



**REGISTERED BANK
DISCLOSURE STATEMENT**



31 MARCH 2019



**MUFG BANK, LTD.
AUCKLAND BRANCH**

**Financial Statements
For the Year Ended 31 March 2019**

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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

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.

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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 2019 NZD	As at 31 March 2018 NZD
Amount due to related parties	4,425,224,966	3,505,703,965
Retail deposit	229,527,060	103,242,555
Certificate deposit	43,883,264	38,876,836
Call deposit	203,635,003	89,742,864
Term deposit	226,990,804	114,086,227
	5,129,261,097	3,851,652,447

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.

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5. Directorate

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

C/- Mr Hideki Nakashiro,
 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 2019:

<p>Name: Nobuyuki Hirano Occupation: Chairman Residence: Japan Executive or Independent director: Executive director Qualification: Faculty of Law Kyoto University, Japan</p>	<p>Name: Kiyoshi Sono Occupation: Deputy Chairman Residence: Japan Executive or Independent director: Executive director Qualification: Faculty of Law Kyushu University, Japan</p>
<p>Name: Kanetsugu Mike Occupation: President & CEO Residence: Japan Executive or Independent director: Executive director Qualification: BA in Economics Keio University, Japan; MBA University of Pennsylvania, USA</p>	<p>Name: Hidekazu Fukumoto Occupation: Deputy President Residence: Japan Executive or Independent director: Executive director Qualification: BA in Economics Kyoto University, Japan</p>
<p>Name: Akihiko Nakamura Occupation: Deputy President Residence: Japan Executive or Independent director: Executive director Qualification: BA in Economics Waseda University, Japan</p>	<p>Name: Eiichi Yoshikawa Occupation: Deputy President Residence: Japan Executive or Independent director: Executive director Qualification: Faculty of Law The University of Tokyo, Japan</p>
<p>Name: Kenji Yabuta Occupation: Deputy President Residence: Japan Executive or Independent director: Executive director Qualification: Faculty of Law The University of Tokyo, Japan</p>	<p>Name: Muneaki Tokunari Occupation: Senior Managing Executive Officer Residence: Japan Executive or Independent director: Executive director Qualification: Faculty of Law Keio University, Japan</p>
<p>Name: Akira Hamamoto Occupation: Senior Managing Executive Officer Residence: Japan Executive or Independent director: Executive director Qualification: Faculty of Law Waseda University, Japan</p>	<p>Name: Naoki Hori Occupation: Senior Managing Executive Officer Residence: Japan Executive or Independent director: Executive director Qualification: Faculty of Law Kyoto University, Japan</p>

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For the Year Ended 31 March 2019

5. Directorate (continued)

<p>Name: Masamichi Yasuda Occupation: Senior Managing Executive Officer Residence: Japan Executive or Independent director: Executive director Qualification: Faculty of Law Hitotsubashi University, Japan</p>	<p>Name: Hironori Kamezawa Occupation: Senior Managing Executive Officer Residence: Japan Executive or Independent director: Executive director Qualification: Master of Science The University of Tokyo, Japan</p>
<p>Name: Masato Miyachi Occupation: Senior Managing Executive Officer Residence: USA Executive or Independent director: Executive director Qualification: BA in Economics The University of Tokyo, Japan; Master of Science Stanford University, USA; Doctor of Philosophy Waseda University, Japan</p>	<p>Name: Kazuto Uchida Occupation: Managing Executive Officer Residence: Japan Executive or Independent director: Executive director Qualification: Faculty of Commerce Keio University, Japan</p>
<p>Name: Masakazu Ikeda Occupation: Managing Executive Officer Residence: Japan Executive or Independent director: Executive director Qualification: Faculty of Law Koyto University, Japan</p>	<p>Name: Naomi Hayashi Occupation: Managing Executive Officer Residence: Japan Executive or Independent director: Executive Officer Qualification: BA in Economics Keio University, Japan; Graduate School of Business Keio University, Japan</p>
<p>Name: Masahito Monguchi Occupation: Director Residence: Japan Executive or Independent director: Independent director Qualification: Faculty of Law The University of Tokyo, Japan; Attorney</p>	<p>Name: Shigeo Ohyagi Occupation: Director Residence: Japan Executive or Independent director: Independent director Qualification: BA in Economics Keio University, Japan</p>
<p>Name: Kenji Matsuo Occupation: Director Residence: Japan Executive or Independent director: Independent director Qualification: B.A Economics Kobe University, Japan</p>	<p>Name: Tadayuki Matsushige Occupation: Director Residence: Japan Executive or Independent director: Independent director Qualification: School of Political Science and Economics Waseda University, Japan; CPA</p>
<p>Name: Shuzo Sumi Occupation: Director Residence: Japan Executive or Independent director: Independent director Qualification: Faculty of Science and Engineering Waseda University, Japan</p>	<p>Name: Shinichi Koide Occupation: Director Residence: Japan Executive or Independent director: Independent director Qualification: College of Economics Aoyama Gakuin University, Tokyo, Japan</p>

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5. Directorate (continued)

Name: Occupation: Residence: Executive or Independent director: Qualification:	Hiroaki Fujisue Director Japan Executive director Bachelor of Laws Kyushu University, Japan; MBA Cornell University, USA	Name: Occupation: Residence: Executive or Independent director: Qualification:	Nobuhiro Matsumoto Director Japan Executive director Bachelor of Arts Kyushu University, Japan; MBA University of Hull, England
Name: Occupation: Residence: Executive or Independent director: Qualification:	Fumikazu Tatsumi Director Japan Executive director School of Law and Politics Kwansei Gakuin University, Japan	Name: Occupation: Residence: Executive or Independent director: Qualification:	Naoto Hirota Director Japan Executive director BA in Economics Keio University, Japan; MBA Stanford University, USA

Mr. Nobuyuki Hirano, Mr. Kiyoshi Sono, Mr. Kanetsugu Mike, Mr. Eiichi Yoshikawa, Mr Kenji Yabuta, Mr. Muneaki Tokunari, Mr. Akira Hamamoto, Mr. Naoki Hori, Mr. Masamichi Yasuda, Mr Masato Miyachi, Mr Masakazu Ikeda, Mr Kazuto Uchida and Mr. Naomi Hayashi have other directorships as follows:

- i. Mitsubishi UFJ Financial Group, Inc.

Mr. Hironori Kamezawa has other directorship as follows:

- i. Mitsubishi UFJ Financial Group, Inc.
- ii. Global Open Network, Inc.

Mr. Shuzo Sumi has other directorships as follows:

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

Mr. Shinichi Koide has other directorships as follows:

- i. Chairman, President and CEO of Salesforce.com Co., Ltd.

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
Hideki Nakashiro	Managing Director, Head of Oceania, Head of Sydney Branch (Responsible Person on behalf of the Directors)	Australia	B.A Keio University, Japan; MSc in Management London Business School, UK
Takamitsu Murakami	Managing Director, Head of Auckland Branch (New Zealand Chief Executive Officer)	New Zealand	B.A. Keio University, Japan

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5. Directorate (continued)

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 2019 (2018: 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 2019.

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 ensure 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.

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 have been changes to the conditions of registration since the last disclosure statement as at 30 September 2018. The changes are:

- Amend the conditions of registration relating to residential mortgage lending to property investors and non-property investors. The threshold for investor loans counting as high LVR will increase from 65% to 70%, while the limit on the flow of such loans will stay at 5%. The flow limit on non-property investor lending will LVRs about 80% will increase from 15% to 20%.
- Refer to a revised version of "Framework for Restrictions on High-LVR Residential Mortgage Lending" (BS19), to make a minor amendment to the construction loan exemption related to Kiwibuild.

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For the Year Ended 31 March 2019

7. Conditions of Registration (continued)

These conditions of registration apply on and after 1 January 2019.

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.

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.

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7. Conditions of Registration (continued)

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. 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 70%, must not exceed 5% of the total of the qualifying new mortgage lending amount in respect of property-investment residential mortgage loans arising in the loan-to-valuation measurement period.
 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 20% of the total of the qualifying new mortgage lending amount in respect of non property-investment residential mortgage loans arising in the loan-to-valuation measurement period.
 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,-

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7. Conditions of Registration (continued)

"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 2019, 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.

"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 2019.

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.

