Bank of India (New Zealand) Limited

Registered Bank Disclosure Statement

FOR THE YEAR ENDED 31 MARCH 2021

Table of Contents

General Disclosures
For the year ended 31 March 2021

1. Reporting Directive:

This Disclosure Statement of the Bank as at and for the year ended 31 March 2021 has been prepared under the Registered Bank Disclosure Statements (New Zealand Incorporated Registered Banks) Order 2014 (as amended).

2. Registered Bank:

Name : Bank of India (New Zealand) Limited
Address : 10 Manukau Road, Epsom, Auckland 1023

Bank of India (New Zealand) Limited (the "Bank") was incorporated on 9 October 2008. It became a registered bank on 31 March 2011.

For the purposes of the Registered Bank Disclosure Statements (New Zealand Incorporated Registered Banks) Order 2014 (as amended), the Bank is currently the only entity within the Registered Bank's Banking Group in New Zealand and accordingly the term "Bank" has the same meaning as the Bank's Banking Group throughout this Disclosure Statement.

3. Ultimate Parent Bank and Ultimate Holding Company:

Name: Bank of India
Address: Star House C-5, G Block
Bandra Kurla Complex
Post Box No. 8135
Bandra (East)
Mumbai 400051 (India)

The obligations of the Bank are guaranteed by its ultimate parent, Bank of India (refer to section 6 below for further details on the guarantee arrangement). There has been no change to the ultimate parent bank or ultimate holding company since 31 March 2020.

There are no known regulations, legislation or other restrictions of a legally enforceable nature which may materially inhibit the legal ability of Bank of India to provide material financial support to Bank of India (New Zealand) Limited.

4. Interests in 5% or more of voting securities of registered bank:

Bank of India (New Zealand) Limited is 100% owned by Bank of India. Therefore, Bank of India has the ability to directly appoint 100% of the board of directors of Bank of India (New Zealand) Limited.

5. Priority of creditors' claims:

As at 31 March 2021, all creditors of the Bank have equal priority of claims over the Bank's assets in the event that the Bank is liquidated or ceases to trade.

6. Guarantee Arrangements:

The obligations of Bank of India (New Zealand) Limited are guaranteed under a deed of guarantee dated 14 January 2011 given by its ultimate parent bank, Bank of India, in favour of the creditors of Bank of India (New Zealand) Limited ("the Guarantee").

Copies of the Guarantee are attached as Appendix 3.

The name and address for service of the Guarantor is:
Bank of India, Star House, C-5, G Block, Bandra Kurla Complex, Post Box No.8135, Bandra (East), Mumbai 400051, India.

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

Details of the capital adequacy for the Bank of India as at 31 March 2021 are as follows:

Capital	: INR 449,900,000,000
Capital/Risk Weighted Exposures (%)	: 14.93%

The Bank of India has the following credit rating with respect to its long term senior unsecured obligations payable in any country or currency including obligations payable in New Zealand in New Zealand dollars:

Rating Agency	: Standard & Poor's
Current Credit Rating	: BB+ /Stable/B

On 20 October 2020, Standard & Poor's has maintained the outlook on the long-term counterparty credit ratings on the Bank of India at BB+ /Stable/B.

Descriptions of credit rating scales are contained in Appendix 1.

Details of Guaranteed Obligations:

Bank of India unconditionally guarantees for the benefit of each creditor the due and punctual payment by Bank of India (New Zealand) Limited of each and every obligation (whether at stated maturity, upon acceleration or otherwise) now or hereafter owing or to become owing by Bank of India (New Zealand) Limited to the creditor during the term of the guarantee.

There are no limits on the amount of the obligations guaranteed under the Guarantee. There are no material conditions applicable to the Guarantee other than non-performance by the principal obligor.

There are no material legislative or regulatory restrictions in India which would have the effect of subordinating the claims under the Guarantee of any of the creditors of Bank of India (New Zealand) Limited on the assets of the guarantor, to other claims on the guarantor, in a winding up of that guarantor.

The deed of guarantee does not have an expiry date.

Material Cross Guarantees:

There are no material cross guarantees.

7. Directors:

There are two changes in the composition of the Bank's board of directors since the most recent full year Disclosure Statement dated 31 March 2020.

Mr. Chandan Ohri ceased to be director from 29 September 2020.

Mr. Swarup Dasgupta was appointed as director from 26 October 2020.

At present, the Bank has the following directors:

- Rabin Sockalingam Rabindran, Chairman and Independent Director (appointed on 31 May 2013)
- Sameer Handa, Independent Director (appointed on 12 July 2013)
- Judith Ann Whiteman, Independent Director (appointed on 4 March 2014)
- Onkar Nath Thakur, Managing Director (appointed on 17 April 2019)
- Swarup Dasgupta, Director (appointed on 26 October 2020)

Communications to the directors should be addressed to:

10 Manukau Road, Epsom, Auckland 1023, New Zealand

Sameer Handa, Rabin Sockalingam Rabindran and Judith Ann Whiteman are independent directors who are not employees of the Bank of India (New Zealand) Limited or of any other entity able to control or significantly influence the Bank. The Chairman of the Board is therefore independent. Sameer Handa, Rabin Sockalingam Rabindran and Judith Ann Whiteman are residents in New Zealand.

Onkar Nath Thakur, Managing Director is resident in New Zealand. He is effectively the sole executive director of the bank and all other directors are non-executive directors.

Qualifications and other directorship:

	Qualifications	Details of other directorships
Rabin Sockalingam Rabindran **Primary Occupation**: Commercial Barrister and International Legal Consultant	Barrister-at-Law (Middle Temple); M A (Business Law); Associate of Arbitrators' and Mediators' Institute of NZ Inc	Marsden Maritime Holdings Limited New Zealand Liaoning International Investment & Development Co. Ltd; RSR Projects International Limited; RSR Legal Consultants Limited; Singapore Chapter of ASEAN New Zealand Business Council (Chairman); Board Member of Metropolis Avani Body Corporate Committee.
Sameer Handa, MNZM **Primary Occupation** Managing Director-Glowbal NZ Ltd	Bachelor of Engineering (B.E. Mechanical); Master of Business Administration (MBA)	Asahi Limited; Auckland Health Foundation-Trustee; Buildex NZ Limited; Doncaster Properties Limited; Ecolife Lighting Limited; Glowbal NZ Limited; Gray Investments Limited; Hobssonville Point Limited; Hotunui Investments Limited; India NZ Business Council- Chairman; Randwick Properties Limited; Refrigerant Recovery NZ Ltd; Refrigerant Recovery Operating Company NZ Limited; S V M Holdings Limited; Three 60 Construction Limited; Chairman, India NZ Business Council.
Judith Ann Whiteman **Primary Occupation** Independent consultant and Director	BA-Accounting; Institute of Chartered Accountants Australia and New Zealand; Chartered Member, Institute of Directors, NZ Fellow, Australian Institute of Company Directors	Shine Foundation Ltd (Director); Judy Whiteman & Associates Limited; Housing Foundation No 1 Limited (Director); Housing Foundation Limited (Director); New Zealand Housing Foundation (Trustee).
Onkar Nath Thakur **Primary Occupation**: Banker	BA, MA (Economics); Certified Associate of the Indian Institute of Bankers (CAIIB)	Nil
Swarup Dasgupta **Primary occupation:** Banker	Bachelor of Engineering (B.E. Electronics & Telecommunication); Master of Business Administration (MBA)	Bank of India, Executive Director; BOI Shareholding Limited - Director

The directors, their immediate relatives and close business associates have not entered into any transactions with the Bank, which either has been entered into on terms other than those under the ordinary course of business of the Bank, or which could otherwise be reasonably likely to influence materially the exercise of that director's duties.

The members of the combined **Audit and Risk Committees** are:

Sameer Handa, Independent Director	Chairperson
Rabin Sockalingam Rabindran, Independent Director	Member
Judith Ann Whiteman, Independent Director	Member

The responsible persons authorised to sign this Disclosure Statement on behalf of the Board in accordance with sec 82 of the Reserve Bank of New Zealand Act 1989 are Mr. Rabin Sockalingam Rabindran and Mr. Onkar Nath Thakur.

The Bank's code of conduct states: Members of core management are expected to devote their total attention to the business interests of the Bank. They are prohibited from engaging in any activity that interferes with their performance or responsibilities to the Bank or otherwise is in conflict with or prejudicial to the Bank. If any member of the core management considers investing in securities issued by the Bank's customers, suppliers or competitors they should ensure that these investments do not compromise their responsibilities to the Bank. Many factors including the size and nature of the investment; their ability to influence the Bank's decisions; their access to confidential information of the Bank or any other entity, and the nature of the relationship between the Bank and the counterparty should be considered in determining whether a conflict exists. Additionally

Directors (continued…)

they should disclose to the Bank any interest which they have which may conflict with the business of the Bank. As a general rule, the members of the core management should avoid conducting the Bank's business with a relative or any other entity in which the relative is associated in any significant role. If such a related party transaction is unavoidable, they must fully disclose the nature of the transaction to the appropriate authority.

Any dealings with a related party must be conducted in such a way that no preferential treatment is given to that party. In the case of any other transaction or situation giving rise to conflicts of interests, the appropriate authority should, after due deliberations, decide on its impact.

8. Auditor:

The name and address of the Bank's independent auditor is:
KPMG
18 Viaduct Harbour Avenue
P. O. Box 1584, Shortland Street
Auckland 1140, New Zealand

9. Conditions of Registration:

As at the date of the balance sheet, there is no change in the conditions of registration since the last Balance sheet date and the Bank has complied with all conditions of registration, with the exception of a breach noted below which was rectified during the period.

From 29 September 2020 until 26 October 2020, the Bank Board did not have five directors, which was in breach of conditions of registration. This breach was reported to RBNZ and the parent. The breach has been rectified by appointment of one more director on 26 October 2020.

The condition of registration is revised since last reporting date of 30 September 2020.

The revisions are in respect of following with effect 29 April 2021:

i) Reduction in the percentage limit on distribution on bank's earnings to 50% (from the existing 60%) if the banking group's buffer ration is greater than 1.875% and up to 2.5%.

ii) That, if the buffer ratio of the banking group is more than 2.5%, the bank must limit aggregate distributions, other than discretionary payments payable to holders of Additional Tier 1 capital instruments, to no more than 50% of the bank's earnings.

iii) the bank must not make any individual dividend payment contributing to aggregate distributions for a financial year until it has completed its interim financial accounts for the first six months of its financial year or its annual financial accounts for its full financial year, and must not make any such dividend payment less than six months after any previous such dividend payment.

iv) That for the period up to 30 April 2021, the ratios identified in the quantitative requirements for liquidity risk management 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.

v) That for the period on and after 1 May 2021, the ratios identified must be calculated in accordance with the Reserve Bank of New Zealand documents entitled "Liquidity Policy" (BS13) dated May 2021 and "Liquidity Policy Annex: Liquid Assets" (BS13A) dated May 2021.

vi) That, for a loan-to-valuation measurement period ending on or after 31 October 2021, 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 60%, 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.

vii) "loan-to-valuation measurement period" means— (a) the six calendar month period ending on the last day of August 2021; and (b) thereafter 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 September 2021.

10. Pending Proceedings or Arbitration:

As of the date of this Disclosure Statement, there are no pending legal proceedings or arbitration concerning any member of the Bank in New Zealand or elsewhere that may have a material effect on the Bank.

11. Credit Ratings:

Bank of India (New Zealand) Limited has the following general credit rating applicable to its long term senior unsecured obligations payable in New Zealand in New Zealand dollars.

Rating Agency	: Standard and Poor's
Current Credit Rating	: BB+/Stable/B

On 14 November 2019, Standard & Poor's has maintained the outlook on the long-term counterparty credit ratings on the Bank of India (New Zealand) Limited, at BB+ /Stable/B.

Descriptions of credit rating scales are contained in Appendix 1.

12. Other material matters:

In March 2018, Bank of India (the "Parent") underwent a capital rationalisation exercise and, as a result, expressed the intention to close the operations of Bank of India (New Zealand) Limited (the "Bank"). The closure process was dependent on various administrative matters/decisions. The Parent had agreed to support the operations of the Bank during the period of the process.

During the current financial year, the closure process was put on hold due to unfavourable market conditions caused by the COVID-19 pandemic.

In April 2021 the Parent reversed their initial decision to close the Bank after taking into account the current market conditions and the satisfactory performance of the Bank.

As a result of the reversal of the initial decision to close the Bank, no material uncertainty exists in relation to the Bank's ability to continue as a going concern.

Impairment of Loans and advances:

In recognising credit losses, the Bank considers a broader range of information, including past events, current conditions, and security held that affect the expected collectability of the future cash flows of financial assets.

The impact of Covid19 has reduced particularly with reference to the New Zealand economy, and the economic sentiment has improved since 31 March 2020. The Bank, however, remains of a view that there remains residual market uncertainty which could adversely impact the wider economy and the Bank's borrowers. In estimating the expected credit loss provision, the Bank has taken into account the possible impact of the uncertainty, and has made adjustments to the ECL model to reflect the uncertainty. The adjustments were made specifically for those customers who have historically obtained loan deferrals by transitioning them to stage-2 exposures. (Refer to note 16 for further details on ECL calculation).

There are no other material matters relating to the business or affairs of the Bank that are not disclosed in this Disclosure Statement.

Historical Summary of financial statements

(in NZ $ '000)

Statement of Comprehensive Income For the year ended 31 March	2021	2020	2019	2018	2017
Interest income	4,190	3,907	4,981	5,863	5,599
Interest expense	(614)	(1,047)	(1,374)	(2,631)	(2,275)
Net interest income	**3,576**	**2,860**	**3,607**	**3,232**	**3,324**
Other income	363	449	540	598	579
Total operating income	**3,939**	**3,309**	**4,147**	**3,830**	**3,903**
Operating expenses	(2,260)	(2,632)	(2,717)	(2,700)	(2,575)
Impairment losses on loans and advances	(106)	(330)	(118)	7	(37)
Profit before tax	**1,573**	**347**	**1,312**	**1,137**	**1,291**
Taxation expense	(452)	(97)	(368)	(320)	(373)
Net profit after taxation	**1,121**	**250**	**944**	**817**	**918**
Dividends Paid	-	-	-	-	-
Statement of Financial Position As at 31 March	**2021**	**2020**	**2019**	**2018**	**2017**
Total assets	**101,620**	**86,356**	**88,977**	**102,740**	**120,587**
Total individually impaired assets	**-**	**1,625**	**-**	**-**	**-**
Total liabilities	**45,146**	**31,003**	**33,874**	**48,706**	**67,370**
Total shareholder's equity	**56,474**	**55,353**	**55,103**	**54,034**	**53,217**

The amounts disclosed in this historical summary of financial statements have been taken from the audited financial statements of the Bank.

Directors' Statement
For the year ended 31 March 2021

Each director of the Bank of India (New Zealand) Limited, believes, after due enquiry, that as at the date on which this Disclosure Statement is signed:

- The Disclosure Statement is not false or misleading; and
- The Disclosure Statement contains all information that is required by the Registered Bank Disclosure Statements (New Zealand Incorporated Registered Banks) Order 2014 (as amended).

Furthermore, each director believes, after due enquiry that over the year ended 31 March 2021:

- The Bank has complied with all conditions of registration over the accounting year except for that disclosed in Note 9.
- Credit exposure to connected persons were not contrary to the interests of the Bank; and
- The Bank had systems in place to monitor and control adequately the material risks of the Bank 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.

