



**REGISTERED BANK
DISCLOSURE STATEMENT**



30 SEPTEMBER 2017



**THE BANK OF TOKYO-MITSUBISHI UFJ, LTD
AUCKLAND BRANCH**

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Auditor's Review Report

Disclosure Statement

For the Six Months Ended 30 September 2017

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

1. Corporate Information

The 'Overseas Banking Group' includes all entities consolidated for the purposes of public reporting in Japan including The Bank of Tokyo-Mitsubishi UFJ, Ltd., its subsidiaries, and associated companies.

The Disclosure Statement and Condensed Interim Financial Statements are for the Auckland Branch (the 'Branch') of The Bank of Tokyo-Mitsubishi UFJ, Ltd. It is the only member in the 'Banking Group' in New Zealand.

The Ultimate Holding Company of The Bank of Tokyo-Mitsubishi UFJ, Ltd. is Mitsubishi UFJ Financial Group, Inc. incorporated in Japan.

Since the balance date of the last full year Disclosure Statement, there has been no change in the Ultimate Holding Company and no material changes in regulations, legislation, or other restrictions of a legally enforceable nature that may materially inhibit the Ultimate Holding Company from providing material financial support to the Banking Group.

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

Since the balance date for the last full year Disclosure Statement there have been no material changes in any material legislative or regulatory restrictions in Japan that, in the event of a liquidation of the Registered Bank, subordinate the claims of any class of unsecured creditors of the Branch on the assets of the Registered Bank to those of any other class of unsecured creditors of the Registered Bank.

3. Excess of Assets Over Deposit Liabilities

There have been no material changes in any statute that requires the Registered Bank to hold in New Zealand an excess of assets over deposit liabilities since the balance date of the last full year Disclosure Statement.

There have been no material changes in any regulatory or legislative requirements in Japan that require the Registered Bank to maintain sufficient assets to cover an ongoing obligation to pay deposit liabilities in Japan since the balance date for the last full year Disclosure Statement.

4. Guarantee Arrangement

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

5. Directorate

5.1 Directors of The Bank of Tokyo-Mitsubishi UFJ, Ltd. as of 30 September 2017:

| Name | Occupation | Residence |
|-----------------|-----------------|-----------|
| Nobuyuki Hirano | Chairman | Japan |
| Kiyoshi Sono | Deputy Chairman | Japan |
| Kanetsugu Mike | President & CEO | Japan |

Disclosure Statement For the Six Months Ended 30 September 2017

Directors of The Bank of Tokyo-Mitsubishi UFJ, Ltd., (continued)

| | | |
|---------------------|--------------------------|-------|
| Hidekazu Fukumoto | Deputy President | Japan |
| Saburo Araki | Deputy President | Japan |
| Takehiko Yamana | Deputy President | Japan |
| Eiichi Yoshikawa | Deputy President | Japan |
| Tadashi Kuroda | Senior Managing Director | Japan |
| Muneaki Tokunari | Senior Managing Director | Japan |
| Akira Hamamoto | Senior Managing Director | Japan |
| Naoki Hori | Senior Managing Director | Japan |
| Masamichi Yasuda | Senior Managing Director | Japan |
| Hironori Kamezawa | Managing Director | Japan |
| Atsushi Murakami | Managing Director | Japan |
| Kazuto Uchida | Managing Director | Japan |
| Masahito Monguchi | Director | Japan |
| Makoto Ebata | Director | Japan |
| Kenji Matsuo | Director | Japan |
| Tadayuki Matsushige | Director | Japan |
| Shuzo Sumi | Director | Japan |
| Naoto Hirota | Director | Japan |
| Yukiyasu Nishio | Director | Japan |
| Nobuhiro Matsumoto | Director | Japan |
| Fumikazu Tatsumi | Director | Japan |

The following changes in Directors of The Bank of Tokyo-Mitsubishi UFJ, Ltd. since the last full year disclosure statement were:

Takashi Oyamada resigned as President & CEO on 14 June 2017.
 Satoshi Murabayashi resigned as Senior Managing Director on 4 June 2017.
 Hitoshi Suzuki resigned as Director on 28 June 2017.
 Kenichi Nakamatsu resigned as Director on 31 May 2017.
 Michiyoshi Sakamoto resigned as Director on 28 June 2017.
 Kanetsugu Mike appointed as President & CEO on 14 June 2017.
 Eiichi Yoshikawa appointed as Deputy President on 15 May 2017.
 Akira Hamamoto appointed as Senior Managing Director on 15 May 2017.
 Naoki Hori appointed as Senior Managing Director on 15 May 2017.
 Masamichi Yasuda appointed as Senior Managing Director on 15 May 2017.
 Hironori Kamezawa appointed as Managing Director on 28 June 2017.
 Kazuto Uchida appointed as Managing Director on 28 June 2017.
 Tadayuki Matsushige appointed as Director on 28 June 2017.
 Naoto Hirota appointed as Director on 28 June 2017.
 Nobuhiro Matsumoto appointed as Director on 28 June 2017.

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

| Name | Occupation | Residence |
|--------------------|---|-------------|
| Masahiko Tanimura | Regional Head for Oceania, General Manager (Responsible Person on behalf of the Directors) | Australia |
| Takamitsu Murakami | General Manager, Auckland Branch (New Zealand Chief Executive Officer) | New Zealand |

Disclosure Statement

For the Six Months Ended 30 September 2017

6. Auditors

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

Deloitte Limited
 Deloitte Centre
 80 Queen Street
 Auckland 1010
 New Zealand

7. Conditions of Registration

There has been no change to the conditions of registration since the last Disclosure Statement as at 31 March 2017.

The Branch has complied with all conditions of registration over the half year accounting period ended 30 September 2017.

8. 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 | - | - |

Rating scales are:

| Credit Ratings | S&P's | Moody's | Fitch |
|---|-------|---------|-------|
| Highest quality/Extremely strong capacity to pay interest and principal | AAA | Aaa | AAA |
| High quality/Very strong capacity to pay interest and principal | AA | Aa | AA |
| Upper medium grade/Strong capacity to pay interest and principal | A | A | A |
| Medium grade (lowest investment grade)/Adequate ability to pay interest and principal | 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.

Disclosure Statement For the Six Months Ended 30 September 2017

9. 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.

10. 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.

Disclosure Statement For the Six Months Ended 30 September 2017

11. Directors' and General Manager Auckland Branch's Statement

After due enquiry, each Director and the General Manager 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 Statement (Overseas Incorporated Registered Banks) Order 2014 (as amended);
- the Disclosure Statement is not false or misleading ;

and over the six- month accounting period ended 30 September 2017;

- The Bank of Tokyo-Mitsubishi UFJ, 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
- The Bank of Tokyo-Mitsubishi UFJ, Ltd. has complied with all Conditions of Registration that applied during the period.

Signed for and on behalf of the Board of Directors of The Bank of Tokyo-Mitsubishi UFJ, Ltd. by their agent duly appointed in writing, and by the General Manager, Auckland Branch.



Mr. Masahiko Tanimura
Regional Head for Oceania,
General Manager
(and Authorised Attorney on behalf of
the Directors)

Dated (Sydney): 27 November 2017



Mr. Takamitsu Murakami
General Manager
Auckland Branch

Dated (Auckland): 27 November 2017

Condensed Interim Financial Statements For the Six Months Ended 30 September 2017

Condensed Statement of Comprehensive Income

| | Note | Six Months ended 30 September 2017 Unaudited NZD | Six Months ended 30 September 2016 Unaudited NZD |
|--|------|---|---|
| Interest income | 2 | 45,209,756 | 41,793,424 |
| Interest expense | 2 | (37,787,542) | (37,692,926) |
| Net interest income | | <u>7,422,214</u> | <u>4,100,498</u> |
| Fees and commission income | 2 | 6,904,929 | 6,526,245 |
| Gains less losses on financial instruments | 2 | (471,288) | (249,626) |
| | | 6,433,641 | 6,276,619 |
| Occupancy expenses | 2 | (143,716) | (139,368) |
| Personnel expenses | 2 | (1,841,242) | (1,656,585) |
| Auditor's remuneration | 2 | (67,942) | (67,528) |
| Administration and other expenses | 2 | (387,951) | (418,945) |
| Profit before provision for credit impairment and income tax expense | | <u>11,415,004</u> | <u>8,094,691</u> |
| Provision for credit impairment | | - | - |
| Profit before income tax expense | | <u>11,415,004</u> | <u>8,094,691</u> |
| Income tax expense | | (1,744,777) | (342,294) |
| Profit from continuing operations | | <u>9,670,227</u> | <u>7,752,397</u> |
| Other comprehensive income | | | |
| Items that may be reclassified subsequently to profit or loss | | | |
| Available-for-sale securities | | | |
| - (Loss) arising during the year | | (313,135) | (336,042) |
| - Add: Reclassification adjustment for loss included in profit or loss | | - | 52,211 |
| | | <u>(313,135)</u> | <u>(283,831)</u> |
| - Income tax benefit / (expense) on available-for-sale securities | | <u>87,678</u> | <u>79,473</u> |
| Other comprehensive expense, net of tax | | <u>(225,457)</u> | <u>(204,358)</u> |
| Total comprehensive income, net of tax | | <u>9,444,770</u> | <u>7,548,039</u> |

