



**Bank of Tokyo-Mitsubishi UFJ**

**REGISTERED BANK  
DISCLOSURE STATEMENTS**

**31 March 2012**

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

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## Auditor Audit Report

# Disclosure Statement

## For the Twelve Months Ended 31 March 2012

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This Disclosure Statement contains information as required by the Registered Bank Disclosure Statements (Overseas Incorporated Registered Banks) Order 2012 ('the Order')

### 1. Corporate Information

#### 1.1 Registered Bank

The Bank of Tokyo-Mitsubishi UFJ, Ltd.  
7-1, Marunouchi 2-chome  
Chiyoda-ku, Tokyo 100-8388, Japan

The Bank of Tokyo-Mitsubishi, Ltd was incorporated August 25, 1919 in Japan.

On 1 January 2006, The Bank of Tokyo-Mitsubishi, Ltd and UFJ Bank Limited merged to form a single entity named The Bank of Tokyo-Mitsubishi UFJ, Ltd.

#### 1.2 New Zealand Branch

The Bank of Tokyo-Mitsubishi UFJ, Ltd., Auckland Branch  
Level 22, 151 Queen Street  
Auckland, New Zealand

#### 1.3 The Ultimate Parent Bank

The Bank of Tokyo-Mitsubishi UFJ, Ltd.  
7-1, Marunouchi 2-chome  
Chiyoda-ku, Tokyo 100-8388, Japan

#### 1.4 The Ultimate Holding Company

Mitsubishi UFJ Financial Group, Inc.  
4-1, Marunouchi 2-chome  
Chiyoda-ku, Tokyo 100-6326, Japan

#### 1.5 Summary of Regulations

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

# Disclosure Statement

## For the Twelve Months Ended 31 March 2012

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

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

Current deposits, ordinary deposits and specified deposits were protected in full until 31 March 2005. From April 2005, non-interest bearing deposits such as current deposits have been protected in full. Such deposits must bear no interest, the deposit must be redeemable on demand, and the deposits must provide normally required payment and settlement services.

For time deposits, where currently the principal amount is no more than JPY10 million in total, the interest will be protected. The portion in excess of that amount will be paid depending on the assets status of the failing financial institution (some may be unpaid).

Foreign currency deposits and off-shore accounts are outside the scope of protection under the DIS. Liquidation dividends will be payable in accordance with the asset situation of the failing financial institution.

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

### 3. Excess of Assets Over Deposit Liabilities

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

In Japan, under Japanese law, Japanese banks (including The Bank of Tokyo-Mitsubishi UFJ, Ltd.) are required to maintain certain reserves on deposit with the Bank of Japan based on the amount of deposit balances and certain other factors. This requirement has no impact on the management of the liquidity of the New Zealand operations.

### 4. Guarantee Arrangement

The obligations of the Banking Group are not guaranteed under any guarantee including government guarantee as at 22 June 2012.

### 5. Directorate

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

C/- Mr Saburo Yao,  
Regional Head for Australia and New Zealand  
(and Authorised Attorney on behalf of the Directors)  
The Bank of Tokyo-Mitsubishi UFJ, Ltd., Sydney Branch  
Level 25, Gateway Building, 1 Macquarie Place  
Sydney NSW 2000, AUSTRALIA

## Disclosure Statement For the Twelve Months Ended 31 March 2012

### 5. Directorate (continued)

C/- Mr Michael Ryff  
General Manager Auckland Branch  
The Bank of Tokyo-Mitsubishi UFJ, Ltd., Auckland Branch  
Level 22, 151 Queen Street  
Auckland, NEW ZEALAND

#### 5.2 Executive Directors of The Bank of Tokyo-Mitsubishi UFJ, Ltd. as of 31 March 2012:

Name	Occupation	Residence
Katsunori Nagayasu	Chairman	Japan
Takamune Okihara	Deputy Chairman	Japan
Nobuyuki Hirano	President	Japan
Takashi Morimura	Deputy President	Japan
Takashi Nagaoka	Deputy President	Japan
Tamotsu Kokado	Deputy President	Japan
Takashi Hara	Deputy President	Japan
Takeshi Ogasawara	Senior Managing Director	Japan
Hitoshi Suzuki	Senior Managing Director	Japan
Hidekazu Fukumoto	Managing Director	Japan
Takashi Oyamada	Managing Director	Japan
Hidenobu Fujii	Managing Director	Japan
Kanetsugu Mike	Managing Director	Japan
Taihei Yuki	Director	Japan
Kunio Ishihara	Director	Japan
Teruo Ozaki	Director	Japan

#### 5.3 Responsible Person who on behalf of Directors have signed the Disclosure Statement:

Name	Occupation	Residence
Saburo Yao	Regional Head for Australia & New Zealand, General Manager, Sydney Branch	Australia
Michael Ryff	General Manager, Auckland Branch	New Zealand

#### 5.4 Director and related transactions

5.4.1. There are no related party transactions that are not entered into in the normal course of business and at market rates or which could otherwise be reasonably likely to influence materially the exercise of the Directors' duties.

5.4.2. Executive Directors of The Bank of Tokyo-Mitsubishi UFJ, Ltd. are shown in 5.2.

5.5 The Bank of Tokyo-Mitsubishi UFJ, Ltd., does not have a board audit committee. However, the Bank has elected to adopt a corporation governance system based on corporate auditors which includes eight corporate auditors, four of whom are external corporate auditors as of 31 March 2012.

# Disclosure Statement

## For the Twelve Months Ended 31 March 2012

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### 5. Directorate (continued)

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

Under the Commercial Code of Japan, directors must refrain from engaging in any business that is in competition with The Bank of Tokyo-Mitsubishi UFJ, Ltd. unless approved by a board resolution, and no director may vote on a proposal, arrangement or contract in which that director is deemed to be materially interested.

If the directors should engage in any transactions with The Bank of Tokyo-Mitsubishi UFJ, Ltd. they must disclose all important matters to the board of directors and obtain the board's consent. The directors must also report to the board on completion of the transaction.

Neither the Commercial Code of Japan nor our Articles of Incorporation contain special provision as to the borrowing power exercisable by a director, to the retirement age of our directors and corporate auditors or to a requirement of our directors and corporate auditors to hold any shares of our capital stock.

The Commercial Code of Japan requires a resolution of the board of directors for a company to acquire or dispose of material assets, to borrow substantial amounts of money, to employ or discharge important employees, such as executive officers, and to establish, change or abolish material corporate organizations, such as a branch office.

The liability of directors is joint and several, and is imposed not only on the directors who undertook the action, but also on those directors who approved the actions in a board resolution (unless dissent is recorded in the minutes). Directors who fail to discover the misconduct of another director(s) may be held liable on the ground that they failed to exercise their duties of mutual control. Liability may also be imposed where a director approves loans to other directors, carries out transactions that are in conflict of interest with the organization, or violates a law, ordinance, or the articles of incorporation including the general duties of directors.

### 6. Auditors

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

Deloitte Touche Tohmatsu  
Grosvenor Place  
225 George Street  
Sydney, NSW 2000  
AUSTRALIA

### 7. Conditions of Registration

Conditions of Registration – The Bank of Tokyo-Mitsubishi UFJ, Ltd. as from 30 September 2011

The registration of The Bank of Tokyo-Mitsubishi UFJ, Ltd. ('the registered bank') is subject to the following conditions:

- 1 That the banking group does not conduct any non-financial activities that in aggregate are material relative to its total activities, where the term material is based on generally accepted accounting practice, as defined in the Financial Reporting Act 1993;

## Disclosure Statement For the Twelve Months Ended 31 March 2012

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### 7. Conditions of Registration (continued)

- 2 That the banking group's insurance business is not greater than 1% of its total consolidated assets.

For the purposes of this condition of registration, the banking group's insurance business is the sum of the following amounts for entities in the banking group:

- (a) if the business of an entity predominantly consists of insurance business and the entity is not a subsidiary of another entity in the banking group whose business predominantly consists of insurance business, the amount of the insurance business to sum is the total consolidated assets of the group headed by the entity; and
- (b) if the entity conducts insurance business and its business does not predominantly consist of insurance business and the entity is not a subsidiary of another entity in the banking group whose business predominantly consists of insurance business, the amount of the insurance business to sum is the total liabilities relating to the entity's insurance business plus the equity retained by the entity to meet the solvency or financial soundness needs of its insurance business.

In determining the total amount of the banking group's insurance business

- (a) all amounts must relate to on balance sheet items only, and must comply with generally accepted accounting practice as provided for in section 3 of the Financial Reporting Act 1993; and
- (b) if products or assets of which an insurance business is comprised also contain a non-insurance component, the whole of such products or assets must be considered part of the insurance business.

For the purposes of this condition of registration,

"insurance business" means the undertaking or assumption of liability as an insurer under a contract of insurance;

"insurer" and "contract of insurance" have the same meaning as provided in sections 6 and 7 of the Insurance (Prudential Supervision) Act 2010.

