



**REGISTERED BANK
DISCLOSURE STATEMENT**



30 SEPTEMBER 2019



**MUFG BANK, LTD.
AUCKLAND BRANCH**

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Auditor's Review Report

Disclosure Statement

For the Six Months Ended 30 September 2019

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 MUFG Bank, Ltd., its subsidiaries, and associated companies.

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

The Ultimate Holding Company of MUFG Bank, 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 MUFG Bank, Ltd. as of 30 September 2019:

Name	Occupation	Residence
Kiyoshi Sono	Chairman	Japan
Kanetsugu Mike	President & CEO	Japan

Disclosure Statement For the Six Months Ended 30 September 2019

5. Directorate (continued)

Akihiko Nakamura	Deputy President	Japan
Kenji Yabuta	Deputy President	Japan
Naoki Horii	Deputy President	Japan
Hironori Kamezawa	Deputy President	Japan
Masato Miyachi	Deputy President	U.S.A.
Muneaki Tokunari	Senior Managing Executive Officer	Japan
Takayoshi Futae	Senior Managing Executive Officer	Japan
Muneya Taniguchi	Senior Managing Executive Officer	Japan
Masakazu Ikeda	Managing Executive Officer	Japan
Naomi Hayashi	Managing Executive Officer	Japan
Masahiro Kuwahara	Managing Executive Officer	Japan
Shigeru Yoshifuji	Managing Executive Officer	Japan
Junichi Hanzawa	Managing Executive Officer	Japan
Hiroki Kameda	Managing Executive Officer	Japan
Hiroshi Mori	Managing Executive Officer	Japan
Nobuyuki Hirano	Director	Japan
Akira Hamamoto	Director	Japan
Masahito Monguchi	Director	Japan
Kenji Matsuo	Director	Japan
Tadayuki Matsushige	Director	Japan
Shigeo Ohyagi	Director	Japan
Naoto Hirota	Director	Japan
Hiroaki Fujisue	Director	Japan
Fumikazu Tatsumi	Director	Japan
Shinichi Koide	Director	Japan
Toshifumi Kitazawa	Director	Japan

The following changes in Directors of MUFG Bank, Ltd. since the last full year Disclosure Statement were:

Hidekazu Fukumoto resigned as Deputy President on 31 May 2019.
 Eiichi Yoshikawa resigned as Deputy President on 25 June 2019.
 Masamichi Yasuda resigned as Senior Managing Executive Officer on 1 April 2019.
 Kazuto Uchida resigned as Managing Executive Officer on 10 June 2019.
 Nobuhiro Matsumoto resigned as Director on 24 June 2019.
 Shuzo Sumi resigned as Director on 26 June 2019.
 Kiyoshi Sono appointed as Chairman on 1 April 2019.
 Naoki Horii appointed as Deputy President on 1 April 2019.
 Hironori Kamezawa appointed as Deputy President on 1 April 2019.
 Masato Miyachi appointed as Deputy President on 1 April 2019.
 Masahiro Kuwahara appointed as Managing Executive Officer on 26 June 2019.
 Shigeru Yoshifuji appointed as Managing Executive Officer on 26 June 2019.
 Junichi Hanzawa appointed as Managing Executive Officer on 26 June 2019.
 Hiroki Kameda appointed as Managing Executive Officer on 26 June 2019.
 Hiroshi Mori appointed as Managing Executive Officer on 26 June 2019.
 Takayoshi Futae appointed as Senior Managing Executive Officer on 26 June 2019.
 Muneya Taniguchi appointed as Senior Managing Executive Officer on 26 June 2019.
 Nobuyuki Hirano appointed as Director on 1 April 2019.
 Toshifumi Kitazawa appointed as Director on 26 June 2019.
 Akira Hamamoto appointed as Director on 26 June 2019.

Disclosure Statement

For the Six Months Ended 30 September 2019

5. Directorate (continued)

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
Hideki Nakashiro	Managing Director, Head of Oceania, Head of Sydney Branch (Responsible Person on behalf of the Directors)	Australia
Takamitsu Murakami	Managing Director, Head of Auckland Branch (New Zealand Chief Executive Officer)	New Zealand

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 2019.

The Branch has complied with all conditions of registration over the six months accounting period ended 30 September 2019.

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	A+	29-Nov-2017
Moody's	A1	-	-
Fitch	A	-	-

Disclosure Statement For the Six Months Ended 30 September 2019

8. Credit Rating (Continued)

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.

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 2019

11. Directors' and Managing Directors Auckland Branch's Statement

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

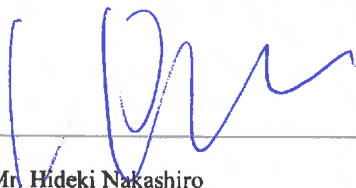
as at the date on which the Disclosure Statement is signed;

- 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 six-month accounting period ended 30 September 2019:


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

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



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

Dated (Sydney): 22 November 2019



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

Dated (Auckland): 22 November 2019

Condensed Interim Financial Statements For the Six Months Ended 30 September 2019

Condensed Statement of Comprehensive Income

	Note	Six Months ended 30 September 2019 Unaudited NZD	Six Months ended 30 September 2018 Unaudited NZD
Interest income	2	68,344,391	64,076,829
Interest expense	2	<u>(54,631,191)</u>	<u>(53,255,050)</u>
Net interest income		<u>13,713,200</u>	<u>10,821,779</u>
Fees and commission income	2	12,938,804	9,915,928
Net (losses) / gains on financial instruments	2	<u>(1,141,641)</u>	<u>247,511</u>
		11,797,163	10,163,439
Occupancy expenses	2	(61,171)	(149,619)
Personnel expenses	2	(2,229,949)	(1,865,646)
Auditor's remuneration	2	(78,250)	(75,291)
Administration and other expenses	2	<u>(527,139)</u>	<u>(401,999)</u>
Profit before credit impairment losses and income tax expense		<u>22,613,854</u>	<u>18,492,663</u>
Expected credit losses	7	<u>155,287</u>	<u>125,293</u>
Profit before income tax expense		<u>22,769,141</u>	<u>18,617,956</u>
Income tax expense		<u>(4,562,087)</u>	<u>(3,040,789)</u>
Profit from continuing operations		<u>18,207,054</u>	<u>15,577,167</u>
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Debt instruments measured at FVOCI			
- Profit arising during the year		1,162,351	5,477
- Income tax (expense) on			
Debt instruments measured at FVOCI		<u>(325,458)</u>	<u>(1,534)</u>
Other comprehensive income, net of tax		<u>836,893</u>	<u>3,943</u>
Total comprehensive income, net of tax		<u>19,043,947</u>	<u>15,581,110</u>

The 30 September 2019 results reflect the adoption of NZ IFRS 16, using the modified retrospective approach. Under this approach, comparative information is not restated and the cumulative effect of initially applying NZ IFRS 16 is recognised in retained earnings at the date of initial application. Prior period comparatives have not been restated. Refer to Note 1 for details of the changes to accounting policies.