Signed by Onkar Nath Thakur and Rabin Sockalingam Rabindran as directors and responsible persons on behalf of all the directors:

(The directors of the Bank were Sameer Handa, Rabin Sockalingam Rabindran, Judith Ann Whiteman, Swarup Dasgupta and Onkar Nath Thakur).

Onkar Nath Thakur
Managing Director
28 June 2021

Rabin Sockalingam Rabindran
Chairman and independent director

Index to financial statements

Page	Contents	

Statement of Comprehensive Income (For the year ended 31 March 2021)

(in NZ $ '000)

	Note	(Audited) year to 31.03.2021	(Audited) year to 31.03.2020
Interest income	2	4,190	3,907
Interest expense	2	(614)	(1,047)
Net interest income		**3,576**	**2,860**
Other income	3	363	449
Total operating income		**3,939**	**3,309**
Operating expenses	4	(2,260)	(2,632)
Impairment (losses)/reversal on loans and advances	16	(106)	(330)
Profit before income tax		**1,573**	**347**
Taxation expense	6	(452)	(97)
Net Profit after tax		**1,121**	**250**
Other Comprehensive income		-	-
Total comprehensive income		**1,121**	**250**

Statement of Changes in Equity (For the year ended 31 March 2021)

(in NZ $ '000)

	Share Capital	Retained Earnings	Total
Balance as at 1 April 2019	50,000	5,103	55,103
Total comprehensive income for the year	-	250	250
Balance as at 31 March 2020 (Audited)	**50,000**	**5,353**	**55,353**
Balance as at 1 April 2020	**50,000**	**5,353**	**55,353**
Total comprehensive income for the year	-	1,121	1,121
Balance as at 31 March 2021 (Audited)	**50,000**	**6,474**	**56,474**

The accompanying notes on pages 12 to 39 form an integral part of these financial statements and should be read in conjunction with the financial statements.

Statement of Financial Position (As at 31 March 2021)

(in NZ $'000)

	Note	(Audited) year to 31.03.2021	(Audited) year to 31.03.2020
ASSETS			
Cash	**7**	49	53
Due from other financial institutions	**11**	8,577	26,458
Balance due from related parties	**12**	1,647	229
Loans and advances	**5**	90,144	58,152
GST Refundable		32	22
Other assets	**10**	88	128
Current tax assets		-	113
Property and equipment	**9**	460	519
Right of use assets	**27**	401	501
Deferred tax assets	**6**	222	181
Total assets		**101,620**	**86,356**
Total Interest Earning and Discount Bearing Assets		**96,541**	**84,973**
LIABILITES			
Balance due to related parties	**12**	28,663	17,235
Deposits and other borrowings	**8**	15,610	12,801
Other liabilities	**10**	439	448
Lease liabilities	**27**	423	519
Current tax liabilities		11	-
Total liabilities		**45,146**	**31,003**
NET ASSETS		**56,474**	**55,353**
EQUITY			
Share capital	**13**	50,000	50,000
Retained earnings		6,474	5,353
Total shareholder's equity		**56,474**	**55,353**
Total Interest and Discount Bearing Liabilities		**41,365**	**28,850**

No financial assets presented in the statement of financial position have been pledged as collateral for liabilities or contingent liabilities.

The board of directors of Bank of India (New Zealand) Limited authorised these financial statements for issue on 28 June 2021.

Signed for and on behalf of the board of directors

Onkar Nath Thakur
Managing Director
28 June 2021

Rabin Sockalingam Rabindran
Chairman and independent director

The accompanying notes on pages 12 to 39 form an integral part of these financial statements and should be read in conjunction with the financial statements.

Statement of Cash Flows (For the year ended 31 March 2021)

(in NZ $'000)

	Note	(Audited) year to 31.03.2021	(Audited) year to 31.03.2020
Cash flows from operating activities			
Interest received		4,150	3,929
Fees and other income		363	449
Operating expenses paid		(1,827)	(2,374)
GST (paid)/refund received		(10)	4
Interest paid		(697)	(971)
Income tax paid		(369)	(314)
(Increase)/Decrease in advances to customers		(32,023)	12,106
Increase/(Decrease) in Net proceeds (to) related parties		10,010	(2,978)
Increase/(Decrease) in deposits from customers		2,809	(441)
Net cash flow from operating activities	**14**	**(17,594)**	**9,410**
Cash flows from investing activities			
(Increase)/Decrease in balances with other financial institutions		10,646	(9,496)
Purchase of property and equipment		(49)	(7)
Net cash flow from investing activities		**10,597**	**(9,503)**
Cash flow from financing activities			
Principal part of lease payments		(242)	(228)
Net cash flow used in financing activities		**(242)**	**(228)**
Net increase/(decrease) in cash and cash equivalents		(7,239)	(321)
Cash and cash equivalents at the beginning of the year		15,865	16,186
Cash and cash equivalents at the end of the year		**8,626**	**15,865**
Cash and cash equivalents are made up of:			
Cash	**7**	49	53
Cash equivalent due from other financial institutions at call	**11**	8,577	15,812
Total cash and cash equivalents		**8,626**	**15,865**

The accompanying notes on pages 12 to 39 form an integral part of these financial statements and should be read in conjunction with the financial statements

1. SUMMARY OF ACCOUNTING POLICIES:

1.1 Statement of Compliance:

Bank of India (New Zealand) Limited (the "Bank") is a profit-oriented entity incorporated under the Companies Act 1993 and domiciled in New Zealand. Its principal activity is the provision of banking services. Bank of India (New Zealand) Limited was incorporated on 9 October 2008. It became a registered bank on 31 March 2011.

The Bank is an FMC reporting entity for the purposes of the Financial Markets Conduct Act 2013 (FMCA 2013). Its financial statements comply with the requirements of the Financial Market Conduct Act 2013 (FMCA 2013) and the requirements of Registered Bank Disclosure Statement (New Zealand Incorporated Registered Banks) Order 2014 (as amended).

These financial statements have been prepared and presented in accordance with the Registered Bank Disclosure Statements (New Zealand Incorporated Registered Banks) Order 2014 (as amended).

These financial statements have also been prepared in accordance with Generally Accepted Accounting Practice in New Zealand, as appropriate for profit-oriented entities and the New Zealand Equivalent to International Financial Reporting Standards ("NZ IFRS"). These financial statements also comply with International Financial Reporting Standards ("IFRS").

The financial statements were authorised for issue by the directors on 28 June 2020.

1.2 Basis of preparation:

The financial statements have been prepared on a going concern basis in accordance with historical cost concepts. In March 2018, Bank of India (the "Parent") underwent a capital rationalisation exercise and, as a result, expressed the intention to close the operations of Bank of India (New Zealand) Limited (the "Bank"). The closure process was dependent on various administrative matters/decisions. The Parent had agreed to support the operations of the Bank during the period of the process.

During the current financial year, the closure process was put on hold due to unfavourable market conditions caused by the COVID-19 pandemic.

In April 2021 the Parent reversed their initial decision to close the Bank after taking into account the current market conditions and the satisfactory performance of the Bank.

As a result of the reversal of the initial decision to close the Bank, no material uncertainty exists in relation to the Bank's ability to continue as a going concern.

The functional and presentation currency is New Zealand Dollars (NZD). The amounts in the Disclosure Statement have been rounded to the nearest thousand dollars, except where otherwise stated.

The same accounting policies and methods of computation have been followed in preparing these financial statements as were used in preparing the financial statements for the year ended 31 March 2020.

1.3 Comparatives:

When the presentation or classification of items is changed, comparative amounts are reclassified unless the reclassification is impracticable.

1.4 Accounting judgments and major sources of estimation uncertainty:

In the application of the Bank's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

The Bank takes into consideration historical data, the quality of the securities held as collateral and current market conditions in determining ECL. The impact of Covid19 has reduced particularly with reference to the New Zealand economy, and the economic sentiment has improved since 31 March 2020. The Bank, however, remains of a view that there remains residual market uncertainty which could adversely impact the wider economy and the Bank's borrowers. In estimating the expected credit loss provision, the Bank has taken into account the possible impact of the uncertainty, and has made adjustments to the ECL model to reflect the uncertainty. The adjustments were made specifically for those customers who have historically obtained loan deferrals by transitioning them to stage-2 exposures. (Refer to note 16 for further details on ECL calculation).

1.5 NZ IFRS 16- Leases:

The Bank leases office premises. Under NZ IFRS 16, the Bank recognises right-of-use assets and lease liabilities for the leases on balance sheet.

The right-of-use asset is initially measured at cost, and subsequently at cost less any accumulated depreciation and impairment losses, and adjusted for certain remeasurements of the lease liability.

NZ IFRS 16- Leases (continued…)

The lease liability is initially measured at the present value of the lease payments at the commencement date, discounted using the interest rate implicit in the lease or if that cannot be readily determined, the Bank's incremental borrowing rate. The lease liability is subsequently increased by the interest cost on the lease liability, and decreased by lease payment made. It is re-measured when there is a change in future lease payments arising from a change in an index or rate, a change in the estimate of the amount expected to be payable under a residual value guarantee, or as appropriate, changes in the assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

1.6 Foreign currency transactions:

The Bank's financial statements are presented in the currency of the primary economic environment in which the entity operates (its functional currency). The results and financial position of the Bank are expressed in New Zealand dollars (NZD), which is the functional and presentation currency of the Bank and are rounded to the nearest thousand.

In preparing the financial statements of the Bank, transactions in currencies other than the Bank's functional currency (foreign currencies) are recorded at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the end of the reporting period.

Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognised in profit or loss in the period in which they arise except when deferred in other comprehensive income as qualifying cash flow hedges.

1.7 Goods and Services Tax (GST):

The profit and loss component of the statement of comprehensive income and all items in the statement of financial position has been prepared so that all components are stated exclusive of GST except to the extent that GST is recoverable from the Inland Revenue.

1.8 Revenue recognition:

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

Interest:

For financial instruments measured at amortised cost, the effective interest method is used to measure the interest income or expense recognised in the statement of comprehensive income.

Fees:

Fees are generally recognised on an accrual basis when the service has been provided.

Lending Fees:

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

Commission and other fees:

Commissions or fees related to specific transactions or events are recognised in the statement of comprehensive income when the service is provided to the customer. When they are charged for services provided over a period, they are taken to other income on an accrual basis as the service is provided.

Other income:

Dividend income is recorded in the statement of comprehensive income when the Bank's right to receive the dividend is established.

1.9 Finance costs:

Interest expense is accrued on a time basis using the effective interest method. All other finance costs are recognised in profit or loss in the period in which they are incurred.

1.10 Taxation:

Income tax expense represents the sum of the current tax and deferred tax.

Current tax:
The tax currently payable is based on taxable profit for the reporting period. Taxable profit differs from profit as reported in the statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other periods and it further excludes items that are never taxable or deductible. The Bank's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax:
Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and are accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Bank expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set-off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Bank intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax are recognised as an expense or income in profit or loss, except when they relate to items recognised in other comprehensive income or directly in equity, in which case the tax is also recognised in other comprehensive income or directly in equity.

1.11 Cash and cash equivalents:
Cash and cash equivalents comprise cash on hand, cash at bank, cash in transit and call and short-term deposits (having an original maturity period of less than 3 months from the date of acquisition) due from/to other banks, all of which are used in the day-to-day cash management of the Bank.

1.12 Statement of cash flows:
The following terms are used in the statement of cash flows:

- Operating activities are the principal revenue producing activities of the Bank and other activities that are not investing or financing activities;

- Investing activities are the acquisition and disposal of long-term assets and other investments not included in cash and cash equivalents; and

- Financing activities are activities that result in changes in the size and composition of the contributed equity and borrowings of the Bank.

Certain cash flows have been netted in order to provide more meaningful disclosures, as many cash flows are received and disbursed on behalf of customers and reflect the activities of those customers.

The amounts due from and to related parties have been netted off.

1.13 Financial Assets:
According to NZ IFRS 9, financial assets are classified into the following specified categories:

- Financial assets measured 'at fair value through profit or loss' (FVTPL),
- Financial assets measured at amortised cost.
- Financial assets measured at fair value through comprehensive income.

The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. The Bank's financial assets are primarily in the nature of loans and receivables.

Financial Assets (continued…)

Loans and receivables are fixed or determinable payments and are not quoted in an active market. Loans and receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less any allowance for impairment loss. Interest income is recognised by applying the effective interest rate.

The bank records the financial assets at settlement date.

Impairment of financial assets:

NZ IFRS 9 requires an 'expected credit loss' model to be used. This impairment model applies to certain loan commitments and financial guarantee contracts but not to equity investments.

Loans and receivables are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

Objective evidence of impairment could include:

- Significant financial difficulty of the issuer or counterparty; or
- Default or delinquency in interest or principal payments; or
- It becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For further details of how the bank applies the impairment requirements of NZ IFRS 9, see note 16 (Asset quality).

Derecognition of financial assets:

The Bank derecognises a financial asset only when the contractual rights to the cash flows from the asset expire or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Bank neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Bank recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Bank retains substantially all the risks and rewards of ownership of a transferred financial asset, the Bank continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

1.14 Financial Liabilities:

Financial liabilities are classified as either financial liabilities 'at FVTPL' or 'other financial liabilities' measured at amortised cost.

Financial liabilities are classified as at FVTPL where the financial liability is either held for trading or it is designated as at FVTPL.

The Bank classifies all of its financial liabilities as other financial liabilities. Other financial liabilities are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective interest basis.

The Bank derecognises financial liabilities when, and only when, the Bank's obligations are discharged, cancelled or they expire.

1.15 Property and equipment (including Right of use Assets):

All items of property and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the item. In the event that settlement of all or part of the purchase consideration is deferred, cost is determined by discounting the amounts payable in the future to their present value as at the date of acquisition. Subsequent costs are capitalised if it is probable that future economic benefits will flow to the Bank and the costs can be measured reliably. All other maintenance costs are recognised as an expense as incurred.

Depreciation is charged so as to write off the cost of assets, other than freehold land, over their estimated useful lives, using the straight-line method or the written down value method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis. The following depreciation rates have been used:

Office equipment	: 10% written down value method
Furniture	: 10% written down value method
Leasehold improvements	: 8% straight-line method
Computer equipment	: 33.33% straight-line method

Right of use assets recognized under NZ IFRS 16 are depreciated over the lease term on a straight-line basis.

1.16 Impairment of non-financial assets:

At the end of each reporting period, the Bank reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Bank estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior periods. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

1.17 Financial liabilities and equity instruments issued by the Bank:

Classification as debt or equity:

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

Equity instruments:

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Bank are recorded at the proceeds received, net of direct issue costs.

Financial guarantee contract liabilities:

Financial guarantee contract liabilities are measured initially at their fair values and, if not designated at FVTPL, are subsequently measured at the higher of the amount of the obligation under the contract, as determined in accordance with NZ IAS 37 Provisions, Contingent Liabilities and Contingent Assets; and the amount initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the revenue recognition policies as set out at 1.8 above.

1.18 Provisions:

Provisions are recognised when the Bank has a present obligation (legal or constructive) as a result of a past event, it is probable that the Bank will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

1.19 Employee benefits:

A provision is recognised for benefits accruing to employees in respect of annual leave and sick leave when it is probable that settlement will be required and they are capable of being measured reliably.

Provisions made in respect of employee benefits expected to be settled within 12 months are measured at their nominal values using the remuneration rate expected to apply at the time of settlement. Provisions made in respect of employee benefits which are not expected to be settled within 12 months are measured as the present value of the estimated future cash outflows to be made by the Bank in respect of services provided by employees up to the reporting date.

