



# Bank of India (New Zealand) Limited

## Registered Bank Disclosure Statement

**FOR THE NINE MONTHS ENDED 31 DECEMBER 2015**

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## General Disclosures

For the nine months ended 31 December 2015

### **1 Reporting Directive**

This Disclosure Statement of the Bank as at and for the nine months ended 31 December 2015 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 March 2015.

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 December 2015, 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 30 September 2015 are as follows:

Capital	396,200,000,000 INR
Capital/Risk Weighted Exposures (%)	11.21 %

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:	BBB- /Negative/A-3

On 16 February 2016, Standard & Poor's has revised the outlooks on the long term counterparty credit ratings on the Bank of India from BBB- (stable) to BBB- (negative).

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.

## General Disclosures

For the nine months ended 31 December 2015

### 7 Directors

There is one change in the composition of the Bank's board of directors since the most recent full year Disclosure Statement dated 31 March 2015.

Mr. Ravindra Prabhakar Marathe, a banker by profession was appointed as a director on 26 October 2015.

At present, the Bank has the following directors:

- Rabin Sockalingam Rabindran, Chairman and Independent Director (appointed on 31 May 2013)
- Sanjaya Singh Gaur, Independent Director (appointed on 31 May 2012)
- Sameer Handa, Independent Director (appointed on 12 July 2013)
- Anantharaman Sankara Narayanan Radhamangalam, Director (appointed on 15 August 2013)
- Ranjitkumar Amarendra Jha, Managing Director (appointed on 13 December 2013)
- Judith Ann Whiteman, Independent Director (appointed on 4 March 2014)
- Ravindra Prabhakar Marathe, Director (appointed on 26 October 2015)

Communications to the directors should be addressed to:

10 Manukau Road, Epsom, Auckland 1023, New Zealand

Sanjaya Singh Gaur, 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. Sanjaya Singh Gaur, Sameer Handa, Rabin Sockalingam Rabindran and Judith Ann Whiteman are residents in New Zealand.

Ranjitkumar Amarendra Jha, Managing Director is resident in New Zealand.

Anantharaman Sankara Narayanan Radhamangalam, Director and Ravindra Prabhakar Marathe, Director, are residents in India.

The directors, their immediate relatives and close business associates have not entered into any transactions with the Bank which either have 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 Board Audit Committee consists of three directors of which two are independent.

The chairman of the Board Audit Committee is Ms. Judith Ann Whiteman. The other members of the Board Audit Committee are Mr. Rabin Sockalingam Rabindran and Mr. Anantharaman Sankara Narayanan Radhamangalam.

The responsible person 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 is Mr Ranjitkumar Amarendra Jha.

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 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.

## General Disclosures

For the nine months ended 31 December 2015

### **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**

Effective 1 November 2015, the Reserve Bank of New Zealand (RBNZ) issued revised conditions of registration for the bank. The conditions of registration has been amended to incorporate the changes that are included in the revised version of "Capital Adequacy Framework (Standardised Approach)" (BS2A), "Connected Exposures Policy" (BS8), "Framework for Restrictions on High-LVR Residential Mortgage Lending"(BS19) and "Application for Capital Recognition or Repayment"(BS16). A copy of the full revised conditions of registration effective on or after 1st November 2015 can be found in Appendix 2.

The Bank has complied with all conditions of registration over the accounting period.

### **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 Crediting Rating: BBB-/Negative/A-3

On 16 February 2016, Standard & Poor's has revised the outlooks on the long term counterparty credit ratings on the Bank of India from BBB- (stable) to BBB- (negative).

Descriptions of credit rating scales are contained in Appendix 1.

### **12 Other material matters**

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

## Directors' Statement

### For the nine months ended 31 December 2015

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 period ended 31 December 2015

- The Bank has complied with all conditions of registration that applied during the year;
- 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 Ranjitkumar A. Jha as director and responsible person on behalf of all the directors:

(The directors of the Bank were Ranjitkumar Amarendra Jha, Sanjaya Singh Gaur, Sameer Handa, Rabin Sockalingam Rabindran, Anantharaman Sankara Narayanan Radhamangalam, Judith Ann Whiteman, Ravindra Prabhakar Marathe).



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Ranjitkumar A.Jha  
Managing Director  
24 February 2016

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## Statement of Comprehensive Income

For the nine months ended 31 December 2015

	Note	(Unaudited) 9 months to 31.12.2015	(Unaudited) 9 months to 31.12.2014	(Audited) year to 31.03.2015
		NZ \$ '000	NZ \$ '000	NZ \$ '000
Interest income	2	3,802	3,027	4,158
Interest expense	2	(1,252)	(657)	(972)
<b>Net interest income</b>		<b>2,550</b>	<b>2,370</b>	<b>3,186</b>
Other income	3	367	264	358
<b>Total operating income</b>		<b>2,917</b>	<b>2,634</b>	<b>3,544</b>
Operating expenses	4	(2,075)	(1,937)	(2,656)
Impairment losses on loans and advances	15	(47)	(82)	(23)
<b>Profit before income tax</b>		<b>795</b>	<b>615</b>	<b>865</b>
Taxation expense	6	(223)	(172)	(247)
Net Profit after tax		<b>572</b>	<b>443</b>	<b>618</b>
Other Comprehensive income		-	-	-
<b>Total comprehensive income</b>		<b>572</b>	<b>443</b>	<b>618</b>

## Statement of Changes in Equity

For the nine months ended 31 December 2015

	Share Capital	Retained Earnings	Total
	NZ \$ '000	NZ \$ '000	NZ \$ '000
<b>Balance as at 1 April 2014</b>	50,000	939	50,939
Total comprehensive income for the period	-	443	443
<b>Balance as at 31 December 2014 (Unaudited)</b>	<b>50,000</b>	<b>1,382</b>	<b>51,382</b>
<b>Balance as at 1 April 2014</b>	50,000	939	50,939
Total comprehensive income for the year	-	618	618
<b>Balance as at 31 March 2015 (Audited)</b>	<b>50,000</b>	<b>1,557</b>	<b>51,557</b>
<b>Balance as at 1 April 2015</b>	<b>50,000</b>	<b>1,557</b>	<b>51,557</b>
Total comprehensive income for the period	-	572	572
<b>Balance as at 31 December 2015 (Unaudited)</b>	<b>50,000</b>	<b>2,129</b>	<b>52,129</b>

The accompanying notes on pages 10 to 43 form an integral part of these interim financial statements and should be read in conjunction with the interim financial statements.

## Statement of Financial Position

As at 31 December 2015

	Note	(Unaudited) 9 months to 31.12.2015	(Unaudited) 9 months to 31.12.2014	(Audited) year to 31.03.2015
		NZ \$ '000	NZ \$ '000	NZ \$ '000
<b>ASSETS</b>				
Cash	7	131	93	105
Due from other financial institutions	10	16,448	18,808	18,390
Balance due from related parties	11	3,630	3,283	3,549
Loans and advances	5, 16	73,426	56,399	62,240
GST Refundable		42	-	-
Other assets	9	398	414	335
Current tax assets		-	-	-
Property and equipment		1,060	1,068	1,040
Deferred tax assets		84	85	84
<b>Total assets</b>		<b>95,219</b>	<b>80,150</b>	<b>85,743</b>
Total Interest Earning and Discount Bearing Assets		93,570	78,621	84,161
<b>LIABILITIES</b>				
Balance due to related parties	11	26,879	16,189	21,446
Deposits and other borrowings	8	15,586	12,218	12,263
Other liabilities		556	303	348
Current tax liability		69	58	129
<b>Total liabilities</b>		<b>43,090</b>	<b>28,768</b>	<b>34,186</b>
<b>NET ASSETS</b>		<b>52,129</b>	<b>51,382</b>	<b>51,557</b>
<b>EQUITY</b>				
Share capital	12	50,000	50,000	50,000
Retained earnings		2,129	1,382	1,557
<b>Total shareholder's equity</b>		<b>52,129</b>	<b>51,382</b>	<b>51,557</b>
Total interest and Discount Bearing Liabilities		41,197	26,723	32,593

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

The board of directors of Bank of India (New Zealand) Limited authorised these interim financial statements for issue on 24 February 2016

Signed for and on behalf of the board of directors



The accompanying notes on pages 10 to 43 form an integral part of these interim financial statements and should be read in conjunction with the interim financial statements.