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

Condensed Interim Financial Statements For the Six Months Ended 30 September 2017

Condensed Statement of Changes in Equity

Unaudited
NZD

| | Head Office Capital | Retained Earnings | Available-for- sale Revaluation Reserve | Total |
|--|------------------------|----------------------|--|-------------|
| Balance at 1 April 2016 | 83,000,000 | 41,261,540 | 619,629 | 124,881,169 |
| Profit from continuing operations | - | 7,752,397 | - | 7,752,397 |
| Other comprehensive (expense) net of tax | - | - | (204,358) | (204,358) |
| Total comprehensive income / (expense), net of tax | - | 7,752,397 | (204,358) | 7,548,039 |
| Balance at 30 September 2016 | 83,000,000 | 49,013,937 | 415,271 | 132,429,208 |
| Balance at 1 April 2017 | 83,000,000 | 59,290,986 | 255,033 | 142,546,019 |
| Profit from continuing operations | - | 9,670,227 | - | 9,670,227 |
| Other comprehensive (expense), net of tax | - | - | (225,457) | (225,457) |
| Total comprehensive income / (expense), net of tax | - | 9,670,227 | (225,457) | 9,444,770 |
| Balance at 30 September 2017 | 83,000,000 | 68,961,213 | 29,576 | 151,990,789 |

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

Condensed Interim Financial Statements

For the Six Months Ended 30 September 2017

Condensed Statement of Financial Position

| | Note | As at 30 September 2017 Unaudited NZD | As at 30 September 2016 Unaudited NZD | As at 31 March 2017 Audited NZD |
|---|------|---|---|---|
| Assets | | | | |
| Cash and short term liquid assets | | 77,084,844 | 69,474,100 | 63,842,818 |
| Amounts due from related parties | 9 | 74,753,607 | 70,437,566 | 64,774,654 |
| Amounts due from other financial institutions | | 228,521,327 | 204,448,825 | 234,535,027 |
| Available-for-sale securities | | 69,185,874 | 26,655,801 | 26,302,463 |
| Corporate loans originated by the Bank | 4 | 3,352,141,726 | 2,950,641,966 | 3,113,100,250 |
| Acceptances of customers | | 14,651,589 | 13,412,228 | 18,034,582 |
| Derivative instruments | | 20,443,547 | 22,890,003 | 23,713,315 |
| Other assets | | 1,309,980 | 6,089,467 | 870,498 |
| Current tax asset | | - | 3,109,583 | 3,109,583 |
| Deferred tax asset | | 10,212,390 | 12,917,138 | 11,869,489 |
| Property, plant and equipment | 3 | 163,280 | 335,758 | 243,368 |
| Total Assets | | <u>3,848,468,164</u> | <u>3,380,412,435</u> | <u>3,560,396,047</u> |
| Liabilities | | | | |
| Amounts due to related parties | 9 | 3,374,927,284 | 2,927,564,847 | 3,154,499,789 |
| Deposits | 5 | 282,596,938 | 281,062,446 | 218,940,492 |
| Acceptances | | 14,651,589 | 13,412,228 | 18,034,582 |
| Derivative instruments | | 21,753,525 | 23,252,793 | 23,989,845 |
| Other liabilities | 7 | 2,548,039 | 2,690,913 | 2,385,320 |
| Total Liabilities | | <u>3,696,477,375</u> | <u>3,247,983,227</u> | <u>3,417,850,028</u> |
| Equity | | | | |
| Head Office capital | 9 | 83,000,000 | 83,000,000 | 83,000,000 |
| Retained earnings | | 68,961,213 | 49,013,937 | 59,290,986 |
| Available-for-sale revaluation reserve | | 29,576 | 415,271 | 255,033 |
| Total Equity | | <u>151,990,789</u> | <u>132,429,208</u> | <u>142,546,019</u> |
| Total Liabilities and Equity | | <u>3,848,468,164</u> | <u>3,380,412,435</u> | <u>3,560,396,047</u> |
| Total Interest Earning and Discount Bearing Assets | | | | |
| | | 3,726,933,771 | 3,251,220,692 | 3,437,780,558 |
| Total Interest and Discount Bearing Liabilities | | | | |
| | | 3,649,449,731 | 3,188,321,794 | 3,362,912,069 |

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

Condensed Interim Financial Statements

For the Six Months Ended 30 September 2017

Condensed Statement of Cash Flows

| | Six Months ended 30 September 2017 Unaudited NZD | Six Months ended 30 September 2016 Unaudited NZD |
|--|---|---|
| Cash Flows from Operating Activities | | |
| Interest income received | 45,132,441 | 43,926,959 |
| Commission fees & trading income | 7,277,689 | 5,966,772 |
| Interest paid | (38,555,049) | (40,065,218) |
| Payment to suppliers, employees and others | (2,461,458) | (2,098,063) |
| Net cash flows from operating activities before changes in operating assets and liabilities | 11,393,623 | 7,730,450 |
| Net (increase) / decrease in operating assets: | | |
| Net (increase) in corporate loans originated by the Bank | (238,815,872) | (134,878,028) |
| Net decrease / (increase) in amounts due from other financial institutions | 6,013,700 | (5,065,887) |
| Net (increase) / decrease in available-for-sale securities | (43,344,834) | 176,975 |
| Net (increase) in amounts due from related parties | (9,978,953) | (14,271,435) |
| Net decrease / (increase) in other assets | 3,388,488 | (2,955,121) |
| | (282,737,471) | (156,993,496) |
| Net increase / (decrease) in operating liabilities: | | |
| Net increase / (decrease) in commercial paper and deposits | 64,361,269 | (202,117,506) |
| Net increase in amounts due to related parties | 220,490,178 | 391,630,682 |
| Net (decrease) / increase in other liabilities | (3,375,156) | 30,636 |
| | 281,476,291 | 189,543,812 |
| Net cash flows from operating activities before income tax | 10,132,443 | 40,280,766 |
| Net tax refund | 3,109,583 | 1,494,140 |
| Net cash flows from operating activities | 13,242,026 | 41,774,906 |
| Cash Flows from Investing Activities | | |
| Payment for property, plant and equipment | - | (91,833) |
| Net cash flows used in investing activities | - | (91,833) |
| Cash Flows from Financing Activities | | |
| Remittance to the Overseas Bank | - | - |
| Capital injection | - | - |
| Net cash flows from financing activities | - | - |
| Net Change in Cash and Cash Equivalents | | |
| Net increase in cash and cash equivalents | 13,242,026 | 41,683,073 |
| Cash and cash equivalents at beginning of year | 63,842,818 | 27,791,027 |
| Cash and cash equivalents at end of the period | 77,084,844 | 69,474,100 |
| Reconciliation of Closing Cash and Cash Equivalents | | |
| Cash and short term liquid assets | 77,084,844 | 69,474,100 |
| Closing cash and cash equivalents | 77,084,844 | 69,474,100 |

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

Condensed Interim Financial Statements For the Six Months Ended 30 September 2017

Condensed Statement of Cash Flows (continued)

| | Six Months ended 30 September 2017 | Six Months ended 30 September 2016 |
|---|---|---|
| | Unaudited | Unaudited |
| | NZD | NZD |
| Reconciliation of profit from continuing operations to net cash flows from operating activities | | |
| Profit from continuing operations | 9,670,227 | 7,752,397 |
| (Increase) in corporate loans | (239,041,476) | (132,744,493) |
| Decrease / (increase) in due from other financial institutions | 6,013,700 | (5,065,887) |
| (Increase) / decrease in available-for-sale securities | (43,196,545) | 176,975 |
| (Increase) in due from related parties | (9,978,953) | (14,271,435) |
| (Increase) in other assets | (439,483) | (4,825,644) |
| Increase in certificate of deposit | 39,755,275 | 45,844 |
| Increase / (decrease) in deposits | 23,901,171 | (202,980,241) |
| Increase in due to related parties | 220,427,495 | 390,075,283 |
| Increase in other payable | 218,959 | 1,273,475 |
| Movement in tax provision and deferred tax | 4,854,360 | 1,836,434 |
| Non-Cash items: | | |
| Depreciation of property, plant and equipment | 74,593 | 120,833 |
| Other | 982,703 | 381,365 |
| Net cash flows from operating activities | 13,242,026 | 41,774,906 |

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

Notes to the Condensed Interim Financial Statements For the Six Months Ended 30 September 2017

1. Statement of Significant Accounting Policies

a) Reporting entity and Statement of Compliance

The Bank of Tokyo-Mitsubishi UFJ, 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 condensed interim 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 comply with requirements of NZ IAS 34 Interim Financial Reporting and the Registered Bank Disclosure Statements (Overseas Incorporated Registered Banks) Order 2014 (as amended). These condensed interim financial statements also comply with IAS 34 Interim Financial Reporting. The Branch does not qualify for any differential reporting exemptions and the condensed interim financial statement should be read in conjunction with the financial statements for the year ended 31 March 2017.