3. That the business of the registered bank does not constitute a predominant proportion of the business of The Bank of Tokyo-Mitsubishi UFJ, Ltd.
4. That no appointment to the position of the New Zealand Chief Executive Officer of the registered bank shall be made unless:
- (a) the Reserve Bank has been supplied with a copy of the curriculum vitae of the proposed appointee; and
  - (b) the Reserve Bank has advised that it has no objection to that appointment.
5. That The Bank of Tokyo-Mitsubishi UFJ, Ltd. complies with the requirements imposed on it by the Japanese Financial Services Agency.
6. That The Bank of Tokyo-Mitsubishi UFJ, Ltd., complies with the following minimum capital adequacy requirements, as administered by the Japanese Financial Services Agency;
- (a) tier one capital of The Bank of Tokyo-Mitsubishi UFJ, Ltd. is not less than 4 percent of risk weighted exposures.



# Disclosure Statement

## For the Twelve Months Ended 31 March 2012

### 7. Conditions of Registration (continued)

- (b) capital of The Bank of Tokyo-Mitsubishi UFJ, Ltd. is not less than 8 percent of risk weighted exposures.
7. That liabilities of the registered bank in New Zealand, net of amounts due to related parties (including amount due to a subsidiary or affiliate of the registered bank), do not exceed NZ\$15 billion.
8. That retail deposits of the registered bank in New Zealand do not exceed \$200 million. For the purposes of this condition of registration retail deposits are defined as deposits by natural persons, excluding deposits with an outstanding balance which exceeds \$250,000.

In these conditions of registration,

“banking group” means the New Zealand business of the registered bank and its subsidiaries as required to be reported in group financial statements for the group’s New Zealand business under section 9(2) of the Financial Reporting Act 1993:

“business of the registered bank in New Zealand” means the New Zealand business of the registered bank as required to be reported in financial statements under section 8(2) of the Financial Reporting Act 1993:

“liabilities of the registered bank in New Zealand” means the liabilities of the registered bank as required to be reported in financial statement under section 8(2) of the Financial Reporting Act 1993.

### 8. Pending Proceedings or Arbitration

There are no pending proceedings or arbitration concerning The Bank of Tokyo-Mitsubishi UFJ, Ltd., Auckland Branch, or The Bank of Tokyo-Mitsubishi UFJ, Ltd. that may have a material adverse effect on the Auckland Branch.

### 9. Credit Rating

The Overseas Banking Group 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	Aa3	Aa2	24 August 2011
Fitch’s	A	-	-

Rating scales are:

Credit Ratings	S&P’s	Moody’s	Fitch’s
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 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

## Disclosure Statement For the Twelve Months Ended 31 March 2012

### 9. Credit Rating (continued)

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

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

### 10. Historical Summary of Financial Statements

The following table is an historical summary taken from audited financial statements of The Bank of Tokyo-Mitsubishi UFJ, Ltd., Auckland Branch.

	Year ended 31 March 2012 NZD(000's) Audited	Year ended 31 March 2011 NZD(000's) Audited	Year ended 31 March 2010 NZD(000's) Audited	Year ended 31 March 2009 NZD(000's) Audited	Year ended 31 March 2008 NZD(000's) Audited	Year ended 31 March 2007 NZD(000's) Audited
(a) Total interest revenue;	66,954	57,675	43,443	66,977	51,044	34,768
(b) Total interest expense;	54,257	45,579	30,424	60,130	45,385	30,295
(c) Total other revenue;	10,312	8,598	3,319	2,866	1,002	750
(d) Total Impaired Asset expense;	-	-	-	-	-	-
(e) Total other expenses;	2,870	2,688	2,231	1,614	1,429	1,450
(f) Net profit/(loss) before taxation;	20,139	18,006	14,107	8,099	5,232	3,773
(g) Taxation;	3,530	5,110	3,115	1,938	1,532	1,002
(h) Net profit or (loss) after taxation;	16,609	12,896	10,992	6,161	3,700	2,771
(i) Net profit or (loss) attributable to non-controlling interests	-	-	-	-	-	-
(j) The amount of branch profits repatriated;	(13,042)	(12,136)	(8,142)	(3,839)	(3,719)	1,437
(k) Total assets;	2,574,398	2,055,435	1,572,808	1,138,411	643,360	659,149
(l) Total individually impaired assets;	-	-	-	-	-	-
(m) Total liabilities;	2,479,175	2,043,779	1,561,912	1,130,364	637,635	653,406
(n) Head office account;	95,223	11,656	10,896	8,047	5,725	5,743

### 11. Other Material Matters

There are no matters relating to the Banking Group which is not contained elsewhere in the Disclosure Statement which if disclosed would materially adversely affect the decision of a person to subscribe for Debt Securities of which the Banking Group is an issuer.

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

Copies of the most recent publicly available Disclosure Statement for the Banking Group will be provided at no charge, immediately to any person requesting a copy where the request is made at the Auckland Branch's Office, within five working days where the request is made at any other office of the Bank of Tokyo-Mitsubishi UFJ, Ltd., and on the Branch's website: [www.nz.bk.mufg.jp](http://www.nz.bk.mufg.jp)

The most recent publicly available Financial Statements of the Bank of Tokyo-Mitsubishi UFJ Ltd may be accessed via the Bank's global website: [www.mufg.jp](http://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 Twelve Months Ended 31 March 2012

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### 13. Directors' 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 2012 – Full Year;
- the Disclosure Statement is not false or misleading ;

and over the accounting period;

- The Bank of Tokyo-Mitsubishi UFJ, Ltd., Auckland Branch had systems in place to monitor and control adequately the Groups material risks, 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 the Conditions of Registration.

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. Saburo Yao  
Regional Head for Australia & New Zealand,  
General Manager, Sydney Branch  
(and Authorised Attorney on behalf of  
the Directors)

Dated (Sydney): 22 June 2012



Mr. Michael Ryff  
General Manager  
Auckland Branch

Dated (Auckland): 22 June 2012

## Financial Statement For the Year Ended 31 March 2012

### Statement of Comprehensive Income

	Note	Twelve Months ended 31 March 2012 Audited NZD	Twelve Months ended 31 March 2011 Audited NZD
Operating revenue	4	66,954,825	57,675,067
Operating expense	4	<u>(54,256,918)</u>	<u>(45,578,862)</u>
Gross profit		<u>12,697,907</u>	<u>12,096,205</u>
Other income	4	10,311,962	8,597,785
Occupancy expenses	4	(144,257)	(139,282)
Personnel expenses	4	(1,972,252)	(1,600,067)
Auditors' remuneration	4	(82,746)	(110,474)
Administration and other expenses	4	<u>(670,997)</u>	<u>(837,752)</u>
Profit before income tax expense	4	<u>20,139,617</u>	<u>18,006,415</u>
Income tax expense	6	<u>(3,530,339)</u>	<u>(5,110,595)</u>
Profit from continuing operations		<u>16,609,278</u>	<u>12,895,820</u>
Other comprehensive income, net of tax		<u>-</u>	<u>-</u>
Total comprehensive income, net of tax		<u>16,609,278</u>	<u>12,895,820</u>

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

## Financial Statement For the Year Ended 31 March 2012

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### Statement of Changes in Equity

	Twelve Months ended 31 March 2012 Audited NZD	Twelve Months ended 31 March 2011 Audited NZD
Balance at beginning of period	11,655,858	10,896,525
Total Comprehensive Income, net of tax	16,609,278	12,895,820
Remittance to Overseas Bank	(13,041,662)	(12,136,487)
Contribution from Head Office	80,000,000	-
Balance at end of the period	95,223,474	11,655,858

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

# Financial Statement

## For the Year Ended 31 March 2012

### Statement of Financial Position

	Note	As at 31 March 2012  Audited  NZD	As at 31 March 2011  Audited  NZD
<b>Assets</b>			
Cash and short term liquid assets		41,081,089	3,164,167
Amounts due from related parties	13	23,375,354	10,367,224
Amounts due from other financial institutions		73,812,442	78,848,043
Corporate loans originated by the Bank		2,366,173,224	1,916,281,099
Acceptances of customers		-	300,211
Interest receivable		7,756,955	4,914,633
Other assets		642,153	60,824
Current tax asset		314,274	-
Deferred tax asset	6	72,898	57,291
Property, plant and equipment	5	776,714	230,382
Derivative instrument revaluations		60,392,868	41,211,129
<b>Total Assets</b>		<u>2,574,397,971</u>	<u>2,055,435,003</u>
<b>Liabilities</b>			
Amounts due to related parties	13	2,349,092,006	1,934,201,124
Deposits	7	58,997,120	61,393,638
Acceptances		-	300,211
Interest payable		7,270,124	3,157,730
Provisions	10	3,672,874	2,495,476
Current tax payable		-	1,384,274
Derivative instrument revaluations		60,142,373	40,846,692
<b>Total Liabilities</b>		<u>2,479,174,497</u>	<u>2,043,779,145</u>
<b>Equity</b>			
Head Office capital	13	83,000,000	3,000,000
Retained earnings		12,223,474	8,655,858
<b>Total Equity</b>		<u>95,223,474</u>	<u>11,655,858</u>
<b>Total Liabilities and Equity</b>		<u>2,574,397,971</u>	<u>2,055,435,003</u>
<b>Total Interest Earning and Discount Bearing Assets</b>		2,481,066,754	1,998,293,309
<b>Total Interest and Discount Bearing Liabilities</b>		2,400,088,069	1,990,984,063

  
 Mr S. Yao  
 Regional Head for Australia & New Zealand  
 (and Authorised Attorney on behalf of the  
 Directors)