## Statement of Cash Flows

For the nine months ended 31 December 2015

	Note	(Unaudited) 9 months to 31.12.2015	(Unaudited) 9 months to 31.12.2014	(Audited) year to 31.03.2015
<b>Cash flows from operating activities</b>		<b>NZ \$ '000</b>	<b>NZ \$ '000</b>	<b>NZ \$ '000</b>
Interest received		3,750	2,923	4,134
Fees and other income		315	230	323
Operating expenses paid		(2,163)	(1,998)	(2,486)
GST refund received		10	78	80
Interest paid		(876)	(453)	(924)
Income tax paid		(283)	(149)	(152)
Increase in advances to customers		(11,233)	(7,916)	(13,699)
Net proceeds from related parties		5,352	3,898	8,887
(Decrease)/Increase in deposits from customers		3,323	6,095	6,140
<b>Net cash flow from operating activities</b>	13	<b>(1,805)</b>	<b>2,708</b>	<b>2,303</b>
<b>Cash flows from investing activities</b>				
(Increase)/Decrease in balances with other financial institutions		(3,000)	(3,000)	4,500
Purchase of property and equipment		(111)	(12)	(13)
<b>Net cash flow from investing activities</b>		<b>(3,111)</b>	<b>(3,012)</b>	<b>4,487</b>
<b>Cash flows from financing activities</b>				
Proceeds from issuance of shares		-	-	-
(Payment to)/proceeds from to related parties		-	-	-
<b>Net cash flow used in financing activities</b>		<b>-</b>	<b>-</b>	<b>-</b>
<b>Net increase in cash and cash equivalents</b>		<b>(4,916)</b>	<b>(304)</b>	<b>6,790</b>
Cash and cash equivalents at the beginning of the period		14,495	7,705	7,705
<b>Cash and cash equivalents at the end of the period</b>		<b>9,579</b>	<b>7,401</b>	<b>14,495</b>
Cash and cash equivalent is made up of:				
Cash	7	131	93	105
Cash equivalent due from other financial institutions at call	10	9,448	7,308	14,390
<b>Total cash and cash equivalents</b>		<b>9,579</b>	<b>7,401</b>	<b>14,495</b>

The accompanying notes on pages 10 to 43 form an integral part of these interim financial statements and should be read in conjunction with the interim financial statements.

# Notes to financial statements

For the nine months ended 31 December 2015

## 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 interim financial statements comply with the requirements of the Registered Bank Disclosure Statement (New Zealand Incorporated Registered Banks) Order 2014 (as amended).

These interim 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 interim 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 Accounting Standard ('NZ IAS') 34 Interim Financial Reporting, and should be read in conjunction with the Disclosure Statement for the year ended 31 March 2015. These financial statements also comply with International Accounting Standard 34 Interim Financial Reporting as issued by International Accounting Standards Board, and they do not include all information required for the complete set of financial statements.

The interim financial statements were authorised for issue by the directors on 24 February, 2016

### 1.2 Basis of Preparation

The interim financial statements have been prepared on the basis of historical cost.

The functional and presentation currency is New Zealand Dollars (NZD).

The same accounting policies and methods of computation have been followed in preparing these interim financial statements as were used in preparing the financial statements for the year ended 31 March 2015.

### 1.3 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.

#### Allowance for impairment losses

Impairment allowance on each loan or receivable is evaluated based upon management's judgments in applying the accounting policy in 1.14.

The determination of impairment allowance required for loans which are deemed to be individually significant often requires the use of considerable management judgement concerning such matters as local economic conditions, the financial performance of the counterparty and the value of any collateral held, for which there may not be a readily accessible market. The actual amount of the future cash flows and their timing may differ from the estimates used by the management and consequently may cause actual losses to differ from the reported allowances.

## Notes to financial statements

For the nine months ended 31 December 2015

### 1.4 Standards and Interpretations effective in current period

Amendments to Defined Benefit Plans: Employee Contributions (Amendment to IAS 19)

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

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

When contributions are eligible for the practical expedient, a company is permitted to recognize them as a reduction of the service cost in the period in which the related service is rendered.

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

These annual improvements include amendments to a number of Standards that are largely clarifications, including for example, amendments to NZ IAS 24: Related Party Disclosures, which clarifies that a management entity providing key management personnel services to a reporting entity is a related party of the reporting entity.

### 1.5 Standards not yet effective but available for early adoption

#### IFRS 15 – Revenue from customers

NZ IFRS 15 replaces the following:

- IAS 18 Revenue
- IAS 11 Construction Contracts
- IFRIC 13 Customer Loyalty Programmes
- IFRIC 15 Agreement for the Construction of Real Estate
- IFRIC 18 Transfers of Assets from Customers
- SIC 31 Revenue – Barter Transactions involving Advertising Services

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

#### IFRS 9 – Financial instruments

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

#### NZ IFRS 9 (2013) – Financial instruments

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

#### Amendments to NZ IAS 16 and IAS 38

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

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

The IASB has issued amendments over disclosure requirements under IAS 1, which emphasise on materiality based disclosures to be provided in the financial statements, to avoid excessive disclosures. Moreover, specific criteria has been provided for the presentation of subtotals on the statement of financial position, statement of profit or loss and other comprehensive income, with additional reconciliation requirements for the statement of profit or loss and other comprehensive income. These amendments are applicable for annual periods beginning on or after 1 January 2016.

## Notes to financial statements

### For the nine months ended 31 December 2015

#### Standards not yet effective but available for early adoption (continued)

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

The annual improvements include amendments to the following four standards:

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

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

#### 1.6 Foreign currency transactions

The Bank's interim 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 interim 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 have 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 Comparatives

When the presentation or classification of items is changed, comparative amounts are reclassified unless the reclassification is impracticable. There have been no presentation or classification changes in the current period.

#### 1.9 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.

## Notes to financial statements

For the nine months ended 31 December 2015

### Revenue recognition (continued)

#### 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.

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

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.

#### 1.10 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.

#### 1.11 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.

## Notes to financial statements

For the nine months ended 31 December 2015

### Taxation (continued)

#### 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.

#### 1.12 Cash and cash equivalents

Cash and cash equivalents comprises cash, 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.

#### 1.13 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.



## Notes to financial statements

For the nine months ended 31 December 2015

### Statement of cash flows (continued)

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.

#### 1.14 Financial Assets

Financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss' (FVTPL), 'held-to-maturity' investments, 'available-for-sale' (AFS) financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. The Bank classifies all of its financial assets as loans and receivables.

#### Loans and receivables

Loans and receivables that have fixed or determinable payments and are not quoted in an active market are classified as loans and receivables. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate.

#### Recognition of financial assets

Loans and receivables are recognised on settlement date and are recognised initially at fair value plus directly attributable transaction costs.

#### Impairment of financial assets

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 certain categories of financial assets, such as loans and advances, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Bank's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 60 days, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of loans and advances, where the carrying amount is reduced through the use of an allowance account. When a loan or advance is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

## Notes to financial statements

For the nine months ended 31 December 2015

### Financial Assets (continued)

#### Asset Quality

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

Assets acquired through security enforcement are those assets (primarily real estate) acquired through actual foreclosure or in full or partial satisfaction of a debt. Other impaired assets refer to any credit exposure for which an impairment loss is recognised in accordance with NZ IAS 39 – Financial Instruments: Recognition and Measurement.

