Bank of India (New Zealand) Limited

Disclosure Statement

For year ended 31 March 2013

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1 Reporting Directive

This Disclosure Statement has been prepared under the Registered Bank Disclosure Statements (New Zealand Incorporated Registered Banks) Order 2013.

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 2013, 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 are no known regulations, legislation or other restrictions of a legally enforceable nature which may materially inhibit the legal ability of Bank of India to provide material financial support to Bank of India (New Zealand) Limited.

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

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

5 Priority of creditors' claims

As at 31 March 2013, all creditors of the Bank have equal priority of claims over the Bank's assets in the event that the Bank is liquidated or ceases to trade.

6 Guarantee Arrangements

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

Copies of the Guarantee are attached as Appendix 3.

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

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

Details of the capital adequacy for the Bank of India as at 31 March 2013 are as follow:

Capital	309,344,000,000 INR
Capital/Risk Weighted Exposures (%)	11.02 %

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 outlook/A-3

On 25 April 2012, 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.

6 Guarantee Arrangements (continued)

Material Cross Guarantees

There are no material cross guarantees.

7 Directors

The Bank has the following directors:

- Tarun Kanji, Chairman, Independent Director
- Mukkur Srinivasan Raghavan, Director
- P. Nageshwar Rao, Managing Director
- Sanjaya Gaur, Independent Director (appointed on 31 May 2012)
- Philip Crotty, Independent Director (appointed on 31 May 2012, resigned on 31 May 2013)
- Peter Holland, Independent Director (resigned on 31 May 2012)
- Rabindran Rabin Sockalingam, Indepent Director (appointed on 31 May 2013)

Communications to the directors should be addressed to:
10 Manukau Road, Epsom, Auckland 1023 , New Zealand

Tarun Kanji, Sanjaya Gaur, Phillip Crotty and Rabindran Rabin Sockalingam 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. Tarun Kanji, Sanjaya Gaur, Phillip Crotty and Rabindran Rabin Sockalingam are residents in New Zealand.

P. Nageshwar Rao, Managing Director is resident in New Zealand.

Mukkur Srinivasan Raghavan, Director, is resident in India.

Qualifications and other directorships

Name of the Director	Qualifications	Details of other directorships
Tarun Kanji	Bachelor of Commerce ACA member of the New Zealand Institute of Chartered Accountants	Noske-Kaeser (NZ) Limited, Value Creation Consulting Limited, Value Creation Technologies Limited, Value Creation Holdings Limited, Pingar Limited (NZ), Pingar Inc (US), Pingar India PVT Limited (India), Pingar API Limited (UK), Kaimai Research Limited (UK), Pingar Hong Kong Limited (Hong Kong), Pingar Singapore Pte Limited, CricHQ Limited
P. Nageshwar Rao	Bachelor of Science Master of Business Administration Master of Arts CAIIB - Certified Associate of Indian Institute of Bankers Certificate in COBOL Programming	Nil

7 Directors (continued)

Mukkur Srinivasan Raghavan	Bachelor of Science Post Graduate Diploma in Management Post Graduate Diploma in Financial Management DNIIT	Bank of India, Star Union Da-Ichi Life Insurance Co. Ltd., Bank of India (Tanzania) Limited
Sanjaya Gaur	Master of Science (Hons.) Bachelor of Engineering (Hons.) Master of Philosophy in Management Doctor of Philosophy in Management	Nil
Philip Crotty	Bachelor of Agriculture Commerce Master of Agriculture Commerce (Hons.) Master of Business Administration	Rent N Own Limited, Rent N Save Limited, NZAM GP Limited, Rent N Own Finance Limited, Crotty & Associates Limited, Lakeview Developments Limited, Stanley Trustee Company Limited, Peak Limited, Pokfulam Limited, Lismore Developments Limited, Taitam Limited, Ridge Funding Limited, Rent N Own Holdings Limited, Ridge Funding Limited, Rent N Own Holdings Limited
Rabindran Rabin Sockalingam	Barrister –at-Law (Middle Temple) Master of Arts (Business Law) Associate Member of Arbitrators' and Mediators' Institute of NZ Inc	Auckland Transport, Regional Land Transport Programme Public Hearings Panel (Chairman), Election Signs Bylaw Public Hearings Panel (Chairman), New Zealand Liaoning International Investment & Development Co. Ltd.

The directors, their immediate relatives and close business associates have not entered into any transactions with the Bank or any member of the Banking Group 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 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.

8 The name and address of the auditor whose report is referred to in the Disclosure Statement:

PricewaterhouseCoopers
188 Quay Street
Private Bag 92162
Auckland 1142
New Zealand

9 Conditions of Registration

Appendix 2 contains a copy of the Conditions of Registration applicable as at 31 March 2013 which took effect on 31 March 2013. The Bank has complied with all conditions of registration over the year ended 31 March 2013.

The Conditions of Registration has been amended to incorporate the Reserve Bank's Basel III policy. This includes lifting the tier 1 capital ratio from 4% to 6% and inserting new requirement for complying with common equity tier 1 capital ratio and the buffer ratio.

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 adverse 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 25 April 2012, Standard & Poor's has revised the outlooks on the long term counterparty credit ratings on the Bank 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.

Statement of Comprehensive Income For the year ended 31 March	2013 $000	2012 $000	2011 $000
Interest income	2,523	1,904	398
Interest expense	(300)	(30)	-
Net interest income	**2,223**	**1,874**	**398**
Other income	187	22	-
Total operating income	**2,410**	**1,896**	**398**
Operating expenses	(1,918)	(1,799)	(136)
Impairment losses on loans and advances	(117)	(21)	-
Profit before tax	**375**	**76**	**262**
Taxation expense	(105)	(56)	(79)
Net profit after taxation	**270**	**20**	**183**
Dividends Paid	-	-	-

Statement of Financial Position As at 31 March	2013 $000	2012 $000	2011 $000
Total assets	64,943	55,329	50,406
Total individually impaired assets	-	-	-
Total liabilities	14,470	5,126	223
Total shareholder's equity	50,473	50,203	50,183

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

Prior to the year ended 31 March 2011, the Bank was dormant and received dormant exemptions from preparing financial statements, therefore there is no historical financial information disclosed for the periods before the year ended 31 March 2011.

Directors' Statement

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 2013.

Furthermore, each director believes, after due enquiry, that over the year ended 31 March 2013:

- 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's Banking Group; and
- The Bank had systems in place to monitor and control adequately the material risks of the Bank's Banking Group 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 P. Nageshwar Rao as director and responsible person on behalf of all the directors:
(The directors of the Bank were Tarun Kanji, P. Nageshwar Rao, Mukkur Srinivasan Raghavan, Sanjaya Gaur and Philip Crotty)

P. Nageshwar Rao
Managing Director
12 June 2013

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Statement of Comprehensive Income

For year ended 31 March 2013

	Note	2013 $000	2012 $000
Interest income	2	2,523	1,904
Interest expense	2	(300)	(30)
Net interest income		**2,223**	**1,874**
Other income	3	187	22
Total operating income		**2,410**	**1,896**
Operating expenses	4	(1,918)	(1,799)
Impairment losses on loans and advances	16	(117)	(21)
Profit before income tax		**375**	**76**
Taxation expense	6	(105)	(56)
Net profit and total comprehensive income after tax attributable to the owners of the Bank		**270**	**20**

Statement of Changes in Equity

For year ended 31 March 2013

	Share Capital $000	Retained Earnings $000	Total $000
Balance as at 1 April 2011	50,000	183	50,183
Total comprehensive income for the year	-	20	20
Balance as at 31 March 2012	**50,000**	**203**	**50,203**
Balance as at 1 April 2012	50,000	203	50,203
Total comprehensive income for the year	-	270	270
Balance as at 31 March 2013	**50,000**	**473**	**50,473**

The accompanying notes on pages 12 to 50 form part of these financial statements.