Dated (Sydney): 22/06/2012

  
 Mr M. Ryff  
 General Manager, Auckland Branch

Dated (Auckland): 22/06/2012

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

# Financial Statement

## For the Year Ended 31 March 2012

### Statement of Cash Flows

	Twelve Months ended 31 March 2012 Audited NZD	Twelve Months ended 31 March 2011 Audited NZD
<b>Cash Flows from Operating Activities</b>		
Interest income received	64,112,504	56,472,963
Commission fees & trading income	10,311,962	8,597,785
Interest paid	(50,144,524)	(44,302,241)
Payment to suppliers, employees and others	(2,673,037)	(2,507,013)
<b>Net cash flows from operating activities before changes in operating assets and liabilities</b>	<b>21,606,905</b>	<b>18,261,494</b>
<b>Net (increase) / decrease in operating assets:</b>		
Net (increase) in corporation loans originated by the Bank	(449,892,125)	(447,409,813)
Net decrease / (increase) in amounts due from other financial institutions	5,035,601	(23,972,078)
Net (increase) in amounts due from Head Office	(13,008,130)	(3,733,744)
Net (increase) in other assets	(15,858,354)	(6,909,170)
	<b>(473,723,008)</b>	<b>(482,024,805)</b>
<b>Net increase / (decrease) in operating liabilities:</b>		
Net (decrease) in commercial papers and deposits	(2,396,518)	(26,221,169)
Net increase in amounts due to Head Office	414,890,882	496,327,423
Net increase in other liabilities	16,514,080	7,783,866
	<b>429,008,444</b>	<b>477,890,120</b>
<b>Net cash flows from operating activities before income tax</b>	<b>(23,107,659)</b>	<b>14,126,809</b>
Net Tax Paid	(5,244,494)	(4,055,555)
<b>Net cash flows from operating activities</b>	<b>(28,352,153)</b>	<b>10,071,254</b>
<b>Cash Flows from Investing Activities</b>		
Payment for property, plant and equipment	(689,263)	(102,387)
<b>Net cash flows from investing activities</b>	<b>(689,263)</b>	<b>(102,387)</b>
<b>Cash Flows from Financing Activities</b>		
Remittance to the Overseas Bank	(13,041,662)	(12,136,487)
Capital Injection	80,000,000	-
<b>Net cash flows from financing activities</b>	<b>66,958,338</b>	<b>(12,136,487)</b>
<b>Net Increase in Cash and Cash Equivalents</b>		
Net increase / (decrease) in cash and cash equivalents	37,916,922	(2,167,620)
Cash and cash equivalents at beginning of year	3,164,167	5,331,787
<b>Cash and cash equivalents at end of the period</b>	<b>41,081,089</b>	<b>3,164,167</b>
<b>Reconciliation of Closing Cash and Cash Equivalents</b>		
Cash and short term liquid assets	41,081,089	3,164,167
<b>Closing cash and cash equivalents</b>	<b>41,081,089</b>	<b>3,164,167</b>

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

## Financial Statement For the Year Ended 31 March 2012

### Statement of Cash Flows (continued)

	Twelve Months ended 31 March 2012 Audited NZD	Twelve Months ended 31 March 2011 Audited NZD
Reconciliation of profit from continuing operations to net cash used in operating activities		
Profit from continuing operations	16,609,278	12,895,820
(Increase) in corporate loans	(449,892,125)	(447,409,813)
Decrease / (increase) in due from other financial institutions	5,035,601	(23,972,078)
(Increase) in due from head office	(13,008,130)	(3,733,744)
(Increase) in interest receivable	(2,842,321)	(1,202,104)
(Increase) in other assets	(581,330)	(9,377)
Increase in interest payable	4,112,394	1,276,621
(Decrease)/increase in certificate deposits	(15,370,444)	19,951,740
Increase/(decrease) in deposits	12,973,926	(46,172,909)
Increase in due to head office	414,890,882	496,327,423
Increase in other payable (cash)	1,106,883	993,151
Movement in tax provision	(1,714,155)	1,055,040
Non-Cash items:		
Depreciation of property, plant and equipment	142,931	118,294
Other	184,457	(46,810)
Net cash flows from operating activities	<u>(28,352,153)</u>	<u>10,071,254</u>



# Notes to Financial Statement

## For the Year Ended 31 March 2012

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### **1. Statement of Significant Accounting Principles**

#### **a) Statement of Compliance**

The Bank of Tokyo-Mitsubishi UFJ, Ltd – Auckland Branch (“The Branch”) operates in Auckland, New Zealand and the company is incorporated in Japan. The financial statements of the Branch incorporated in this Disclosure Statement have been prepared in accordance with the requirements of the Registered Bank Disclosure Statement (Overseas Incorporated Registered Banks) Order 2012 and with New Zealand Generally Accepted Accounting Practice (“NZ GAAP”). NZ GAAP complies with the New Zealand Equivalents to International Financial Reporting Standard (“NZ IFRS”) and other applicable financial reporting standards as appropriate for profit-orientated entities. The financial statements comply with International Financial Reporting Standards (“IFRS”).

The Financial Statements were authorized for issue by the directors on 22 June 2012.

#### **b) Basis of preparation**

The financial statements are presented in New Zealand dollars.

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

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

#### **c) Use of Estimates and Judgments**

In the process of preparing these financial statements, management has used judgment and made estimates and assumptions regarding the fair value of certain financial assets and liabilities, the realisability of deferred tax assets, regulatory and tax contingencies, as well as other matters. The estimates and assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. These estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the statement of financial position date, and the reported amounts of revenue and expenses in the reporting period. In the opinion of management, all adjustments necessary for a fair representation of the results of operation, financial position and cash flow have been reflected. As such, actual results may differ from those estimates.

## Notes to Financial Statement For the Year Ended 31 March 2012

### 2. Significant Accounting Policies

#### a) Standards Approved but not yet Effective

The following are the new or revised Standards or Interpretations in issue that are not yet required to be adopted by the Branch preparing financial statements for this year:

Standard/Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
*Revised NZ IFRS 9 'Financial Instruments'	1 January 2015	31 March 2016
Amendments to NZ IFRS 7 'Financial Instruments: Disclosures'	1 January 2013	31 March 2014
Amendments to NZ IAS 12 'Income Taxes' – Deferred Tax: Recovery of Underlying assets	1 January 2012	31 March 2013
IFRS 10 'Consolidated Financial Statements'	1 January 2013	31 March 2014
IFRS 13 'Fair Value Measurements'	1 January 2013	31 March 2014
Amendment to NZ IAS 32 'Financial Instrument : Disclosures'	1 January 2014	31 March 2015
IAS 27 'Separate Financial Statements' (revised 2011)	1 January 2013	31 March 2014
Amendments to New Zealand Equivalents to International Financial Reporting Standards to Harmonise with International Financial Reporting Standards and Australian Accounting Standards	1 July 2011	31 March 2013
FRS 44 'New Zealand Additional Disclosures'	1 July 2011	31 March 2013

\*The revised NZ IFRS 9 adds guidance on the classification and measurement of financial liabilities and derecognition of financial instruments. The effective date remains the same as the previous version of NZ IFRS 9, with earlier adoption permitted.

The impact that initial application of the Standard or Interpretation is expected to be immaterial on the Branch's financial statements.

#### b) Foreign Currency

##### (i) *Functional and presentation currency*

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

##### (ii) *Transactions and balances*

Foreign currency balances are translated into the functional currency using the rates of exchange ruling at balance date. Transactions denominated in foreign currency are translated into their reporting currency using the exchange rate in effect at the close of the transaction date. Gains and losses on foreign exchange dealings and differences are recognised in the Statement of Comprehensive Income in the period in which they arise.

# Notes to Financial Statement

## For the Year Ended 31 March 2012

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### 2. Significant Accounting Policies (continued)

#### c) Interest

Interest income and expense for all financial instruments measured at amortised cost are recognised in the Statement of Comprehensive Income using the effective interest method.

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

#### d) Fee Income

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

#### e) Good and Service Tax

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

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

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

#### f) Operating Leases

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

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

## Notes to Financial Statement For the Year Ended 31 March 2012

### 2. Significant Accounting Policies (continued)

#### g) Property, Plant and Equipment and Depreciation

Plant and equipment, leasehold improvements and equipment under finance lease are stated at cost less accumulated depreciation and impairment. Cost includes expenditures that are directly attributable to the acquisition of the item. In the event that settlement of all or part of the purchase consideration is deferred, cost is determined by discounting the amounts payable in the future to their present value as at the date of acquisition.

Depreciation is provided on property, plant and equipment, including freehold buildings but excluding land.

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

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

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

#### h) Financial Instruments

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

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

These financial assets and liabilities are carried at fair value and are presented as financial assets designated at fair value through profit or loss and financial liabilities designated at fair value through profit and loss, respectively. Gains and losses on the subsequent revaluation of the financial assets and liabilities designated at fair value are recognised in net gain/(loss) on financial assets/liabilities at fair value through profit or loss.

##### (ii) *Loans and receivables*

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

# Notes to Financial Statement

## For the Year Ended 31 March 2012

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### 2. Significant Accounting Policies (continued)

#### h) Financial Instruments (continued)

##### (iii) *Financial Liabilities*

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

##### i) Derivative Financial Instruments

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

The Branch enters into derivative financial instrument for trading purposes, including swaps, futures contracts, forward contracts, options and other similar types of contracts based on interest and foreign exchange rates. These derivative financial instruments are generally valued using independently obtained market rates and using the mid-point of the bid/offer based on NZIAS 39. They are carried at fair value as financial assets/liabilities at fair value through profit and loss in the statement of financial position and related gains and losses are included in gain/(loss) on financial assets/liabilities at fair value through profit or loss in the statement of comprehensive income.