A 90 day past due asset is any loan which has not been operated by the borrower within its key terms for at least 90 days and which is not an impaired asset. Although not classified as impaired assets or past due assets, assets in which the counter-party is in receivership, liquidation, bankruptcy, statutory management or any form of administration are reported separately. These are classified as “other assets under administration”.

#### 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.

### 1.15 Financial Liabilities

Financial liabilities are classified as either financial liabilities ‘at FVTPL’ or ‘other financial liabilities’.

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.

## Notes to financial statements

For the nine months ended 31 December 2015

### 1.16 Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are initially recognised as assets of the Bank at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to profit or loss in accordance with the Bank's general policy on financing costs. Contingent rentals are recognised as expenses in the periods in which they are incurred.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern over which economic benefits from the leased asset are consumed.

In the event that lease incentives are received to enter into operating leases, such incentives are initially recorded as a liability and are recognised as a reduction of rental expense on a straight-line basis over the lease term.

### 1.17 Property and equipment

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

## Notes to financial statements

### For the nine months ended 31 December 2015

#### 1.18 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.

#### 1.19 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.

## Notes to financial statements

For the nine months ended 31 December 2015

### 1.20 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.

### 1.21 Employee benefits

A provision is recognised for benefits accruing to employees in respect of annual leave, long service 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.

## Notes to financial statements

For the nine months ended 31 December 2015

### 2 INTEREST

	(Unaudited) 9 months to 31.12.2015	(Unaudited) 9 months to 31.12.2014	(Audited) year to 31.03.2015
<b>Interest income</b>	<b>NZ \$ '000</b>	<b>NZ \$ '000</b>	<b>NZ \$ '000</b>
Loans and advances	3,357	2,588	3,527
From other financial institutions	355	367	533
From related parties	90	72	98
<b>Total interest income</b>	<b>3,802</b>	<b>3,027</b>	<b>4,158</b>
<b>Interest expense</b>			
Deposits by customers	294	134	220
Deposits by related parties	958	523	752
<b>Total interest expense</b>	<b>1,252</b>	<b>657</b>	<b>972</b>

### 3 OTHER INCOME

	(Unaudited) 9 months to 31.12.2015	(Unaudited) 9 months to 31.12.2014	(Audited) year to 31.03.2015
	<b>NZ \$ '000</b>	<b>NZ \$ '000</b>	<b>NZ \$ '000</b>
Banking and lending fee income	22	60	80
Net commission revenue	7	6	9
Net foreign exchange gains	280	161	231
Other revenue	6	2	3
GST recovered	52	35	35
<b>Total other income</b>	<b>367</b>	<b>264</b>	<b>358</b>

### 4 OPERATING EXPENSES

Operating expenses include:

	(Unaudited) 9 months to 31.12.2015	(Unaudited) 9 months to 31.12.2014	(Audited) year to 31.03.2015
	<b>NZ \$ '000</b>	<b>NZ \$ '000</b>	<b>NZ \$ '000</b>
Auditors remuneration			
- Audit of Disclosure Statements	21	21	61
- Review of Disclosure Statements	27	19	19
- Advisory fee -assistance with FATCA	2	5	20
Directors' fees	47	51	66
Depreciation			
Leasehold improvements	71	66	88
Computer equipment	6	11	13
Office equipment	7	8	10
Furniture	7	8	11
<b>Total depreciation</b>	<b>91</b>	<b>93</b>	<b>122</b>
Other Expenses	789	641	852
Employee benefit expenses	893	889	1,222
Operating lease rental expenses	205	218	294
<b>Total Operating Expenses</b>	<b>2,075</b>	<b>1,937</b>	<b>2,656</b>

**Notes to financial statements**  
For the nine months ended 31 December 2015

**5 LOANS AND ADVANCES**

	(Unaudited) 9 months to 31.12.2015	(Unaudited) 9 months to 31.12.2014	(Audited) year to 31.03.2015
	NZ \$ '000	NZ \$ '000	NZ \$ '000
Residential mortgages loans	37,493	27,643	28,805
Corporate loans	35,909	28,809	33,331
Other loans	327	262	360
Allowance for impairment losses	(303)	(315)	(256)
<b>Net loans and advances</b>	<b>73,426</b>	<b>56,399</b>	<b>62,240</b>
Amounts due for settlement within 12 months	5,947	7,742	9,912
Amounts due for settlement after 12 months	67,479	48,657	52,328
<b>Net loans and advances</b>	<b>73,426</b>	<b>56,399</b>	<b>62,240</b>

**6 TAXATION**

	(Unaudited) 9 months to 31.12.2015	(Unaudited) 9 months to 31.12.2014	(Audited) year to 31.03.2015
	NZ \$ '000	NZ \$ '000	NZ \$ '000
<b>Tax expense comprises:</b>			
Current tax expense in respect of the current year	223	196	266
Deferred tax expense relating to the origination and reversal of temporary differences	-	(24)	(24)
Prior period adjustment	-	-	5
<b>Total tax expense</b>	<b>223</b>	<b>172</b>	<b>247</b>
The total charge for the year can be reconciled to the accounting profit as follows:			
Profit before income tax expense	795	615	865
Income tax expense calculated at 28% (2014: 28%)	223	172	242
Prior period adjustment	-	-	5
<b>Income tax expense recognised in profit or loss</b>	<b>223</b>	<b>172</b>	<b>247</b>

**7 CASH**

	(Unaudited) 9 months to 31.12.2015	(Unaudited) 9 months to 31.12.2014	(Audited) year to 31.03.2015
	NZ \$ '000	NZ \$ '000	NZ \$ '000
Cash on hand	131	93	105
<b>Total cash</b>	<b>131</b>	<b>93</b>	<b>105</b>

**Notes to financial statements**  
For the nine months ended 31 December 2015

**8 DEPOSITS AND OTHER BORROWINGS**

	(Unaudited) 9 months to 31.12.2015	(Unaudited) 9 months to 31.12.2014	(Audited) year to 31.03.2015
	NZ \$ '000	NZ \$ '000	NZ \$ '000
Retail deposits	15,586	12,218	12,263
Wholesale deposits	-	-	-
<b>Total deposits</b>	<b>15,586</b>	<b>12,218</b>	<b>12,263</b>
Amounts due for settlement within 12 months	14,739	11,659	11,486
Amounts due for settlement after 12 months	847	559	777
<b>Total deposits</b>	<b>15,586</b>	<b>12,218</b>	<b>12,263</b>

**9 OTHER ASSETS**

	(Unaudited) 9 months to 31.12.2015	(Unaudited) 9 months to 31.12.2014	(Audited) year to 31.03.2015
	NZ \$ '000	NZ \$ '000	NZ \$ '000
Prepayments	132	119	120
Interest receivable	266	295	215
<b>Total other assets</b>	<b>398</b>	<b>414</b>	<b>335</b>
Amounts due for settlement within 12 months	398	414	335
Amounts due for settlement after 12 months	-	-	-
<b>Total other assets</b>	<b>398</b>	<b>414</b>	<b>335</b>

**10 DUE FROM OTHER FINANCIAL INSTITUTIONS**

	(Unaudited) 9 months to 31.12.2015	(Unaudited) 9 months to 31.12.2014	(Audited) year to 31.03.2015
	NZ \$ '000	NZ \$ '000	NZ \$ '000
Call deposits	9,448	7,308	14,390
Short term deposits	7,000	11,500	4,000
<b>Total deposits</b>	<b>16,448</b>	<b>18,808</b>	<b>18,390</b>

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

**11 RELATED PARTY DISCLOSURE**

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

**Key management personnel**

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



## Notes to financial statements

For the nine months ended 31 December 2015

### 11 RELATED PARTY DISCLOSURE (continued)

	(Unaudited) 9 months to 31.12.2015	(Unaudited) 9 months to 31.12.2014	(Audited) year to 31.03.2015
	NZ \$ '000	NZ \$ '000	NZ \$ '000
Salary and other short term benefits	236	257	816

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

#### 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.

## Notes to financial statements

For the nine months ended 31 December 2015

### 11 RELATED PARTY DISCLOSURE (continued)

Further, Bank of India has issued financial guarantee in favour of Bank of India(New Zealand) Ltd to secure loans given by the Bank amounting to NZD 177, 134. The Guarantee is invocable in the event of default in repayment of loan by the customer.