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 2019

Condensed Statement of Changes in Equity

Unaudited
NZD

	Head Office Capital	Retained Earnings	Investment Revaluation Reserve	Total
Balance at 1 April 2018	83,000,000	80,863,956	219,747	164,083,703
Changes on initial application of NZ IFRS 9	-	(953,570)	-	(953,570)
Profit from continuing operations	-	15,577,167	-	15,577,167
Other comprehensive income, net of tax	-	-	3,943	3,943
Total comprehensive income, net of tax	-	15,577,167	3,943	15,581,110
Balance at 30 September 2018	83,000,000	95,487,553	223,690	178,711,243
Balance at 1 April 2019	83,000,000	105,535,132	473,394	189,008,526
Profit from continuing operations	-	18,207,054	-	18,207,054
Other comprehensive income, net of tax	-	-	836,893	836,893
Total comprehensive income, net of tax	-	18,207,054	836,893	19,043,947
Balance at 30 September 2019	83,000,000	123,742,186	1,310,287	208,052,473

The 30 September 2019 results reflect the adoption of NZ IFRS 16, using the modified retrospective approach. Under this approach, comparative information is not restated and the cumulative effect of initially applying NZ IFRS 16 is recognised in retained earnings at the date of initial application. Prior period comparatives have not been restated. Refer to Note 1 for details of the changes to accounting policies.

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 2019

Condensed Statement of Financial Position

	Note	As at 30 September 2019 Unaudited NZD	As at 30 September 2018 Unaudited NZD	As at 31 March 2019 Audited NZD
Assets				
Cash and short term liquid assets		336,811,716	200,955,279	164,910,622
Amounts due from related parties	10	337,832,634	43,099,805	63,875,439
Amounts due from other financial institutions		239,996,337	254,417,075	254,427,482
Investment in debt instruments		365,994,635	128,334,379	153,761,423
Corporate loans originated by the Bank	4	4,662,957,720	4,478,428,154	4,691,064,914
Acceptances of customers		6,743,181	11,976,819	9,206,162
Derivative instruments		97,772,710	34,377,076	42,670,980
Other assets		2,423,927	2,160,694	2,794,599
Deferred tax asset		459,714	3,828,053	491,828
Property, plant and equipment	3	1,617,974	94,511	77,608
Total Assets		6,052,610,548	5,157,671,845	5,383,281,057
Liabilities				
Amounts due to related parties	10	4,850,750,499	4,515,916,228	4,425,224,966
Deposits	5	870,589,067	411,502,528	704,823,913
Acceptances		6,743,181	11,976,819	9,206,162
Current tax payable		4,741,073	-	735,642
Derivative instruments		102,171,364	36,186,843	45,673,529
Other liabilities	8	9,562,891	3,378,184	8,608,319
Total Liabilities		5,844,558,075	4,978,960,602	5,194,272,531
Equity				
Head Office capital	10	83,000,000	83,000,000	83,000,000
Retained earnings		123,742,186	95,487,553	105,535,132
Investment revaluation reserve		1,310,287	223,690	473,394
Total Equity		208,052,473	178,711,243	189,008,526
Total Liabilities and Equity		6,052,610,548	5,157,671,845	5,383,281,057
Total Interest Earning and Discount Bearing Assets				
		5,881,022,884	5,062,958,344	5,265,128,777
Total Interest and Discount Bearing Liabilities				
		5,708,350,935	4,916,788,355	5,121,157,637

The 30 September 2019 results reflect the adoption of NZ IFRS 16, using the modified retrospective approach. Under this approach, comparative information is not restated and the cumulative effect of initially applying NZ IFRS 16 is recognised in retained earnings at the date of initial application. Prior period comparatives have not been restated. Refer to Note 1 for details of the changes to accounting policies.

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 2019

Condensed Statement of Cash Flows

	Six Months ended 30 September 2019 Unaudited NZD	Six Months ended 30 September 2018 Unaudited NZD
Cash Flows from Operating Activities		
Interest income received	65,930,812	61,750,505
Commission fees & trading income	14,723,019	10,617,547
Interest paid	(56,068,401)	(50,811,628)
Payment to suppliers, employees and others	(4,198,364)	(3,254,834)
Tax paid	(850,000)	-
Net cash flows from operating activities before changes in operating assets and liabilities	19,537,066	18,301,590
Net (increase) / decrease in operating assets:		
Net decrease / (increase) in corporate loans originated by the Bank	27,405,223	(934,349,062)
Net decrease / (increase) in amounts due from other financial institutions	14,431,145	(14,964,152)
Net (increase) / decrease in investment in debt instruments	(207,800,025)	1,040,477
Net (increase) / decrease in amounts due from related parties	(273,957,195)	10,528,385
Net decrease in other assets	2,119,872	44,627
	(437,800,980)	(937,699,725)
Net increase / (decrease) in operating liabilities:		
Net increase in commercial paper and deposits	164,733,826	65,278,534
Net increase in amounts due to related parties	427,994,073	1,007,755,497
Net (decrease) / increase in other liabilities	(2,482,400)	326,968
	590,245,499	1,073,360,999
Net cash flows from operating activities	171,981,585	153,962,864
Cash Flows from Investing Activities		
Payment for property, plant and equipment	-	-
Net cash flows used in investing activities	-	-
Cash Flows from Financing Activities		
Remittance to the Overseas Bank	-	-
Capital injection	-	-
Lease payment	(80,491)	-
Net cash flows from financing activities	(80,491)	-
Net Change in Cash and Cash Equivalents		
Net increase in cash and cash equivalents	171,901,094	153,962,864
Cash and cash equivalents at beginning of year	164,910,622	46,992,415
Cash and cash equivalents at end of the period	336,811,716	200,955,279
Reconciliation of Closing Cash and Cash Equivalents		
Cash and short term liquid assets	336,811,716	200,955,279
Closing cash and cash equivalents	336,811,716	200,955,279

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 2019

Condensed Statement of Cash Flows (continued)

	Six Months ended 30 September 2019	Six Months ended 30 September 2018
	Unaudited NZD	Unaudited NZD
Reconciliation of profit from continuing operations to net cash flows from operating activities		
Profit from continuing operations	18,207,054	15,577,167
Decrease / (increase) in corporate loans	28,334,246	(936,301,845)
Decrease / (increase) in due from other financial institutions	14,431,145	(14,964,152)
(Increase) / decrease in investment in debt instruments	(211,070,862)	666,937
(Increase) / decrease in due from related parties	(273,957,195)	10,528,385
Decrease / (increase) in other assets	370,671	(484,043)
Increase in certificate of deposit	222,675,137	4,006,000
(Decrease) / increase in deposits	(56,909,982)	61,259,190
Increase in due to related parties	425,525,534	1,010,212,262
Increase in other liabilities	721,149	727,815
(Decrease) in provision for expected credit losses	(155,287)	(125,293)
Movement in tax provision and deferred tax	3,712,087	3,040,789
Non-Cash items:		
Depreciation of property, plant and equipment	108,511	22,043
Other	(10,623)	(202,391)
Net cash flows from operating activities	171,981,585	153,962,864

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 2019

1. Statement of Significant Accounting Policies

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 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 condensed interim financial statement should be read in conjunction with the financial statements for the year ended 31 March 2019.