1.20 Standards and Interpretations in issue not yet adopted:

A number of new standards, amendments to standards and interpretations are effective for annual period beginning on or after 1 January 2021.

Standard / Interpretation	Effective for annual reporting period beginning on or after	Expected to be initially applied in the financial year ahead
Interest Rate Benchmark Reform – Phase 2 (Amendments to NZ IFRS 9, NZ IAS 39, NZ IFRS 7, NZ IFRS 4 and NZ IFRS 16)	01 January 2021	31 March 2022
Classification of liabilities as current or non-current (Amendments to NZ IAS 1)	01 January 2023	31 March 2024
Definition of Accounting Estimate (Amendments to NZ IAS 8)	01 January 2023	31 March 2024
Disclosure of Accounting Policies (Amendments to NZ IAS 1)	01 January 2023	31 March 2024

The impact on the financial statements the Bank upon initial application of these standards and interpretations is yet to be determined.

2. INTEREST:

(in NZ $'000)

	(Audited) year to 31.03.2021	(Audited) year to 31.03.2020
Interest income		
Loans and advances	4,109	3,615
From other financial institutions	81	291
From related parties	-	1
Total interest income	**4,190**	**3,907**
Interest expenses		
Deposits by customers	132	206
Deposits by related parties	450	796
Interest on lease liability	32	45
Total interest expenses	**614**	**1,047**

3 OTHER INCOME:

(in NZ $'000)

	(Audited) year to 31.03.2021	(Audited) year to 31.03.2020
Banking and lending fee income	40	58
Net commission revenue	5	8
Net foreign exchange gains	303	362
Other revenue	15	21
Total other income	**363**	**449**

4 OPERATING EXPENSES:

Operating expenses include

(in NZ $'000)

	(Audited) year to 31.03.2021	(Audited) year to 31.03.2020
Auditors remuneration		
- Audit of Disclosure Statements	95	76
- Review of Disclosure Statements	40	30
- Off quarter reviews	-	52
- Overrun of audit fee for previous year	20	30
Directors' fees	55	62
Depreciation- owned assets		
Leasehold improvements	89	92
Computer equipment	7	1
Office equipment	7	7
Furniture	5	6
Total depreciation	**108**	**106**
Depreciation on Right of use assets	246	246
Operating lease rental expenses	-	10
Employee benefit expenses	883	1,046
Other Expenses	813	974
Total Operating Expenses	**2,260**	**2,632**

5 LOANS AND ADVANCES:

(in NZ $'000)

	(Audited) year to 31.03.2021	(Audited) year to 31.03.2020
Residential mortgage loans		
Standard residential mortgage loan		
Non-property investment residential mortgage loan	19,010	8,545
Property investment residential mortgage loan	16,797	9,752
Reverse residential mortgage loan	-	-
Total	**35,807**	**18,297**
Corporate loans	54,796	39,929
Other loans	66	420
Interest receivable	191	116
Allowance for expected credit loss	(716)	(610)
Net loans and advances	**90,144**	**58,152**
Amounts due for settlement within 12 months	16,760	4,192
Amounts due for settlement after 12 months	73,384	53,960
Net loans and advances	**90,144**	**58,152**

Note: As at 31 March 2021, the bank does not have any outstanding loans to directors. (As at 31 March 2020 Residential mortgage loan included an amount of $2,741,000 (net of expected credit loss $14,000) loaned to a director and corporate loans included an amount of $1,416,000 (net of expected credit loss $7,000).

6 TAXATION:

(in NZ $'000)

	(Audited) year to 31.03.2021	(Audited) year to 31.03.2020
Tax expense comprises:		
Current tax expense in respect of the current year	484	168
Deferred tax expense relating to the origination and reversal of temporary differences	(41)	(71)
Under provision of tax in prior period	9	-
Total tax expense	**452**	**97**
The total charge for the period can be reconciled to the accounting profit as follows:		
Profit before income tax expense	1,573	347
Income tax expense calculated at 28% (2019: 28%)	440	97
Expense relating to the origination of permanent difference	3	-
Under provision of tax in prior period	9	-
Income tax expense recognised in profit or loss	**452**	**97**

Deferred tax assets/ (liabilities) arise from the following:

(in NZ $'000)

For period ended 31 March 2021 (Audited)	**Opening Balance**	**Charged to profit or loss**	**Closing Balance**
Temporary differences			
Property and equipment	10	5	15
Impairment allowance	171	30	201
Other liabilities	-	6	6
	181	**41**	**222**

(in NZ $'000)

For period ended 31 March 2020 (Audited)	**Opening Balance**	**Charged to profit or loss**	**Closing Balance**
Temporary differences			
Property and equipment	27	(17)	10
Impairment allowance	78	93	171
Other liabilities	5	(5)	-
	110	**71**	**181**

7 CASH:

(in NZ $'000)

	(Audited) year to 31.03.2021	(Audited) year to 31.03.2020
Cash on hand	49	53
Total cash	**49**	**53**

8 DEPOSITS AND OTHER BORROWINGS:

(in NZ $'000)

	(Audited) year to 31.03.2021	(Audited) year to 31.03.2020
Retail deposits	15,610	12,801
Wholesale deposits	-	-
Total deposits	**15,610**	**12,801**
Amounts due for settlement within 12 months	15,564	12,769
Amounts due for settlement after 12 months	46	32
Total deposits	**15,610**	**12,801**

9 PROPERTY AND EQUIPMENT:

(in NZ $'000)

	Leasehold Improvements	Computer Equipment	Office Equipment	Furniture	Total
Costs					
Balance as at 1 April 2019 (Unaudited)	**1,062**	**58**	**113**	**131**	**1,364**
Additions	-	8	-	-	**8**
Disposals	-	-	-	(16)	**(16)**
Balance as at 31 March 2020 (Audited)	**1,062**	**66**	**113**	**115**	**1,356**
Additions	-	38	11	-	**49**
Disposals	-	-	-	-	**-**
Write down of assets	-	-	-	-	**-**
Balance as at 31 March 2021 (Audited)	**1,062**	**104**	**124**	**115**	**1,405**
Accumulated depreciation					
Balance as at 1 April 2019 (Unaudited)	**571**	**57**	**49**	**68**	**745**
Disposals	(4)	-	-	(10)	**(14)**
Depreciation	92	-	7	7	**106**
Balance as at 31 March 2020 (Audited)	**659**	**57**	**56**	**65**	**837**
Disposals	-	-	-	-	**-**
Write down of assets	-	-	-	-	**-**
Depreciation	89	7	7	5	**108**
Balance as at 31 March 2021 (Audited)	**748**	**64**	**63**	**70**	**945**
Carrying amount					
Balance as at 31 March 2020 (Audited)	**403**	**9**	**57**	**50**	**519**
Balance as at 31 March 2021 (Audited)	**314**	**40**	**61**	**45**	**460**

10 OTHER ASSETS:

(in NZ $'000)

	(Audited) year to 31.03.2021	(Audited) year to 31.03.2020
Prepayments	88	93
Interest receivable	-	35
Total other assets	**88**	**128**
Amounts due for settlement within 12 months	88	128
Amounts due for settlement after 12 months	-	-
Total other assets	**88**	**128**

OTHER LIABILITIES:

(in NZ $'000)

	(Audited) year to 31.03.2021	(Audited) year to 31.03.2020
Accruals	135	141
RWT on Interest on deposits	69	78
Interest payable	16	99
Others	219	130
Total other liabilities	**439**	**448**
Amounts due for settlement within 12 months	252	388
Amounts due for settlement after 12 months	187	60
Total other liabilities	**439**	**448**

11 DUE FROM OTHER FINANCIAL INSTITUTIONS:

(in NZ $'000)

	(Audited) year to 31.03.2021	(Audited) year to 31.03.2020
Call deposits	8,577	15,812
Short term deposits	-	10,646
Total deposits	**8,577**	**26,458**

Amounts due from other financial institutions are due for settlement within 12 months of balance date.

12 RELATED PARTY DISCLOSURE:

The Bank is wholly owned by the Bank of India, a Company incorporated in India. Bank of India is also the Bank's ultimate parent. Related parties include other branches and subsidiaries of Bank of India and other parties under common control. No related party debts have been written off or forgiven during the period.

Key management personnel:

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

(in NZ $'000)

	(Audited) year to 31.03.2021	(Audited) year to 31.03.2020
Salary and other short-term benefits	273	269
Loan to directors	-	4,171

During the year, the Bank accepted the deposits/(withdrawal) of $(5,000) from the key management personnel (31 March 2020: $8,000). At the end of 31 March 2021, the total deposit from the key management personnel was $32,000 (31 March 2020: $37,000).

As at 31 March 2021, there was no loan due from any of the directors. During the period, total interest accrued on the loans to an ex-director was $96,000 and repayments made on the loans were $241,000. (As at 31 March 2020, total interest accrued on the loans was $215,000 and repayments made on the loans were $516,000. As at 31 March 2020, advances to directors were $4,150,000 (net of ECL allowance of $21,000).

Guarantee from parent:

The obligations of the Bank are guaranteed under a deed of guarantee dated 14 January 2011 given by its ultimate parent, Bank of India, in favour of the creditors of Bank of India (New Zealand) Limited.

There are no material legislative or regulatory restrictions in India which would have the effect of subordinating the claims under the Guarantee of any of the creditors of Bank of India (New Zealand) Limited on the assets of the guarantor, to other claims on the guarantor, in a winding up of that guarantor.

Transactions/balances with related parties:

All related party balances are unsecured, interest bearing and have a fixed maturity, except for:

- Balance of deposits received from related parties amounted to $450,000 which is non-interest bearing and payable on demand (31 March 2020: $259,000).
- Balance of deposits made with related parties amounted to $1,647,000 which is non-interest bearing and receivable on demand (31 March 2020: $229,000).

(in NZ $'000)

	(Audited) year to 31.03.2021	(Audited) year to 31.03.2020
Transactions with related parties		
Interest income		
Bank of India (branches and subsidiaries)	-	1
Other related parties	-	215
Interest expense		
Bank of India (branches and subsidiaries)	-	-
Other related parties	450	796
Other expense-FCBS expense recharge		
Bank of India (Parent)	60	120
Net deposit/(withdrawals) with related parties	1,368	32
Net deposit/(withdrawals) by related parties	11,427	(2,946)
Balances with related parties		
Deposits with/Advances to		
Bank of India (branches and subsidiaries)	1,647	229
Other related parties	-	4,171
Total Deposits with related parties	**1,647**	**4,400**
Deposits from		
Bank of India (branches and subsidiaries)	450	259
Other related parties	28,213	16,976
Total Deposits from related parties	**28,663**	**17,235**
Deposits with /advances to related parties		
Amounts due for settlement within 12 months	1,647	1,411
Amounts due for settlement after 12 months	-	2,989
Total Deposits with related parties	**1,647**	**4,400**
Deposits from related parties		
Amounts due for settlement within 12 months	13,379	17,235
Amounts due for settlement after 12 months	15,284	-
Total Deposits from related parties	**28,663**	**17,235**

13 SHARE CAPITAL:

(in NZ $'000)

	(Audited) year to 31.03.2021	(Audited) year to 31.03.2020
50,000,010 fully paid ordinary shares	50,000	50,000

The Bank issued 10 ordinary shares on 9 October 2008 and 50,000,000 ordinary shares on 7 February 2011. All ordinary shares have equal voting rights and share equally in dividends and any profits on winding up. Shares do not have a par value.

14 NET CASH FLOWS FROM OPERATING ACTIVITIES:

(in NZ $'000)

	(Audited) year to 31.03.2021	(Audited) year to 31.03.2020
Profit for the period	**1,121**	**250**
Non-cash items:		
Impairment loss recognised on loans and advances	106	330
Depreciation and amortisation of non-current assets	354	352
Deferred tax assets	(41)	(71)
Write down in property and equipment	-	-
Movements in working capital:		
Decrease in loans and advances	(32,098)	12,141
Decrease in interest receivable	35	(13)
(Decrease) in deposits from customers	2,809	(441)
Net Decrease in balances due to related parties	10,010	(2,978)
(Increase)/Decrease in prepayments	5	(48)
Decrease/(Increase) in GST refundable	(10)	4
Increase/(Decrease) in current tax liability	124	(146)
Increase/ (Decrease) in other liabilities	(9)	30
Net cash from operating activities	**(17,594)**	**9,410**

15 CAPITAL ADEQUACY:

The following capital adequacy information is disclosed in relation to the Bank and is derived in accordance with the conditions of registration relating to capital adequacy. For the purpose of the conditions of registration, capital requirements and ratios are calculated in accordance with the Reserve Bank of New Zealand Capital Adequacy Framework (BS2A) dated November 2015 and is disclosed under the Basel III framework in accordance with Schedule 9 of the Order.

Capital and Capital ratios:

(in NZ $'000)

	(Unaudited) year to 31.03.2021
Tier 1 capital	
Common Equity Tier 1 ("CET1") Capital	
Issued and fully paid-up ordinary share capital	50,000
Retained earnings	6,474
Accumulated other comprehensive income and other disclosed reserves	-
	56,474
Less deductions from CET1 capital	
Deferred tax assets	(222)
Total Common Equity Tier 1 Capital	**56,252**
Additional Tier 1 ("AT1") capital	-
Tier 1 Capital	**56,252**
Tier 2 Capital	-
Total capital	**56,252**

Capital ratios and solo capital adequacy	(Unaudited) year to 31.03.2021	(Unaudited) year to 31.03.2020
Common equity Tier 1 capital ratio	62%	79%
Tier 1 capital ratio	62%	79%
Total capital ratio	62%	79%

Minimum ratio requirement	(Unaudited) year to 31.03.2021	(Unaudited) year to 31.03.2020
Common equity Tier 1 capital ratio	4.5%	4.5%
Tier 1 capital ratio	6%	6%
Total capital ratio	8%	8%

Buffer ratio	(Unaudited) year to 31.03.2021	(Unaudited) year to 31.03.2020
Buffer ratio	54%	71%
Buffer ratio requirement	2.5%	2.5%

Capital and Capital ratios (continued…)

The Bank has 50,000,010 fully paid ordinary shares (tier one capital) issued at $1 per share. Bank of India is the sole shareholder. Each share confers on the holder the right to:

One vote on a poll at a meeting of the Bank on any resolution.
The right to equal share in dividends authorised by the board.
The right to an equal share in the distribution of the surplus assets of the Bank.
There is no capital instrument eligible for phase out.

Credit Risk:

The Bank's credit risk exposure is derived in accordance with the Reserve Bank document 'Capital adequacy framework (Standardised Approach)' (BS2A) dated November 2015.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 and advance.

As at 31 March 2021, the Bank deposited its funds with financial institutions with a credit rating from Standard & Poor's of AA- (2020: AA-) or with related parties. The Bank has established an Audit and Risk Committee that specifically oversees and co-ordinates the Bank's credit risk management functions. The Audit and Risk Committee has primary responsibility for identifying, measuring and monitoring the Bank's exposure to credit risk. The Audit and Risk Committee reports to the Board on credit risk on a quarterly basis.

