REGISTERED BANK DISCLOSURE STATEMENT

31 MARCH 2018

MUFG BANK, LTD.
AUCKLAND BRANCH
(Previously The Bank of Tokyo-Mitsubishi UFJ, Ltd.)

MUFG

TABLE OF CONTENTS

Disclosure Statements

Financial Statement

Notes to Financial Statements

TABLE OF CONTENTS

Notes to Financial Statements (continued)

Auditor's Report

This Disclosure Statement contains information as required by the Registered Bank Disclosure Statements (Overseas Incorporated Registered Banks) Order 2014 (as amended) ('the Order').

1. Corporate Information

The name of the Registered Bank had been changed from “The Bank of Tokyo-Mitsubishi UFJ, Ltd.” to “MUFG Bank, Ltd.” effective from 1st April 2018. All the reference in this Disclosure Statement related to the Registered Bank name had been updated from “The Bank of Tokyo-Mitsubishi UFJ, Ltd.” to “MUFG Bank, Ltd.”.

1.1 Registered Bank (The ‘Overseas Bank’)

MUFG Bank, Ltd.
7-1, Marunouchi 2-chome
Chiyoda-ku, Tokyo 100-8388, Japan

The ‘Overseas Banking Group’ includes all entities consolidated for the purposes of public reporting in Japan including MUFG Bank, Ltd., its subsidiaries, and associated companies.

1.2 New Zealand Branch

MUFG Bank, Ltd., Auckland Branch
Level 22, 151 Queen Street
Auckland, New Zealand

It is the only member of the ‘Banking Group’ in New Zealand

1.3 The Ultimate Parent Bank

MUFG Bank, Ltd.
7-1, Marunouchi 2-chome
Chiyoda-ku, Tokyo 100-8388, Japan

1.4 The Ultimate Holding Company

Mitsubishi UFJ Financial Group, Inc.
7-1, Marunouchi 2-chome
Chiyoda-ku, Tokyo 100-8330, Japan

1.5 Summary of Regulations

There are no regulations, legislation or other restrictions of a legally enforceable nature which may materially inhibit the legal ability of MUFG Bank, Ltd., or Mitsubishi UFJ Financial Group, Inc. to provide material financial support to MUFG Bank, Ltd. Auckland Branch.

2. Recognition and Priority of Claims of Creditors or Classes in the Event of Insolvency

The Deposit Insurance Law of Japan is intended to protect depositors if a financial institution fails to meet its obligations. The Deposit Insurance Corporation of Japan (DICJ) was established in accordance with that law. The Deposit Insurance System (DIS) is administered by the DICJ. The DICJ is a semi-government organization that was established in 1971 with the purpose of operating Japan's deposit insurance system, in compliance with the Deposit Insurance Law. Banks and certain other credit institutions participate in the DIS on a compulsory basis.

All deposits are protected and subject to the JPY 10 million maximum per customer. The only exception is for non interest deposits that are redeemable on demand and used by the depositor primarily for payment and settlement functions. The deposits in settlement accounts are fully protected without a maximum amount limitation. The DICJ charges insurance premiums on an annual basis on all deposits for the protection.

Certain types of deposits such as foreign currency deposits (currencies other than JPY) and negotiable certificates of deposit are outside the scope of protection under the DIS. Liquidation dividends will be payable in accordance with the asset situation of the failing financial institution. The following deposits of MUFG Bank, Ltd., Auckland Branch are not protected:

	As at 31 March 2018 NZD	As at 31 March 2017 NZD
Amount due to related parties	3,505,703,965	3,154,499,789
Retail deposit	103,242,555	17,530,764
Certificate deposit	38,876,836	41,924,975
Call deposit	89,742,864	57,935,767
Term deposit	114,086,227	101,548,986
	3,851,652,447	3,373,440,281

In the event of a bank default, except for the above protection afforded by the DIS, all creditors will rank equally.

3. Excess of Assets Over Deposit Liabilities

MUFG Bank, Ltd., Auckland Branch is not required by any statute to hold in New Zealand an excess of assets over deposit liabilities.

In Japan, under Japanese law for the Reserve Requirement System, Japanese banks (including MUFG Bank, Ltd.) are required to maintain certain reserves on deposit with the Bank of Japan based on the amount of deposit balances and certain other factors. This requirement has potential impact on the management of the liquidity of the New Zealand operations.

4. Guarantee Arrangement

The obligations of the Banking Group are not guaranteed under any guarantee (including government guarantee and cross guaranteeing arrangements) as at the date of signing this Disclosure Statement.

5. Directorate

5.1 Address to which communications to the Directors and Responsible Persons may be sent:

C/- Mr Masahiko Tanimura,
Managing Director, Head of Oceania, Head of Sydney Branch
(and Authorised Attorney on behalf of the Directors)
MUFG Bank, Ltd., Sydney Branch
Level 25, Gateway Building, 1 Macquarie Place
Sydney, NSW 2000, AUSTRALIA

C/- Mr Takamitsu Murakami
Managing Director, Head of Auckland Branch
MUFG Bank, Ltd., Auckland Branch
Level 22, 151 Queen Street
Auckland, NEW ZEALAND

5.2 Directors of MUFG Bank, Ltd. as of 31 March 2018:

Name:	Nobuyuki Hirano	**Name:**	Kiyoshi Sono
Occupation:	Chairman	**Occupation:**	Deputy Chairman
Residence:	Japan	**Residence:**	Japan
Executive or Independent director:	Executive director	**Executive or Independent director:**	Executive director
Qualification:	Faculty of Law Kyoto University, Japan	**Qualification:**	Faculty of Law Kyushu University, Japan
Name:	Kanetsugu Mike	**Name:**	Hidekazu Fukumoto
Occupation:	President & CEO	**Occupation:**	Deputy President
Residence:	Japan	**Residence:**	Japan
Executive or Independent director:	Executive director	**Executive or Independent director:**	Executive director
Qualification:	BA in Economics Keio University, Japan; MBA University of Pennsylvania, USA	**Qualification:**	BA in Economics Kyoto University, Japan
Name:	Takehiko Yamana	**Name:**	Eiichi Yoshikawa
Occupation:	Deputy President	**Occupation:**	Deputy President
Residence:	Japan	**Residence:**	Japan
Executive or Independent director:	Executive director	**Executive or Independent director:**	Executive director
Qualification:	Faculty of Law Nagoya University, Japan	**Qualification:**	Faculty of Law The University of Tokyo, Japan
Name:	Tadashi Kuroda	**Name:**	Muneaki Tokunari
Occupation:	Senior Managing Director	**Occupation:**	Senior Managing Director
Residence:	Japan	**Residence:**	Japan
Executive or Independent director:	Executive director	**Executive or Independent director:**	Executive director
Qualification:	Faculty of Law The University of Tokyo, Japan	**Qualification:**	Faculty of Law Keio University, Japan
Name:	Akira Hamamoto	**Name:**	Naoki Hori
Occupation:	Senior Managing Director	**Occupation:**	Senior Managing Director
Residence:	Japan	**Residence:**	Japan
Executive or Independent director:	Executive director	**Executive or Independent director:**	Executive director
Qualification:	Faculty of Law Waseda University, Japan	**Qualification:**	Faculty of Law Kyoto University, Japan

5. Directorate (continued)

Name:	Masamichi Yasuda
Occupation:	Senior Managing Director
Residence:	Japan
Executive or Independent director:	Executive director
Qualification:	Faculty of Law Hitotsubashi University, Japan

Name:	Hironori Kamezawa
Occupation:	Managing Director
Residence:	Japan
Executive or Independent director:	Executive director
Qualification:	Master of Science The University of Tokyo, Japan

Name:	Atsushi Murakami
Occupation:	Managing Director
Residence:	Japan
Executive or Independent director:	Executive director
Qualification:	Faculty of Law Osaka University, Japan; Master of Laws University of Pennsylvania, USA

Name:	Kazuto Uchida
Occupation:	Managing Director
Residence:	Japan
Executive or Independent director:	Executive director
Qualification:	Faculty of Commerce Keio University, Japan

Name:	Masahito Monguchi
Occupation:	Director
Residence:	Japan
Executive or Independent director:	Independent director
Qualification:	Faculty of Law The University of Tokyo, Japan; Attorney

Name:	Makoto Ebata
Occupation:	Director
Residence:	Japan
Executive or Independent director:	Independent director
Qualification:	Faculty of Law Waseda University, Japan

Name:	Kenji Matsuo
Occupation:	Director
Residence:	Japan
Executive or Independent director:	Independent director
Qualification:	B.A Economics Kobe University, Japan

Name:	Tadayuki Matsushige
Occupation:	Director
Residence:	Japan
Executive or Independent director:	Independent director
Qualification:	School of Political Science and Economics Waseda University, Japan; CPA

Name:	Naoto Hirota
Occupation:	Director
Residence:	Japan
Executive or Independent director:	Executive director
Qualification:	Bachelor of Arts Keio University, Japan; MBA Stanford University, USA

Name:	Nobuhiro Matsumoto
Occupation:	Director
Residence:	Japan
Executive or Independent director:	Executive director
Qualification:	Bachelor of Arts Kyushu University, Japan; MBA University of Hull, England

Name:	Fumikazu Tatsumi
Occupation:	Director
Residence:	Japan
Executive or Independent director:	Executive director
Qualification:	School of Law and Politics Kwansei Gakuin University, Japan

Name:	Yukiyasu Nishio
Occupation:	Director
Residence:	Japan
Executive or Independent director:	Executive director
Qualification:	B.A Economics Keio University, Japan

Name:	Shuzo Sumi
Occupation:	Director
Residence:	Japan
Executive or Independent director:	Independent director
Qualification:	Faculty of Science and Engineering Waseda University, Japan

5. Directorate (continued)

Mr. Nobuyuki Hirano, Mr. Kiyoshi Sono, Mr. Kanetsugu Mike, Mr. Eiichi Yoshikawa, Mr. Tadashi Kuroda, Mr. Muneaki Tokunari, Mr. Akira Hamamoto, Mr. Naoki Hori, Mr. Masamichi Yasuda, Mr. Hironori Kamezawa, Mr. Atsushi Murakami, and Mr. Kazuto Uchida have other directorships as follows:

i. Director of the Mitsubishi UFJ Financial Group, Inc.

Mr. Shuzo Sumi has other directorships as follows:

i. Chairman of the Board of Tokio Marine Holdings, Inc.

5.3 Signatories who have signed the Disclosure Statement. Responsible Person signing on behalf of Directors and New Zealand Chief Executive Officer:

Name	Occupation	Residence	Qualification
Masahiko Tanimura	Managing Director, Head of Oceania, Head of Sydney Branch (Responsible Person on behalf of the Directors)	Australia	B.A University of Tokyo, Japan; MBA New York University, USA
Takamitsu Murakami	Managing Director, Head of Auckland Branch (New Zealand Chief Executive Officer)	New Zealand	B.A. Keio University, Japan

5.4 Director and New Zealand Chief Executive Officer related transactions

A related transaction is out of the normal course of business, is entered into on terms other than those that would be given to any other person, or could be reasonably likely to influence materially the exercise of the Directors' or New Zealand Chief Executive Officer's duties. There have been no related transactions for year ended 31 March 2018 (2017: Nil).

5.5 MUFG Bank, Ltd. does not have a board audit committee. However, the Bank has elected to adopt a corporation governance system based on corporate auditors which includes nine corporate auditors, five of whom are external corporate auditors as of 31 March 2018.

5.6 Dealing with Conflicts of Interest arising from personal, professional or business interests

When a Director or a Corporate Executive Officer engages in a transaction involving a conflict of interest, the Director or the Corporate Executive Office must receive the approval of the Board of Directors.

When there is a risk of an unavoidable conflict of interest with a different division that the director in charge of the Compliance Division is also in charge of, to insure the independence of the Compliance Division, the general manager of the Compliance Division shall report to the President and CEO. The President and CEO will report to the Board of Directors of Executive Committee as necessary.

5. Directorate (continued)

When a conflict of interest arises in connection with an operation involving any of the MUFG Group companies, Directors or employees, on one hand, and a customer or other third-party, the Director or employee, the MUFG Group company to which such Director or employee belongs, or any other MUFG Group company, on the other, the MUFG Group company, Director or employee must perform the operation in a proper manner.

6. Auditors

Name and address of Auditor whose report is referred to in this Disclosure Statement:

Deloitte Limited
Deloitte Centre
80 Queen Street
Auckland 1010
New Zealand

7. Conditions of Registration

There has been changed to the conditions of registration since the last disclosure statement as at 31 December 2017. The change was only on the registered banks name.

These conditions of registration apply on and after 1 April 2018.

The registration of MUFG Bank, Ltd. ("the registered bank") in New Zealand is subject to the following conditions:

1. 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.

2. 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.

7. Conditions of Registration (continued)

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.

3. That the business of the registered bank in New Zealand does not constitute a predominant proportion of the total business of the registered bank.

4. That no appointment to the position of the New Zealand chief executive officer of the registered bank shall be made 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.

5. That MUFG Bank, Ltd. complies with the requirements imposed on it by the Japanese Financial Services Agency.

6. That, with reference to the following table, each capital adequacy ratio of MUFG Bank, Ltd. must be equal to or greater than the applicable minimum requirement.