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 2019 except as disclosed below.

The following new standards relevant to the Branch have been adopted from 1 April 2019 and have been applied in the preparation of these interim financial statements.

New Zealand equivalent to International Financial Reporting Standard 16: Financial Instruments (“NZ IFRS 16”)

NZ IFRS 16 was issued in February 2016 and is effective for periods beginning on or after 1 January 2019. The Branch has adopted NZ IFRS 16 retrospectively from 1 April 2019, and has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 April 2019

On adoption of NZ IFRS 16, the Branch recognised lease liabilities in relation to leases which had previously been classified as operating leases under the principles of NZ IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee’s incremental borrowing rate as of 1 April 2019. The weighted average lessee’s incremental borrowing rate applied to the lease liabilities on 1 April 2019 was 1.70%. The Branch has elected to use the practical expedient in that the Branch is not required to reassess whether a contract is, or contains, a lease at the date of initial application.

In addition, by electing the practical expedient, the Branch removed the requirement in having to recognise right of use assets and liabilities for leases with less than 12 months of lease term. Right-of use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet as at 31 March 2019. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

Notes to the Condensed Interim Financial Statements For the Six Months Ended 30 September 2019

1. Statement of Significant Accounting Policies (continued)

NZ IFRS 16 impact

	NZD
Operating lease commitments at 31 Mar 2019	511,551
Short-term leases and leases of low-value assets	(37,975)
Effect of discounting the above amounts	(10,251)
Adjustments as a result of different treatment of extension	1,175,849
Adjustments of lease payment not previously included in operating lease commitment	9,703
Lease Liabilities recognised at 1 April 2019	1,648,877

The recognised right-of-use assets relate to the following types of assets:

	As at 30 September 2019 Unaudited NZD	As at 31 March 2019 Unaudited NZD
Right-of-use assets		
Offices	1,548,832	1,639,174
Equipment	7,092	9,703
Total	1,555,924	1,648,877

The change in accounting policy affected the following items in the balance sheet on 1 April 2019:

- Right-of-use assets (included with property, plant and equipment) – increase by \$1,648,877
- Lease liabilities – increase by \$1,648,877

The net impact on retained earnings on 1 April 2019 was nil.

Until the 2019 financial year, leases of property, plant and equipment were classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to statement of comprehensive income on a straight-line basis over the period of the lease.

From 1 April 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Branch. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the lease term on a straight-line basis.

d) Comparative figures

There has been re-statement on comparative figures for these financial statements.

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

Notes to the Condensed Interim Financial Statements For the Six Months Ended 30 September 2019

2. Profit Before Income Tax Expense

	Six Months ended 30 September 2019 Unaudited NZD	Six Months ended 30 September 2018 Unaudited NZD
Operating revenue		
(a) Interest income		
Corporate loans and other accounts	68,291,281	64,076,829
Related parties	53,110	-
	<u>68,344,391</u>	<u>64,076,829</u>
(b) Fees and commissions income		
Fees and commissions income	12,938,804	9,915,928
	<u>12,938,804</u>	<u>9,915,928</u>
(c) Gains less losses on financial instruments		
Net (loss) / gain on interest rate derivatives	(944,346)	215,458
Net (loss) / gain on currency derivatives	(209,090)	10,472
Net gain on foreign currency	10,909	21,581
Other income	886	-
	<u>(1,141,641)</u>	<u>247,511</u>
	<u>80,141,554</u>	<u>74,240,268</u>
Total interest income derived from financial assets:		
At amortised cost	65,805,545	62,743,269
Investment in debt instruments (FVOCI)	2,538,846	1,333,559
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	12,938,804	9,900,433
Net unrealised (loss) on financial assets/liabilities (FVTPL)	(1,396,705)	(569,361)
Net realised gain on financial assets/liabilities (FVTPL)	254,178	816,872
Other fee income	-	15,496
Other income	886	-
	<u>80,141,554</u>	<u>74,240,268</u>
Expenses		
(a) Interest expense		
Deposits and other accounts	10,000,711	4,619,877
Related parties	44,630,480	48,635,173
	<u>54,631,191</u>	<u>53,255,050</u>
Total interest expense was derived from financial liabilities:		
At amortised cost	54,631,191	53,255,050
	<u>54,631,191</u>	<u>53,255,050</u>
(b) Other operating expenses		
Occupancy expenses	61,171	149,619
Depreciation		
Furniture, fixtures and fittings	4,136	5,213
Office equipment	9,953	15,361
Motor vehicles	1,469	1,469
Lease	92,953	-
Auditors' remuneration		
Audit fees	78,250	75,291
Other non-audit services	-	-
Salaries	2,191,076	1,836,819
Staff related cost	38,873	28,827
Net losses from the disposal of fixed assets	-	-
General administration and other operating expenses	418,628	379,956
Provision for credit impairment	(155,287)	(125,293)
	<u>2,741,222</u>	<u>2,367,262</u>
Profit before income tax expense	<u>22,769,141</u>	<u>18,617,956</u>

Total income excluding any net loss for six months ended 30 September 2019 is NZD 81,294,990 (six months ended 30 September 2018 : NZD 74,240,268)

Notes to the Condensed Interim Financial Statements For the Six Months Ended 30 September 2019

3. Property, Plant and Equipment

During the six months ended 30 September 2019 the Branch did not acquire property, plant and equipment* (six months ended 30 September 2019: Nil; twelve months ended 31 March 2019: NZD 5,363).

During the six months ended 30 September 2019 the Branch did not dispose of any property, plant and equipment (six months ended 30 September 2019: Nil; twelve months ended 31 March 2019: NZD Nil).

There was no impairment loss for property, plant and equipment recognised during the six months ended 30 September 2019 (six months ended 30 September 2018: Nil; twelve months ended 31 March 2019: Nil).

* Right-of-use assets included with property, plant and equipment, refer to note 1.