##### j) Offsetting Financial Instruments

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

##### k) Accounting for Impaired assets and provisions

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

Loans, advances and other receivables are carried at recoverable amounts represented by the gross value of the outstanding balance adjusted for provision for doubtful debts and unearned income.

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

Financial assets, other than those held at fair value through profit or loss, are assessed for indicators of impairments at each statement of financial position date. Financial assets are impaired where there is objective evidence that as a result of one or more events that occurred after the initial recognition of the financial asset the estimated future cash flows of the investment have been impacted.

For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

The carrying amount of the financial assets including uncollectible trade receivables is reduced by the impairment loss through the use of an allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit and loss.

## Notes to Financial Statement For the Year Ended 31 March 2012

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### 2. Significant Accounting Policies (continued)

#### k) Accounting for Impaired assets and provisions (continued)

With the exception of available-for-sale equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent the carrying amount of the investment at the date the impairment reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

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

#### l) Recoverable Amount of Non-Current Assets

At each reporting date, the Bank reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Bank estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

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

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

#### m) Provisions

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

#### n) Employee benefits

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

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

## Notes to Financial Statement For the Year Ended 31 March 2012

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### 2. Significant Accounting Policies (continued)

#### n) Employee benefits (continued)

##### (ii) Termination benefits

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

#### o) Contingent Liabilities and Credit Commitments

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

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

#### p) Taxation

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

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

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

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

## Notes to Financial Statement For the Year Ended 31 March 2012

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### 2. Significant Accounting Policies (continued)

#### q) Statement of Cash Flow

The Statement of Cash Flow is prepared inclusive of GST.

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

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

“Cash and cash equivalents” includes coins and notes, demand deposits and other highly liquid investments readily convertible into cash. Bank overdrafts are shown with borrowings in current liabilities on the statement of financial position.

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

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

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

### 3. Risk Management Policies

The risk management policies and procedures of the Branch conform 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 Audit Office on an annual basis.

#### (a) 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. The Branch is subject to the same credit review process of the Sydney Branch.

The Parent Bank sets the Branch’s exposure limits to non-bank, non-government clients. The Branch has been granted a discretionary lending limit by the Parent Bank with such discretion limited to the Regional Head for Australia and New Zealand. A Borrower rating system is used to monitor the creditability of customer. The Parent Bank assigns a Borrower rating for each customer based on a credit review performed. This borrower rating will be reviewed and updated regularly in accordance with the customer’s credit information. The Parent Bank’s borrower rating can be classified into three categories: Normal, Closely Look and Bankrupt. The Parent Bank will make general provisions for customers whose borrower rating are under the closely look category. The Parent bank will also instruct the Branch to make specific provision for customers whose borrower ratings are under the bankrupt category. In addition to complying with the Branch’s internal guidelines, transactions to clients other than those based in Australia and New Zealand and transactions above a certain credit limit require approval from the Parent Bank after the Regional Head for Australia and New Zealand has approved the relevant transaction.

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



## Notes to Financial Statement For the Year Ended 31 March 2012

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### 3. Risk Management Policies (continued)

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

#### (b) Foreign Currency Risk

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

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

#### (c) Interest Rate Risk

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

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

#### (d) Equity Risk

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

#### (e) Liquidity Risk

Liquidity risk is the risk that the Branch will not have sufficient funds to meet its financial obligations. The Branch has policies to ensure that sufficient funds are available to meet its obligations as and when they fall due, and to maintain a prudent level of liquidity buffer to meet unexpected demands for funds under adverse market 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 Australia and New Zealand. A contingency plan has been developed in the event of a major liquidity problem. The operations of the Branch are subject to these policies.

## Notes to Financial Statement For the Year Ended 31 March 2012

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### 3. Risk Management Policies (continued)

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 Division of the Sydney Branch under the supervision of the Asset and Liability Management Committee. Reports on liquidity are reviewed by the Regional Head for Australia and New Zealand, sent to the Parent Bank weekly and presented to the Asset and Liability Management Committee of Sydney Branch monthly.

#### (f) Commodity Risk

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

#### (g) Operational Risk

Operational risk is the risk of loss resulting from weaknesses in systems and controls.

Operational risk in the Branch is managed through strict procedures and monitoring. The Branch is subject to these procedures. The Branch's planning, audit, credit and operating procedures have been established to conform with the Parent Bank's guidelines. The Parent Bank maintains close supervision of the Branch's activities as described below in (h) “Internal Audit Function”.

Operational procedures are documented in procedural manuals for each department. The Branch has strict checking procedures and internal controls. Levels of authorisation and approval exist for all transactions. Authorisation levels are formally advised to all staff.

Reporting structures through departmental managers to general management and the Regional Head for Australia and New Zealand are well defined.

#### (h) Internal Audit Function

Audit teams from the Parent Bank conduct on-site audits of the Branch's procedures including loans, treasury and general office inspections on a periodical basis.

## Notes to Financial Statement For the Year Ended 31 March 2012

### 4. Profit Before Income Tax Expense

	Twelve Months ended 31 March 2012 Audited NZD	Twelve Months ended 31 March 2011 Audited NZD
<b>Operating revenue</b>		
<b>a) Interest Income</b>		
Corporate loans and other accounts	66,954,825	57,675,067
Related parties	-	-
	<u>66,954,825</u>	<u>57,675,067</u>
<b>(b) Other operating income</b>		
Fees and commissions receivable	10,231,824	8,301,980
Net gain on interest rate derivatives	60,605	217,851
Net gain on currency derivatives	3,080	8,889
Net gain / (loss) on foreign currency	7,912	(20,009)
Other income	8,541	89,074
	<u>10,311,962</u>	<u>8,597,785</u>
	<u>77,266,787</u>	<u>66,272,852</u>
Total interest income derived from financial assets:		
At amortised cost	66,954,825	57,675,067
Designated at fair value through profit or loss	-	-
Total fee income derived from financial assets that are not at fair value through profit and loss	10,145,350	6,909,078
Net gain on fair value of financial assets carried at fair value through profit and loss	153,912,799	25,539,208
Net loss on fair value of financial liabilities carried at fair value through profit and loss	(154,026,742)	(25,444,617)
Net realised gain on interest rate derivatives	66,678	15,370
Net realised gain on currency derivatives	110,950	116,779
Net realised gain / (loss) on foreign currency	7,912	(20,009)
Other fee income	86,474	1,392,902
Other income	8,541	89,074
	<u>77,266,787</u>	<u>66,272,852</u>
<b>Expenses</b>		
<b>(a) Interest expense</b>		
Deposits and other accounts	2,770,102	1,737,993
Related parties	51,486,816	43,840,869
	<u>54,256,918</u>	<u>45,578,862</u>
Total interest expense was derived from financial liabilities:		
At amortised cost	54,256,918	45,578,862
Designated at fair value through profit and loss	-	-
	<u>54,256,918</u>	<u>45,578,862</u>
<b>(b) Other operating expenses</b>		
Rental & operating lease costs	144,257	139,282
Depreciation		
Furniture, fixtures and fittings	37,446	76,309
Office equipment	88,538	38,191
Motor vehicles	16,947	3,794
Auditors' remuneration		
Audit fees	82,746	110,474
Other non-audit services	-	-
Salaries	1,773,325	1,342,619
Staff related cost	198,927	257,448
General administration and other operating expenses	528,066	719,458
	<u>2,870,252</u>	<u>2,687,575</u>
Profit before income tax expense	<u>20,139,617</u>	<u>18,006,415</u>

## Notes to Financial Statement For the Year Ended 31 March 2012

### 5. Property, Plant and Equipment

	As at 31 March 2012 Audited NZD	As at 31 March 2011 Audited NZD
<b>Furniture, fixtures and fittings:</b>		
Opening balance	294,895	268,207
Additions	283,971	50,341
Disposal	(2,312)	(23,653)
Closing balance	<u>576,554</u>	<u>294,895</u>
Accumulated depreciation		
Opening balance	(183,525)	(121,887)
Depreciation during the year	(37,446)	(76,309)
Disposal	2,007	14,671
Closing balance	<u>(218,964)</u>	<u>(183,525)</u>
	<u>357,590</u>	<u>111,370</u>
<b>Office equipment:</b>		
Opening balance	257,966	246,959
Additions	409,974	23,412
Disposal	(57,356)	(12,405)
Closing balance	<u>610,584</u>	<u>257,966</u>
Accumulated depreciation		
Opening balance	(180,837)	(154,755)
Depreciation during the year	(88,538)	(38,191)
Disposal	52,979	12,109
Closing balance	<u>(216,396)</u>	<u>(180,837)</u>
	<u>394,188</u>	<u>77,129</u>
<b>Motor vehicles:</b>		
Opening balance	75,001	37,089
Additions	-	37,912
Disposal	-	-
Closing balance	<u>75,001</u>	<u>75,001</u>
Accumulated depreciation		
Opening balance	(33,118)	(29,324)
Depreciation during the year	(16,947)	(3,794)
Disposal	-	-
Closing balance	<u>(50,065)</u>	<u>(33,118)</u>
	<u>24,936</u>	<u>41,883</u>
	<u>776,714</u>	<u>230,382</u>

