



**REGISTERED BANK
DISCLOSURE STATEMENT**



31 MARCH 2021



**MUFG BANK, LTD.
AUCKLAND BRANCH**

**Financial Statements
For the Year Ended 31 March 2021**

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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 19, 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.

Financial Statements For the Year Ended 31 March 2021

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), negotiable certificates of deposit, and deposit in overseas branches 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 2021 NZD	As at 31 March 2020 NZD
Amount due to related parties	3,771,780,745	5,042,976,787
Retail deposit	183,361,306	256,892,999
Certificate deposit	838,697,399	330,044,948
Call deposit	262,796,712	275,480,071
Term deposit	985,453,945	198,221,596
	<u>6,042,090,107</u>	<u>6,103,616,401</u>

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.

Financial Statements For the Year Ended 31 March 2021

5. Directorate

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

C/- Mr Hiroto Fukashiro,
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 Masami Yoshitake
Managing Director, Head of Auckland Branch
MUFG Bank, Ltd., Auckland Branch
Level 19, 151 Queen Street
Auckland, NEW ZEALAND

5.2 Directors of MUFG Bank, Ltd. as of 31 March 2021:

Name: Kiyoshi Sono
Occupation: Chairman
Residence: Japan
Executive or Independent director: Executive director
Qualification: Faculty of Law
Kyushu University, Japan

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

Name: Akihiko Nakamura
Occupation: Deputy President
Residence: Japan
Executive or Independent director: Executive director
Qualification: BA in Economics
Waseda University, Japan;

Name: Kenji Yabuta
Occupation: Deputy President
Residence: Japan
Executive or Independent director: Executive director
Qualification: Faculty of Law
The University of Tokyo, Japan

Name: Naoki Hori
Occupation: Deputy President
Residence: Japan
Executive or Independent director: Executive director
Qualification: Faculty of Law
Kyoto University, Japan

Name: Masato Miyachi
Occupation: Deputy President
Residence: Japan
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

Financial Statements For the Year Ended 31 March 2021

5. Directorate (continued)

Name: Takayoshi Futae
Occupation: Senior Managing Executive Officer
Residence: Japan
Executive or Independent director: Executive director
Qualification: BA in Economics
 Osaka University, Japan;
 MBA
 University of Chicago,
 USA

Name: Muneya Taniguchi
Occupation: Senior Managing Executive Officer
Residence: Japan
Executive or Independent director: Executive director
Qualification: BA in Economics
 Keio University, Japan

Name: Masakazu Ikeda
Occupation: Senior Managing Executive Officer
Residence: Japan
Executive or Independent director: Executive director
Qualification: Faculty of Law
 Kyoto University, Japan

Name: Masahiro Kuwahara
Occupation: Senior Managing Executive Officer
Residence: Japan
Executive or Independent director: Executive director
Qualification: Faculty of Law
 The University of Tokyo,
 Japan;
 MBA
 University of California,
 USA

Name: Tetsuya Yonehana
Occupation: Senior Managing Executive Officer
Residence: Japan
Executive or Independent director: Executive director
Qualification: Faculty of Engineering
 The University of Tokyo,
 Japan;

Name: Shigeru Yoshifuji
Occupation: Senior Managing Executive Officer
Residence: Japan
Executive or Independent director: Executive director
Qualification: Bachelor of Engineering
 Master of Engineering
 Ph.D Engineering
 Tokyo Institute of
 Technology, Japan

Name: Naomi Hayashi
Occupation: Managing Executive Officer
Residence: Japan
Executive or Independent director: Executive director
Qualification: BA in Economics
 Keio University, Japan;
 Graduate School of
 Business

Name: Junichi Hanzawa
Occupation: Managing Executive Officer
Residence: Japan
Executive or Independent director: Executive director
Qualification: BA in Economics
 The University of Tokyo,
 Japan;

Name: Hiroki Kameda
Occupation: Managing Executive Officer
Residence: Japan
Executive or Independent director: Executive director
Qualification: BA in Economics
 Keio University, Japan;
 MS in Management of
 Technology
 Massachusetts Institute of
 Technology, USA

Name: Hiroshi Mori
Occupation: Managing Executive Officer
Residence: Japan
Executive or Independent director: Executive director
Qualification: Faculty of Law
 The University of Tokyo,
 Japan;
 Duke University School of
 Law, USA
 Attorney

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5. Directorate (continued)

<p>Name: Yutaka Miyashita Occupation: Managing Executive Officer Residence: Japan Executive or Independent director: Qualification: Executive director Faculty of Law Koyto University, Japan</p>	<p>Name: Masakazu Oosawa Occupation: Managing Executive Officer Residence: Japan Executive or Independent director: Qualification: Executive director Faculty of Law The University of Tokyo, Japan; Master of Law University of Chicago Law School, USA</p>
<p>Name: Hironori Kamezawa Occupation: Director Residence: Japan Executive or Independent director: Qualification: Executive director Master of Science The University of Tokyo, Japan;</p>	<p>Name: Naoto Hirota Occupation: Director Residence: Japan Executive or Independent director: Qualification: Executive director BA in Economics Keio University, Japan; MBA Stanford University, USA</p>
<p>Name: Takeshi Suzuki Occupation: Director Residence: Japan Executive or Independent director: Qualification: Executive director BA in Economics Keio University, Japan</p>	<p>Name: Akira Hamamoto Occupation: Director Residence: Japan Executive or Independent director: Qualification: Executive director Faculty of Law Waseda University, Japan;</p>
<p>Name: Fumikazu Tatsumi Occupation: Director Residence: Japan Executive or Independent director: Qualification: Executive director School of Law and Politics Kwansei Gakuin University, Japan</p>	<p>Name: Shinichi Koide Occupation: Director Residence: Japan Executive or Independent director: Qualification: Independent director College of Economics Aoyama Gakuin University, Japan</p>
<p>Name: Toshifumi Kitazawa Occupation: Director Residence: Japan Executive or Independent director: Qualification: Independent director BA in Economics The University of Tokyo, Japan;</p>	<p>Name: Tadayuki Matsushige Occupation: Director Residence: Japan Executive or Independent director: Qualification: Independent director School of Political Science and Economics Waseda University, Japan; CPA</p>
<p>Name: Masahito Monguchi Occupation: Director Residence: Japan Executive or Independent director: Qualification: Independent director Faculty of Law The University of Tokyo, Japan; Attorney</p>	<p>Name: Shigeo Ohyagi Occupation: Director Residence: Japan Executive or Independent director: Qualification: Independent director BA in Economics Keio University, Japan</p>
<p>Name: Kenji Matsuo Occupation: Director Residence: Japan Executive or Independent director: Qualification: Independent director B.A Economics Kobe University, Japan</p>	

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5. Directorate (continued)

Hironori Kamezawa, Kiyoshi Sono, Kanetsugu Mike, Kenji Yabuta, Naoki Hori, Masato Miyachi, Masakazu Ikeda, Takayoshi Futae, Masahiro Kuwahara, Tetsuya Yonehana, Shigeru Yoshifuji, Junichi Hanzawa, Hiroshi Mori, Yutaka Miyashita and Naomi Hayashi have other directorships as follows:

- i. Mitsubishi UFJ Financial Group, Inc.

Masakazu Oosawa has other directorship as follows:

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

Hiroki Kameda has other directorship as follows:

- i. Mitsubishi UFJ Financial Group, Inc.
- ii. Global Open Network, Inc.
- iii. Global Open Network Japan, Inc.
- iv. Mitsubishi UFJ Information Technology, Ltd

Toshifumi Kitazawa has other directorships as follows:

- i. Tokio Marine & Nichido Fire Insurance Co., Ltd.