4. Loans and Advances

	As at 30 September 2019 Unaudited NZD	As at 30 September 2018 Unaudited NZD	As at 31 March 2019 Audited NZD
Corporate loans originated by the Bank	4,663,695,004	4,479,251,611	4,692,029,250
Less: collective impairment allowance	(737,284)	(823,457)	(964,336)
Total net loans	<u>4,662,957,720</u>	<u>4,478,428,154</u>	<u>4,691,064,914</u>

5. Deposits

	As at 30 September 2019 Unaudited NZD	As at 30 September 2018 Unaudited NZD	As at 31 March 2019 Audited NZD
Retail deposit bearing interest	300,458,531	164,551,992	221,647,440
Retail deposit not bearing interest	11,583,662	10,213,951	8,667,402
Certificate deposit	265,301,819	42,882,836	43,883,264
Call deposit	59,723,230	92,213,146	203,635,003
Term deposit	233,521,825	101,640,603	226,990,804
	<u>870,589,067</u>	<u>411,502,528</u>	<u>704,823,913</u>

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

	As at 30 September 2019 Unaudited NZD	As at 30 September 2018 Unaudited NZD	As at 31 March 2019 Audited NZD
Total Liabilities	5,844,558,075	4,978,584,949	5,194,272,531
Less: total amounts due to related parties (Note : 10)	(4,917,584,323)	(4,530,902,991)	(4,461,360,497)
Total liabilities net of amounts due to related parties	<u>926,973,752</u>	<u>447,681,958</u>	<u>732,912,034</u>

Notes to the Condensed Interim Financial Statements For the Six Months Ended 30 September 2019

7. Provision for Impairment Losses

	Residential mortgages	Corporate exposures	Other exposures	Total credit exposures
Financial assets and credit commitments				
Collective provision for doubtful debts measured on a 12 months ECL	-	1,178,177	-	1,178,177
Provision for doubtful debts for assets measured on a lifetime ECL	-	-	-	-
Collective provision for doubtful debts for assets not credit impaired	-	-	-	-
Collective provision for doubtful debts for credit impaired assets	-	-	-	-
Individual provision for doubtful debts for credit impaired assets	-	-	-	-
Total provision for impairment losses	-	1,178,177	-	1,178,177

The following table reconciles the opening balance to the closing balance of provision for impairment losses and shows the movement in opening balance where financial assets have transferred between provision stages during the reporting period.

	Collective provision 12 months ECL	Collective provision lifetime ECL not credit impaired	Collective provision lifetime ECL credit impaired	Total
Corporate exposures				
Balance at beginning of period 1-Apr-19	1,333,464	-	-	1,333,464
Charge to income statement excluding transfer between ECL stages – Stage 1	(155,287)	-	-	(155,287)
<i>Movement to the opening balance due to transfer between ECL</i>				
Transferred to collective provision 12 months ECL	-	-	-	-
Transferred to collective provision lifetime ECL not credit	-	-	-	-
Transferred to collective provision lifetime ECL credit impaired	-	-	-	-
Transferred to individual provision lifetime ECL credit	-	-	-	-
Impact on period end ECL of exposures transferred between stages during the period	-	-	-	-
Total provision for impairment losses	1,178,177	-	-	1,178,177

Notes to the Condensed Interim Financial Statements For the Six Months Ended 30 September 2019

8. Other Liabilities

	As at 30 September 2019 Unaudited NZD	As at 30 September 2018 Unaudited NZD	As at 31 March 2019 Audited NZD
Provision for employee entitlements	172,846	122,040	125,665
Unearned income	2,729,102	2,686,292	1,924,077
Management fee charged by related parties	4,451,269	-	4,451,269
Provisions for ECL on financial guarantee and commitment	440,893	375,653	369,128
Lease liabilities	1,568,386	-	-
Others	200,395	194,199	1,738,180
	9,562,891	3,378,184	8,608,319

9. Commitments and Contingent Liabilities

	As at 30 September 2019 Unaudited NZD	As at 30 September 2018 Unaudited NZD	As at 31 March 2019 Audited NZD
a) Other commitments			
Undrawn facility commitments	2,527,287,960	2,035,536,653	1,878,177,793
b) Contingent liabilities			
Guarantees given	15,109,556	14,145,995	14,418,925
Performance related contingencies	74,860,723	65,142,753	92,177,221
Trade related contingencies	25,782,097	17,326,390	20,075,089
	115,752,376	96,615,138	126,671,235

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 2019

10. 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 are 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 14. The interest rate risk analysis for these balances are presented in Note 13. 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 2019 Unaudited NZD	Six Months ended 30 September 2018 Unaudited NZD	Twelve Months ended 31 March 2019 Audited NZD
A) Balances			
Assets			
Amounts due from related parties	337,832,634	43,099,805	63,875,439
Derivative instruments	39,451,476	21,271,260	13,882,460
Others	1,080	301	964
	377,285,190	64,371,366	77,758,863
Liabilities			
Amounts due to related parties	4,850,750,499	4,515,916,228	4,425,224,966
Derivative instruments	62,382,555	14,986,763	31,684,262
Other	4,451,269	-	4,451,269
	4,917,584,323	4,530,902,991	4,461,360,497
Equity			
Head Office capital	83,000,000	83,000,000	83,000,000
Off Balance Sheet			
Guarantee given	1,677,860	714,299	987,229
Performance related contingencies	2,020,279	1,400,000	1,836,827
	3,698,139	2,114,299	2,824,056
B) Transactions			
Interest income	53,110	-	4,026
Interest expense	44,630,480	48,635,173	98,629,458
Net (loss) from derivative instruments	(4,702,661)	(2,028,913)	(24,731,636)
Fees and commissions income	2,687	2,953	4,734
Management fee expense	-	-	(4,451,269)

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 19 and Note 20.

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 2019

11. 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 enhancements:

- 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 recognized financial assets and derivative financial instruments as at the reporting date.