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Statement of Financial Position

As at 31 March 2013

	Note	2013 $000	2012 $000
ASSETS			
Cash	7	44	19
Balance due from related parties	12	3,672	1,269
Due from other financial institutions	11	29,463	47,516
Loans and advances	5, 16	30,490	5,339
Other assets	10	593	379
Current tax assets		36	135
Property and equipment	9	600	667
Deferred tax assets	6	45	5
Total assets		**64,943**	**55,329**
Total Interest Earning and Discount Bearing Assets		63,348	54,100
LIABILITES			
Balance due to related parties	12	5,568	2,117
Deposits and other borrowings	8	8,673	2,868
Other liabilities		229	141
Total liabilities		**14,470**	**5,126**
NET ASSETS		**50,473**	**50,203**
EQUITY			
Share capital	13	50,000	50,000
Retained earnings		473	203
Total shareholders' equity		**50,473**	**50,203**
Total interest and Discount Bearing Liabilities		11,557	4,813

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

The board of directors of Bank of India (New Zealand) Limited authorised these financial statements for issue on 12 June 2013.

Signed for and on behalf of the board of directors

The accompanying notes on pages 12 to 50 form part of these financial statements.

Statement of Cash Flows

For year ended 31 March 2013

	Note	2013 $000	2012 $000
Cash flows from operating activities			
Interest received		2,285	2,061
Fees and other income		187	22
Operating expenses paid		(1,818)	(1,844)
Interest paid		(216)	(14)
Income tax paid		(47)	(275)
Increase in advances to customers		(25,268)	(5,360)
Net proceeds from related parties		1,047	832
Increase in deposits from customers		5,805	2,868
Net cash flow used in operating activities	14	**(18,025)**	**(1,710)**
Cash flows from investing activities			
Decrease in balances with other financial institutions		19,000	6,000
Purchase of property and equipment		(3)	(700)
Net cash flow from investing activities		**18,997**	**5,300**
Cash flows from financing activities			
Proceeds from issuance of shares		-	-
(Payment to)/proceeds from to related parties		-	(58)
Net cash flow used in financing activities		**-**	**(58)**
Net increase in cash and cash equivalents		972	3,532
Cash and cash equivalents at the beginning of the year		3,535	3
Cash and cash equivalents at the end of the year		**4,507**	**3,535**
Cash and cash equivalent is made up of:			
Cash		44	19
Cash equivalent due from other financial institutions at call	11	4,463	3,516
Total cash and cash equivalents		**4,507**	**3,535**

The accompanying notes on pages 12 to 50 form part of these financial statements.

Notes to financial statements

For year ended 31 March 2013

1 SUMMARY OF ACCOUNTING POLICIES

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 a reporting entity for the purposes of the Financial Reporting Act 1993. Its financial statements comply with the requirements of that Act and the requirements of the Registered Bank Disclosure Statement (New Zealand Incorporated Registered Banks) Order 2013.

The financial statements have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand (NZ GAAP). They comply with New Zealand equivalents to International Financial Reporting Standards (NZ IFRS) and other applicable Financial Reporting Standards as appropriate for profit-oriented entities. The financial statements comply with International Financial Reporting Standards (IFRS).

The financial statements were authorised for issue by the directors on 12 June 2013.

1.2 Basis of Preparation

The financial statements have been prepared on the basis of historical cost, except for certain financial instruments which are carried at fair value.

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

Accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events is reported.

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 accuracy of the allowances depends on the estimates of future cash flows for specific counterparty allowances and the model assumptions and parameters used in determining collective allowances.

1.4 Standards and Interpretations effective in current period

The following standards and interpretations have become mandatory for the Bank since the previous balance date:

NZ IFRS 7 (Amendment) - effective for annual reporting periods beginning on or after 1 July 2011. This amendment provides additional disclosures required in relation to derecognition of financial assets including information about the transaction and the nature of and extent of risks associated with an entity's continuing involvement with those assets.

Notes to financial statements

For year ended 31 March 2013

Amendments to NZ IFRS to Harmonise with IFRS and Australian Accounting Standards (Harmonisation Amendments) and FRS 44 New Zealand Additional Disclosures - effective for annual reporting periods beginning on or after 1 July 2011. These amendments remove some New Zealand specific disclosures and reinstates some options previously removed in New Zealand and relocates the remaining New Zealand-specific disclosures to a specific Standard (FRS 44) as part of the harmonisation project to have NZ IFRS closer aligned with financial reporting Standards in Australia and IFRS.

The amendments to the standards did not have any impact on the accounting policies, financial position or performance of the Bank.

1.5 Standards and Interpretations in issue not yet adopted

NZ IAS 1 (Amendment) Presentation of Financial Statements - effective for annual reporting periods beginning on or after 1 July 2012. The amendment retains the option to present profit or loss and other comprehensive income in either a single continuous statement or in two separate but consecutive statements. The amendment requires items of other comprehensive income to be grouped into those that will and will not subsequently be reclassified to profit or loss. It also requires tax on items of other comprehensive income to be allocated on the same basis. The amendment does not affect the measurement and recognition of items of profit or loss and other comprehensive income.

NZ IFRS 13 Fair value measurement - effective for annual reporting periods beginning on or after 1 January 2013. The standard establishes a single framework for measuring fair value where that is required by other Standards. The standard applies to both financial and non-financial items measured at fair value. Fair value is based on the 'most advantageous market' and by reference to 'highest and best use'. Fair value of a liability is based on 'transfer' not 'settlement' value. The standard also extends fair value hierarchy disclosures to non-financial assets and liabilities.

NZ IFRS 7 (Amendment) Disclosures - Offsetting Financial Assets & Financial Liabilities – effective for annual reporting periods beginning on or after 1 January 2013. The amendment requires an entity to disclose certain information about rights of offset and related arrangements (such as collateral posting requirements) for financial instruments under an enforceable master netting agreement or similar arrangement.

NZ IAS 32 Financial instruments - Presentation (Amendment) - effective for annual reporting periods beginning on or after 1 January 2014. The amendment clarifies existing application issues relating to the offsetting rules and reduces the level of diversity in current practice. It also clarifies the meaning of 'currently has a legally enforceable right of set-off' and 'simultaneous realisation and settlement'.

NZ IFRS 9 Financial Instruments introduces new requirements for the classification and measurement of financial assets. All recognised financial assets that are currently in the scope of NZ IAS 39 will be measured at either amortised cost or fair value. In order for financial assets to be measured at amortised cost certain criteria must be met. The revised NZ IFRS 9 adds guidance on the classification and measurement of financial liabilities and derecognition of financial instruments. Most of the requirements in NZ IAS 39 in relation to derecognition of financial assets and financial liabilities have been retained but additional disclosures are now required under NZ IFRS 7.

