a contract of insurance;

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

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

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

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

For the purposes of this condition of registration, compliance with the rating-contingent connected exposure limit is determined in accordance with the Reserve Bank of New Zealand document entitled “Connected Exposures Policy” (BS8) dated June 2011.

5. That exposures to connected persons are not on more favourable terms (e.g. as relates to such matters as credit assessment, tenor, interest rates, amortisation schedules and requirement for collateral) than corresponding exposures to non-connected persons.
6. That the bank complies with the following corporate governance requirements:
- (a) the board of the bank must have at least four directors, and on and after 1 April 2013 must have at least five directors;
 - (b) the majority of the board members must be non-executive directors;
 - (c) at least half of the board members must be independent directors;
 - (d) an alternate director,—
 - (i) for a non-executive director must be non-executive; and
 - (ii) for an independent director must be independent;
 - (e) at least half of the independent directors of the bank must be ordinarily resident in New Zealand;
 - (f) the chairperson of the board of the bank must be non-executive, and on and after 1 April 2013 must be independent; and

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

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

For the purposes of this condition of registration, "non-executive" and "independent" have the same meaning as in the Reserve Bank of New Zealand document entitled "Corporate Governance" (BS14) dated March 2011.

7. That no appointment of any director, chief executive officer, or executive who reports or is accountable directly to the chief executive officer, is made in respect of the bank unless:
 - (a) the Reserve Bank has been supplied with a copy of the curriculum vitae of the proposed appointee; and
 - (b) the Reserve Bank has advised that it has no objection to that appointment.
8. That a person must not be appointed as chairperson of the board of the bank unless:
 - (a) the Reserve Bank has been supplied with a copy of the curriculum vitae of the proposed appointee; and
 - (b) the Reserve Bank has advised that it has no objection to that appointment.
9. That the bank has a board audit committee, or other separate board committee covering audit matters, that meets the following requirements:
 - (a) the mandate of the committee must include: ensuring the integrity of the bank's financial controls, reporting systems and internal audit standards;
 - (b) the committee must have at least three members;
 - (c) on and after 1 April 2012 every member of the committee must be a non-executive director of the bank;
 - (d) the majority of the members of the committee must be independent; and
 - (e) the chairperson of the committee must be independent and must not be the chairperson of the bank.

For the purposes of this condition of registration, "non-executive" and "independent" have the same meaning as in the Reserve Bank of New Zealand document entitled "Corporate Governance" (BS14) dated March 2011.

10. That a substantial proportion of the bank's business is conducted in and from New Zealand.
11. That the banking group complies with the following quantitative requirements for liquidity-risk management:
 - (a) the one-week mismatch ratio of the banking group is not less than zero per cent at the end of each business day;
 - (b) the one-month mismatch ratio of the banking group is not less than zero per cent at the end of each business day; and
 - (c) the one-year core funding ratio of the banking group is not less than 70 per cent at the end of each business day.

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

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

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

For the purposes of this condition,—

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

“SPV” means a person—

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

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

14. That-

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

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

This condition of registration applies to acquisitions and business combinations to which a member of the banking group intends to give effect on or after 1 April 2012.

In these conditions of registration,—

“banking group” means Bank of Baroda (New Zealand) Limited’s financial reporting group (as defined in section 2(1) of the Financial Reporting Act 1993):

“generally accepted accounting practice” has the same meaning as in section 2 of the Financial Reporting Act 1993.

6. Pending proceedings or arbitration

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

7. Credit rating

7.1 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 foreign currency Issuer Default Rating	BBB-	Stable	Nil	Nil

7.2 Applicable ratings scales

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

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

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

8. Other material matters

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

9. Directors' statements

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

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

Each Director of the Bank, after due enquiry believes that for the nine months ended 31 December 2011:

- a. the Bank has complied with all conditions of registration that applied during the period;
- b. credit exposures to connected persons were not contrary to the interests of the Bank;
- c. the Bank has systems in place to monitor and control adequately the Bank's material risks, including credit risk, concentration of credit risk, interest rate risk, currency risk, equity risk, liquidity risk, operational risk and other business risks, and that those systems were being properly applied.