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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 2019 NZD(000's)	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)
(a) Total interest revenue	132,536	95,543	86,705	107,370	129,472
(b) Total interest expense	108,869	78,533	75,818	96,290	114,668
(c) Total other revenue	19,680	15,347	12,874	22,889	14,676
(d) Total expected credit loss charged to the income statement	9	-	-	-	29,558
(e) Total other expenses	10,698	5,400	4,280	4,276	4,306
(f) Net profit/(loss) before taxation	32,640	26,957	19,482	29,692	(4,384)
(g) Taxation	7,015	5,384	1,452	3,224	(3,885)
(h) Net profit or (loss) after taxation	25,625	21,573	18,029	26,468	(499)
(i) Net profit or (loss) attributable to non- controlling interests	-	-	-	-	-
(j) The amount of branch profits repatriated	-	-	-	-	-
(k) Total assets	5,383,281	4,056,981	3,560,396	3,168,660	3,018,986
(l) Total individually impaired assets	-	-	-	-	63,696
(m) Total liabilities	5,194,272	3,892,897	3,417,850	3,043,779	2,920,540
(n) Head office capital	83,000	83,000	83,000	83,000	83,000
(o) Retained earnings and reserve	106,009	81,084	59,546	41,881	15,446

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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.

Financial Statements For the Year Ended 31 March 2019

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

After due enquiry, each Director and the Managing Directors 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 2019;

- 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. Hideki Nakashiro
Managing Director, Head of Oceania
Head of Sydney Branch
(and Authorised Attorney on behalf of
the Directors)

Dated (Sydney): 24 June 2019



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

Dated (Auckland): 24 June 2019

Financial Statements For the Year Ended 31 March 2019

Statement of Comprehensive Income

	Note	Twelve Months ended 31 March 2019 NZD	Twelve Months ended 31 March 2018 NZD
Interest income	4	132,536,508	95,542,684
Interest expense	4	(108,868,795)	(78,533,072)
Net interest income		<u>23,667,713</u>	<u>17,009,612</u>
Fees and commission income	4	20,253,978	15,884,787
Net losses on financial instruments	4	(573,868)	(537,869)
		19,680,110	15,346,918
Occupancy expenses	4	(299,178)	(289,628)
Personnel expenses	4	(3,197,063)	(3,233,116)
Auditors' remuneration	4	(161,915)	(130,713)
Administration and other expenses	4	(7,040,310)	(1,746,435)
Profit before expected credit losses and income tax expense		<u>32,649,357</u>	<u>26,956,638</u>
Expected credit losses		(9,061)	-
Profit before income tax expense		<u>32,640,296</u>	<u>26,956,638</u>
Income tax expense	6	(7,015,550)	(5,383,668)
Profit from continuing operations		<u>25,624,746</u>	<u>21,572,970</u>
Other Comprehensive income / (expense)			
Items that may be reclassified subsequently to profit or loss			
Debt instruments measured at FVOCI			
- Profit / (loss) arising during the year		352,287	(49,008)
- Income tax (expense) / benefit on Debt instruments measured at FVOCI		(98,640)	13,722
Other comprehensive income / (expense), net of tax		<u>253,647</u>	<u>(35,286)</u>
Total comprehensive income, net of tax		<u>25,878,393</u>	<u>21,537,684</u>

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

The 31 March 2019 results reflect the adoption of NZ IFRS 9. Prior period comparatives have not been restated. Refer to Note 1 for details of the changes to accounting policies.

Financial Statements For the Year Ended 31 March 2019

Statement of Changes in Equity

NZD

	Head Office Capital	Retained Earnings	Investment Revaluation Reserve	Total
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
Balance at 1 April 2018	83,000,000	80,863,956	219,747	164,083,703
Changes on initial application of NZ IFRS 9	-	(953,570)	-	(953,570)
Adjusted balance as at 1 April 2018	83,000,000	79,910,386	219,747	163,130,133
Profit from continuing operations	-	25,624,746	-	25,624,746
Other comprehensive income, net of tax	-	-	253,647	253,647
Total comprehensive income, net of tax	-	25,624,746	253,647	25,878,393
Balance at 31 March 2019	83,000,000	105,535,132	473,394	189,008,526

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

The 31 March 2019 results reflect the adoption of NZ IFRS 9. Prior period comparatives have not been restated. Refer to Note 1 for details of the changes to accounting policies.

Financial Statements

For the Year Ended 31 March 2019

Statement of Financial Position

	Note	As at 31 March 2019 NZD	As at 31 March 2018 NZD
Assets			
Cash and short term liquid assets	16	164,910,622	46,992,415
Amounts due from related parties	14	63,875,439	53,628,190
Amounts due from other financial institutions	16	254,427,482	239,452,923
Investment in debt instruments	16	153,761,423	128,995,839
Corporate loans originated by the Bank	16	4,691,064,914	3,542,949,765
Acceptances of customers	16	9,206,162	11,658,809
Derivative instruments	15	42,670,980	25,009,927
Other assets		2,794,599	1,676,651
Deferred tax asset	6	491,828	6,499,543
Property, plant and equipment	5	77,608	116,554
Total Assets		5,383,281,057	4,056,980,616
Liabilities			
Amounts due to related parties	14	4,425,224,966	3,505,703,965
Deposits	7	704,823,913	346,237,339
Acceptances		9,206,162	11,658,809
Current tax payable		735,642	-
Derivative instruments	15	45,673,529	26,251,536
Other liabilities	11	8,608,319	3,045,264
Total Liabilities		5,194,272,531	3,892,896,913
Equity			
Head Office capital	14	83,000,000	83,000,000
Retained earnings		105,535,132	80,863,956
Investment revaluation reserve		473,394	219,747
Total Equity		189,008,526	164,083,703
Total Liabilities and Equity		5,383,281,057	4,056,980,616
Total Interest Earning and Discount Bearing Assets			
	18	5,265,128,777	3,958,390,942
Total Interest and Discount Bearing Liabilities			
	18	5,121,157,637	3,844,487,468

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

The 31 March 2019 results reflect the adoption of NZ IFRS 9. Prior period comparatives have not been restated. Refer to Note 1 for details of the changes to accounting policies.

Financial Statements

For the Year Ended 31 March 2019

Statement of Cash Flows

	Twelve Months ended 31 March 2019 NZD	Twelve Months ended 31 March 2018 NZD
Cash Flows from Operating Activities		
Interest income received	129,169,364	94,906,184
Commission fees & trading income	20,536,817	15,843,055
Interest paid	(105,483,752)	(78,324,837)
Payments to suppliers, employees and others	(4,190,278)	(4,580,817)
Net cash flows from operating activities before changes in operating assets and liabilities	40,032,151	27,843,585
Net (increase) / decrease in operating assets:		
Net (increase) in corporate loans originated by the Bank	(1,147,706,868)	(429,404,541)
Net (increase) in amounts due from other financial Institutions	(14,974,559)	(4,917,896)
Net (increase) in investment in debt instruments	(23,725,213)	(102,550,858)
Net (increase) / decrease in amounts due from related parties	(10,247,249)	11,146,464
Net decrease in other assets	2,203,029	6,018,630
	(1,194,450,860)	(519,708,201)
Net increase / (decrease) in operating liabilities:		
Net increase in commercial papers and deposits	357,802,965	127,714,049
Net increase in amounts due to related parties	916,919,566	350,578,739
Net (decrease) in other liabilities	(2,380,252)	(6,372,841)
	1,272,342,279	471,919,947
Net cash flows from / (used in) operating activities before income tax	117,923,570	(19,944,669)
Net tax refunded	-	3,109,583
Net cash flows from / (used in) operating activities	117,923,570	(16,835,086)
Cash Flows from Investing Activities		
Payment for property, plant and equipment	(5,363)	(15,317)
Net cash flows from / (used in) investing activities	(5,363)	(15,317)
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 increase / (decrease) in cash and cash equivalents	117,918,207	(16,850,403)
Cash and cash equivalents at beginning of year	46,992,415	63,842,818
Cash and cash equivalents at end of the year	164,910,622	46,992,415
Reconciliation of Closing Cash and Cash Equivalents		
Cash and short term liquid assets	164,910,622	46,992,415
Closing cash and cash equivalents	164,910,622	46,992,415

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

Financial Statements For the Year Ended 31 March 2019

Statement of Cash Flows (continued)

	Twelve Months ended 31 March 2019 NZD	Twelve Months ended 31 March 2018 NZD
Reconciliation of profit from continuing operations to net cash used in operating activities		
Profit from continuing operations	25,624,746	21,572,970
(Increase) in corporate loans	(1,149,079,485)	(429,849,515)
(Increase) in due from other financial institutions	(14,974,559)	(4,917,896)
(Increase) in investment in debt instruments	(24,413,297)	(102,742,383)
(Increase) / decrease in due from related parties	(10,247,249)	11,146,464
Decrease in acceptances of customers	2,452,647	6,375,773
(Increase) in other assets	(1,117,947)	(806,154)
Increase / (decrease) in certificate of deposit	5,006,428	(3,048,139)
Increase in commercial paper and deposits	353,580,146	130,344,986
Increase in due to related parties	919,521,000	351,204,176
(Decrease) in acceptances	(2,452,647)	(6,375,773)
Increase / (decrease) in other liabilities	4,566,693	(29,738)
Increase in provision for expected credit losses	9,061	-
Increase in tax	7,015,550	8,493,251
Non-Cash items:		
Depreciation of property, plant and equipment	44,309	136,636
Other	2,388,174	1,660,256
Net cash flows from operating activities	117,923,570	(16,835,086)

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

Notes to the Financial Statements For the Year Ended 31 March 2019

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 year ended 31 March 2018 except as disclosed below.

