

Company No.

| | |
|--------|---|
| 923693 | H |
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MIZUHO BANK (MALAYSIA) BERHAD
(Incorporated in Malaysia)

**UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE QUARTER ENDED 31 DECEMBER 2017**

MIZUHO BANK (MALAYSIA) BERHAD (923693-H)
(Incorporated in Malaysia)

UNAUDITED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2017

| | Note | 31 Dec 2017 RM'000 | 31 Mar 2017 RM'000 |
|---|------|--------------------------|--------------------------|
| ASSETS | | | |
| Cash and short-term funds | | 1,545,216 | 2,475,174 |
| Deposits and placements with financial institutions | | 461,080 | 1,176,891 |
| Financial investments available-for-sale | 11 | 400,006 | 300,024 |
| Loans, advances and financing | 12 | 5,750,111 | 3,645,254 |
| Derivative financial assets | | 582,179 | 593,387 |
| Other assets | | 129,117 | 13,101 |
| Property and equipment | | 9,642 | 8,651 |
| Intangible assets | | 13,523 | 13,867 |
| TOTAL ASSETS | | 8,890,874 | 8,226,349 |
| LIABILITIES AND EQUITY | | | |
| Deposits from customers | 13 | 2,438,304 | 2,636,143 |
| Deposits and placements from financial institutions | 14 | 4,735,430 | 3,686,803 |
| Derivative financial liabilities | | 558,255 | 565,168 |
| Other liabilities | | 344,506 | 587,846 |
| Deferred tax liabilities | | 1,957 | 1,870 |
| TOTAL LIABILITIES | | 8,078,452 | 7,477,830 |
| Share capital | | 700,000 | 700,000 |
| Retained profits | | 49,122 | 18,222 |
| Other reserves | | 63,300 | 30,297 |
| TOTAL EQUITY | | 812,422 | 748,519 |
| TOTAL LIABILITIES AND EQUITY | | 8,890,874 | 8,226,349 |
| COMMITMENTS AND CONTINGENCIES | 20 | 11,135,693 | 11,641,250 |

The unaudited condensed interim financial statements should be read in conjunction with the audited financial statements for the Bank for the year ended 31 March 2017.

MIZUHO BANK (MALAYSIA) BERHAD (923693-H)
(Incorporated in Malaysia)

UNAUDITED STATEMENT OF COMPREHENSIVE INCOME
FOR THE QUARTER ENDED 31 DECEMBER 2017

| | Note | 3rd Quarter ended | | Nine months ended | |
|---|------|--------------------------|--------------------------|--------------------------|--------------------------|
| | | 31 Dec 2017 RM'000 | 31 Dec 2016 RM'000 | 31 Dec 2017 RM'000 | 31 Dec 2016 RM'000 |
| Interest income | 15 | 47,758 | 34,590 | 147,210 | 90,467 |
| Interest expense | 16 | (25,522) | (17,198) | (76,493) | (45,704) |
| Net interest income | | <u>22,236</u> | <u>17,392</u> | <u>70,717</u> | <u>44,763</u> |
| Other operating income | 17 | <u>17,453</u> | <u>10,912</u> | <u>44,166</u> | <u>34,324</u> |
| Net operating income | | <u>39,689</u> | <u>28,304</u> | <u>114,883</u> | <u>79,087</u> |
| Other operating expenses | 18 | <u>(19,788)</u> | <u>(15,842)</u> | <u>(54,347)</u> | <u>(46,085)</u> |
| Operating profit | | <u>19,901</u> | <u>12,462</u> | <u>60,536</u> | <u>33,002</u> |
| Allowance for impairment on loans, advances and financing | 19 | <u>1,176</u> | <u>(1,372)</u> | <u>6,959</u> | <u>2,989</u> |
| Profit before taxation | | <u>21,077</u> | <u>11,090</u> | <u>67,495</u> | <u>35,991</u> |
| Taxation | | <u>(1,933)</u> | <u>(529)</u> | <u>(4,462)</u> | <u>(3,302)</u> |
| Profit for the financial period | | <u>19,144</u> | <u>10,561</u> | <u>63,033</u> | <u>32,689</u> |
| Other comprehensive income: | | | | | |
| <i>Items that may be reclassified subsequently to profit or loss:</i> | | | | | |
| Unrealised gain/(loss) on financial investments | | 407 | (557) | 1,145 | (772) |
| Income tax effect | | (98) | 133 | (275) | 185 |
| Other comprehensive gain/(loss) for the period | | <u>309</u> | <u>(424)</u> | <u>870</u> | <u>(587)</u> |
| Total comprehensive income for the financial period | | <u>19,453</u> | <u>10,137</u> | <u>63,903</u> | <u>32,102</u> |
| Profit attributable to: Owner of the Bank | | <u>19,144</u> | <u>10,561</u> | <u>63,033</u> | <u>32,689</u> |
| Total comprehensive income attributable to: Owner of the Bank | | <u>19,453</u> | <u>10,137</u> | <u>63,903</u> | <u>32,102</u> |

The unaudited condensed interim financial statements should be read in conjunction with the audited financial statements for the Bank for the year ended 31 March 2017.