Capital adequacy ratio	Minimum requirement on and after 31 March 2015
Common Equity Tier 1 Capital	4.5 %
Tier 1 Capital	6 %
Total Capital	8 %

For the purposes of this condition of registration, the capital adequacy ratios-

(a) must be calculated as a percentage of the registered bank's risk weighted assets; and

(b) are otherwise as administered by the Japanese Financial Services Agency.

7. Conditions of Registration (continued)

7. That liabilities of the registered bank in New Zealand, net of amounts due to related parties (including amounts due to a subsidiary or affiliate of the registered bank), do not exceed NZ$15 billion.

8. That retail deposits of the registered bank in New Zealand do not exceed $200 million. For the purposes of this condition of registration retail deposits are defined as deposits by natural persons, excluding deposits with an outstanding balance which exceeds $250,000.

9. That, for a loan-to-valuation measurement period, the total of the business of the registered bank in New Zealand's qualifying new mortgage lending amount in respect of property-investment residential mortgage loans with a loan-to-valuation ratio of more than 65%, must not exceed 5% of the total of the qualifying new mortgage lending amount in respect of property-investment residential mortgage loans arising in the loan-to-valuation measurement period.

10. That, for a loan-to-valuation measurement period, the total of the business of the registered bank in New Zealand's qualifying new mortgage lending amount in respect of non property-investment residential mortgage loans with a loan-to-valuation ratio of more than 80%, must not exceed 15% of the total of the qualifying new mortgage lending amount in respect of non property-investment residential mortgage loans arising in the loan-to-valuation measurement period.

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

In these conditions of registration,-

"banking group" means the New Zealand business of the registered bank and its subsidiaries as required to be reported in group financial statements for the group's New Zealand business under section 461B(2) of the Financial Markets Conduct Act 2013.

"business of the registered bank in New Zealand" means the New Zealand business of the registered bank as defined in the requirement for financial statements for New Zealand business in section 461B(1) of the Financial Markets Conduct Act 2013.

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

"liabilities of the registered bank in New Zealand" means the liabilities that the registered bank would be required to report in financial statements for its New Zealand business if section 461B(1) of the Financial Markets Conduct Act 2013 applied.

In these conditions of registration 9 to 11,-

"loan-to-valuation ratio", "non property-investment residential mortgage loans", property-investment residential mortgage loans", "qualifying new mortgage lending amount in respect of property-investment residential mortgage loans", "qualifying new mortgage lending amount in respect of non property-investment residential mortgage loans", and "residential mortgage loan" have the same meaning as in the Reserve Bank of New Zealand document entitled "Framework for Restrictions on High-LVR Residential Mortgage Lending" (BS19) dated January 2018, and where the version of the Reserve Bank of New Zealand document "Capital Adequacy Framework (Standardised Approach)" (BS2A) referred to in BS19 for the purpose of defining these terms is that dated November 2015.

7. Conditions of Registration (continued)

"loan-to-valuation measurement period" means a period of six calendar months ending on the last day of the sixth calendar month, the first of which ends on the last day of June 2018.

8. Pending Proceedings or Arbitration

There are no pending proceedings or arbitration concerning MUFG Bank, Ltd., Auckland Branch, or MUFG Bank, Ltd. Group that may have a material adverse effect on the Auckland Branch, or MUFG Bank, Ltd.

9. Credit Rating

The Registered Bank has the following long term credit ratings which are applicable to the Banking Group in New Zealand.

	Current Rating	Previous Rating (if changed in the previous two years)	Date of Change
Standard & Poor's	A	A+	29-Nov-2017
Moody's	A1	-	-
Fitch	A	-	-

Rating scales are:

Credit Ratings	S&P's	Moody's	Fitch
Highest quality/Extremely strong capacity to pay its financial commitments	AAA	Aaa	AAA
High quality/Very strong capacity to pay its financial commitments	AA	Aa	AA
Upper medium grade/Strong capacity to pay its financial commitments	A	A	A
Medium grade (lowest investment grade)/Adequate to pay its financial commitments	BBB	Baa	BBB
Predominantly speculative/Less near term vulnerability to default	BB	Ba	BB
Speculative, low grade/Great vulnerability	B	B	B
Poor to default/identifiable vulnerability	CCC	Caa	CCC
Highest speculations	CC	Ca	CC
Lowest quality, no interest	C	C	C
Defaulted on obligations	D	-	D

Standard & Poor's and Fitch – Ratings are modified by the addition of a plus (+) or minus (-) sign to show relative standing within the major rating categories.

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

10. Historical Summary of Financial Statements

The following table is a historical summary taken from audited financial statements of MUFG Bank, Ltd., Auckland Branch.

		Year ended 31 March 2018 NZD(000's)	Year ended 31 March 2017 NZD(000's)	Year ended 31 March 2016 NZD(000's)	Year ended 31 March 2015 NZD(000's)	Year ended 31 March 2014 NZD(000's)
(a)	Total interest revenue;	95,543	86,705	107,370	129,472	102,990
(b)	Total interest expense;	78,533	75,818	96,290	114,668	90,990
(c)	Total other revenue;	15,347	12,874	22,889	14,676	17,801
(d)	Total credit impairment loss charged to the income statement;	-	-	-	29,558	50,442
(e)	Total other expenses;	5,400	4,280	4,276	4,306	4,332
(f)	Net profit/(loss) before taxation;	26,957	19,482	29,692	(4,384)	(24,973)
(g)	Taxation;	5,384	1,452	3,224	(3,885)	(8,706)
(h)	Net profit or (loss) after taxation;	21,573	18,029	26,468	(499)	(16,267)
(i)	Net profit or (loss) attributable to non-controlling interests	-	-	-	-	-
(j)	The amount of branch profits repatriated;	-	-	-	-	-
(k)	Total assets;	4,056,981	3,560,396	3,168,660	3,018,986	3,450,092
(l)	Total individually impaired assets;	-	-	-	63,696	64,411
(m)	Total liabilities;	3,892,897	3,417,850	3,043,779	2,920,540	3,352,700
(n)	Head office capital;	83,000	83,000	83,000	83,000	83,000
(o)	Retained earnings and reserve;	81,084	59,546	41,881	15,446	14,392

11. Other Material Matters

There are no matters relating to the business or affairs of the Registered Bank and its Banking Group that are not contained elsewhere in the Disclosure Statement and would, if disclosed, materially affect the decision of a person to subscribe for debt securities of which the Registered Bank or any member of its Banking Group is the issuer.

12. Financial Statements of the Registered Bank and the Overseas Banking Group

The most recent publicly available Disclosure Statement for the Banking Group can be accessed via the Branch's website: www.nz.bk.mufg.jp. Copies of the most recent publicly available Disclosure Statement for the Banking Group will be provided within two working days at no charge to any person who requests a copy.

The most recent publicly available Financial Statements of the Registered Bank and the Overseas Banking Group may be accessed via the Bank's global website: www.mufg.jp. In addition, Financial Statements are also prepared and filed with the United States Securities and Exchange Commission, Washington, D.C.

13. Directors' and Managing Director Auckland Branch's Statements

After due enquiry, each Director and the Managing Director, Auckland Branch believe that:

as at the date on which the Disclosure Statement is signed;

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

and over the twelve-month accounting period ended 31 March 2018;

- MUFG Bank, Ltd., Auckland Branch had systems in place to monitor and control adequately the material risks of the Banking Group, including credit risk, concentration of credit risk, interest rate risk, currency risk, equity risk, liquidity risk and other business risks, and that those systems were being properly applied; and
- MUFG Bank, Ltd. has complied with all Conditions of Registration that applied during the period.

Signed for and on behalf of the Board of Directors of MUFG Bank, Ltd. by their agent duly appointed in writing, and by the Managing Director, Auckland Branch.

Mr. Masahiko Tanimura
Managing Director, Head of Oceania
Head of Sydney Branch
(and Authorised Attorney on behalf of
the Directors)

Dated (Sydney): 26 June 2018

Mr. Takamitsu Murakami
Managing Director,
Head of Auckland Branch
(New Zealand Chief Executive Officer)

Dated (Auckland): 26 June 2018

Statement of Comprehensive Income

	Note	Twelve Months ended 31 March 2018 NZD	Twelve Months ended 31 March 2017 NZD
Interest income	4	95,542,684	86,705,229
Interest expense	4	(78,533,072)	(75,817,902)
Net interest income		17,009,612	10,887,327
Fees and commission income	4	15,884,787	11,750,580
(Loss) / gains less gain / losses on financial instruments	4	(537,869)	1,123,918
		15,346,918	12,874,498
Occupancy expenses	4	(289,628)	(281,675)
Personnel expenses	4	(3,233,116)	(2,913,263)
Auditors' remuneration	4	(130,713)	(133,461)
Administration and other expenses	4	(1,746,435)	(951,722)
Profit before income tax expense		26,956,638	19,481,704
Income tax expense	6	(5,383,668)	(1,452,258)
Profit from continuing operations		21,572,970	18,029,446
Other Comprehensive income/(expense)			
Items that may be reclassified subsequently to profit or loss			
Available-for-sale securities			
- (Loss) arising during the year		(49,008)	(506,384)
- Add/(Less): Reclassification adjustment for loss/(gain) included in profit or loss		-	-
		(49,008)	(506,384)
- Income tax benefit on available-for-sale securities		13,722	141,788
Other comprehensive expense, net of tax		(35,286)	(364,596)
Total comprehensive income, net of tax		21,537,684	17,664,850

The statement of comprehensive income is to be read in conjunction with the accompanying notes to and forming part of the financial statements.

Statement of Changes in Equity

NZD

	Head Office Capital	Retained Earnings	Available-for-sale Revaluation Reserve	Total
Balance at 1 April 2016	83,000,000	41,261,540	619,629	124,881,169
Profit from continuing operations	-	18,029,446	-	18,029,446
Other comprehensive (expense), net of tax	-	-	(364,596)	(364,596)
Total comprehensive income/ (expense), net of tax	-	18,029,446	(364,596)	17,664,850
Balance at 31 March 2017	83,000,000	59,290,986	255,033	142,546,019
Balance at 1 April 2017	83,000,000	59,290,986	255,033	142,546,019
Profit from continuing operations	-	21,572,970	-	21,572,970
Other comprehensive (expense), net of tax	-	-	(35,286)	(35,286)
Total comprehensive income/ (expense), net of tax	-	21,572,970	(35,286)	21,537,684
Balance at 31 March 2018	83,000,000	80,863,956	219,747	164,083,703

The statement of changes in equity is to be read in conjunction with the accompanying notes to and forming part of the financial statements.

Statement of Financial Position

	Note	As at 31 March 2018 NZD	As at 31 March 2017 NZD
Assets			
Cash and short term liquid assets	15	46,992,415	63,842,818
Amounts due from related parties	13	53,628,190	64,774,654
Amounts due from other financial institutions	15	239,452,923	234,535,027
Available-for-sale securities	15	128,995,839	26,302,463
Corporate loans originated by the Bank	15	3,542,949,765	3,113,100,250
Acceptances of customers	15	11,658,809	18,034,582
Derivative instruments	14	25,009,927	23,713,315
Other assets		1,676,651	870,498
Current tax asset	6	-	3,109,583
Deferred tax asset	6	6,499,543	11,869,489
Property, plant and equipment	5	116,554	243,368
Total Assets		4,056,980,616	3,560,396,047
Liabilities			
Amounts due to related parties	13	3,505,703,965	3,154,499,789
Deposits	7	346,237,339	218,940,492
Acceptances		11,658,809	18,034,582
Derivative instruments	14	26,251,536	23,989,845
Other liabilities	10	3,045,264	2,385,320
Total Liabilities		3,892,896,913	3,417,850,028
Equity			
Head Office capital	13	83,000,000	83,000,000
Retained earnings		80,863,956	59,290,986
Available-for-sale revaluation reserve		219,747	255,033
Total Equity		164,083,703	142,546,019
Total Liabilities and Equity		4,056,980,616	3,560,396,047
Total Interest Earning and Discount Bearing Assets	17	3,958,390,942	3,437,780,558
Total Interest and Discount Bearing Liabilities	17	3,844,487,468	3,362,912,069

The statement of financial position is to be read in conjunction with the accompanying notes to and forming part of the financial statements.