For and on behalf of all of the Directors of the Bank, this disclosure statement is dated at Auckland, New Zealand this 21 February 2012 and signed by Navin Chandra Upreti as responsible person.





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

10. **Financial statements**

The financial statements for the Bank for the nine months ended 31 December 2011 are attached as Appendix and form part of this disclosure statement.

Appendix: Financial Statements

Bank of Baroda (New Zealand) Limited

Company Number 2135104

Financial Statements for the nine months ended 31
December 2011

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FINANCIAL STATEMENTS

For the nine months ended 31 December 2011

FINANCIAL STATEMENTS

STATEMENT OF COMPREHENSIVE INCOME For the nine months ended 31 December 2011	Notes	Unaudited Nine months ended 31 December 2011 \$'000	Unaudited Nine months ended 31 December 2010 \$'000	Audited Year ended 31 March 2011 \$'000
Interest income		2,013	1,194	1,724
Interest expense		(645)	(88)	(209)
Net interest income		1,368	1,106	1,515
Gains/(losses) on financial instruments at fair value through profit or loss		-	-	-
Other income	2	571	127	265
Total operating income		1,939	1,233	1,780
Operating expenses		(1,289)	(1,006)	(1,554)
Impairment losses on loans and advances	4	(28)	-	(32)
Net profit/(loss) before taxation		622	227	194
Taxation (expense)/benefit		-	-	-
Net profit/(loss) after taxation		622	227	194
Other comprehensive income		-	-	-
Total comprehensive income		622	227	194

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

BANK OF BARODA (NEW ZEALAND) LIMITED

FINANCIAL STATEMENTS

For the nine months ended 31 December 2011

STATEMENT OF CHANGES IN EQUITY For the nine months ended 31 December 2011	Share Capital \$'000	Retained Earnings \$'000	Total \$'000
Balance at 1 April 2011	40,000	269	40,269
Net profit/(loss) after taxation and total comprehensive income	-	622	622
Balance at 31 December 2011	40,000	891	40,891
Balance at 1 April 2010	40,000	75	40,075
Net profit/(loss) after taxation and total comprehensive income	-	194	194
Balance as at 31 March 2011	40,000	269	40,269
Balance at 1 April 2010	40,000	75	40,075
Net profit/(loss) after taxation and total comprehensive income	-	227	227
Balance at 31 December 2010	40,000	302	40,302

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

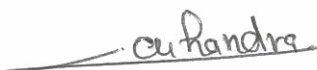
BANK OF BARODA (NEW ZEALAND) LIMITED

FINANCIAL STATEMENTS

For the nine months ended 31 December 2011

BALANCE SHEET As at 31 December 2011	Notes	Unaudited 31 December 2011 \$'000	Unaudited 31 December 2010 \$'000	Audited 31 March 2011 \$'000
Assets				
Cash and cash equivalents		86	25	75
Balances due from related parties		3,094	318	1,790
Due from other financial institutions		42,863	44,041	42,403
Financial assets at fair value through profit or loss		-	-	-
Available-for-sale assets		-	-	-
Loans and advances	3	14,667	5,224	7,983
Property, plant and equipment		404	515	483
Intangible assets		-	-	-
Current taxation		-	-	-
Deferred tax asset		-	-	-
Other assets		750	474	188
Total assets		61,864	50,597	52,922
Liabilities				
Due to other financial institutions		-	-	-
Balances due to related parties		449	-	1,022
Deposits and other borrowings		20,394	10,246	11,559
Debt securities issued		-	-	-
Current taxation		-	-	-
Other liabilities		130	49	72
Term subordinated debt		-	-	-
Total liabilities		20,973	10,295	12,653
Shareholders' equity				
Share capital		40,000	40,000	40,000
Reserves		891	302	269
Total shareholders' equity		40,891	40,302	40,269
Total shareholders' equity and liabilities		61,864	50,597	52,922
<hr/>				
Total interest earning and discount bearing assets		59,765	47,474	51,156
Total interest and discount bearing liabilities		19,953	8,392	10,820