It is not practicable to provide a reasonable estimate of the effect until a detailed review has been completed, however, the directors anticipate that the adoption of NZ IFRS 9 will change the classification and measurement of financial assets and liabilities. NZ IFRS 9 is effective for annual reporting periods beginning on or after 1 January 2015 with early adoption permitted.

Notes to financial statements

For year ended 31 March 2013

With the exception of NZ IFRS 9 Financial Instruments, the directors do not anticipate any other standards and interpretations in issue but not yet effective will have material impact on the financial statements of the Bank in the period of initial application.

1.6 Foreign currency transactions

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

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

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

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

1.7 Goods and Services Tax (GST)

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

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.

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.

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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. Realised and unrealised gains and losses from remeasurement of financial instruments at fair value through profit or loss are included in other income.

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.

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.

Notes to financial statements

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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 deposits 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 equivalents; and
- financing activities are activities that result in changes in the size and composition of the contributed equity and borrowings of the Bank.

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.

Notes to financial statements

For year ended 31 March 2013

1.14 Financial Assets (continued)

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.

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.

Notes to financial statements

For year ended 31 March 2013

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.

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.

Notes to financial statements

For year ended 31 March 2013

1.17 Property and equipment (continued)

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

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.

Notes to financial statements

For year ended 31 March 2013

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 1.10 above.

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 year ended 31 March 2013

2 INTEREST

	2013 $000	2012 $000
Interest income		
Loans and advances	1,126	73
Due from other financial institutions	1,362	1,829
Due from related parties	35	2
Total interest income	**2,523**	**1,904**
Interest expense		
Deposits by customers	112	20
Deposits by related parties	188	10
Total interest expense	**300**	**30**

3 OTHER INCOME

	2013 $000	2012 $000
Banking and lending fee income	102	-
Net commission revenue	7	4
Net foreign exchange gains	76	17
Other revenue	2	1
Total other income	**187**	**22**

4 OPERATING EXPENSES

Operating expenses include:

	2013 $000	2012 $000
Auditors remuneration		
- Audit of Disclosure Statements	58	52
- Review of Disclosure Statements	22	15
Directors' fees	47	38
Depreciation		
Leasehold improvements	42	20
Computer equipment	13	7
Office equipment	5	3
Furniture	10	6
Total depreciation	70	36
Employee benefit expenses	885	475
Operating lease rental expenses	195	166

Notes to financial statements

For year ended 31 March 2013

5 LOANS AND ADVANCES

	2013 $000	2012 $000
Residential mortgages loans	20,624	5,202
Corporate loans	9,800	158
Other loans	204	-
Allowance for impairment losses	(138)	(21)
Net loans and advances	30,490	5,339
Amounts due for settlement within 12 months	5,600	486
Amounts due for settlement after 12 months	24,890	4,853
Net loans and advances	30,490	5,339

6 TAXATION

	2013 $000	2012 $000
Tax expense comprises:		
Current tax expense in respect of the current year	137	26
Deferred tax expense relating to the origination and reversal of temporary differences	(40)	(5)
Prior period adjustment	8	35
Total tax expense	**105**	**56**
The total charge for the year can be reconciled to the accounting profit as follows:		
Profit before income tax expense	375	76
Income tax expense calculated at 28% (2012: 28%)	105	21
Prior period adjustment	-	35
Income tax expense recognised in profit or loss	**105**	**56**

Notes to financial statements
For year ended 31 March 2013

6 TAXATION (continued)

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

2013	Opening balance $000	Charged to profit or loss $000	Closing balance $000
Temporary differences			
Property, plant & equipment	(1)	(1)	(2)
Impairment allowance	6	33	39
Other liabilities	-	8	8
	5	**40**	**45**

2012	Opening balance $000	Charged to profit or loss $000	Closing balance $000
Temporary differences			
Property, plant & equipment	-	(1)	(1)
Impairment allowance	-	6	6
	-	**5**	**5**

7 CASH

	2013 $000	**2012** $000
Cash on hand	44	19
Total cash	44	19

Notes to financial statements

For year ended 31 March 2013

8 DEPOSITS AND OTHER BORROWINGS

	2013 $000	2012 $000
Retail deposits	8,673	2,868
Wholesale deposits	-	-
Total deposits	8,673	2,868
Amounts due for settlement within 12 months	8,673	2,853
Amounts due for settlement after 12 months	-	15
Total deposits	8,673	2,868

9 PROPERTY AND EQUIPMENT

	Leasehold Improvements $000	Computer Equipment $000	Office Equipment $000	Furniture $000	Total $000
Costs					
Balance as at 1 April 2011	-	3	-	-	3
Additions	506	33	56	105	700
Disposals	-	-	-	-	-
Balance as at 31 March 2012	**506**	**36**	**56**	**105**	**703**
Additions	-	3	-	-	3
Disposals	-	-	-	-	-
Balance as at 31 March 2013	**506**	**39**	**56**	**105**	**706**
Accumulated depreciation					
Balance as at 1 April 2011	-	-	-	-	-
Disposals	-	-	-	-	-
Depreciation	20	7	3	6	36
Balance as at 31 March 2012	**20**	**7**	**3**	**6**	**36**
Disposals	-	-	-	-	-
Depreciation	42	13	5	10	70
Balance as at 31 March 2013	**62**	**20**	**8**	**16**	**106**
Carrying amount					
Balance as at 31 March 2012	**486**	**29**	**53**	**99**	**667**
Balance as at 31 March 2013	**444**	**19**	**48**	**89**	**600**

Notes to financial statements

For year ended 31 March 2013

10 OTHER ASSETS

	2013	2012
	$000	$000
Prepayments	126	150
Interest receivable	467	229
Total other assets	**593**	**379**
Amounts due for settlement within 12 months	593	379
Amounts due for settlement after 12 months	-	-
Total other assets	593	379

11 DUE FROM OTHER FINANCIAL INSTITUTIONS

	2013	2012
	$000	$000
Call deposits	4,463	3,516
Short term deposits	25,000	44,000
Total deposits	29,463	47,516

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

12 RELATED PARTY DISCLOSURE

The Bank is wholly owned by the Bank of India, a Company incorporated in India. The Bank of India is also the Bank's ultimate parent. All related party transactions are conducted on normal commercial terms and conditions. No related party debts have been written off or forgiven during the year.

Key management personnel

The remuneration of directors and other members of key management during the year was as follow:

	2013	2012
	$000	$000
Short-term benefits	547	225

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.