Statement of Cash Flows

	Twelve Months ended 31 March 2018 NZD	Twelve Months ended 31 March 2017 NZD
Cash Flows from Operating Activities		
Interest income received	94,906,184	88,251,075
Commission fees & trading income	15,843,055	14,407,601
Interest paid	(78,324,837)	(77,625,828)
Payments to suppliers, employees and others	(4,580,817)	(3,937,701)
Net cash flows from operating activities before changes in operating assets and liabilities	27,843,585	21,095,147
Net (increase) / decrease in operating assets:		
Net (increase) in corporate loans originated by the Bank	(429,404,541)	(296,896,911)
Net (increase) in amounts due from other financial Institutions	(4,917,896)	(35,152,089)
Net (increase) / decrease in available-for-sale securities	(102,550,858)	456,048
Net decrease / (increase) in amounts due from related parties	11,146,464	(8,608,523)
Net decrease / (increase) in other assets	6,018,630	(17,987,251)
	(519,708,201)	(358,188,726)
Net increase / (decrease) in operating liabilities:		
Net increase / (decrease) in commercial papers and deposits	127,714,049	(264,214,844)
Net increase in amounts due to related parties	350,578,739	617,976,642
Net (decrease) / increase in other liabilities	(6,372,841)	17,989,767
	471,919,947	371,751,565
Net cash flows from operating activities before income tax	(19,944,669)	34,657,986
Net tax refunded	3,109,583	1,494,140
Net cash flows from operating activities	(16,835,086)	36,152,126
Cash Flows from Investing Activities		
Payment for property, plant and equipment	(15,317)	(100,335)
Net cash flows from investing activities	(15,317)	(100,335)
Cash Flows from Financing Activities		
Remittance to the Overseas Bank	-	-
Capital injection	-	-
Net cash flows from financing activities	-	-
Net Change in Cash and Cash Equivalents		
Net (decrease) / increase in cash and cash equivalents	(16,850,403)	36,051,791
Cash and cash equivalents at beginning of year	63,842,818	27,791,027
Cash and cash equivalents at end of the year	46,992,415	63,842,818
Reconciliation of Closing Cash and Cash Equivalents		
Cash and short term liquid assets	46,992,415	63,842,818
Closing cash and cash equivalents	46,992,415	63,842,818

The statement of cash flows is to be read in conjunction with the accompanying notes to and forming part of the financial statements.

Statement of Cash Flows (continued)

	Twelve Months ended 31 March 2018 NZD	Twelve Months ended 31 March 2017 NZD
Reconciliation of profit from continuing operations to net cash used in operating activities		
Profit from continuing operations	21,572,970	18,029,446
(Increase) in corporate loans	(429,849,515)	(295,202,777)
(Increase) in due from other financial institutions	(4,917,896)	(35,152,089)
(Increase) / decrease in available-for-sale securities	(102,742,383)	307,759
Decrease / (increase) in due from related parties	11,146,464	(8,608,523)
Decrease / (increase) in Acceptances of customers	6,375,773	(17,989,767)
(Increase) / decrease in other assets	(806,154)	393,325
(Decrease) in certificate of deposit	(3,048,139)	(7,789,718)
Increase / (decrease) in commercial paper and deposits	130,344,986	(257,266,634)
Increase in due to related parties	351,204,176	617,010,224
(Decrease) / increase in Acceptances	(6,375,773)	17,989,767
(Decrease) / increase in other payables	(29,738)	981,292
Movement in tax	8,493,251	2,946,397
Non-Cash items:		
Depreciation of property, plant and equipment	136,636	221,467
Other	1,660,256	281,957
Net cash flows from operating activities	(16,835,086)	36,152,126

The statement of cash flows is to be read in conjunction with the accompanying notes to and forming part of the financial statements.

1. Statement of Significant Accounting Principles

a) Reporting entity and Statement of Compliance

MUFG Bank, Ltd., Auckland Branch ("The Branch") operates in Auckland, New Zealand and the Registered Bank is incorporated in Japan. The Branch is profit-oriented and is an FMC Reporting Entity under the Financial Markets Conduct Act 2013. The financial statements of the Branch incorporated in this Disclosure Statement have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand ("NZ GAAP") and the Registered Bank Disclosure Statements (Overseas Incorporated Registered Banks) Order 2014 (as amended). They comply with the New Zealand Equivalents to International Financial Reporting Standard ("NZ IFRS") and other applicable financial reporting standards as appropriate for profit-orientated entities. The financial statements also comply with International Financial Reporting Standards ("IFRS").

The financial statements were authorised for issue by the directors on the date of signing this Disclosure Statement.

b) Basis of Preparation

The financial statements are presented in New Zealand dollars.

The financial statements have been prepared on the historical cost basis, except for the revaluation of certain non-current assets and financial instruments.

Cost is based on the fair-value of the consideration given in exchange for assets.

c) Changes in Accounting Policy

There have been no material changes in accounting policies since the last financial statements for the year ended 31 March 2017.

d) Comparative Figures

There has been no re-statement on comparatives figures for this financial statement.

e) Use of Estimates and Judgments

The preparation of financial statements requires the management to make estimates and assumptions that affect the amounts reported in the financial statements and the accompanying notes. The management has applied its judgment in selecting the accounting policy to classify financial assets upon initial recognition. This policy has a significant impact on the amounts disclosed in the financial statements. The management has applied estimation to determine the fair value of certain financial asset when market prices are not available. Where quoted market prices are not available for financial assets, fair value for such financial assets is estimated using discounted cash flow models that utilize prices from observable current market transactions or other valuation techniques (Note 19). Therefore there are no material assumptions or major sources of estimation uncertainty that have a significant risk of causing material adjustments to the carrying amounts of assets at year end. However, as with all investments their value is subject to variation due to market fluctuations.

2. Significant Accounting Policies

a) Standards Approved but not yet Effective

The External Reporting Board (XRB) has released a number of standards and amendments. These standards and amendments have not been adopted early and are excluded from application to these financial statements. Those which are material to the Branch are set out below.

- NZ IFRS 9 Financial Instruments (NZ IFRS 9)

  NZ IFRS 9 Financial Instruments is effective for annual reporting periods beginning on or after 1 January 2018. This standard covers following 3 areas:

  Classification and measurement

  NZ IFRS 9, which is the comprehensive standard to replace NZ IAS 39, introduces new requirements for the classification and measurement of financial assets and liabilities, the impairment of financial assets and hedge accounting.

  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. 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. However, based on an assessment of financial assets performed to date and expectations around changes to balance sheet composition, the Branch expects that the overall impact of any change will not be significant.

  Impairment

  NZ IFRS 9 introduces a revised impairment model which requires entities to recognise expected credit losses (ECL) based on unbiased forward looking information, replacing the existing incurred loss model which only recognises impairment if there is objective evidence that a loss has been incurred. The Branch will incorporate all available information which is relevant to the assessment including information about past events, current conditions and reasonable and supportable forecasts of economic conditions at the reporting date. As a result, the Branch expects that there will be a reduction in net assets of approximately $1.4 million due to addition impairment provision.

  Hedge accounting

  NZ IFRS 9 will change hedge accounting by increasing the eligibility of both hedged items and hedging instruments and introducing a more principles-based approach to assessing hedge effectiveness. The Branch does not currently apply hedge accounting in preparing the financial statement. As a result, there will be no impact for the Branch.

- NZ IFRS 15 Revenue from contracts with Customers (NZ IFRS 15)

  NZ IFRS 15 Revenue from Contracts with Customers is effective for annual reporting periods beginning on or after 1 January 2018. This standard deals with revenue recognition and provides a five step model to be applied to all customer contracts with customers. It also establishes principles of reporting in order to provide more useful disclosure around revenue for users of financials statement. The application of NZ IFRS 15 is not expected to have a material impact on the Branch.

2. Significant Accounting Policies (continued)

- NZ IFRS 16 Leases (NZ IFRS 16)

  NZ IFRS 16 Leases eliminates the distinction between operating and finance leases for lessees and will result in lessees bringing most leases onto their balance sheets. The Branch lease commitments are disclosed in note 11. The accounting by lessors will remain largely unchanged. This standard is effective for periods beginning on or after 1 January 2019, although early adoption is permitted.

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 a material impact on the financial statements of the Branch in the period of initial application.

NZ IFRS 9 and 15 will be adopted for the financial year ended 31 March 2019. NZ IFRS 16 will be adopted for the financial year ended 31 March 2020.

b) Foreign Currency

(i) ***Functional and presentation currency***
Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The financial statements are presented in New Zealand dollars, which is the Branch's functional and presentation currency.

(ii) ***Transactions and balances***
Foreign currency balances are translated into the functional currency using the rates of exchange ruling at balance date. Transactions denominated in foreign currency are translated into their reporting currency using the exchange rate in effect at the close of the transaction date. Gains and losses on foreign exchange dealings and differences are recognised in the Profit or Loss in the period in which they arise.

c) Interest

Interest income and expense for all financial instruments measured at amortised cost and available for sale debt instruments are recognised in the Profit or Loss using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payment or receipts through the expected life of the financial instrument, or where appropriate, a shorter period, to the net carrying amount of the financial asset or liability. When calculating the effective interest rate, cash flows are estimated based upon contractual terms and behavioural aspects of the financial instrument (e.g. prepayment options), but do not consider future credit losses. The calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

d) Fee Income

On-going fee income is recognized on an accrual basis as it is considered to represent the recovery of costs up to the point of time in which they are earned. Fees related to the establishment of loans are an integral part of the effective interest rate of a financial instrument which is explained above under interest.

2. Significant Accounting Policies (continued)

e) Goods and Services Tax

Revenue, expenses and assets are recognised net of the amount of goods and services tax (GST) except:

- Where the amount of GST incurred is not recovered from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or
- For receivables and payables which are recognised inclusive of GST (the net amount of GST recoverable from or payable to the taxation authority is included as part of receivables or payables).

Cash flows are included in the statement of cash flows on a gross basis. The GST component of cash flows arising from investing and financing which is recovered from, or paid to, the taxation authority is classified as operating cash flow.

f) Operating Leases

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 in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

g) Property, Plant and Equipment and Depreciation

Property, plant and equipment owned, or under finance leases, are stated at cost less accumulated depreciation and impairment. Cost includes expenditures that are 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.

Depreciation is provided on property, plant and equipment.

Depreciation is calculated on a straight line or diminishing value basis so as to write off the net cost of each asset over its expected useful life to its estimated residual value. Leasehold improvements are depreciated over the period of lease or estimated useful life, whichever is the shorter, using the straight line or diminishing value method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each annual reporting period.

Property, plant and equipment is depreciated at appropriate rates so as to write off the cost of each asset during its effective useful life using following methods:

Asset value	Method	Period
Less than or equal to NZD equivalent of JPY 200,000	Straight Line	1 – 3 years
More than NZD equivalent of JPY 200,000	Diminishing value	estimated useful life as follows
Furniture Fixtures and Fittings		3 – 15 years
Office Equipment		3 – 20 years
Motor Vehicles		6 years

2. Significant Accounting Policies (continued)

h) Financial Instruments

The Branch classifies its financial instruments in the following categories: financial assets and liabilities at fair value through profit and loss, loans and receivables, available for sale securities and other financial liabilities held at amortised cost. The Branch does not have any financial instruments classified under the held to maturity category. Appropriate classification of financial assets and liabilities is determined at initial recognition.

(i) Financial Assets and Liabilities at fair value through profit or loss

Financial assets and liabilities are classified as fair value through profit or loss where the financial assets and liabilities are either held for trading or are designated as fair value through profit or loss. The Branch has financial assets and liabilities that are held for trading but does not have any financial assets and liabilities designated as fair value through profit or loss.

Held for trading assets and liabilities are carried at fair value. Gains and losses on the subsequent revaluation of the held for trading assets and liabilities are recognised in net gain/(loss) on held for trading assets/liabilities in profit or loss.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These arise when the Branch provides money directly to the borrower with no intention of selling them. Loans and receivables are initially recognised at fair value which is the cash advanced to the borrower plus the net of direct and incremental transaction costs and fees. They are subsequently measured at amortised cost using the effective interest method less impairment.

(iii) Available-for-sale policy

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale or that are not classified as either financial assets through profit or loss or loans and receivables. Available-for-sale financial assets are initially measured at fair value, plus transaction costs.

Gains or losses arising from changes in the fair value are recognised in other comprehensive income and accumulated as a separate component of equity in the available-for-sale revaluation reserve with the exception of impairment losses, interest calculated using the effective interest rate and foreign exchange gains and losses on monetary assets, which are recognised directly in profit or loss. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously recognised in the available-for-sale revaluation reserve is reclassified from equity to profit or loss (as a reclassification adjustment).

(iv) Acceptances

Acceptances are financial instruments used to facilitate trade settlements on behalf of customer.

Acceptances are recognised in the Statement of Financial Position as both assets and liabilities. Both asset and liability are recorded at face value since settlement is within 6 months.

(v) Financial Liabilities

Except for financial liabilities at fair value through profit or loss, financial liabilities are initially measured at fair value less transaction costs and subsequently measured at amortised cost using the effective interest method.

2. Significant Accounting Policies (continued)

i) Derivative Financial Instruments

Derivative financial instruments are used to manage exposures to interest rate, foreign currency and credit risks, including exposures arising from forecast transactions.

The Branch enters into derivative financial instruments for trading purposes, including swaps, futures contracts, forward contracts, options and other similar types of contracts based on interest and foreign exchange rates. These derivative financial instruments are generally valued using independently obtained market rates and using the bid/offer based on NZ IFRS 13. They are carried at fair value as held for trading in the statement of financial position and related gains and losses are included in Net (loss)/gain on financial instruments in the profit or loss.

j) Offsetting Financial Instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position if, and only if, there is a currently enforceable legal right to set off the recognised amounts and there is an intention to settle on a net basis, or to realise an asset and settle the liability simultaneously. In all other situations they are presented gross.

k) Accounting for Impaired assets and provisions

The provision for impaired assets covers specific risks associated with lending and other banking activities undertaken directly or through participating parties.

Bad debts are written off when identified. If a specific provision has been provided, write-offs for bad debts are made against the provision. If no provision has previously been provided, write-offs for bad debts are recognised as expenses in the profit or loss.

Financial assets, other than those held at fair value through profit or loss, are assessed for indicators of impairments at each balance date. 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.