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
Hiroto Fukashiro	Managing Director, Head of Oceania, Head of Sydney Branch (Responsible Person on behalf of the Directors)	Australia	Bachelor of Law Hitotsubashi University, Japan
Masami Yoshitake	Managing Director, Head of Auckland Branch (New Zealand Chief Executive Officer)	New Zealand	Bachelor of Economics Nagoya University, Japan

Financial Statements For the Year Ended 31 March 2021

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 2021 (2020: 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 ten corporate auditors, six of whom are external corporate auditors as of 31 March 2021.

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 2020.

These conditions of registration apply on and after 1 March 2021.

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.

Financial Statements For the Year Ended 31 March 2021

7. Conditions of Registration (continued)

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

Financial Statements For the Year Ended 31 March 2021

7. Conditions of Registration (continued)

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 ending on or before 30 September 2021, 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 ending on or after 31 October 2021, 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 60%, must not exceed 5% of the total of the qualifying new mortgage lending amount in respect of property-investment residential mortgage loans arising in the loan-to-valuation measurement period.
 11. 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.
 12. 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.

Financial Statements For the Year Ended 31 March 2021

7. Conditions of Registration (continued)

In these conditions of registration,-

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

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

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

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

In conditions of registration 9 to 12, -

"loan-to-valuation ratio", "non property-investment residential mortgage loan", "property-investment residential mortgage loan", "qualifying new mortgage lending amount in respect of property-investment residential mortgage loans", "qualifying new mortgage lending amount in respect of non property-investment residential mortgage loans", and "residential mortgage loan" have the same meaning as in the Reserve Bank of New Zealand document entitled "Framework for Restrictions on High-LVR Residential Mortgage Lending" (BS19) dated January 2019, 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) the six calendar month period ending on the last day of August 2021; and

(b) thereafter a period of six calendar months ending on the last day of the sixth calendar month, the first of which ends on the last day of September 2021.

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.

Financial Statements For the Year Ended 31 March 2021

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	-	-
Moody's	A1	-	-
Fitch	A-	A	8-Apr-2020

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 2021 NZD(000's)	Year ended 31 March 2020 NZD(000's)	Year ended 31 March 2019 NZD(000's)	Year ended 31 March 2018 NZD(000's)	Year ended 31 March 2017 NZD(000's)
(a) Total interest revenue	68,619	127,997	132,536	95,543	86,705
(b) Total interest expense	44,017	99,291	108,869	78,533	75,818
(c) Total other revenue	32,403	21,405	19,680	15,347	12,874
(d) Total expected credit loss charged to the income statement	274	(125)	9	-	-
(e) Total other expenses	10,341	11,088	10,698	5,400	4,280
(f) Net profit or (loss) before taxation	46,390	39,148	32,640	26,957	19,482
(g) Taxation	9,804	8,778	7,015	5,384	1,452
(h) Net profit or (loss) after taxation	36,585	30,369	25,625	21,573	18,029
(i) Net profit or (loss) attributable to non- controlling interests	-	-	-	-	-
(j) The amount of branch profits repatriated	-	-	-	-	-
(k) Total assets	6,459,693	6,515,372	5,383,281	4,056,981	3,560,396
(l) Total individually impaired assets	-	-	-	-	-
(m) Total liabilities	6,202,097	6,293,645	5,194,272	3,892,897	3,417,850
(n) Head office capital	83,000	83,000	83,000	83,000	83,000
(o) Retained earnings and reserve	174,597	138,727	106,009	81,084	59,546

Financial Statements For the Year Ended 31 March 2021

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 2021

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 2021;

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

Dated (Sydney): 30 June 2021



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

Dated (Auckland): 30 June 2021

Financial Statements For the Year Ended 31 March 2021

Statement of Comprehensive Income

	Note	Twelve Months ended 31 March 2021 NZD	Twelve Months ended 31 March 2020 NZD
Interest income	4	68,619,097	127,997,383
Interest expense	4	(44,017,536)	(99,291,298)
Net interest income		<u>24,601,561</u>	<u>28,706,085</u>
Fees and commission income	4	27,403,121	24,540,697
Net gain/(losses) on financial instruments	4	4,999,901	(3,135,778)
		32,403,022	21,404,919
Occupancy expenses	4	(138,014)	(123,061)
Personnel expenses	4	(3,699,346)	(3,728,515)
Auditors' remuneration	4	(156,450)	(151,700)
Administration and other expenses	4	(6,347,263)	(7,085,287)
Profit before expected credit losses and income tax expense		<u>46,663,510</u>	<u>39,022,441</u>
Expected credit losses		(273,896)	125,561
Profit before income tax expense		<u>46,389,614</u>	<u>39,148,002</u>
Income tax expense	6	(9,804,261)	(8,778,217)
Profit from continuing operations		<u>36,585,353</u>	<u>30,369,785</u>
Other Comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Debt instruments measured at FVOCI			
- (Loss)/Profit arising during the year		(994,101)	3,262,110
- Income tax benefit/ (expense) on Debt instruments measured at FVOCI		278,348	(913,391)
Other comprehensive (expense)/ income net of tax		<u>(715,753)</u>	<u>2,348,719</u>
Total comprehensive income, net of tax		<u>35,869,600</u>	<u>32,718,504</u>

The statement of comprehensive income 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 2021

Statement of Changes in Equity

NZD

	Head Office Capital	Retained Earnings	Investment Revaluation Reserve	Total
Balance at 1 April 2019	83,000,000	105,535,132	473,394	189,008,526
Profit from continuing operations	-	30,369,785	-	30,369,785
Other comprehensive income, net of tax	-	-	2,348,719	2,348,719
Total comprehensive income, net of tax	-	30,369,785	2,348,719	32,718,504
Balance at 31 March 2020	83,000,000	135,904,917	2,822,113	221,727,030
Balance at 1 April 2020	83,000,000	135,904,917	2,822,113	221,727,030
Profit from continuing operations	-	36,585,353	-	36,585,353
Other comprehensive (expense), net of tax	-	-	(715,753)	(715,753)
Total comprehensive income, net of tax	-	36,585,353	(715,753)	35,869,600
Balance at 31 March 2021	83,000,000	172,490,270	2,106,360	257,596,630

The statement of comprehensive income 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 2021

Statement of Financial Position

	Note	As at 31 March 2021 NZD	As at 31 March 2020 NZD
Assets			
Cash and short term liquid assets	16	1,045,056,782	232,514,336
Amounts due from related parties	14	606,883,993	116,526,694
Amounts due from other financial institutions	16	164,999,004	219,996,756
Investment in debt instruments	16	455,852,935	596,778,945
Corporate loans originated by the Bank	16	4,045,883,065	5,182,261,318
Acceptances of customers	16	14,356,200	16,550,082
Derivative instruments	15	122,833,075	145,758,081
Other assets		2,107,696	3,103,972
Deferred tax asset	6	404,821	369,706
Property, plant and equipment	5	1,315,919	1,512,588
Total Assets		6,459,693,490	6,515,372,478
Liabilities			
Amounts due to related parties	14	3,771,780,745	5,042,976,787
Deposits	7	2,270,309,362	1,062,618,439
Acceptances		14,356,200	16,550,082
Current tax payable		8,454,775	9,354,841
Derivative instruments	15	127,182,572	152,250,027
Other liabilities	11	10,013,206	9,895,272
Total Liabilities		6,202,096,860	6,293,645,448
Equity			
Head Office capital	14	83,000,000	83,000,000
Retained earnings		172,490,270	135,904,917
Investment revaluation reserve		2,106,360	2,822,113
Total Equity		257,596,630	221,727,030
Total Liabilities and Equity		6,459,693,490	6,515,372,478
Total Interest Earning and Discount Bearing Assets			
	18	5,814,239,198	6,232,386,618
Total Interest and Discount Bearing Liabilities			
	18	6,031,921,441	6,091,280,753

The statement of comprehensive income 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 2021