## Notes to Financial Statement For the Year Ended 31 March 2012

### 6. Income Tax

Income Tax recognised in profit and loss

	As at 31 March 2012 Audited NZD	As at 31 March 2011 Audited NZD
<b>Tax expense/(income) comprises:</b>		
Current tax expense	4,239,521	4,965,822
Adjustments recognised in the current year in relation to the current tax of prior years	(693,553)	127,433
Deferred tax (income) relating to the origination and reversal of temporary differences	(15,629)	13,248
Deferred tax expense relating to changes in tax rates	-	4,092
	<u>3,530,339</u>	<u>5,110,595</u>

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

Profit from operations	20,139,617	18,006,415
Income tax expense calculated at 28% & 30%	5,639,093	5,401,925
Effect of other assessable incomes	177,288	228,699
Effect of other deductible expenses	(1,777,549)	(1,239,369)
Effect of revenue that is exempt from taxation	-	-
Effect of expenses that are not deductible in determining taxable profit	185,060	587,815
	<u>4,223,892</u>	<u>4,979,070</u>
Deferred tax expense relating to changes in tax rates	-	4,092
Adjustment recognised in the current year in relation to the current tax of prior year	(693,553)	127,433
	<u>3,530,339</u>	<u>5,110,595</u>

#### Deferred tax balance

Deferred tax assets arise from the following

	NZD Opening balance	NZD Charged to income	31 March 2012 Audited NZD Charged to equity	NZD Changes in tax rate	NZD Closing balance
<b>Temporary differences</b>					
Provision for employee entitlement	21,867	5,076	-	-	26,943
Property, plant & equipment	35,424	10,531	-	-	45,955
Fee received in advance	-	-	-	-	-
	<u>57,291</u>	<u>15,607</u>	<u>-</u>	<u>-</u>	<u>72,898</u>

	NZD Opening balance	NZD Charged to income	31 March 2011 Audited NZD Charged to equity	NZD Changes in tax rate	NZD Closing balance
<b>Temporary differences</b>					
Provision for employee entitlement	20,736	2,693	-	(1,562)	21,867
Property, plant & equipment	28,744	9,210	-	(2,530)	35,424
Fee received in advance	-	-	-	-	-
	<u>49,480</u>	<u>11,903</u>	<u>-</u>	<u>(4,092)</u>	<u>57,291</u>

## Notes to Financial Statement For the Year Ended 31 March 2012

Since 31/03/2010 the Government has announced that the Company tax rate will reduce from 30% to 28% effective for years beginning on or after 1 April 2011.

### 7. Deposits

	As at 31 March 2012 Audited NZD	As at 31 March 2011 Audited NZD
Retail deposit bearing interest	1,818,503	2,744,796
Retail deposit not bearing interest	8,001,057	4,610,699
Certificate deposit	24,553,285	39,923,729
Call deposit	9,628,500	1,179,000
Term deposit	14,995,775	12,935,414
	58,997,120	61,393,638

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

	As at 31 March 2012 Audited NZD	As at 31 March 2011 Audited NZD
Total Liabilities	2,479,174,497	2,043,779,145
Less: amounts due to related parties	(2,349,092,006)	(1,934,201,124)
Total liabilities net of amounts due to related parties	130,082,491	109,578,021

### 9. Remuneration of Auditor

During the period the following fees were paid or payable for services provided by the auditor of the Bank and its related practices:

	Twelve Months ended 31 March 2012 Audited NZD	Twelve Months ended 31 March 2011 Audited NZD
Assurance Services		
Auditor of the Bank		
Audit & review of the Bank's report	82,746	110,474
Other non-audit services	-	-

The auditor of the Branch is Deloitte Touche Tohmatsu, Sydney.

## Notes to Financial Statement For the Year Ended 31 March 2012

### 10. Provision

Provisions are recognized in the Branch when there is a legal or constructive obligation as a result of past events. It is likely that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated.

	As at 31 March 2012 Audited NZD	As at 31 March 2011 Audited NZD
Employee entitlement	96,225	78,096
Others	3,576,649	2,417,380
	3,672,874	2,495,476

### 11. Commitments and Contingent Liabilities

	As at 31 March 2012 Audited NZD	As at 31 March 2011 Audited NZD
a) Future lease rental commitments		
Operating lease (primarily premises)		
Due within 1 year	130,756	130,756
Due within 1 - 2 years	130,756	130,756
Due within 2 - 5 years	196,133	326,889
Due over 5 years	-	-
	457,645	588,401
b) Other commitments		
Undrawn facility commitments	1,046,214,647	831,157,692
c) Contingent liabilities		
Guarantees given	1,573,839	1,573,839
Performance related contingencies	20,642,759	21,348,845
Trade related contingencies	-	-
	22,216,598	22,922,684

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

- Bank Guarantee – a financial guarantee that is an agreement by which the Branch agrees to pay an amount of money on demand on behalf of a customer to a third party during the life of the guarantee; and
- Performance related contingencies – a guarantee given by the Branch that undertakes to pay a sum of money to a third party where the customer fails to carry out certain terms and conditions of a contract.

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.

## Notes to Financial Statement For the Year Ended 31 March 2012

The Branch has no financial assets that have been pledged as collateral.

### 12. Key Management Personnel Compensation

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

	Twelve Months ended 31 March 2012 Audited NZD	Twelve Months ended 31 March 2011 Audited NZD
Short term benefits	990,725	956,737
	<u>990,725</u>	<u>956,737</u>
<b>Loan Disclosure</b>		
Loan Outstanding	-	-
Interest charged	-	-

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

### 13. Related Party Disclosures

The Auckland Branch is a branch of an overseas company, 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. No related party debts have been written off or forgiven during the reporting period.

	Twelve month ended 31 March 2012 Audited NZD	Twelve month ended 31 March 2011 Audited NZD
<b>Amounts due from related parties:</b>		
The Bank of Tokyo-Mitsubishi UFJ, Ltd - Sydney Branch	23,375,354	10,367,224
<b>Amounts due to related parties:</b>		
The Bank of Tokyo-Mitsubishi UFJ, Ltd	528,219,398	101,853,302
The Bank of Tokyo-Mitsubishi UFJ, Ltd - Sydney Branch	1,903,872,608	1,835,347,822
	<u>2,432,092,006</u>	<u>1,937,201,124</u>
<b>Guarantee given to related parties:</b>		
The Bank of Tokyo-Mitsubishi UFJ, Ltd	20,442,759	21,348,845
The Bank of Tokyo-Mitsubishi UFJ, Ltd - New York Branch	200,000	-
The Bank of Tokyo-Mitsubishi UFJ, Ltd - Sydney Branch	135,000	135,000
	<u>20,777,759</u>	<u>21,483,845</u>
<b>Interest paid to related parties:</b>		
The Bank of Tokyo-Mitsubishi UFJ, Ltd	6,140,847	123,063
The Bank of Tokyo-Mitsubishi UFJ, Ltd - New York Branch	-	8,276
The Bank of Tokyo-Mitsubishi UFJ, Ltd - Sydney Branch	45,345,969	43,709,530
	<u>51,486,816</u>	<u>43,840,869</u>
<b>Guarantee fee received from related parties:</b>		
The Bank of Tokyo-Mitsubishi UFJ, Ltd	-	134
The Bank of Tokyo-Mitsubishi UFJ, Ltd - New York Branch	1,215	-
The Bank of Tokyo-Mitsubishi UFJ, Ltd - Sydney Branch	136	-
	<u>1,351</u>	<u>134</u>

Transactions between the Auckland Branch, Head Office and other Overseas Branches are at normal commercial rates. Other transactions like sundry administrative charges are not material to the results and are therefore not disclosed separately.



## Notes to Financial Statement For the Year Ended 31 March 2012

### 14. Derivatives and Financial Instruments

The Branch uses derivatives to manage its financial position and to service the needs of its clients. Such derivative financial instruments include swaps, and forwards based on interest rates and exchange rates. The following table summarises the notional amounts and fair value of the Branch's derivatives at 31 March 2012.

	As at 31 March 2012 Audited NZD	As at 31 March 2011 Audited NZD
<b>Foreign Exchange Contracts</b>		
Spot and forward contracts:		
Notional principal amount < 1 year	406,877,498	175,774,545
Notional principal amount 1 to 2 years	8,671,847	48,125,683
Credit equivalent amount < 1 year	8,562,304	3,395,039
Credit equivalent amount 1 to 2 years	566,319	2,692,630
	424,677,968	229,987,897
<b>Interest Rate Swap Contracts</b>		
Notional principal amount < 1 year	20,000,000	8,000,000
Notional principal amount 1 to 2 years	32,617,052	6,000,000
Notional principal amount 2 to 3 years	72,862,949	12,617,052
Notional principal amount 3 to 4 years	26,737,020	-
Notional principal amount 4 to 5 years	-	17,345,459
Credit equivalent amount < 1 year	56,359	90,841
Credit equivalent amount 1 to 2 years	241,709	122,015
Credit equivalent amount 2 to 3 years	536,911	101,257
Credit equivalent amount 3 to 4 years	425,968	-
Credit equivalent amount 4 to 5 years	-	281,948
Fair value < 1 year	12,340	123
Fair value 1 to 2 years	39,643	1,026
Fair value 2 to 3 years	8,900	8,596
Fair value 3 to 4 years	138,009	-
Fair value 4 to 5 years	-	195,220
	153,676,860	44,763,537
<b>Currency Swap Contracts</b>		
Notional principal amount < 1 year	479,345,105	132,657,876
Notional principal amount 1 to 2 years	-	496,457,964
Credit equivalent amount < 1 year	58,755,689	2,539,533
Credit equivalent amount 1 to 2 years	-	62,478,771
Fair value < 1 year	51,603	17,188
Fair value 1 to 2 years	-	142,285
	538,152,397	694,293,617

## Notes to Financial Statement For the Year Ended 31 March 2012

### 15. Concentration of Credit Risk by Customer Industry Sector

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

The following table details the Branch's maximum credit risk exposure without taking account of any collateral held of recognised financial assets and derivative financial instruments by customer industry sector as at the reporting date.