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 original effective interest rate.

The carrying amount of the financial assets including uncollectible trade receivables is reduced by the impairment loss through the use of an 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.

For unlisted shares classified as available-for-sale financial assets, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

With the exception of available-for-sale equity instruments, 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 the carrying amount of the investment at the date the impairment reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of available-for-sale equity instruments, any subsequent increase in fair value after an impairment loss is recognised in other comprehensive income.

2. Significant Accounting Policies (continued)

l) Recoverable Amount of Non-Current Assets

At each reporting date, the Branch reviews the carrying amounts of its tangible 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 the asset does not generate cash flows that are independent from other assets, the Branch estimates the recoverable amount of the cash-generating unit to which the asset belongs.

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 is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the reversal of the impairment loss is treated as a revaluation increase.

m) Provisions

Provisions are recognised when the Branch has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount can be reliably estimated.

n) Employee benefits

(i) Wages and salaries, annual leave and sick leave

Provisions for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be settled within 12 months of the reporting date are recognised in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled. Provisions for non-accumulating sick leave are recognised when the leave is taken and measured at the rates paid or payable.

(ii) Termination benefits

Termination benefits are payable when employment is terminated before the normal retirement date, or whenever an employee accepts redundancy in exchange for these benefits. The Branch recognises termination benefits when it is demonstrably committed to terminate the employment of current employees. The Branch does not have a formal plan for termination benefits.

2. Significant Accounting Policies (continued)

o) Contingent Liabilities and Credit Commitments

The Branch is involved in a range of transactions that give rise to contingent and/or future liabilities. The Branch discloses a contingent liability when it has a possible obligation arising from past events that will be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the Branch's control. A contingent liability is disclosed when a present obligation is not recognised because it is not probable that an outflow of resources will be required to settle an obligation, or the amount of the obligation cannot be measured with sufficient reliability.

The Branch issues commitments to extend credit and guarantees. These financial instruments attract service charges in line with market practice for similar arrangements. They are not sold or traded. The items generally do not involve cash payments other than in the event of default. The charge pricing is set as part of the broader customer credit process and reflects the probability of default. They are disclosed as Contingent Liabilities at their face value.

p) Taxation

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

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

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

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

q) Statement of Cash Flows

The Statement of Cash Flows is prepared inclusive of GST.

Cash flows arising from commercial paper, customer deposits to and withdrawals from deposit accounts, acceptances, borrowings, repayments on loans and other receivables and acceptances of customers are presented on a net basis.

Definitions of the terms used in the Statement of Cash Flows are:

"Cash and cash equivalents" includes coins and notes, demand deposits and other highly liquid investments readily convertible into cash. At balance date all cash is held in a bank account.

"Operating activities" include all transactions and other events that are not investing or financing activities.

"Investing activities" are those activities relating to the acquisition and disposal of current and non-current investments and any other non-current assets.

2. Significant Accounting Policies (continued)

"Financing activities" are those activities relating to changes in equity and debt capital structure of the company and those activities relating to the cost of servicing the company's equity capital.

3. Risk Management Policies

The risk management policies and procedures of the Branch conform to those of the ultimate parent bank, MUFG Bank, Ltd. ("the Parent Bank").

The Branch's application of risk management systems is subject to review by the Parent Bank Internal Audit Office on a regular basis.

a) Credit Risk

Credit risk is the risk of loss to the Branch arising from the failure of counterparty to repay principal and/or interest under a commitment entered into with the Branch. Credit risk arises from the lending, treasury and trade finance activities of the Branch. The Branch is subject to the same credit review process as the Sydney Branch.

The Parent Bank sets the Branch's exposure limits to clients. The Branch has been granted a discretionary lending limit by the Parent Bank with such discretion limited to the Regional Head for Oceania. A Borrower rating system is used to monitor the creditability of customers. The Parent Bank assigns a Borrower rating for each customer based on a credit review performed. This borrower rating will be reviewed and updated at least annually in accordance with the customer's credit information. The Parent Bank's borrower rating can be classified into four categories: Normal, Close Watch, Likely to Become Bankrupt, and (Virtually) Bankrupt. The Parent Bank will make general provisions for customers whose borrower rating are under ''Normal'', and ''Close watch'' categories. The Parent bank will also instruct the Branch to make specific provision for customers whose borrower ratings are under the "Likely to Become Bankrupt" and "(Virtually) Bankrupt" categories (also some "Close Watch"). In addition to complying with the Branch's internal guidelines, transactions with clients other than those based in Australia and New Zealand and transactions above a certain credit limit require approval from the Parent Bank after the Regional Head for Oceania has approved the relevant transaction.

The Branch's overseas exposures are monitored closely and country exposure limits, based upon the controls used by the Parent Bank, will be adopted where necessary.

The Branch's exposures to financial institutions and corporates are controlled and monitored by the appropriate credit division of the Parent Bank on a consolidated basis. The limits are reviewed and approved by the Branch annually in consultation with the Parent Bank. Formal limits have been established for subsidiaries and branches of the Parent Bank and are subject to annual review. Credit risk exposures are monitored on a daily basis and any irregularities are reported to the Regional Head for Oceania immediately as they are identified.

b) Foreign Currency Risk

Foreign currency risk is the risk of loss to the Branch arising from fluctuations in foreign exchange rates. Foreign currency exposures and risks arise from the Branch undertaking foreign exchange transactions with customers as well as from loans and deposits undertaken in foreign currencies. The Branch does not act as a price maker for other institutions in the interbank foreign exchange market and does not take speculative trading positions in foreign exchange.

3. Risk Management Policies (continued)

The currency risks arising from foreign exchange transactions with customers and from loans and deposits undertaken in foreign currencies are immediately transferred to the Sydney Branch by entering into back to back foreign exchange transactions. These risks are managed within the Sydney Branch's foreign exchange risk limits. The Sydney Branch has a set of formal policies and limits governing transaction limits, daylight limits, overnight position limits and foreign currency options portfolio limits. Overnight, currency option risk and forward limits are set and monitored by the Parent Bank.

c) Interest Rate Risk

Interest rate risk is the risk of loss to the Branch arising from movements in interest rates. The Branch's activities in the following areas will expose it to interest rate risk: borrowing from and lending to customers and related parties; issuing securities such as commercial paper and medium term notes; trade finance transactions; investing in securities such as commercial paper, bank bills and government stock; and offering instruments such as FRAs and swaps to customers. The Branch does not act as a price maker for other institutions in the interbank market and does not take a speculative trading position in interest rate instruments.

Any long term interest rate risks of the Branch arising from the above activities are immediately transferred to the Sydney Branch by entering into back to back transactions. Short term interest rate risk of the Branch will be monitored and managed daily by the Sydney Branch. An interest rate position analysis is performed on a daily basis. The risks are managed within the guidelines and limits set by the Parent Bank. The Oceania Region's Asset and Liability Management Committee comprising senior management meets monthly to monitor the Branch's interest rate and liquidity risk positions.

d) Traded Equity Risk

Traded equity risk is the risk of loss arising from adverse movements in the prices of traded equities. The Branch does not undertake any activities exposing it to traded equity risk.

e) Liquidity Risk

Liquidity risk is the risk that the Branch will not have sufficient funds to meet its financial obligations. The Branch has policies to ensure that sufficient funds are available to meet its obligations as and when they fall due, and to maintain a prudent level of liquidity buffer to meet unexpected demands for funds under adverse market conditions. To achieve this objective, the Branch adopts a set of liquidity management strategies which limits the liquidity risk to acceptable levels. The compliance of such internal limits are being independently monitored and regularly reported to the Regional Head for Oceania. A contingency plan has been developed in the event of a major liquidity problem. The operations of the Branch are subject to these policies.

The Branch measures its liquidity requirements by undertaking scenario analysis under the following two scenarios:

Going-concern – which refers to the normal behaviour of cashflows in the ordinary course of business and would form the day-to-day focus of the Branch's liquidity management.

Bank-specific ("name") crisis – which covers the behaviour of cash flows where there is some actual or perceived problem with the Branch.

The Branch is committed to raising its liabilities from a wide range of institutional and corporate lenders. This reduces dependence upon certain lenders and the possibility that a large portion of the deposit base will be withdrawn with little notice. As part of its liquidity management policies, the Branch maintains a portfolio of readily liquid assets and has established committed funding arrangements from other institutions. Liquidity is managed by the Treasury Department of the Sydney Branch under the supervision of the Oceania Region Asset and Liability Management Committee. Reports on liquidity are reviewed by the Regional Head for

3. Risk Management Policies (continued)

Oceania, sent to the Parent Bank daily and presented to the Oceania Region Asset and Liability Management Committee monthly.

The Branch holds the following liquid assets in order to manage its liquidity risk:

	As at 31 March 2018 NZD	As at 31 March 2017 NZD
Cash and cash equivalents	46,992,415	63,842,818
Amounts due from related parties	53,628,190	64,774,654
Amounts due from other financial institutions	239,452,923	234,535,027
Available-for-sale securities	128,995,839	26,302,463
	469,069,367	389,454,962

f) Commodity Risk

Commodity risk is the risk of loss arising from adverse movements in the prices of commodities. The Branch does not undertake any activities exposing it to commodity risk.

g) Operational Risk

Operational risk is defined as the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. This definition includes legal risk but excludes credit, market, strategic and reputation risk. However the cultural nature of the Branch is such that reputational risk is considered within our frameworks.

Under a variety of committee charters, regulations and external governance principles, the Regional Head for Oceania is charged with the responsibility of ensuring that risks are managed effectively by the Branch and for providing a declaration to this effect. This specifically includes Operational Risk.

The primary method the Branch uses to manage Operational Risk is by having a robust suite of controls which are biased towards the prevention of risks and they also include detection and mitigation controls. The Branch has operating procedures that have been established to conform to the Parent Bank’s guidelines. Operational procedures are documented in procedural manuals for each department and variances to these procedures are noted, tracked and analysed for systemic issues.

The Branch has checking procedures and internal controls for those processes critical to operations with Self Inspection undertaking periodic assessments of compliance. The Parent Bank maintains close supervision of the Branch’s activities as described below in (h) “Internal Audit Function”.

Finally, a specific Operational Risk Team under Risk Management department monitors the overall Operational Risk profile of the Branch though Risk and Control Self-Assessment, recently introduced Controls Assurance Program in conjunction with Self-Inspection, Global Risk and Control Assessment, Key Risk Indicator monitoring, Incident and action tracking and Management and Executive Attestations.

h) Internal Audit Function

Audit teams from the Parent Bank conduct on-site audits of the Branch’s procedures including loans, treasury and general office inspections on regular basis based on the Branch’s risk profile. The last internal audit was conducted during July 2016. The result of the internal audit was reported to corporate auditors who report to the Board of Directors under the Parent Bank’s corporation governance systems.

3. Risk Management Policies (continued)

i) Self Inspection

Self Inspection (SI) from Sydney Branch provides a limited procedural assurance to the Branch. SI visits the Branch periodically for its planned assignments mainly across the Branch operations. The locally appointed Self Inspection Checker conducts the monthly tests and reports to the SI team in Sydney monthly. The matters raised by SI are discussed and actioned by the Branch as soon as practicable but not later than a month after identification of any risks (non-compliance of policies and procedures and/or any process gaps/weaknesses). All SI findings are reported monthly to local management and the Parent Bank.

j) Access to parental disclosures

The most recent publicly available information in relation to capital adequacy requirements or risk management processes implemented by the ultimate holding company are disclosed under the ultimate holding company's annual report which can be accessed via the Bank's global website: www.mufg.jp.

4. Profit Before Income Tax Expense

	Twelve Months ended 31 March 2018 NZD	Twelve Months ended 31 March 2017 NZD
Operating revenue		
(a) interest income		
Corporate loans and other accounts	95,540,287	86,700,667
Related parties	2,397	4,562
	95,542,684	86,705,229
(b) Fees and commissions income		
Fees and commissions income	15,884,787	11,750,580
	15,884,787	11,750,580
(c) Gains less losses on financial instruments		
Net (loss) / gain on interest rate derivatives	(1,125,280)	857,673
Net gain on currency derivatives	553,206	178,788
Net gain on foreign currency	33,633	86,942
Other income	572	515
	(537,869)	1,123,918
	110,889,602	99,579,727
Total interest income derived from financial assets:		
At amortised cost	93,687,471	85,520,994
Available-for-sale securities	1,855,213	1,184,235
Designated at fair value through profit or loss	-	-
Total fee income derived from financial assets that are not at fair value through profit or loss	15,872,326	11,566,496
Net unrealised (loss) on financial assets/liabilities held for trading	(961,468)	(217,293)
Net realised gain on financial assets/liabilities held for trading	423,027	1,340,695
Other fee income	12,461	184,084
Other income	572	516
	110,889,602	99,579,727
Expenses		
(a) Interest expense		
Deposits and other accounts	5,779,283	8,851,927
Related parties	72,753,789	66,965,975
	78,533,072	75,817,902
Total interest expense was derived from financial liabilities:		
At amortised cost	78,533,072	75,817,902
Designated at fair value through profit or loss	-	-
	78,533,072	75,817,902
(b) Other operating expense		
Rental & operating lease costs	289,628	281,675
Depreciation		
Furniture, fixtures and fittings	14,819	21,383
Office equipment	118,880	193,580
Motor vehicles	2,937	6,504
Auditors' remuneration (see note 9)		
Audit fees	130,713	133,461
Salaries	3,131,813	2,829,608
Staff related costs	101,303	83,655
Net losses from the disposal of fixed assets	5,495	171
General administration and other operating expenses	1,604,304	730,084
	5,399,892	4,280,121
Profit before income tax expense	26,956,638	19,481,704

Total income excluding any net loss for twelve months ended 31 March 2018 is NZD 112,014,882 (twelve months ended 31 March 2017 : NZD 99,579,727).