Statement of Cash Flows

	Twelve Months ended 31 March 2021 NZD	Twelve Months ended 31 March 2020 NZD
Cash Flows from Operating Activities		
Interest income received	74,617,670	121,428,066
Commission fees & trading income	29,995,303	25,053,525
Interest paid	(46,868,021)	(101,907,443)
Payments to suppliers, employees and others	(11,472,454)	(10,711,790)
Net cash flows from operating activities before changes in operating assets and liabilities	46,272,498	33,862,358
Net (increase) / decrease in operating assets:		
Net decrease/ (increase) in corporate loans originated by the Bank	1,132,814,552	(492,947,619)
Net decrease in amounts due from other financial Institutions	54,997,752	34,430,726
Net decrease/ (increase) in investment in debt instruments	137,223,142	(431,305,807)
Net (increase) in amounts due from related parties	(490,357,299)	(52,651,255)
Net decrease / (increase) in other assets	3,520,315	(8,081,822)
	838,198,462	(950,555,777)
Net increase / (decrease) in operating liabilities:		
Net increase in commercial papers and deposits	1,207,850,384	357,226,437
Net (decrease)/increase in amounts due to related parties	(1,268,505,019)	620,936,057
Net (decrease) / (increase) in other liabilities	(627,870)	7,253,197
	(61,282,505)	985,415,691
Net cash flows from / (used in) operating activities before income tax	823,188,455	68,722,272
Net tax (paid)	(10,461,093)	(950,288)
Net cash flows from / (used in) operating activities	812,727,362	67,771,984
Cash Flows from Investing Activities		
Payment for property, plant and equipment	(12,987)	(3,854)
Net cash flows from / (used in) investing activities	(12,987)	(3,854)
Cash Flows from Financing Activities		
Lease payment	(171,929)	(164,416)
Net cash flows from financing activities	(171,929)	(164,416)
Net Change in Cash and Cash Equivalents		
Net increase in cash and cash equivalents	812,542,446	67,603,714
Cash and cash equivalents at beginning of year	232,514,336	164,910,622
Cash and cash equivalents at end of the year	1,045,056,782	232,514,336
Reconciliation of Closing Cash and Cash Equivalents		
Cash and short term liquid assets	1,045,056,782	232,514,336
Closing cash and cash equivalents	1,045,056,782	232,514,336

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 2021

Statement of Cash Flows (continued)

	Twelve Months ended 31 March 2021 NZD	Twelve Months ended 31 March 2020 NZD
Reconciliation of profit from continuing operations to net cash used in operating activities		
Profit from continuing operations	36,585,353	30,369,785
Decrease/(Increase) in corporate loans	1,136,195,317	(491,067,331)
Decrease in due from other financial institutions	54,997,752	34,430,726
Decrease/(Increase) in investment in debt instruments	139,931,909	(439,755,412)
(Increase) in due from related parties	(490,357,299)	(52,651,255)
Decrease /(Increase) in acceptances of customers	2,193,882	(7,343,920)
Decrease/(Increase) in other assets	996,275	(309,369)
Increase in certificate of deposit	508,176,506	286,161,684
Increase in commercial paper and deposits	699,514,417	71,632,842
(Decrease)/Increase in due to related parties	(1,271,196,043)	617,751,822
(Decrease) /Increase in acceptances	(2,193,882)	7,343,920
Increase / (Decrease) in other liabilities	1,230,549	(469,916)
Increase /(Decrease) in provision for expected credit losses	273,896	(125,561)
(Decrease)/Increase in tax	(656,832)	7,827,929
Non-Cash items:		
Depreciation of property, plant and equipment	209,656	217,751
Other	(3,174,094)	3,758,289
Net cash flows from operating activities	812,727,362	67,771,984

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 2021

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

The accounting policies used by the Branch are consistent with those used in previous period. The Branch has applied, where relevant, all new or revised accounting standards and interpretation effective and applicable to the year ended 31 March 2021. However, they have had no impact on the Branch’s reported result or financial position.

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 reviewed and applied its estimation and judgment on an ongoing basis. Due to the impact of COVID 19, several the Branch’s customers credit profile were down guided. As a result, the total provision for ECL had been increased for this period.

Notes to the Financial Statements For the Year Ended 31 March 2021

2. Significant Accounting Policies

a) Standards and Interpretations approved but not yet effective

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning on or after 1 January 2020.

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

The impact on the disclosure statement of the Branch upon initial application of these standards and interpretations is yet to be determined.

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.

Notes to the Financial Statements For the Year Ended 31 March 2021

2. Significant Accounting Policies (continued)

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.

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) 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 2021

2. Significant Accounting Policies (continued)

h) 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.

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

Notes to the Financial Statements For the Year Ended 31 March 2021

2. Significant Accounting Policies (continued)

(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 assets 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 form 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 2021

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.

i) 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.

j) 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.

k) 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.

l) 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.

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

Notes to the Financial Statements For the Year Ended 31 March 2021

2. Significant Accounting Policies (continued)

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 research and analysis and to reflect the result in the rating. In addition, the local economic environment, local business environment, and future macroeconomic conditions are also considered and reflected in 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 different 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 different countries, the countries' economic impact 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:

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

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 2021

2. Significant Accounting Policies (continued)

m) Provisions

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

n) Employee benefits

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

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

(ii) *Termination benefits*

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

o) Contingent Liabilities and Credit Commitments

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

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

p) Taxation

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

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

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

Notes to the Financial Statements For the Year Ended 31 March 2021

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.

q) 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.

r) 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 2021

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 2021

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 three scenarios:

Going-concern – which refers to the normal behavior of cash flows 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 behavior of cash flows where there is some actual or perceived problem with the Branch.

Liquidity Coverage Ratio – a one month liquidity stress described in the APRA APS 210 standard

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 2021 NZD	As at 31 March 2020 NZD
Cash and cash equivalents	1,045,056,782	232,514,336
Amounts due from related parties	606,883,993	116,526,694
Amounts due from other financial institutions	164,999,004	219,996,756
Investment in debt instruments	455,852,935	596,778,945
	<u>2,272,792,714</u>	<u>1,165,816,731</u>

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 2021

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.

Oceania branch utilises the three lines of defence approach to the management of risk, with the business lines accountable for the application of the Operational Risk framework, and the management of risks. The dedicated second line function is accountable for the design of the Operational Risk Framework and provision of assurance over the application.

The primary method the Branch uses to manage Operational Risk is by having a robust suite of controls. The Branch also 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 approved variances to these procedures are noted and tracked.

The Parent Bank maintains close supervision of the Branch's activities as described below in (h) "Internal Audit Function".

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 in accordance with the banks Internal Audit methodology. These are based on the Branch's risk profile under the Parent Bank risk based approach to scoping audits. The last branch wide internal audit was conducted during July 2016. Since that time the audit methodology has evolved to target specific high risk topics on a thematic basis. Oceania has been subjected to four audits over the last 12 months. The result of all internal audits are 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. 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.muvg.jp.