The following new standards relevant to the Branch have been adopted from 1 April 2018 and have been applied in the preparation of these financial statements.

New Zealand equivalent to International Financial Reporting Standard 9: Financial Instruments (“NZ IFRS 9”)

NZ IFRS 9 was issued September 2014 and is effective for periods beginning on or after 1 January 2018. It is the comprehensive standard to replace NZ IAS 39, introduces new requirements for classification and measurement impairment and hedge accounting for financial assets and liabilities.

Classification and measurement

NZ IFRS 9 requires the classification of financial assets to be classified into three categories: amortised cost, fair value through other comprehensive income (“FVOCI”) and fair value through profit or loss (“FVTPL”) based on the Branch’s business model for managing the financial assets and their contractual cash flow characteristics. The contractual cash flow test is referred to as ‘solely payment of principal and interest’ (“SPPI”). The business model reflects how the Branch manages the assets in order to generate cash flows. That is, whether the Branch’s objective is solely to collect the contractual cash flows from the assets or is to collect both the contractual cash flows and cash flows arising from the sale of assets.

At initial recognition, the Branch measures a financial asset at its fair value plus transaction costs that are directly attributable to the acquisition of the financial assets. In the case of a financial asset at fair value through profit or loss (FVTPL), transaction costs are expenses in profit or loss.

Notes to the Financial Statements For the Year Ended 31 March 2019

1. Statement of Significant Accounting Policies (continued)

Subsequently, financial assets are then measured according to the following classifications:

- Financial assets that fail the SPPI test will be measured at FVTPL;
- Financial assets passing the SPPI test, a business model test assesses the objective of holding the assets:
 - Financial assets will be measured at amortised cost if they are held within a business model where the objective is to hold financial assets in order to collect contractual cash flows;
 - Financial assets will be measured as FVOCI if they are held within a business model where the objective is achieved by both collecting contractual cash flows and selling financial assets;
 - Financial assets will be measured at FVTPL if they do not meet either of the criteria's above.

The following table summaries the classification and measurement changes by balance sheet asset class to the Branch's financial assets on 1 April 2018, the Branch's initial application of NZ IFRS 9. There are no changes in the classification and measurement of financial liabilities of the Branch.

	Measurement under NZ IAS 39	Measurement under NZ IFRS 9	Unaudited as opening at 1 Apr 2018 (NZD)	
			Original carrying amount under NZ IAS 39	New carrying amount under NZ IFRS 9
Cash and cash equivalents	Loans and Receivables	Amortised cost	46,992,415	46,992,415
Amounts due from related parties	Loans and Receivables	Amortised cost	53,628,190	53,628,190
Amounts due from other financial institutions	Loans and Receivables	Amortised cost	239,452,923	239,452,923
Investment in debt instruments	Available for Sale Securities (FVOCI)	FVOCI	128,995,839	128,995,839
Corporate loans originated by the Bank	Loans and Receivables	Amortised cost	3,542,949,765	3,542,012,451
Derivative financial assets	Held for Trading	FVTPL	25,009,927	25,009,927
Acceptance of customers	Loans and Receivables	Amortised cost	11,658,809	11,658,809
Other financial assets	Loans and Receivables	Amortised cost	1,290,084	1,290,084

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.

According to the changes of credit risk of financial instruments since the initial recognition the Branch calculates the ECL by three stages:

Stage I: "12-months ECL"

The financial instruments without significant increases in credit risk after initial recognition are included in Stage I to calculate their impairment allowance at an amount equivalent to the portion of the lifetime ECL associated with the probability of default events occurring within the next 12 months;

Stage II: "Lifetime ECL – not credit impaired"

Financial instruments that have had a significant increase in credit risk since initial recognition but have no objective evidence of impairment are included in Stage II, with their impairment allowance measured at an amount equivalent to the ECL that will result from all possible default events over the expected life of financial instruments;

Notes to the Financial Statements For the Year Ended 31 March 2019

1. Statement of Significant Accounting Policies (continued)

Stage III: “Lifetime ECL – credit impaired”

Financial assets with objective evidence of impairment at the balance sheet date are included in stage III, with their impairment allowance measured at the amount equivalent to the ECL for the financial instruments.

Balance sheet impact of the adoption of NZ IFRS 9*

	NZD
Loan and advances	
<i>NZ IAS 39 carrying amount as at 31 Mar 2018</i>	3,542,949,765
Remeasurement of provision for ECL	(937,314)
NZ IFRS 9 carrying amount as at 1 April 2018	3,542,012,451
Deferred tax	
<i>NZ IAS 39 carrying amount as at 31 Mar 2018</i>	6,499,543
Increase in deferred tax asset arising from remeasurement of provision for ECL	370,833
NZ IFRS 9 carrying amount as at 1 April 2018	6,870,376
Other Liabilities	
<i>NZ IAS 39 carrying amount as at 31 Mar 2018</i>	3,045,264
Increase in other liabilities arising from remeasurement of provision for ECL on financial guarantee and commitments	387,089
NZ IFRS 9 carrying amount as at 1 April 2018	3,432,353
Retained earnings	
<i>NZ IAS 39 carrying amount as at 31 Mar 2018</i>	80,863,956
Transition adjustment to retained earnings in relation to adoption of NZ IFRS 9	(953,570)
NZ IFRS 9 carrying amount as at 1 April 2018	79,910,386

Considering the impact of NZ IFRS 9, and interpretation on the financial statements, the Branch will record an adjustment to 1 April 2018 total equity at the adoption date, but will not restate comparative periods.

* The balance sheet impact of the adoption of NZ IFRS 9 has been updated after the half year disclosure statement due to the update calculation of provision for ECL on loan and the addition calculation of provision for ECL on financial guarantee and commitments.

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 statements. As a result, there will be no impact for the Branch.

New Zealand equivalent to International Financial Reporting Standard 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 financial statements.

NZ IFRS 15 does not apply to revenue associated with financial instruments and therefore, will not impact majority of the Branch’s revenue. Accordingly, other revenues recognised under NZ IFRS 15 have been finalised and have no material impact on these financial statements.

Notes to the Financial Statements For the Year Ended 31 March 2019

1. Statement of Significant Accounting Policies (continued)

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 20). 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

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 12. This standard is effective for periods beginning on or after 1 January 2019, although early adoption is permitted. The accounting by lessors will remain largely unchanged. The main changes under this standard are:

- all operating leases of greater than 12 months duration will be required to be presented on balance sheet by the lessee as a right-of-use asset and lease liability. The asset and liability will initially be measured at the present value of non-cancellable lease payments and payment to be made in optional periods where it is reasonably certain that the option will be exercised.
- all leases on balance sheet will give rise to a combination of interest expense on the lease liability and depreciation of the right-of-use asset.

The Branch is in the process of reviewing and evaluating contracts within scope of the standard. Due to the number of contracts, the Branch is expected that the change will not have a material impact on the Branch's net profit, retained earning or capital position.

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 16 will be adopted for the financial year ended 31 March 2020.

Notes to the Financial Statements

For the Year Ended 31 March 2019

2. Significant Accounting Policies (continued)

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

For all interest bearing financial instruments, interest income and expense are recognised in the profit and 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 and Commission Income

Fee income integral to the loan categorised as loans and receivables are accounted for under NZ IFRS 9 and included in the effective interest rate, and recognised in profit and loss over the expected life of the instrument.

Fees and commissions that related to the execution of a significant act (for example, advisory or arrangement services) are recognised when the significant act has been completed. Fees charged for providing ongoing services (for example, maintaining and administering existing facilities) are recognised as income over the period the service is provided.

e) Other expense

Operating and administration expenses are recognized on an accrual basis.

Management expenses are charged by the Overseas Banking Group to reflect the cost of resources and services provided by related party.

Notes to the Financial Statements For the Year Ended 31 March 2019

2. Significant Accounting Policies (continued)

f) 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.

g) 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.

h) 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:

<u>Asset value</u>	<u>Method</u>	<u>Period</u>
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

Notes to the Financial Statements For the Year Ended 31 March 2019

2. Significant Accounting Policies (continued)

i) Financial Assets

The Branch classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income “FVOCI”, or through profit and loss “FVTPL”), and
- those to be measured at amortised cost.