For and on behalf of the Board



Director



Authorised for issue on 21 February 2012

The accompanying notes form an integral part of these financial statements

BANK OF BARODA (NEW ZEALAND) LIMITED

FINANCIAL STATEMENTS

For the nine months ended 31 December 2011

CASH FLOW STATEMENT

For the nine months ended 31 December 2011

	Unaudited Nine months ended 31 December 2011 \$'000	Unaudited Nine months ended 31 December 2010 \$'000	Audited Year ended 31 March 2011 \$'000
Cash flows from operating activities			
Interest received	1,834	1,194	1,587
Fees and other income	571	127	265
Operating expenses paid	(1,152)	(909)	(1,379)
Interest paid	(645)	(88)	(209)
Taxes paid	-	-	-
Net cash flows from operating activities before changes in operating assets and liabilities	608	324	264
Net changes in operating assets and liabilities:			
(Increase)/decrease in financial assets held for trading	-	-	-
Decrease/(increase) in available-for-sale-assets	-	-	-
Increase in loans and advances	(6,712)	(5,224)	(7,983)
Increase in deposits and other borrowings	8,835	10,246	11,559
Increase/(decrease) in balances due to related parties	(573)	-	1,022
Increase in balances due to financial institutions	-	-	-
Increase in other assets	(383)	(359)	(13)
Increase/(decrease) in other liabilities and provisions	-	22	45
Net cash flows from operating activities	1,775	5,009	4,894
Cash flows from investing activities			
Purchase of property, plant and equipment	-	(262)	(263)
Purchase of intangible software assets	-	-	-
Purchase of customer relationships	-	-	-
Net cash flows from investing activities	-	(262)	(263)
Cash flows from financing activities			
Issue of shares	-	-	-
Capital injection from shareholders	-	-	-
Proceeds from term subordinated debt	-	-	-
Proceeds from related parties	-	-	-
Increase in debt securities issued	-	-	-
Dividends paid	-	-	-
Net cash flows from financing activities	-	-	-
Increase in cash and cash equivalents	1,775	4,747	4,631
Add opening cash and cash equivalents	44,268	39,637	39,637
Effect of exchange rate changes on cash and cash equivalents	-	-	-
Closing cash and cash equivalents	46,043	44,384	44,268
Represented By:			
Cash balances	86	25	75
Short term deposits due from other financial institutions	42,863	44,041	42,403
Balances due from related parties	3,094	318	1,790
Closing cash and cash equivalents	46,043	44,384	44,268

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

BANK OF BARODA (NEW ZEALAND) LIMITED

FINANCIAL STATEMENTS

For the nine months ended 31 December 2011

CASH FLOW STATEMENT For the nine months ended 31 December 2011	Unaudited Nine months ended 31 December 2011 \$'000	Unaudited Nine months ended 31 December 2010 \$'000	Audited Year ended 31 March 2011 \$'000
Reconciliation of net profit after taxation to net cash-flows from operating activities			
Net profit/(loss) after taxation	622	227	194
Non cash movements:			
Unrealised fair value adjustments	-	-	-
Depreciation	79	97	130
Amortisation of intangibles	-	-	-
Increase in collective allowance for impairment losses	28	-	32
Increase in individual allowance for impairment losses	-	-	-
(Increase)/decrease in deferred expenditure	-	-	-
Unsecured lending losses	-	-	-
Unrealised foreign exchange loss/(gain)	-	-	-
(Increase)/decrease in deferred taxation	-	-	-
Net movement in operating assets and liabilities	107	97	162
(Increase)/decrease in financial assets at fair value through profit or loss	-	-	-
Decrease/(increase) in available-for-sale assets	-	-	-
Increase in loans and advances	(6,712)	(5,224)	(8,015)
Decrease/(increase) in balances due from other financial institutions	-	-	-
Increase in deposits and other borrowings	8,835	10,268	11,559
Increase in balances due to other financial institutions	-	-	-
Increase in other liabilities	58	-	45
Increase in interest receivable	(179)	-	(129)
Increase/(decrease) in balances due to related parties	(573)	-	1,022
Increase/(decrease) in current taxation	-	-	69
Increase in other assets	(383)	(359)	(13)
Net cash flows from operating activities	1,775	5,009	4,894