Notes to the Financial Statements For the Year Ended 31 March 2021

4. Profit Before Income Tax Expense

	Twelve Months ended 31 March 2021 NZD	Twelve Months ended 31 March 2020 NZD
Operating revenue		
(a) Interest income		
Corporate loans and other accounts	68,233,159	127,348,419
Related parties	385,938	648,964
	<u>68,619,097</u>	<u>127,997,383</u>
(b) Fees and commissions income		
Fees and commissions income	27,403,121	24,540,697
	<u>27,403,121</u>	<u>24,540,697</u>
(c) Gains less losses on financial instruments		
Net gain/ (loss) on interest rate derivatives	2,754,143	(2,895,631)
Net gain/ (loss) on currency derivatives	2,070,655	(123,438)
Net gain/ (loss) on foreign currency	173,193	(117,747)
Other income	1,910	1,038
	<u>4,999,901</u>	<u>(3,135,778)</u>
	<u>101,022,119</u>	<u>149,402,302</u>
Total interest income derived from financial assets:		
At amortised cost	65,191,960	121,833,361
Investment in debt instruments (FVOCI)	3,427,137	6,164,022
Total fee income derived from financial assets that are not at fair value through profit or loss		
Net unrealised gain/(loss) on financial assets/liabilities (FVTPL)	2,142,449	(3,505,053)
Net realised gain on financial assets/liabilities (FVTPL)	2,855,542	368,237
Other fee income	-	43
Other income	1,910	1,038
	<u>101,022,119</u>	<u>149,402,302</u>
Expenses		
(a) Interest expense		
Deposits and other accounts	12,063,161	17,819,215
Related parties	31,954,375	81,472,083
	<u>44,017,536</u>	<u>99,291,298</u>
Total interest expense was derived from financial liabilities:		
At amortised cost	44,017,536	99,291,298
	<u>44,017,536</u>	<u>99,291,298</u>
(b) Other operating expense		
Rental & operating lease costs	138,014	123,061
Depreciation		
Furniture, fixtures and fittings	6,850	8,263
Office equipment	14,261	19,967
Motor vehicles	-	2,921
Right-of-use assets depreciation	188,545	186,600
Auditors' remuneration (see note 9)		
Audit fees	156,450	151,700
Salaries	3,665,550	3,635,404
Staff related costs	33,796	93,111
Net losses from the disposal of fixed assets	-	-
General administration and other operating expenses	6,137,607	6,867,536
Provision for credit impairment	273,896	(125,561)
	<u>10,614,969</u>	<u>10,963,002</u>
Profit before income tax expense	<u>46,389,614</u>	<u>39,148,002</u>

Total income excluding any net loss for twelve months ended 31 March 2021 is NZD 101,022,119 (twelve months ended 31 March 2020 : NZD 152,539,118).

Notes to the Financial Statements For the Year Ended 31 March 2021

5. Property, Plant and Equipment

	As at 31 March 2021 NZD	As at 31 March 2020 NZD
Furniture, fixtures and fittings:		
Cost as at 1 April	645,404	645,404
Additions	-	-
Disposals	-	-
Cost as at 31 March	<u>645,404</u>	<u>645,404</u>
Accumulated depreciation		
Opening balance	(633,448)	(625,185)
Depreciation during the year	(6,850)	(8,263)
Disposals	-	-
Closing balance	<u>(640,298)</u>	<u>(633,448)</u>
	<u>5,106</u>	<u>11,956</u>
Office equipment:		
Cost as at 1 April	1,243,126	1,264,791
Additions	12,987	3,854
Disposals	-	(25,519)
Cost as at 31 March	<u>1,256,113</u>	<u>1,243,126</u>
Accumulated depreciation		
Opening balance	(1,204,771)	(1,210,323)
Depreciation during the year	(14,261)	(19,967)
Disposals	-	25,519
Closing balance	<u>(1,219,032)</u>	<u>(1,204,771)</u>
	<u>37,081</u>	<u>38,355</u>
Motor vehicles:		
Cost as at 1 April	38,091	38,091
Additions	-	-
Disposals	-	-
Cost as at 31 March	<u>38,091</u>	<u>38,091</u>
Accumulated depreciation		
Opening balance	(38,091)	(35,170)
Depreciation during the year	-	(2,921)
Disposals	-	-
Closing balance	<u>(38,091)</u>	<u>(38,091)</u>
	<u>-</u>	<u>-</u>
Right-of-use assets:		
Opening balance	1,648,877	1,648,877
Additions	-	-
Disposals	-	-
Closing balance	<u>1,648,877</u>	<u>1,648,877</u>
Accumulated depreciation		
Opening balance	(186,600)	-
Depreciation during the year	(188,545)	(186,600)
Disposals	-	-
Closing balance	<u>(375,145)</u>	<u>(186,600)</u>
	<u>1,273,732</u>	<u>1,462,277</u>
Net book value as at 31 March	<u>1,315,919</u>	<u>1,512,588</u>

Notes to the Financial Statements For the Year Ended 31 March 2021

6. Income Tax

Income Tax recognised in profit and loss

	As at 31 March 2021 NZD	As at 31 March 2020 NZD
Tax expense / (benefit) comprises:		
Current tax expense	10,053,316	8,469,965
Adjustments recognised in the current year in relation to the current tax of prior years	(213,940)	186,130
Deferred tax expense relating to the origination and reversal of temporary differences	(35,115)	122,122
	9,804,261	8,778,217

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	46,389,614	39,148,002
Income tax expense calculated at 28%	12,989,092	10,961,441
Effect of other assessable incomes	210,000	249,200
Effect of other deductible expenses	(4,130,223)	(4,276,048)
Effect of expenses that are not deductible in determining taxable profit	949,332	1,657,494
	10,018,201	8,592,087
Adjustment recognised in the current year in relation to the current tax and deferred tax of prior years	(213,940)	186,130
	9,804,261	8,778,217

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:

Profit from other comprehensive income	(994,101)	3,262,110
Income tax expense calculated at 28%	(278,348)	913,391

The Branch did not have any imputation credits as at the year ended 31 March 2021 (2020: Nil).

The Branch had Nil as current tax asset at the year ended 31 March 2021 (2020: Nil).

Deferred tax balance

Deferred tax assets arise from the following

	31 March 2021				
	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	54,801	(14,466)	-	-	40,335
Property, plant & equipment	76,082	(1,300)	-	-	74,782
Provision for ECL	234,858	50,238	-	-	285,096
Others	3,965	643	-	-	4,608
	369,706	35,115	-	-	404,821

Notes to the Financial Statements For the Year Ended 31 March 2021

6. Income Tax (continued)

	31 March 2020				
	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	35,186	19,615	-	-	54,801
Property, plant & equipment	80,453	(4,371)	-	-	76,082
Provision for ECL	373,370	(138,512)	-	-	234,858
Others	2,819	1,146	-	-	3,965
	<u>491,828</u>	<u>(122,122)</u>	<u>-</u>	<u>-</u>	<u>369,706</u>

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

7. Deposits

	As at 31 March 2021 NZD	As at 31 March 2020 NZD
Retail deposit bearing interest	173,963,431	248,638,364
Retail deposit not bearing interest	9,397,875	10,233,460
Certificate deposit	838,697,399	330,044,948
Call deposit	262,796,712	275,480,071
Term deposit	985,453,945	198,221,596
	<u>2,270,309,362</u>	<u>1,062,618,439</u>

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

	As at 31 March 2021 NZD	As at 31 March 2020 NZD
Total Liabilities	6,202,096,860	6,293,645,448
Less: total amounts due to related parties (Note: 14)	<u>(3,857,530,889)</u>	<u>(5,131,584,468)</u>
Total liabilities net of amounts due to related parties	<u>2,344,565,971</u>	<u>1,162,060,980</u>

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 2021 NZD	Twelve Months ended 31 March 2020 NZD
Assurance Services		
Auditor of the Branch		
Audit & review of the Branch's Disclosure Statements	156,450	151,700
Other non-audit services	-	-

The auditor of the Branch is Deloitte Limited, Auckland.

Notes to the Financial Statements For the Year Ended 31 March 2021

10. Provision for expected credit losses

The following table reconciles the 31 March 2021 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 2020	835,263	372,640	1,207,903
Net transfers in / (out) of stages *	-	-	-
New financial assets originated	190,303	197,206	387,509
Financial assets derecognized during the period	(239,874)	(102,232)	(342,106)
Change in ECL due to net further lending / repayment	232,507	(4,014)	228,493
Change in ECL due to amounts written-off	-	-	-
Total provision for ECL as at 31 March 2021	1,018,199	463,600	1,481,799

* Represents the transfers between stages

The total provisions for ECL had been increased due to the down guide of several the Branch's customers credit profile which were affected by the impact of COVID 19 on their business environment.