The classification depends on the Branch’s business model for managing the financial assets and their contractual cash flow characteristics.

The business model reflects how the Branch manages the assets in order to generate cash flows. The Branch determines the business models at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. The Branch’s business model does not depend on management’s intentions for an individual instrument, therefore the business model assessment is performed at a high level of aggregation rather than on an individual instrument basis.

The Branch determines the contractual cash flow characteristics are based on the contractual cash flow test which is referred to as ‘solely payment of principal and interest’ “SPPI”. Under the SPPI test, the principal amount may change over the life of the financial assets. Interest consists of consideration for the time value of money, for the credit risk associated with the principal amount outstanding during a particular period of them and for other basic lending risks and as well as a profit margin.

At initial recognition, the Branch measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets measured at fair value through profit or loss are expensed in profit or loss. Derivative financial instruments are recognised initially at fair value and are subsequently measured at fair value through profit or loss.

Subsequently, financial assets are then measured according to the following classifications:

- Financial assets that fail the SPPI test will be measured at FVTPL;
- Financial assets passing the SPPI test, a business model test is performed to assess the objective of holding the assets:
 - Financial assets will be measured at amortised cost if they are held within a business model where the objective is to hold financial assets in order to collect contractual cash flows;
 - Financial assets will be measured as FVOCI if they are held within a business model where the objective is achieved by both collecting contractual cash flows and selling financial assets;
 - Financial assets will be measured at FVTPL if they do not meet either of the criteria’s above.

(1) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include derivative instruments. Derivative instruments are used to manage exposures to interest rate, foreign currency and credit risks, including exposures arising from forecast transactions.

The Branch also enters into derivative instruments for trading purposes, including foreign exchange contracts, options, interest rate swaps, and currency swaps. All derivative instruments are recognized at fair value. The fair value is determined using listed market prices or cash flow discounting models based on current market prices and contracted prices for the underlying instruments, as well as the time value of money and yield curves.

Notes to the Financial Statements For the Year Ended 31 March 2019

2. Significant Accounting Policies (continued)

All derivative financial instruments are included under assets if their fair value is positive and under liabilities if their fair value is negative.

(2) *Financial assets at fair value through other comprehensive income*

Investment in debt instruments are measured at fair value through other comprehensive income where they have:

- contractual terms that give rise to cash flows on specified dates, that represent solely payments of principal and interest on the principal amount outstanding; and
- are held within business model whose objective is achieved by both collecting contractual cash flows and selling financial assets.

These debt instruments are initially recognized at fair value plus direct attributable transaction costs and subsequently measured at fair value. Gains and losses arising from changes in fair value are included in other comprehensive income within a separate component of equity. Impairment gains and losses and interest revenue are recognized in profit and loss. Upon disposal, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to the profit and loss.

(3) *Financial assets at amortised cost*

Financial assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost and presented as cash and cash equivalents, amounts due from related parties, amount due from other financial institutions, and corporate loans originated by the Bank. At initial recognition, the Branch measures these financial assets at its fair value plus transaction cost that are directly attributable to the acquisition of the financial assets.

Interest income from these financial assets is using the effective interest rate method. Impairment losses are included in credit impairment losses in the Statement of Comprehensive income.

(4) *Acceptances*

Acceptances are financial asset 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 measured at amortised cost using the effective interest method.

(5) *Offsetting of income and expenses*

Income and expenses are not offset unless required or permitted by an accounting standard. It generally arises in the following circumstances:

- where transaction costs from an integral part of the effective interest rate of a financial instrument which is measured at amortised cost, these are offset against the interest income generated by the financial instrument; or
- where gains and loss arise from a group of similar transactions, such as foreign exchange gains and losses.

(6) *Offsetting Financial Assets*

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.

Notes to the Financial Statements

For the Year Ended 31 March 2019

2. Significant Accounting Policies (continued)

(7) Derecognition of financial assets and financial liabilities

The Branch derecognises financial assets when the rights to receive cash flows from the asset have expired or when the Branch transfers its rights to receive cash flows from the asset together with substantially all the risks and rewards of the asset. If all or substantially all risks and rewards are retained, the financial assets are not derecognised from the statement of financial position.

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such as exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability.

j) Other assets

Other assets include all other financial assets and non-financial assets. All other financial assets are measured at amortised cost using the effective interest method. All other non-financial assets are recorded at cost.

k) Financial Liabilities

The Branch classifies significant financial liabilities in the following categories: Amounts due to related parties and deposits. They are recognised when an obligation arises. They are initially recognised at fair value less transaction costs and subsequently measured at amortised cost.

l) Other Liabilities

Other liabilities include accrued interest, other accrued expense payable and all other financial liabilities. They are recognised initially at their fair value, and subsequently measured at amortised cost.

m) Impairment of financial assets, financial guarantee and undrawn loan commitment

Impairment allowances apply to financial assets at amortised cost, financial assets at fair value through OCI, financial guarantee, and undrawn loan commitment. The Branch recognises expected credit losses (ECL) based on unbiased forward looking information as impairment allowance. The Branch calculates the ECL by three stages:

- Stage I: “12-months ECL”
The financial instruments without significant increases in credit risk after initial recognition are included in Stage I to calculate their impairment allowance at an amount equivalent to the portion of the lifetime ECL associated with the probability of default events occurring within the next 12 months;
- Stage II: “Lifetime ECL – not credit impaired”
Financial instruments that have had a significant increase in credit risk since initial recognition but have no objective evidence of impairment are included in Stage II, with their impairment allowance measured at an amount equivalent to the ECL that will result from all possible default events over the expected life of financial instruments;
- Stage III: “Lifetime ECL – credit impaired”
Financial instruments with objective evidence of impairment at the balance sheet date are included in stage III, with their impairment allowance measured at the lifetime ECL.

Notes to the Financial Statements For the Year Ended 31 March 2019

2. Significant Accounting Policies (continued)

Financial instruments can be transferred between the different stages depending on their relative increase in credit risk since initial recognition.

Measurement of ECL

The assessment of credit risk, and the estimation of ECL, are unbiased and probability-weighted, and incorporate all available information which is relevant to the assessment including information about past events, current conditions and reasonable and supportable forecasts of future events and economic conditions at the reporting date.

The Branch calculates ECL using 3 main components, a borrower rating (BR), a probability of default (PD) and an expected recovery ratio (ER).

The BR represents the credit risk level of the borrower. It is designed to assess the medium-to long-term creditworthiness of the borrower based on the quantitative analysis (financial analysis, etc.) and qualitative analysis (industry trend, corporate competitiveness, management policy, etc). Assigning a rating is not a mechanical work: it is necessary to identify the creditworthiness of the borrower through researches and analysis and to reflect the result to the rating. In addition, the local economic environment, local business environment, and future macroeconomic conditions are also considered and reflected to the rating. They are based on current economic forecasts including (but are not limited to) GDP growth rate, and CPI rate. The estimation of forward looking information is a critical accounting judgement. For example, if there are 2 customers who have the same level of creditworthiness but they are in difference industries, the local economic impact on these industries will also affect the BR rating of these 2 customers. If there are 2 customers who have the same level of creditworthiness but they are in difference countries, the countries' economic will also affect the BR rating of these 2 customers. All the analysis and factors are reviewed annually and the BR is updated accordingly.

PD is the ratio of default for a certain period. "Default" is referred to the downgrade of BR to rating 9 or below. "DF rate" is calculated based on the actual value of number of borrowers falling in default for one year to the effective borrower numbers by each credit rating. PD for each borrower rating is based on simple average of DF rate of last decade.

ER is the collection ratio from each collateral, guarantee and unsecured portion. The determination of current ER is based on weighted average balance after March 2001.

The ECL should be calculated by PD on individual borrower rating and following formula:

$$ECL = \text{Credit amount} \times PD \times (1-ER)$$

The 3 stages for calculating ECL is based on following matrix with borrower rating:

Stages	Borrower Rating
I	1 to 7
II	8
III	9

Assets may move in both directions through the stages of the impairment model due to the creditworthiness of the borrower. Assets previously in stage 1 may move to stage 2 if it is considered that there has been a significant increase in credit risk. Similarly, assets in stage 2 may move to stage 3 if they are assessed to be non-performing.

For Borrower rating 10, 100% exposure will be written off from financial asset as credit loss.

Notes to the Financial Statements

For the Year Ended 31 March 2019

2. Significant Accounting Policies (continued)

n) 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.

o) 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.

p) 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.

q) 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.