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

b) Basis of preparation

The condensed interim financial statements are presented in New Zealand dollars.

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

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

c) Changes in accounting policy

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

d) Comparative figures

The comparative figures for credit exposure in note 10 have been restated to exclude income tax receivable, and to include the credit risk of derivatives at their carrying amount in accordance to NZ IFRS (rather than the credit equivalent in accordance with Basel II, which is not required to be disclosed by overseas incorporated banks). There has been no other material re-statement of comparative figures for these financial statements.

Notes to the Condensed Interim Financial Statements For the Six Months Ended 30 September 2017

2. Profit Before Income Tax Expense

| | Six Months ended 30 September 2017 Unaudited NZD | Six Months ended 30 September 2016 Unaudited NZD |
|--|---|---|
| Operating revenue | | |
| (a) Interest income | | |
| Corporate loans and other accounts | 45,207,359 | 41,788,862 |
| Related parties | 2,397 | 4,562 |
| | 45,209,756 | 41,793,424 |
| (b) Fees and commissions income | | |
| Fees and commissions income | 6,904,929 | 6,526,245 |
| | 6,904,929 | 6,526,245 |
| (c) Gains less losses on financial instruments | | |
| Net (loss) on interest rate derivatives | (1,065,124) | (250,051) |
| Net gain on currency derivatives | 567,451 | - |
| Net gain / (loss) on foreign currency | 25,994 | (91) |
| Other income | 391 | 516 |
| | (471,288) | (249,626) |
| | 51,643,397 | 48,070,043 |
| Total interest income derived from financial assets: | | |
| At amortised cost | 44,378,010 | 41,273,826 |
| Available-for-sale securities | 831,746 | 519,598 |
| Designated at fair value through profit or loss | - | - |
| Total fee income derived from financial assets that are not at fair value through profit or loss | 6,901,164 | 6,343,162 |
| Net (loss) on financial assets / liabilities held for trading | (1,032,783) | (302,594) |
| Net realised gain on held for trading | 561,104 | 52,453 |
| Other fee income | 3,765 | 183,082 |
| Other income | 391 | 516 |
| | 51,643,397 | 48,070,043 |
| Expenses | | |
| (a) Interest expense | | |
| Deposits and other accounts | 2,444,004 | 5,620,251 |
| Related parties | 35,343,538 | 32,072,675 |
| | 37,787,542 | 37,692,926 |
| Total interest expense was derived from financial liabilities: | | |
| At Amortised cost | 37,787,542 | 37,692,926 |
| Designated at fair value through profit or loss | - | - |
| | 37,787,542 | 37,692,926 |
| (b) Other operating expenses | | |
| Rental & operating lease costs | 143,716 | 139,368 |
| Depreciation | | |
| Furniture, fixtures and fittings | 7,410 | 10,691 |
| Office equipment | 65,715 | 106,890 |
| Motor vehicles | 1,469 | 3,252 |
| Auditors' remuneration | | |
| Audit fees | 67,942 | 67,528 |
| Other non-audit services | - | - |
| Salaries | 1,810,218 | 1,634,743 |
| Staff related cost | 31,024 | 21,842 |
| Net losses from the disposal of fixed assets | 5,495 | - |
| General administration and other operating expenses | 307,862 | 298,112 |
| | 2,440,851 | 2,282,426 |
| Gain before income tax expense | 11,415,004 | 8,094,691 |

Total income excluding any net loss for six months ended 30 September 2017 is NZD 52,708,521 (six months ended 30 September 2016 : NZD 48,320,185)

Notes to the Condensed Interim Financial Statements For the Six Months Ended 30 September 2017

3. Property, Plant and Equipment

During the six months ended 30 September 2017 the Branch did not acquire property, plant and equipment (six months ended 30 September 2016: NZD 91,921; twelve months ended 31 March 2017: NZD 100,335).

During the six months ended 30 September 2017 the Branch disposed property, plant and equipment with the amount of NZD 5,495 (six months ended 30 September 2016: Nil; twelve months ended 31 March 2017: NZD 258).

There was no impairment loss for property, plant and equipment recognized during the six months ended 30 September 2017 (six months ended 30 September 2016: Nil; twelve months ended 31 March 2017: Nil).

4. Loans and Advances

| | As at 30 September 2017 Unaudited NZD | As at 30 September 2016 Unaudited NZD | As at 31 March 2017 Audited NZD |
|--|--|--|--|
| Corporate loans originated by the bank | 3,352,141,726 | 2,950,641,966 | 3,113,100,250 |
| Less: individual impairment allowance | - | - | - |
| | 3,352,141,726 | 2,950,641,966 | 3,113,100,250 |

5. Deposits

| | As at 30 September 2017 Unaudited NZD | As at 30 September 2016 Unaudited NZD | As at 31 March 2017 Audited NZD |
|-------------------------------------|--|--|--|
| Retail deposit bearing interest | 42,090,154 | 7,717,457 | 7,944,787 |
| Retail deposit not bearing interest | 7,191,146 | 19,270,200 | 9,585,977 |
| Certificate deposit | 81,680,250 | 49,760,537 | 41,924,975 |
| Call deposit | 85,139,862 | 65,675,761 | 57,935,767 |
| Term deposit | 66,495,526 | 138,638,491 | 101,548,986 |
| | 282,596,938 | 281,062,446 | 218,940,492 |

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

| | As at 30 September 2017 Unaudited NZD | As at 30 September 2016 Unaudited NZD | As at 31 March 2017 Audited NZD |
|--|--|--|--|
| Total Liabilities | 3,696,477,375 | 3,247,983,227 | 3,417,850,028 |
| Less: total amounts due to related parties (Note : 9) | (3,385,110,518) | (2,941,569,206) | (3,167,182,132) |
| Total liabilities net of amounts due to related parties | 311,366,857 | 306,414,021 | 250,667,896 |

Notes to the Condensed Interim Financial Statements For the Six Months Ended 30 September 2017

7. Other Liabilities

| | As at 30 September 2017 Unaudited NZD | As at 30 September 2016 Unaudited NZD | As at 31 March 2017 Audited NZD |
|-------------------------------------|--|--|--|
| Provision for employee entitlements | 144,422 | 142,765 | 146,916 |
| Unearned income | 2,219,037 | 2,268,515 | 2,002,794 |
| Others | 184,580 | 279,633 | 235,610 |
| | 2,548,039 | 2,690,913 | 2,385,320 |

8. Commitments and Contingent Liabilities

| | As at 30 September 2017 Unaudited NZD | As at 30 September 2016 Unaudited NZD | As at 31 March 2017 Audited NZD |
|--------------------------------------|--|--|--|
| a) Future lease rental commitments | | | |
| Operating lease (primarily premises) | | | |
| Due within 1 year | 183,530 | 285,932 | 217,366 |
| Due within 1 - 2 years | 182,785 | 184,299 | 180,123 |
| Due within 2 - 5 years | 382,184 | 564,969 | 473,577 |
| Due over 5 years | - | - | - |
| | 748,499 | 1,035,200 | 871,066 |
| b) Other commitments | | | |
| Undrawn facility commitments | 1,629,637,509 | 844,975,400 | 1,357,823,179 |
| c) Contingent liabilities | | | |
| Guarantees given | 14,213,212 | 353,455 | 13,208,455 |
| Performance related contingencies | 13,615,533 | 18,050,000 | 11,180,473 |
| Trade related contingencies | 6,276,578 | 12,802,979 | 3,674,185 |
| | 34,105,323 | 31,206,434 | 28,063,113 |

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

- Guarantee given – a financial guarantee that is an agreement by which the Branch agrees to pay an amount of money on demand on behalf of a customer to a third party during the life of the guarantee.
- 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 fulfil certain terms and conditions of a contract.
- 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 perform a contractual non-monetary obligation.