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

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

For the nine months ended 31 December 2011

1. STATEMENT OF ACCOUNTING POLICIES**Statutory base**

These financial statements have been prepared and presented in accordance with the Order and the Reserve Bank Act.

These financial statements have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand ("NZ GAAP"), as appropriate for profit-oriented entities, and the New Zealand equivalent to International Accounting Standard ("NZ IAS") 34 *Interim Financial Reporting* and should be read in conjunction with the General Disclosure Statement for the year ended 31 March 2011.

These financial statements comply with International Accounting Standard 34 *Interim Financial Reporting* as issued by the International Accounting Standards Board.

These financial statements were authorised for issue by the Board on 10 February 2012. The Board has the power to amend the financial statements after they are authorised for issue.

Basis of preparation

These financial statements are based on the general principles of historical cost accounting, as modified by fair value accounting for available-for-sale financial assets, financial assets and financial liabilities at fair value through profit or loss and all derivative contracts. The going concern concept and the accruals basis of accounting have been adopted. All amounts are expressed in thousands of New Zealand dollars unless otherwise stated.

The same accounting policies and methods of computation have been followed in preparing these financial statements as were used in preparing the General Disclosure Statement for the year ended 31 March 2011.

These financial statements are presented in New Zealand dollars and all values are rounded to the nearest thousand dollars (\$'000) unless otherwise indicated.

2. OTHER INCOME

	Unaudited Nine months ended 31 December 2011 \$'000	Unaudited Nine months ended 31 December 2010 \$'000	Audited Year ended 31 March 2011 \$'000
Other Income			
Banking and lending fee income	-	-	-
Net commissions revenue	73	33	48
Payment services fee income	-	-	-
Bad debts recovered	-	-	-
Gain on sale of property, plant and equipment	-	-	-
Net foreign exchange gains	470	80	195
Other revenue	28	14	22
Total other income	571	127	265

3. LOANS AND ADVANCES

	Unaudited Nine months ended 31 December 2011 \$'000	Unaudited Nine months ended 31 December 2010 \$'000	Audited Year ended 31 March 2011 \$'000
Loans and advances	14,727	5,224	8,015
Allowance for impairment losses	(60)	-	(32)
Total net loans and receivables	14,667	5,224	7,983
Allowance for impairment losses reconciliation			
Balance at beginning of the year	32	-	-
Charged to the income statement	28	-	32
Balance at end of the year	60	-	32

4. ASSET QUALITY

As at 31 December 2011 Unaudited	Residential mortgage loans	Corporate exposures	Other exposures excluding sovereigns and central banks	TOTAL \$'000
Neither past due nor impaired	4,817	8,697	784	14,298
Past due but not impaired	429	-	-	429
Impaired	-	-	-	-
Gross loans and advances	5,246	8,697	784	14,727
Less Allowance for impairment	(21)	(36)	(3)	(60)
Net loans and advances	5,225	8,661	781	14,667

Past due assets	Residential mortgage loans	Corporate exposures	Other exposures excluding sovereigns and central banks	TOTAL \$'000
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Gross amount of finance receivables that were past due but not impaired were as follows:

Business

Past due up to 30 days	-	-	-	-
Past due 30 – 60 days	429	-	-	429
Past due 60 – 90 days	-	-	-	-
Past due 90+ days	-	-	-	-
Total	429	-	-	429

Individually impaired assets	Residential mortgage loans	Corporate exposures	Other exposures excluding sovereigns and central banks	TOTAL \$'000
Gross Impaired				
Balance at beginning of the year	-	-	-	-
Net additions	-	-	-	-
Deletions	-	-	-	-
Amounts written off	-	-	-	-
Balance at end of the year	-	-	-	-
Aggregate individual credit impairment allowances	-	-	-	-

Individual credit impairment allowances	Residential mortgage loans	Corporate exposures	Other exposures excluding sovereigns and central banks	TOTAL \$'000
Balance at beginning of the year	-	-	-	-
Charged to the income statements	-	-	-	-
Amounts written off	-	-	-	-
Recoveries of amounts previously written off	-	-	-	-
Reversals of previous amounts	-	-	-	-
Total amounts per income statement	-	-	-	-
Balance at end of year	-	-	-	-

Collective credit impairment allowance	Residential mortgage loans	Corporate exposures	Other exposures excluding sovereigns and central banks	TOTAL \$'000
Balance at beginning of the year	17	15	-	32
Charged to the income statement	4	21	3	28
Amounts written off	-	-	-	-
Recoveries of amounts previously written off	-	-	-	-
Reversals of previous amounts	-	-	-	-
Total amounts per income statement	4	21	3	28
Balance at end of year	21	36	3	60

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

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

BANK OF BARODA (NEW ZEALAND) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the nine months ended 31 December 2011

5. CONCENTRATION OF CREDIT RISK

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

	Unaudited 31 December 2011 \$'000
New Zealand	
Government	-
Finance	42,150
Households	5,652
Transport and storage	149
Communications	-
Electricity, gas and water	-
Construction	1,472
Property services	641
Agriculture	-
Health and community services	388
Personal and other services	2,429
Retail and wholesale trade	3,744
Food & other manufacturing	252
Overseas	
Finance, Investment and insurance	2,888
Total financial assets (interest earning)	59,765
Allowance for impairment losses	(60)
Other financial assets	1,755
Total net financial assets	61,460

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

	Unaudited 31 December 2011 \$'000
New Zealand	
Upper North Island	15,563
Lower North Island	42,862
South Island	-
Overseas	3,095
Total financial assets	61,520
Allowance for impairment losses	(60)
Total net financial assets	61,460

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

	Unaudited 31 December 2011 \$'000
Loans and advances	14,727
Balances with related parties	3,094
Due from other financial institutions	42,863
Derivative financial instruments	-
Financial assets held for trading	-
Available-for-sale assets	-
Cash and cash equivalents	86
Other financial assets	750
Total gross financial assets	61,520
Allowance for impairment losses	(60)
Total net financial assets	61,460

BANK OF BARODA (NEW ZEALAND) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the nine months ended 31 December 2011

6. 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:

	Unaudited 31 December 2011 \$'000
New Zealand	
Transport and storage	-
Financing, investment and insurance	11,803
Electricity, gas and water	-
Food & other manufacturing	-
Construction	-
Government, local authorities and services	-
Agriculture	-
Health and community services	-
Personal and other services	509
Property and business services	-
Education	-
Retail and wholesale trade	-
Other	773
Households	6,868
Overseas	
Amounts due to related parties	-
Total financial liabilities (interest bearing)	19,953
Other financial liabilities	1,020
Total financial liabilities	20,973

7. SEGMENTAL INFORMATION

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

8. LEASE COMMITMENTS

	Unaudited 31 December 2011 Nine months ended \$'000	Unaudited 31 December 2010 Nine months ended \$'000	Audited 31 March 2011 Year ended \$'000
Operating lease commitments under non-cancellable operating leases:			
Not later than 1 year	268	208	181
1-2 years	256	146	146
2-5 years	769	438	438
5+ years	494	584	548
Total	1,787	1,376	1,313

9. CAPITAL COMMITMENTS

As at 31 December 2011 there are no material outstanding capital commitments (31 December 2010: Nil, 31 March 2011: Nil).