#### Transactions/balances with related parties

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

- Deposit received from related parties amounting to NZD 586,332 which are non-interest bearing and payable on demand.
- Deposits made with related parties amounting to NZD 186,823 which are non-interest bearing and receivable on demand.

	(Unaudited) 9 months to 31.12.2015	(Unaudited) 9 months to 31.12.2014	(Audited) year to 31.03.2015
	NZ \$ '000	NZ \$ '000	NZ \$ '000
<b>Transactions with related parties</b>			
<b>Interest income</b>			
Bank of India (branches and subsidiaries)	90	72	98
Other related parties	-	-	-
<b>Interest expense</b>			
Bank of India (branches and subsidiaries)	-	-	-
Other related parties	958	523	752
<b>Net deposit/(withdrawals) with related parties</b>	81	540	806
<b>Net deposit/(withdrawals) by related parties</b>	5,433	4,437	8,783
<b>Balances with related parties</b>			
<b>Deposits with</b>			
Bank of India (branches and subsidiaries)	3,630	3,283	3,549
Other related parties	-	-	-
<b>Deposits from</b>			
Bank of India (branches and subsidiaries)	586	381	230
Other related parties	26,293	15,808	21,216
<b>Deposits with related parties</b>			
Amounts due for settlement within 12 months	3,630	3,283	3,549
Amounts due for settlement after 12 months	-	-	-
<b>Total Deposits with related parties</b>	<b>3,630</b>	<b>3,283</b>	<b>3,549</b>
<b>Deposits from related parties</b>			
Amounts due for settlement within 12 months	1,015	2,153	2,031
Amounts due for settlement after 12 months	25,864	14,036	19,415
<b>Total Deposits from related parties</b>	<b>26,879</b>	<b>16,189</b>	<b>21,446</b>

### 12 SHARE CAPITAL

	(Unaudited) 9 months to 31.12.2015	(Unaudited) 9 months to 31.12.2014	(Audited) year to 31.03.2015
	NZ \$ '000	NZ \$ '000	NZ \$ '000
50,000,010 fully paid ordinary shares	50,000	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.

**Notes to financial statements**  
For the nine months ended 31 December 2015

**13 NET CASH FLOWS FROM OPERATING ACTIVITIES**

	(Unaudited) 9 months to 31.12.2015	(Unaudited) 9 months to 31.12.2014	(Audited) year to 31.03.2015
	NZ \$ '000	NZ \$ '000	NZ \$ '000
<b>Profit for the period</b>	<b>572</b>	<b>443</b>	<b>618</b>
<b>Non-cash items:</b>			
Impairment loss recognised on loans and advances	47	82	23
Depreciation and amortisation of non-current assets	91	93	122
Deferred tax assets	-	(25)	(24)
<b>Movements in working capital:</b>			
Increase in loans and advances	(11,233)	(7,916)	(13,699)
(Increase) in interest receivable	(52)	(105)	(24)
Increase in deposits from customers	3,323	6,095	6,140
Net Increase in balances due to related parties	5,352	3,898	8,887
Decrease/(Increase) in prepayments	(11)	7	5
Decrease/(Increase) in GST refundable	(42)	44	45
(Decrease)/Increase in current tax liability	(60)	48	119
Increase/(Decrease) in other liabilities	208	44	91
<b>Net cash from/used in operating activities</b>	<b>(1,805)</b>	<b>2,708</b>	<b>2,303</b>

**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 December 2015. 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.

As at 31 December 2015 (Unaudited)	Up to 3 months	3 to 12 months	1 to 5 years	Over 5 years	On demand	Total
	NZ \$ '000	NZ \$ '000	NZ \$ '000	NZ \$ '000	NZ \$ '000	NZ \$ '000
<b>Assets</b>						
Cash	-	-	-	-	131	131
Balance due from related parties	3,307	222	-	-	187	3,716
Due from other financial institutions	7,072	-	-	-	9,448	16,520
Advances to customers	2,958	5,230	31,790	81,810	4,055	125,843
Interest receivable	266	-	-	-	-	266
<b>Total financial assets</b>	<b>13,603</b>	<b>5,452</b>	<b>31,790</b>	<b>81,810</b>	<b>13,821</b>	<b>146,476</b>
<b>Liabilities</b>						
Balance due to related parties	-	461	29,147	-	586	30,194
Deposits and other borrowings	8,128	3,245	881	-	3,497	15,751
Other liabilities	452	-	-	-	-	452
<b>Total financial liabilities</b>	<b>8,580</b>	<b>3,706</b>	<b>30,028</b>	<b>-</b>	<b>4,083</b>	<b>46,397</b>
<b>Net non derivative cash flows</b>	<b>5,023</b>	<b>1,746</b>	<b>1,762</b>	<b>81,810</b>	<b>9,738</b>	<b>100,079</b>
<b>Off Balance sheet cash flows</b>						
Loan commitments	-	-	-	-	5,542	5,542
Guarantee	-	-	-	-	163	163
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>5,705</b>	<b>5,705</b>
<b>Net cash flows</b>	<b>5,023</b>	<b>1,746</b>	<b>1,762</b>	<b>81,810</b>	<b>4,033</b>	<b>94,374</b>

## Notes to financial statements

For the nine months ended 31 December 2015

### LIQUIDITY RISK (continued)

As at 31 December 2014 (Unaudited)	Up to 3 months	3 to 12 months	1 to 5 years	Over 5 years	On demand	Total
	NZ \$ '000	NZ \$ '000	NZ \$ '000	NZ \$ '000	NZ \$ '000	NZ \$ '000
<b>Assets</b>						
Cash	-	-	-	-	93	93
Balance due from related parties	1,621	1,679	-	-	72	3,372
Due from other financial institutions	11,673	-	-	-	7,308	18,981
Advances to customers	2,367	8,828	24,051	47,932	3,082	86,260
Interest receivable	295	-	-	-	-	295
<b>Total financial assets</b>	<b>15,956</b>	<b>10,507</b>	<b>24,051</b>	<b>47,932</b>	<b>10,555</b>	<b>109,001</b>
<b>Liabilities</b>						
Balance due to related parties	-	1,861	16,258	-	381	18,500
Deposits and other borrowings	4,023	4,679	616	-	3,077	12,395
Other liabilities	303	-	-	-	-	303
<b>Total financial liabilities</b>	<b>4,326</b>	<b>6,540</b>	<b>16,874</b>	<b>-</b>	<b>3,458</b>	<b>31,198</b>
<b>Net non derivative cash flows</b>	<b>11,630</b>	<b>3,967</b>	<b>7,177</b>	<b>47,932</b>	<b>7,097</b>	<b>77,803</b>
<b>Off Balance sheet cash flows</b>						
Loan commitments	-	-	-	-	3,342	3,342
Guarantee	-	-	-	-	-	-
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,342</b>	<b>3,342</b>
<b>Net cash flows</b>	<b>11,630</b>	<b>3,967</b>	<b>7,177</b>	<b>47,932</b>	<b>3,755</b>	<b>74,461</b>