	As at 31 March 2012 Audited NZD	As at 31 March 2011 Audited NZD
<b>Notional Principal</b>		
<b>On Balance Sheet</b>		
Agriculture & Forestry	25,684,910	16,500,000
Automotive and Transport	638,756,825	343,206,068
Manufacturing	-	2,600,000
Financial Institutions	138,268,885	92,379,434
Non-Bank Financial Institutions	328,404,678	354,861,439
Food & Food Processing	517,903,954	547,378,736
Lumber and Wood Products	11,020,000	118,793,332
Power & Utilities	700,125,983	324,822,233
Others	144,276,874	208,419,502
<b>Total</b>	<b>2,504,442,109</b>	<b>2,008,960,744</b>
<b>Off Balance Sheet</b>		
Automotive and Transport	40,660,769	181,099,312
Financial Institutions	20,777,759	21,483,845
Food & Food Processing	210,436,425	27,282,965
Power & Utilities	273,222,223	391,575,000
Others	28,831,952	56,230,819
<b>Total</b>	<b>573,929,128</b>	<b>677,671,941</b>
<b>Credit equivalent of derivative financial instruments</b>		
Agriculture & Forestry	73,034	65,121
Automotive and Transport	474,634	227,672
Financial Institutions	6,556,288	17,378,857
Non-Bank Financial Institutions	56,198,913	51,258,591
Food & Food Processing	1,382,886	582,983
Lumber and Wood Products	1,084,598	12,689
Others	3,374,906	2,176,121
<b>Total</b>	<b>69,145,259</b>	<b>71,702,034</b>

There is no collateral held as security for financial assets. All the financial assets are carried at recoverable amounts

## Notes to Financial Statement For the Year Ended 31 March 2012

### 16. Concentration of Credit Risk by Customer Geographic Location

The following table details the Branch's maximum credit risk exposure without taking account of any collateral held of recognised financial assets and derivative financial instruments by geographic location as at the reporting date

	As at 31 March 2012 Audited NZD	As at 31 March 2011 Audited NZD
<b>Notional Principal</b>		
On Balance Sheet		
New Zealand	2,361,773,801	1,920,024,380
Japan	56,701,275	28,367,224
Australia	85,967,033	60,569,140
Total	2,504,442,109	2,008,960,744
Off Balance Sheet		
New Zealand	553,151,369	656,188,096
Japan	20,777,759	21,483,845
Total	573,929,128	677,671,941
<b>Credit equivalent of derivative financial instruments</b>		
New Zealand	62,588,972	54,082,445
Japan	6,556,287	17,619,589
Total	69,145,259	71,702,034

### 17. Concentration of Credit Risk by Credit Rating

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

31 March 2012 Audited		Notional Principal		Credit equivalent Derivative financial instruments
Credit Rating	S&P Rating	On balance Sheet	Off balance Sheet	
1-2	A- and above	815,545,799	93,393,113	56,097,686
3-7	B- to BB+	1,658,926,800	459,319,417	5,405,044
8	CCC+/-	6,475,625	438,839	1,086,241
Not rated*		23,493,885	20,777,759	6,556,288
		2,504,442,109	573,929,128	69,145,259
31 March 2011 Audited		Notional Principal		Credit equivalent Derivative financial instruments
Credit Rating	S&P Rating	On balance Sheet	Off balance Sheet	
1-2	A- and above	576,267,524	130,563,670	-
3-7	B- to BB+	1,421,769,878	525,485,587	54,323,177
8	CCC+/-	556,118	138,839	-
Not rated*		10,367,224	21,483,845	17,378,857
		2,008,960,744	677,671,941	71,702,034

There is no period end aggregate exposure equalled or exceeded 10% of the global equity of the Overseas Banking Group.

\*Not rated exposure is related to inter-branch exposure.

## Notes to Financial Statement For the Year Ended 31 March 2012

### 18. Concentration of Funding

	As at 31 March 2012 Audited NZD	As at 31 March 2011 Audited NZD
<b>a) Category analysis</b>		
Head office equity	83,000,000	3,000,000
Customer deposits	58,997,120	61,393,638
Due to related parties	2,349,092,006	1,934,201,124
	<u>2,491,089,126</u>	<u>1,998,594,762</u>
<b>b) Counterparty analysis</b>		
Corporate and individuals	34,443,835	41,425,729
Banks and other financial institutions	2,456,645,291	1,957,169,033
	<u>2,491,089,126</u>	<u>1,998,594,762</u>
<b>c) Geographical analysis</b>		
Australia	1,903,872,608	1,835,347,822
New Zealand	33,412,055	49,833,225
Japan	529,251,178	113,413,715
Fiji	24,553,285	-
	<u>2,491,089,126</u>	<u>1,998,594,762</u>

## Notes to Financial Statement For the Year Ended 31 March 2012

### 19. 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. One of the major causes of the mismatches is timing differences in the repricing of the assets and liabilities. These mismatches are managed by the Sydney Branch as part of the overall risk management process conducted in accordance with strict policy guidelines.

31 March 2012  
Audited

	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 %
<b>ASSETS</b>								
Coin, notes and cash at banks	41,081,088	-	-	-	-	-	41,081,088	1.00
Due from other financial institutions	73,812,442	-	-	-	-	-	73,812,442	2.70
Due from other BTM Branches Loan, Advances, Bill discounted and other receivables	-	-	-	-	-	23,375,354	23,375,354	-
Due From Customers on Acceptances	2,152,250,258	199,756,299	1,666,667	5,000,000	7,500,000	-	2,366,173,224	1.18
Property, Plant and Equipment	-	-	-	-	-	776,714	776,714	-
Other assets	-	-	-	-	-	69,179,149	69,179,149	-
	<u>2,267,143,788</u>	<u>199,756,299</u>	<u>1,666,667</u>	<u>5,000,000</u>	<u>7,500,000</u>	<u>93,331,217</u>	<u>2,574,397,971</u>	
<b>LIABILITIES AND EQUITY</b>								
Due to Other BTM Branches	2,134,925,339	200,000,000	1,666,667	5,000,000	7,500,000	-	2,349,092,006	1.81
Deposits	31,439,460	-	19,556,603	-	-	8,001,057	58,997,120	2.89
Liability for Acceptances	-	-	-	-	-	-	-	-
Others liabilities	-	-	-	-	-	71,085,371	71,085,371	-
Equity	-	-	-	-	-	95,223,474	95,223,474	-
	<u>2,166,364,799</u>	<u>200,000,000</u>	<u>21,223,270</u>	<u>5,000,000</u>	<u>7,500,000</u>	<u>174,309,902</u>	<u>2,574,397,971</u>	
On-balance-sheet gap:	100,778,989	(243,701)	(19,556,603)	-	-	(80,978,685)	-	-
Off-balance-sheet gap:	-	-	-	-	-	-	-	-
Total interest rate sensitivity gap	100,778,989	(243,701)	(19,556,603)	-	-	(80,978,685)	-	-
Cumulative interest rate sensitivity gap	100,778,989	100,535,288	80,978,685	80,978,685	80,978,685	-	-	-

31 March 2011  
Audited

	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 %
<b>ASSETS</b>								
Coin, notes and cash at banks	3,164,167	-	-	-	-	-	3,164,167	1.96
Due from other financial institutions	78,848,043	-	-	-	-	-	78,848,043	2.56
Due from other BTM Branches Loan, Advances, Bill discounted and other receivables	-	-	-	-	-	10,367,224	10,367,224	-
Due From Customers on Acceptances	1,429,198,437	472,499,329	2,416,667	3,833,333	8,333,333	-	1,916,281,099	3.00
Property, Plant and Equipment	-	-	-	-	-	300,211	300,211	-
Other assets	-	-	-	-	-	230,382	230,382	-
	<u>1,511,210,647</u>	<u>472,499,329</u>	<u>2,416,667</u>	<u>3,833,333</u>	<u>8,333,333</u>	<u>57,141,694</u>	<u>2,055,435,003</u>	
<b>LIABILITIES AND EQUITY</b>								
Due to Other BTM Branches	1,557,540,540	361,531,301	2,416,667	3,833,333	8,333,333	545,950	1,934,201,124	2.44
Deposits	44,922,523	11,860,414	-	-	-	4,610,701	61,393,638	2.94
Liability for Acceptances	-	-	-	-	-	300,211	300,211	-
Others liabilities	-	-	-	-	-	47,884,172	47,884,172	-
Equity	-	-	-	-	-	11,655,858	11,655,858	-
	<u>1,602,463,063</u>	<u>373,391,715</u>	<u>2,416,667</u>	<u>3,833,333</u>	<u>8,333,333</u>	<u>64,996,892</u>	<u>2,055,435,003</u>	
On-balance-sheet gap:	(91,252,416)	99,107,614	-	-	-	(7,855,198)	-	-
Off-balance-sheet gap:	-	-	-	-	-	-	-	-
Total interest rate sensitivity gap	(91,252,416)	99,107,614	-	-	-	(7,855,198)	-	-
Cumulative interest rate sensitivity gap	(91,252,416)	7,855,198	7,855,198	7,855,198	7,855,198	-	-	-

## Notes to Financial Statement For the Year Ended 31 March 2012

### 20. Maturity Analysis for Assets and Liabilities

The tables below analyse the Branch's financial assets and liabilities, as required by NZ IFRS7 "Financial Instruments: Disclosures", into 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 Branch can be required to pay. The table includes both interest and principal cash flows.