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

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

Notes to the Condensed Interim Financial Statements For the Six Months Ended 30 September 2017

9. Related Party Disclosures

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

Related party transactions are unsecured and entered into in the normal course of business. During the period there have been dealings between Auckland branch, other overseas branches and Head Office. Amounts due from related parties is only related to settlement account which is due on demand. Amounts due to related parties are mainly term deposits which are due in accordance with an agreed date. The maturity analysis for these balances are presented in Note 13. The interest rate risk analysis for these balances are presented in Note 12. No related party debts have been written off or forgiven during the reporting period.

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

| | Six Months ended 30 September 2017 Unaudited NZD | Six Months ended 30 September 2016 Unaudited NZD | Twelve Months ended 31 March 2017 Audited NZD |
|---|---|---|--|
| A) Balances | | | |
| Assets | | | |
| Amounts due from related parties | 74,753,607 | 70,437,566 | 64,774,654 |
| Derivative instruments | 11,814,903 | 9,325,672 | 11,913,581 |
| Others | - | - | 925 |
| | 86,568,510 | 79,763,238 | 76,689,160 |
| Liabilities | | | |
| Amounts due to related parties | 3,374,927,284 | 2,927,564,847 | 3,154,499,789 |
| Derivative instruments | 10,183,234 | 14,004,359 | 12,682,343 |
| | 3,385,110,518 | 2,941,569,206 | 3,167,182,132 |
| Equity | | | |
| Head Office capital | 83,000,000 | 83,000,000 | 83,000,000 |
| Off Balance Sheet | | | |
| Guarantee given | 762,676 | 227,782 | 227,782 |
| Performance related contingencies | 1,400,000 | 1,400,000 | 1,400,000 |
| | 2,162,676 | 1,627,782 | 1,627,782 |
| B) Transactions | | | |
| Interest income | 2,397 | 4,562 | 4,562 |
| Interest expense | 35,343,538 | 32,072,675 | 66,965,975 |
| Net (loss) / gain from derivative instruments | (1,698,350) | (391,690) | 9,003,945 |
| Fees and commissions income | 4,971 | 553 | 2,948 |

The Branch's Head Office capital comprises of funds provided by the overseas bank to support the Branch's daily operation and to fulfil local thin capitalisation requirements. 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 18 and Note 19.

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

Notes to the Condensed Interim Financial Statements For the Six Months Ended 30 September 2017

10. 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.

Corporate loans originated by the bank are secured partially by following collateral/credit enhancement:

- i. financial guarantee by either third parties or customer's parent company
- ii. deposit assignment
- iii. asset assignment such as aircraft

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 in the RBNZ Bank Balance Sheet Survey. 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 of recognised financial assets and derivative financial instruments as at the reporting date.

| | As at 30 September 2017 Unaudited NZD | As at 30 September 2016 Unaudited (Restated) NZD |
|---|--|--|
| Notional Principal * | | |
| On Balance Sheet | | |
| Cash and short term liquid assets | 77,084,844 | 69,474,100 |
| Amounts due from related parties | 74,753,607 | 70,437,566 |
| Amounts due from other financial institutions | 228,521,327 | 204,448,825 |
| Available-for-sale securities | 69,185,874 | 26,655,801 |
| Corporate loans originated by the Bank | 3,352,141,726 | 2,950,641,966 |
| Acceptances of customers | 14,651,589 | 13,412,228 |
| Other assets | 1,252,500 | 6,040,872 |
| Total | 3,817,591,467 | 3,341,111,358 |
| Off Balance Sheet | | |
| Guarantee given | 14,213,212 | 353,455 |
| Performance related contingencies | 13,615,533 | 18,050,000 |
| Trade related contingencies | 6,276,578 | 12,802,979 |
| Undrawn facility commitments | 1,629,637,509 | 844,975,400 |
| Total | 1,663,742,832 | 876,181,834 |
| Fair value * | | |
| Derivative instruments | 20,443,547 | 22,890,003 |

* Refer to Note 1(d)

Notes to the Condensed Interim Financial Statements For the Six Months Ended 30 September 2017

10. Concentration of Credit Risk (continued)

i. Concentration of Credit Risk by Customer Industry Sector

| | As at 30 September 2017 Unaudited NZD | As at 30 September 2016 Unaudited (Restated) NZD |
|--------------------------------|--|--|
| Notional principal * | | |
| On Balance Sheet | | |
| Communications | 139,986,347 | 206,826,693 |
| Construction | 35,373,961 | 9,122,891 |
| Electricity, gas and water | 572,902,060 | 414,352,711 |
| Finance | 958,772,722 | 722,979,777 |
| Fishing | 90,134,044 | 101,044,204 |
| Food manufacturing | 707,108,155 | 497,490,019 |
| Forestry | 98,338,034 | 66,691,205 |
| Other manufacturing | 50,651,972 | 166,044,525 |
| Property and business services | 167,663,832 | 152,292,585 |
| Transport and storage | 764,711,599 | 819,290,623 |
| Wholesale trade | 224,700,392 | 184,476,085 |
| Wood and paper manufacturing | 7,248,349 | 500,040 |
| Total | 3,817,591,467 | 3,341,111,358 |

Notional principal

| | | |
|--------------------------------|---------------|-------------|
| Off Balance Sheet | | |
| Communications | 167,500,000 | 51,388,889 |
| Construction | 84,940,690 | 34,547,586 |
| Electricity, gas and water | 592,515,786 | 325,000,000 |
| Finance | 242,183,153 | 112,763,914 |
| Fishing | 16,103,391 | 12,293,860 |
| Food manufacturing | 177,603,222 | 173,642,182 |
| Forestry | 1,300,000 | - |
| Other manufacturing | 113,720,493 | 10,042,861 |
| Property and Business Services | 58,506,242 | 67,838,865 |
| Transport and storage | 153,256,100 | 28,666,847 |
| Wholesale trade | 26,888,485 | 15,996,830 |
| Wood and paper manufacturing | 29,225,270 | 44,000,000 |
| Total | 1,663,742,832 | 876,181,834 |

Fair value *

| | | |
|------------------------------|------------|------------|
| Communications | 333,368 | 1,115,753 |
| Construction | 423,524 | 306,813 |
| Electricity, gas and water | 1,348,149 | 1,676,811 |
| Finance | 14,529,867 | 13,008,009 |
| Fishing | 827,808 | 1,197,672 |
| Food manufacturing | 942,694 | 2,302,006 |
| Forestry | 606 | - |
| Other manufacturing | 312,994 | 287,273 |
| Transport and storage | 954,518 | 1,737,086 |
| Wholesale trade | 709,843 | 1,238,492 |
| Wood and paper manufacturing | 60,176 | 20,088 |
| Total | 20,443,547 | 22,890,003 |

* Refer to Note 1(d)

Notes to the Condensed Interim Financial Statements For the Six Months Ended 30 September 2017

10. Concentration of Credit Risk (continued)

ii. Concentration of Credit Risk by Customer Geographical Location

| | As at 30 September 2017 Unaudited NZD | As at 30 September 2016 Unaudited (Restated) NZD |
|-----------------------------|--|--|
| Notional principal * | | |
| On Balance Sheet | | |
| New Zealand | 3,386,641,226 | 2,748,759,190 |
| Japan | 294,348,258 | 262,771,351 |
| Australia | 136,191,501 | 125,131,992 |
| Netherlands | - | 204,448,825 |
| Sri Lanka | 410,482 | - |
| Total | 3,817,591,467 | 3,341,111,358 |
| Off Balance Sheet | | |
| New Zealand | 1,523,818,567 | 741,810,109 |
| Japan | 2,162,675 | 1,627,782 |
| Australia | 131,325,579 | 129,607,811 |
| Other | 6,436,011 | 3,136,132 |
| Total | 1,663,742,832 | 876,181,834 |
| Fair value * | | |
| New Zealand | 7,111,248 | 11,500,054 |
| Japan | 12,620,069 | 9,612,943 |
| Australia | 712,230 | 1,777,006 |
| Total | 20,443,547 | 22,890,003 |

iii. Concentration of Credit Risk by Customer Credit Rating

The following tables set out the credit quality information for balances which are neither past due nor impaired. Please refer to Note 17 for impaired assets.