As at 31 March 2015 (Unaudited)	Up to 3 months	3 to 12 months	1 to 5 years	Over 5 years	On demand	Total
	NZ \$ '000	NZ \$ '000	NZ \$ '000	NZ \$ '000	NZ \$ '000	NZ \$ '000
<b>Assets</b>						
Cash	-	-	-	-	105	105
Balance due from related parties	457	3,047	-	-	148	3,652
Due from other financial institutions	8,120	4,078	-	-	6,350	18,548
Advances to customers	2,852	13,566	25,264	46,234	3,467	91,383
Interest receivable	215	-	-	-	-	215
<b>Total financial assets</b>	<b>11,644</b>	<b>20,691</b>	<b>25,264</b>	<b>46,234</b>	<b>10,070</b>	<b>113,903</b>
<b>Liabilities</b>						
Balance due to related parties	1,370	491	22,164	-	230	24,255
Deposits and other borrowings	6,555	2,277	709	-	2,805	12,346
Other liabilities	300	-	-	-	-	300
<b>Total financial liabilities</b>	<b>8,225</b>	<b>2,768</b>	<b>22,873</b>	<b>-</b>	<b>3,035</b>	<b>36,901</b>
<b>Net non derivative cash flows</b>	<b>3,419</b>	<b>17,923</b>	<b>2,391</b>	<b>46,234</b>	<b>7,035</b>	<b>77,002</b>
<b>Off Balance sheet cash flows</b>						
Loan commitments	-	-	-	-	4,317	4,317
Guarantee	-	-	-	-	-	-
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>4,317</b>	<b>4,317</b>
<b>Net cash flows</b>	<b>3,419</b>	<b>17,923</b>	<b>2,391</b>	<b>46,234</b>	<b>2,718</b>	<b>72,685</b>

## Notes to financial statements

For the nine months ended 31 December 2015

### 14 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

	(Unaudited) 9 months to 31.12.2015
	NZ \$ '000
<b>Tier 1 capital</b>	
<b>Common Equity Tier 1 ("CET1") Capital</b>	
Issued and fully paid up ordinary share capital	50,000
Retained earnings	2,129
Less deductions from CET1 capital	
Deferred tax assets	(84)
<b>Total Common Equity Tier 1 Capital</b>	<b>52,045</b>
<b>Additional Tier 1 ("AT1") capital</b>	-
<b>Tier 1 Capital</b>	<b>52,045</b>
<b>Tier 2 Capital</b>	-
<b>Total capital</b>	<b>52,045</b>

Capital ratios and solo capital adequacy	(Unaudited) 9 months to 31.12.2015	(Unaudited) 9 months to 31.12.2014	(Unaudited) year to 31.03.2015
Common equity Tier 1 capital ratio	71%	91%	81%
Tier 1 capital ratio	71%	91%	81%
Total capital ratio	71%	91%	81%

Minimum ratio requirement	(Unaudited) 9 months to 31.12.2015	(Unaudited) 9 months to 31.12.2014	(Unaudited) year to 31.03.2015
Common equity Tier 1 capital ratio	4.5%	4.5%	4.5%
Tier 1 capital ratio	6%	6%	6%
Total capital ratio	8%	8%	8%

Buffer ratio	(Unaudited) 9 months to 31.12.2015	(Unaudited) 9 months to 31.12.2014	(Unaudited) year to 31.03.2015
Buffer ratio	63%	83%	73%
Buffer ratio requirement	2.5%	2.5%	2.5%

The Bank has 50,000,010 fully paid ordinary shares (tier one capital) issued at NZ\$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.

## Notes to financial statements

For the nine months ended 31 December 2015

### 14 CAPITAL ADEQUACY (continued)

#### 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.

On Balance Sheet exposures as at 31 December 2015 (Unaudited)	Total exposure after credit risk mitigation	Risk weight	Risk weighted exposure	Minimum Pillar 1 capital requirement
	NZ \$ '000		NZ \$ '000	NZ \$ '000
Cash and gold bullion	131	0%	-	-
Banks	16,635	20%	3,327	266
	-	50%	0	0
	3,443	100%	3,443	275
Residential mortgages not past due:				
LVR upto 80%	29,457	35%	10,310	825
LVR >80% & upto 90%	7,701	50%	3,850	308
LVR exceeds 90%	-	75%	-	-
Non Property investment residential mortgage				
LVR upto 80%	268	35%	94	8
LVR >80% & upto 90%	-	50%	-	-
LVR exceeds 90%	-	75%	-	-
Property investment residential mortgage				
LVR upto 80%	67	40%	27	2
LVR >80% & upto 90%	-	70%	-	-
LVR exceeds 90%	-	90%	-	-
Corporate Loans	35,909	100%	35,909	2,873
Other assets	1,608	100%	1,608	129
<b>Total on balance sheet exposure</b>	<b>95,219</b>		<b>58,568</b>	<b>4,686</b>

Off Balance Sheet exposures as at 31 December 2015 (Unaudited)	Total exposure	Credit conversion factor	Credit equivalent amount	Average risk weight	Risk weighted exposure	Minimum Pillar 1 capital requirement
	NZ \$ '000		NZ \$ '000		NZ \$ '000	NZ \$ '000
Other commitments where original maturity is more than one year	5,705	50%	2,852	51.27%	1,462	117
<b>Total off balance sheet exposure</b>	<b>5,705</b>		<b>2,852</b>		<b>1,462</b>	<b>117</b>

#### Credit risk mitigation

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

**Notes to financial statements**  
For the nine months ended 31 December 2015

**14 CAPITAL ADEQUACY (continued)**

**Total capital requirements**

As at 31 December 2015 (Unaudited)	Total exposure after credit risk mitigation	Risk weighted exposure or implied risk weighted exposure	Capital requirement
	NZ \$ '000	NZ \$ '000	NZ \$ '000
Total credit risk + equity risk	100,924	60,030	4,803
Operational risk	n/a	7,409	593
Market risk	n/a	5,597	448
<b>Total</b>	<b>100,924</b>	<b>73,036</b>	<b>5,844</b>

**Market risk end of period capital charges**

As at 31 December 2015 (Unaudited)	Implied risk Weighted Exposure	Aggregate Capital Charge
	NZ \$ '000	NZ \$ '000
Interest rate risk	5,464	437
Foreign currency risk	133	11
Equity risk	-	-
<b>Total</b>	<b>5,597</b>	<b>448</b>

**Pillar 1 capital requirements**

	31.12.2015	31.12.2014	31.03.2015
	NZ \$ '000	NZ \$ '000	NZ \$ '000
On-balance sheet credit risk:			
Residential mortgages (including pas due, if any)	1,143	851	862
Corporate	2,873	2,305	2,666
Claims on banks	541	543	552
Other	129	121	125
<b>Total on-balance sheet credit risk</b>	<b>4,686</b>	<b>3,820</b>	<b>4,205</b>
Other capital requirements			
Off balance sheet credit exposures	117	87	112
Operational risk	593	374	500
Market risk	448	238	261
<b>Total other capital requirements</b>	<b>1,158</b>	<b>699</b>	<b>873</b>
<b>Total Pillar 1 capital requirement</b>	<b>5,844</b>	<b>4,519</b>	<b>5,078</b>

**Notes to financial statements**  
For the nine months ended 31 December 2015

**14 CAPITAL ADEQUACY (continued)**

**Market risk peak end-of-day capital charges**

For period ended 31 December 2015 (Unaudited)	Implied risk Weighted Exposure	Aggregate Capital Charge
	NZ \$ '000	NZ \$ '000
Interest rate risk	5,499	440
Foreign currency risk	179	14
Equity risk	-	-
<b>Total</b>	<b>5,678</b>	<b>454</b>

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**

For period ended 31 December 2015 (Unaudited)	Implied risk Weighted Exposure	Total operational risk capital requirement
	NZ \$ '000	NZ \$ '000
Operational risk	7,409	593

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

LVR range (Unaudited)	Does not exceed 80%	Exceeds 80% and not 90%	Exceeds 90%	Total
	NZ \$ '000	NZ \$ '000	NZ \$ '000	NZ \$ '000
Value of exposures as at 31 December 2015				
On-balance sheet	29,792	7,701	-	37,493
Off-balance sheet	4,276	-	-	4,276
<b>Total</b>	<b>34,068</b>	<b>7,701</b>	<b>-</b>	<b>41,769</b>



## Notes to financial statements

For the nine months ended 31 December 2015

### 14 CAPITAL ADEQUACY (continued)

#### 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 . 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 both quantitative techniques and qualitative assessment /management judgement in arriving at a final measure of risk. As part of its ongoing 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.