	As at 30 September 2019 Unaudited NZD	As at 30 September 2018 Unaudited NZD
Notional Principal		
On Balance Sheet		
Cash and short term liquid assets	336,811,716	200,955,279
Amounts due from related parties	337,832,634	43,099,805
Amounts due from other financial institutions	239,996,337	254,417,075
Investment in debt instruments	365,994,635	128,334,379
Corporate loans originated by the Bank*	4,663,695,004	4,479,251,611
Acceptances of customers	6,743,181	11,976,819
Other assets	2,363,369	2,104,061
Total	5,953,436,876	5,120,139,029
Off Balance Sheet		
Guarantee given	15,109,556	14,145,995
Performance related contingencies	74,860,723	65,142,753
Trade related contingencies	25,782,097	17,326,390
Undrawn facility commitments	2,527,287,960	2,035,536,653
Total	2,643,040,336	2,132,151,791
Fair value		
Derivative instruments	97,772,710	34,377,076

* Total gross loans, excluding provision. Refer to Note 4

Notes to the Condensed Interim Financial Statements For the Six Months Ended 30 September 2019

11. Concentration of Credit Risk (continued)

i. Concentration of Credit Risk by Customer Industry Sector

	As at 30 September 2019 Unaudited	As at 30 September 2018 Unaudited
	NZD	NZD
Notional principal		
On Balance Sheet		
Agriculture	-	30,037,647
Communications	200,752,418	68,889,853
Construction	213,725,007	-
Education	60,053,590	-
Electricity, gas and water	1,034,833,292	879,930,843
Finance	1,979,477,262	1,320,802,042
Fishing	76,626,611	98,100,900
Food manufacturing	505,056,283	943,920,062
Forestry	108,299,553	149,329,463
Health care & social assistance	148,561,108	121,916,689
Other manufacturing	318,698,337	282,962,731
Property and business services	124,936,399	126,660,297
Retail Trade	30,171,700	-
Transport and storage	738,151,449	708,483,830
Wholesale trade	405,798,203	380,266,092
Wood and paper manufacturing	8,295,664	8,838,580
Total	5,953,436,876	5,120,139,029
Notional principal		
Off Balance Sheet		
Communications	99,071,429	138,642,858
Construction	73,290,651	182,583,579
Electricity, gas and water	571,101,113	750,189,156
Finance	351,198,139	330,640,733
Fishing	30,000,000	9,973,704
Food manufacturing	755,310,989	236,232,639
Forestry	178,020	4,343,02
Health care & social assistance	26,662,971	3,656,126
Other manufacturing	189,325,982	177,353,408
Property and Business Services	3,220,287	109,182,225
Public administration and safety	97,692,428	-
Retail trade	131,445,137	-
Transport and storage	154,757,421	132,326,390
Wholesale trade	132,766,633	32,627,600
Wood and paper manufacturing	27,019,136	24,400,353
Total	2,643,040,336	2,132,151,791

Notes to the Condensed Interim Financial Statements For the Six Months Ended 30 September 2019

11. Concentration of Credit Risk (continued)

Fair value

Derivatives

Construction	599,361	504,080
Electricity, gas and water	24,254,077	3,124,790
Finance	43,482,094	24,053,594
Fishing	5,008,618	1,101,257
Food manufacturing	4,372,340	1,811,573
Forestry	16,512	-
Other manufacturing	10,674,563	1,217,392
Transport and storage	6,536,770	1,344,47
Wholesale trade	1,095,659	685,556
Wood and paper manufacturing	1,732,716	534,356
Total	97,772,710	34,377,076

ii. Concentration of Credit Risk by Customer Geographical Location

	As at 30 September 2019 Unaudited NZD	As at 30 September 2018 Unaudited NZD
Notional principal		
On Balance Sheet		
New Zealand	5,061,673,376	4,437,055,074
Japan	414,677,282	266,890,220
Australia	477,086,218	382,778,580
U.S.A.	-	33,415,155
Total	5,953,436,876	5,120,139,029
Off Balance Sheet		
New Zealand	2,636,001,754	2,080,827,739
Japan	3,698,139	2,114,299
Australia	-	49,132,001
Other	3,340,443	77,752
Total	2,643,040,336	2,132,151,791
Fair value		
Derivatives		
New Zealand	57,471,757	11,088,317
Japan	39,655,398	21,934,662
Australia	645,555	1,354,097
Total	97,772,710	34,377,076

Notes to the Condensed Interim Financial Statements For the Six Months Ended 30 September 2019

11. Concentration of Credit Risk (continued)

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 18 for impaired assets.

30 September 2019

Unaudited

Credit Rating	S&P Rating	Notional principal		Derivative financial instruments
		On balance Sheet	Off balance Sheet	
1-2	A- and above	2,105,302,463	821,063,865	10,272,511
3-7	B- to BBB+	3,510,300,699	1,818,278,332	47,454,967
8-9	CCC+/- and below	-	-	593,756
Not rated**		337,833,714	3,698,139	39,451,476
		<u>5,953,436,876</u>	<u>2,643,040,336</u>	<u>97,772,710</u>

30 September 2018

Unaudited

Credit Rating	S&P Rating	Notional principal		Derivative financial instruments
		On balance Sheet	Off balance Sheet	
1-2	A- and above	2,372,058,807	786,255,475	1,811,839
3-7	B- to BBB+	2,704,980,116	1,343,782,017	10,280,625
8-9	CCC+/- and below	-	-	1,013,352
Not rated**		43,100,106	2,114,299	21,271,260
		<u>5,120,139,029</u>	<u>2,132,151,791</u>	<u>34,377,076</u>

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

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

Collateral and other credit enhancements

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

a. Cash and short term liquid assets

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

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.

Notes to the Condensed Interim Financial Statements For the Six Months Ended 30 September 2019

11. Concentration of Credit Risk (continued)

d. Investment in debt instruments

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

e. Derivative instruments

The Branch is exposed to credit risk on derivative contracts, which arises as a result of counterparty credit risk. This credit risk from derivatives is mitigated where possible through master netting agreements whereby derivative assets and liabilities with the same counterparty can be offset. A master netting agreement provides the contractual framework within which dealing activities across a range of over-the-counter products are conducted and contractually binds both parties to apply close-out netting across all outstanding transactions covered by an agreement if either party defaults or other predetermined events occur. There have been no amounts set off in the statement of financial position for derivative assets and derivative liabilities as at 30 September 2019 (2018: Nil).

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

As at 30 September 2019

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	97,772,710	-	97,772,710	1,588,535	96,184,175

As at 30 September 2018

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	34,377,076	-	34,377,076	1,089,947	33,287,129

Notes to the Condensed Interim Financial Statements For the Six Months Ended 30 September 2019

11. Concentration of Credit Risk (continued)

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

As at 30 September 2019					
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	102,171,364	-	102,171,364	1,588,535	100,582,829
As at 30 September 2018					
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	36,186,843	-	36,186,843	1,089,947	35,096,896

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 months ended 30 September 2019 (2018: 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

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 30 September 2019 is over NZD 1,102,159,064 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		As at	
	30 September 2019		30 September 2018	
	Unaudited		Unaudited	
	NZD	%	NZD	%
Maximum Exposure	4,663,695,004	100.00	4,479,251,611	100.00
Collateral classification				
Secured	1,102,159,064	23.63	1,197,459,972	26.73
Partially secured	-	-	-	-
Unsecured	3,561,535,940	76.37	3,281,791,639	73.27

Notes to the Condensed Interim Financial Statements For the Six Months Ended 30 September 2019