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	5,183,096,581
Net transfers in / (out) of stages *	-
New financial assets originated	879,110,240
Financial assets derecognized during the period	(1,916,737,418)
Net further lending / repayment	(98,568,139)
Amounts written-off	-
Total gross carrying amount as at 31 March 2021	4,046,901,264
Provision for ECL as at 31 March 2021	(1,018,199)
Total net carrying amount as at 31 March 2021	4,045,883,065

11. Other Liabilities

	As at 31 March 2021 NZD	As at 31 March 2020 NZD
Provision for employee entitlements	144,051	195,716
Unearned income	1,697,792	1,648,204
Management fee charged by related parties	4,060,474	4,352,421
Provisions for ECL on financial guarantee and commitment	463,600	372,640
Lease Liabilities	1,312,532	1,484,461
Others	2,334,757	1,841,830
	10,013,206	9,895,272

Notes to the Financial Statements For the Year Ended 31 March 2021

12. Commitments and Contingent Liabilities

	Note	As at 31 March 2021 NZD	As at 31 March 2020 NZD
a) Other commitments			
Undrawn facility commitments	16	2,252,390,739	2,002,446,603
b) Contingent liabilities			
Guarantees given	16	49,586,637	19,815,637
Performance related contingencies	16	202,124,744	75,229,720
Trade related contingencies	16	15,358,641	17,122,476
		267,070,022	112,167,833

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.

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 2021 NZD	Twelve Months ended 31 March 2020 NZD
Short term benefits	1,182,943	1,198,550
	1,182,943	1,198,550
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.

Notes to the Financial Statements For the Year Ended 31 March 2021

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 related to the settlement account which is due on demand and term loans which are due in accordance with an agreed date. 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 2021 NZD	Twelve Months ended 31 March 2020 NZD
a) Balances		
Assets		
Amounts due from related parties	606,883,993	116,526,694
Derivative instruments	45,077,635	67,458,324
Others	-	1,247
	651,961,628	183,986,265
Liabilities		
Amounts due to related parties	3,771,780,745	5,042,976,787
Derivative instruments	81,689,670	84,255,260
Other	4,060,474	4,352,421
	3,857,530,889	5,131,584,468
Equity		
Head Office capital	83,000,000	83,000,000
Off Balance Sheet		
Guarantees given	6,183,941	6,183,941
Performance related contingencies	1,150,000	1,590,057
	7,333,941	7,773,998

Notes to the Financial Statements For the Year Ended 31 March 2021

14. Related Party Disclosures (continued)

b) Transactions

Interest income	385,938	648,964
Interest expense	31,954,375	81,472,083
Net (loss) from derivative instruments	(12,136,941)	(3,542,222)
Fees and commissions income	5,734	4,943
Management fee expense	(4,060,474)	(4,352,421)

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 2021.

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

	As at 31 March 2021 NZD	As at 31 March 2020 NZD
Foreign Exchange Contracts		
Spot and forward contracts:		
Notional principal amount < 1 year	1,182,429,286	781,620,811
Notional principal amount 1 to 2 years	155,608,566	68,223,242
Notional principal amount 2 to 3 years	-	21,349,679
Total notional principal	1,338,037,852	871,193,732
Fair value < 1 year	(16,544)	(30,056)
Fair value 1 to 2 years	(20,532)	(10,382)
Fair value 2 to 3 years	-	(1,222)
Total fair value	(37,076)	(41,660)

Notes to the Financial Statements For the Year Ended 31 March 2021

15. Derivative Financial Instruments (continued)

Interest Rate Swap Contracts

Notional principal amount < 1 year	288,628,828	1,111,858,168
Notional principal amount 1 to 2 years	857,094,923	298,281,574
Notional principal amount 2 to 3 years	918,707,772	592,555,330
Notional principal amount 3 to 4 years	1,134,071,922	925,562,220
Notional principal amount 4 to 5 years	851,248,356	1,071,441,290
Notional principal amount more than 5 years	771,374,105	946,512,033
Total notional principal	4,821,125,906	4,946,210,615

Fair value < 1 year	1,077	(109,999)
Fair value 1 to 2 years	(28,719)	(70,213)
Fair value 2 to 3 years	(1,940,455)	(313,925)
Fair value 3 to 4 years	(126,346)	(3,227,441)
Fair value 4 to 5 years	(95,375)	(447,766)
Fair value more than 5 years	(681,981)	(1,790,764)
Total fair value	(2,871,799)	(5,960,108)

Currency Swap Contracts

Notional principal amount < 1 year	-	-
Notional principal amount 1 to 2 years	-	-
Notional principal amount 2 to 3 years	162,300,411	-
Notional principal amount 3 to 4 years	-	169,941,308
Notional principal amount 4 to 5 years	-	-
Notional principal amount more than 5 years	963,935,862	328,603,628
Total notional principal	1,126,236,273	498,544,936

Fair value < 1 year	-	-
Fair value 1 to 2 years	-	-
Fair value 2 to 3 years	(10,787)	-
Fair value 3 to 4 years	-	(40,754)
Fair value 4 to 5 years	-	-
Fair value more than 5 years	(1,429,835)	(449,424)
Total fair value	(1,440,622)	(490,178)

Currency Options Contracts

Notional principal amount < 1 year	-	-
Notional principal amount 1 to 2 years	-	-
Total notional principal	-	-
Fair value < 1 year	-	-
Fair value 1 to 2 years	-	-
Total fair value	-	-

Notes to the Financial Statements For the Year Ended 31 March 2021

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 2021 NZD	As at 31 March 2020 NZD
Notional principal		
On Balance Sheet		
Cash and short term liquid assets	1,045,056,782	232,514,336
Amounts due from related parties	606,883,993	116,526,694
Amounts due from other financial institutions	164,999,004	219,996,756
Investment in debt instruments	455,852,935	596,778,945
Corporate loans originated by the Bank*	4,046,901,264	5,183,096,581
Acceptance of customers	14,356,200	16,550,082
Other assets	2,018,312	3,051,420
Total	6,336,068,490	6,368,514,814
Off Balance Sheet (Note 12)		
Guarantees given	49,586,637	19,815,637
Performance related contingencies	202,124,744	75,229,720
Trade related contingencies	15,358,641	17,122,476
Undrawn facility commitments	2,252,390,739	2,002,446,603
Total	2,519,460,761	2,114,614,436
Fair value		
Derivative Instruments	122,833,075	145,758,081

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

Notes to the Financial Statements For the Year Ended 31 March 2021

16. Concentration of Credit Risk (continued)

i. Concentration of Credit Risk by Customers Industry Sector

	As at 31 March 2021 NZD	As at 31 March 2020 NZD
On Balance Sheet		
Agriculture	-	-
Communications	126,423,045	185,835,460
Construction	77,584,187	255,301,175
Education	69,683,805	60,072,636
Electricity, gas and water	801,790,958	1,017,975,438
Finance	2,830,420,213	2,129,667,671
Fishing	78,524,038	106,926,984
Food manufacturing	772,603,486	712,703,527
Forestry	101,524,659	96,195,032
Health care & social assistance	212,761,817	172,588,497
Mining	112,440,585	49,865,300
Other manufacturing	442,244,298	381,266,999
Property and business services	171,127,942	324,098,147
Retail Trade	-	60,188,227
Transport and storage	329,568,627	453,318,419
Wholesale trade	192,765,436	355,437,172
Wood and paper manufacturing	16,605,394	7,074,130
Total	6,336,068,490	6,368,514,814
Notional principal		
Off Balance Sheet		
Communications	61,333,541	90,000,000
Construction	217,713,879	33,424,538
Education	75,083,014	-
Electricity, gas and water	651,799,124	603,604,288
Finance	385,833,940	180,273,998
Food manufacturing	282,719,114	491,386,639
Forestry	178,020	1,173,020
Health care & social assistance	98,814	2,537,839
Other manufacturing	115,369,529	127,648,190
Property and business services	126,644,329	4,809,265
Public administration and safety	50,714,285	97,692,429
Retail trade	163,416,494	94,973,049
Transport and storage	257,035,649	285,778,859
Wholesale trade	115,163,256	73,793,186
Wood and paper manufacturing	16,357,773	27,519,136
Total	2,519,460,761	2,114,614,436