10. CONTINGENT LIABILITIES

	Unaudited 31 December 2011 Nine months ended \$'000	Unaudited 31 December 2010 Nine months ended \$'000	Audited 31 March 2011 Year ended \$'000
Contingent Liabilities			
Performance/financial guarantees issued on behalf of customers	951	549	500
Total Contingent Liabilities	951	549	500

11. SUBSEQUENT EVENTS AFTER BALANCE DATE

There were no subsequent events after balance date.

BANK OF BARODA (NEW ZEALAND) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the nine months ended 31 December 2011

12. LIQUIDITY RISK

The Bank's policies for managing liquidity are set out in General Disclosure Statement for the year ended 31 March 2011. The tables below summarises the cash flows payable by the Bank under non-derivative financial liabilities by remaining contractual maturities at the balance sheet date. The amounts disclosed in the table are contractual undiscounted cash flows and is not disclosed based on expected cash flows (the inherent liquidity risk is managed based on expected cash flows).

31 December 2011 Unaudited	On Demand \$'000	Up to 3 months \$'000	3 to 12 Months \$'000	Between 1 & 5 years \$'000	More than 5 years \$'000	Total \$'000
Financial assets						
Cash and cash equivalents	86	-	-	-	-	86
Due from other financial institutions	713	41,585	1,012	-	-	43,310
Financial assets at fair value through profit or loss	-	-	-	-	-	-
Available-for-sale assets	-	-	-	-	-	-
Loans and advances	-	1,243	5,655	3,290	7,920	18,108
Due from related parties	206	1,608	1,318	-	-	3,132
Other financial assets	-	396	-	-	-	396
Total financial assets	1,005	44,832	7,985	3,290	7,920	65,032
Financial liabilities						
Due to other financial institutions	-	-	-	-	-	-
Deposits and other borrowings	441	7,591	12,756	92	-	20,880
Debt securities issued	-	-	-	-	-	-
Term subordinated debt	-	-	-	-	-	-
Due to related parties	449	-	-	-	-	449
Other financial liabilities	-	130	-	-	60	190
Total financial liabilities	890	7,721	12,756	92	60	21,519
Net non derivative cash flows	115	37,111	(4,771)	3,198	7,860	43,513
Derivative cash flows						
Interest rate derivatives	-	-	-	-	-	-
Foreign exchange derivatives	-	-	-	-	-	-
Total	-	-	-	-	-	-
Off balance sheet cash flows						
Financial guarantees	-	31	500	420	-	951
Total	-	31	500	420	-	951
Net cash flows	115	37,080	(5,271)	2,778	7,860	42,562

NOTES TO THE FINANCIAL STATEMENTS

For the nine months ended 31 December 2011

13. INTEREST RATE SENSITIVITY

The table below summarises the Bank's exposure to interest rate risk. It includes the financial instruments at carrying amounts, categorised by the earlier of contractual re-pricing or maturity dates.