11. 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 2019 Unaudited		As at 30 September 2018 Unaudited	
	NZD	%	NZD	%
Maximum Exposure	2,643,040,336	100.00	2,132,151,791	100.00
Collateral classification				
Secured	359,934,448	13.62	248,922,622	11.67
Partially secured	-	-	-	-
Unsecured	2,283,105,888	86.38	1,883,229,169	88.33

12. 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 2019 Unaudited NZD	As at 30 September 2018 Unaudited NZD
a) Category analysis		
Customer deposits	870,589,067	411,502,528
Due to related parties	4,850,750,499	4,515,916,228
	5,721,339,566	4,927,418,756
b) Counterparty analysis		
Agriculture	-	133,597
Constructions	101,134,084	40,713,586
Electricity, gas and water	85,852	5,012,135
Finance	5,137,756,820	4,633,673,056
Food Manufacturing	55,809,909	23,693,181
Forestry	437,217	458,644
Education	4,506,408	12,028,558
Insurance	25,017,052	30,033,801
Other Industries	1,518,001	613,144
Other Manufacturing	76,192,410	8,899,534
Professional, Scientific and Technical Services	-	4,661,980
Property and business services	1,002,471	1,368
Public administration and safety	120,059,732	-
Transport and Storage	137,668,799	86,523,274
Wholesale Trading	53,615,429	76,517,787
Wood and Paper Manufacturing	6,535,382	4,455,111
	5,721,339,566	4,927,418,756
c) Geographical analysis		
Australia	3,969,957,047	3,471,167,428
New Zealand	856,289,519	409,986,332
Japan	821,829,141	951,439,508
Singapore	59,899,904	94,825,488
Fiji	13,363,955	-
	5,721,339,566	4,927,418,756

Notes to the Condensed Interim Financial Statements For the Six Months Ended 30 September 2019

13. 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.

30 September 2019 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	336,811,716	-	-	-	-	-	336,811,716	0.50%
Amounts due from related parties	274,525,192	-	-	-	-	63,307,442	337,832,634	1.32%
Amounts due from other financial institutions	239,996,337	-	-	-	-	-	239,996,337	1.40%
Investment in debt instruments	-	-	256,216,341	109,778,294	-	-	365,994,635	2.38%
Corporate loans originated by the Bank	4,460,764,256	134,585,552	25,524,355	10,598,339	32,222,502	(737,284)	4,662,957,720	2.35%
Acceptances of customers	-	-	-	-	-	6,743,181	6,743,181	
Property, Plant and Equipment	-	-	-	-	-	1,617,974	1,617,974	
Other assets	-	-	-	-	-	100,656,351	100,656,351	
Total assets	5,312,097,501	134,585,552	281,740,696	120,376,633	32,222,502	171,587,664	6,052,610,548	
LIABILITIES								
Amounts due to related parties	4,754,791,807	62,347,547	-	11,637,776	20,568,400	1,404,969	4,850,750,499	1.50%
Deposits	764,458,203	81,183,246	13,363,956	-	-	11,583,662	870,589,067	2.09%
Liability for Acceptances	-	-	-	-	-	6,743,181	6,743,181	
Other liabilities	-	-	-	-	-	116,475,328	116,475,328	
Total liabilities	5,519,250,010	143,530,793	13,363,956	11,637,776	20,568,400	136,207,140	5,844,558,075	
30 September 2018 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	200,955,279	-	-	-	-	-	200,955,279	1.25%
Amounts due from related parties	-	-	-	-	-	43,099,805	43,099,805	
Amounts due from other financial institutions	254,417,075	-	-	-	-	-	254,417,075	1.97%
Investment in debt instruments	-	50,854,092	-	77,480,287	-	-	128,334,379	2.06%
Corporate loans originated by the Bank	4,244,541,891	187,604,859	9,122,530	1,772,201	36,210,129	(823,457)	4,478,428,153	2.75%
Acceptances of customers	-	-	-	-	-	11,976,819	11,976,819	
Property, Plant and Equipment	-	-	-	-	-	94,511	94,511	
Other assets	-	-	-	-	-	40,365,823	40,365,823	
Total assets	4,699,914,245	238,458,951	9,122,530	79,252,488	36,210,129	94,713,501	5,157,671,844	
LIABILITIES								
Amounts due to related parties	4,338,585,918	140,056,526	-	-	36,857,334	416,450	4,515,916,228	2.28%
Deposits	401,288,577	-	-	-	-	10,213,951	411,502,528	2.07%
Liability for Acceptances	-	-	-	-	-	11,976,819	11,976,819	
Other liabilities	-	-	-	-	-	39,565,027	39,565,027	
Total liabilities	4,739,874,495	140,056,526	-	-	36,857,334	62,172,247	4,978,960,602	

At 30 September 2019, assuming that all other variables held constant, if interest rates had been 50 basis points higher, post-tax profit for the year would have been NZD 0.4 million lower (2018: NZD 0.2M higher) due to decrease in interest income. It is due to the funding from Equity. If interest rate had been 50 basis points lower with all the variables held constant, post-tax profit would have been NZD 0.4 million higher (2018: NZD 0.2M lower) due to increase in interest income as a result of the funding gap. The impact of interest rate movement on pre-tax profit is immaterial due to the back to back transactions with Sydney Branch to minimize any long term interest rate risk.

Notes to the Condensed Interim Financial Statements For the Six Months Ended 30 September 2019

14. 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 2019

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	336,811,716	-	-	-	-	-	336,811,716
Amounts due from related parties	63,307,443	199,506,942	75,018,250	-	-	-	337,832,635
Amounts due from other financial institutions	-	75,000,000	165,000,000	-	-	-	240,000,000
Investment in debt instruments	-	3,750,000	3,000,000	256,750,000	106,000,000	-	369,500,000
Corporate loans originated by the Bank	463,985,757	197,882,197	62,884,056	539,494,810	3,482,742,251	160,631,285	4,907,620,356
Acceptances of customers	-	5,634,645	1,108,535	-	-	-	6,743,180
Derivative instruments	-	3,446,954	6,741,336	23,623,406	100,037,881	26,686,458	160,536,035
Other assets	-	1,755,145	607,186	1,038	-	-	2,363,369
	864,104,916	486,975,883	314,359,363	819,869,254	3,688,780,132	187,317,743	6,361,407,291
LIABILITIES							
Amounts due to related parties	-	2,857,365,896	1,508,463,347	71,901,841	432,162,100	-	4,869,893,184
Deposits	371,765,424	193,889,765	9,560,868	95,175,655	199,750,000	-	870,141,712
Acceptances	-	5,634,645	1,108,535	-	-	-	6,743,180
Derivative instruments	-	3,451,885	6,732,476	24,309,254	83,890,684	23,802,520	142,186,819
Lease liability	-	13,938	27,936	126,689	742,625	657,198	1,568,386
Gross loan commitment	2,527,287,960	-	-	-	-	-	2,527,287,960
Guarantee given	-	150,000	-	12,441,833	1,142,996	1,374,727	15,109,556
Performance related contingencies	-	10,000,000	10,208,745	41,818,825	12,833,153	-	74,860,723
Trade related contingencies	-	-	-	25,782,097	-	-	25,782,097
	2,899,053,384	3,070,506,129	1,536,101,907	271,556,194	730,521,558	25,834,445	8,533,573,617