Notes to the Financial Statements For the Year Ended 31 March 2019

2. Significant Accounting Policies (continued)

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.

r) Investment Revaluation Reserve

This reserve includes changes in fair value of FVOCI financial assets, net of tax. These changes are transferred to the profit and loss when the asset is derecognised or impaired.

s) 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.

“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.

Notes to the Financial Statements

For the Year Ended 31 March 2019

3. Risk Management Policies (continued)

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.

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.

Notes to the Financial Statements For the Year Ended 31 March 2019

3. Risk Management Policies (continued)

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 with oversight from the Oceania Region Asset and Liability Management Committee. Reports on liquidity are reviewed by the Regional Head for 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 2019 NZD	As at 31 March 2018 NZD
Cash and cash equivalents	164,910,622	46,992,415
Amounts due from related parties	63,875,439	53,628,190
Amounts due from other financial institutions	254,427,482	239,452,923
Investment in debt instruments	153,761,423	128,995,839
	636,974,966	469,069,367

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.

Notes to the Financial Statements For the Year Ended 31 March 2019

3. Risk Management Policies (continued)

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 through 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. These are based on the Branch's risk profile under the Parent Bank risk based approach to scoping audits. 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.

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.

Notes to the Financial Statements For the Year Ended 31 March 2019

4. Profit Before Income Tax Expense

	Twelve Months ended 31 March 2019 NZD	Twelve Months ended 31 March 2018 NZD
Operating revenue		
(a) Interest income		
Corporate loans and other accounts	132,532,482	95,540,287
Related parties	4,026	2,397
	132,536,508	95,542,684
(b) Fees and commissions income		
Fees and commissions income	20,253,978	15,884,787
	20,253,978	15,884,787
(c) Gains less losses on financial instruments		
Net (loss) on interest rate derivatives	(866,111)	(1,125,280)
Net gain on currency derivatives	255,907	553,206
Net gain on foreign currency	36,336	33,633
Other income	-	572
	(573,868)	(537,869)
	152,216,618	110,889,602
Total interest income derived from financial assets:		
At amortised cost	129,927,096	93,687,471
Investment in debt instruments (FVOCI)	2,609,412	1,855,213
Total fee income derived from financial assets that are not at fair value through profit or loss	20,229,468	15,872,326
Net unrealised (loss) on financial assets/liabilities (FVTPL)	(1,761,866)	(961,468)
Net realised gain on financial assets/liabilities (FVTPL)	1,187,999	423,027
Other fee income	24,509	12,461
Other income	-	572
	152,216,618	110,889,602
Expenses		
(a) Interest expense		
Deposits and other accounts	10,239,337	5,779,283
Related parties	98,629,458	72,753,789
	108,868,795	78,533,072
Total interest expense was derived from financial liabilities:		
At amortised cost	108,868,795	78,533,072
	108,868,795	78,533,072
(b) Other operating expense		
Rental & operating lease costs	299,178	289,628
Depreciation		
Furniture, fixtures and fittings	10,427	14,819
Office equipment	30,945	118,880
Motor vehicles	2,937	2,937
Auditors' remuneration (see note 9)		
Audit fees	161,915	130,713
Salaries	3,121,368	3,131,813
Staff related costs	75,695	101,303
Net losses from the disposal of fixed assets	-	5,495
General administration and other operating expenses	6,996,001	1,604,304
Provision for credit impairment	9,061	-
	10,707,527	5,399,892
Profit before income tax expense	32,640,296	26,956,638

Total income excluding any net loss for twelve months ended 31 March 2019 is NZD 153,082,729 (twelve months ended 31 March 2018 : NZD 112,014,882).

Notes to the Financial Statements For the Year Ended 31 March 2019

5. Property, Plant and Equipment

	As at 31 March 2019 NZD	As at 31 March 2018 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	(614,758)	(599,939)
Depreciation during the year	(10,427)	(14,819)
Disposals	-	-
Closing balance	(625,185)	(614,758)
	20,219	30,646
Office equipment:		
Cost as at 1 April	1,259,428	1,351,477
Additions	5,363	15,317
Disposals	-	(107,366)
Cost as at 31 March	1,264,791	1,259,428
Accumulated depreciation		
Opening balance	(1,179,378)	(1,162,369)
Depreciation during the year	(30,945)	(118,880)
Disposals	-	101,871
Closing balance	(1,210,323)	(1,179,378)
	54,468	80,050
Motor vehicles:		
Cost as at 1 April	38,091	76,003
Additions	-	-
Disposals	-	(37,912)
Cost as at 31 March	38,091	38,091
Accumulated depreciation		
Opening balance	(32,233)	(67,208)
Depreciation during the year	(2,937)	(2,937)
Disposals	-	37,912
Closing balance	(35,170)	(32,233)
	2,921	5,858
Net book value as at 31 March	77,608	116,554

Notes to the Financial Statements For the Year Ended 31 March 2019

6. Income Tax

Income Tax recognised in profit and loss

	As at 31 March 2019 NZD	As at 31 March 2018 NZD
Tax expense / (benefit) comprises:		
Current tax expense	936,086	(1,112,088)
Adjustments recognised in the current year in relation to the current tax of prior years	82,307	1,125,810
Deferred tax expense relating to the origination and reversal of temporary differences	5,997,157	5,369,946
	7,015,550	5,383,668

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	32,640,296	26,956,638
Income tax expense calculated at 28%	9,139,282	7,547,859
Effect of other assessable incomes	190,400	126,000
Effect of other deductible expenses	(2,928,160)	(3,920,000)
Effect of expenses that are not deductible in determining taxable profit	531,721	503,999
	6,933,243	4,257,858
Adjustment recognised in the current year in relation to the current tax and deferred tax of prior years	82,307	1,125,810
	7,015,550	5,383,668

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	352,287	(49,008)
Income tax (benefit) / expense calculated at 28%	98,640	(13,722)

The Branch did not have any imputation credits as at the year ended 31 March 2019 (2018: Nil).

The Branch had Nil as current tax asset at the year ended 31 March 2019 (2018: Nil).

Deferred tax balance

Deferred tax assets arise from the following

	31 March 2019				
	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	29,173	6,013	-	-	35,186
Property, plant & equipment	88,311	(7,858)	-	-	80,453
Provision for ECL	370,833	2,537	-	-	373,370
Tax loss	6,381,100	(6,381,100)	-	-	-
Others	959	1,860	-	-	2,819
	6,870,376	(6,378,548)	-	-	491,828

* Opening balance include the impact of the adoption of NZ IFRS 9 for remeasurement of provision for ECL (Note: 1)

Notes to the Financial Statements For the Year Ended 31 March 2019

6. Income Tax (continued)

	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

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 2019 NZD	As at 31 March 2018 NZD
Retail deposit bearing interest	221,647,440	96,364,685
Retail deposit not bearing interest	8,667,402	7,166,727
Certificate deposit	43,883,264	38,876,836
Call deposit	203,635,003	89,742,864
Term deposit	226,990,804	114,086,227
	704,823,913	346,237,339

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

	As at 31 March 2019 NZD	As at 31 March 2018 NZD
Total Liabilities	5,194,272,531	3,892,896,913
Less: total amounts due to related parties (Note: 14)	(4,461,360,497)	(3,518,618,284)
Total liabilities net of amounts due to related parties	732,912,034	374,278,629

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 2019 NZD	Twelve Months ended 31 March 2018 NZD
Assurance Services		
Auditor of the Branch		
Audit & review of the Branch's Disclosure Statements	161,915	130,713
Other non-audit services	-	-

The auditor of the Branch is Deloitte Limited, Auckland.

Notes to the Financial Statements For the Year Ended 31 March 2019

10. Provision for expected credit losses

The following table reconciles the 31 March 2019 provision for expected credit losses on loan, financial guarantee and commitments based on the requirements of NZ IFRS 9.

Stage 1	Loan	Financial guarantee and commitments	Total
NZD			
Provision for impairment charges as at 31 March 2018	-	-	-
Charges in initial adoption of NZ IFRS 9	937,314	387,089	1,324,403
Restated provision for ECL as at 1 April 2018	<u>937,314</u>	<u>387,089</u>	<u>1,324,403</u>
Net transfers in / (out) of stages *	-	-	-
New financial assets originated	257,158	159,748	416,906
Financial assets derecognized during the period	(192,923)	(99,882)	(292,805)
Change in ECL due to net further lending / repayment	(37,213)	(77,827)	(115,040)
Change in ECL due to amounts written-off	-	-	-
Total provision for ECL as at 31 March 2019	<u>964,336</u>	<u>369,128</u>	<u>1,333,464</u>

* Represents the transfers between stages

The Branch does not have stage 2 and stage 3 collective provision, and individual provision during the period.

The provisions for ECL on loan, financial guarantee, and commitments disaggregated into types of credit exposures have been disclosed in note 22.