31 December 2011 Unaudited	Total \$'000	Interest insensitive \$'000	Up to 3 months \$'000	Between 3 months & 6 months \$'000	Between 6 months & 1 year \$'000	Between 1 & 2 years \$'000	Between 2 & 5 years \$'000	Over 5 years \$'000
Financial assets								
Cash and cash equivalents	86	86	-	-	-	-	-	-
Due from other financial institutions	42,863	713	41,150	1,000	-	-	-	-
Financial assets held at fair value through profit or loss	-	-	-	-	-	-	-	-
Available-for-sale assets	-	-	-	-	-	-	-	-
Loans and advances	14,667	-	12,105	-	2,530	32	-	-
Balances with related parties	3,094	206	1,597	1,291	-	-	-	-
Other financial assets	750	750	-	-	-	-	-	-
Total financial assets	61,460	1,755	54,852	2,291	2,530	32	-	-
Financial liabilities								
Due to other financial institutions	-	-	-	-	-	-	-	-
Deposits and other borrowings	20,394	441	7,522	3,915	8,434	28	54	-
Debt securities issued	-	-	-	-	-	-	-	-
Term subordinated debt	-	-	-	-	-	-	-	-
Due to related parties	449	449	-	-	-	-	-	-
Other financial liabilities	130	130	-	-	-	-	-	-
Total financial liabilities	20,973	1,020	7,522	3,915	8,434	28	54	-
On-balance sheet gap								
Net derivative notional principals	-	-	-	-	-	-	-	-
Net effective interest rate gap	40,487	735	47,330	(1,624)	(5,904)	4	(54)	-

BANK OF BARODA (NEW ZEALAND) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the nine months ended 31 December 2011

14. CREDIT EXPOSURE CONCENTRATIONS

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

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

- as at 31 December 2011 was nil, and
- in respect of peak end-of-day aggregate credit exposure for the three months ended 31 December 2011 was nil.

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

15. FIDUCIARY ACTIVITIES

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.

16. RISK MANAGEMENT POLICIES

There have been no material changes to the risk management policies and no new categories of risk to which the Bank has become exposed since 31 March 2011.

BANK OF BARODA (NEW ZEALAND) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the nine months ended 31 December 2011

17. CAPITAL ADEQUACY

Capital

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

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

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

Other classes of capital instrument

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

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

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

The capital adequacy tables set out below summarise the composition of regulatory capital and capital adequacy ratios for the half year ended 31 December 2011. The Bank was registered on 1 September 2009 and from the date of registration to 31 December 2011, the Bank has complied with both regulatory and internal capital adequacy requirements.

	Unaudited 31 December 2011 \$'000
Tier one capital	
Issued and fully paid up share capital	40,000
Perpetual fully paid up non-cumulative preference shares	-
Revenue and similar reserves ¹	269
Current period's retained profits	446
Tier one minority interests	-
Tier one capital (before deductions)	40,715
Less: deductions from tier one capital (specify each deduction)	-
Plus: other adjustments to tier one capital (specify each adjustment)	-
Total tier one capital (net of all deductions and adjustments)	40,715
Tier two capital	
Upper tier two capital	
Unaudited retained profits	176
Revaluation reserves	-
Upper tier two capital instruments (specify)	-
Lower tier two capital	
Term subordinated debt	-
Other capital elements with original maturity of five years or more	-
Total tier two capital	176
Tier one capital plus tier two capital	40,891
Less: deductions from total capital (specify each deduction)	-
Plus: other adjustments to total capital (specify each adjustment)	-
Total capital	40,891

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

NOTES TO THE FINANCIAL STATEMENTS

For the nine months ended 31 December 2011

17. CAPITAL ADEQUACY (Continued)

Credit risk

	Total exposure	Risk weight	Risk weighted exposure	Minimum Pillar 1 capital requirement
	\$'000	\$'000	\$'000	\$'000
Calculation of on-balance-sheet exposures				
Cash and gold bullion	86	0%	-	-
Sovereigns and central banks	-	-	-	-
Multilateral development banks and other international organisation	-	-	-	-
Public sector entities	-	-	-	-
Banks	42,862	20%	8,572	686
	3,095	50%	1,548	124
Corporate	8,697	100%	8,697	696
Residential mortgages not past due	4,104	35%	1,436	115
	1,142	50%	571	46
Past due residential mortgages	-	-	-	-
Other past due assets	-	-	-	-
Equity holdings (not deducted from capital) that are publicly traded	-	-	-	-
All other equity holdings (not deducted from capital)	-	-	-	-
Other assets	1,938	100%	1,938	155
Total on balance sheet exposures	61,924		22,762	1,822