Notes to the Financial Statements For the Year Ended 31 March 2021

16. Concentration of Credit Risk (continued)

Fair value

Derivative Instrument

Communications	2,343,049	-
Construction	371,058	333,080
Education	410,497	-
Electricity, gas and water	32,627,196	33,094,169
Finance	47,003,534	71,699,420
Fishing	2,149,996	8,517,994
Food manufacturing	11,403,434	8,525,011
Forestry	202,281	91,832
Health care & social assistance	1,672,162	-
Other manufacturing	9,849,835	11,982,088
Transport and storage	10,148,381	6,540,561
Wholesale trade	2,761,842	1,595,695
Wood and paper manufacturing	1,889,810	3,378,231
Total	122,833,075	145,758,081

ii. Concentration of Credit Risk by Customers Geographic Location

	As at 31 March 2021 NZD	As at 31 March 2020 NZD
Notional principal		
On Balance Sheet		
New Zealand	4,565,266,992	5,826,587,005
Japan	651,959,428	187,331,957
Australia	1,117,914,467	354,595,718
United States of America	927,603	-
France	-	134
Total	6,336,068,490	6,368,514,814
Off Balance Sheet		
New Zealand	2,502,632,654	2,102,695,776
Japan	7,333,941	7,773,997
Australia	1,333,541	-
Other	8,160,625	4,144,663
Total	2,519,460,761	2,114,614,436
Fair value		
Derivative Instrument		
New Zealand	77,229,999	77,401,436
Japan	45,210,683	67,641,534
Australia	392,393	715,111
Total	122,833,075	145,758,081

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.

Notes to the Financial Statements For the Year Ended 31 March 2021

16. Concentration of Credit Risk (continued)

31 March 2021

Credit Rating	S&P Rating	Notional principal		Derivative financial instruments
		On balance Sheet	Off balance Sheet	
1-2	A- and above	1,496,728,496	729,040,300	12,535,058
3-7	B- to BBB+	4,232,456,001	1,783,086,520	65,127,555
8-9	CCC+/-	-	-	92,827
Not rated*		606,883,993	7,333,941	45,077,635
		<u>6,336,068,490</u>	<u>2,519,460,761</u>	<u>122,833,075</u>

31 March 2020

Credit Rating	S&P Rating	Notional principal		Derivative financial instruments
		On balance Sheet	Off balance Sheet	
1-2	A- and above	2,265,266,933	510,998,912	13,380,774
3-7	B- to BBB+	3,986,719,940	1,595,841,526	64,567,029
8-9	CCC+/-	-	-	351,954
Not rated*		116,527,941	7,773,998	67,458,324
		<u>6,368,514,814</u>	<u>2,114,614,436</u>	<u>145,758,081</u>

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

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.

Notes to the Financial Statements For the Year Ended 31 March 2021

16. Concentration of Credit Risk (continued)

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 2021 (2020: Nil).

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

As at 31 March 2021

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	122,833,075	-	122,833,075	7,680,519	115,152,556

As at 31 March 2020

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	145,758,081	-	145,758,081	3,727,697	142,030,384

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

As at 31 March 2021

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	127,182,572	-	127,182,572	7,680,519	119,502,053

As at 31 March 2020

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	152,250,027	-	152,250,027	3,727,697	148,522,330

There has been no collateral obtained against derivative assets for the year end 31 March 2021 (Mar 2020: Nil).

f. Acceptance of Customer and Other Assets

Collateral is generally not sought on these balances.

Notes to the Financial Statements For the Year Ended 31 March 2021

16. Concentration of Credit Risk (continued)

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 2021 is over NZD 1,029,628,536 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 2021		As at 31 March 2020	
	NZD	%	NZD	%
Maximum Exposure	6,336,068,490	100.00	6,368,514,814	100.00
Collateral classification				
Secured	733,329,841	11.57	1,210,699,059	19.01
Partially secured	20,147,635	0.32	31,838,609	0.50
Unsecured	5,582,591,014	88.11	5,125,977,146	80.49

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 2021		As at 31 March 2020	
	NZD	%	NZD	%
Maximum Exposure	2,519,460,761	100.00	2,114,614,436	100.00
Collateral classification				
Secured	285,043,883	11.31	167,058,019	7.90
Partially secured	-	-	-	-
Unsecured	2,234,416,878	88.69	1,947,556,417	92.10

Notes to the Financial Statements For the Year Ended 31 March 2021

17. Concentration of Funding

	As at 31 March 2021 NZD	As at 31 March 2020 NZD
a) Category analysis		
Customer deposits	2,270,309,362	1,062,618,439
Due to related parties	3,771,780,745	5,042,976,787
	6,042,090,107	6,105,595,226
b) Industry analysis		
Agriculture	53,773,516	11,236,784
Communications	54,979,544	50,325,356
Constructions	9,777,224	2,835,122
Education	-	7,088
Electricity, gas and water	157,770,774	41,604,209
Finance	4,868,964,812	5,412,768,363
Food manufacturing	35,673,534	157,652,828
Fishing	7,866	8,582
Forestry	3,594,937	13,065
Insurance	32,019,323	38,042,659
Other industries	245,655	1,151,733
Other manufacturing	45,640,770	96,665,731
Property and business services	20,007,348	15,038,677
Public administration and safely	170,125,905	-
Retail trade	70,296	116,696
Transport and storage	331,688,400	200,636,315
Wholesale trading	250,311,603	71,198,125
Wood and paper manufacturing	7,438,600	6,293,893
	6,042,090,107	6,105,595,226
c) Geographical analysis		
Australia	2,526,626,047	4,160,944,700
New Zealand	2,269,766,765	1,029,989,301
Japan	1,212,114,510	819,742,207
Singapore	33,582,785	62,561,176
Fiji	-	32,357,842
	6,042,090,107	6,105,595,226

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.

Notes to the Financial Statements For the Year Ended 31 March 2021

18. Interest Rate Risk (continued)

31 March 2021

	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	1,045,056,782	-	-	-	-	-	1,045,056,782	0.00%
Amounts due from related parties	75,004,667	26,424,546	-	-	-	505,454,780	606,883,993	0.33%
Amounts due from other financial institutions	164,999,004	-	-	-	-	-	164,999,004	0.36%
Investment in debt instruments	231,237,815	-	-	-	224,615,120	-	455,852,935	0.67%
Corporate loans originated by the Bank	3,868,701,815	65,224,815	17,915,333	64,219,485	30,839,816	(1,018,199)	4,045,883,065	1.39%
Due from customers on acceptance	-	-	-	-	-	14,356,200	14,356,200	
Property, Plant and Equipment	-	-	-	-	-	1,315,919	1,315,919	
Other assets	-	-	-	-	-	125,345,592	125,345,592	
Total assets	5,385,000,083	91,649,361	17,915,333	64,219,485	255,454,936	645,454,292	6,459,693,490	
LIABILITIES								
Amounts due to related parties	3,712,760,481	45,226,803	-	5,870,569	5,839,569	2,083,323	3,771,780,745	0.64%
Deposits	1,919,082,079	311,925,879	29,903,529	-	-	9,397,875	2,270,309,362	0.64%
Lease liability	-	-	-	-	1,312,532	-	1,312,532	1.70%
Liability for acceptance	-	-	-	-	-	14,356,200	14,356,200	
Other liabilities	-	-	-	-	-	144,338,021	144,338,021	
Total liabilities	5,631,842,560	357,152,682	29,903,529	5,870,569	7,152,101	170,175,419	6,202,096,860	