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Notes to financial statements

For year ended 31 March 2013

12 RELATED PARTY DISCLOSURE (continued)

Transactions with related parties

	2013 $000	2012 $000
Interest income		
Bank of India (parent and ultimate parent)	35	2
Other related parties	-	-
Interest expense		
Bank of India (parent and ultimate parent)	-	-
Other related parties	188	10
Deposits with		
Bank of India (parent and ultimate parent)	3,165	1,269
Other related parties	507	-
Deposits from		
Bank of India (parent and ultimate parent)	419	111
Other related parties	5,149	2,006
Deposits with		
Amounts due for settlement within 12 months	3,165	1,269
Amounts due for settlement after 12 months	507	-
Total Deposits with	3,672	1,269
Deposits from		
Amounts due for settlement within 12 months	2,828	2,117
Amounts due for settlement after 12 months	2,740	-
Total Deposits from	5,568	2,117

13 SHARE CAPITAL

	2013 $000	2012 $000
50,000,010 fully paid ordinary shares	50,000	50,000

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

Notes to financial statements

For year ended 31 March 2013

14 NET CASH FLOWS FROM OPERATING ACTIVITIES

	2013	2012
	$000	$000
Profit for the year	**270**	**20**
Non-cash items:		
Impairment loss recognised on loans and advances	117	21
Depreciation and amortisation of non-current assets	70	36
Deferred tax assets	(40)	(5)
Movements in working capital:		
Increase in loans and advances	(25,268)	(5,360)
(Increase)/decrease in interest receivable	(238)	157
Increase in deposits from customers	5,805	2,868
Decrease in balances due to other financial institutions	19,000	6,000
Increase in balances due to related parties	1,047	790
Decrease/(increase) in prepayments	24	(146)
Decrease in GST refundable	-	10
Decrease/(increase) in current tax assets	99	(214)
Increase in trade and other payables	89	55
(Add)/deduct items reclassified as investing or financing activities	(19,000)	(5,942)
Net cash used by operating activities	**(18,025)**	**(1,710)**

15 CAPITAL ADEQUACY

The following capital adequacy information is disclosed in relation to the Bank and is derived in accordance with the conditions of registration relating to capital adequacy. For the purpose of the conditions of registration, capital requirements and ratios are calculated in accordance with the Reserve Bank of New Zealand Capital Adequacy Framework (BS2A) dated March 2013 and is disclosed under the Basel III framework in accordance with Schedule 9 of the Order. The information for the comparative period is calculated based on the Basel II framework.

Notes to financial statements

For year ended 31 March 2013

15 CAPITAL ADEQUACY (continued)

Capital and Capital ratios

	2013 $000 Unaudited
Tier 1 capital	
Common Equity Tier 1 ("CET1") Capital	
Issued and fully paid up ordinary share capital	50,000
Retained earnings	473
Less deductions from CET1 capital	
Deferred tax assets	(45)
Total Common Equity Tier 1 Capital	**50,428**
Additional Tier 1 ("AT1") capital	-
Tier 1 Capital	**50,428**
Tier 2 Capital	-
Total capital	50,428

Capital ratios and solo capital adequacy	2013 Unaudited	2012 Unaudited
Common equity Tier 1 capital ratio	149%	n/a
Tier 1 capital ratio	149%	259%
Total capital ratio	149%	259%

Minimum ratio requirement	2013 Unaudited	2012 Unaudited
Common equity Tier 1 capital ratio	4.5%	n/a
Tier 1 capital ratio	6%	4%
Total capital ratio	8%	8%

Buffer ratio	2013 Unaudited	2012 Unaudited
Buffer ratio	145%	n/a
Buffer ratio requirement	2.5%	n/a

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.

Notes to financial statements

For year ended 31 March 2013

15 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 March 2013.

On Balance Sheet exposures as at 31 March 2013	Total exposure after credit risk mitigation	Risk weight	Risk weighted exposure	Minimum Pillar 1 capital requirement
	$000		$000	$000
	Unaudited	Unaudited	Unaudited	Unaudited
Cash and gold bullion	44	0%	-	-
Banks	31,347	20%	6,269	502
	1,281	100%	1,281	102
Residential mortgages not past due	18,155	35%	6,354	508
	2,469	50%	1,234	99
Corporate Loans	10,511	100%	10,511	841
Other assets	1,136	100%	1,136	91
Total on balance sheet exposure	64,943		26,785	2,143

Off Balance Sheet exposures as at 31 March 2013	Total exposure	Credit conversion factor	Credit equivalent amount	Average risk weight	Risk weighted exposure	Minimum Pillar 1 capital requirement
	$000		$000		$000	$000
	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited
Other commitments where original maturity is more than on year	3,514	50%	1,757	35%	618	49
Total off balance sheet exposure	3,514		1,757		618	49

Credit risk mitigation

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

Notes to financial statements

For year ended 31 March 2013

15 CAPITAL ADEQUACY (continued)

Total capital requirements

	Total exposure after credit risk mitigation $000 Unaudited	Risk weighted exposure or implied risk weighted exposure $000 Unaudited	Capital requirement $000 Unaudited
31 March 2013			
Total credit risk + equity risk	68,457	27,403	2,192
Operational risk	n/a	4,723	378
Market risk	n/a	1,612	129
Total	**n/a**	**33,738**	**2,699**

Market risk end of period capital charges

	Implied risk Weighted Exposure $000 Unaudited	Aggregate Capital Charge $000 Unaudited
31 March 2013		
Interest rate risk	1,250	100
Foreign currency risk	362	29
Equity risk	-	-
Total	**1,612**	**129**

Notes to financial statements

For year ended 31 March 2013

15 CAPITAL ADEQUACY (continued)

Market risk peak end-of-day capital charges

For six months ended	Implied risk Weighted Exposure $000 Unaudited	Aggregate Capital Charge $000 Unaudited
31 March 2013		
Interest rate risk	2,335	187
Foreign currency risk	362	29
Equity risk	-	-
Total	**2,697**	**216**

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 March 2013.

Peak end-of-day capital charges are calculated using the Bank's shareholders' equity at the end of the year.

Operational risk

	Implied risk Weighted Exposure $000 Unaudited	Total operational risk capital requirement $000 Unaudited
31 March 2013		
Operational risk	4,723	378

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

LVR range	Does not exceed 80% Unaudited	Exceeds 80% and not 90% Unaudited	Exceeds 90% Unaudited	Total Unaudited
Value of exposures as at 31 March 2013				
On-balance sheet	18,155	2,469	-	**20,624**
Off-balance sheet	3,131	-	-	**3,131**
Total	**21,286**	**2,469**	**-**	**23,755**

Notes to financial statements

For year ended 31 March 2013

15 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 March 2013. 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 montior the Capital Adequacy Ratio on a regular basis.

Notes to financial statements

For year ended 31 March 2013

15 CAPITAL ADEQUACY (continued)

Capital ratios of the ultimate parent bank

	As at 31 March 2013	As at 31 March 2012
Tier one capital ratio	8.20%	8.59%
Total capital ratio	11.02%	11.95%

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 2013 from its website. The above ratios are derived in accordance with the Capital Adequacy Framework (Basel II) as per Reserve Bank of India (RBI) guidelines effective 31 March 2008.

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 date (i.e. 31 March 2013) 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 II capital adequacy framework on its website and can be found at http://www.bankofindia.co.in.

16 ASSET QUALITY

The Bank has no past due and impaired assets, individually impaired assets, and individual credit impairment allowances as at 31 March 2013 (2012: $nil).