5. Property, Plant and Equipment

	As at 31 March 2018 NZD	As at 31 March 2017 NZD
Furniture, fixtures and fittings:		
Cost as at 1 April	645,404	645,404
Additions	-	-
Disposals	-	-
Cost as at 31 March	645,404	645,404
Accumulated depreciation		
Opening balance	(599,939)	(578,556)
Depreciation during the year	(14,819)	(21,383)
Disposals	-	-
Closing balance	(614,758)	(599,939)
	30,646	45,465
Office equipment:		
Cost as at 1 April	1,351,477	1,255,504
Additions	15,317	100,335
Disposals	(107,366)	(4,362)
Cost as at 31 March	1,259,428	1,351,477
Accumulated depreciation		
Opening balance	(1,162,369)	(972,893)
Depreciation during the year	(118,880)	(193,580)
Disposals	101,871	4,104
Closing balance	(1,179,378)	(1,162,369)
	80,050	189,108
Motor vehicles:		
Cost as at 1 April	76,003	76,003
Additions	-	-
Disposals	(37,912)	-
Cost as at 31 March	38,091	76,003
Accumulated depreciation		
Opening balance	(67,208)	(60,704)
Depreciation during the year	(2,937)	(6,504)
Disposals	37,912	-
Closing balance	(32,233)	(67,208)
	5,858	8,795
Net book value as at 31 March	116,554	243,368

6. Income Tax

Income Tax recognised in profit and loss

	As at 31 March 2018 NZD	As at 31 March 2017 NZD
Tax expense / (benefit) comprises:		
Current tax expense	(1,112,088)	4,193
Adjustments recognised in the current year in relation to the current tax of prior years	1,125,810	137,594
Deferred tax expense relating to the origination and reversal of temporary differences	5,369,946	1,310,471
	5,383,668	1,452,258

The prima facie income tax benefit on pre-tax accounting loss from operation reconciles to the income tax benefit in the financial statement as follows:

Profit from operations	26,956,638	19,481,704
Income tax expense calculated at 28%	7,547,859	5,454,878
Effect of other assessable incomes	126,000	308,000
Effect of other deductible expenses	(3,920,000)	(4,952,214)
Effect of expenses that are not deductible in determining taxable profit	503,999	504,000
	4,257,858	1,314,664
Adjustment recognised in the current year in relation to the current tax and deferred tax of prior years	1,125,810	137,594
	5,383,668	1,452,258

The prima facie income tax expense on pre-tax accounting other comprehensive income reconciles to the income tax expense in the financial statement as follows:

(Loss) / profit from other comprehensive income	(49,008)	(506,384)
Income tax (benefit) / expense calculated at 28%	(13,722)	(141,788)

The Branch did not have any imputation credits as at the year ended 31 March 2018 (2017: Nil).

The Branch had Nil as current tax asset at the year ended 31 March 2018 (2017: NZD 3,109,583).

Deferred tax balance

Deferred tax assets arise from the following

	31 March 2018				
	NZD Opening balance	NZD Charged to income	NZD Charged to other comprehensive income	NZD Changes in tax rate	NZD Closing balance
Temporary differences					
Provision for employee entitlement	41,136	(11,963)	-	-	29,173
Property, plant & equipment	75,257	13,054	-	-	88,311
Loan loss provision	-	-	-	-	-
Tax loss	11,753,096	(5,371,996)	-	-	6,381,100
Others	-	959	-	-	959
	11,869,489	(5,369,946)	-	-	6,499,543

6. Income Tax (continued)

	31 March 2017				
	NZD Opening balance	NZD Charged to income	NZD Charged to other comprehensive income	NZD Changes in tax rate	NZD Closing balance
Temporary differences					
Provision for employee entitlement	33,683	7,453	-	-	41,136
Property, plant & equipment	40,241	35,016	-	-	75,257
Loan loss provision	-	-	-	-	-
Tax loss	13,106,036	(1,352,940)	-	-	11,753,096
Others	-	-	-	-	-
	13,179,960	(1,310,471)	-	-	11,869,489

All deferred tax on temporary difference is recognised in the profit and loss. Based on current forecast, it is expected to crystallise in future to offset tax liabilities.

7. Deposits

	As at 31 March 2018 NZD	As at 31 March 2017 NZD
Retail deposit bearing interest	96,364,685	7,944,787
Retail deposit not bearing interest	7,166,727	9,585,977
Certificate deposit	38,876,836	41,924,975
Call deposit	89,742,864	57,935,767
Term deposit	114,086,227	101,548,986
	346,237,339	218,940,492

8. Total Liabilities of the Branch Net of Amounts Due to Related Parties

	As at 31 March 2018 NZD	As at 31 March 2017 NZD
Total Liabilities	3,892,896,913	3,417,850,028
Less: total amounts due to related parties (Note: 13)	(3,518,618,284)	(3,167,182,132)
Total liabilities net of amounts due to related parties	374,278,629	250,667,896

9. Remuneration of Auditor

During the period the following fees were paid or payable for services provided by the auditor of the Branch:

	Twelve Months ended 31 March 2018 NZD	Twelve Months ended 31 March 2017 NZD
Assurance Services		
Auditor of the Branch		
Audit & review of the Branch's Disclosure Statements	130,713	133,461
Other non-audit services	-	-

The auditor of the Branch is Deloitte Limited, Auckland.

10. Other Liabilities

	As at 31 March 2018 NZD	As at 31 March 2017 NZD
Provision for employee entitlements	104,189	146,916
Unearned income	1,974,780	2,002,794
Others	966,295	235,610
	3,045,264	2,385,320

11. Commitments and Contingent Liabilities

	As at 31 March 2018 NZD	As at 31 March 2017 NZD
a) Future lease rental commitments		
Operating lease (primarily premises)		
Due within 1 year	222,613	217,366
Due within 1 - 2 years	185,526	180,123
Due within 2 - 5 years	288,050	473,577
Due over 5 years	-	-
	696,189	871,066
b) Other commitments		
Undrawn facility commitments	1,751,501,492	1,357,823,179
c) Contingent liabilities		
Guarantees given	14,426,475	13,208,455
Performance related contingencies	7,247,573	11,180,473
Trade related contingencies	17,022,091	3,674,185
	38,696,139	28,063,113

The Branch provides guarantees in its normal course of business on behalf of its customers and there are three principal types of guarantee:

- Guarantee given – a financial guarantee that is an agreement by which the Branch agrees to pay an amount of money on demand on behalf of a customer to a third party during the life of the guarantee; and

- Performance related contingencies – a guarantee given by the Branch that undertakes to pay a sum of money to a third party where the customer fails to fulfill certain terms and conditions of a contract; and

- Trade related contingencies – contingent liabilities arising from trade related obligations secured against an underlying shipment of goods to make a payment to a third party if a counterparty fails to fulfil a contractual non-monetary obligation.

The credit risk involved in issuing guarantees is essentially the same as that involved in extending loan facilities to customers. Apart from the normal documentation for a facility of this type, the customer must also provide the Branch with a written indemnity, undertaking that, in the event the Branch is called upon to pay, the Branch will be fully reimbursed by the customer.

The Branch has no financial assets that have been pledged as collateral for liabilities or contingent liabilities.

12. Key Management Personnel Compensation

The compensation of the executives, being the key management personnel of the Branch, is set out below:

	Twelve Months ended 31 March 2018 NZD	Twelve Months ended 31 March 2017 NZD
Short term benefits	1,078,808	978,938
	1,078,808	978,938
Loan Disclosure		
Loan Outstanding	-	-
Interest charged	-	-

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Branch.

13. Related Party Disclosures

The Auckland Branch is a branch of an overseas company, MUFG Bank, Ltd., which is incorporated in Japan and is the ultimate parent bank.

Related party transactions are unsecured and entered into in the normal course of business. During the period there have been dealings between Auckland Branch, other overseas Branches and Head Office. Amounts due from related parties is only related to the settlement account which is due on demand. Amounts due to related parties are mainly term deposits which are due in accordance with an agreed date. The maturity analysis for these balances are presented in Note 18. The interest rate risk analysis for these balances are presented in Note 17. No related party debts have been written off or forgiven during the reporting period.

Derivative instruments with related parties are used to manage interest rate and currency exposures and include foreign exchange forwards, interest rate swaps, currency swaps, and currency options.

	Twelve Months ended 31 March 2018 NZD	Twelve Months ended 31 March 2017 NZD
A) Balances		
Assets		
Amounts due from related parties	53,628,190	64,774,654
Derivative instruments	13,500,816	11,913,581
Others	924	925
	67,129,930	76,689,160
Liabilities		
Amounts due to related parties	3,505,703,965	3,154,499,789
Derivative instruments	12,914,319	12,682,343
	3,518,618,284	3,167,182,132
Equity		
Head Office capital	83,000,000	83,000,000
Off Balance Sheet		
Guarantees given	794,779	227,782
Performance related contingencies	1,400,000	1,400,000
	2,194,779	1,627,782
B) Transactions		
Interest income	2,397	4,562
Interest expense	72,753,789	66,965,975
Net profit from derivative instruments	7,565,320	9,003,945
Fees and commissions income	8,022	2,948

13. Related Party Disclosures (continued)

The Branch's Head Office capital comprises funds provided by the overseas bank to support the Branch's daily operation and to fulfil local thin capitalisation requirement. It is non-interest bearing and there is no fixed date for repatriation. The capital of the registered bank is managed by the overseas bank. The Branch does not separately manage capital other than for the purpose of the Reserve Bank of New Zealand's requirements as disclosed in Note 22 and Note 23.

Other transactions like sundry administrative charges are not material to the results and are therefore not disclosed separately.

14. Derivative Financial Instruments

The Branch uses derivatives to manage its financial position and to service the needs of its clients. Such derivative financial instruments include swaps, and forwards based on interest rates and exchange rates. The following table summarises the notional amounts and fair value by maturity date of the Branch's derivatives at 31 March 2018.

The notional principal amounts below represent the face value of the transaction.

	As at 31 March 2018 NZD	As at 31 March 2017 NZD
Foreign Exchange Contracts		
Spot and forward contracts:		
Notional principal amount < 1 year	1,003,000,070	617,061,528
Notional principal amount 1 to 2 years	31,345,462	182,309,983
Notional principal amount 2 to 3 years	-	7,741,054
Total notional principal	1,034,345,532	807,112,565
Fair value < 1 year	(2,179)	(1,722)
Fair value 1 to 2 years	(565)	(1,829)
Fair value 2 to 3 years	-	-
Total fair value	(2,744)	(3,551)
Interest Rate Swap Contracts		
Notional principal amount < 1 year	290,069,128	707,100,559
Notional principal amount 1 to 2 years	576,544,525	246,876,364
Notional principal amount 2 to 3 years	486,769,584	490,984,533
Notional principal amount 3 to 4 years	110,188,321	379,046,247
Notional principal amount 4 to 5 years	125,422,974	69,061,772
Notional principal amount more than 5 years	169,000,000	234,000,000
Total notional principal	1,757,994,532	2,127,069,475
Fair value < 1 year	2,644	27,355
Fair value 1 to 2 years	(71,556)	(27,212)
Fair value 2 to 3 years	37,295	(66,006)
Fair value 3 to 4 years	15,361	408,447
Fair value 4 to 5 years	(43,342)	44,404
Fair value more than 5 years	(1,162,023)	(538,086)
Total fair value	(1,221,621)	(151,098)

14. Derivative Financial Instruments (continued)

Currency Swap Contracts

Notional principal amount < 1 year	-	-
Notional principal amount 1 to 2 years	-	-
Notional principal amount 2 to 3 years	-	-
Notional principal amount 3 to 4 years	-	-
Notional principal amount 4 to 5 years	-	-
Notional principal amount more than 5 years	164,081,101	154,867,545
Total notional principal	164,081,101	154,867,545
Fair value < 1 year	-	-
Fair value 1 to 2 years	-	-
Fair value 2 to 3 years	-	-
Fair value 3 to 4 years	-	-
Fair value 4 to 5 years	-	-
Fair value more than 5 years	-	(121,881)
Total fair value	-	(121,881)

Currency Options Contracts

Notional principal amount < 1 year	-	-
Notional principal amount 1 to 2 years	5,214,709	-
Total notional principal	5,214,709	-
Fair value < 1 year	-	-
Fair value 1 to 2 years	(17,244)	-
Total fair value	(17,244)	-

15. Concentration of Credit Risk

Credit risk is the risk of loss to the Branch arising from the failure of a counterparty to repay principal and/or interest under a commitment entered into with the Branch. Credit risk arises from the lending, treasury and trade finance activities of the Branch. Credit risk also arises from the possibility that the counterparty to a derivative financial instrument will not adhere to the terms of the contract with the Branch when settlement becomes due. The Branch's credit exposure on derivative financial instruments is determined in accordance with Capital Adequacy Framework (Standardized Approach) BS2A. The credit equivalent is derived by taking into account the residual maturity of each instrument.