31 March 2020

	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	232,514,336	-	-	-	-	-	232,514,336	0.00%
Amounts due from related parties	-	-	-	-	-	116,526,694	116,526,694	0.00%
Amounts due from other financial institutions	219,996,756	-	-	-	-	-	219,996,756	1.12%
Investment in debt instruments	254,474,523	-	-	108,211,657	234,092,765	-	596,778,945	0.83%
Corporate loans originated by the Bank	4,812,932,988	299,059,678	26,054,568	15,879,687	29,169,660	(835,263)	5,182,261,318	1.69%
Due from customers on acceptance	-	-	-	-	-	16,550,082	16,550,082	
Property, Plant and Equipment	-	-	-	-	-	1,512,588	1,512,588	
Other assets	-	-	-	-	-	149,231,759	149,231,759	
Total assets	5,519,918,603	299,059,678	26,054,568	124,091,344	263,262,425	282,985,860	6,515,372,478	
LIABILITIES								
Amounts due to related parties	4,760,203,230	248,065,173	-	10,294,408	18,848,502	5,565,474	5,042,976,787	1.48%
Deposits	1,036,326,379	16,058,600	-	-	-	10,233,460	1,062,618,439	0.95%
Lease liability	-	-	4,454	-	1,480,007	-	1,484,461	1.70%
Liability for acceptance	-	-	-	-	-	16,550,082	16,550,082	
Other liabilities	-	-	-	-	-	170,015,679	170,015,679	
Total liabilities	5,796,529,609	264,123,773	4,454	10,294,408	20,328,509	202,364,695	6,293,645,448	

At 31 March 2021, 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 2.3 million lower (2020: NZD 1.1M lower) due to decrease in net interest income. It is due to the increase in funding close by using shorter term of funding to longer term of lending. If interest rate had been 50 basis points lower with all the variables held constant, post-tax profit would have been NZD 2.3 million higher (2020: NZD 1.1M higher) due to increase in net 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 2020 and 2019 because a similar funding structure was applied in 2021 and 2020.

Notes to the Financial Statements For the Year Ended 31 March 2021

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 2021

	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	1,045,056,782	-	-	-	-	-	1,045,056,782
Amounts due from related parties	505,454,781	-	75,004,663	26,424,550	-	-	606,883,994
Amounts due from other financial institutions	-	80,000,000	85,000,000	-	-	-	165,000,000
Investment in debt instruments	-	22,500,000	213,000,000	5,500,000	216,500,000	-	457,500,000
Corporate loans originated by the Bank	348,531,251	376,163,109	133,557,340	535,290,482	2,575,315,652	217,607,923	4,186,465,757
Acceptance of customers	-	12,562,543	1,793,657	-	-	-	14,356,200
Derivative instruments	-	7,985,201	21,277,385	40,860,036	101,852,635	-	171,975,257
Other assets	-	2,018,312	-	-	-	-	2,018,312
	1,899,042,814	501,229,165	529,633,045	608,075,068	2,893,668,287	217,607,923	6,649,256,302
LIABILITIES							
Amounts due to related parties	-	1,524,878,312	1,195,353,450	252,730,434	811,925,215	-	3,784,887,411
Deposits	446,158,018	480,317,731	802,544,457	342,697,836	199,900,000	-	2,271,618,042
Acceptance	-	12,562,543	1,793,657	-	-	-	14,356,200
Derivative instruments	-	7,983,758	21,316,645	38,957,881	100,171,186	-	168,429,470
Lease liability	-	14,321	28,700	133,069	797,061	339,381	1,312,532
Gross loan commitment	2,252,390,739	-	-	-	-	-	2,252,390,739
Guarantees given	-	5,149,077	-	43,567,833	126,500	743,227	49,586,637
Performance related contingencies	-	80,543,046	77,477,935	37,583,714	6,520,049	-	202,124,744
Trade related contingencies	-	-	15,358,641	-	-	-	15,358,641
	2,698,548,757	2,111,448,788	2,113,873,485	715,670,767	1,119,440,011	1,082,608	8,760,064,416

31 March 2020

	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	232,514,336	-	-	-	-	-	232,514,336
Amounts due from related parties	116,526,694	-	-	-	-	-	116,526,694
Amounts due from other financial institutions	-	75,000,000	145,000,000	-	-	-	220,000,000
Investment in debt instruments	-	259,250,000	3,000,000	12,250,000	326,750,000	-	601,250,000
Corporate loans originated by the Bank	456,899,898	4,450,514	168,067,354	1,053,936,146	3,597,817,194	108,467,767	5,389,638,873
Acceptance of customers	-	11,558,918	4,991,164	-	-	-	16,550,082
Derivative instruments	-	6,901,778	11,145,072	34,612,400	111,830,543	27,162,318	191,652,111
Other assets	-	3,051,420	-	-	-	-	3,051,420
	805,940,928	360,212,630	332,203,590	1,100,798,546	4,036,397,737	135,630,085	6,771,183,516
LIABILITIES							
Amounts due to related parties	-	2,637,628,624	1,737,766,345	455,939,206	225,640,612	-	5,056,974,787
Deposits	534,351,896	159,465,356	152,196,693	16,210,921	199,800,000	-	1,062,024,866
Acceptance	-	11,558,918	4,991,164	-	-	-	16,550,082
Derivative instruments	-	7,425,999	11,260,918	33,792,774	105,097,153	25,691,240	183,268,084
Lease liability	-	14,057	28,173	129,699	759,298	553,234	1,484,461
Gross loan commitment	2,002,446,603	-	-	-	-	-	2,002,446,603
Guarantees given	-	-	-	17,940,910	1,005,000	869,727	19,815,637
Performance related contingencies	-	14,963	33,544,757	27,867,069	13,802,931	-	75,229,720
Trade related contingencies	-	-	17,122,476	-	-	-	17,122,476
	2,536,798,499	2,816,107,917	1,956,910,526	551,880,579	546,104,994	27,114,201	8,434,916,716

Notes to the Financial Statements For the Year Ended 31 March 2021

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.

As disclosed in note 3, although the bank has liquid assets over various different terms, the Branch can draw down on these liquid assets before the expected maturity as needed. The Branch has loan commitments which are on demand, the Branch has historically managed loan commitments as required based on the available liquid assets.