(in NZ $'000)

On Balance Sheet exposures as at 31 March 2021 (Unaudited)	Total exposure after credit risk mitigation	Risk weight	Risk weighted exposure	Minimum Pillar 1 capital requirement
Cash and gold bullion	49	0%	-	-
Banks	8,577	20%	1,715	137
	1,647	50%	824	66
Non-Property investment residential mortgage				
LVR upto 80%	14,577	35%	5,102	408
LVR >80% & upto 90%	4,433	50%	2,216	177
LVR exceeds 90%	-	75%	-	-
Property investment residential mortgage				
LVR upto 80%	16,797	40%	6,719	538
LVR >80% & upto 90%	-	70%	-	-
LVR exceeds 90%	-	90%	-	-
Corporate Loans	54,796	100%	54,796	4,383
Other Loans	257	100%	257	21
Other assets	487	100%	487	39
Total on balance sheet exposure	**101,620**		**72,116**	**5,769**

Note: Provision on advances of $716,000 is adjusted with the other assets

(in NZ $'000)

Off Balance Sheet exposures as at 31 March 2021 (Unaudited)	Total exposure	Credit conversion factor	Credit equivalent amount	Average risk weight	Risk weighted exposure	Minimum Pillar 1 capital requirement
Other commitments where original maturity is more than one year	9,195	50%	4,597	88.97%	4,090	327
Total off balance sheet exposure	**9,195**		**4,597**		**4,090**	**327**

Credit risk mitigation:

The Bank assesses the integrity and ability of counterparties to meet their contractual financial obligations for repayment and if necessary, takes collateral security in the form of real property or a security interest in personal property.

No on or off-balance sheet exposures are covered by eligible collateral, guarantees or credit derivatives.

Total capital requirements:

(in NZ $'000)

As at 31 March 2021 (Unaudited)	Total exposure after credit risk mitigation	Risk weighted exposure or implied risk weighted exposure	Total capital requirement
Total credit risk + equity risk	110,815	76,206	6,096
Operational risk	n/a	8,298	664
Market risk	n/a	5,912	473
Total	**110,815**	**90,416**	**7,233**

Market risk end of period capital charges:

(in NZ $'000)

As at 31 March 2021 (Unaudited)	Implied risk Weighted Exposure	Aggregate Capital Charge
Interest rate risk	5,783	463
Foreign currency risk	129	10
Equity risk	-	-
Total	**5,912**	**473**

Market risk peak end-of-day capital charges:

(in NZ $'000)

As at 31 March 2021 (Unaudited)	Implied risk Weighted Exposure	Aggregate Capital Charge
Interest rate risk	5,796	464
Foreign currency risk	464	37
Equity risk	-	-
Total	**6,260**	**501**

Pillar 1 capital requirements:

(in NZ $'000)

	(Unaudited) 31.03.2021	(Unaudited) 31.03.2020
On-balance sheet credit risk:		
Residential mortgages (including past due, if any)	1,123	630
Corporate	4,383	3,194
Claims on banks	203	432
Other	60	112
Total on-balance sheet credit risk	**5,769**	**4,368**
Other capital requirements		
Off balance sheet credit exposures	327	330
Operational risk	664	799
Market risk	473	83
Total other capital requirements	**1,464**	**1,212**
Total Pillar 1 capital requirement	**7,233**	**5,580**

The above capital charges are derived in accordance with the Conditions of Registration relating to capital adequacy and the Reserve Bank document entitled "Capital Adequacy Framework" (Standardised Approach) (BS2A) dated November 2015.

Peak end-of-day capital charges are calculated on daily basis using the Bank's shareholders' equity at the end of the period.

Operational risk:

(in NZ $'000)

For the year ended 31 March 2021	Implied risk Weighted Exposure	Total operational risk capital requirement
Operational risk	8,298	664

Residential mortgage by loan-to-valuation ratio (LVR):

(in NZ $'000)

LVR range (Unaudited)	Does not exceed 80%	Exceeds 80% and not 90%	Exceeds 90%	Total
Value of exposures as at 31 March 2021				
On-balance sheet	31,374	4,433	-	35,807
Off-balance sheet	116	1,280	-	1,396
Total	**31,490**	**5,713**	**-**	**37,203**

Capital requirements for other material risks

The other material risks that the Bank has identified are described below:

Reputation Risk:
The risk of potential damage to the Bank from a deterioration of reputation.

Transfer Risk:
The risk that funds in foreign currencies cannot be transferred out of a country. The risk relates to specific explicit government restrictions or simply depleted foreign exchange funds in the non-industrial countries of Africa, Asia, Latin America and Central and Eastern Europe.

Strategic / Business Risks:
Current and prospective impact on earnings or capital arising from adverse business decisions, improper implementation of decisions, or lack of responsiveness to industry changes.

Tax Risk:
Risk arising from adverse changes in relevant taxation laws, failure to correctly identify implications of existing taxation laws or breaches of tax laws.

Legal Risk:

Risk arising from legal proceedings or failure to legally enforce a contractual arrangement relating to the Bank's activities.

The Bank has reviewed these other risks and do not believe any individual risk as being material and requiring a capital allocation (31 March 2020: Nil). The Bank will review this allocation methodology every reporting period in line with industry practice as this area evolves over time.

The Bank measures the primary risks and its overall minimum Capital Adequacy Ratio in accordance with the Reserve Bank document entitled "Capital Adequacy Framework" (Standardised Approach) (BS2A) dated November 2015. The Bank's approach to assess capital adequacy recognises the importance of using quantitative techniques and qualitative assessment /management judgement in arriving at a final measure of risk. As part of its on-going capital planning and budgeting processes management also develops a range of scenarios as a basis for identifying plausible severe loss events and changes in market conditions and measures / quantifies the potential financial impacts (direct and indirect) on the Bank's capital adequacy for the foreseeable future (2-3 years).

Senior management of the Bank is responsible for the capital planning and budgeting process and is required to perform ongoing calculation of Capital Adequacy Ratio and report this to the Board of Directors on a regular basis. The Board of Directors of the Bank is responsible to monitor the Capital Adequacy Ratio on a regular basis.

Capital ratios of the ultimate parent bank:

	As at 31.03.2021	As at 31.03.2020
CET 1 capital ratio	11.51%	9.88%
Tier one capital ratio	11.96%	9.90%
Total capital ratio	14.93%	13.10%

The ultimate parent bank is Bank of India, domiciled in India. Figures are taken from Bank of India's Financial Results for the period ended 31 March 2021 and 31 March 2020 from its website. The above ratios are derived in accordance with the Capital Adequacy Framework (Basel III) as per Reserve Bank of India (RBI) guidelines effective 30 September 2013.

Bank of India is required by the RBI to hold minimum capital at least equal to that specified under the Basel III (standardised) approach. At balance dates (i.e., 31 March 2021 and 31 March 2020) Bank of India was in compliance with the requirements imposed.

Bank of India has published pillar three disclosure information on the implementation of the Basel III capital adequacy framework on its website and can be found at http://www.bankofindia.co.in

Regulatory liquidity ratios:

The table below shows the arithmetic 3-month average of the respective daily ratio values in accordance with RBNZ's Liquidity Policy (BS13/BS13A) ("BS13") and the Bank's Conditions of Registration relating to liquidity-risk management.

The one-week mismatch ratio is a measure of the Bank's one-week mismatch amount over its total funding, where the one-week mismatch amount represents the Bank's portfolio of primary liquid assets plus expected cash inflows minus expected cash outflows during a one-week period of stress. The bank is required to maintain this ratio above a minimum level of zero percent on a daily basis. The one-week mismatch ratio = 100 x (one-week mismatch dollar amount / total funding).

The one-month mismatch ratio is a measure of the Bank's one-month mismatch amount over its total funding, where the one-month mismatch amount represents the Bank's stock of primary and secondary liquid assets plus expected cash inflows minus expected cash outflows during a one-month period of stress. The bank must maintain this ratio above a minimum level of zero percent on a daily basis.

The one-month mismatch ratio= 100 x (one-month mismatch dollar amount / total funding).

The one-year core funding ratio measures the extent to which loans and advances are funded by funding that is considered stable. The one-year core funding ratio = 100 x (one-year core funding dollar amount / BS13 total loans and advances) and must currently remain above 75 percent on a daily basis.

Average for the three months ended	31.03.2021 (%)	31.03.2020 (%)
Quarterly average one-week mismatch ratio	25.80	34.20
Quarterly average one-month mismatch ratio	23.40	43.10
Quarterly average core funding ratio	107.30	116.30

16 ASSET QUALITY:

The bank uses a “days past due” model for ECL calculation.

Loss allowance for ECL includes consideration of:

- Probability of default (“PD”) which estimates the probability that a customer will default over the next 12 months;
- Exposure at time of default (EAD) which estimates the amount of outstanding principal, undrawn loan commitments and contingent exposures (such as guarantees issued by the Bank) at the time of default; and
- Loss given default (LGD) which estimates the expected loss in the event of default, it is the percentage of exposure which will be lost after all recovery efforts, including legal expenses and recovery expenses.

The above inputs have been applied in the calculation of loss allowances for ECL on loan exposures classified within the following stages.

Stage 1- 12 month ECL-“performing”: It includes financial Assets that have not had a significant increase in credit risk since initial recognition or that have low credit risk at the reporting date. Under stage 1, the bank includes all financial assets with days past due of less than 30 days (0-29 days).

Stage 2- Lifetime ECL-“under performing”: It includes financial instruments that have had a significant increase in credit risk since initial recognition (unless they have low credit risk at the reporting date) but that do not have objective evidence of impairment. Under stage 2, the bank includes all financial assets with days past due between 30-89 days.

Stage 3- Lifetime ECL-“non performing”: It includes financial assets that have objective evidence of impairment at the reporting date. Under stage 3, the bank includes all financial assets with days past due of 90 days and above. It also includes assets identified as substandard, doubtful, loss and restructured.

Loss allowances for ECL are presented in the statement of financial position as a deduction from the gross carrying amounts of loans and advances.

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

The Bank has past due but not impaired assets of $8,348,000 as at 31 March 2021 (31 March 2020: $17,628,000). The Bank has no impaired assets as at 31 March 2021 (31 March 2020: $1,625,000).

Significant increase in credit risk:

While considering a transfer from stage-1 to stage-2, a significant increase in credit risk for financial assets are assessed by comparing the risk of default at reporting date to the corresponding risk of default at origination. In determining what constitutes a significant increase in credit risk, the Bank has considered reasonable and supportable quantitative and qualitative information. For the majority of portfolio, the primary indicator of significant increase in credit risk is a default in the terms and conditions of the contract resulting in a significant deterioration in the internal credit rating. The Bank also uses a range of secondary indicators such as, 30 days past due arrears etc.

All new loans approved in the current year which have not shown indicators of an increase in credit risk are classified under stage-1.

In the current macroeconomic environment, the Bank assessed whether there was a significant increase in credit risk for individual borrowers and at a portfolio level. As such, the Bank used its NZ IFRS 9 model in place and the ECL has been adjusted for both residential mortgage loans and business loans categories based on the downgrade of the loans to the stage-2 category for borrowers who obtained loan deferrals.

ECL measurement and forward looking information:

ECLs are probability weighted credit losses estimated by evaluating a range of possible outcomes and taking into account the time value of money, past events, current conditions and forecasts of future economic conditions. The Bank has developed and tested NZ IFRS9 compliant models for loan portfolios.

The majority of the customers who were granted deferment of payment due to impact of Covid19 for the year ended 31 March 2021, started repaying the instalments after the expiry of the moratorium. We consider this is due to the improvement in economic sentiment as a result of less adverse impact of Covid19. We do, however, consider there remains residual market uncertainty resulting from the Covid19 pandemic and its potential downstream impacts on the economy. Consequently, the Bank has continued to designate these loans as stage-2 exposures to account for any unforeseen adverse change in the macroeconomic environment.

ASSET QUALITY (continued…)

With respect to the project loans, the Bank assumes that during the tenure of the loan, the borrower will have to service the interest only and the loan will be repaid by the bullet payment, out of the sale proceeds of the residential units, at the completion of the project. The borrower will service the interest by their other sources of income. The project loans are considered for two different projects for the construction of residential units and the promoters are considered to be experienced and versatile in their field. They do have the diversity and associated with other business activities as well to continue servicing the project loans. The Bank has classified these exposures as Stage-1 exposures, due to the lower credit risk.

(in NZ $'000)

As at 31 March 2021 (Audited)	Stage 1 12-month ECL	Stage 2 Lifetime ECL Not credit impaired	Stage 3 Lifetime ECL Credit impaired	Specific provision Lifetime ECL Credit impaired	Total
Balance as on 1 April 2020					
Residential Mortgage Lending	**82**	**80**	**33**	**-**	**195**
Changes to the opening balance due to transfers between ECL states	-	-	-	-	**-**
Transferred to collective provisions -12 month ECL	-	-	-	-	**-**
Transferred to collective provision -lifetime ECL -not credit impaired	-	-	-	-	**-**
Transferred to collective provision -lifetime ECL-credit impaired	-	-	-	-	**-**
Charge to statement of comprehensive income excluding transfers between stages	(3)	58	(16)	-	**39**
Balance as at 31 March 2021	**79**	**138**	**17**	**-**	**234**
Balance as on 1 April 2020					
Corporate Exposures	**178**	**178**	**1**	**-**	**357**
Changes to the opening balance due to transfers between ECL stages	-	-	-	-	**-**
Transferred to collective provision-12 month ECL	-	-	-	-	**-**
Transferred to collective provision-lifetime ECL-not credit impaired	-	-	-	-	**-**
Transferred to collective provision-lifetime ECL-credit impaired	-	-	-	-	**-**
Charge to statement of comprehensive income excluding transfers between stages	(87)	169	(1)	-	**81**
Balance as at 31 March 2021	**91**	**347**	**-**	**-**	**438**
Balance as on 1 April 2020					
Other retail exposures	**3**	**-**	**-**	**-**	**3**
Changes to the opening balance due to transfers between ECL stages	-	-	-	-	**-**
Transferred to collective provision-12 month ECL	-	-	-	-	**-**
Transferred to collective provision-lifetime ECL-not credit impaired	-	-	-	-	**-**
Transferred to collective provision-lifetime ECL-credit impaired	-	-	-	-	**-**
Charge to statement of comprehensive income excluding transfers between stages	(3)	-	-	-	**(3)**
Balance as at 31 March 2021	**-**	**-**	**-**	**-**	**-**
Balance as on 1 April 2020					
Loan commitments & guarantees	**2**	**53**	**-**	**-**	**55**
Changes to the opening balance due to transfers between ECL stages	**-**	**-**	**-**	**-**	**-**
Transferred to collective provision-12 month ECL	**-**	**-**	**-**	**-**	**-**
Transferred to collective provision-lifetime ECL-not credit impaired	**-**	**-**	**-**	**-**	**-**
Transferred to collective provision-lifetime ECL-credit impaired	**-**	**-**	**-**	**-**	**-**
Charge to statement of comprehensive income excluding transfers between stages	30	(41)	**-**	**-**	**(11)**
Balance as at 31 March 2021	**32**	**12**	**-**	**-**	**44**
Balance as on 1 April 2020	**265**	**311**	**34**	**-**	**610**
Charge to statement of comprehensive income	(63)	186	(17)		**106**
Total provision for credit impairment balance at 31 March 2021	**202**	**497**	**17**	**-**	**716**

Allowances for credit impairment losses:

As at 31 March 2021, no separate overlay is provided for expenses/losses in relation to the macro-economic impact due to Covid19. Instead, it is absorbed in the calculation of expected credit losses by revising the stage 1 to stage 2 in respect of customers who availed temporary loan deferrals from the Bank, and remain susceptible to face hardships in the event of any future economic downturn.

(As at 31 March 2020, expected credit losses include an overlay of $227,000 provided to cover for expenses/ losses because of macroeconomic impact due to Covid19 and this amount is allocated between stage 1, stage 2 and stage 3 in the amounts of $162,000, $60,000 and $5,000 respectively.)