Allowance for impairment losses

As at 31 March 2013	Residential mortgage loans $000	On balance sheet corporate exposures $000	Other on balance sheet exposures $000	Total $000
Collectively assessed provisions				
Balance at 1 April 2012	21	-	-	21
Charge to statement of comprehensive income	61	56	-	117
Other movements	-	-	-	-
Balance at 31 March 2013	**82**	**56**	**-**	**138**
Individually assessed provisions				
Balance at 1 April 2012	-	-	-	-
Charge to statement of comprehensive income	-	-	-	-
Other movements	-	-	-	-
Balance at 31 March 2013	**-**	**-**	**-**	**-**
Total allowance for impairment losses	**82**	**56**	**-**	**138**

Notes to financial statements

For year ended 31 March 2013

16 ASSET QUALITY (continued)

As at 31 March 2012	Residential mortgage loans $000	On balance sheet corporate exposures $000	Other on balance sheet exposures $000	Total $000
Collectively assessed provisions				
Balance at 1 April 2011	-	-	-	-
Charge to statement of comprehensive income	21	-	-	21
Other movements	-	-	-	-
Balance at 31 March 2012	**21**	**-**	**-**	**21**
Individually assessed provisions				
Balance at 1 April 2011	-	-	-	-
Charge to statement of comprehensive income	-	-	-	-
Other movements	-	-	-	-
Balance at 31 March 2012	**-**	**-**	**-**	**-**
Total allowance for impairment losses	**21**	**-**	**-**	**21**

Impairment losses on loans and advances

	Residential mortgage loans $000	On balance sheet corporate exposures $000	Other on balance sheet exposures $000	Total $000
Collectively assessed provisions	61	56	-	117
Individually assessed provisions	-	-	-	-
Other movements	-	-	-	-
Balance at 31 March 2013	**61**	**56**	**-**	**117**
Collectively assessed provisions	21	-	-	21
Individually assessed provisions	-	-	-	-
Other movements	-	-	-	-
Balance at 31 March 2012	**21**	**-**	**-**	**21**

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.

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.

Notes to financial statements

For year ended 31 March 2013

16 ASSET QUALITY (continued)

The Bank does not have any financial assets designated as fair value through profit or loss as at and for the year ended 31 March 2013 (2012: $nil). As such, there were no changes in fair value attributable to changes in credit risks that have been charged to the statement of comprehensive income for the year ended 31 March 2013 (2012: $nil).

There was no aggregate amount of undrawn balances on lending commitments to counterparties for whom drawn balances are classified as individually impaired as at and for the year ended 31 March 2013 (2012: $nil).

There were no other assets under administration as at and for the year ended 31 March 2013 (2012: $nil).

17 FINANCIAL INSTRUMENTS

Categories of financial instruments

As at 31 March 2013	Loans and receivables $000	Financial liabilities at amortised cost $000	Total $000
Assets			
Cash	44	-	44
Balance due from related parties	3,672	-	3,672
Due from other financial institutions	29,463	-	29,463
Loans and advances	30,490	-	30,490
Interest receivable	467	-	467
Total financial assets	**64,136**	-	**64,136**
Non-financial assets			807
Total assets			**64,943**
Liabilities			
Balance due to related parties	-	5,568	5,568
Deposits and other borrowings	-	8,673	8,673
Other liabilities	-	229	229
Total financial liabilities	-	**14,470**	**14,470**
Non-financial liabilities			-
Total liabilities			**14,470**

Notes to financial statements

For year ended 31 March 2013

17 FINANCIAL INSTRUMENTS (continued)

Categories of financial instruments

As at 31 March 2012	Loans and receivables $000	Financial liabilities at amortised cost $000	Total $000
Assets			
Cash	19	-	19
Balance due from related parties	1,269	-	1,269
Due from other financial institutions	47,516	-	47,516
Loans and advances	5,339	-	5,339
Interest receivable	229	-	229
Total financial assets	**54,372**	-	**54,372**
Non-financial assets			957
Total assets			**55,329**
Liabilities			
Balance due to related parties	-	2,117	2,117
Deposits and other borrowings	-	2,868	2,868
Other liabilities	-	141	141
Total financial liabilities	-	**5,126**	**5,126**
Non-financial liabilities			-
Total liabilities			**5,126**

Notes to financial statements

For year ended 31 March 2013

17 FINANCIAL INSTRUMENTS (continued)

Fair value of financial instruments

As at 31 March 2013	Carrying Amounts $000	Estimated Fair Value $000
Financial assets		
Cash	44	44
Balance due from related parties	3,672	3,672
Due from other financial institutions	29,463	29,463
Loans and advances	30,490	30,948
Interest receivable	467	467
Total financial assets	**64,136**	**64,594**
Financial liabilities		
Balance due to related parties	5,568	5,568
Deposits and other borrowings	8,673	8,673
Other liabilities	229	229
Total financial liabilities	**14,470**	**14,470**

As at 31 March 2012	Carrying Amounts $000	Estimated Fair Value $000
Financial assets		
Cash	19	19
Balance due from related parties	1,269	1,269
Due from other financial institutions	47,516	47,516
Loans and advances	5,339	5,339
Interest recceivable	229	229
Total financial assets	**54,372**	**54,372**
Financial liabilities		
Balance due to related parties	2,117	2,117
Deposits and other borrowings	2,868	2,868
Other liabilities	141	141
Total financial liabilities	**5,126**	**5,126**

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For year ended 31 March 2013

17 FINANCIAL INSTRUMENTS (continued)

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

For fixed term deposits by customers, fair values have been estimated using a discounted cash flow model with reference to market interest rates. For other deposits by customers, 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.

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For year ended 31 March 2013

18 RISK MANAGEMENT

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 March 2013, the Bank deposited its funds with financial institutions with a credit rating from Standard & Poors' of AA- (2012: 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.

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.

In issuing a credit approval, the Bank takes into account the borrower's credit rating, the type of lending (including margins on advances and the pricing of loans), the security offered and the Bank's single and group exposures (with reference to the Bank's credit exposure ceilings). The Bank has two key systems for controlling credit risks: credit rating models and credit exposure ceilings.

Credit rating models

The Bank assesses risk at the time of appraisal of the loan using its rating model for various types of borrowers. A business portfolio is assessed on a risk rated basis and a retail portfolio on a scoring basis.

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 sufferred 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 to ensure there are no material open foreign exchange positions through ensuring foreign exchange deposits are matched by corresponding foreign exchange balances held with financial institutions.

Equity risk

The Bank does not have any equity risk.

Notes to financial statements

For year ended 31 March 2013

18 RISK MANAGEMENT (continued)

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 underake capital planning, in accordance with the Bank's internal capital adequacy assessment policy. As part of the capital planning process, the Board reviews:

- The current capital requirements of the Bank;
- The targeted and sustainable capital in terms of business strategy and risk appetite; and
- Future capital planning (with a three year outlook).

The capital plan is revised on an annual basis or more regularly if necessary, to meet the Bank's obligations under Basel III. For further information, see Note 15.

Reviews of Bank's risk management systems

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

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.