## Notes to financial statements

### For the nine months ended 31 December 2015

#### 14 CAPITAL ADEQUACY (continued)

##### Capital ratios of the ultimate parent bank

	As at 30.09.2015	As at 31.03.2015
CET 1 capital ratio	7.64%	7.18%
Tier one capital ratio	8.65%	8.17%
Total capital ratio	11.21%	10.73%

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 2015 and 30 September 2015 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 II (standardised) approach. At balance dates (i.e. 30 September 2015 and 31 March 2015) 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>.

#### 15 ASSET QUALITY

The Bank has no past due but not impaired assets, individually impaired assets, and individual credit impairment allowances as at 31 December 2015 (31 December 2014: Nil).

##### Allowance for impairment losses

As at 31 December 2015 (Unaudited)	Residential mortgage loans	On balance sheet corporate exposures	Other on balance sheet exposures	Total
	NZ \$ '000	NZ \$ '000	NZ \$ '000	NZ \$ '000
<b>Collectively assessed provisions</b>				
Balance at 1 April 2015	115	141	-	256
Charge to statement of comprehensive income	39	8	-	47
Other movements	-	-	-	-
<b>Balance at 31 December 2015</b>	<b>154</b>	<b>149</b>	<b>-</b>	<b>303</b>
<b>Individually assessed provisions</b>				
Balance at 1 April 2015	-	-	-	-
Charge to statement of comprehensive income	-	-	-	-
Other movements	-	-	-	-
<b>Balance at 31 December 2015</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total allowance for impairment losses</b>	<b>154</b>	<b>149</b>	<b>-</b>	<b>303</b>

**Notes to financial statements**  
For the nine months ended 31 December 2015

**15 ASSET QUALITY (continued)**

As at 31 December 2014 (Unaudited)	Residential mortgage loans	On balance sheet corporate exposures	Other on balance sheet exposures	Total
	NZ \$ '000	NZ \$ '000	NZ \$ '000	NZ \$ '000
<b>Collectively assessed provisions</b>				
Balance at 1 April 2014	106	127	-	233
Charge to statement of comprehensive income	5	77	-	82
Other movements	-	-	-	-
<b>Balance at 31 December 2014</b>	<b>111</b>	<b>204</b>	<b>-</b>	<b>315</b>
<b>Individually assessed provisions</b>				
Balance at 1 April 2014	-	-	-	-
Charge to statement of comprehensive income	-	-	-	-
Other movements	-	-	-	-
<b>Balance at 31 December 2014</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total allowance for impairment losses</b>	<b>111</b>	<b>204</b>	<b>-</b>	<b>315</b>

As at 31 March 2015 (Audited)	Residential mortgage loans	On balance sheet corporate exposures	Other on balance sheet exposures	Total
	\$000	\$000	\$000	\$000
<b>Collectively assessed provisions</b>				
Balance at 1 April 2014 (Unaudited)	106	127	-	233
Charge to statement of comprehensive income	9	14	-	23
Other movements	-	-	-	-
<b>Balance at 31 March 2015</b>	<b>115</b>	<b>141</b>	<b>-</b>	<b>256</b>
<b>Individually assessed provisions</b>				
Balance at 1 April 2014 (Unaudited)	-	-	-	-
Charge to statement of comprehensive income	-	-	-	-
Other movements	-	-	-	-
<b>Balance at 31 March 2015</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total allowance for impairment losses</b>	<b>115</b>	<b>141</b>	<b>-</b>	<b>256</b>

## Notes to financial statements

For the nine months ended 31 December 2015

### 15 ASSET QUALITY (continued) Impairment losses on loans and advances

	Residential mortgage loans	On balance sheet corporate exposures	Other on balance sheet exposures	Total
	NZ \$ '000	NZ \$ '000	NZ \$ '000	NZ \$ '000
Collectively assessed provisions	39	8	-	47
Individually assessed provisions	-	-	-	-
Other movements	-	-	-	-
<b>Balance at 31 December 2015 (Unaudited)</b>	<b>39</b>	<b>8</b>	<b>-</b>	<b>47</b>
Collectively assessed provisions	5	77	-	82
Individually assessed provisions	-	-	-	-
Other movements	-	-	-	-
<b>Balance at 31 December 2014 (Unaudited)</b>	<b>5</b>	<b>77</b>	<b>-</b>	<b>82</b>
Collectively assessed provisions	9	14	-	23
Individually assessed provisions	-	-	-	-
Other movements	-	-	-	-
<b>Balance at 31 March 2015 (Audited)</b>	<b>9</b>	<b>14</b>	<b>-</b>	<b>23</b>

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

To assess impairment on a collective basis, loans and advances are grouped on the basis of similar credit risk characteristics. Loans which are individually impaired, are excluded from the assessment of collective provisions. The assessment for collective impairment is based on all the available and relevant information, which in case of the Bank is peer group experience of loan losses.

## Notes to financial statements

For the nine months ended 31 December 2015

### 15 ASSET QUALITY (continued)

If there is objective evidence that an impairment on loans and advances has been incurred, the amount of the charge is measured as the difference between the loans and advances' carrying amount and the present value of estimated future cash flows discounted at the loans and advances' original effective interest rate.

The Bank does not have any financial assets designated as fair value through profit or loss as at and for the period ended 31 December, 2015 (31 December 2014: \$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 period ended 31 December 2015 (31 December 2014: \$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 period ended 31 December 2015 (31 December 2014: \$nil).

There were no other assets under administration as at and for the period ended 31 December 2015 (31 December 2014: \$nil).

### 16 FINANCIAL INSTRUMENTS

#### Categories of financial instruments

As at 31 December 2015 (Unaudited)	Loans and receivables	Financial liabilities at amortised cost	Total
	NZ \$ '000	NZ \$ '000	NZ \$ '000
<b>Assets</b>			
Cash	131	-	131
Balance due from related parties	3,630	-	3,630
Due from other financial institutions	16,448	-	16,448
Loans and advances	73,426	-	73,426
Interest receivable	266	-	266
<b>Total financial assets</b>	<b>93,901</b>	-	<b>93,901</b>
Non-financial assets	-	-	1,318
<b>Total assets</b>	<b>93,901</b>	-	<b>95,219</b>
<b>Liabilities</b>			
Balance due to related parties	-	26,879	26,879
Deposits and other borrowings	-	15,586	15,586
Interest payable	-	452	452
<b>Total financial liabilities</b>	-	<b>42,917</b>	<b>42,917</b>
Non-financial liabilities		173	173
<b>Total liabilities</b>		<b>43,090</b>	<b>43,090</b>