30 September 2018

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	200,955,279	-	-	-	-	-	200,955,279
Amounts due from related parties	43,099,805	-	-	-	-	-	43,099,805
Amounts due from other financial institutions	-	105,000,000	150,000,000	-	-	-	255,000,000
Investment in debt instruments	-	1,125,000	-	52,375,000	77,250,000	-	130,750,000
Corporate loans originated by the Bank	234,507,626	9,539,679	262,433,688	582,824,057	3,425,952,594	312,225,516	4,827,483,160
Acceptances of customers	-	11,976,819	-	-	-	-	11,976,819
Derivative instruments	-	3,526,474	5,148,118	20,194,182	63,121,967	9,302,292	101,293,033
Other assets	-	1,532,650	497,704	63,671	-	-	2,094,025
	478,562,710	132,700,622	418,079,510	655,456,910	3,566,324,561	321,527,808	5,572,652,121
LIABILITIES							
Amounts due to related parties	-	2,142,598,282	2,210,851,991	144,312,485	32,483,267	-	4,530,246,025
Deposits	266,979,089	101,627,605	43,185,692	-	-	-	411,792,386
Acceptances	-	11,976,819	-	-	-	-	11,976,819
Derivative instruments	-	3,533,999	4,971,418	22,841,211	70,101,776	15,873,674	117,322,078
Lease commitment	-	20,658	30,464	137,088	382,184	-	570,394
Gross loan commitment	2,035,536,653	-	-	-	-	-	2,035,536,653
Guarantee given	-	150,000	-	12,359,020	662,112	974,863	14,145,995
Performance related contingencies	-	4,165,000	10,000,000	50,977,753	-	-	65,142,753
Trade related contingencies	-	-	-	17,326,390	-	-	17,326,390
	2,302,515,742	2,264,072,363	2,269,039,565	247,953,947	103,629,339	16,848,537	7,204,059,493

Notes to the Condensed Interim Financial Statements For the Six Months Ended 30 September 2019

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

30 September 2019
Unaudited

	Note	FVTPL	FVOCI	Amortised cost	Other Amortised Cost	Total Carrying Amount	Fair Value
		NZD	NZD	NZD	NZD	NZD	NZD
Assets							
Cash and cash equivalents	a	-	-	336,811,716	-	336,811,716	336,811,716
Amounts due from related parties	a	-	-	337,832,634	-	337,832,634	337,832,634
Amounts due from other financial institutions	a	-	-	239,996,337	-	239,996,337	239,996,337
Investment in debt instruments	d	-	365,994,635	-	-	365,994,635	365,994,635
Corporate loans originated by the Bank	b	-	-	4,662,957,720	-	4,662,957,720	4,665,185,406
Other assets	c, a	97,772,710	-	8,151,541	-	105,924,251	105,924,251
Total financial assets		97,772,710	365,994,635	5,585,749,948	-	6,049,517,293	6,051,744,979
Liabilities							
Amounts due to related parties	b	-	-	-	4,850,750,499	4,850,750,499	4,855,419,371
Deposits	a, b	-	-	-	870,589,067	870,589,067	880,203,197
Other liabilities	c	102,171,364	-	-	6,743,181	108,914,545	108,914,545
Total financial liabilities		102,171,364	-	-	5,728,082,747	5,830,254,111	5,844,537,113

Notes to the Condensed Interim Financial Statements For the Six Months Ended 30 September 2019

15. Fair Value of Financial Instruments (continued)

30 September 2018 Unaudited	Note	FVTPL NZD	FVOCI NZD	Amortised cost NZD	Other Amortised Cost NZD	Total Carrying Amount NZD	Fair Value NZD
Assets							
Cash and cash equivalents	a	-	-	200,955,279	-	200,955,279	200,955,279
Amounts due from related parties	a	-	-	43,099,805	-	43,099,805	43,099,805
Amounts due from other financial institutions	a	-	-	254,417,075	-	254,417,075	254,417,075
Investment in debt instruments	d	-	128,334,379	-	-	128,334,379	128,334,379
Corporate loans originated by the Bank	b	-	-	4,478,428,154	-	4,478,428,154	4,480,747,889
Other assets	c, a	34,377,076	-	14,081,234	-	48,458,310	48,458,310
Total financial assets		34,377,076	128,334,379	4,990,981,547	-	5,153,693,002	5,156,012,737
Liabilities							
Amounts due to related parties	b	-	-	-	4,515,916,228	4,515,916,228	4,524,884,201
Deposits	a, b	-	-	-	411,502,528	411,502,528	411,502,528
Other liabilities	c	36,186,843	-	-	11,976,819	48,163,662	48,163,662
Total financial liabilities		36,186,843	-	-	4,939,395,575	4,975,582,418	4,984,550,391

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 2019		30 September 2018	
	Level 1	Level 2	Level 1	Level 2
Derivative financial assets				
Interest rate swaps	-	58,947,065	-	13,998,584
Currency swaps	-	28,368,504	-	7,134,919
Currency options	-	-	-	60,807
FX forwards	-	10,457,141	-	13,182,766
Total derivative financial assets	-	97,772,710	-	34,377,076
Derivative financial liabilities				
Interest rate swaps	-	63,017,130	-	15,799,352
Currency Swaps	-	28,690,240	-	7,134,919
Currency Options	-	-	-	67,580
FX forwards	-	10,463,994	-	13,184,992
Total derivative financial liabilities	-	102,171,364	-	36,186,843
Investment in debt instruments	365,994,635	-	128,334,379	-

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 2019

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

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

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

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

The Branch is committed to raising its liabilities from a wide range of institutional and corporate lenders. This reduces dependence upon certain lenders and the possibility that a large portion of the deposit base will be withdrawn with little notice. As part of its liquidity management policies, the Branch maintains a portfolio of readily liquid assets and has established committed funding arrangements from other institutions. Liquidity is managed by the Treasury Department of the Sydney Branch under the supervision of the Oceania Region Asset and Liability Management Committee. Reports on liquidity are reviewed by the Regional Head for 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 2019 Unaudited NZD	As at 30 September 2018 Unaudited NZD
Cash and short term liquid assets	336,811,716	200,955,279
Amounts due from related parties	337,832,634	43,099,805
Amounts due from other financial institutions	239,996,337	254,417,075
Investment in debt instruments	365,994,635	128,334,379
	1,280,635,322	626,806,538