Notes to financial statements

For year ended 31 March 2013

18 RISK MANAGEMENT (continued)

Interest repricing

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

As at 31 March 2013	Total $000	Up to 3 months $000	Over 3 months and up to 6 months $000	Over 6 months and up to 1 year $000	Over 1 year and up to 2 years $000	Over 2 years $000	Non -interest-bearing $000
Financial assets							
Cash	44	-	-	-	-	-	44
Balance due from related parties	3,672	1,975	70	1,212	-	-	415
Due from other financial institutions	29,463	29,463	-	-	-	-	-
Loans and advances	30,490	24,257	-	3,144	2,749	478	(138)
Interest receivable	467	-	-	-	-	-	467
Total financial assets	**64,136**	**55,695**	**70**	**4,356**	**2,749**	**478**	**788**
Financial Liabilities							
Balance due to related parties	5,568	1,101	807	502	2,740	-	418
Deposits and other borrowings	8,673	3,327	1,159	1,921	-	-	2,266
Other liabilities	229	-	-	-	-	-	229
Total financial liabilities	**14,470**	**4,428**	**1,966**	**2,423**	**2,740**	**-**	**2,913**

Notes to financial statements

For year ended 31 March 2012

18 RISK MANAGEMENT (continued)

As at 31 March 2012	Total $000	Up to 3 months $000	Over 3 months and up to 6 months $000	Over 6 months and up to 1 year $000	Over 1 year and up to 2 years $000	Over 2 years $000	Non -interest-bearing $000
Financial assets							
Cash	19	-	-	-	-	-	19
Balance due from related parties	1,269	1,225	-	-	-	-	44
Due from other financial institutions	47,516	47,516		-	-	-	-
Loans and advances	5,339	3,144	-	-	2,216	-	(21)
Interest receivable	229	-	-	-	-	-	229
Total financial assets	**54,372**	**51,885**	**-**	**-**	**2,216**	**-**	**271**
Financial Liabilities							
Balance due to related parties	2,117	111	-	2,006	-	-	-
Deposits and other borrowings	2,868	1,414	995	267	20	-	172
Other liabilities	141	-	-	-	-	-	141
Total financial liabilities	**5,126**	**1,525**	**995**	**2,273**	**20**	**-**	**313**

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For year ended 31 March 2013

18 RISK MANAGEMENT (continued)

Interest rate sensitivity

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

As at 31 March 2013	Carrying Amounts	-0.1% Profit or Loss	+0.1% Profit or Loss	-0.1% Equity	+0.1% Equity
	$000	$000	$000	$000	$000
Financial assets					
Cash	44	-	-	-	-
Balance due from related parties	3,672	(3)	3	(3)	3
Due from other financial institutions	29,463	(20)	20	(20)	20
Loans and advances	30,490	(21)	21	(21)	21
Interest receivable	467	-	-	-	-
Total financial assets	**64,136**	**(44)**	**44**	**(44)**	**44**
Financial liabilities					
Balance due to related parties	5,568	4	(4)	4	(4)
Deposits and other borrowings	8,673	6	(6)	6	(6)
Other liabilities	229	-	-	-	-
Total financial liabilities	**14,470**	**10**	**(10)**	**10**	**(10)**

As at 31 March 2012	Carrying Amounts	-0.1% Profit or Loss	+0.1% Profit or Loss	-0.1% Equity	+0.1% Equity
	$000	$000	$000	$000	$000
Financial assets					
Cash	19	-	-	-	-
Balance due from related parties	1,269	-	-	-	-
Due from other financial institutions	47,516	(48)	48	(48)	48
Loans and advances	5,339	(1)	1	(1)	1
Interest receivable	229	-	-	-	-
Total financial assets	**54,372**	**(49)**	**49**	**(49)**	**49**
Financial liabilities					
Balance due to related parties	2,117	1	(1)	1	(1)
Deposits and other borrowings	2,868	1	(1)	1	(1)
Other liabilities	141	-	-	-	-
Total financial liabilities	**5,126**	**2**	**(2)**	**2**	**(2)**

Notes to financial statements

For year ended 31 March 2013

18 RISK MANAGEMENT (continued)

Liquidity risk

The table below summarises the cash flows receivable and payable by the Bank under non-derivative financial assets and liabilities by remaining contractual maturities as at 31 March 2013.

As at 31 March 2013	Up to 3 months	3 to 12 months	1 to 5 years	Over 5 years	On demand	Total
	$000	$000	$000	$000	$000	$000
Assets						
Cash	-	-	-	-	44	44
Balance due from related parties	-	-	-	-	3,672	3,672
Due from other financial institutions	25,000	-	-	-	4,463	29,463
Advances to customers	1,067	4,593	11,799	25,925	2,666	46,050
Interest receivable	467	-	-	-	-	467
Total financial assets	**26,534**	**4,593**	**11,799**	**25,925**	**10,845**	**79,696**
Liabilities						
Balance due to related parties	1,145	1,351	2,926	-	419	5,841
Deposits and other borrowings	2,528	4,330	-	-	3,066	9,924
Other liabilities	-	-	-	-	229	229
Total financial liabilities	**3,673**	**5,681**	**2,926**	-	**3,714**	**15,994**
Net non derivative cash flows	**22,861**	**(1,088)**	**8,873**	**25,925**	**7,131**	**63,702**
Off Balance sheet cash flows						
Loan commitments	-	-	-	-	3,514	3,514
Total	-	-	-	-	**3,514**	**3,514**
Net cash flows	**22,861**	**(1,088)**	**8,873**	**25,925**	**3,617**	**60,188**

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18 RISK MANAGEMENT (continued)

As at 31 March 2012	Up to 3 months $000	3 to 12 months $000	1 to 5 years $000	Over 5 years $000	On demand $000	Total $000
Assets						
Cash	-	-	-	-	19	19
Balance due from related parties	-	-	-	-	1,269	1,269
Due from other financial institutions	44,000	-	-	-	3,516	47,516
Loans and advances	122	363	2,075	7,649	-	10,209
Interest receivable	229	-	-	-	-	229
Total financial assets	**44,351**	**363**	**2,075**	**7,649**	**4,804**	**59,242**
Liabilities						
Balance due to related parties	111	2,099	-	-	-	2,210
Deposits and other borrowings	1,711	836	19	-	449	3,015
Other liabilities	-	-	-	-	86	86
Total financial liabilities	**1,822**	**2,935**	**19**	**-**	**535**	**5,311**
Net non derivative cash flows	**42,529**	**(2,572)**	**2,056**	**7,649**	**4,269**	**53,931**
Off Balance sheet cash flows						
Loan commitments	-	-	-	-	75	75
Total	**-**	**-**	**-**	**-**	**75**	**75**
Net cash flows	**42,529**	**(2,572)**	**2,056**	**7,649**	**4,194**	**53,856**

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For year ended 31 March 2013

19 CONCENTRATION OF CREDIT RISK

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

Analysis of on-balance sheet credit exposures by industry:	**2013** *$000*	**2012** *$000*
Personal & Other Services	467	
Property & Business Services	10,839	-
Finance, Investment & Insurance	34,037	49,014
Retail & Wholesale Trade	2,376	-
Other	2,105	-
Households	13,021	5,360
Printing & Related Activities	1,385	-
Subtotal	64,230	54,374
Allowance for impairment losses	(138)	(21)
Total on-balance sheet credit exposures	**64,092**	**54,353**

Analysis of on-balance sheet credit exposures by geographic area:	**2013** *$000*	**2012** *$000*
New Zealand	60,922	53,084
Asia	3,111	1,269
Americas	59	-
Total on-balance sheet credit exposures	**64,092**	**54,353**

Off-balance sheet credit exposures	**2013** *$000*	**2012** *$000*
Loan commitments	3,514	75
Total off-balance sheet credit exposures	**3,514**	**75**

Analysis of off-balance sheet credit exposures by industry	**2013** *$000*	**2012** *$000*
Property & Business Services	2,163	-
Finance, Investment & Insurance	242	-
Retail & Wholesale Trade	24	-
Other	4	-
Households	996	75
Printing & Related Activities	85	-
Total off-balance sheet credit exposures	**3,514**	**75**

Notes to financial statements

For year ended 31 March 2013

19 CONCENTRATION OF CREDIT RISK (continued)

Analysis of maximum exposure to credit risk and collateral and other credit enhancements held:

	Maximum exposure As at 31 March 2013	Maximum exposure As at 31 March 2012
	$000	*$000*
Fixed rate mortgages [(1)]	6,839	2,216
Variable rate mortgages [(1)]	13,785	2,986
Business lending[(2)]	9,800	-
Secured lending (other)[(3)]	137	95
Unsecured lending (other)	67	63
Balance with related parties	3,672	1,269
Due from other financial institutions	29,463	47,516
Other assets	467	229
Total gross credit exposure	**64,230**	**54,374**
Allowance for impairment losses	(138)	(21)
Total net credit exposures	**64,092**	**54,353**

[(1)] Residential mortgages are fully secured by residential properties.