The following table explains in gross carrying amounts of loan during the period have contributed to changes in the provisions for expected credit losses on loans.

NZD	Stage 1
Total gross carrying amount at the beginning of the period	3,542,949,765
Net transfers in / (out) of stages *	-
New financial assets originated	2,448,793,196
Financial assets derecognized during the period	(1,400,375,619)
Net further lending / repayment	100,661,908
Amounts written-off	-
Total gross carrying amount as at 31 March 2019	<u>4,692,029,250</u>
Provision for ECL as at 31 March 2019	(964,336)
Total net carrying amount as at 31 March 2019	<u>4,691,064,914</u>

11. Other Liabilities

	As at 31 March 2019 NZD	As at 31 March 2018 NZD
Provision for employee entitlements	125,665	104,189
Unearned income	1,924,077	1,974,780
Management fee charged by related parties	4,451,269	-
Provisions for ECL on financial guarantee and commitment	369,128	-
Others	1,738,180	966,295
	<u>8,608,319</u>	<u>3,045,264</u>

Notes to the Financial Statements For the Year Ended 31 March 2019

12. Commitments and Contingent Liabilities

	As at 31 March 2019 NZD	As at 31 March 2018 NZD
a) Future lease rental commitments		
Operating lease (primarily premises)		
Due within 1 year	223,501	222,613
Due within 1 - 2 years	191,092	185,526
Due within 2 - 5 years	96,958	288,050
Due over 5 years	-	-
	511,551	696,189
b) Other commitments		
Undrawn facility commitments	1,878,177,793	1,751,501,492
c) Contingent liabilities		
Guarantees given	14,418,925	14,426,475
Performance related contingencies	92,177,221	7,247,573
Trade related contingencies	20,075,089	17,022,091
	126,671,235	38,696,139

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.

Notes to the Financial Statements For the Year Ended 31 March 2019

13. 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 2019 NZD	Twelve Months ended 31 March 2018 NZD
Short term benefits	999,132	1,078,808
	999,132	1,078,808
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.

14. 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 19. The interest rate risk analysis for these balances are presented in Note 18. No related party debts have been written off, forgiven or calculated ECL 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 2019 NZD	Twelve Months ended 31 March 2018 NZD
a) Balances		
Assets		
Amounts due from related parties	63,875,439	53,628,190
Derivative instruments	13,882,460	13,500,816
Others	964	924
	77,758,863	67,129,930
Liabilities		
Amounts due to related parties	4,425,224,966	3,505,703,965
Derivative instruments	31,684,262	12,914,319
Other	4,451,269	-
	4,461,360,497	3,518,618,284
Equity		
Head Office capital	83,000,000	83,000,000
Off Balance Sheet		
Guarantees given	987,229	794,779
Performance related contingencies	1,836,827	1,400,000
	2,824,056	2,194,779

Notes to the Financial Statements For the Year Ended 31 March 2019

14. Related Party Disclosures (continued)

b) Transactions

Interest income	4,026	2,397
Interest expense	98,629,458	72,753,789
Net (loss) / profit from derivative instruments	(24,731,636)	7,565,320
Fees and commissions income	4,734	8,022
Management fee expense	(4,451,269)	-

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 23 and Note 24.

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

15. 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 2019.

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

	As at 31 March 2019 NZD	As at 31 March 2018 NZD
Foreign Exchange Contracts		
Spot and forward contracts:		
Notional principal amount < 1 year	720,104,244	1,003,000,070
Notional principal amount 1 to 2 years	36,065,936	31,345,462
Notional principal amount 2 to 3 years	-	-
Total notional principal	756,170,180	1,034,345,532
Fair value < 1 year	(1,483)	(2,179)
Fair value 1 to 2 years	(239)	(565)
Fair value 2 to 3 years	-	-
Total fair value	(1,722)	(2,744)

Notes to the Financial Statements For the Year Ended 31 March 2019

15. Derivative Financial Instruments (continued)

Interest Rate Swap Contracts

Notional principal amount < 1 year	902,536,579	290,069,128
Notional principal amount 1 to 2 years	610,846,436	576,544,525
Notional principal amount 2 to 3 years	132,866,984	486,769,584
Notional principal amount 3 to 4 years	217,523,752	110,188,321
Notional principal amount 4 to 5 years	841,507,756	125,422,974
Notional principal amount more than 5 years	261,291,845	169,000,000
Total notional principal	2,966,573,352	1,757,994,532

Fair value < 1 year	(76,252)	2,644
Fair value 1 to 2 years	(117,819)	(71,556)
Fair value 2 to 3 years	(25,643)	37,295
Fair value 3 to 4 years	(104,773)	15,361
Fair value 4 to 5 years	(2,177,357)	(43,342)
Fair value more than 5 years	(386,336)	(1,162,023)
Total fair value	(2,888,180)	(1,221,621)

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	156,900,000	-
Notional principal amount more than 5 years	174,570,847	164,081,101
Total notional principal	331,470,847	164,081,101

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	(7,325)	-
Fair value more than 5 years	(104,683)	-
Total fair value	(112,008)	-

Currency Options Contracts

Notional principal amount < 1 year	5,323,864	-
Notional principal amount 1 to 2 years	-	5,214,709
Total notional principal	5,323,864	5,214,709
Fair value < 1 year	(639)	-
Fair value 1 to 2 years	-	(17,244)
Total fair value	(639)	(17,244)

Notes to the Financial Statements For the Year Ended 31 March 2019

16. 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 2019 NZD	As at 31 March 2018 NZD
Notional principal		
On Balance Sheet		
Cash and short term liquid assets	164,910,622	46,992,415
Amounts due from related parties	63,875,439	53,628,190
Amounts due from other financial institutions	254,427,482	239,452,923
Investment in debt instruments	153,761,423	128,995,839
Corporate loans originated by the Bank*	4,692,029,250	3,542,949,765
Acceptance of customers	9,206,162	11,658,809
Other assets	2,751,684	1,652,367
Total	5,340,962,062	4,025,330,308
Off Balance Sheet		
Guarantees given	14,418,925	14,426,475
Performance related contingencies	92,177,221	7,247,573
Trade related contingencies	20,075,089	17,022,091
Undrawn facility commitments	1,878,177,793	1,751,501,492
Total	2,004,849,028	1,790,197,631
Fair value		
Derivative Instruments	42,670,980	25,009,927

* Total gross loans, excluding provision (note 10).

Notes to the Financial Statements For the Year Ended 31 March 2019

16. Concentration of Credit Risk (continued)

i. Concentration of Credit Risk by Customers Industry Sector

	As at 31 March 2019 NZD	As at 31 March 2018 NZD
Notional principal		
On Balance Sheet		
Agriculture	30,039,028	30,026,241
Communications	16,133	61,949,665
Construction	84,663,173	61,456,868
Electricity, gas and water	886,576,062	580,123,417
Finance	1,421,208,367	954,274,866
Fishing	93,060,292	99,473,944
Food manufacturing	777,941,871	676,060,575
Forestry	157,387,349	120,828,105
Health care & social assistance	148,247,378	101,908,968
Other manufacturing	371,785,084	98,564,963
Property and business services	126,319,043	204,230,128
Transport and storage	843,698,462	730,271,497
Wholesale trade	393,399,475	297,508,448
Wood and paper manufacturing	6,620,345	8,652,623
Total	5,340,962,062	4,025,330,308

Notional principal

Off Balance Sheet

Communications	207,500,000	145,500,000
Construction	105,755,992	45,811,451
Electricity, gas and water	571,675,076	744,547,573
Finance	326,925,806	284,528,316
Fishing	10,311,398	4,761,893
Food manufacturing	317,232,813	176,869,256
Forestry	178,020	1,478,020
Health care & social assistance	27,058,228	23,023,715
Other manufacturing	186,224,204	95,748,210
Property and business services	3,576,560	24,444,550
Transport and storage	83,499,842	167,022,091
Wholesale trade	139,324,644	46,278,866
Wood and paper manufacturing	25,586,445	30,183,690
Total	2,004,849,028	1,790,197,631

Fair value

Derivative Instrument

Communications	64,654	-
Construction	526,276	516,215
Electricity, gas and water	9,494,516	1,768,870
Finance	17,269,289	16,144,167
Fishing	429,973	2,362,346
Food manufacturing	3,242,270	1,661,785
Forestry	21,904	39,878
Other manufacturing	6,109,700	158,208
Transport and storage	3,765,140	841,649
Wholesale trade	1,690,658	1,035,744
Wood and paper manufacturing	56,600	481,065
Total	42,670,980	25,009,927

Notes to the Financial Statements For the Year Ended 31 March 2019

16. Concentration of Credit Risk (continued)

ii. Concentration of Credit Risk by Customers Geographic Location

	As at 31 March 2019 NZD	As at 31 March 2018 NZD
Notional principal		
On Balance Sheet		
New Zealand	4,685,810,609	3,700,403,528
Japan	292,470,765	245,017,684
Australia	326,234,028	79,909,096
United States of America	36,446,660	-
Sri Lanka	-	-
Total	5,340,962,062	4,025,330,308
Off Balance Sheet		
New Zealand	2,001,184,579	1,628,346,851
Japan	2,824,056	2,194,778
Australia	-	159,608,427
Other	840,393	47,575
Total	2,004,849,028	1,790,197,631
Fair value		
Derivative Instrument		
New Zealand	25,553,561	9,862,007
Japan	14,838,469	14,169,476
Australia	2,278,950	978,444
Total	42,670,980	25,009,927

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 22 for impaired assets.