**Notes to financial statements**  
For the nine months ended 31 December 2015

**16 FINANCIAL INSTRUMENTS (continued)**

**Categories of financial instruments**

As at 31 March 2015 (Audited)	Loans and receivables	Financial liabilities at amortised cost	Total
	NZ \$ '000	NZ \$ '000	NZ \$ '000
<b>Assets</b>			
Cash	105	-	105
Balance due from related parties	3,549	-	3,549
Due from other financial institutions	18,390	-	18,390
Loans and advances	62,240	-	62,240
Interest receivable	215	-	215
<b>Total financial assets</b>	<b>84,499</b>	<b>-</b>	<b>84,499</b>
Non-financial assets	-	-	1,244
<b>Total assets</b>	<b>84,499</b>	<b>-</b>	<b>85,743</b>
<b>Liabilities</b>			
Balance due to related parties	-	21,446	21,446
Deposits and other borrowings	-	12,263	12,263
Other liabilities	-	348	348
<b>Total financial liabilities</b>	<b>-</b>	<b>34,057</b>	<b>34,057</b>
Non-financial liabilities	-	-	129
<b>Total liabilities</b>	<b>-</b>	<b>34,057</b>	<b>34,186</b>

As at 31 December 2014 (Unaudited)	Loans and receivables	Financial liabilities at amortised cost	Total
	NZ \$ '000	NZ \$ '000	NZ \$ '000
<b>Assets</b>			
Cash	93	-	93
Balance due from related parties	3,283	-	3,283
Due from other financial institutions	18,808	-	18,808
Loans and advances	56,399	-	56,399
Interest receivable	295	-	295
<b>Total financial assets</b>	<b>78,878</b>	<b>-</b>	<b>78,878</b>
Non-financial assets	-	-	1,272
<b>Total assets</b>	<b>78,878</b>	<b>-</b>	<b>80,150</b>
<b>Liabilities</b>			
Balance due to related parties	-	16,189	16,189
Deposits and other borrowings	-	12,218	12,218
Other liabilities	-	361	361
<b>Total financial liabilities</b>	<b>-</b>	<b>28,768</b>	<b>28,768</b>
Non-financial liabilities	-	-	-
<b>Total liabilities</b>	<b>-</b>	<b>28,768</b>	<b>28,768</b>

## Notes to financial statements

For the nine months ended 31 December 2015

### 16 FINANCIAL INSTRUMENTS (continued)

#### Fair value of financial instruments

As at 31 December 2015 (Unaudited)	Carrying Amounts	Estimated Fair Value
	NZ \$ '000	NZ \$ '000
<b>Financial assets</b>		
Cash	131	131
Balance due from related parties	3,630	3,630
Due from other financial institutions	16,448	16,448
Loans and advances	73,426	73,522
Interest receivable	266	261
<b>Total financial assets</b>	<b>93,901</b>	<b>93,992</b>
<b>Financial liabilities</b>		
Balance due to related parties	26,879	27,574
Deposits and other borrowings	15,586	15,510
Interest Payable	452	447
<b>Total financial liabilities</b>	<b>42,917</b>	<b>43,531</b>

As at 31 March 2015 (Audited)	Carrying Amounts	Estimated Fair Value
	NZ \$ '000	NZ \$ '000
<b>Financial assets</b>		
Cash	105	105
Balance due from related parties	3,549	3,549
Due from other financial institutions	18,390	18,390
Loans and advances	62,240	62,295
Interest receivable	215	215
<b>Total financial assets</b>	<b>84,499</b>	<b>84,554</b>
<b>Financial liabilities</b>		
Balance due to related parties	21,446	21,808
Deposits and other borrowings	12,263	12,395
Other liabilities	348	348
<b>Total financial liabilities</b>	<b>34,057</b>	<b>34,551</b>

**Notes to financial statements**  
For the nine months ended 31 December 2015

**16 FINANCIAL INSTRUMENTS (continued)**  
**Fair value of financial instruments**

As at 31 December 2014 (Unaudited)	Carrying Amounts	Estimated Fair Value
	NZ \$ '000	NZ \$ '000
<b>Financial assets</b>		
Cash	93	93
Balance due from related parties	3,283	3,283
Due from other financial institutions	18,808	18,808
Loans and advances	56,399	56,646
Interest receivable	295	295
<b>Total financial assets</b>	<b>78,878</b>	<b>79,125</b>
<b>Financial liabilities</b>		
Balance due to related parties	16,189	16,189
Deposits and other borrowings	12,218	12,218
Other liabilities	361	361
<b>Total financial liabilities</b>	<b>28,768</b>	<b>28,768</b>

**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, 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.

**Other financial assets**

Included in this category are interest receivables and other short term receivables. For these balances 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



## Notes to financial statements

For the nine months ended 31 December 2015

### FINANCIAL INSTRUMENTS (continued)

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.

#### Other financial liabilities

Other financial liabilities are generally short-term and are 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.

As at 31 December 2015 (Unaudited)	Level 1	Level 2	Level 3	Total
	NZ \$ '000	NZ \$ '000	NZ \$ '000	NZ \$ '000
<b>Loans and receivable</b>				
Due from other financial institutions	-	16,448	-	16,448
Due from related parties	-	3,630	-	3,630
Loans and advances	-	-	73,522	73,522
<b>Other financial liabilities</b>				
Balance due to related parties	-	27,574	-	27,574
Deposits and other borrowings	-	15,510	-	15,510
As at 31 December 2014 (Unaudited)	Level 1	Level 2	Level 3	Total
	NZ \$ '000	NZ \$ '000	NZ \$ '000	NZ \$ '000
<b>Loans and receivable</b>				
Due from other financial institutions	-	18,808	-	18,808
Due from related parties	-	3,283	-	3,283
Loans and advances	-	-	56,646	56,646
<b>Other financial liabilities</b>				
Balance due to related parties	-	16,189	-	16,189
Deposits and other borrowings	-	12,218	-	12,218
As at 31 March 2015 (Audited)	Level 1	Level 2	Level 3	Total
	NZ \$ '000	NZ \$ '000	NZ \$ '000	NZ \$ '000
<b>Loans and receivable</b>				
Due from other financial institutions	-	18,390	-	18,390
Due from related parties	-	3,549	-	3,549
Loans and advances	-	-	62,295	62,295
<b>Other financial liabilities</b>				
Balance due to related parties	-	21,808	-	21,808
Deposits and other borrowings	-	12,395	-	12,395

## Notes to financial statements

### For the nine months ended 31 December 2015

#### **FINANCIAL INSTRUMENTS (continued)**

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

#### **Credit risk**

Credit risk is the risk of loss arising as a result of the diminution in credit quality of the borrower or counterparty and the risk that the borrower or counterparty will default on contractual repayments under and advance.

As at 31 December 2015, the Bank deposited its funds with financial institutions with a credit rating from Standard & Poors' of AA- (2014: AA-) or with related parties. The Bank has established a Credit Committee that specifically oversees and co-ordinates the Bank's credit risk management functions. The Credit Committee has primary responsibility for identifying, measuring and monitoring the Bank's exposure to credit risk. The Credit Committee reports to the Board on credit risk on a quarterly basis.

## **17 RISK MANAGEMENT**

The credit policy has been set by the Credit Committee and approved by the Board. Bank officers seek Credit Committee approval before deviating from any lending guideline or policy. Credit approval authorities have been delegated by the Board to senior executives of the Bank. Compliance with these policies is monitored by the Credit 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, unsecured borrowers and with respect to each industry sector.

#### **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.

## Notes to financial statements

For the nine months ended 31 December 2015

### 17 RISK MANAGEMENT (continued) 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 14.

#### 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 has not reviewed the Bank for this financial year as part of its overseas subsidiaries rotation of internal audits.

## Notes to financial statements

For the nine months ended 31 December 2015

### 18 CONCENTRATION OF CREDIT EXPOSURE TO INDIVIDUAL 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, bank counterparties and the central government of any country with a long term credit rating of A- or A<sub>3</sub> or above, or its equivalent.

There were no individual bank counterparties which the Bank has an aggregate credit exposure that equals or exceeds 10% of the Bank's equity as at 31 December 2015 (31 December 2014: Nil).