Concentration of credit risk is determined by management to be by industry sector, geographical location and customer credit rating. Industry sectors are determined by reference to the categories based on ANZSIC code. The geographical locations reflect the primary location of the underlying borrower.

The following table details the Branch's maximum credit risk exposure without taking account of any collateral/credit enhancement held in respect of recognised financial assets and derivative financial instruments as at the reporting date.

	As at 31 March 2018 NZD	As at 31 March 2017 NZD
Notional principal		
On Balance Sheet		
Cash and short term liquid assets	46,992,415	63,842,818
Amounts due from related parties	53,628,190	64,774,654
Amounts due from other financial institutions	239,452,923	234,535,027
Available-for-sale securities	128,995,839	26,302,463
Corporate loans originated by the Bank	3,542,949,765	3,113,100,250
Acceptance of customers	11,658,809	18,034,582
Other assets	1,652,367	847,526
Total	4,025,330,308	3,521,437,320
Off Balance Sheet		
Guarantees given	14,426,475	13,208,455
Performance related contingencies	7,247,573	11,180,473
Trade related contingencies	17,022,091	3,674,185
Undrawn facility commitments	1,751,501,492	1,357,823,179
Total	1,790,197,631	1,385,886,292
Fair value		
Derivative Instruments	25,009,927	23,713,315

15. Concentration of Credit Risk (continued)

i. Concentration of Credit Risk by Customers Industry Sector

	As at 31 March 2018 NZD	As at 31 March 2017 NZD
Notional principal		
On Balance Sheet		
Agriculture	30,026,241	-
Communications	61,949,665	100,224,271
Construction	61,456,868	110,183,337
Electricity, gas and water	580,123,417	573,429,557
Finance	954,274,866	890,904,893
Fishing	99,473,944	102,418,170
Food Manufacturing	676,060,575	467,356,904
Forestry	120,828,105	58,231,026
Health care & social assistance	101,908,968	-
Other Manufacturing	98,564,963	102,936,826
Property and Business Services	204,230,128	152,906,600
Transport and storage	730,271,497	773,635,155
Wholesale Trade	297,508,448	188,710,544
Wood and paper manufacturing	8,652,623	500,037
Total	4,025,330,308	3,521,437,320

Notional principal		
Off Balance Sheet		
Communications	145,500,000	82,500,000
Construction	45,811,451	168,226,927
Electricity, gas and water	744,547,573	506,531,573
Finance	284,528,316	105,785,832
Fishing	4,761,893	8,769,176
Food Manufacturing	176,869,256	195,147,120
Forestry	1,478,020	22,700,000
Health care & social assistance	23,023,715	-
Other Manufacturing	95,748,210	48,042,860
Property and Business Services	24,444,550	58,506,244
Transport and storage	167,022,091	118,665,034
Wholesale Trade	46,278,866	27,011,526
Wood and paper manufacturing	30,183,690	44,000,000
Total	1,790,197,631	1,385,886,292

Fair value		
Derivative Instrument		
Communications	-	5,471,549
Construction	516,215	68,791
Electricity, gas and water	1,768,870	472,410
Finance	16,144,167	14,431,207
Fishing	2,362,346	726,432
Food manufacturing	1,661,785	943,028
Forestry	39,878	-
Other Manufacturing	158,208	163,655
Transport and storage	841,649	297,055
Wholesale Trade	1,035,744	788,725
Wood and paper manufacturing	481,065	350,463
Total	25,009,927	23,713,315

15. Concentration of Credit Risk (continued)

ii. Concentration of Credit Risk by Customers Geographic Location

	As at 31 March 2018 NZD	As at 31 March 2017 NZD
Notional principal		
On Balance Sheet		
New Zealand	3,700,403,528	3,125,407,992
Japan	245,017,684	304,009,373
Australia	79,909,096	87,509,817
Bangladesh	-	1,561,775
Sri Lanka	-	2,948,363
Total	4,025,330,308	3,521,437,320
Off Balance Sheet		
New Zealand	1,628,346,851	1,215,919,182
Japan	2,194,778	1,627,782
Australia	159,608,427	164,149,705
Other	47,575	4,189,623
Total	1,790,197,631	1,385,886,292
Fair value		
Derivative Instrument		
New Zealand	9,862,007	11,251,389
Japan	14,169,476	12,266,320
Australia	978,444	195,606
Total	25,009,927	23,713,315

iii. Concentration of Credit Risk by Customer Credit Rating

The following tables set out credit quality information for balances which are neither past due nor impaired. The credit rating numbers are the Banking Group's internal borrower ratings which are mapped to S&P ratings in accordance with the credit quality of customers for financial assets and derivative financial instruments. Please refer to Note 21 for impaired assets.

31 March 2018

		Notional principal		
Credit Rating	**S&P Rating**	**On balance Sheet**	**Off balance Sheet**	**Derivative financial instruments**
1-2	A- and above	1,734,571,299	788,944,550	1,294,518
3-7	B- to BBB+	2,237,129,895	999,058,302	8,914,226
8-9	CCC+/-	-	-	1,300,367
Not rated*		53,629,114	2,194,779	13,500,816
		4,025,330,308	1,790,197,631	25,009,927

31 March 2017

		Notional principal		
Credit Rating	**S&P Rating**	**On balance Sheet**	**Off balance Sheet**	**Derivative financial instruments**
1-2	A- and above	1,348,920,467	475,233,170	1,430,187
3-7	B- to BBB+	2,107,240,121	908,982,479	10,369,547
8-9	CCC+/-	501,155	42,861	-
Not rated*		64,775,577	1,627,782	11,913,581
		3,521,437,320	1,385,886,292	23,713,315

15. Concentration of Credit Risk (continued)

* The 'not rated' exposure is related to inter-branch exposure.

Collateral and other credit enhancements

The general nature and amount of collateral or other credit enhancements taken to mitigate the credit risk of each financial asset class are summarized as follows:

a. Cash and short term liquid assets

These exposures are mainly to relatively low risk banks (rate A+, AA- or better).
These balances are not collateralized.

b. Amounts due from related parties

These exposures are generally considered to be low risk due to the nature of the counterparties. There are typically no collateral or other credit enhancements obtained in respect of amounts due from related parties.

c. Amounts due from other financial institutions

The balance is short term deposit to other financial institutions. Collateral is not generally sought on these balances as exposures are considered to be of low risk.

d. Available-for-sale securities

These exposures are with the New Zealand government. Collateral is not sought directly with respect to these exposures.

e. Derivative instruments

The Branch is exposed to credit risk on derivative contracts, which arises as a result of counterparty credit risk. This credit risk from derivatives is mitigated where possible through master netting agreements whereby derivative assets and liabilities with the same counterparty can be offset. A master netting agreement provides the contractual framework within which dealing activities across a range of over-the-counter products are conducted and contractually binds both parties to apply close-out netting across all outstanding transactions covered by an agreement if either party defaults or other predetermined events occur. There have been no amounts set off in the statement of financial position for derivative assets and derivative liabilities as at 31 March 2018 (2017: Nil).
Financial assets subject to offsetting, enforceable master netting arrangements and similar agreements:
As at 31 March 2018
NZD

	Gross amounts of recognised financial assets (a)	Gross amounts of recognised financial liabilities set off in the statement of financial position (b)	Net amounts of financial assets presented in the statement of financial position (c) = (a) – (b)	Related amounts not setoff in the statement of financial position (d)	Net amount (e) = (c) – (d)
Derivatives	25,009,927	-	25,009,927	2,401,842	22,608,085

As at 31 March 2017
NZD

	Gross amounts of recognised financial assets (a)	Gross amounts of recognised financial assets set off in the statement of financial position (b)	Net amounts of financial liabilities presented in the statement of financial position (c) = (a) – (b)	Related amounts not setoff in the statement of financial position (d)	Net amount (e) = (c) – (d)
Derivatives	23,713,315	-	23,713,315	1,545,172	22,168,143

15. Concentration of Credit Risk (continued)

Financial liabilities subject to offsetting, enforceable master netting arrangements and similar agreements:

As at 31 March 2018
NZD

	Gross amounts of recognised financial liabilities (a)	Gross amounts of recognised financial assets set off in the statement of financial position (b)	Net amounts of financial liabilities presented in the statement of financial position (c) = (a) – (b)	Related amounts not setoff in the statement of financial position (d)	Net amount (e) = (c) – (d)
Derivatives	26,251,536	-	26,251,536	2,401,842	23,849,694

As at 31 March 2017
NZD

	Gross amounts of recognised financial liabilities (a)	Gross amounts of recognised financial assets set off in the statement of financial position (b)	Net amounts of financial liabilities presented in the statement of financial position (c) = (a) – (b)	Related amounts not setoff in the statement of financial position (d)	Net amount (e) = (c) – (d)
Derivatives	23,989,845	-	23,989,845	1,545,172	22,444,673

There has been no collateral obtained against derivative assets for the year end 31 March 2018 (2017: Nil).

f. Acceptance of Customer and Other Assets

Collateral is generally not sought on these balances.

g. Corporate loans originated by the Bank

The Branch assesses the integrity and ability of counterparties to meet their contracted financial obligation for repayment. Principal collateral types for corporate loan include:

i. Cash (usually in the form of a charge over a deposit)
ii. Guarantee received from third parties
iii. Charges over business assets such as real estate, aircraft and ships

In other instances, a client's facilities may be secured by collateral with value less than the carrying amount of the credit exposure. These facilities are deemed secured, partially secured or unsecured.

The Branch lending is generally to large corporate counterparties of strong financial standing, the majority of which borrow on unsecured terms. If there is collateral received during loan drawdown, the value of the collateral will be checked against the agreement to ensure that it is either equal to or over the agreed value. The total collateral value as at 31 March 2018 is over NZD 863,470,380 which is based on guarantees received from third parties, the current unaudited financial accounts, and market value of business assets.

On Balance Sheet	**As at 31 March 2018**		**As at 31 March 2017**	
	NZD	**%**	**NZD**	**%**
Maximum Exposure	3,542,949,765	100.00	3,113,100,250	100.00
Collateral classification				
Secured	863,470,380	24.37	972,149,473	31.23
Partially secured	-	-	-	-
Unsecured	2,679,479,385	75.63	2,140,950,777	68.77

15. Concentration of Credit Risk (continued)

h. Undrawn facility commitments and contingent liabilities

The Branch applies the same principle for off balance sheet risk as it does for its on balance sheet risks. In the case of undrawn facility commitments, counterparties will be subject to the same principle as corporate loans and collateral may be sought depending on the strength of the counterparty and the nature of the transaction.

Off Balance Sheet	**As at 31 March 2018**		**As at 31 March 2017**	
	NZD	**%**	**NZD**	**%**
Maximum Exposure	1,790,197,631	100.00	1,385,886,292	100.00
Collateral classification				
Secured	150,590,402	8.41	337,049,704	24.32
Partially secured	-	-	-	-
Unsecured	1,639,607,229	91.59	1,048,836,292	75.68

16. Concentration of Funding

	As at 31 March 2018 NZD	**As at 31 March 2017 NZD**
a) Category analysis		
Customer deposits	346,237,339	218,940,492
Due to related parties	3,505,703,965	3,154,499,789
	3,851,941,304	3,373,440,281
b) Industry analysis		
Agriculture	525,396	575,738
Constructions	1,011,868	2,471,419
Electricity, gas and water	-	50,332,671
Finance	3,634,410,813	3,187,846,744
Food Manufacturing	30,614,024	16,601,753
Forestry	41,649	7,289,755
Insurance	50,038,463	-
Other Industries	222,928	9,654,553
Other Manufacturing	7,435,557	8,555,395
Property and business services	3,004,714	11,012,313
Transport and Storage	61,335,187	48,893,946
Wholesale Trading	57,375,390	24,795,284
Wood and Paper Manufacturing	5,925,315	5,410,710
	3,851,941,304	3,373,440,281
c) Geographical analysis		
Australia	2,474,553,205	1,959,916,049
New Zealand	344,878,460	218,032,769
Japan	951,584,343	1,175,169,745
Singapore	80,925,296	20,321,718
Fiji	-	-
	3,851,941,304	3,373,440,281

17. Interest Rate Risk

Interest rate risk is the risk of loss to the Branch arising from movements in interest rates thereby having an adverse effect on the net interest earnings of the Branch in the current reporting period and in future years.

The following table represents the interest rate sensitivity gap of the Branch as at the reporting date. It analyses the Branch's assets and liabilities in relevant maturity groupings based on the earlier of residual contractual maturity or interest repricing date. One of the major causes of the mismatches is timing differences in the repricing of the assets and liabilities. These mismatches are managed by the Sydney Branch as part of the overall risk management process conducted in accordance with strict policy guidelines.