30 September 2017

Unaudited

| Credit Rating | S&P Rating | Notional principal | | Derivative financial instruments |
|---------------|------------------|--------------------|-------------------|----------------------------------|
| | | On balance Sheet | Off balance Sheet | |
| 1-2 | A- and above | 1,692,544,215 | 700,946,931 | 1,616,207 |
| 3-7 | B- to BBB+ | 2,049,792,202 | 960,590,364 | 5,727,151 |
| 8-9 | CCC+/- and below | 501,140 | 42,861 | 1,285,286 |
| Not rated** | | 74,753,910 | 2,162,676 | 11,814,903 |
| | | 3,817,591,467 | 1,663,742,832 | 20,443,547 |

30 September 2016

Unaudited

(Restated)

| Credit Rating | S&P Rating | Notional principal * | | Derivative financial instruments * |
|---------------|------------------|----------------------|-------------------|------------------------------------|
| | | On balance Sheet | Off balance Sheet | |
| 1-2 | A- and above | 893,342,615 | 229,886,452 | 2,349,926 |
| 3-7 | B- to BBB+ | 2,350,703,300 | 644,624,739 | 11,214,405 |
| 8-9 | CCC+/- and below | 26,627,575 | 42,861 | - |
| Not rated** | | 70,437,868 | 1,627,782 | 9,325,672 |
| | | 3,341,111,358 | 876,181,834 | 22,890,003 |

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

* Refer to Note 1(d)

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

Notes to the Condensed Interim Financial Statements For the Six Months Ended 30 September 2017

10. Concentration of Credit Risk (continued)

Collateral and other credit enhancements

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

a. Cash and short term liquid assets

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

b. Amounts due from related parties

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

c. Amounts due from other financial institutions

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

d. Available-for-sale securities

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

e. Derivative instruments

The Branch is exposed to credit risk on derivative contracts, which arises as a result of counterparty credit risk. This credit risk from derivatives is mitigated where possible through master netting agreements whereby derivative assets and liabilities with the same counterparty can be offset. A master netting agreement provides the contractual framework within which dealing activities across a range of over-the-counter products are conducted and contractually binds both parties to apply close-out netting across all outstanding transactions covered by an agreement if either party defaults or other predetermined events occur. There have been no amounts set off in the statement of financial position for derivative assets and derivative liabilities as at 30 September 2017 (2016: Nil).

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

As at 30 September 2017
NZD

| | Gross amounts of recognized financial assets (a) | Gross amounts of recognized 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 | 20,443,547 | - | 20,443,547 | 1,226,293 | 19,217,254 |

As at 30 September 2016
NZD

| | Gross amounts of recognized financial assets (a) | Gross amounts of recognized 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 | 22,890,003 | - | 22,890,003 | 1,980,121 | 20,909,882 |

Notes to the Condensed Interim Financial Statements For the Six Months Ended 30 September 2017

10. Concentration of Credit Risk (continued)

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

| As at 30 September 2017 NZD | | | | | |
|--------------------------------|--|--|--|---|-------------------------------|
| | Gross amounts of recognized financial liabilities (a) | Gross amounts of recognized 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 | 21,753,525 | - | 21,753,525 | 1,226,293 | 20,527,232 |
| As at 30 September 2016 NZD | | | | | |
| | Gross amounts of recognized financial liabilities (a) | Gross amounts of recognized financial assets set off in the statement of financial position (b) | Net amounts of financial liabilities presented in the statement of financial position (c) = (a) – (b) | Related amounts not setoff in the statement of financial position (d) | Net amount (e) = (c) – (d) |
| Derivatives | 23,252,793 | - | 23,252,793 | 1,980,121 | 21,272,672 |

Collateral is obtained against derivative assets, depending on the creditworthiness of the counterparty. There has been no collateral obtained against derivative assets for the six month ended 30 September 2017 (2016: Nil).

f. Acceptances of customers and other assets

Collateral is generally not sought on these balances. For acceptances of customers, similar credit review processes as corporate loans originated by the Bank are performed.

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 loans 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

A client's facilities may also be secured by different types of collateral with an agreed value, this may be less than the carrying amount of 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 30 September 2017 is over NZD 1,022,034,932 (which is based on guarantees received from third parties, the current unaudited financial accounts of counterparties, and market value of business assets).

| On Balance Sheet | As at 30 September 2017 Unaudited | | As at 30 September 2016 Unaudited | |
|----------------------------------|---|--------|---|--------|
| | NZD | % | NZD | % |
| Maximum Exposure | 3,352,141,726 | 100.00 | 2,950,641,966 | 100.00 |
| Collateral classification | | | | |
| Secured | 1,022,034,932 | 30.49 | 462,194,127 | 15.66 |
| Partially secured | - | - | - | - |
| Unsecured | 2,330,106,794 | 69.51 | 2,488,447,839 | 84.34 |

Notes to the Condensed Interim Financial Statements For the Six Months Ended 30 September 2017

10. Concentration of Credit Risk (continued)

h. Undrawn facility commitments and contingent liabilities

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

| Off Balance Sheet | As at 30 September 2017 Unaudited | | As at 30 September 2016 Unaudited | |
|----------------------------------|---|--------|---|--------|
| | NZD | % | NZD | % |
| Maximum Exposure | 1,663,742,832 | 100.00 | 876,181,834 | 100.00 |
| Collateral classification | | | | |
| Secured | 400,288,740 | 24.06 | 245,607,810 | 28.03 |
| Partially secured | - | - | - | - |
| Unsecured | 1,263,454,092 | 75.94 | 630,574,024 | 71.97 |

11. Concentration of Funding

Concentration of funding is determined by management to be by counterparty type and geographical location. The geographical locations reflect the primary location of the underlying depositor.

| | As at 30 September 2017 Unaudited NZD | As at 30 September 2016 Unaudited NZD |
|---------------------------------|--|--|
| a) Category analysis | | |
| Customer deposits | 282,596,938 | 281,062,446 |
| Due to related parties | 3,374,927,284 | 2,927,564,847 |
| | <u>3,657,524,222</u> | <u>3,208,627,293</u> |
| b) Counterparty analysis | | |
| Accommodation & Food Services | - | 1,000,067 |
| Agriculture | 561,296 | 894,819 |
| Communications | 21,052,514 | 40,068,647 |
| Constructions | 494,339 | 6,349,449 |
| Finance | 3,432,984,273 | 3,010,714,731 |
| Fishing | 11,424,841 | 396,473 |
| Food Manufacturing | 18,763,905 | 16,540,644 |
| Forestry | 5,858 | 7,307,971 |
| Insurance | 30,004,789 | 15,004,027 |
| Other Industries | 633,648 | 405,004 |
| Other Manufacturing | 4,471,023 | 5,016,530 |
| Property and business services | 3,012,380 | 4,030,714 |
| Transport and Storage | 92,811,670 | 78,825,586 |
| Wholesale Trading | 34,707,069 | 21,751,593 |
| Wood and Paper Manufacturing | 6,596,617 | 321,038 |
| | <u>3,657,524,222</u> | <u>3,208,627,293</u> |
| c) Geographical analysis | | |
| Australia | 2,154,467,725 | 1,727,978,124 |
| New Zealand | 281,255,285 | 296,010,307 |
| Japan | 1,172,751,808 | 1,184,638,862 |
| Singapore | 49,049,404 | - |
| | <u>3,657,524,222</u> | <u>3,208,627,293</u> |

Notes to the Condensed Interim Financial Statements For the Six Months Ended 30 September 2017

12. 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 into 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.

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| | 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 | 77,084,844 | - | - | - | - | - | 77,084,844 | 1.25% |
| Amounts due from related parties | - | - | - | - | - | 74,753,607 | 74,753,607 | |
| Amounts due from other financial institutions | 228,521,327 | - | - | - | - | - | 228,521,327 | 2.01% |
| Available-for-sale securities | 25,647,434 | - | - | - | - | 43,538,440 | 69,185,874 | 2.03% |
| Corporate loans originated by the Bank | 3,124,247,809 | 187,991,943 | - | - | 39,901,974 | - | 3,352,141,726 | 2.74% |
| Acceptances of Customers | - | - | - | - | - | 14,651,589 | 14,651,589 | |
| Property, Plant and Equipment | - | - | - | - | - | 163,280 | 163,280 | |
| Other assets | - | - | - | - | - | 31,965,917 | 31,965,917 | |
| Total assets | 3,455,501,414 | 187,991,943 | - | - | 39,901,974 | 165,072,833 | 3,848,468,164 | |
| LIABILITIES | | | | | | | | |
| Amounts due to related parties | 3,188,276,313 | 145,283,428 | - | - | 40,484,198 | 883,345 | 3,374,927,284 | 2.27% |
| Deposits | 270,766,914 | 4,638,878 | - | - | - | 7,191,146 | 282,596,938 | 1.96% |
| Liability for Acceptances | - | - | - | - | - | 14,651,589 | 14,651,589 | |
| Other liabilities | - | - | - | - | - | 24,301,564 | 24,301,564 | |
| Total liabilities | 3,459,043,227 | 149,922,306 | - | - | 40,484,198 | 47,027,644 | 3,696,477,375 | |