Allowances for credit impairment losses (continued…)

The following table provides an explanation of causes that contributed to the change in the loss allowance:

(in NZ $'000)

As at 31 March 2021 (Audited)	Stage 1	Stage 2	Stage 3	Total
Loans and advances to customers at amortised cost				
Increase in ECL due to increased credit risk of existing credit exposures	(132)	137	0	**5**
Increase in ECL due to increase in loan book	133	57	17	**207**
Decrease in ECL due to closure of loans	(64)	(8)	(34)	**(106)**
Movement in ECL	(63)	186	(17)	**106**

(in NZ $'000)

As at 31 March 2020 (Audited)	Stage 1	Stage 2	Stage 3	Total
Loans and advances to customers at amortised cost				
Increase in ECL due to increased credit risk of existing credit exposures	145	175	27	347
Reduction in ECL due to reducing loan book	(66)	-	-	(66)
Movement associated with overlay due to impact of Covid 19	162	60	5	227
Movement associated with the overlay due to going concern uncertainty/ Covid19	(174)	(5)	1	(178)

(in NZ $'000)

As at 31 March 2021 (Audited)	Residential mortgage loans	On balance sheet corporate exposures	Other on balance sheet exposures	Loan Commitments & guarantees	Total
Past due but not impaired					
Less than 30 days past due	858	3,390	-	-	**4,248**
At least 30 days but less than 60 days past due	2,895	1,205	-	43	**4,143**
At least 60 days but less than 90 days past due	-	-	-	-	**-**
At least 90 days past due					
Total past due but not impaired	**3,753**	**4,595**	**-**	**43**	**8,391**
Past due and credit impaired				**-**	
Less than 30 days past due	-	-	-		**-**
At least 30 days but less than 60 days past due	-	-	-	**-**	**-**
At least 60 days but less than 90 days past due	-	-	-	**-**	**-**
At least 90 days past due	-	-	-	-	**-**
Total past due and credit impaired	-	-	-	**-**	**-**
Total Gross loans & advances including loan commitments and guarantees	**35,807**	**54,796**	**257**	**9,195**	**100,055**
Collectively assessed provisions					
Balance at 31 March 2020	195	357	3	55	**610**
Charge to statement of comprehensive income	34	86	(3)	(11)	**106**
Other movements	-	-	-	**-**	**-**
Balance at 31 March 2021	**229**	**443**	**-**	**44**	**716**
Individually assessed provisions					
Balance at 1 April 2020	-	-	-	-	**-**
Charge to statement of comprehensive income	-	-	-	-	**-**
Other movements	-	-	-	-	**-**
Balance at 31 March 2021	**-**	**-**	**-**	**-**	**-**
Total allowance for impairment losses	**229**	**443**	**-**	**44**	**716**

Allowances for credit impairment losses (continued…)

(in NZ $'000)

As at 31 March 2020 (Audited)	Residential mortgage loans	On balance sheet corporate exposures	Other on balance sheet exposures	Loan Commitments & guarantees	Total
Past due but not impaired					
Less than 30 days past due	1,718	643	-	-	**2,361**
At least 30 days but less than 60 days past due	3,737	11,530	-	-	**15,267**
At least 60 days but less than 90 days past due	-	-	-	-	**-**
At least 90 days past due	-	-	-	-	
Total past due but not impaired	**5,455**	**12,173**	**-**	**-**	**17,628**
Past due and credit impaired					
Less than 30 days past due	-	-	-	-	**-**
At least 30 days but less than 60 days past due	-	-	-	-	**-**
At least 60 days but less than 90 days past due	-	-	-	-	**-**
At least 90 days past due	1,578	47	-	-	**1,625**
Total past due and credit impaired	1,578	47	-	**-**	**1,625**
Total Gross loans & advances including loan commitments and guarantees	**18,297**	**39,929**	**536**	**8,259**	**67,021**
Collectively assessed provisions					
Balance at 1 April 2019	101	169	1	9	**280**
Charge to statement of comprehensive income	94	188	2	46	**330**
Other movements	-	-	-	**-**	**-**
Balance at 31 March 2020	**195**	**357**	**3**	**55**	**610**
Individually assessed provisions					
Balance at 1 April 2019	**-**	**-**	**-**	**-**	**-**
Charge to statement of comprehensive income	-	-	-	-	**-**
Other movements	-	-	-	-	**-**
Balance at 31 March 2020	**-**	**-**	**-**	**-**	**-**
Total allowance for impairment losses	**195**	**357**	**3**	**55**	**610**

Credit impairment losses on loans and advances:

(in NZ $'000)

Impact on Profit & Loss	Residential mortgage loans	On balance sheet corporate exposures	Other on balance sheet exposures	Off balance sheet exposures	Total
Collectively assessed provisions					
Balance at 1 April 2020	(195)	(357)	(3)	(55)	**(610)**
Charge for the current year	(34)	(86)	3	11	**(106)**
Balance at 31 March 2021 (Audited)	**(229)**	**(443)**	**-**	**(44)**	**(716)**

(in NZ $'000)

Impact on Profit & Loss	Residential mortgage loans	On balance sheet corporate exposures	Other on balance sheet exposures	Off balance sheet exposures	Total
Collectively assessed provisions					
Balance at 1 April 2019	(103)	(176)	(1)	**-**	**(280)**
Charge for the current year	(92)	(181)	(2)	**(55)**	**(330)**
Balance at 31 March 2020 (Audited)	**(195)**	**(357)**	**(3)**	**(55)**	**(610)**

The Bank assesses on a monthly basis whether objective evidence of ECL exists individually for loans and advances. If the Bank determines that no objective evidence of ECL exists for individually assessed loans and advances, loans and advances with similar credit risk characteristics are grouped and assessed collectively for ECL. The assessment for collective ECL is based on the history of impairment of the loan portfolios.

The objective of impairment requirements under the approach is to recognise lifetime ECLs for all financial instruments for which there has been a significant increase in credit risk since origination. The assets which have not undergone any significant deterioration shall be recognised with only 12-month Expected Credit Loss (ECL). ECL is calculated based on the stage of financial instrument.

The Bank does not have any financial assets designated as fair value through profit or loss as at and for the year ended 31 March 2021 (31 March 2020: Nil).

As such, there were no changes in fair value attributable to changes in credit risks that have been charged to the statement of comprehensive income for the year ended 31 March 2021 (31 March 2020: Nil).

There was no aggregate amount of undrawn balances on lending commitments to counterparties for whom drawn balances are classified as individually impaired as at and for the year ended 31 March 2021 (31 March 2020: Nil).

There were no other assets under administration as at and for the year ended 31 March 2021 (31 March 2020: Nil).

17 FINANCIAL INSTRUMENTS:

Categories of financial instruments:

(in NZ $'000)

As at 31 March 2021 (Audited)	Financial assets at amortised cost	Financial liabilities at amortised cost	Total
Assets			
Cash	49	-	49
Balance due from related parties	1,647	-	1,647
Due from other financial institutions	8,577	-	8,577
Loans and advances	90,144	-	90,144
Interest receivable	-	-	-
Total financial assets	**100,417**	**-**	**100,417**
Non-financial assets	-	-	1,203
Total assets		-	**101,620**
Liabilities			
Balance due to related parties	-	28,663	28,663
Deposits and other borrowings	-	15,610	15,610
Lease liability	-	423	423
Interest payable	-	16	16
Total financial liabilities	**-**	**44,712**	**44,712**
Non-financial liabilities	-	-	434
Total liabilities	**-**		**45,146**

(in NZ $'000)

As at 31 March 2020 (Audited)	Financial assets at amortised cost	Financial liabilities at amortised cost	Total
Assets			
Cash	53	-	53
Balance due from related parties	229	-	229
Due from other financial institutions	26,458	-	26,458
Loans and advances	58,152	-	58,152
Interest receivable	35	-	35
Total financial assets	**84,927**	**-**	**84,927**
Non-financial assets	-	-	1,429
Total assets		**-**	**86,356**
Liabilities			
Balance due to related parties	-	17,235	17,235
Deposits and other borrowings	-	12,801	12,801
Lease liability	-	519	519
Interest payable	-	99	99
Total financial liabilities	**-**	**30,654**	**30,654**
Non-financial liabilities	-	-	349
Total liabilities	**-**		**31,003**

Fair value of financial instruments:

(in NZ $'000)

As at 31 March 2021 (Audited)	Carrying Amounts	Estimated Fair Value
Financial assets		
Cash	49	49
Balance due from related parties	1,647	1,647
Due from other financial institutions	8,577	8,577
Loans and advances	90,144	90,144
Interest receivable	-	-
Total financial assets	**100,417**	**100,417**
Financial liabilities		
Balance due to related parties	28,663	28,824
Deposits and other borrowings	15,610	15,681
Lease liability	423	423
Interest Payable	16	16
Total financial liabilities	**44,712**	**44,944**

Fair value of financial instruments (continued…)

(in NZ $'000)

As at 31 March 2020 (Audited)	Carrying Amounts	Estimated Fair Value
Financial assets		
Cash	53	53
Balance due from related parties	229	229
Due from other financial institutions	26,458	26,516
Loans and advances	58,152	58,152
Interest receivable	35	35
Total financial assets	**84,927**	**84,985**
Financial liabilities		
Balance due to related parties	17,235	17,526
Deposits and other borrowings	12,801	12,867
Lease liability	519	519
Interest Payable	99	99
Total financial liabilities	**30,654**	**31,011**

Fair value estimation:
Quoted market prices, when available, are used as the measure of fair values for financial instruments. However, for some of the Bank's financial instruments, quoted market prices do not exist. For such financial instruments, fair values presented are estimates derived using present value or other market accepted valuation techniques.

These techniques involve uncertainties and are affected by the assumptions used and judgements made regarding risk characteristics of various financial instruments, discount rates, and estimates of future cash flows, future expected loss experience and other factors. Changes in assumptions could significantly affect these estimates and the resulting fair values.

The fair value estimates were determined by application of the methods and assumptions described below.

Cash:
For cash assets, the carrying amount is equivalent to the fair value as they are highly liquid. For short term liquid assets, estimated fair values are based on quoted market prices.

Balance due from other financial institutions:
These are call and short-term deposits with other financial institutions which are relatively liquid and therefore carrying amount is equivalent to fair value.

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

Interest receivables:
For Interest receivables the carrying value is considered to approximate the fair values, as they are short term in nature or are receivable on demand.

Deposits by customers and related parties:
For fixed term deposits by customers and related parties, fair values have been estimated using a discounted cash flow model with reference to market interest rates. For other deposits by customers and related parties, the carrying amount is a reasonable estimate of fair value.

Interest payable:
Interest payable is generally short-term and is expected to be settled within one year. Therefore, the carrying amount is equivalent to 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.

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.

Fair value estimation (continued…)

(in NZ $'000)

As at 31 March 2021 (Audited)	Level 1	Level 2	Level 3	Total
Cash	49	-	-	**49**
Financial assets at amortised cost				
Due from other financial institutions	-	8,577	-	**8,577**
Due from related parties	-	1,647	-	**1,647**
Loans and advances	-	-	90,144	**90,144**
Interest receivable	-	-	-	**-**
Other financial liabilities				
Balance due to related parties	-	28,824	-	**28,824**
Deposits and other borrowings	-	15,681	-	**15,681**
Lease liability	-	423	-	**423**
Interest payable	-	16	-	**16**

(in NZ $'000)

As at 31 March 2020 (Audited)	Level 1	Level 2	Level 3	Total
Cash	53	-	-	**53**
Financial assets at amortised cost				
Due from other financial institutions	-	26,516	-	**26,516**
Due from related parties	-	229	-	**229**
Loans and advances	-	-	58,152	**58,152**
Interest receivable	-	35	-	**35**
Other financial liabilities				
Balance due to related parties	-	17,526	-	**17,526**
Deposits and other borrowings	-	12,867	-	**12,867**
Lease liability	-	519	-	**519**
Interest payable	-	99	-	**99**

Transfers between levels of fair value hierarchy are determined at the end of the reporting period. There have been no transfers between Level 1 and Level 2 during the period. There have also been no transfers into/out of Level 3 during the period ended 31 March 2021 (31 March 2020: Nil).

18. RISK MANAGEMENT:

The credit policy has been set by the Board. Bank officers seek Board approval before deviating from any lending guideline or policy outside of delegations. Credit approval authorities have been delegated by the Board to senior executives of the Bank. Compliance with these policies is monitored by the Audit and Risk Committee and reported to the Board.

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 retail portfolio on a scoring basis.

Credit exposure ceilings:

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

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 established a Risk Management Committee that is responsible for, among other things, identifying, measuring and monitoring the Bank's exposure to market risk. The Risk Management Committee meets on a quarterly basis and receives guidance and technical support from staff in the Bank of India 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 on a contractual basis as a means of monitoring interest rate risk. Short term interest rate risk is calculated using the Net Interest Earnings at Risk tool.

Foreign exchange risk:

The Bank undertakes analysis on material open foreign exchange positions through ensuring foreign exchange deposits are matched by corresponding foreign exchange balances held with financial institutions as a means to monitor foreign exchange risk.

Equity risk:

The Bank does not have any equity risk.

Liquidity risk:

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

The Bank monitors its one-week and one-month mismatch ratios and its core funding ratio on a daily basis to ensure compliance with regulatory requirements.

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 meets monthly to analyse changes or trends in respects of operational risk. The Bank's senior management may make recommendations to the Board on strategies that may improve the Bank's operational risk profile.

Capital adequacy:

The Board and senior management undertake capital planning, in accordance with the Bank's internal capital adequacy assessment policy. As part of the capital planning process, the Board reviews:
• The current capital requirements of the Bank;
• The targeted and sustainable capital in terms of business strategy and risk appetite; and
• Future capital planning (with a three year outlook).
The capital plan is revised on an annual basis or more regularly if necessary, to meet the Bank's obligations under Basel III. For further information, see Note 15.

Reviews of Bank's risk management systems:

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

Internal audit function:

The Bank utilises an internal audit function as a control measure to enable senior management of the Bank to monitor and review the Bank on an ongoing basis. The internal audit function of the Bank is part of the Bank of India's policy to ensure that all Bank of India branches and subsidiaries have appropriate systems and procedures in place and comply with all applicable home and host country regulations. Specifically, the Bank is subject to a monthly compliance review that is undertaken by senior management of the Bank. The purpose of this review is to check constant and concurrent compliance with all systems and procedures by the Bank. The Bank of India's head office internal audit team last reviewed the Bank for as part of its overseas subsidiaries rotation of management audit during the financial year ended 31 March 2018.

Interest repricing:

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.