#### 31 March 2012

Audited

	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
<b>ASSETS</b>							
Cash and short term liquid assets	41,081,089	-	-	-	-	-	41,081,089
Amounts due from related parties	23,375,354	-	-	-	-	-	23,375,354
Amounts due from other financial institutions	-	74,000,000	-	-	-	-	74,000,000
Corporate loans originated by the Bank	-	20,096,072	63,966,879	767,313,572	1,431,978,546	305,770,133	2,589,125,202
Interest Receivable	-	3,526,279	2,951,887	1,278,788	-	-	7,756,954
Derivative instrument revaluations	-	4,775,375	1,157,483	56,433,596	1,632,231	-	63,998,685
	64,456,443	102,397,726	68,076,249	825,025,956	1,433,610,777	305,770,133	2,799,337,284
<b>LIABILITIES</b>							
Amounts due to related parties	-	957,943,255	1,188,824,075	206,861,091	5,968,876	-	2,359,597,297
Deposits	19,448,060	19,699,531	302,026	19,556,603	-	-	59,006,220
Interest Payable	16,337	2,914,828	3,128,506	1,210,452	-	-	7,270,123
Derivative instrument revaluations	-	4,749,100	1,137,525	56,339,265	1,519,296	-	63,745,186
Gross loan commitment	1,046,214,647	-	-	-	-	-	1,046,214,647
	1,065,679,044	985,306,714	1,193,392,132	283,967,411	7,488,172	-	3,535,833,473

#### 31 March 2011

Audited

	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
<b>ASSETS</b>							
Cash and short term liquid assets	3,164,167	-	-	-	-	-	3,164,167
Amounts due from related parties	10,367,224	-	-	-	-	-	10,367,224
Amounts due from other financial institutions	-	-	79,000,000	-	-	-	79,000,000
Corporate loans originated by the Bank	-	39,305,907	217,131,628	555,678,179	942,006,998	264,917,569	2,019,040,281
Acceptances of customers	-	-	300,211	-	-	-	300,211
Interest Receivable	-	985,244	2,826,466	1,102,923	-	-	4,914,633
Derivative instrument revaluations	-	1,804,782	2,207,857	8,194,869	39,776,364	-	51,983,872
	13,531,391	42,095,933	301,466,162	564,975,971	981,783,362	264,917,569	2,168,770,388
<b>LIABILITIES</b>							
Amounts due to related parties	545,949	544,830,388	1,020,182,393	367,439,931	6,892,041	-	1,939,890,702
Deposits	8,534,496	2,234	41,050,398	11,860,414	-	-	61,447,542
Acceptances	-	-	300,211	-	-	-	300,211
Interest Payable	5,069	579,892	2,052,197	520,572	-	-	3,157,730
Derivative instrument revaluations	-	1,781,581	2,185,007	8,064,476	39,582,976	-	51,614,040
Gross loan commitment	831,157,692	-	-	-	-	-	831,157,692
	840,243,206	547,194,095	1,065,770,206	387,885,393	46,475,017	-	2,887,567,917

## Notes to Financial Statement For the Year Ended 31 March 2012

### 21. 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 by using 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.
- c. The fair values of derivative instruments are calculated using 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 quoted interest rate. Foreign currency forward contracts are measured using quoted forward exchange rates and yield curves derived from quoted interest rates matching maturities of the contracts.

31 March 2012 Audited	Note	Held for Trading NZD	Loans and Receivables NZD	Other Amortised Cost NZD	Total Carrying Amount NZD	Fair Value NZD
<b>Assets</b>						
Cash and short term liquid assets	a	-	41,081,089	-	41,081,089	41,081,089
Amounts due from related parties	a	-	23,375,354	-	23,375,354	23,375,354
Amounts due from other financial institutions	a	-	73,812,442	-	73,812,442	73,812,442
Corporate loans originated by the Bank	b	-	2,366,173,224	-	2,366,173,224	2,366,560,363
Other assets	c, a	60,392,868	7,756,955	-	68,149,823	68,149,823
<b>Total financial assets</b>		<b>60,392,868</b>	<b>2,512,199,064</b>	<b>-</b>	<b>2,572,591,932</b>	<b>2,572,979,071</b>
Non financial assets		-	-	-	1,806,039	1,806,039
<b>Total assets</b>		<b>60,392,868</b>	<b>2,512,199,064</b>	<b>-</b>	<b>2,574,397,971</b>	<b>2,574,785,110</b>
<b>Liabilities</b>						
Amounts due to related parties	b	-	-	2,349,092,006	2,349,092,006	2,349,235,563
Deposits	b	-	-	58,997,120	58,997,120	58,997,120
Other liabilities	c, a	60,142,373	-	7,270,124	67,412,497	67,412,497
<b>Total financial liabilities</b>		<b>60,142,373</b>	<b>-</b>	<b>2,415,359,250</b>	<b>2,475,501,623</b>	<b>2,475,645,180</b>
Non financial liabilities		-	-	-	3,672,874	3,672,874
<b>Total liabilities</b>		<b>60,142,373</b>	<b>-</b>	<b>2,415,359,250</b>	<b>2,479,174,497</b>	<b>2,479,318,054</b>
<b>Total Net Assets</b>		<b>250,495</b>	<b>2,512,199,064</b>	<b>(2,415,359,250)</b>	<b>95,223,474</b>	<b>95,467,056</b>

## Notes to Financial Statement For the Year Ended 31 March 2012

### 21. Fair Value of Financial Instruments (continued)

31 March 2011 Audited	Note	Held for Trading NZD	Loans and Receivables NZD	Other Amortised Cost NZD	Total Carrying Amount NZD	Fair Value NZD
<b>Assets</b>						
Cash and short term liquid assets	a	-	3,164,167	-	3,164,167	3,164,167
Amounts due from related parties	a	-	10,367,224	-	10,367,224	10,367,224
Amounts due from other financial institutions	a	-	78,848,043	-	78,848,043	78,848,043
Corporate loans originated by the Bank	b	-	1,916,281,099	-	1,916,281,099	1,916,728,161
Other assets	c, a	41,211,129	5,214,844	-	46,425,973	46,425,973
<b>Total financial assets</b>		<b>41,211,129</b>	<b>2,013,875,377</b>	<b>-</b>	<b>2,055,086,506</b>	<b>2,055,533,568</b>
Non financial assets		-	-	-	348,497	348,497
<b>Total assets</b>		<b>41,211,129</b>	<b>2,013,875,377</b>	<b>-</b>	<b>2,055,435,003</b>	<b>2,055,882,065</b>
<b>Liabilities</b>						
Amounts due to related parties	b	-	-	1,934,201,124	1,934,201,124	1,934,424,937
Deposits	b	-	-	61,393,638	61,393,638	61,393,638
Other liabilities	c, a	40,846,692	-	3,457,941	44,304,633	44,304,633
<b>Total financial liabilities</b>		<b>40,846,692</b>	<b>-</b>	<b>1,999,052,703</b>	<b>2,039,899,395</b>	<b>2,040,123,208</b>
Non financial liabilities		-	-	-	3,879,750	3,879,750
<b>Total liabilities</b>		<b>40,846,692</b>	<b>-</b>	<b>1,999,052,703</b>	<b>2,043,779,145</b>	<b>2,044,002,958</b>
<b>Total Net Assets</b>		<b>364,437</b>	<b>2,013,875,377</b>	<b>(1,999,052,703)</b>	<b>11,655,858</b>	<b>11,879,107</b>

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, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	31 March 2012 Level 2	31 March 2011 Level 2
Derivative financial assets	60,392,868	41,211,129
Derivative financial liabilities	60,142,373	40,846,692

There were no financial assets and liabilities which carried at fair value categorised under Level 1 and Level 3 in this year.



## Notes to Financial Statement For the Year Ended 31 March 2012

### 22. Profitability and Size

#### a) Profitability

The Overseas Banking Group

	Twelve Months 31 March 2012 JPY (000's)	Twelve Months 31 March 2011 JPY (000's)
Net Profit After Tax	544,324,000	719,795,000
Net Profit After Tax / Average Assets % (per annum)	0.32%	0.44%

#### b) Size

The Overseas Banking Group

	Twelve Months 31 March 2012 JPY (000's)	Twelve Months 31 March 2011 JPY (000's)
Total Assets	171,663,939,000	163,123,183,000
% Change (from the prior year)	5.24%	(1.19%)

### 23. Asset Quality

#### (i) The Overseas Banking Group

	As At 31 March 2012 JPY(000's)	As At 31 March 2011 JPY(000's)
Total individually impaired assets (before allowances for credit impairment loss and net of interest held in suspense)	1,559,940,000	1,456,652,000
Total individually impaired assets expressed as a percentage of total assets	0.91%	0.89%
Total individual credit impairment allowance	306,192,000	258,445,000
Total individual credit impairment allowance expressed as percentage of total individually impaired assets	19.63%	17.74%
Total Collective Credit Impairment Allowance	938,125,000	671,017,000
Non-financial asset acquired through the enforcement of security	-	-

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

The Bank of Tokyo-Mitsubishi UFJ, Ltd., Auckland Branch does not have any impaired assets, any related specific provisions, any collective credit impairment allowance, non-financial asset acquired through the enforcement of security and any past due and not impaired assets.