There were six (6) non-bank counterparties which the Bank has an aggregate credit exposure that equals or exceeds 10% of the Bank's equity as at 31 December 2015 (31 December 2014: 4).

There were no individual bank counterparties which the Bank has a peak end-of-day aggregate credit exposure that equals or exceeds 10% of the Bank's equity for the period ended 31 December 2015 (31 December 2014: Nil)

There were six (6) non-bank counterparties which the Bank has a peak end-of-day aggregate credit exposure that equals or exceeds 10% of the Bank's equity for the year period ended 31 December 2015 (31 December 2014: 4)

Percentage of shareholders' equity	31.12.2015 Unaudited			
	Number of Non Bank Counterparties			
	"A" Rated	"B" Rated	Unrated	Total
As at Balance Date				
10% - 14.99%	-	-	6	6
15% - 19.99%	-	-	-	-
Total	-	-	6	6
Peak Exposure				
10% - 14.99%	-	-	5	5
15% - 19.99%	-	-	1	1
Total	-	-	6	6

Percentage of shareholders' equity	31.12.2014 Unaudited			
	Number of Non Bank Counterparties			
	"A" Rated	"B" Rated	Unrated	Total
As at Balance Date				
10% - 14.99%	-	-	3	3
15% - 19.99%	-	-	1	1
Total	-	-	4	4
Peak Exposure				
10% - 14.99%	-	-	3	3
15% - 19.99%	-	-	1	1
Total	-	-	4	4

Percentage of shareholders' equity	31.03.2015 Audited			
	Number of Non Bank Counterparties			
	"A" Rated	"B" Rated	Unrated	Total
As at Balance Date				
10% - 14.99%	-	-	3	3
15% - 19.99%	-	-	1	1
Total	-	-	4	4
Peak Exposure				
10% - 14.99%	-	-	4	4
15% - 19.99%	-	-	1	1
Total	-	-	5	5

## Notes to financial statements

For the nine months ended 31 December 2015

### 19 COMMITMENTS

#### Capital Commitments

As at 31 December 2015, the Bank does not have any commitments for capital expenditure. (31 December 2014: \$nil).

#### Operating lease commitments

Operating leases relate to the Bank's premises and motor vehicles.

	(Unaudited) 9 months to 31.12.2015	(Unaudited) 9 months to 31.12.2014	(Audited) year to 31.03.2015
	NZ \$ '000	NZ \$ '000	NZ \$ '000
Not longer than one year	272	263	272
Longer than one year and not longer than five years	555	667	672
Longer than five years	297	413	385
<b>Total</b>	<b>1,124</b>	<b>1,343</b>	<b>1,329</b>

### 20 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.

### 21 SEGMENT INFORMATION

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

### 22 CONTINGENT LIABILITIES

	(Unaudited) 9 months to 31.12.2015	(Unaudited) 9 months to 31.12.2014	(Audited) year to 31.03.2015
	NZ \$ '000	NZ \$ '000	NZ \$ '000
Performance/financial guarantees issued on behalf of customers	163	-	120
<b>Total contingent liabilities</b>	<b>163</b>	<b>-</b>	<b>120</b>

### 23 SUBSEQUENT EVENTS

There were no significant subsequent events arising up to the date of signing of these accounts.

## 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 modifiers 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 1 November 2015.

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, —

the Total capital ratio, the Tier 1 capital ratio, the Common Equity Tier 1 capital ratio and Total capital must be calculated in accordance with the Reserve Bank of New Zealand document: "Capital Adequacy Framework (Standardised Approach)" (BS2A) dated November 2015;

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

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

- 1A. That—
  - (a) the bank has an internal capital adequacy assessment process ("ICAAP") that accords with the requirements set out in the document "Guidelines on a bank's internal capital adequacy assessment process ('ICAAP') (BS12) dated December 2007;
  - (b) under its ICAAP the bank identifies and measures its "other material risks" defined as all material risks of the banking group that are not explicitly captured in the calculation of the Common Equity Tier 1 capital ratio, the Tier 1 capital ratio and the Total capital ratio under the requirements set out in the document "Capital Adequacy Framework (Standardised Approach)" (BS2A) dated November 2015 ; and

- (c) the bank determines an internal capital allocation for each identified and measured "other material risk".

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

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

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

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

For the purposes of this condition of registration,—

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

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

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

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

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

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



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

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

For the purposes of this condition of registration,—

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

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

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

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

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

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

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

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

- (i) for a non-executive director must be non-executive; and
  - (ii) for an independent director must be independent;
- (e) at least half of the independent directors of the bank must be ordinarily resident in New Zealand;
  - (f) the chairperson of the board of the bank must be independent; and
  - (g) the bank's constitution must not include any provision permitting a director, when exercising powers or performing duties as a director, to act other than in what he or she believes is the best interests of the company (i.e. the bank).

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

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

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

- 10. That a substantial proportion of the bank's business is conducted in and from New Zealand.

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

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

12. That the bank has an internal framework for liquidity risk management that is adequate in the bank's view for managing the bank's liquidity risk at a prudent level, and that, in particular:
- (a) is clearly documented and communicated to all those in the organisation with responsibility for managing liquidity and liquidity risk;
  - (b) identifies responsibility for approval, oversight and implementation of the framework and policies for liquidity risk management;
  - (c) identifies the principal methods that the bank will use for measuring, monitoring and controlling liquidity risk; and
  - (d) considers the material sources of stress that the bank might face, and prepares the bank to manage stress through a contingency funding plan.

13. That no more than 10% of total assets may be beneficially owned by a SPV.

For the purposes of this condition,—

"total assets" means all assets of the banking group plus any assets held by any SPV that are not included in the banking group's assets.

"SPV" means a person—

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

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

## 14. That—

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

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

- 15. That, for a loan-to-valuation measurement period, the total of the bank's qualifying new mortgage lending amount in respect of APIL 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 APIL arising in the loan-to-valuation measurement period.
- 16. That, for a loan-to-valuation measurement period, the total of the bank's qualifying new mortgage lending amount in respect of ANPIL with a loan-to-valuation ratio of more than 80%, must not exceed 10% of the total of the qualifying new mortgage lending amount in respect of ANPIL 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-Auckland loans with a loan-to-valuation ratio of more than 80%, must not exceed 15% of the total of the qualifying new mortgage lending amount in respect of non-Auckland 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 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,—

"ANPIL", "APIL", "loan-to-valuation ratio", "non-Auckland loan", "qualifying new mortgage lending amount in respect of [...]" 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 November 2015:

"loan-to-valuation measurement period" means a period of six calendar months ending on the last day of the sixth calendar month, the first of which ends on the last day of April 2016.

## **DEED OF GUARANTEE**

**Dated 14<sup>th</sup> January, 2011**

### **DEED OF GUARANTEE**

**By**

**BANK OF INDIA**

**In respect of the obligations of**

**BOI (NEW ZEALAND) LIMITED**

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THIS DEED is made on *14<sup>th</sup> 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:

"**Authorized Officer**" means, where a Creditor is a Person other than a natural person, the officer 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;

*(Signature)*  
Authorized Signatory  
Bandra (E) Branch

(Rupees One Hundred Only)  
The North Karara C.S.B. Co-op.  
Bank Ltd. Bandra Branch, Zaporza,  
Sahydra Sanwas, Kalanagar,  
Mumbai-400 051. S. S.  
D-305/1/V. P. R. 104320205/1300 to  
1303

INDIA STAMINUTY MAHARASHTRA  
TELEPHONE NO. 133761  
JAN 13 2011  
MAHARASHTRA  
JAN 13 2011  
R.00801001-P35100

*(Signatures)*  
\*UCI\_DDC51053494V2\*



"**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.



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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.



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**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.



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**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**

**3<sup>rd</sup> 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



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(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

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( B.A. PRABHAKAR )  
Director

Director P.N. RAO