(in NZ $'000)

As at 31 March 2021 (Audited)	Total	Up to 3 months	Over 3 months & up to 6 months	Over 6 months & up to 1 year	Over 1 year & up to 2 years	Over 2 years	Non-interest bearing
Financial assets							
Cash	49	-	-	-	-	-	49
Balance due from related parties	1,647	-	-	-	-	-	1,647
Due from other financial institutions	8,577	5,681	-	-	-	-	2,896
Loans and advances	90,144	90,860	-	-	-	-	(716)
Interest receivable	-	-	-	-	-	-	-
Total financial assets	**100,417**	**96,541**	**-**	**-**	**-**	**-**	**3,876**
Financial Liabilities							
Balance due to related parties	28,663	4,557	1,009	7,363	2,357	12,927	450
Deposits and other borrowings	15,610	9,286	3,021	799	46	-	2,458
Lease Liabilities	423	-	-	-	-	-	423
Interest payable	16	-	-	-	-	-	16
Total financial liabilities	**44,712**	**13,843**	**4,030**	**8,162**	**2,403**	**12,927**	**3,347**
Net financial assets/(liabilities)	**55,705**	**82,698**	**(4,030)**	**(8,162)**	**(2,403)**	**(12,927)**	**529**

Interest repricing (continued…)

(in NZ $'000)

As at 31 March 2020 (Audited)	Total	Up to 3 months	Over 3 months & up to 6 months	Over 6 months & up to 1 year	Over 1 year & up to 2 years	Over 2 years	Non-interest bearing
Financial assets							
Cash	53	-	-	-	-	-	53
Balance due from related parties	229	-	-	-	-	-	229
Due from other financial institutions	26,458	25,565	646	-	-	-	247
Loans and advances	58,152	58,760	-	2	-	-	(610)
Interest receivable	35	-	-	-	-	-	35
Total financial assets	**84,927**	**84,325**	**646**	**2**	**-**	**-**	**(46)**
Financial Liabilities							
Balance due to related parties	17,235	7,169	2,100	7,707	-	-	259
Deposits and other borrowings	12,801	8,819	2,831	192	32	-	927
Lease Liabilities	519	-	-	-	-	-	519
Interest payable	99	-	-	-	-	-	99
Total financial liabilities	**30,654**	**15,988**	**4,931**	**7,899**	**32**	**-**	**1,804**
Net financial assets/(liabilities)	**54,293**	**68,337**	**(4,285)**	**(7,897)**	**(32)**	-	**(1,850)**

Interest rate sensitivity:

The table below summarise the post-tax sensitivity of financial assets and liabilities to change in interest rate risk. The market value of the assets and liabilities were used as the basis for the analysis and financial modelling was used to determine the impact on those values of changes in each risk scenario.

(in NZ $'000)

As at 31 March 2021 (Audited)	Carrying Amounts	-1.0% Profit or Loss	+1.0% Profit or Loss	-1.0% Equity	+1.0% Equity
Financial assets					
Cash	49	-	-	-	-
Balance due from related parties	1,647	-	-	-	-
Due from other financial institutions	8,577	-	-	-	-
Loans and advances	90,144	(653)	653	(653)	653
Interest receivable	-	-	-	-	-
Total financial assets	**100,417**	**(653)**	**653**	**(653)**	**653**
Financial liabilities					
Balance due to related parties	28,663	203	(203)	203	(203)
Deposits and other borrowings	15,610	59	(59)	59	(59)
Lease liabilities	423	-	-	-	-
Interest Payable	16	-	-	-	-
Total financial liabilities	**44,712**	**262**	**(262)**	**262**	**(262)**

(in NZ $'000)

As at 31 March 2020 (Audited)	Carrying Amounts	-1.0% Profit or Loss	+1.0% Profit or Loss	-1.0% Equity	+1.0% Equity
Financial assets					
Cash	53	-	-	-	-
Balance due from related parties	229	-	-	-	-
Due from other financial institutions	26,458	(134)	134	(134)	134
Loans and advances	58,152	(423)	423	(423)	423
Interest receivable	35	-	-	-	-
Total financial assets	**84,927**	**(557)**	**557**	**(557)**	**557**
Financial liabilities					
Balance due to related parties	17,235	122	(122)	122	(122)
Deposits and other borrowings	12,801	85	(85)	85	(85)
Lease liabilities	519	-	-	-	-
Interest payable	99	-	-	-	-
Total financial liabilities	**30,654**	**207**	**(207)**	**207**	**(207)**

Foreign exchange risk:

The table below summarises the Bank's open foreign currency position.

(in NZ $'000)

	As at 31 March 2021 (Audited)		As at 31 March 2020 (Audited)	
	(USD) $'000 NZD Equivalent	**(INR)** $'000 NZD equivalent	**(USD)** $'000 NZD Equivalent	**(INR)** $'000 NZD Equivalent
Financial assets				
Cash	4	-	6	-
Balance due from related parties	1,503	94	197	32
Due from other financial institutions	-	-	1,645	-
Interest receivable	-	-	1	-
Total financial assets	**1,507**	**94**	**1,849**	**32**
Financial liabilities				
Balance due to related parties	-	-	-	-
Deposits and other borrowings	1,473	-	1,805	-
Interest payable	-	-	-	-
Total financial liabilities	**1,473**	**-**	**1805**	**-**
Net Open Position:	**34**	**94**	**44**	**32**

Foreign exchange sensitivity:

The table below summarises the post-tax sensitivity to changes in foreign exchange rates.

(in NZ $'000)

As at 31 March 2021 (Audited)	**Carrying Amounts**	**-10% Profit or Loss**	**+10% Profit or Loss**	**-10% Equity**	**+10% Equity**
Financial assets					
Open Position	128	(9)	9	(9)	9

(in NZ $'000)

As at 31 March 2020 (Audited)	**Carrying Amounts**	**-10% Profit or Loss**	**+10% Profit or Loss**	**-10% Equity**	**+10% Equity**
Financial assets					
Open Position	76	(6)	6	(6)	6

Liquidity risk:

The table below summarises the cash flows receivable and payable by the Bank under non-derivative financial assets and liabilities by remaining contractual maturities as at 31 March 2021. The amounts disclosed are contractual undiscounted cash flows and is not disclosed based on expected cash flows. The liquid assets are for the purpose of managing liquidity.

(in NZ $'000)

As at 31 March 2021 (Audited)	**Up to 3 months**	**3 to 12 months**	**1 to 5 years**	**Over 5 years**	**On demand**	**Total**
Assets						
Cash	-	-	-	-	49	49
Balance due from related parties	-	-	-	-	1,647	1,647
Due from other financial institutions	-	-	-	-	8,577	8,577
Loan and advances	2,019	19,780	33,780	76,016	2,822	134,417
Interest receivable	-	-	-	-	-	-
Total financial assets	**2,019**	**19,780**	**33,780**	**76,016**	**13,095**	**144,690**
Liabilities						
Balance due to related parties	4,596	8,456	15,940	-	450	29,442
Deposits and other borrowings	4,386	3,879	48	-	7,375	15,688
Lease liability	62	191	170	-	-	423
Other liabilities	-	-	-	-	16	16
Total financial liabilities	**9,044**	**12,526**	**16,158**	**-**	**7,841**	**45,569**
Net non-derivative cash flows	**(7,025)**	**7,254**	**17,622**	**76,016**	**5,254**	**99,121**
Off Balance sheet cash flows						
Loan commitments	-	-	-	-	8,582	8,582
Guarantee	-	-	-	-	613	613
Total	**-**	**-**	**-**	**-**	**9,195**	**9,195**
Net cash flows	**(7,025)**	**7,254**	**17,622**	**76,016**	**(3,941)**	**89,926**

Liquidity risk (continued…)

(in NZ $'000)

As at 31 March 2020 (Audited)	Up to 3 months	3 to 12 months	1 to 5 years	Over 5 years	On demand	Total
Assets						
Cash	-	-	-	-	53	53
Balance due from related parties	-	-	-	-	229	229
Due from other financial institutions	18,052	648	-	-	7,816	26,516
Loan and advances	1,181	3,844	32,811	41,540	4,053	83,429
Interest receivable	151	-	-	-	-	151
Total financial assets	**19,384**	**4,492**	**32,811**	**41,540**	**12,151**	**110,378**
Liabilities						
Balance due to related parties	7,414	10,012	-	-	259	17,685
Deposits and other borrowings	3,662	3,054	33	-	6,124	12,873
Lease liability	60	186	273	-	-	519
Other liabilities	99	-	-	-	-	99
Total financial liabilities	**11,235**	**13,252**	**306**	**-**	**6,383**	**31,176**
Net non-derivative cash flows	**8,149**	**(8,760)**	**32,505**	**41,540**	**5,768**	**79,202**
Off Balance sheet cash flows						
Loan commitments	-	-	-	-	7,785	7,785
Guarantee	-	-	-	-	474	474
Total	**-**	**-**	**-**	**-**	**8,259**	**8,259**
Net cash flows	**8,149**	**(8,760)**	**32,505**	**41,540**	**(2,491)**	**70,943**

19 CONCENTRATION OF CREDIT RISK:

The following table breaks down the Bank's main credit exposure at their carrying amounts, as categorised by the industry and geography area of the Bank's main counterparties.

(in NZ $'000)

Analysis of on balance sheet credit exposure by industry	(Audited) year to 31.03.2021	(Audited) year to 31.03.2020
Construction	19,454	-
Education	-	1,412
Finance, Investment & Insurance	10,978	27,588
Health and Community Services	2,899	3,888
Households	23,660	13,411
Others	-	579
Property & Business Services	36,836	35,100
Rental, Hiring and Real Estate	3,514	-
Retail and wholesale trade	3,743	3,471
Subtotal	**101,084**	**85,449**
Allowance for impairment losses	(716)	(610)
Total on-balance sheet credit exposures	**100,368**	**84,839**

(in NZ $'000)

Analysis of on balance sheet exposure by geographical area	31.03.2021 (Audited)	31.03.2020 (Audited)
New Zealand	98,721	84,609
Asia	167	59
America	1,480	171
Total on-balance sheet credit exposures	**100,368**	**84,839**

(in NZ $'000)

Off balance sheet credit exposures	31.03.2021 (Audited)	31.03.2020 (Audited)
Loan commitments	8,582	7,785
Performance/financial guarantees issued on behalf of customers	613	474
Total off-balance sheet credit exposures	**9,195**	**8,259**

CONCENTRATION OF CREDIT RISK (continued…)

(in NZ $'000)

Analysis of off-balance sheet credit exposure by industry	31.03.2021 (Audited)	31.03.2020 (Audited)
Construction	4,434	-
Education	-	81
Health and Community Services	43	43
Households	1,461	10
Property & Business Services	2,525	7,788
Rental, Hiring and Real Estate	7	-
Restaurants & Accommodation	-	27
Retail and wholesale trade	415	-
Travel and tourism	310	310
Total off-balance sheet credit exposures	**9,195**	**8,259**

Maximum exposure to credit risk:

The Bank does not have any material exposures on which balances have been netted. As such, the carrying amount of loans and advances (gross of provisions) and commitments as set out in note 23 represent the Bank's maximum exposure to credit risk for on and Off-Balance Sheet financial instruments.

Coverage provided by Collateral Held on Loan:

The table below presents the maximum exposure to credit risk for balance sheet financial instruments before taking account of the financial effect of any collateral held.

The most common types of collateral include:

- Security over real estate
- Cash deposits
- Other security over business assets.

(in NZ $'000)

	Maximum exposure (Audited) 31.03.2021			Maximum exposure (Audited) 31.03.2020		
	Maximum Exposure to Credit Risk	Financial effect of Collateral	Unsecured portion of Credit Exposure	Maximum Exposure to Credit Risk	Financial effect of Collateral	Unsecured portion of Credit Exposure
Due from other financial institutions	8,577	-	8,577	26,458	-	26,458
Net Loans and advances to Customers	90,144	90,115	29	58,152	58,105	47
Balance with related parties	1,647	-	1,647	229	-	229
Total Exposure to Credit Risk	**100,368**	**90,115**	**10,253**	**84,839**	**58,105**	**26,734**

20 CONCENTRATION OF FUNDING:

Concentration of funding arises 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 is as follows:

(in NZ $'000)

Analysis of funding by industry sector	31.03.2021 (Audited)	31.03.2020 (Audited)
Finance, Investment and Insurance	28,663	17,235
Households	14,776	12,263
Others	699	378
Property & business services	135	133
Restaurants & Accommodation	-	27
Total funding	**44,273**	**30,036**

(in NZ $'000)

Analysis of funding by geographical area	31.03.2021 (Audited)	31.03.2020 (Audited)
New Zealand	43,823	29,777
Asia	450	259
Total funding	**44,273**	**30,036**

21 CONCENTRATION OF CREDIT EXPOSURE TO INDIVIDUAL COUNTERPARTIES (BOTH BANK AND NON-BANK COUNTERPARTIES):

Credit exposure is calculated on the basis of actual exposure net of any amounts offset and any individual credit impairment allowances. The credit exposure information excludes credit exposures to connected persons and the central government of any country with a long-term credit rating of A- or A3 or above, or its equivalent.

There were no individual bank counterparties which the Bank had an aggregate credit exposure that equals or exceeds 10% of the Bank's equity as at 31 March 2021 (31 March 2020: 2).

CONCENTRATION OF CREDIT EXPOSURE TO INDIVIDUAL COUNTERPARTIES (continued…)

There were seven (7) non-bank counterparties which the Bank had an aggregate credit exposure that equals or exceeds 10% of the Bank's equity as at 31 March 2021 (31 March 2020: 5).

There were two (2) individual bank counterparties which the Bank had a peak end-of-day aggregate credit exposure that equals or exceeds 10% of the Bank's equity for the year ended 31 March 2021 (31 March 2020: 2).

There were seven (7) non-bank counterparties which the Bank had a peak end-of-day aggregate credit exposure that equals or exceeds 10% of the Bank's equity for the period ended 31 March 2021 (31 March 2020: 6).

	31.03.2021 (Unaudited)			
	Number of non-bank counterparties			
Percentage of shareholders' equity	**"A" Rated**	**"B" Rated**	**Unrated**	**Total**
As at 31 March 2021				
10% - 14.99%	-	-	3	3
15% - 19.99%	-	-	3	3
20% - 24.99%	-	-	-	-
25%-29.99%	-	-	1	1
30%-34.99%	-	-	-	-
Total	**-**	**-**	**7**	**7**
Peak Exposure				
10% - 14.99%	-	-	2	2
15% - 19.99%	-	-	2	2
20% - 24.99%	-	-	1	1
25%-29.99%	-	-	2	2
30%-34.99%	-	-	-	-
Total	**-**	**-**	**7**	**7**

	31.03.2020 (Unaudited)			
	Number of non-bank counterparties			
Percentage of shareholders' equity	**"A" Rated**	**"B" Rated**	**Unrated**	**Total**
As at 31 March 2020				
10% - 14.99%	-	-	1	1
15% - 19.99%	-	-	4	4
20% - 24.99%	-	-	-	-
25%-29.99%	-	-	-	-
30%-34.99%	-	-	-	-
Total	**-**	**-**	**5**	**5**
Peak Exposure				
10% - 14.99%	-	-	2	2
15% - 19.99%	-	-	4	4
20% - 24.99%	-	-	-	-
25%-29.99%	-	-	-	-
30%-34.99%	-	-	-	-
Total	**-**	**-**	**6**	**6**

	31.03.2021 (Audited)			
	Number of bank counterparties			
Percentage of shareholders' equity	**"A- or A3 or above or equivalent**	**B Rated**	**Unrated**	**Total**
As at 31March 2021				
10%-14.99%	-	-	-	-
15%-19.99%	-	-	-	-
20%-24.99%	-	-	-	-
25-29.99%	-	-	-	-
30%-34.99%	-	-	-	-
Total	**-**	**-**	**-**	**-**
Peak Exposure				
10% - 14.99%	1	-	-	1
15%-19.99%	-	-	-	-
20%-24.99%	-	-	-	-
25%-29.99%	-	-	-	-
30%- 34.99%	1	-	-	1
Total	**2**	**-**	**-**	**2**

CONCENTRATION OF CREDIT EXPOSURE TO INDIVIDUAL COUNTERPARTIES (continued…)

	31.03.2020 (Audited)			
	Number of bank counterparties			
Percentage of shareholders' equity	"A- or A3 or above or equivalent	B Rated	Unrated	Total
As at 31March 2020				
10%-14.99%	1	-	-	1
15%-19.99%	-	-	-	-
20%-24.99%	-	-	-	-
25-29.99%	-	-	-	-
30%-34.99%	1	-	-	1
Total	**2**	**-**	**-**	**2**
Peak Exposure				
10% - 14.99%	-	-	-	-
15%-19.99%	-	-	-	-
20%-24.99%	-	-	-	-
25%-29.99%	-	-	-	-
30%- 34.99%	2	-	-	2
Total	**2**	**-**	**-**	**2**

22 CREDIT EXPOSURE TO CONNECTED PERSONS:

(in NZ $'000)

As at	31.03.2021 (Audited)	31.03.2020 (Audited)
Credit exposure to connected persons	1,647	4,482
Credit exposure to non-bank connected persons	-	-
Peak end-of-day		
Credit exposure to connected persons	5,791	5,785
Credit exposure to non-bank connected persons	-	-

As at	31.03.2021 (Audited) % of Tier 1 Capital	31.03.2020 (Audited) % of Tier 1 Capital
Credit exposure to connected persons	2.93%	8.10%
Credit exposure to non-bank connected persons	0.00%	0.00%
Peak end-of-day		
Credit exposure to connected persons	10.29%	10.45%
Credit exposure to non-bank connected persons	0.00%	0.00%

This information has been derived in accordance with the Bank's condition of registration and Connected Exposure Policy (BS8) and is net of individual credit impairment allowances and excludes advances to connected persons of a capital nature.