31 March 2019

Credit Rating	S&P Rating	Notional principal		Derivative financial instruments
		On balance Sheet	Off balance Sheet	
1-2	A- and above	1,891,632,538	761,493,117	3,722,610
3-7	B- to BBB+	3,385,453,121	1,240,531,855	24,288,652
8-9	CCC+/-	-	-	777,258
Not rated*		63,876,403	2,824,056	13,882,460
		5,340,962,062	2,004,849,028	42,670,980

31 March 2018

Credit Rating	S&P Rating	Notional principal		Derivative financial instruments
		On balance Sheet	Off balance Sheet	
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

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

Notes to the Financial Statements For the Year Ended 31 March 2019

16. Concentration of Credit Risk (continued)

There is no period end aggregate exposure equal to or exceeding 10% of the global equity of the Overseas Banking Group.

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. Investment in debt instruments

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 2019 (2018: Nil).

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

As at 31 March 2019

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	42,670,980	-	42,970,980	953,709	41,717,271

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

Notes to the Financial Statements For the Year Ended 31 March 2019

16. Concentration of Credit Risk (continued)

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

As at 31 March 2019

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	45,673,527	-	45,673,527	953,709	44,719,818

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

There has been no collateral obtained against derivative assets for the year end 31 March 2019 (2018: 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 2019 is over NZD 1,273,705,546 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 2019		As at 31 March 2018	
	NZD	%	NZD	%
Maximum Exposure	5,340,962,062	100.00	3,542,949,765	100.00
Collateral classification				
Secured	1,273,705,546	23.85	863,470,380	24.37
Partially secured	-	-	-	-
Unsecured	4,067,256,516	76.15	2,679,479,385	75.63

Notes to the Financial Statements For the Year Ended 31 March 2019

16. 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 2019		As at 31 March 2018	
	NZD	%	NZD	%
Maximum Exposure	2,004,849,028	100.00	1,790,197,631	100.00
Collateral classification				
Secured	206,835,023	10.32	150,590,402	8.41
Partially secured	-	-	-	-
Unsecured	1,798,014,005	89.68	1,639,607,229	91.59

17. Concentration of Funding

	As at 31 March 2019 NZD	As at 31 March 2018 NZD
a) Category analysis		
Customer deposits	704,823,913	346,237,339
Due to related parties	4,425,224,966	3,505,703,965
	5,130,048,879	3,851,941,304
b) Industry analysis		
Agriculture	123,569	525,396
Communications	35,014,431	-
Constructions	338,661	1,011,868
Education	5,232,065	-
Electricity, gas and water	136,274,542	-
Finance	4,501,367,884	3,634,410,813
Food manufacturing	74,424,001	30,614,024
Fishing	1,080	-
Forestry	6,120	41,649
Insurance	30,049,610	50,038,463
Other industries	100,830	222,928
Other manufacturing	12,473,807	7,435,557
Professional, scientific and technical services	17,929	-
Property and business services	10,003,041	3,004,714
Transport and storage	105,088,164	61,335,187
Wholesale trading	143,935,874	57,375,390
Wood and paper manufacturing	75,597,271	5,925,315
	5,130,048,879	3,851,941,304
c) Geographical analysis		
Australia	3,540,296,819	2,474,553,205
New Zealand	704,209,785	344,878,460
Japan	826,362,116	951,584,343
Singapore	59,180,159	80,925,296
Fiji	-	-
	5,130,048,879	3,851,941,304

Notes to the Financial Statements For the Year Ended 31 March 2019

18. 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 2019

	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	164,910,622	-	-	-	-	-	164,910,622	1.25%
Amounts due from related parties	-	-	-	-	-	63,875,439	63,875,439	
Amounts due from other financial institutions	254,427,482	-	-	-	-	-	254,427,482	1.96%
Investment in debt instruments	-	-	-	153,761,423	-	-	153,761,423	1.60%
Corporate loans originated by the Bank	4,507,247,281	137,411,444	6,678,576	7,423,186	33,268,763	(964,336)	4,691,064,914	2.77%
Due from customers on acceptance	-	-	-	-	-	9,206,162	9,206,162	
Property, Plant and Equipment	-	-	-	-	-	77,608	77,608	
Other assets	-	-	-	-	-	45,957,407	45,957,407	
Total assets	4,926,585,385	137,411,444	6,678,576	161,184,609	33,268,763	118,152,280	5,383,281,057	
LIABILITIES								
Amounts due to related parties	4,309,170,922	82,558,499	-	-	33,271,705	223,840	4,425,224,966	2.33%
Deposits	683,587,426	12,569,085	-	-	-	8,667,402	704,823,913	2.13%
Liability for acceptance	-	-	-	-	-	9,206,162	9,206,162	
Other liabilities	-	-	-	-	-	55,017,491	55,017,491	
Total liabilities	4,992,758,348	95,127,584	-	-	33,271,705	73,114,895	5,194,272,532	

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%
Investment in debt instruments	-	-	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	

At 31 March 2019, 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 0.2 million lower (2018: NZD 0.1M lower) 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 0.2 million higher (2018: NZD 0.1M higher) 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 2019 and 2018 because a similar funding structure was applied in 2019 and 2018.

Notes to the Financial Statements For the Year Ended 31 March 2019

19. 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 2019

	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	164,910,622	-	-	-	-	-	164,910,622
Amounts due from related parties	63,875,439	-	-	-	-	-	63,875,439
Amounts due from other financial institutions	-	105,000,000	150,000,000	-	-	-	255,000,000
Investment in debt instruments	-	2,250,000	-	2,250,000	152,250,000	-	156,750,000
Corporate loans originated by the Bank	467,095,777	30,010,709	181,374,180	699,964,427	3,337,199,196	305,586,936	5,021,231,225
Acceptance of customers	-	6,184,384	3,021,778	-	-	-	9,206,162
Derivative instruments	-	2,804,538	4,984,101	22,116,215	84,663,988	27,430,751	141,999,593
	695,881,838	146,249,631	339,380,059	724,330,642	3,574,113,184	333,017,687	5,812,973,041
LIABILITIES							
Amounts due to related parties	-	2,182,943,890	1,939,015,817	86,040,835	28,712,494	-	4,236,713,036
Deposits	433,949,845	171,206,113	87,479,533	12,628,508	-	-	705,263,999
Acceptance	-	6,184,384	3,021,778	-	-	-	9,206,162
Derivative instruments	-	2,806,893	4,857,263	21,171,416	67,789,829	20,217,480	116,842,881
Lease commitment	-	20,657	41,314	161,530	288,050	-	511,551
Gross loan commitment	1,878,177,793	-	-	-	-	-	1,878,177,793
Guarantees given	-	-	-	12,509,020	661,678	1,248,227	14,418,925
Performance related contingencies	-	30,061,713	30,045,966	31,558,830	510,712	-	92,177,221
Trade related contingencies	-	-	20,075,089	-	-	-	20,075,089
	2,312,127,638	2,393,223,650	2,084,536,760	164,070,139	97,962,763	21,465,707	7,073,386,657

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
Investment in debt instruments	-	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

Notes to the Financial Statements For the Year Ended 31 March 2019

19. 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.

20. 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 investment in debt instruments are derived from quoted prices in the active market.