30 September 2016
Unaudited

| | 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 | 69,474,100 | - | - | - | - | - | 69,474,100 | 1.50% |
| Amounts due from related parties | - | - | - | - | - | 70,437,566 | 70,437,566 | |
| Amounts due from other financial institutions | 204,448,825 | - | - | - | - | - | 204,448,825 | 2.35% |
| Available-for-sale securities | - | - | - | 26,655,801 | - | - | 26,655,801 | 3.90% |
| Corporate loans originated by the Bank | 2,774,091,878 | 125,554,426 | - | - | 50,995,662 | - | 2,950,641,966 | 2.90% |
| Acceptances of Customers | - | - | - | - | - | 13,412,228 | 13,412,228 | |
| Property, Plant and Equipment | - | - | - | - | - | 335,758 | 335,758 | |
| Other assets | - | - | - | - | - | 45,006,191 | 45,006,191 | |
| Total assets | 3,048,014,803 | 125,554,426 | - | 26,655,801 | 50,995,662 | 129,191,743 | 3,380,412,435 | |
| LIABILITIES | | | | | | | | |
| Amounts due to related parties | 2,760,943,232 | 114,610,358 | - | - | 50,975,957 | 1,035,300 | 2,927,564,847 | 2.48% |
| Deposits | 225,105,930 | 22,107,439 | 14,578,877 | - | - | 19,270,200 | 281,062,446 | 2.44% |
| Liability for Acceptances | - | - | - | - | - | 13,412,228 | 13,412,228 | |
| Other liabilities | - | - | - | - | - | 25,943,706 | 25,943,706 | |
| Total liabilities | 2,986,049,162 | 136,717,797 | 14,578,877 | - | 50,975,957 | 59,661,434 | 3,247,983,227 | |

At 30 September 2017, assuming that all other variables held constant, if interest rates had been 50 basis points higher, post-tax profit for the year would have been NZD 0.1 million higher (2016: NZD 0.3M higher) due to increase in interest income. It is caused by the usage of equity funding on short and medium term borrowing (less than 1 year). If interest rate had been 50 basis points lower with all the variables held constant, post-tax profit would have been NZD 0.1 million lower (2016: NZD 0.3M lower) due to decrease in interest income as a result of the funding gap. The impact of interest rate movement on pre-tax profit is immaterial due to the back to back transactions with Sydney Branch to minimize any long term interest rate risk.

Notes to the Condensed Interim Financial Statements For the Six Months Ended 30 September 2017

13. 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 condensed statement of financial position.

30 September 2017 Unaudited

| | 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 | 77,084,844 | - | - | - | - | - | 77,084,844 |
| Amounts due from related parties | 74,753,607 | - | - | - | - | - | 74,753,607 |
| Amounts due from other financial institutions | - | 85,000,000 | 144,000,000 | - | - | - | 229,000,000 |
| Available-for-sale securities | - | 19,990,302 | 49,204,027 | - | - | - | 69,194,329 |
| Corporate loans originated by the Bank | 80,170,057 | 45,092,660 | 472,051,655 | 220,286,092 | 2,265,478,494 | 524,153,613 | 3,607,232,571 |
| Acceptances of customers | - | 8,851,882 | 5,799,707 | - | - | - | 14,651,589 |
| Derivative instruments | - | 2,000,824 | 2,763,072 | 14,657,178 | 29,096,119 | 31,880,398 | 80,397,591 |
| Other assets | - | 772,365 | 465,377 | 301 | - | - | 1,238,043 |
| | 232,008,508 | 161,708,033 | 674,283,838 | 234,943,571 | 2,294,574,613 | 556,034,011 | 4,153,552,574 |
| LIABILITIES | | | | | | | |
| Amounts due to related parties | - | 843,705,132 | 2,358,748,575 | 148,183,941 | 33,124,439 | 4,338,560 | 3,388,100,647 |
| Deposits | 134,421,161 | 61,602,467 | 82,301,482 | 4,710,999 | - | - | 283,036,109 |
| Acceptances | - | 8,851,882 | 5,799,707 | - | - | - | 14,651,589 |
| Derivative instruments | - | 1,991,666 | 2,844,369 | 14,880,059 | 30,512,943 | 32,086,183 | 82,315,220 |
| Lease commitment | - | 14,788 | 29,576 | 139,166 | 564,969 | - | 748,499 |
| Gross loan commitment | 1,629,637,509 | - | - | - | - | - | 1,629,637,509 |
| Guarantee given | - | 150,000 | - | 12,377,860 | 710,489 | 974,863 | 14,213,212 |
| Performance related contingencies | - | 400,000 | 1,300,000 | 11,915,533 | - | - | 13,615,533 |
| Trade related contingencies | - | 20,478 | - | 6,256,100 | - | - | 6,276,578 |
| | 1,764,058,670 | 916,736,413 | 2,451,023,709 | 198,463,658 | 64,912,840 | 37,399,606 | 5,432,594,896 |

30 September 2016 Unaudited

| | 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 | 69,474,100 | - | - | - | - | - | 69,474,100 |
| Amounts due from related parties | 70,437,566 | - | - | - | - | - | 70,437,566 |
| Amounts due from other financial institutions | - | 20,000,000 | 185,000,000 | - | - | - | 205,000,000 |
| Available-for-sale securities | - | - | 750,000 | 750,000 | 25,750,000 | - | 27,250,000 |
| Corporate loans originated by the Bank | 43,755,639 | 15,264,100 | 182,728,403 | 545,133,759 | 1,970,291,443 | 444,873,321 | 3,202,046,665 |
| Acceptances of customers | - | 6,646,979 | 6,765,249 | - | - | - | 13,412,228 |
| Derivative instruments | - | 1,854,993 | 3,006,932 | 7,617,463 | 13,690,022 | 626,485 | 26,795,895 |
| Other assets | - | 5,505,744 | 515,050 | 301 | - | - | 6,021,095 |
| | 183,667,305 | 49,271,816 | 378,765,634 | 553,501,523 | 2,009,731,465 | 445,499,806 | 3,620,437,549 |
| LIABILITIES | | | | | | | |
| Amounts due to related parties | - | 831,679,804 | 1,943,232,064 | 117,217,510 | 38,678,120 | 10,128,195 | 2,940,935,693 |
| Deposits | 92,663,418 | 105,164,906 | 47,052,460 | 37,010,850 | - | - | 281,891,634 |
| Acceptances | - | 13,412,228 | - | - | - | - | 13,412,228 |
| Derivative instruments | - | 1,845,922 | 2,953,864 | 7,037,547 | 11,800,704 | 591,684 | 24,229,721 |
| Lease commitment | - | 23,810 | 47,658 | 214,464 | 749,268 | - | 1,035,200 |
| Gross loan commitment | 844,975,400 | - | - | - | - | - | 844,975,400 |
| Guarantee given | - | - | - | 260,673 | 92,782 | - | 353,455 |
| Performance related contingencies | - | 550,000 | - | 17,500,000 | - | - | 18,050,000 |
| Trade related contingencies | - | - | 3,136,132 | 9,666,847 | - | - | 12,802,979 |
| | 937,638,818 | 952,676,670 | 1,996,422,178 | 188,907,891 | 51,320,874 | 10,719,879 | 4,137,686,310 |

Notes to the Condensed Interim Financial Statements For the Six Months Ended 30 September 2017

14. 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 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 interest rates. Foreign currency forward contracts are measured using observable forward exchange rates and yield curves derived from observable interest rates matching maturities of the contracts.
- d. The fair values of available-for-sales securities are derived from quoted prices in the active market.