Peak end-of-day aggregate exposure is derived by determining the maximum end-of-day aggregate amount of credit exposure over the accounting period and then divided by the Bank's tier one capital as at reporting date.

As at 31 March 2021, the rating-contingent limit applicable to the Bank was 15% of tier one capital. Over the year ended 31 March 2021, no changes have been made to the rating-contingent limit. Within the overall rating-contingent limit, there is a sublimit of 15% of tier one capital that applies to the aggregate credit exposure to non-bank connected persons (31 March 2020: 15%).

Aggregate credit exposure to connected persons has been calculated on a gross basis.

Aggregate amount of contingent exposures of the Bank to connected persons arising from risk lay-off arrangements in respect of credit exposures to counterparties (excluding counterparties that are connected persons) as at 31 March 2021 is Nil (31 March 2020: Nil).

Aggregate amount of the Bank's individual credit impairment allowances provided against credit exposures to connected persons as at 31 March 2021 is Nil (31 March 2020: Nil).

23 COMMITMENTS:

Undrawn loan commitments:

(in NZ $'000)

	(Audited) year to 31.03.2021	(Audited) year to 31.03.2020
Undrawn loan commitments	8,582	7,785
Total	**8,582**	**7,785**

Capital commitments:

As at 31 March 2021, the Bank does not have any commitments for capital expenditure (31 March 2020: Nil)

24 INSURANCE BUSINESS AND NON-FINANCIAL ACTIVITIES:

The Bank does not conduct any insurance business, securitisation, funds management, other fiduciary activities, and marketing and distribution of insurance products.

25 SEGMENT INFORMATION:

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

26 CONTINGENT LIABILITIES:

(in NZ $'000)

	(Audited) year to 31.03.2021	(Audited) year to 31.03.2020
Performance/financial guarantees issued on behalf of customers	613	474
Total contingent liabilities	**613**	**474**

27 RIGHT OF USE ASSET AND LEASE LIABILITY:

(in NZ $'000)

	Real Estate	Total
Right-of-use assets		
Balance as at 1 April 2019	747	747
Additions	-	-
Adjustments due to lease review	-	-
Disposals	-	-
Depreciation	(246)	(246)
Balance as at 31 March 2020	**501**	**501**
Balance as at 1 April 2020	501	501
Additions	-	-
Adjustments due to lease review	146	146
Disposals	-	-
Depreciation	(246)	(246)
Balance as at 31 March 2021	**401**	**401**
Lease liabilities		
Balance as at 1 April 2019	747	747
Additions	-	-
Adjustments due to lease review	-	-
Lease payments	(273)	(273)
Interest expense on lease liabilities	45	45
Balance as at 31 March 2020	**519**	**519**
Balance as at 1 April 2020	519	519
Additions	-	-
Adjustments due to lease review	146	146
Lease payments	(274)	(274)
Interest expense on lease liabilities	32	32
Balance as at 31 March 2021	**423**	**423**

(in NZ $'000)

Cash outflows for leases	31.03.2021	31.03.2020
Initial payments	-	-
Lease liabilities-principal payments	242	228
Interest expense on lease liabilities	32	45
Short term leases	-	9
Total lease payments	**274**	**282**

The Bank's lease portfolio consists of two real estate leases at:

i) 10 Manukau Road, Epsom, Auckland: The non-cancellable period of the lease is for one year from June 2020 and has an option to extend the lease for a further year, through to May 2022. As at the reporting date, the Bank is reasonably certain to exercise the renewal option.

ii) 31 East Tamaki Road, Papatoetoe, Auckland: The non-cancellable period of the lease is for ten years from July 2013, ending in July 2023.

28 EVENTS AFTER REPORTING DATE:

The parent resolved for the continuation of the operation of the Bank in April 2021.

CREDIT RATINGS SCALES

Long Term Debt Ratings	Standard and Poor's	Moody's	Fitch IBCA
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	BBB	Baa	BBB
Predominately speculative / Less near term vulnerability to default	BB	Ba	BB
Speculative, low grade / Greater vulnerability	B	B	B
Poor to default / identifiable vulnerability	CCC	Caa	CCC
Highest speculations	CC	Ca	CC
Lowest quality, no interest	C	C	C
Payment in default, in arrears – questionable value		D	D

Credit ratings between AA – CCC by Standard & Poor's and Fitch Ratings may be modified by the addition of a plus or minus sign (signalling higher and lower end of the scale respectively). Moody's Investor Services applies numeric modifies 1,2 and 3 to each generic rating classification with a 1 indicating a higher rating and a 3 indicating a lower rating within that generic rating category.

Conditions of registration for Bank of India (New Zealand) Limited

These conditions of registration apply on and after 29 April 2021.

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

1. That—

   (a) the Total capital ratio of the banking group is not less than 8%;

   (b) the Tier 1 capital ratio of the banking group is not less than 6%;

   (c) the Common Equity Tier 1 capital ratio of the banking group is not less than 4.5%;

   (d) the Total capital of the banking group is not less than $30 million;

   (e) the bank must not include the amount of an Additional Tier 1 capital instrument or Tier 2 capital instrument issued after 1 January 2013 in the calculation of its capital ratios unless it has received a notice of non-objection to the instrument from the Reserve Bank; and

   (f) the bank meets the requirements of Part 3 of the Reserve Bank of New Zealand document "Application requirements for capital recognition or repayment and notification requirements in respect of capital" (BS16) dated November 2015 in respect of regulatory capital instruments.

   For the purposes of this condition of registration, —

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

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

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

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

1A. That—

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

Ref #9668780

(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 on distributions that corresponds to the banking group's buffer ratio:

Banking group's buffer ratio	Percentage limit on distributions of the bank's earnings
0% – 0.625%	0%
>0.625 – 1.25%	20%
>1.25 – 1.875%	40%
>1.875 – 2.5%	50%

(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.

1C. That, if the buffer ratio of the banking group is more than 2.5%, the bank must limit aggregate distributions, other than discretionary payments payable to holders of Additional Tier 1 capital instruments, to no more than 50% of the bank's earnings.

For the purposes of this condition of registration,—

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

"buffer ratio", "distributions" and "earnings" have the same meaning as in Part 3 of the Reserve Bank of New Zealand document: "Capital Adequacy Framework (Standardised Approach)" (BS2A) dated November 2015;

the bank must not make any individual dividend payment contributing to aggregate distributions for a financial year until it has completed its interim financial accounts for the first six months of its financial year or its annual financial accounts for its full financial year, and must not make any such dividend payment less than six months after any previous such dividend payment.

Ref #9668780

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:

Ref #9668780

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

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

For the purposes of this condition of registration, compliance with the rating-contingent connected exposure limit is determined in accordance with the Reserve Bank of New Zealand document entitled "Connected Exposures Policy" (BS8) dated November 2015.

5. That exposures to connected persons are not on more favourable terms (e.g. as relates to such matters as credit assessment, tenor, interest rates, amortisation schedules and requirement for collateral) than corresponding exposures to non-connected persons.

6. That the bank complies with the following corporate governance requirements:

(a) the board of the bank must have at least five directors;

(b) the majority of the board members must be non-executive directors;

(c) at least half of the board members must be independent directors;

(d) an alternate director,—

(i) for a non-executive director must be non-executive; and

(ii) for an independent director must be independent;

(e) at least half of the independent directors of the bank must be ordinarily resident in New Zealand;

(f) the chairperson of the board of the bank must be independent; and

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

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

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

[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.)

Ref #9668780

(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. Before and on 30 April 2021, that the banking group complies with the following quantitative requirements for liquidity-risk management:

(a) the one-week mismatch ratio of the banking group is not less than zero per cent at the end of each business day;

(b) the one-month mismatch ratio of the banking group is not less than zero per cent at the end of each business day; and

(c) the one-year core funding ratio of the banking group is not less than 50 per cent at the end of each business day.

For the purposes of this condition of registration, the ratios identified must be calculated in accordance with the Reserve Bank of New Zealand documents entitled "Liquidity Policy" (BS13) dated January 2018 and "Liquidity Policy Annex: Liquid Assets" (BS13A) dated October 2018.

11A. On and after 1 May 2021, that the banking group complies with the following quantitative requirements for liquidity-risk management:

(a) the one-week mismatch ratio of the banking group is not less than zero per cent at the end of each business day;

(b) the one-month mismatch ratio of the banking group is not less than zero per cent at the end of each business day; and

(c) the one-year core funding ratio of the banking group is not less than 50 per cent at the end of each business day.

For the purposes of this condition of registration, the ratios identified must be calculated in accordance with the Reserve Bank of New Zealand documents entitled "Liquidity Policy" (BS13) dated May 2021 and "Liquidity Policy Annex: Liquid Assets" (BS13A) dated May 2021.

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 ending on or before 30 September 2021, 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 ending on or after 31 October 2021, 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 60%, 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.

17. 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.

18. 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 India (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 18,—

"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) the six calendar month period ending on the last day of August 2021; and

(b) thereafter 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 September 2021.

Ref #9668780

Dated 14th January, 2011

DEED OF GUARANTEE

By

BANK OF INDIA

In respect of the obligations of

BOI (NEW ZEALAND) LIMITED

CONTENTS

THIS DEED is made on 14th January 2011

BY

(1) **BANK OF INDIA** a body corporate constituted under the Banking Companies (Acquisition & Transfer of Undertakings) Act, 1970, having its Head Office at Star House, C-5, G Block, Bandra-Kurla Complex, Bandra (East), Mumbai, India (hereinafter referred to as the "**Bank**");

AND

(2) **BOI (NEW ZEALAND) LIMITED** a Company incorporated in New Zealand having its registered office at Level 18, PricewaterhouseCoopers Tower, 188 Quay Street, Auckland, New Zealand (hereinafter referred to as "**BoINZ**")

IN FAVOUR OF

(3) **EACH CREDITOR OF BOINZ**

WHEREAS :

A) BOINZ is a wholly owned subsidiary of the Bank and set up for the purpose of doing the business of banking in New Zealand.

B) The Bank enters into this Deed of Guarantee for the purpose of guaranteeing the obligations of its subsidiary, BoINZ, to the extent provided for by the terms of this Deed.

1. DEFINITIONS AND INTERPRETATION

1.1 In this Deed and in the Recitals, unless the context otherwise requires:

"**Authorised Officer**" means, where a Creditor is a Person other than a natural person, a director or secretary of that Person or a person duly authorised by the Creditor under the resolution and seal of the Person;

"**Business Day**" means any day, other than a Saturday or Sunday or public holiday, on which banks are open for general business in Wellington and Auckland;

AUCK_DOCS\1053494\v2 Page 1

"**Creditor**" means each and any Person to whom an Obligation is due and owed by BoINZ during the validity period of this Guarantee.

"**Guarantee**" means the guarantee by the Bank for the benefit of the Creditors pursuant and subject to the terms and conditions of this Deed;

"**Obligation**" means a legally enforceable, undisputed liability or obligation of BOINZ to a Creditor ranking at least pari passu with the claims of unsecured creditors of BoINZ. PROVIDED THAT "Obligation" shall not include:

(a) any liability of BoINZ in respect of Special, exemplary or punitive damages; and/or

(b) any liability for payment of taxes, rates, imposts, duties or similar government charges; and/or

(c) any claim/liability/obligation which is subject to a bona fide dispute; and/or

(d) any obligation in respect of which the Creditor has not submitted proper proof and other documents and security, to enable BOINZ to discharge the said obligations; and/or

(e) any claim/obligation in respect of a contingent liability; and/or

(f) any claim/liability which is barred by the law of limitation or such similar laws.

"**Person**" means any person, firm, trust, estate, corporation, association, co-operative, government or governmental agency.

1.2 Words importing the singular number or plural number shall include the plural number and singular number respectively. Words importing any gender shall include every gender.

1.3 References to laws, statutes or legislation are to the laws, statues or legislation for the time being in force in New Zealand, unless the contrary appears from the context of this Deed.

2. GUARANTEE

2.1 The Bank hereby unconditionally guarantees for the benefit of each Creditor the due and punctual payment by BoINZ of each and every Obligation (whether at stated maturity or upon acceleration) now owing or to become owing by BoINZ to the Creditor during the term of the Guarantee to the intent that should BoINZ default in the due and punctual payment of any such Obligation, the Bank shall, upon written demand by the relevant Creditor under clause 3.2, forthwith pay or cause to be paid to the Creditor all amounts then due and unpaid with respect to such Obligation together with all costs and expenses incurred by the Creditor in enforcing the Guarantee.

2.2 The Guarantee is a continuing guarantee and shall not be considered as satisfied by any intermediate payment and shall remain in force until the termination or expiry of the Guarantee.

2.3 Subject to the terms of this Deed, neither the liability of Bank, nor any of the rights of any Creditor, under the Guarantee shall be affected or discharged by anything which, but for this clause, might operate to affect or discharge the liability of, or otherwise provide a defence to, the Guarantor (whether or not known to, or done or omitted to be done by, the Guarantor).

2.4 Notwithstanding clause 2.2, a Creditor may at any time by an instrument in writing, release the Bank from its liability under the Guarantee in relation to that Creditor.

AUCK_DOCS\1053494\v2

Page 2

2.5 The Bank shall be liable only for payment of an Obligation in the manner, to the extent and up to the amount that BoINZ would be liable or permitted to make payment in satisfaction of such Obligation under applicable laws and regulations and in determining and making such payment the Bank shall be entitled to deduct the amounts (if any) which the Bank is entitled in law or in equity to set-off or counterclaim against the Creditor to whom that Obligation is owed and the amounts (if any) which BoINZ could have set-off or counterclaimed in law or in equity against the Creditor to whom such Obligation is owed if BoINZ were making payment to that Creditor in lieu of the Bank. Nothing contained in this Deed shall reduce the liability of the Bank with respect to any Obligation of BoINZ which is reduced or discharged by reason of the insolvency, administration, liquidation, receivership or reorganisation of BoINZ.