	Total exposure	Credit conversion factor	Credit equivalent amount	Average risk weight	Risk weighted exposure	Minimum Pillar 1 capital requirement
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Calculation of off-balance sheet exposures						
Direct credit substitute	-	-	-	-	-	-
Asset sale with recourse	-	-	-	-	-	-
Forward asset purchase	-	-	-	-	-	-
Commitment with certain drawdown	-	-	-	-	-	-
Note issuance facility	-	-	-	-	-	-
Revolving underwriting facility	-	-	-	-	-	-
Performance-related contingency	920	50%	460	100%	460	37
Trade-related contingency	31	20%	6	100%	6	1
Placements of forward deposits	-	-	-	-	-	-
Other commitments where original maturity is more than one year	-	-	-	-	-	-
Other commitments where original maturity is less than or equal to one year	-	-	-	-	-	-
Other commitments that cancel automatically when the creditworthiness of the counterparty deteriorates or that can be cancelled unconditionally at any time without prior notice	-	-	-	-	-	-
Market related contracts	-	-	-	-	-	-
(a) Foreign exchange contracts	-	-	-	-	-	-
(b) Interest rate contracts	-	-	-	-	-	-
(c) Other – OTC, etc	-	-	-	-	-	-
Total off-balance sheet exposures	951		466		466	38

Residential mortgages by loan-to-valuation ratio

	Does not exceed 80%	Exceeds 80% and not 90%	Exceeds 90%	Total
Loan –to-value ratio				
Value of exposures	4,104	1,142	-	5,246

Reconciliation of residential mortgage-related amounts

	Unaudited 30 September 2011 \$'000
Residential mortgage loans (as disclosed in Note 4)	5,246
Residential mortgages by loan-to-value ratio	5,246

17. CAPITAL ADEQUACY (Continued)

Credit risk mitigation

Exposure class	Total value of on-and-off-balance sheet exposures covered by eligible collateral (after haircutting) \$'000	Total value of on-and-off-balance sheet exposures covered by guarantees or credit derivatives \$'000
Sovereign or central bank	-	-
Multilateral development bank	-	-
Public sector entities	-	-
Bank	-	-
Corporate	2,768	35
Residential mortgage	-	-
Other	-	-
Total	2,768	35

Operational risk capital requirement

	Implied risk weighted exposure \$'000	Total operational risk capital requirement \$'000
Operational risk	2,413	193

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 5A of the Registered Bank Disclosure Statement (Full and half-year - New Zealand Incorporated Registered Banks) Order (No 3) 2011. 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 weighted exposure \$'000	Aggregate capital charge \$'000	Implied risk weighted exposure \$'000	Aggregate capital charge \$'000
Interest rate risk	475	38	788	63
Foreign currency risk	25	2	63	5
Equity risk	-	-	-	-
Total capital requirements	500	40	851	68

	Total exposure after credit risk mitigation \$'000	Risk weighted exposure or implied risk weighted exposure \$'000	Capital requirement \$'000
Total credit risk + equity	60,072	20,425	1,634
Operational risk	-	2,413	193
Market risk	-	500	40
Total	60,072	23,338	1,867

Capital ratios

	Unaudited 31 December 2011	Unaudited 31 December 2010
Tier one capital ratio	174.5%	276.89%
Total capital ratio	175.2%	278.46%

17. CAPITAL ADEQUACY (Continued)

Capital adequacy of Ultimate Parent Bank

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

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

As at 31 December 2011, BOB's Tier One Capital was 9.31% of Total Risk-weighted Assets and Total Capital was 13.45% of Total Risk-weighted Assets (31 March 2011: Tier One Capital was 9.99% of Total Risk-weighted Assets and Total Capital was 14.52% of Total Risk-weighted Assets). BOB's capital ratios during the periods ended 31 December 2011 and 31 March 2011 exceeded both of the Reserve Bank of India's minimum capital adequacy requirements.

18. 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.