| 30 September 2017 Unaudited | Note | Held for Trading NZD | Available for Sale Securities NZD | Loans and Receivables NZD | Other Amortised Cost NZD | Total Carrying Amount NZD | Fair Value NZD |
|---|------|----------------------------|--|---------------------------------|--------------------------------|---------------------------------|----------------------|
| Assets | | | | | | | |
| Cash and cash equivalents | a | - | - | 77,084,844 | - | 77,084,844 | 77,084,844 |
| Amounts due from related parties | a | - | - | 74,753,607 | - | 74,753,607 | 74,753,607 |
| Amounts due from other financial institutions | a | - | - | 228,521,327 | - | 228,521,327 | 228,521,327 |
| Available-for-sale securities | d | - | 69,185,874 | - | - | 69,185,874 | 69,185,874 |
| Corporate loans originated by the Bank | b | - | - | 3,352,141,726 | - | 3,352,141,726 | 3,355,215,875 |
| Other assets | c, a | 20,443,547 | - | 15,904,445 | - | 36,347,992 | 36,347,992 |
| Total financial assets | | 20,443,547 | 69,185,874 | 3,748,405,949 | - | 3,838,035,370 | 3,841,109,519 |
| Liabilities | | | | | | | |
| Amounts due to related parties | b | - | - | - | 3,374,927,284 | 3,374,927,284 | 3,381,477,470 |
| Deposits | a, b | - | - | - | 282,596,938 | 282,596,938 | 282,596,938 |
| Other liabilities | c | 21,753,525 | - | - | 14,651,589 | 36,405,114 | 36,405,114 |
| Total financial liabilities | | 21,753,525 | - | - | 3,672,175,811 | 3,693,929,336 | 3,700,479,522 |

Notes to the Condensed Interim Financial Statements For the Six Months Ended 30 September 2017

14. Fair Value of Financial Instruments (continued)

| 30 September 2016 Unaudited | Note | Held for Trading NZD | Available for Sale Securities NZD | Loans and Receivables NZD | Other Amortised Cost NZD | Total Carrying Amount NZD | Fair Value NZD |
|---|------|----------------------------|--|---------------------------------|--------------------------------|------------------------------------|----------------------|
| Assets | | | | | | | |
| Cash and cash equivalents | a | - | - | 69,474,100 | - | 69,474,100 | 69,474,100 |
| Amounts due from related parties | a | - | - | 70,437,566 | - | 70,437,566 | 70,437,566 |
| Amounts due from other financial institutions | a | - | - | 204,448,825 | - | 204,448,825 | 204,448,825 |
| Available-for-sale securities | d | - | 26,655,801 | - | - | 26,655,801 | 26,655,801 |
| Corporate loans originated by the Bank | b | - | - | 2,950,641,966 | - | 2,950,641,966 | 2,951,465,748 |
| Other assets | c, a | 22,890,003 | - | 19,455,580 | - | 42,345,583 | 42,345,583 |
| Total financial assets | | 22,890,003 | 26,655,801 | 3,314,458,037 | - | 3,364,003,841 | 3,364,827,623 |
| Liabilities | | | | | | | |
| Amounts due to related parties | b | - | - | - | 2,927,564,847 | 2,927,564,847 | 2,928,351,467 |
| Deposits | a, b | - | - | - | 281,062,446 | 281,062,446 | 281,062,446 |
| Other liabilities | c | 23,252,793 | - | - | 13,412,228 | 36,665,021 | 36,665,021 |
| Total financial liabilities | | 23,252,793 | - | - | 3,222,039,521 | 3,245,292,314 | 3,246,078,934 |

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).

| | 30 September 2017 | | 30 September 2016 | |
|---|-------------------|-------------------|-------------------|-------------------|
| | Level 1 | Level 2 | Level 1 | Level 2 |
| Derivative financial assets | | | | |
| Interest rate swaps | - | 10,356,102 | - | 15,680,551 |
| Currency swaps | - | 667,953 | - | - |
| FX forwards | - | 9,419,492 | - | 7,209,452 |
| Total derivative financial assets | - | 20,443,547 | - | 22,890,003 |
| Derivative financial liabilities | | | | |
| Interest rate swaps | - | 11,663,183 | - | 16,031,624 |
| Currency Swaps | - | 667,953 | - | - |
| FX forwards | - | 9,422,389 | - | 7,221,169 |
| Total derivative financial liabilities | - | 21,753,525 | - | 23,252,793 |
| Available-for-sale securities | 69,185,874 | - | 26,655,801 | - |

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 carried at fair value categorised under Level 3 in this period.

Notes to the Condensed Interim Financial Statements For the Six Months Ended 30 September 2017

15. Liquidity Risk Management

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 situations. To achieve this objective, the Branch adopts a set of liquidity management strategies which limits the liquidity risk to acceptable levels. The compliance of such internal limits are being independently monitored and regularly reported to the Regional Head for Oceania. A contingency plan has been developed in the event of a major liquidity problem. The operations of the Branch are subject to these policies.

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

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

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

The Branch is committed to raising its liabilities from a wide range of institutional and corporate lenders. This reduces dependence upon certain lenders and the possibility that a large portion of the deposit base will be withdrawn with little notice. As part of its liquidity management policies, the Branch maintains a portfolio of readily liquid assets and has established committed funding arrangements from other institutions. Liquidity is managed by the Treasury Department of the Sydney Branch under the supervision of the Oceania Region Asset and Liability Management Committee. Reports on liquidity are reviewed by the Regional Head for Oceania, sent to the Parent Bank weekly 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 30 September 2017 Unaudited NZD | As at 30 September 2016 Unaudited NZD |
|---|--|--|
| Cash and short term liquid assets | 77,084,844 | 69,474,100 |
| Amounts due from related parties | 74,753,607 | 70,437,566 |
| Amounts due from other financial institutions | 228,521,327 | 204,448,825 |
| Available-for-sale securities | 69,185,874 | 26,655,801 |
| | 449,545,652 | 371,016,292 |

Notes to the Condensed Interim Financial Statements For the Six Months Ended 30 September 2017

16. Profitability and Size

a) Profitability

The Overseas Banking Group

| | Six Months ended 30 September 2017 JPY(000's) | Six Months ended 30 September 2016 JPY(000's) |
|--|--|--|
| Net Profit After Tax | 396,712,000 | 405,581,000 |
| Net Profit After Tax over the previous 12 months period as a percentage of average total assets | 0.32% | 0.32% |

b) Size

| | Six Months ended 30 September 2017 JPY(000's) | Six Months ended 30 September 2016 JPY(000's) |
|--|--|--|
| Total Assets | 234,877,976,000 | 219,652,995,000 |
| % Change in total assets over the previous 12 months | 6.93% | -0.49% |

17. Asset Quality

(i) The Overseas Banking Group

| | As at 30 September 2017 JPY(000's) | As at 30 September 2016 JPY(000's) |
|--|--|--|
| Total individually impaired assets (before allowances for credit impairment loss and net of interest held in suspense) | 1,155,959,000 | 1,333,861,000 |
| Total individually impaired assets expressed as a percentage of total assets | 0.49% | 0.61% |
| Total individually credit impairment allowance | 162,550,000 | 229,001,000 |
| Total individually credit impairment allowance expressed as percentage of total individually impaired assets | 14.06% | 17.17% |
| Total collective credit impairment allowance | 523,673,000 | 564,025,000 |

Notes to the Condensed Interim Financial Statements For the Six Months Ended 30 September 2017

17. Asset Quality (continued)

(ii) The Bank of Tokyo-Mitsubishi UFJ, Ltd., Auckland Branch.

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

The Branch does not have any individually impaired assets that have been recognized, any individual credit impairment allowances, any collective credit impairment allowance, and any assets that are at least 90 days past due but not impaired as at 30 September 2017 (30 September 2016: Nil).

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

The Branch did not charge or credit to the condensed statement of comprehensive income for any increase or decrease in individual and collective credit impairment allowances during the half year accounting period ended 30 September 2017 (30 September 2016: Nil).

The total interest income recognized on impaired asset over the half year accounting period ended 30 September 2017 is Nil (30 September 2016: 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.

Notes to the Condensed Interim Financial Statements For the Six Months Ended 30 September 2017

18. Exposures to Market Risk

Aggregate market risk exposures of The Bank of Tokyo-Mitsubishi UFJ, Ltd., Auckland Branch have been derived in accordance with Schedule 9 of the Reserve Bank Order.

| | Six Months ended 30 September 2017 Unaudited NZD (000's) | Six Months ended 30 September 2016 Unaudited NZD (000's) |
|--------------------------------------|---|---|
| (1) Aggregate Interest Rate Exposure | | |
| (a) Notional Capital Charge* | 2,532 | 1,635 |
| (b) Implied risk weighted exposure | 31,650 | 20,438 |

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

| | Peak End of Day Ending 30 September 2017 Unaudited NZD (000's) | Peak End of Day Ending 30 September 2016 Unaudited NZD (000's) |
|--------------------------------------|---|---|
| (2) Aggregate Interest Rate Exposure | | |
| (a) Notional Capital Charge** | 2,893 | 2,496 |
| (b) Implied risk weighted exposure | 36,163 | 31,200 |

** 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.

(3) Aggregate Foreign Currency Exposure

The Bank of Tokyo-Mitsubishi UFJ, Ltd., Auckland Branch does not have any significant foreign currency exposures.