3. DEMAND AND PAYMENT

3.1 A Creditor shall be entitled to make a demand under this Deed if and only if:

(a) the Creditor has served written demand (a "**Primary Demand**") on BoINZ with proper proof for the payment of an Obligation which remains unpaid beyond its due date;

(b) the Creditor has complied with the requirements of BOINZ including with regard to documentation and security and the Primary Demand remains unsatisfied in whole or in part for a period of 5 Business Days after submission of necessary Primary Demand;

3.2 A demand by a Creditor under this Deed (a "**Creditors Demand**") shall be served on the Bank and shall be accompanied by a statutory declaration made by the Creditor or by an Authorised Officer of the Creditor stating:

(a) the residency and place of business of the Creditor;

(b) that BoINZ has failed to meet an Obligation;

(c) that a Primary Demand in respect of that Obligation has been given to BoINZ (accompanied by a verified copy of that Primary Demand) and that such Primary Demand has remained unsatisfied for a period of 5 Business Days as stated in 3.1(b);

(d) brief particulars of the nature of that Obligation (accompanied by a verified copy of any document giving rise to that Obligation);

(e) that the Obligation ranks at least pari passu with the claims of unsecured creditors of BoINZ generally;

(f) the outstanding amount and currency of that Obligation; and

(g) that there is no bona fide dispute relating to that Obligation.

3.3 Service of the Creditors Demand and all accompanying documents under clause 3.2 on the Bank shall constitute a written demand by the Creditor under clause 2.1.

AUCK_DOCS\1053494\v2 Page 3

4. PAYMENTS

4.1 All payments by the Bank under this Deed shall be made in the currency or currencies in which the relevant Obligation is denominated.

4.2 Payments hereunder shall be made free and clear of any deduction or withholdings. In the event that the Bank is prohibited by law from making payments hereunder free of deductions or withholdings, then the Bank shall pay such additional amount to the relevant Creditor as may be necessary in order that the actual amount received after all applicable deductions and withholdings shall equal the amount that would have been received if such deductions or withholdings were not required.

5. REPRESENTATIONS

5.1 The Bank represents and warrants that:

(a) it is a registered bank duly organised and validly existing under the laws of India;

(b) it has the corporate power to enter into this Deed and to perform the obligations imposed upon it under this Deed in accordance with its terms; and

(c) this Deed constitutes a valid, binding and enforceable obligation upon it.

6. TERMINATION OF GUARANTEE

6.1 Notwithstanding anything to the contrary in this Deed, the Guarantee shall terminate automatically on the first to occur of the following events:

(a) in respect of all Obligations if:

(i) any substantial asset of BoINZ; or

(ii) any share in the issued capital of BoINZ,

is expropriated or nationalised by the Government of New Zealand or by any political subdivision thereof (the "**Government**") or any entity succeeding to the powers of any such Government or any agency of any such Government or any such successor entity or any authority which is owned or controlled by any such Government or any such successor entity except where such expropriation or nationalisation results from the default by BoINZ of any statute, regulation or other binding law; or

(b) a change in any law or regulation in any jurisdiction which renders the Guarantee illegal or inoperative in New Zealand or

(c) BOINZ ceasing to be a wholly owned subsidiary of the Bank.

6.2 Immediately after the Bank becomes aware of the termination of the Guarantee pursuant to clause 6.1, the Bank shall notify BoINZ thereof and give notice of such termination by an advertisement in a newspaper circulating generally throughout New Zealand.

AUCK_DOCS\1053494\v2 Page 4

7. SUBROGATION

7.1 The Bank and BoINZ expressly agree that the Bank is and shall be entitled to all the rights and remedies of a guarantor under law including, without limiting the generality of the foregoing, all rights of subrogation which shall accrue to the Bank by virtue of any payment hereunder by the Bank to or for the benefit of any Creditor and, subject to the law, the Bank shall be entitled to claim the benefit of and participate in any security now or hereafter held by that Creditor from BoINZ either in whole or upon a pro-rata basis, as the case may be, where the Bank has paid all moneys to or for the benefit of that Creditor under this Deed. Notwithstanding the generality of the foregoing, the Bank shall not exercise or seek to enforce any claim against BoINZ (whether or not in liquidation) for reimbursement to the Bank of any moneys paid pursuant to this Deed by the Bank to a Creditor in respect of an Obligation until the default of BoINZ in respect of that Obligation has been fully remedied by BoINZ or the Bank.

8. DEALINGS BETWEEN THE BANK AND THE CREDITORS

8.1 After receipt of a written demand from a Creditor under clause 3.2 the Bank and that Creditor shall deal with one another as principal in relation to all matters under or in relation to this Deed, the Guarantee and BoINZ.

8.2 Without limiting the generality of clause 9, the Bank shall be and is entitled to serve any notice, demands or statements in connection with this Deed upon that Creditor (at its place of business specified in the Creditor's Demand) and the Bank shall be and is entitled to make any payment which it is liable to pay to the Creditor under this Deed directly to that Creditor and not through any other Person.

9. NOTICES

9.1 Any notice to the Creditors generally in respect of this Deed will be validly given if published in a newspaper circulating generally throughout New Zealand. Any such notice shall be deemed to have been given on the date of publication or, if published more than once, on the date of first publication.

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9.2 Any notice, demand, statement or other document required to be served on or delivered to the Bank or BoINZ under or in relation to this Deed ("**Notice**") shall be in writing signed by the party giving the Notice or by an Authorised Officer of that party, shall be made, served or given (subject in the case of the Bank to clause 11.2) by being left at or sent by prepaid mail or by facsimile as follows:

to the Bank:
Bank of India

International Division

3rd Floor, East Wing
Star House
C-5, G Block
Bandra – Kurla Complex
Bandra (East)
Mumbai – 400 051
India
Attention: The General Manager, International Division

to BoINZ
BOI (New Zealand) Limited

Level 18, PricewaterhouseCoopers Tower
188 Quay Street, Auckland
New Zealand
Attention: Managing Director

or to such other address or facsimile number as shall have been notified (in accordance with this clause) to the other party hereto. No Notice shall be deemed to have been received by the Bank or BoINZ until actually received by the relevant party to whom it is addressed at its designated address.

10. AMENDMENT

10.1 The Bank may, from time to time and without any authority or assent of BoINZ or the Creditors, alter, modify, or add to this Deed if in the reasonable opinion of the Bank:

(a) the alteration, modification or addition is made to correct a manifest error or is of a formal or technical nature;

(b) the modification, alteration or addition is necessary to comply with the provisions of any statute, whether or not required by any statutory authority; or

(c) the alteration, modification or addition is desirable for the purpose of more advantageously administering the rights and obligations established under this Deed,

and in any case such modification, alteration or addition is considered by the Bank, acting in good faith, not to be materially prejudicial to the Creditors as whole, so far as known to it.

11. GOVERNING LAW

11.1 This Deed shall be governed by and construed in accordance with the laws for the time being in force in New Zealand. The Bank and BoINZ each hereby submit, for the purposes of this Deed, to the non-exclusive jurisdiction of the Courts of New Zealand in respect of all legal actions arising under or in relation to this Deed.

11.2 The Bank hereby irrevocably appoints BoINZ (and BoINZ hereby accepts such appointment) to be the agent of the Bank to accept service of process on behalf of the Bank in respect of all matters in New Zealand arising under or in relation to this Deed and the Bank agrees that any such process shall be properly served upon the Bank if delivered to BoINZ at its address for the service of Notices set out in clause 9.2.

12. ASSIGNMENT

12.1 No party to this Deed may assign its rights or obligations hereunder without the consent in writing of the other party.

13. CERTIFICATE

13.1 BoINZ shall advise the Bank in writing within fourteen (14) days of a request in writing from the Bank (made no more frequently than quarterly or following receipt by it of a Creditor's Demand) to do so, of its best estimate of the aggregate principal amount of the Obligations for which it is indebted as at such date to either all of the Creditors generally or to those Creditors specified by the Bank in its request.

EXECUTED as a Deed

EXECUTED as a **DEED** for and on behalf of **BANK OF INDIA**)
)

(S.K. DATTA)
General Manager
International

(V. ARTHANARI)
Chief Manager
International Division

EXECUTED as a **DEED** for and on behalf of **BOI (NEW ZEALAND) LIMITED**)
)
)

(B.A. PRABHAKAR)
Director

Director P.N. RAO

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Page 7

KPMG

Independent Auditor's Report

To the Shareholder of Bank of India (New Zealand) Limited

Report on the audit of the disclosure statement

Opinion

In our opinion, the accompanying financial statements (excluding supplementary information relating to Capital Adequacy and Regulatory Liquidity Requirements) of Bank of India (New Zealand) Limited (the "Bank") on pages 9 to 39:

i. give a true and fair view of the Bank's financial position as at 31 March 2021 and its financial performance and cash flows for the year ended on that date; and

ii. comply with New Zealand Generally Accepted Accounting Practice, which in this instance means New Zealand Equivalents to International Financial Reporting Standards ("NZ IFRS") and International Financial Reporting Standards.

In our opinion, the supplementary information (excluding supplementary information relating to Capital Adequacy and Regulatory Liquidity Requirements) that is required to be disclosed in accordance with Schedules 4, 7, 13, 14, 15 and 17 of the Registered Bank Disclosure Statements (New Zealand Incorporated Registered Banks) Order 2014 (as amended) (the "Order") within the disclosure statement:

i. has been prepared, in all material respects, in accordance with the guidelines issued pursuant to section 78(3) of the Reserve Bank of New Zealand Act 1989 and any conditions of registration;

ii. is in accordance with the books and records of the Bank in all material respects; and

iii. fairly states the matters to which it relates in accordance with those Schedules.

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

- the statement of financial position as at 31 March 2021;
- the statements of comprehensive income, changes in equity and cash flows for the year then ended;
- notes, including a summary of significant accounting policies and other explanatory information; and
- the information that is required to be disclosed in accordance with Schedules 4, 7, 13, 14, 15 and 17 of the Order.

Basis for Opinion

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

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

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

Our firm has also provided other services to the Bank in relation to half-year review and year end audit of the Bank's interim special purpose financial statements and half-year review of the Bank's interim statutory disclosure statement. Subject to certain restrictions, partners and employees of our firm may also deal with the Bank on normal terms within the ordinary course of trading activities of the business of the Bank. These matters have not impaired our independence as auditor of the Bank. The firm has no other relationship with, or interest in, the Bank.

Materiality

The scope of our audit was influenced by our application of materiality. Materiality helped us to determine the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and on the financial statements as a whole. The materiality for the financial statements as a whole was set at $65,800 determined with reference to a benchmark of the Bank's profit before taxation. We chose the benchmark because, in our view, this is a key measure of the Bank's performance.

Key audit matters

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

The key audit matter	How the matter was addressed in our audit
Valuation of loans and advances	
Refer to Note 16 to the financial statements. Valuation of loans and advances is a key audit matter owing to the financial significance of loans and advances to the Bank's financial position, the high degree of complexity and judgement applied by management in determining the provision and the high level of subjectivity involved in estimating the provision for impairment.	We held discussions with management to understand: — the processes and controls to monitor overdue accounts, review credit risk and model validations; — management's process to challenge the assumptions used in the loan provisioning process; and — the impact that COVID-19 has had on the Bank's borrowers, and their ability to repay their loan obligations. We performed testing of key controls on monitoring overdue accounts, credit risk review and model validations. We reviewed overdue accounts report to identify any past due loans showing signs of increased credit risk. For a selection of high risk credit

The key audit matter	How the matter was addressed in our audit
Due to the COVID-19 pandemic and the resulting macroeconomic uncertainty, the judgement and complexity is heightened in respect of assessing the impact of the economic disruption on the ability of borrowers of repay their loan obligations, security valuation and the underlying assumptions used to estimate these.	exposures, we reviewed the loan files to assess the valuation of those loans. Our work on loan reviews focussed on: — reviewing the impairment assessment prepared by management in respect of the high risk credit exposures; — inspecting the borrowers' repayment history and agreeing the repayments to cash receipts; and — reviewing security documentation to identify if the Bank holds a valid charge on security. We assessed the Bank's methodology used in the expected credit loss model to calculate credit provision on a portfolio basis, and compared it against the requirements of NZ IFRS 9 *Financial Instruments*. Our work on collective provision focussed on: — understanding the extent of loan relief requested by borrowers provided by the Bank and repayment behaviour after the relief period; — understanding the Bank's methodology and process to incorporate additional adjustments to the loan provision, representing the increased credit risk resulting from the economic disruption caused by COVID-19; — understanding any restrictions imposed on the loan valuation process and the market conditions at and post balance date; and We involved our technical specialists to develop an alternative comparison ECL model using the observable industry data relating to the probability of default and loss given default. The collective provision derived from the alternative comparison ECL model was compared to the Bank's collective provision to assess if the Bank's collective provision is within an acceptable range. We reviewed the disclosures made in note 1.4 and note 16 to the disclosure statement which sets out the key judgements and estimates to them. Our review focussed on ensuring that the disclosures appropriately explain the loan provisioning methodology and assumptions, in particular the adjustments made as a result of COVID-19. *Our audit procedures did not identify any material issues with the assumptions used and judgements applied, and noted that the valuation of loans was performed on an appropriate basis.*

Other information

The Directors, on behalf of the Bank, are responsible for the other information included in the Bank's statutory disclosure statement. Other information includes the supplementary information that is required to be disclosed in accordance with Schedule 2 of the Order. Our opinion on the disclosure statement does not cover any other information and we do not express any form of assurance conclusion thereon.

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

Report on other legal and regulatory requirements

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

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

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

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

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

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

Our objective is:

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

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

KPMG

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

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

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

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

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

Based on our review, nothing has come to our attention that causes us to believe that the supplementary information relating to Capital Adequacy and Regulatory Liquidity Requirements, disclosed in note 15 to the disclosure statement, is not, in all material respects disclosed in accordance with Schedule 9 of the Order.

We have reviewed the supplementary information relating to Capital Adequacy and Regulatory Liquidity Requirements, as disclosed in note 15 of the disclosure statement for the year ended 31 March 2021. The supplementary information relating to Capital Adequacy and Regulatory Liquidity Requirements comprises the information that is required to be disclosed in accordance with Schedule 9 of the Order.

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

A review of the supplementary information relating to Capital Adequacy and Regulatory Liquidity Requirements in accordance with NZ SRE 2410 *Review of Financial Statements Performed by the Independent Auditor of the Entity* ("NZ SRE 2410") is a limited assurance engagement. Our responsibilities under that standard are further described in the Auditor's Responsibilities for the Review of the supplementary information relating to Capital Adequacy and Regulatory Liquidity Requirements section of our report.

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

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

The directors are responsible for the preparation of supplementary information relating to Capital Adequacy and Regulatory Liquidity Requirements that is required to be disclosed under Schedule 9 of the Order and prepared in accordance with the Capital Adequacy Framework (Standardised Approach) (BS2A) and described in note 15 to the disclosure statement.

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

Our responsibility is to express a conclusion on the supplementary information relating Capital Adequacy and Regulatory Liquidity Requirements based on our review. We conducted our review in accordance with NZ SRE 2410 issued by the New Zealand External Reporting Board. As the auditor of Bank of India (New Zealand) Limited, NZ SRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial statements, and plan and perform the review to obtain limited assurance about whether the supplementary information relating Capital Adequacy and Regulatory Liquidity Requirements is, in all material respects disclosed in accordance with Schedule 9 of the Order.

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

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

Use of this independent auditor's report

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

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

For and on behalf of

KPMG

KPMG
Auckland

29 June 2021