31 March 2018

	Up to 3 months NZD	Over 3 months and up to 6 months NZD	Over 6 months and up to 1 year NZD	Over 1 year and up to 2 years NZD	Over 2 years NZD	NON INTEREST SENSITIVE NZD	TOTAL NZD	WEIGHTED AVE. EFF. RATE %
ASSETS								
Cash and short term liquid assets	46,992,415	-	-	-	-	-	46,992,415	1.25%
Amounts due from related parties	-	-	-	-	-	53,628,190	53,628,190	
Amounts due from other financial institutions	239,452,923	-	-	-	-	-	239,452,923	1.95%
Available-for-sale securities	-	-	51,827,720	-	77,168,119	-	128,995,839	2.05%
Corporate loans originated by the Bank	3,237,116,619	237,335,317	29,602,154	-	38,895,675	-	3,542,949,765	2.76%
Due from customers on acceptance	-	-	-	-	-	11,658,809	11,658,809	
Property, Plant and Equipment	-	-	-	-	-	116,554	116,554	
Other assets	-	-	-	-	-	33,186,121	33,186,121	
Total assets	3,523,561,957	237,335,317	81,429,874	-	116,063,794	98,589,674	4,056,980,616	
LIABILITIES								
Amounts due to related parties	3,310,613,584	155,289,486	-	-	39,513,786	287,109	3,505,703,965	2.30%
Deposits	339,070,612	-	-	-	-	7,166,727	346,237,339	2.12%
Liability for acceptance	-	-	-	-	-	11,658,809	11,658,809	
Other liabilities	-	-	-	-	-	29,296,800	29,296,800	
Total liabilities	3,649,684,196	155,289,486	-	-	39,513,786	48,409,445	3,892,896,913	

31 March 2017

	Up to 3 months NZD	Over 3 months and up to 6 months NZD	Over 6 months and up to 1 year NZD	Over 1 year and up to 2 years NZD	Over 2 years NZD	NON INTEREST SENSITIVE NZD	TOTAL NZD	WEIGHTED AVE. EFF. RATE %
ASSETS								
Cash and short term liquid assets	63,842,818	-	-	-	-	-	63,842,818	1.25%
Amounts due from related parties	-	-	-	-	-	64,774,654	64,774,654	
Amounts due from other financial institutions	234,535,027	-	-	-	-	-	234,535,027	2.04%
Available-for-sale securities	-	-	26,302,463	-	-	-	26,302,463	3.31%
Corporate loans originated by the Bank	2,939,156,463	129,238,422	-	-	44,705,365	-	3,113,100,250	2.73%
Due from customers on acceptance	-	-	-	-	-	18,034,582	18,034,582	
Property, Plant and Equipment	-	-	-	-	-	243,368	243,368	
Other assets	-	-	-	-	-	39,562,885	39,562,885	
Total assets	3,237,534,308	129,238,422	26,302,463	-	44,705,365	122,615,489	3,560,396,047	
LIABILITIES								
Amounts due to related parties	2,994,136,993	114,742,512	-	-	44,678,049	942,235	3,154,499,789	2.34%
Deposits	204,780,095	4,574,420	-	-	-	9,585,977	218,940,492	2.25%
Liability for acceptance	-	-	-	-	-	18,034,582	18,034,582	
Other liabilities	-	-	-	-	-	26,375,165	26,375,165	
Total liabilities	3,198,917,088	119,316,932	-	-	44,678,049	54,937,959	3,417,850,028	

At 31 March 2018, assuming that all other variables held constant, if interest rates had been 50 basis points higher, post-tax profit for the year would have been NZD 0.1 million lower (2017: NZD 0.3M higher) due to decrease in interest income. It is due to the funding from Equity. If interest rate had been 50 basis points lower with all the variables held constant, post-tax profit would have been NZD 0.1 million higher (2017: NZD 0.3M lower) due to increase in interest income as a result of the funding gap. The impact of interest rate movement on pre-tax profit is immaterial due to the back to back transactions with Sydney Branch to minimize any long term interest rate risk (Note 3(c)). The sensitivity is similar in 2018 and 2017 because a similar funding structure was applied in 2018 and 2017.

18. Maturity Analysis for Assets and Liabilities

The tables below analyse the Branch's financial assets and liabilities, as required by NZ IFRS 7 "Financial Instruments: Disclosures", in relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The tables have been drawn up based on the undiscounted cash flows of financial assets and liabilities based on the earliest date on which the obligation is crystallised. There is no expectation that the principal or interest will be repaid or received earlier than the obligation. The table includes both interest and principal cash flows. Therefore, they may differ to the carrying amounts on the statement of financial position.

31 March 2018

	On Demand NZD	To 1 Month NZD	1 to 3 Months NZD	3 to 12 Months NZD	1 to 5 Years NZD	Over 5 Years NZD	Total NZD
ASSETS							
Cash and short term liquid assets	46,992,415	-	-	-	-	-	46,992,415
Amounts due from related parties	53,628,190	-	-	-	-	-	53,628,190
Amounts due from other financial institutions	-	90,000,000	150,000,000	-	-	-	240,000,000
Available-for-sale securities	-	1,125,000	-	53,625,000	78,375,000	-	133,125,000
Corporate loans originated by the Bank	127,221,574	68,804,999	56,306,093	559,694,186	2,645,677,149	362,911,446	3,820,615,447
Acceptance of customers	-	-	11,658,809	-	-	-	11,658,809
Derivative instruments	-	4,518,989	3,184,381	18,010,643	39,489,430	8,899,990	74,103,433
	227,842,179	164,448,988	221,149,283	631,329,829	2,763,541,579	371,811,436	4,380,123,294
LIABILITIES							
Amounts due to related parties	-	1,307,913,920	2,015,849,339	158,753,868	33,415,740	2,679,659	3,518,612,526
Deposits	193,274,276	104,168,834	49,106,268	-	-	-	346,549,378
Acceptance	-	-	11,658,809				11,658,809
Derivative instruments	-	4,537,483	3,050,017	16,839,711	37,499,703	7,931,936	69,858,850
Lease commitment	-	20,858	41,717	160,038	473,576		696,189
Gross loan commitment	1,751,501,492	-	-	-	-	-	1,751,501,492
Guarantees given	-	200,000		12,509,020	742,592	974,863	14,426,475
Performance related contingencies	-	1,300,000	15,786	5,900,000	31,787		7,247,573
Trade related contingencies		-	17,022,091	-	-	-	17,022,091
	1,944,775,768	1,418,141,095	2,096,744,027	194,162,637	72,163,398	11,586,458	5,737,573,383

31 March 2017

	On Demand NZD	To 1 Month NZD	1 to 3 Months NZD	3 to 12 Months NZD	1 to 5 Years NZD	Over 5 Years NZD	Total NZD
ASSETS							
Cash and short term liquid assets	63,842,818	-	-	-	-	-	63,842,818
Amounts due from related parties	64,774,654	-	-	-	-	-	64,774,654
Amounts due from other financial institutions	-	90,000,000	145,000,000	-	-	-	235,000,000
Available-for-sale securities	-	-	750,000	25,750,000	-	-	26,500,000
Corporate loans originated by the Bank	34,125,000	39,033,331	40,362,770	688,104,265	2,112,599,430	455,857,269	3,370,082,065
Acceptance of customers	-	11,665,481	6,369,102	-	-	-	18,034,583
Derivative instruments	-	3,011,182	2,949,316	11,221,460	36,187,833	34,425,579	87,795,370
	162,742,472	143,709,994	195,431,188	725,075,725	2,148,787,263	490,282,848	3,886,029,490
LIABILITIES							
Amounts due to related parties	-	688,543,918	2,319,657,090	117,754,795	35,112,272	7,358,779	3,168,426,854
Deposits	75,466,531	105,212,123	33,863,689	4,620,833	-	-	219,163,176
Acceptance	-	11,665,481	6,369,102	-	-	-	18,034,583
Derivative instruments	-	2,836,197	2,944,963	11,913,821	40,270,660	35,507,917	93,473,558
Lease commitment	-	20,428	40,855	156,083	653,699	-	871,065
Gross loan commitment	1,357,823,179	-	-	-	-	-	1,357,823,179
Guarantees given	-	-	-	12,217,813	485,642	505,000	13,208,455
Performance related contingencies	-	-	-	1,400,000	9,780,473	-	11,180,473
Trade related contingencies	-	9,151	3,665,034	-	-	-	3,674,185
	1,433,289,710	808,287,298	2,366,540,733	148,063,345	86,302,746	43,371,696	4,885,855,528

18. Maturity Analysis for Assets and Liabilities (Continued)

The balances in the table above will not necessarily agree to the amounts presented on the face of the statement of financial position as the amounts in the table incorporate cash flows on an undiscounted basis and include both principal and associated future interest payments, and in respect of derivatives:

- Interest rate swaps are settled net and therefore the net cash flows (before discounting) are included in the liquidity table above; and
- Foreign exchange contracts are settled gross and therefore the gross cash flows (before discounting) are included in the liquidity table above.

19. Fair Value of Financial Instruments

Quoted market prices, where available, are used to estimate the fair value of financial instruments. However, quoted market prices are not available for a substantial portion of financial instruments and fair value for such financial instruments is estimated using discounted cash flow models that utilise prices from observable current market transactions or other valuation techniques. The summary table shows the carrying amounts and estimated fair values of financial instruments as at the reporting date. The methodologies and assumptions used to estimate the fair value of the financial instruments are:

a. For those assets or liabilities that are short term in nature, the related carrying value is equivalent to their fair value.

b. For floating rate loans and deposits, the carrying amount in the statement of financial position is considered a reasonable estimate of their fair value after making allowances for impairment. For fixed rate loans and deposits, fair value is estimated using discounted cash flow models based on current market rates. The differences between estimated fair value of loans and deposits and carrying value reflect the difference between observable market interest rates and customer rates on day one and changes in interest rates since the loans' and deposits' origination.

c. The fair values of derivative instruments are calculated using the discounted cash flow model. Swap transactions are measured at the present value of future cash flows estimated and discounted based on the applicable yield curves derived from observable foreign exchange and interest rates. Foreign currency forward contracts are measured using observable forward exchange rates.

d. The fair values of available-for-sales securities are derived from quoted prices in the active market.

19. Fair Value of Financial Instruments (continued)

31 March 2018	Note	Held for Trading NZD	Available for Sale Securities NZD	Loans and Receivables NZD	Other Amortised Cost NZD	Total Carrying Amount NZD	Fair Value NZD
Assets							
Cash and cash equivalents	a	-	-	46,992,415	-	46,992,415	46,992,415
Amounts due from related parties	a	-	-	53,628,190	-	53,628,190	53,628,190
Amounts due from other financial institutions	a	-	-	239,452,923		239,452,923	239,452,923
Available-for-sale securities	d	-	128,995,839	-	-	128,995,839	128,995,839
Corporate loans originated by the Bank	b	-	-	3,542,949,765	-	3,542,949,765	3,545,705,342
Other assets	c, a	25,009,927	-	12,948,893		37,958,820	37,958,820
Total financial assets		25,009,927	128,995,839	3,895,972,186	-	4,049,977,952	4,052,733,529
Liabilities							
Amounts due to related parties	b	-	-	-	3,505,703,965	3,505,703,965	3,512,874,392
Deposits	a, b	-	-	-	346,237,339	346,237,339	346,237,339
Other liabilities	c, a	26,251,536	-	11,658,809	-	37,910,345	37,910,345
Total financial liabilities		26,251,536	-	11,658,809	3,851,941,304	3,889,851,649	3,897,022,076

31 March 2017	Note	Held for Trading NZD	Available for Sale Securities NZD	Loans and Receivables NZD	Other Amortised Cost NZD	Total Carrying Amount NZD	Fair Value NZD
Assets							
Cash and cash equivalents	a	-	-	63,842,818	-	63,842,818	63,842,818
Amounts due from related parties	a	-	-	64,774,654	-	64,774,654	64,774,654
Amounts due from other financial institution	a	-	-	234,535,027		234,535,027	234,535,027
Available-for-sale securities	d	-	26,302,463	-	-	26,302,463	26,302,463
Corporate loans originated by the Bank	b	-	-	3,113,100,250	-	3,113,100,250	3,116,809,943
Other assets	c, a	23,713,315	-	18,882,463		42,595,778	42,595,778
Total financial assets		23,713,315	26,302,463	3,495,135,212	-	3,545,150,990	3,548,860,683
Liabilities							
Amounts due to related parties	b	-	-	-	3,154,499,789	3,154,499,789	3,162,322,052
Deposits	a, b	-	-	-	218,940,492	218,940,492	218,940,492
Other liabilities	c, a	23,989,845	-	18,034,582	-	42,024,427	42,024,427
Total financial liabilities		23,989,845	-	18,034,582	3,373,440,281	3,415,464,708	3,423,286,971

19. Fair Value of Financial Instruments (continued)

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Level 1 to 3 based on the degree to which the fair value is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability for substantially the entire term of the instrument, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	31 March 2018		31 March 2017	
	Level 1	Level 2	Level 1	Level 2
Derivative financial assets				
Interest rate swaps	-	10,370,372	-	11,270,254
Currency swaps	-	3,990,680	-	4,730,746
Currency options	-	75,767	-	-
FX forwards	-	10,573,108	-	7,712,315
Total derivative financial assets	-	25,009,927	-	23,713,315
Derivative financial liabilities				
Interest rate swaps	-	11,591,992	-	11,421,352
Currency swaps	-	3,990,680	-	4,852,627
Currency options	-	93,012	-	-
FX forwards	-	10,575,852	-	7,715,866
Total derivative financial liabilities	-	26,251,536	-	23,989,845
Available-for-sale securities	128,995,839	-	26,302,463	-

Financial assets and financial liabilities, other than the items on the above table, are carried at amortised cost. Their fair value is represented by level 2 fair value measurements.