(4) Aggregate Equity Exposure

The Bank of Tokyo-Mitsubishi UFJ, 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. Under this arrangement, the Branch is exposed to limited market risk which is immaterial.

Notes to the Condensed Interim Financial Statements For the Six Months Ended 30 September 2017

19. 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 2016.

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

The table below presents the minimum consolidated risk-based capital ratios from 31 March 2017:

| | |
|------------------------------------|--------|
| | 2017 |
| Minimum Common Equity Tier 1 ratio | 4.50% |
| Capital Conservation Buffer | 1.25% |
| Countercyclical Buffer | - |
| G-SIB Surcharge | 0.75% |
| Total | 6.50% |
| Minimum Tier 1 ratio | 8.00% |
| Minimum Capital ratio | 10.00% |

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

Overseas Banking Group

| | As at 30 September 2017 Unaudited | As at 30 September 2016 Unaudited |
|------------------------------|---|---|
| Capital ratios: | | |
| Common Equity Tier 1 capital | 11.55% | 11.64% |
| Tier 1 capital | 13.10% | 12.93% |
| Total capital | 15.84% | 16.20% |

Overseas Bank

| | As at 30 September 2017 Unaudited | As at 30 September 2016 Unaudited |
|------------------------------|---|---|
| Capital ratios: | | |
| Common Equity Tier 1 capital | 12.25% | 12.97% |
| Tier 1 capital | 14.07% | 14.73% |
| Total capital | 17.03% | 18.37% |

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

Notes to the Condensed Interim Financial Statements For the Six Months Ended 30 September 2017

20. Credit Exposures to Individual Counterparties

Based on actual credit exposures, there is no credit exposure to any individual counterparty (excluding any booking outside New Zealand) of The Bank of Tokyo-Mitsubishi UFJ, Ltd., Auckland Branch equal to or exceeding 10% of the Overseas Banking Group's equity at 30 September 2017.

During this accounting period, there has been no peak end-of-day aggregate credit exposure to any individual counterparty (excluding any booking outside New Zealand) of The Bank of Tokyo-Mitsubishi UFJ, Ltd., Auckland Branch equal to or exceeding 10% of the Overseas Banking Group's equity as at 30 September 2017.

The credit exposure to individual counterparties was calculated on the basis of actual end of day aggregate amount of credit exposures by using investment grade credit rating over the period.

21. Insurance Business

The Bank of Tokyo-Mitsubishi UFJ, Ltd., Auckland Branch *does not* conduct any insurance business in or outside New Zealand.

22. Non-Consolidated Activities

The Bank of Tokyo-Mitsubishi UFJ, Ltd. *does not* conduct any insurance business or non-financial activities in New Zealand outside The Bank of Tokyo-Mitsubishi UFJ, Ltd., Auckland Branch.

23. Securitization, Funds Management, and Other Fiduciary Activities

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

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

(c) The Bank of Tokyo-Mitsubishi UFJ, Ltd., Auckland Branch is not involved in the marketing and distribution of insurance products.

24. Risk Management Policies

The risk management policies and procedures of the Branch conform with those of the ultimate parent bank, The Bank of Tokyo-Mitsubishi UFJ, 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.

There have been no material changes to the risk management policies since publication of the previous Disclosure Statement.

25. Financial Support

The Auckland Branch is part of The Bank of Tokyo-Mitsubishi UFJ, 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.

Notes to the Condensed Interim Financial Statements For the Six Months Ended 30 September 2017

26. 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 the six months ended 30 September 2017, that has significantly affected, or may significantly affect, the operations of the branch, the results of the operations, or the state of affairs of the branch in future financial years.

INDEPENDENT REVIEW REPORT TO THE SHAREHOLDERS OF THE BANK OF TOKYO-MITSUBISHI UFJ, LTD. – AUCKLAND BRANCH

We have reviewed pages 6 to 32 of the Disclosure Statement of The Bank of Tokyo-Mitsubishi UFJ, Ltd. – Auckland Branch ('the Branch'), which consists of the condensed interim financial statements of the Branch and the supplementary information required to be disclosed under Schedules 5, 7, 9, 10, 12 and 14 of the Registered Bank Disclosure Statements (Overseas Incorporated Registered Banks) Order 2014 (as amended) (the 'Order').

The condensed interim financial statements comprise the statement of financial position of the Branch as at 30 September 2017, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the six months ended on that date, and a summary of significant accounting policies and other explanatory information.

This report is made solely to the Branch's shareholders, as a body. Our review has been undertaken so that we might state to the Branch's shareholders those matters we are required to state to them in a review 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 engagement, for this report, or for the opinions we have formed.

Board of Directors' Responsibilities

The Board of Directors are responsible for the preparation and fair presentation of the condensed interim financial statements, in accordance with NZ IAS 34 *Interim Financial Reporting* and IAS 34 *Interim Financial Reporting* and for such internal control as the Board of Directors determine is necessary to enable the preparation and fair presentation of the condensed interim financial statements that are free from material misstatement, whether due to fraud or error.

The Board of Directors are also responsible for the preparation and presentation of supplementary information which fairly states the matters required to be disclosed under Schedules 3, 5, 7, 9, 10, 12 and 14 of the Order.

Our Responsibilities

We are responsible for reviewing the condensed interim financial statements (excluding the supplementary information) presented by the Directors in order to express a conclusion to you whether, on the basis of the procedures performed by us, anything has come to our attention that causes us to believe that the condensed interim financial statements, taken as a whole, are not prepared and do not present fairly the matters to which they relate, in all material respects, in accordance with NZ IAS 34 *Interim Financial Reporting* and IAS 34 *Interim Financial Reporting*.

We are also responsible for reviewing the supplementary information presented by the Directors (excluding the supplementary information relating to credit and market risk exposures and capital adequacy) to express a conclusion to you whether, on the basis of the procedures performed by us, anything has come to our attention that would cause us to believe that the supplementary information (excluding the supplementary information relating to credit and market risk exposures and capital adequacy) does not fairly state the matters to which it relates in accordance with Schedules 5, 7, 10, 12 and 14 of the Order.

We are also responsible for reviewing the supplementary information presented by the Directors relating to credit and market risk exposures and capital adequacy in order to express a conclusion to you whether, on the basis of the procedures performed by us, anything has come to our attention that would cause us to believe that the information is not, in all material respects, prepared in accordance with the Capital Adequacy Framework (Standardised Approach) (BS2A) and disclosed in accordance with Schedule 9.

We conducted our review in accordance with NZ SRE 2410 *Review of Financial Statements Performed by the Independent Auditor of the Entity* (NZ SRE 2410). 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.

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

The procedures performed in a review are substantially less than those performed in an audit conducted in accordance with International Standards on Auditing (New Zealand). Accordingly we do not express an audit opinion on those financial statements, or supplementary information.

Other than in our capacity as auditor, we have no relationship with or interests in The Bank of Tokyo-Mitsubishi UFJ, Ltd. – Auckland Branch, except that partners and employees of our firm deal with The Bank of Tokyo-Mitsubishi UFJ, Ltd. – Auckland Branch on normal terms within the ordinary course of trading activities of the business of The Bank of Tokyo-Mitsubishi UFJ, Ltd. – Auckland Branch.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that:

- the condensed interim financial statements on pages 6 to 32 (excluding the supplementary information) have not been prepared and do not present fairly, in all material respects, the financial position of the Branch as at 30 September 2017 and its financial performance and cash flows for the six months ended on that date in accordance with NZ IAS 34 *Interim Financial Reporting* and IAS 34 *Interim Financial Reporting*;
- the supplementary information disclosed in accordance with Schedules 5, 7, 10, 12 and 14 of the Order does not fairly state the matters to which it relates in accordance with those Schedules; and
- the supplementary information disclosed on pages 29 to 31 relating to credit and market risk exposures and capital adequacy as required by Schedule 9 of the Order, is not, in all material respects, prepared in accordance with Capital Adequacy Framework (Standardised Approach) (BS2A) and disclosed in accordance with Schedule 9 of the Order.

Emphasis of Matter

The Branch is part of The Bank of Tokyo-Mitsubishi UFJ, Ltd. As described in Note 25, the assets of the Branch are legally available for the satisfaction of debts of the entire company, not solely those appearing on the accompanying condensed statement of financial position and its debts may result in claims against assets not appearing thereon. Our conclusion is not qualified in respect of this matter.

The logo for Deloitte Limited, featuring the company name in a stylized, cursive script.

Chartered Accountants
Auckland, New Zealand
27 November 2017