Notes to the Financial Statements For the Year Ended 31 March 2019

20. Fair Value of Financial Instruments (continued)

31 March 2019

	Note	FVTPL NZD	FVOCI NZD	Amortised Cost NZD	Total Carrying Amount NZD	Fair Value NZD
Assets						
Cash and cash equivalents	a	-	-	164,910,622	164,910,622	164,910,622
Amounts due from related parties	a	-	-	63,875,439	63,875,439	63,875,439
Amounts due from other financial institutions	a	-	-	254,427,482	254,427,482	254,427,482
Investment in debt instruments	d	-	153,761,423	-	153,761,423	153,761,423
Corporate loans originated by the Bank	b	-	-	4,691,064,914	4,691,064,914	4,693,277,422
Other assets	c, a	42,670,980	-	11,345,946	54,016,926	54,016,926
Total financial assets		42,670,980	153,761,423	5,185,624,403	5,382,056,806	5,384,269,314
Liabilities						
Amounts due to related parties	b	-	-	4,425,224,966	4,425,224,966	4,434,562,253
Deposits	a, b	-	-	704,823,913	704,823,913	704,823,913
Other liabilities	c, a	45,673,529	-	9,206,162	54,879,691	54,879,691
Total financial liabilities		45,673,529	-	5,139,255,041	5,184,928,570	5,194,265,857

31 March 2018

	Note	Held for Trading NZD	Investment in debt instrument s 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 institution	a	-	-	239,452,923	-	239,452,923	239,452,923
Investment in debt instruments	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

Notes to the Financial Statements For the Year Ended 31 March 2019

20. 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 2019		31 March 2018	
	Level 1	Level 2	Level 1	Level 2
Derivative financial assets				
Interest rate swaps	-	28,292,842	-	10,370,372
Currency swaps	-	7,086,268	-	3,990,680
Currency options	-	41,528	-	75,767
FX forwards	-	7,250,342	-	10,573,108
Total derivative financial assets	-	42,670,980	-	25,009,927
Derivative financial liabilities				
Interest rate swaps	-	31,181,023	-	11,591,992
Currency swaps	-	7,198,276	-	3,990,680
Currency options	-	42,166	-	93,012
FX forwards	-	7,252,064	-	10,575,852
Total derivative financial liabilities	-	45,673,529	-	26,251,536
Investment in debt instruments	153,761,423	-	128,995,839	-

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.

21. Profitability and Size

The Overseas Banking Group

a) Profitability

	Twelve Months ended 31 March 2019 JPY(000's)	Twelve Months ended 31 March 2018 JPY(000's)
Net Profit After Tax	655,377,000	617,956,000
Net Profit After Tax over the previous 12 month period as a percentage of average total assets	0.27%	0.26%

b) Size

	Twelve Months ended 31 March 2019 JPY(000's)	Twelve Months ended 31 March 2018 JPY(000's)
Total Assets	253,312,157,000	239,228,925,000
% Change in total assets over the previous 12 months	5.89%	4.42%

Notes to the Financial Statements For the Year Ended 31 March 2019

22. Asset Quality

(i) The Overseas Banking Group

	As at 31 March 2019 JPY(000's)	As at 31 March 2018 JPY(000's)
Total individually impaired assets (before allowances for credit impairment loss and net of interest held in suspense)	777,085,000	1,053,986,000
Total individually impaired assets expressed as a percentage of total assets	0.31%	0.44%
Total individual credit impairment allowance	231,350,000	172,986,000
Total individually credit impairment allowance expressed as a percentage of total individually impaired assets	29.77%	16.41%
Total collective credit impairment allowance	358,160,000	486,351,000

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

The provision for impairment is based on NZ IFRS 9's impairment model which requires the Branch to recognised expected credit losses (ECL) based on unbiased forward looking information. 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.

The Branch does not have any individually impaired assets that have been recognised, any individual credit impairment allowances, and any assets that are less than 30 days past due; at least 30 days but less than 60 days past due; at least 60 days but less than 90 days past due; and at least 90 days past due but not impaired as at 31 March 2019 (31 March 2018: Nil).

The Branch did not charge or credit to the statement of comprehensive income for any increase or decrease in individual during this accounting period ended 31 March 2019 (31 March 2018: Nil).

The total interest income recognised on impaired asset over this accounting period ended 31 March 2019 is Nil (31 March 2018: 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.

The Branch has only one type of credit exposure: Corporate exposures. The movement in balance of collective provision for expected credit loss and the impacts of changes in gross carrying amounts of loan by expected credit loss allowance are disclosed in note 10.

Notes to the Financial Statements For the Year Ended 31 March 2019

23. 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 2019 NZD (000's)	Twelve Months Ended 31 March 2018 NZD (000's)
(1) Aggregate Interest Rate Exposure		
(a) Notional Capital Charge *	3,773	1,290
(b) Implied risk weighted exposure	47,163	16,125

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

	Peak End of Day Ending 31 March 2019 NZD (000's)	Peak End of Day Ending 31 March 2018 NZD (000's)
(1) Aggregate Interest Rate Exposure (continued)		
(a) Notional Capital Charge **	5,929	3,228
(b) Implied risk weighted exposure	74,113	40,350

** 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.

24. 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.

Notes to the Financial Statements For the Year Ended 31 March 2019

24. Capital Adequacy (continued)

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 2019:

	2019
Minimum Common Equity Tier 1 ratio	4.50%
Capital Conservation Buffer	2.50%
Countercyclical Buffer	0.02%
G-SIB Surcharge	1.50%
Total	8.52%
Minimum Tier 1 ratio	10.02%
Minimum Capital ratio	12.02%

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

Overseas Banking Group

	As at 31 March 2019	As at 31 March 2018
Capital ratios:		
Common Equity Tier 1 capital	10.83%	11.85%
Tier 1 capital	12.46%	13.59%
Total capital	14.42%	15.90%

Overseas Bank

	As at 31 March 2019	As at 31 March 2018
Capital ratios:		
Common Equity Tier 1 capital	11.69%	12.54%
Tier 1 capital	13.53%	14.51%
Total capital	15.58%	16.90%

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.mufig.jp.

25. Insurance Business

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

26. 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.

Notes to the Financial Statements For the Year Ended 31 March 2019

27. Securitisation, 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.

28. 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.

29. 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 2019, 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.

Independent Auditor's Report

To the Shareholders of MUFG Bank, Ltd Auckland Branch

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 57 to 58) of the MUFG Bank Ltd. – Auckland Branch ('the Branch' and 'the Banking Group').

The financial statements comprise the statement of financial position as at 31 March 2019, 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 16 to 59:

- 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 2019, 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.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter

How our audit addressed the key audit matter

Expected credit loss on loans and advances to customers

As described in note 10, the expected credit loss has been determined as \$1,333,464. We considered this a Key Audit Matter due to the significant judgement made by management in determining when to recognise an allowance for impairment losses on loans and advances to customers and in estimating the provision. As detailed in note 10, the Branch has loans and advances of \$4,692,029,250 and impairment allowances of \$964,336 on loans and advances and \$369,128 on undrawn commitments and guarantees.

Key areas of judgement include:

- Determination of the requirements under NZ IFRS 9 when calculating the impairment allowance, which is reflected in the Branch's expected credit loss model
- Assumptions used in the expected credit loss model such as credit risk level of the borrower and macro economic environment as described in note 2.

We assessed the modelling methodology against the requirements of NZ IFRS 9.

We tested the operating effectiveness of key controls in the lending cycle, specifically isolated to the assessment of credit risk related to each counterparty. We tested the approval of new lending arrangements, the performance of loan assessments and controls over the monitoring of counterparty credit quality.

We assessed the data used in determining the expected credit loss, including transactional data captured at commencement of the loan, internal credit quality assessment.

The Branch has assessed the expected credit loss through the aggregation of borrower ratings and determined the expected credit loss on a collective basis. As a result, we challenged the probability of default for each borrower rating. We also challenged the probability of default and expected recovery ratio applied to each security type, this included the forward looking information used.

We tested the accuracy of key inputs into the models by reconciling each of the balances through to the general ledger. We tested the operating effectiveness of IT controls related to the system that generated the relevant reports.

We assessed the mathematical accuracy of the expected credit loss model and the reasonableness of the inputs in the model, as well as the design and implementation of controls over these inputs.

In addition, we assessed the adequacy of the related disclosures in the Disclosure Statement.

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 15 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 these 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-2>

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 57 to 58.
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	<p>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 <i>Review of Financial Statements Performed by the Independent Auditor of the Entity</i> ('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:</p> <ul style="list-style-type: none">• 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. <p>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.</p> <p>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.</p> <p>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.</p>
Conclusion	<p>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 57 to 58, as required by Schedule 9 of the Order, is not in all material respects:</p> <ul style="list-style-type: none">• 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 Branch is part of MUFG Bank, Ltd. As described in Note 28, 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.

The signature 'Deloitte Limited' is written in a cursive, handwritten style in black ink.

Jason Stachurski, Partner
for Deloitte Limited
Auckland, New Zealand
24 June 2019

This audit report relates to the Disclosure Statement of MUFG Bank, Ltd. – Auckland Branch ('the Branch') for the year ended 31 March 2019 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 Disclosure Statement and related audit report dated 24 June 2019 to confirm the information included in the Disclosure Statement presented on this website.