## Notes to Financial Statement For the Year Ended 31 March 2012

### 24. 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 in Council.

	Twelve Months Ended 31 March 2012	Twelve Months Ended 31 March 2011
	NZD (000's)	NZD (000's)
<b>(1) Aggregate Interest Rate Exposure</b>		
(a) Notional Capital Charge	608	845
(b) Implied risk weighted exposure	7,600	10,563
(c) Percentage of equity (of Overseas Banking Group)	-	-
	Peak End of Day Ending 31 March 2012	Peak End of Day Ending 31 March 2011
	NZD (000's)	NZD (000's)
<b>(2) Aggregate Interest Rate Exposure</b>		
(a) Notional Capital Charge	1,418	1,704
(b) Implied risk weighted exposure	17,725	21,300
(c) Percentage of equity (of Overseas Banking Group)	-	-

#### (3) Aggregate Foreign Currency Exposure

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

#### (4) Aggregate Equity Exposure

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

\* The Notional Capital Charge is calculated in accordance with Capital Adequacy Framework (Standardized Approach) BS2A dated October 2010.

\*\*The Overseas Banking Group's equity as at 31 March 2012 has been used to derive the percentage of equity (of Overseas Banking Group).

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

## Notes to Financial Statement For the Year Ended 31 March 2012

### 25. Capital Adequacy

The table below presents the consolidated risk-based capital ratios at 31 March 2012 for the Overseas Banking Group and the Overseas Bank. The underlying figures are calculated in accordance with Japanese banking regulations based upon information derived from the consolidated financial statements prepared in accordance with Japanese GAAP, as required by the Financial Services Agency in Japan. It is expected to maintain a minimum ratio of 8% in the form of Total risk-based capital (of which at least 4 per cent should be Tier 1 capital) base on Basel II (Standardized) approach. Both the Overseas Banking Group and the Overseas Bank met those requirements at the reporting date.

Overseas Banking Group	As At 31 March 2012 (JPY 000's)	As At 31 March 2011 (JPY 000's)
<b>Capital ratios:</b>		
Tier 1 capital	11.76 %	11.42 %
Total capital	16.27 %	15.82 %
Overseas Bank	As At 31 March 2012 (JPY 000's)	As At 31 March 2011 (JPY 000's)
<b>Capital ratios:</b>		
Tier 1 capital	12.60 %	12.09 %
Total capital	17.41 %	16.61 %

### 26. Credit Exposures to Individual Counterparties

Based on actual capital exposures, no credit exposure to any individual counterparty (excluding any booking outside New Zealand) of The Bank of Tokyo-Mitsubishi, UFJ Ltd., Auckland Branch equaled or exceeded 10% of The Bank of Tokyo-Mitsubishi, UFJ Ltd.'s equity at twelve month ended 31 March 2012.

There is 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 equaled or exceeded 10% of The Bank of Tokyo-Mitsubishi, UFJ Ltd.'s equity as at ended 31 March 2012 during this accounting period.

The Credit exposure to individual counterparties were calculated on the basis on actual end of day aggregate amount of credit exposures by using investment grade credit rating over the period. There are no specific provisions.

### 27. Insurance Business

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

## Notes to Financial Statement For the Year Ended 31 March 2012

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### 28. Non-Consolidated Activities

The Overseas Bank *does not* conduct in New Zealand outside the Banking Group any insurance business or non-financial activities.

### 29. Securitisation, Funds Management, and Other Fiduciary Activities

- (a) The Bank of Tokyo-Mitsubishi UFJ, Ltd., Auckland Branch is not involved in any 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 securitised assets or in the marketing or servicing of securitisation schemes.
- (c) The Bank of Tokyo-Mitsubishi UFJ, Ltd., Auckland Branch is not involved in the marketing and distribution of insurance products.

### 30. 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.

#### *Ranking of Local Creditors in a Winding Up Situation*

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

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

Current deposits, ordinary deposits and specified deposits were protected in full until 31 March 2005. From April 2005, non-interest bearing deposits such as current deposits have been protected in full. Such deposits must bear no interest, the deposit must be redeemable on demand, and the deposits must provide normally required payment and settlement services.

For time deposits, where currently the principal amount is no more than JPY10 million in totals, the interest will be protected. The portion in excess of that amount will be paid depending on the assets status of the failing financial institution (some may be unpaid).

Foreign currency deposits and off-shore accounts are outside the scope of protection under the DIS. Liquidation dividends will be payable in accordance with the asset situation of the failing financial institution.

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

## Notes to Financial Statement For the Year Ended 31 March 2012

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**31. Members of Banking Group**

There are no other members of the Banking Group in New Zealand.

**32. 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 twelve months ended 31 March 2012, that has significantly affected, or may significantly affect, the operations of the company, the results of the operations, or the state of affairs of the company in future financial years.



## **Independent Auditor's Report to the Directors of The Bank of Tokyo-Mitsubishi, UFJ Limited (Auckland Branch)**

We have audited pages 9 to 42 of the Disclosure Statement of The Bank of Tokyo-Mitsubishi, UFJ Limited (Auckland Branch) ("the Branch") which consists of the Financial Statements (the "Financial Statements") and the Supplementary information (the "Supplementary Information") required by Schedules 4, 7, 9, 10, 11 and 13 of the Registered Bank Disclosure Statement (Overseas Incorporated Registered Banks) Order 2012 ("the Order"). The Financial Statements comprise the statement of financial position as at 31 March 2012, and the statement of comprehensive income, the statement of cash flows and the statement of changes in equity for the year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information of the Branch. The Financial Statements and Supplementary Information have been prepared to comply with requirements of the Reserve Bank of New Zealand Act 1989 for the year ended 31 March 2012. The Supplementary Information contains those disclosures required by the Order in accordance with the accounting policies set out on pages 14 to 21 of the Disclosure Statement.

### *Director's responsibility for the Financial Statements and Supplementary Information*

The Directors<sup>7</sup> of the Branch are responsible for the preparation of the Financial Statements that give a true and fair view in accordance with generally accepted accounting practice in New Zealand, the Supplementary Information included in the Disclosure Statement in accordance with Schedules 2, 4, 7, 9, 10, 11 and 13 of the Order and compliance with the requirements of the Reserve Bank of New Zealand Act 1989. The Director's responsibility also includes such internal control as management determine is necessary to enable the preparation of the Financial Statements and Supplementary Information that are free from material misstatement, whether due to fraud or error.

### *Auditor's Responsibility*

Our responsibility is to express an opinion on the Financial Statements and Supplementary Information based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the Financial Statements and Supplementary Information are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Financial Statements and Supplementary Information. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the Financial Statements and Supplementary Information, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the Financial Statements that give a true and fair view and the Supplementary Information, in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by

management, as well as evaluating the overall presentation of the Financial Statements and Supplementary Information.

Other than in our role as an auditor, we do not have any relationships with or interests in the Branch.

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

### **Auditor's Opinion**

In our opinion:

- 1) The Financial Statements on pages 9 to 42 of the Disclosure Statement (excluding the supplementary information in Notes 22, 23, 24, 25, 26 and 27):
  - a) give a true and fair view of the Branch's financial position as at 31 March 2012 and of its performance for the year ended on that date;
  - b) comply with generally accepted accounting practice in New Zealand; and
  - c) comply with International Financial Reporting Standards;
- 2) The Supplementary Information required by Schedules 4, 7, 9, 10, 11 and 13 of the Order, in all material respects:
  - a) has been prepared in accordance with the guidelines issued under section 78(3) of the Reserve Bank of New Zealand Act 1989; and
  - b) is in accordance with the books and records of the Branch;
- 3) The Supplementary Information that is required to be disclosed under Schedules 4, 7, 9, 10, 11 and 13 presents fairly, in all material respects, in accordance with the requirements of the Order;
- 4) The Supplementary Information relating to credit and market risk exposures and capital adequacy disclosed in Note 24 and 25 is, in all material respects, prepared in accordance with the Capital Adequacy Framework (Basel Approach) (BS2) and Capital Adequacy Framework (Standardised Approach) (BS2A);
- 5) Proper accounting records have been kept by the Branch as far as appears from our examination of those records.

### **Emphasis of Matter**

The Branch is part of The Bank of Tokyo-Mitsubishi, UFJ Limited, which is incorporated in Japan. The assets of the Branch are legally available for the satisfaction of debts of the entire Company, not solely those appearing on the accompanying statement of financial position and its debts may result in claims against assets not appearing thereon. Our opinion is not qualified in respect to this matter.

*Deloitte Touche Tohmatsu*

DELOITTE TOUCHE TOHMATSU

*Philip Hardy*

Philip Hardy  
Partner  
Chartered Accountants  
Sydney 22 June 2012