Notes to the Condensed Interim Financial Statements For the Six Months Ended 30 September 2019

17. Profitability and Size

a) Profitability

The Overseas Banking Group

	Six Months ended 30 September 2019 JPY(000's)	Six Months ended 30 September 2018 JPY(000's)
Net Profit After Tax	403,611,000	423,823,000
Net Profit After Tax over the previous 12 months period as a percentage of average total assets	0.25%	0.27%

b) Size

	Six Months ended 30 September 2019 JPY(000's)	Six Months ended 30 September 2018 JPY(000's)
Total Assets	252,317,367,000	248,199,039,000
% Change in total assets over the previous 12 months	1.66%	5.67%

18. Asset Quality

(i) The Overseas Banking Group

	As at 30 September 2019 JPY(000's)	As at 30 September 2018 JPY(000's)
Total individually impaired assets (before allowances for credit impairment loss and net of interest held in suspense)	861,588,000	777,777,000
Total individually impaired assets expressed as a percentage of total assets	0.34%	0.31%
Total individually credit impairment allowance	167,597,000	212,235,000
Total individually credit impairment allowance expressed as percentage of total individually impaired assets	19.45%	27.29%
Total collective credit impairment allowance	368,848,000	356,194,000

Notes to the Condensed Interim Financial Statements For the Six Months Ended 30 September 2019

18. Asset Quality (continued)

(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 recognized, 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 30 September 2019 (30 September 2018: Nil).

The Branch did not charge or credit to the condensed statement of comprehensive income for any increase or decrease in individual credit impairment allowances during the half year accounting period ended 30 September 2019 (30 September 2018: Nil).

The total interest income recognized on impaired assets over the half year accounting period ended 30 September 2019 is Nil (30 September 2018: Nil).

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

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

Movement in balance of collective credit impairment allowance:

The following table reconciles the opening balance to the closing balance of provision for impairment losses:

	As at 30 September 2019 Unaudited NZD
Balance at beginning of the period	1,333,464
The charge to the statement of comprehensive income for an decrease in loss allowance	(155,287)
Amounts written off	-
Recoveries of amounts written off in previous periods	-
Reversals of previously recognised impairment losses	-
Balance at the end of the period	1,178,177

Impacts of changes in gross financial assets on credit impairment allowance:

The following table reconciles the opening balance to the closing balance of the pre-allowance corporate loans originated by the Bank:

	As at 30 September 2019 Unaudited NZD
Balance at beginning of the period	4,692,029,250
Additions	806,959,616
Amounts written off	-
Deletions	(835,293,862)
Balance at the end of the period (Note 4)	4,663,695,004

Notes to the Condensed Interim Financial Statements For the Six Months Ended 30 September 2019

19. 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.

	Six Months ended 30 September 2019 Unaudited NZD (000's)	Six Months ended 30 September 2018 Unaudited NZD (000's)
(1) Aggregate Interest Rate Exposure		
(a) Notional Capital Charge*	3,173	3,990
(b) Implied risk weighted exposure	39,663	49,875

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

	Peak End of Day Ending 30 September 2019 Unaudited NZD (000's)	Peak End of Day Ending 30 September 2018 Unaudited NZD (000's)
(2) Aggregate Interest Rate Exposure		
(a) Notional Capital Charge**	7,693	4,195
(b) Implied risk weighted exposure	96,163	52,438

** 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

MUFG Bank, Ltd., Auckland Branch does not have any significant foreign currency exposures.

(4) 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. 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 2019

20. Capital Adequacy

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

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

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

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

The table below presents the minimum consolidated risk-based capital ratios from 31 March 2019:

	2019
Minimum Common Equity Tier 1 ratio	4.50%
Capital Conservation Buffer	2.50%
Countercyclical Buffer	0.04%
G-SIB Surcharge	1.50%
Total	8.54%
Minimum Tier 1 ratio	10.04%
Minimum Capital ratio	12.04%

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

Overseas Banking Group

	As at 30 September 2019 Unaudited	As at 30 September 2018 Unaudited
Capital ratios:		
Common Equity Tier 1 capital	11.39%	10.50%
Tier 1 capital	13.01%	12.01%
Total capital	15.13%	14.04%

Overseas Bank

	As at 30 September 2019 Unaudited	As at 30 September 2018 Unaudited
Capital ratios:		
Common Equity Tier 1 capital	12.48%	11.28%
Tier 1 capital	14.31%	12.99%
Total capital	16.49%	15.08%

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 2019

21. Insurance Business

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

22. 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.

23. Securitization, Funds Management, and Other Fiduciary Activities

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

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

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

24. 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.

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 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.

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 2019, that has significantly affected, or may significantly affect, the operations of the Branch, the results of the operations, or the state of affairs of the Branch in future financial years.



INDEPENDENT REVIEW REPORT TO THE SHAREHOLDERS OF MUFG BANK, LTD. AUCKLAND BRANCH

We have reviewed pages 6 to 34 of the Disclosure Statement of MUFG Bank, 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 2019, 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.

Directors' Responsibilities

The Board of Directors (the '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 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 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

Our responsibility is to express a conclusion on the condensed interim financial statements and the supplementary information based on our review.

Our responsibility is 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 presented by the Directors (excluding the supplementary information), 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*.
- the supplementary information presented by the Directors (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.
- the supplementary information presented by the Directors relating to credit and market risk exposures and capital adequacy is not, in all material respects, 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 MUFG Bank, 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 34 (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 2019 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 32 to 33 relating to credit and market risk exposures and capital adequacy as required by Schedule 9 of the Order is not, in all material respects, disclosed in accordance with Schedule 9 of the Order.

Emphasis of Matter

The Branch is part of MUFG Bank, 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.

Deloitte Limited

22 November 2019
Chartered Accountants
AUCKLAND, NEW ZEALAND

This review report relates to the unaudited condensed interim financial statements of MUFG Bank, Ltd. Auckland Branch for the six months ended 30 September 2019 included on the Branch's website. The Branch's Board of Directors are responsible for the maintenance and integrity of the Branch's website. We have not been engaged to report on the integrity of the Branch's website. We accept no responsibility for any changes that may have occurred to the unaudited condensed interim financial statements since they were initially presented on the website. The review report refers only to the unaudited condensed interim financial statements named above. It does not provide an opinion on any other information which may have been hyperlinked to/from these unaudited condensed interim 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 unaudited condensed interim financial statements and related review report dated 22 November 2019 to confirm the information included in the unaudited condensed interim financial statements presented on this website. Legislation in New Zealand governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.