[(2)] Business lending is fully secured by general security agreements and personal guarantee.

[(3)] Other personal loans are fully secured by deposits.

The carrying value of non-cash collateral reflects the fair value of the physical assets limited to the carrying value of the asset where the exposure is over-collateralised. In certain cases where active markets or recent valuations of the assets are not available, estimates will be used.

For assets collateralised by residential or commercial property (and certain other physical assets), where it is not practicable to assess current market valuations of each underlying property, values reflect historical fair values amended for movements in appropriate external indices.

Notes to financial statements
For year ended 31 March 2013

20 CONCENTRATION OF FUNDING

Concentration of funding arise where the Bank is funded by industries of a similar nature or in particular geographies. An analysis of financial liabilities by industry sector and geography is as follows:

	2013	2012
Analysis of funding by industry sector:	*$000*	*$000*
Finance, Investment and Insurance	5,774	2,117
Households	5,213	2,868
Personal & Other Services	100	-
Others	3,154	-
Total funding	**14,241**	**4,985**

	2013	2012
Analysis of funding by geographical area:	*$000*	*$000*
New Zealand	13,822	4,985
Asia	419	-
Total funding	**14,241**	**4,985**

21 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 A3 or above, or its equivalent.

There were no individual bank and non-bank counterparties which the Bank's Banking Group has an aggregate credit exposure that equals or exceeds 10% of the Bank's Banking Group's equity as at 31 March 2013 (2012: nil).

There were no individual bank and non-bank counterparties which the Bank's Banking Group has a peak end-of-day aggregate credit exposure that equals or exceeds 10% of the Bank's Banking Group's equity for the year ended 31 March 2013 (2012: nil)

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22 CREDIT EXPOSURE TO CONNECTED PERSONS

	2013 $000	2012 $000
As at 31 March		
Credit exposure to Connected Persons	3,672	1,269
Credit exposure to Non-Bank Connected Persons	508	-
Peak end-of-day		
Credit exposure to Connected Persons	3,672	1,269
Credit exposure to Non-Bank Connected Persons	508	-

	2013 % of Tier 1 Capital	2012 % of Tier 1 Capital
As at 31 March		
Credit exposure to Connected Persons	7.3%	2.5%
Credit exposure to Non-Bank Connected Persons	1.0%	-
Peak end-of-day		
Credit exposure to Connected Persons	7.3%	2.5%
Credit exposure to Non-Bank Connected Persons	1.0%	-

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

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

As at 31 March 2013, the rating-contingent limit applicable to the Bank's banking group was 15% of tier one capital. Over the year ended 31 March 2013, no changes have been made to the rating-contingent limit. Within the overall rating-contingent limit, there is a sublimit of 15% of tier one capital that applies to the aggregate credit exposure to non-bank connected persons.

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

Aggregate amount of contingent exposures of the Bank's banking group to connected persons arising from risk lay-off arrangements in respect of credit exposures to counterparties (excluding counterparties that are connected persons) as at 31 March 2013 is $nil (2012: $nil).

Aggregate amount of the Bank's banking group's individual credit impairment allowances provided against credit exposures to connected persons as at 31 March 2013 is $nil (2012: $nil).

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For year ended 31 March 2013

23 COMMITMENTS

Capital Commitments
As at 31 March 2013, the Bank does not have any commitments for capital expenditure. (2012: $nil).

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

	2013	2012
	$000	*$000*
Not longer than one year	175	175
Longer than one year and not longer than five years	478	628
Longer than five years	-	23
Total	**653**	**826**

24 INSURANCE BUSINESS AND NON-FINANCIAL ACTIVITIES
The Bank does not conduct any insurance business, securitisation, funds management, other fiduciary activities, and marketing and distribution of insurance products.

25 SEGMENT INFORMATION
The Bank operates in a single segment, predominatly in the banking and finance industry in New Zealand.

26 CONTINGENT LIABILITIES
The Bank has no material contingent liabilities as at 31 March 2013. (2012: $nil).

27 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 modifies 1,2 and 3 to each generic rating classification with a 1 indicating a higher rating and a 3 indicating a lower rating within that generic rating category.

Conditions of registration apply on and after 31 March 2013; except as provided otherwise

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 percent;

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

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

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

   (e) the process in Subpart 2H of the Reserve Bank of New Zealand document: "Capital Adequacy Framework (Standardised Approach)" (BS2A) dated March 2013 is followed for the recognition and repayment of capital.

   For the purposes of this condition of registration, capital, the Total capital ratio, the Tier 1 capital ratio, and the Common Equity Tier 1 capital ratio must be calculated in accordance with the Reserve Bank of New Zealand document: "Capital Adequacy Framework (Standardised Approach)" (BS2A) dated March 2013.

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 March 2013; 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 purpose of this condition of registration,—
"buffer ratio", "distributions", and "earnings" have the same meaning as in Part 3 of the Researve Bank of New Zealand document: "Capital Adequacy Framework (Standardised Approach)" (BS2A) dated March 2013.

This condition of registration applies on and after 1 January 2014.

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 ratings of the registered bank	Connected exposure limit (% of the Banking Group's Tier 1 capital)
AA/Aa2 and above	75
AA-/Aa3	70

A+/A1	60
A/A2	40
A-/A3	30
BBB+/Baa1 and below	15

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

For the purposes of this condition of registration, compliance with the rating-contingent connected exposure limit is determined in accordance with the Reserve Bank of New Zealand document entitled "Connected Exposures Policy" (BS8) dated March 2013.

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

6. That the bank complies with the following corporate governance requirements:
   - (a) the board of the bank must have at least four directors, and on and after 31 March 2013 must have at least five directors;
   - (b) the majority of the board members must be non-executive directors;
   - (c) at least half of the board members must be independent directors;
   - (d) an alternate director,—
     - (i) for a non-executive director must be non-executive: and
     - (ii) for an independent director must be independent;
   - (e) at least half of the independent directors of the bank must be ordinarily resident in New Zealand;
   - (f) the chairperson of the board of the bank must be 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" (BS 14) dated March 2011.

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

8. That a person must not be appointed as chairperson of the board of the bank unless:
   - (a) the Reserve Bank has been supplied with a copy of the curriculum vitae of the proposed appointee; and
   - (b) the Reserve Bank has advised that it has no objection to that appointment.

9. That the bank has a board audit committee, or other separate board committee covering audit matters, that meets the following requirements:

   (a) the mandate of the committee must include: ensuring the integrity of the bank's financial controls, reporting systems and internal audit standards;

   (b) the committee must have at least three members;

   (c) 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" (BS 14) dated March 2011.