There were no financial assets and liabilities which are carried at fair value categorised under Level 3 in this year and prior year.

20. Profitability and Size

The Overseas Banking Group

a) Profitability

	Twelve Months ended 31 March 2018 JPY(000's)	Twelve Months ended 31 March 2017 JPY(000's)
Net Profit After Tax	617,956,000	744,409,000
Net Profit After Tax over the previous 12 month period as a percentage of average total assets	0.26%	0.33%

b) Size

	Twelve Months ended 31 March 2018 JPY(000's)	Twelve Months ended 31 March 2017 JPY(000's)
Total Assets	239,228,925,000	229,108,371,000
% Change in total assets over the previous 12 months	4.42%	2.83%

21. Asset Quality

(i) The Overseas Banking Group

	As at 31 March 2018 JPY(000's)	As at 31 March 2017 JPY(000's)
Total individually impaired assets (before allowances for credit impairment loss and net of interest held in suspense)	1,053,986,000	1,297,336,000
Total individually impaired assets expressed as a percentage of total assets	0.44%	0.59%
Total individual credit impairment allowance	172,986,000	180,102,000
Total individually credit impairment allowance expressed as a percentage of total individually impaired assets	16.41%	13.88%
Total collective credit impairment allowance	486,351,000	615,906,000

(ii) MUFG Bank, Ltd., Auckland Branch.

The provision for impairment is made as a result of downgrading the Registered Bank's internal credit rating of customers due to the customers' cash flow problem that affects the customers' going concern. The provision represents the Branch's best estimate of the difference between the carrying amount of the corporate loans and the recoverable amount based on expected future cash flows under liquidation.

The Branch does not have any individually impaired assets that have been recognised, any individual credit impairment allowances, any collective credit impairment allowance, and any assets that are past due but not impaired as at 31 March 2018 (31 March 2017: Nil).

The total collective credit impairment allowance of the Overseas Banking Group covers the assets of the Branch.

The Branch did not charge or credit to the condensed statement of comprehensive income for any increase or decrease in individual and collective credit impairment allowances during this accounting period ended 31 March 2018 (31 March 2017: Nil).

The total interest income recognised on impaired asset over this accounting period ended 31 March 2018 is Nil (31 March 2017: Nil).

There is no undrawn balance on lending commitments to counterparties for whom drawn balances are classified as individually impaired. There are no other amounts under administration.

The Branch does not have any financial assets designated as at fair value through profit or loss on which there have been changes in fair value that are attributable to changes in credit risk of the financial asset.

22. Exposures to Market Risk

Aggregate market risk exposures of MUFG Bank, Ltd., Auckland Branch have been derived in accordance with Schedule 9 of the Reserve Bank Order.

		Twelve Months Ended 31 March 2018 NZD (000's)	Twelve Months Ended 31 March 2017 NZD (000's)
(1) Aggregate Interest Rate Exposure			
(a)	Notional Capital Charge *	1,290	2,191
(b)	Implied risk weighted exposure	16,125	27,388

* The Notional Capital Charge is calculated in accordance with Capital Adequacy Framework (Standardized Approach) BS2A.

		Peak End of Day Ending 31 March 2018 NZD (000's)	Peak End of Day Ending 31 March 2017 NZD (000's)
(1) Aggregate Interest Rate Exposure (continued)			
(a)	Notional Capital Charge **	3,228	5,117
(b)	Implied risk weighted exposure	40,350	63,963

** The peak end of day Notional Capital Charge has been derived by determining the maximum over the period at the close of each business day derived in accordance with Capital Adequacy Framework (Standardized Approach) BS2A.

(2) Aggregate Foreign Currency Exposure
MUFG Bank, Ltd., Auckland Branch does not have any foreign currency exposures.

(3) Aggregate Equity Exposure
MUFG Bank, Ltd., Auckland Branch does not have any equity exposures.

By entering into foreign exchange transactions, interest rate swap transactions, currency swap transactions and long term fixed interest deposits with the Sydney Branch, the Branch does not hold any significant foreign exchange exposure and long term interest rate exposure. Please refer to Note 3 (b) and (c) for detail. Under this arrangement, the Branch is exposed to limited market risk which is immaterial.

23. Capital Adequacy

The capital adequacy guidelines adopted by the Financial Services Agency (FSA) in Japan that are applicable to Japanese bank holding companies and banks with international operations closely follow the risk-weighted approach introduced by the Basel Committee on Banking Supervision of the Bank for International Settlements.

Basel II, as adopted by the FSA, has been applied to Japanese banks since 31 March, 2007. Certain provisions of Basel III have been adopted by the FSA for Japanese banking institutions with international operations conducted through their foreign offices and became effective 31 March 2013. As a result, the minimum capital required by FSA is at least equal to Basel II.

The Financial Stability Board identified the Overseas Banking Group as a global systematically important bank, or G-SIB, in its most recent annual report published in November 2017.

Effective 31 March, 2016, the FSA's capital conservation buffer, countercyclical buffer and G-SIB surcharge requirements became applicable to Japanese banking institutions with international operations conducted through foreign offices. As a result, starting from 31 March 2016, Overseas Banking Group is required to maintain a capital conservation buffer of 0.625% and a G-SIB surcharge of 0.375% in addition to the 4.50% minimum Common Equity Tier 1 capital ratio. As of the same date, no countercyclical buffer is applicable. When fully implemented on 31 March, 2019, the Overseas Banking Group will be required to maintain a capital conservation buffer of 2.5%, a countercyclical buffer of up to 2.5%, and a G-SIB surcharge of 1.5%, assuming the Overseas Banking Group will be in Bucket 2 of the G-SIB list.

The table below presents the minimum consolidated risk-based capital ratios from 31 March 2018:

	2018
Minimum Common Equity Tier 1 ratio	4.50%
Capital Conservation Buffer	1.875%
Countercyclical Buffer	-
G-SIB Surcharge	1.125%
Total	7.50%
Minimum Tier 1 ratio	9.00%
Minimum Capital ratio	11.00%

Both the Overseas Banking Group and the Overseas Bank met those requirements at the reporting date.

Overseas Banking Group	**As at 31 March 2018**	**As at 31 March 2017**
Capital ratios:		
Common Equity Tier 1 capital	11.85%	11.14%
Tier 1 capital	13.59%	12.70%
Total capital	15.90%	15.28%

Overseas Bank	**As at 31 March 2018**	**As at 31 March 2017**
Capital ratios:		
Common Equity Tier 1 capital	12.54%	12.04%
Tier 1 capital	14.51%	13.88%
Total capital	16.90%	16.70%

The most recent publicly available information in relation to capital adequacy framework implemented by the overseas bank and overseas banking group are disclosed under the ultimate holding company's annual report which can be accessed via the Bank's global website: www.mufg.jp.

24. Insurance Business

MUFG Bank, Ltd., Auckland Branch *does not* conduct any insurance business in or outside New Zealand.

25. Non-Consolidated Activities

MUFG Bank, Ltd. *does not* conduct any insurance business or non-financial activities in New Zealand outside MUFG Bank, Ltd., Auckland Branch.

26. Securitization, Funds Management, and Other Fiduciary Activities

(a) MUFG Bank, Ltd., Auckland Branch is not involved in any establishment, marketing, or sponsorship of trust, custodial, funds management or other fiduciary activities.

(b) MUFG Bank, Ltd., Auckland Branch is not involved in any origination of securitized assets or in the marketing or servicing of securitization schemes.

(c) MUFG Bank, Ltd., Auckland Branch is not involved in the marketing and distribution of insurance products.

27. Financial Support

The Auckland Branch is part of MUFG Bank, Ltd. The assets of the Branch are legally available for the satisfaction of debts of the entire company, not solely those appearing in the accompanying statement of financial position, and its debts may result in claims against assets not appearing thereon.

28. Subsequent Events

There has not been any matter or circumstance, other than that referred to in the financial statements or notes thereto, that has arisen since 31 March 2018, that has significantly affected, or may significantly affect, the operations of the Branch, the results of the operations, or the state of affairs of the Branch in future financial years.

Deloitte.

Independent Auditor's Report

To the Shareholders of MUFG Bank, Ltd. – Auckland Branch (formerly known as The Bank of Tokyo-Mitsubishi UFJ, Ltd.)

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

Opinion

We have audited the financial statements and the supplementary information (excluding the information relating to Credit and Market Risk Exposures and Capital Adequacy on pages 52 to 53) of MUFG Bank, Ltd. – Auckland Branch ('the Branch' and 'the Banking Group') (formerly known as The Bank of Tokyo-Mitsubishi UFJ, Ltd. – Auckland Branch).

The financial statements comprise the statement of financial position as at 31 March 2018, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

The supplementary information (excluding the information relating to Credit and Market Risk Exposures and Capital Adequacy) comprise the information required to be disclosed under Schedules 4, 7, 11, and 13 of the Registered Bank Disclosure Statements (Overseas Incorporated Registered Banks) Order 2014 (as amended) (the 'Order').

In our opinion, the accompanying financial statements, on pages 15 to 54:

- comply with generally accepted accounting practice in New Zealand; and
- give a true and fair view of the financial position of the Branch as at 31 March 2018, and its financial performance and cash flows for the year then ended in accordance with New Zealand Equivalents to International Financial Reporting Standards ('NZ IFRS') and International Financial Reporting Standards ('IFRS').

In our opinion, the supplementary information (excluding the information relating to Credit and Market Risk Exposures and Capital Adequacy) disclosed in accordance with Schedules 4, 7, 11 and 13 of the Order (the 'Supplementary Information'):

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

Basis for opinion

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

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

Other information

The directors are responsible on behalf of the Branch for the other information. The other information comprises the information required to be included in the Disclosure Statement in accordance with Schedule 2 of the Order on pages 1 to 14 that accompanies the financial statements, Supplementary Information, and the audit report.

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

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

Directors' responsibilities for the financial statements and Supplementary Information

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

The directors are also responsible on behalf of the Branch for the preparation of Supplementary Information which fairly states the matters required to be disclosed under Schedules 2, 4, 7, 11 and 13 of the Order and which is prepared in accordance with any guidelines issued pursuant to Section 78(3) of the Reserve Bank of New Zealand Act 1989; any Conditions of Registration; and in accordance with the books and records of the Branch.

In preparing the financial statements, the directors are responsible on behalf of the Branch for assessing the Branch's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Branch or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements and Supplementary Information

Our objectives are to obtain reasonable assurance about whether the financial statements and Supplementary Information as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and ISAs (NZ) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements and Supplementary Information.

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

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

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

This description forms part of our auditor's report.

Report on other legal and regulatory requirements

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

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

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

Information subject to our review

We have reviewed the supplementary information relating to Credit and Market Risk Exposures and Capital Adequacy on pages 52 to 53.

Directors' responsibilities

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

Our responsibilities

Our responsibility is to express a conclusion on the supplementary information relating to Credit and Market Risk Exposures and Capital Adequacy based on our review. We conducted our review in accordance with NZ SRE 2410 *Review of Financial Statements Performed by the Independent Auditor of the Entity* ('NZ SRE 2410'). We are required to conclude whether anything has come to our attention that would cause us to believe that the supplementary information relating to Credit and Market Risk Exposures and Capital Adequacy is not in all material respects:

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

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

A review in accordance with NZ SRE 2410 is a limited assurance engagement. The auditor performs procedures, primarily consisting of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures.

The procedures performed in a review are substantially less than those performed in an audit conducted in accordance with International Standards on Auditing (New Zealand). Accordingly we do not express an audit opinion on the supplementary information relating to Credit and Market Risk Exposures and Capital Adequacy.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the supplementary information relating to Credit and Market Risk Exposures and Capital Adequacy, disclosed on pages 52 to 53, as required by Schedule 9 of the Order, is not in all material respects:

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

AUDITOR INDEPENDENCE

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

Other than in our capacity as auditor, we have no relationship with or interests in the Branch.

EMPHASIS OF MATTER - BRANCH

The New Zealand branch is part of MUFG Bank, Ltd. As described in Note 27 the assets of the Branch are legally available for the satisfaction of debts of the entire branch, not solely those appearing on the accompanying statement of financial position and its debts may result in claims against assets not appearing thereon. Our opinion is not qualified in respect of this matter.

RESTRICTION ON USE

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

Deloitte Limited

Jason Stachurski, Partner
for Deloitte Limited
Auckland, New Zealand
26 June 2018

This audit report relates to the Disclosure Statement of MUFG Bank, Ltd. – Auckland Branch ('the Branch') for the year ended 31 March 2018 included on the Branch's website. The Shareholders are responsible for the maintenance and integrity of the Branch's website. We have not been engaged to report on the integrity of the Branch's website. We accept no responsibility for any changes that may have occurred to the Disclosure Statement since it was initially presented on the website. The audit report refers only to the financial statements and supplementary information described above. It does not provide an opinion on any other information which may have been hyperlinked to/from the Disclosure Statement. If readers of this report are concerned with the inherent risks arising from electronic data communication they should refer to the published hard copy of the the Disclosure Statement and related audit report dated 26 June 2018 to confirm the information included in the Disclosure Statement presented on this website.