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 2021

20. Fair Value of Financial Instruments (continued)

31 March 2021

	Note	FVTPL NZD	FVOCI NZD	Amortised Cost NZD	Total Carrying Amount NZD	Fair Value NZD
Assets						
Cash and cash equivalents	a	-	-	1,045,056,782	1,045,056,782	1,045,056,782
Amounts due from related parties	a	-	-	606,883,993	606,883,993	606,883,993
Amounts due from other financial institutions	a	-	-	164,999,004	164,999,004	164,999,004
Investment in debt instruments	d	-	455,852,935	-	455,852,935	455,852,935
Corporate loans originated by the Bank	b	-	-	4,045,883,065	4,045,883,065	4,048,379,671
Other assets	c, a	122,883,075	-	16,374,512	139,207,587	139,207,587
Total financial assets		<u>122,833,075</u>	<u>455,852,935</u>	<u>5,879,197,356</u>	<u>6,457,883,366</u>	<u>6,460,379,972</u>
Liabilities						
Amounts due to related parties	b	-	-	3,771,780,745	3,771,780,745	3,773,850,734
Deposits	a, b	-	-	2,270,309,362	2,270,309,362	2,272,713,016
Other liabilities	c, a	127,182,572	-	14,356,200	141,538,772	141,538,772
Total financial liabilities		<u>127,182,572</u>	<u>-</u>	<u>6,056,446,307</u>	<u>6,183,628,879</u>	<u>6,188,102,522</u>

31 March 2020

	Note	FVTPL NZD	FVOCI NZD	Amortised Cost NZD	Total Carrying Amount NZD	Fair Value NZD
Assets						
Cash and cash equivalents	a	-	-	232,514,336	232,514,336	232,514,336
Amounts due from related parties	a	-	-	116,526,694	116,526,694	116,526,694
Amounts due from other financial institutions	a	-	-	219,996,756	219,996,756	219,996,756
Investment in debt instruments	d	-	596,778,945	-	596,778,945	596,778,945
Corporate loans originated by the Bank	b	-	-	5,182,261,318	5,182,261,318	5,184,467,300
Other assets	c, a	145,758,081	-	18,251,700	164,009,781	164,009,781
Total financial assets		<u>145,758,081</u>	<u>596,778,945</u>	<u>5,769,550,804</u>	<u>6,512,087,830</u>	<u>6,514,293,812</u>
Liabilities						
Amounts due to related parties	b	-	-	5,042,976,787	5,042,976,787	5,046,681,075
Deposits	a, b	-	-	1,062,618,439	1,062,618,439	1,070,661,698
Other liabilities	c, a	152,250,027	-	16,550,082	168,800,109	168,800,109
Total financial liabilities		<u>152,250,027</u>	<u>-</u>	<u>6,122,145,308</u>	<u>6,274,395,335</u>	<u>6,286,142,882</u>

Notes to the Financial Statements For the Year Ended 31 March 2021

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 2021		31 March 2020	
	Level 1	Level 2	Level 1	Level 2
Derivative financial assets				
Interest rate swaps	-	62,428,146	-	73,962,265
Currency swaps	-	28,382,210	-	48,683,264
Currency options	-	-	-	-
FX forwards	-	32,022,719	-	23,112,552
Total derivative financial assets	-	122,833,075	-	145,758,081
Derivative financial liabilities				
Interest rate swaps	-	65,299,945	-	79,922,373
Currency swaps	-	29,822,832	-	49,173,442
Currency options	-	-	-	-
FX forwards	-	32,059,795	-	23,154,212
Total derivative financial liabilities	-	127,182,572	-	152,250,027
Investment in debt instruments	455,852,935	-	596,778,945	-

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 2021 JPY(000's)	Twelve Months ended 31 March 2020 JPY(000's)
Net Profit After Tax	327,960,000	139,555,000
Net Profit After Tax over the previous 12 month period as a percentage of average total assets	0.12%	0.05%

b) Size

	Twelve Months ended 31 March 2021 JPY(000's)	Twelve Months ended 31 March 2020 JPY(000's)
Total Assets	290,269,735,000	270,418,512,000
% Change in total assets over the previous 12 months	7.34%	6.75%

Notes to the Financial Statements For the Year Ended 31 March 2021

22. Asset Quality

(i) The Overseas Banking Group

	As at 31 March 2021 JPY(000's)	As at 31 March 2020 JPY(000's)
Total individually impaired assets (before allowances for credit impairment loss and net of interest held in suspense)	1,160,312,000	903,766,000
Total individually impaired assets expressed as a percentage of total assets	0.40%	0.33%
Total individual credit impairment allowance	261,771,000	165,282,000
Total individually credit impairment allowance expressed as a percentage of total individually impaired assets	22.56%	18.29%
Total collective credit impairment allowance	725,272,000	447,252,000

(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 2021 (31 March 2020: Nil).

The Branch did not charge or credit to the statement of comprehensive income for any increase or decrease in individual credit impairment allowance during this accounting period ended 31 March 2021 (31 March 2020: Nil).

The total interest income recognised on impaired asset over this accounting period ended 31 March 2021 is Nil (31 March 2020: 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 2021

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 2021 NZD (000's)	Twelve Months Ended 31 March 2020 NZD (000's)
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(1) Aggregate Interest Rate Exposure

(a) Notional Capital Charge *	3,565	5,216
(b) Implied risk weighted exposure	44,563	65,200

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

	Peak End of Day Ending 31 March 2021 NZD (000's)	Peak End of Day Ending 31 March 2020 NZD (000's)
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(1) Aggregate Interest Rate Exposure (continued)

(a) Notional Capital Charge **	6,860	7,594
(b) Implied risk weighted exposure	85,750	94,925

** 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 2021

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. From 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 2020:

	2020	2021
Minimum Common Equity Tier 1 ratio	4.50%	4.50%
Capital Conservation Buffer	2.50%	2.50%
Countercyclical Buffer	0.01%	0.00%
G-SIB Surcharge	1.50%	1.50%
Total	8.51%	8.50%
Minimum Tier 1 ratio	10.01%	10.00%
Minimum Capital ratio	12.01%	12.00%

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

Overseas Banking Group

As at
31 March 2021 **As at**
31 March 2020

Capital ratios:

Common Equity Tier 1 capital	11.17%	10.70%
Tier 1 capital	12.76%	12.29%
Total capital	15.04%	14.43%

Overseas Bank

As at
31 March 2021 **As at**
31 March 2020

Capital ratios:

Common Equity Tier 1 capital	10.66%	10.67%
Tier 1 capital	12.42%	12.52%
Total capital	14.60%	14.76%

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 2021

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 2021, 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. The impact of COVID-19 pandemic has not resulted in any specific subsequent event.

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 56-57) 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 2021, 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 17 to 58:

- 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 2021, 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 statement 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
<p>Expected credit loss on loans and advances to customers</p> <p>As described in note 10, the expected credit loss has been determined as \$1,481,799.</p> <p>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.</p> <p>As detailed in note 10, the Branch has loans and advances of \$4,046,901,264 and impairment allowances of \$1,018,199 on loans and advances and \$463,600 on undrawn commitments and guarantees.</p> <p>Key areas of judgement include:</p> <ul style="list-style-type: none"> • Determination of the requirements under NZ IFRS 9 when calculating the impairment allowance, which is reflected in the Branch’s expected credit loss model; and • Assumptions used in the expected credit loss model such as credit risk level of the borrower and macro economic environment including the continued forecast impacts of the COVID-19 as described in note 2. 	<p>We assessed the modelling methodology against the requirements of NZ IFRS 9.</p> <p>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.</p> <p>We assessed the data used in determining the expected credit loss, including transactional data captured at commencement of the loan, internal credit quality assessment.</p> <p>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.</p> <p>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.</p> <p>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.</p> <p>In addition, we assessed the adequacy of the related disclosures including disclosures around the continued impact of COVID-19 on the determination of the ECL at year-end.</p>

Other information

The directors are responsible on behalf of the Branch for the other information. The other information comprises the information in the Disclosure Statement in accordance with Schedule 2 of the Order on pages 1 to 16 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

The directors are responsible on behalf of the Branch for the preparation of the financial statement 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 56 to 57.
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 56 to 57, 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 *International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand)* issued by the New Zealand Auditing and Assurance Standards Board and the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants*, 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.



Bindi Shah
Partner
for Deloitte Limited
Auckland, New Zealand
30 June 2021

This audit report relates to the financial statements of MUFG Bank, Ltd. – Auckland Branch (the 'Branch') for the year ended 31 March 2021 included on the Company's website. The Directors are responsible for the maintenance and integrity of the Company's website. We have not been engaged to report on the integrity of the Company's website. We accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website. The audit report refers only to the financial statements named above. It does not provide an opinion on any other information which may have been hyperlinked to/from these financial statements. 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 audited financial statements and related audit report dated 30 June 2021 to confirm the information included in the audited financial statements presented on this website.