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

11. That the banking group complies with the following quantitative requirements for liquidity-risk management:

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

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

   (c) the one-year core funding ratio of the banking group is not less than 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 March 2011 and "Liquidity Policy Annex: Liquid Assets" (BS13A) dated December 2011.

12. That the registered bank has an internal framework for liquidity risk management that is adequate in the registered 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 registered bank provided the Reserve Bank with the information required under the Reserve Bank of New Zealand Banking Supervision Handbook document "Significant Acquisitions Policy" (BS15) dated December 2011; and

(b) no member of the banking group may give effect to a qualifying acquisition or business combination that meets the non-objection threshold unless:

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

In these conditions of registration,—

"banking group" means Bank of India (New Zealand) Limited's financial reporting group (as defined in section 2(1) of the Financial Reporting Act 1993);
"generally accepted accounting practice" has the same meaning as in section 2 of the Financial Reporting Act 1993.

DEED OF GUARANTEE

Dated 14th January, 2011

DEED OF GUARANTEE

By

BANK OF INDIA

In respect of the obligations of

BOI (NEW ZEALAND) LIMITED

CONTENTS

THIS DEED is made on 14th January 2011

BY

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

AND

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

IN FAVOUR OF

(3) **EACH CREDITOR OF BOINZ**

WHEREAS :

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

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

1. DEFINITIONS AND INTERPRETATION

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

"**Authorised Officer**" means, where a Creditor is a Person other than a natural person, 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;

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"**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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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.

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

to the Bank:
Bank of India

International Division

3rd Floor, East Wing
Star House
C-5, G Block

Bandra – Kurla Complex
Bandra (East)
Mumbai – 400 051
India
Attention: The General Manager, International Division

to BoINZ
BOI (New Zealand) Limited

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

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

10. AMENDMENT

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

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

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

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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**)
)
)

(B.A. PRABHAKAR)
Director

Director F.N. RAO

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Independent Auditors' Report

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

Report on the Financial Statements (excluding Supplementary Information Relating to Capital Adequacy)

We have audited pages 9 to 50 of the Disclosure Statement of Bank of India (New Zealand) Limited (the 'Bank') which consists of the financial statements required by Clause 24 of the Registered Bank Disclosure Statements (New Zealand Incorporated Registered Banks) Order 2013 (the 'Order') and the supplementary information (excluding the supplementary information relating to capital adequacy disclosed in Note 15) required by Schedules 4, 7, 13, 14, 15 and 17 of the Order. The financial statements comprise the statement of financial position as at 31 March 2013, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and the notes to the financial statements that include a summary of significant accounting policies and other explanatory information for the Bank.

Directors' Responsibility for the Financial Statements

The Directors of Bank of India (New Zealand) Limited (the 'Directors') are responsible for the preparation of the Disclosure Statement, which includes financial statements prepared in accordance with Clause 24 of the Order and generally accepted accounting practice in New Zealand and that give a true and fair view of the matters to which they relate. The Directors are also responsible for such internal controls as the Directors determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In addition, the Directors are responsible for the preparation and fair presentation of supplementary information in the Disclosure Statement which complies with Schedules 2, 4, 7, 13, 14, 15 and 17 of the Order.

Auditors' Responsibility

Our responsibility is to express an opinion on the financial statements and the supplementary information (excluding the supplementary information relating to capital adequacy disclosed in Note 15) disclosed in accordance with Clause 24 and Schedules 4, 7, 13, 14, 15 and 17 of the Order, presented by the Directors. We conducted our audit in accordance with International Standards on Auditing (New Zealand) and International Standards on Auditing. These standards require that we comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider the internal controls relevant to the Bank's preparation of financial statements that give a true and fair view of the matters to which they relate in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates, as well as evaluating the overall presentation of the financial statements.

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

Certain partners and employees of our firm may deal with the Bank on normal terms within the ordinary course of trading activities of the Bank. These matters have not impaired our independence as auditors of the Bank. We have no other interests in the Bank.

Opinion

In our opinion, the financial statements on pages 9 to 50 (excluding the supplementary information disclosed in accordance with Schedules 4, 7, 9, 13, 14, 15 and 17 of the Order and included within the statement of financial position and Notes 15, 16, 18, 19, 21, 22 and 24):

(i) comply with generally accepted accounting practice in New Zealand;

(ii) comply with International Financial Reporting Standards; and

(iii) give a true and fair view of the financial position of the Bank as at 31 March 2013, and its financial performance and cash flows for the year then ended.

pwc

In our opinion, the supplementary information disclosed in accordance with Schedules 4, 7, 13, 14, 15 and 17 of the Order and included within the statement of financial position and Notes 15, 16, 18, 19, 21, 22 and 24:

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

(ii) is in accordance with the books and records of the Bank; and

(iii) fairly states, in all material respects, the matters to which it relates in accordance with those Schedules.

Report on Other Legal and Regulatory Requirements (excluding Supplementary Information Relating to Capital Adequacy)

We also report in accordance with the requirements of Sections 16(1)(d) and 16(1)(e) of the Financial Reporting Act 1993 and Clauses 2(1)(d) and 2(1)(e) of Schedule 1 of the Order. In relation to our audit of the financial statements (excluding the supplementary information relating to capital adequacy disclosed in Note 15) for the year ended 31 March 2013:

(i) we have obtained all the information and explanations that we have required; and

(ii) in our opinion, proper accounting records have been kept by the Bank as far as appears from an examination of those records.

Report on the Supplementary Information Relating to Capital Adequacy

We have reviewed the supplementary information relating to capital adequacy required by Schedule 9 of the Order as disclosed in Note 15 of the financial statements of the Bank for the year ended 31 March 2013.

Directors' Responsibility for the Supplementary Information Relating to Capital Adequacy

The Directors are responsible for the preparation and presentation of supplementary information relating to capital adequacy that is prepared in accordance with the Bank's conditions of registration and is disclosed in accordance with Schedule 9 of the Order.

Auditors' Responsibility

Our responsibility is to express an opinion on the supplementary information relating to capital adequacy, disclosed in Note 15, based on our review.

We are responsible for reviewing the disclosures in order to state whether, on the basis of the procedures described below, anything has come to our attention that would cause us to believe that the supplementary information is not, in all material respects:

(i) prepared in accordance with the Bank's conditions of registration; and

(ii) disclosed in accordance with Schedule 9 of the Order;

and for reporting our findings to you.

We conducted our review in accordance with the Review Engagement Standards issued in New Zealand. A review is limited primarily to enquiries of Bank personnel and analytical review procedures applied to financial data, and thus provides less assurance than an audit. We have not performed an audit on the supplementary information relating to capital adequacy disclosed in Note 15 and, accordingly, we do not express an audit opinion on that supplementary information.

Opinion

Based on our review procedures, which are not an audit, nothing has come to our attention that causes us to believe that the supplementary information relating to capital adequacy disclosed in Note 15, as required by Schedule 9 of the Order, is not in all material respects:

(i) prepared in accordance with the Bank's conditions of registration; and

(ii) disclosed in accordance with Schedule 9 of the Order.

Restriction on Distribution or Use

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

PricewaterhouseCoopers

Chartered Accountants
12 June 2013

Auckland