MIZUHO BANK (MALAYSIA) BERHAD (923693-H)
(Incorporated in Malaysia)

**UNAUDITED STATEMENT OF CHANGES IN EQUITY
FOR THE QUARTER ENDED 31 DECEMBER 2017**

| | ← Non-distributable | | | → Distributable | | Total RM'000 |
|--------------------------------|----------------------------|--------------------------------|---------------------------------|--|-------------------------------|-----------------|
| | Share capital RM'000 | Statutory reserve RM'000 | Regulatory reserve RM'000 | Available for-sale reserve RM'000 | Retained profits RM'000 | |
| 2017 | | | | | | |
| At 1 April 2017 | 700,000 | 25,680 | 4,889 | (272) | 18,222 | 748,519 |
| Profit for the period | - | - | - | - | 63,033 | 63,033 |
| Other comprehensive gain | - | - | - | 870 | - | 870 |
| Transfer to regulatory reserve | - | - | 32,133 | - | (32,133) | - |
| At 31 December 2017 | <u>700,000</u> | <u>25,680</u> | <u>37,022</u> | <u>598</u> | <u>49,122</u> | <u>812,422</u> |
| 2016 | | | | | | |
| At 1 April 2016 | 700,000 | 17,065 | 5,784 | 157 | 8,712 | 731,718 |
| Profit for the period | - | - | - | - | 32,689 | 32,689 |
| Other comprehensive loss | - | - | - | (587) | - | (587) |
| Transfer from retained profits | - | - | 18,881 | - | (18,881) | - |
| At 31 December 2016 | <u>700,000</u> | <u>17,065</u> | <u>24,665</u> | <u>(430)</u> | <u>22,520</u> | <u>763,820</u> |

The unaudited condensed interim financial statements should be read in conjunction with the audited financial statements for the Bank for the year ended 31 March 2017.

MIZUHO BANK (MALAYSIA) BERHAD (923693-H)
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UNAUDITED STATEMENT OF CASH FLOWS
FOR THE QUARTER ENDED 31 DECEMBER 2017

| | 31 Dec 2017 RM'000 | 31 Dec 2016 RM'000 |
|---|-----------------------------------|-----------------------------------|
| Cash flows from operating activities | | |
| Profit before taxation | 67,495 | 35,991 |
| Adjustments for non-operating and non-cash items | (11,788) | (17,178) |
| Operating profit before working capital changes | 55,707 | 18,813 |
| Changes in working capital: | | |
| Increase in operating assets | (2,479,401) | (1,287,232) |
| Increase/(Decrease) in operating liabilities | 607,448 | 1,588,666 |
| Taxation paid | (4,650) | (3,375) |
| Net cash used in operating activities | (1,820,896) | 316,872 |
| Net cash used in investing activities | (4,886) | (7,096) |
| Net decrease in cash and cash equivalents | (1,825,782) | 309,776 |
| Cash and cash equivalents at beginning of financial year | 3,420,998 | 2,803,814 |
| Cash and cash equivalents at end of financial period | 1,595,216 | 3,113,590 |
| Analysis of cash and cash equivalents | | |
| Cash and short-term funds | 1,545,216 | 2,663,117 |
| Deposits and placements with financial institutions | 461,080 | 450,876 |
| Less: Deposits and placements with financial institutions with contractual maturity more than 3 months | (411,080) | (403) |
| | 1,595,216 | 3,113,590 |

The unaudited condensed interim financial statements should be read in conjunction with the audited financial statements for the Bank for the year ended 31 March 2017.

MIZUHO BANK (MALAYSIA) BERHAD (923693-H)
(Incorporated in Malaysia)

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE QUARTER ENDED 31 DECEMBER 2017

1 BASIS OF PREPARATION

The unaudited condensed interim financial statements for the third quarter and nine months ended 31 December 2017 have been prepared in accordance with the requirements of Malaysian Financial Reporting Standard ("MFRS") 134: Interim Financial Reporting issued by the Malaysian Accounting Standards Board ("MASB").

The unaudited condensed interim financial statements should be read in conjunction with the audited annual financial statements of the Bank as at and for the financial year ended 31 March 2017. The explanatory notes attached to the unaudited condensed interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Bank since the financial year ended 31 March 2017.

The accounting policies and methods of computation in the unaudited condensed interim financial statement are consistent with those adopted in the most recent audited financial statements for the year ended 31 March 2017, except for the adoption of the following MFRSs, Amendments to MFRSs and Issues Committee ("IC") Interpretations that have been issued by the MASB:-

- Amendments to MFRS 12, *Disclosure of Interests in Other Entities (Annual Improvements to MFRS Standards 2014-2016 Cycle)*
- Amendments to MFRS 107, *Statement of Cash Flows – Disclosure Initiative*
- Amendments to MFRS 112, *Income Taxes – Recognition of Deferred Tax Assets for Unrealised Losses*

The following MFRSs, Amendments to MFRSs and IC Interpretations have been issued by the Malaysia Accounting Standard Board ("MASB") and are not yet effective for the Bank.

Effective for annual periods beginning on or after 1 January 2018

- MFRS 9, *Financial Instruments (2014)*
- MFRS 15, *Revenue from Contracts with Customers*
- Clarifications to MFRS 15, *Revenue from Contracts with Customers*
- IC Interpretation 22, *Foreign Currency Transactions and Advance Consideration*
- Amendments to MFRS 1, *First-time Adoption of Malaysia Financial Reporting Standards (Annual Improvements to MFRS standards 2014-2016 Cycle)*
- Amendments to MFRS 2, *Share-based Payment – Classification and Measurement of Share-based Payment Transactions*
- Amendments to MFRS 4, *Insurance Contracts - Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts*
- Amendments to MFRS 128, *Investments in Associates and Joint Ventures (Annual Improvements to MFRS Standards 2014-2016 Cycle)*
- Amendments to MFRS 140, *Investment Property – Transfers of Investment Property*

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NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE QUARTER ENDED 31 DECEMBER 2017

1 BASIS OF PREPARATION (CONTINUED)

Effective for annual periods beginning on or after 1 January 2019

- MFRS 16, *Leases*

MFRSs, Interpretations and amendments effective for annual periods beginning on or after a date yet to be confirmed

- Amendments to MFRS 10, *Consolidated Financial Statements* and MFRS 128, *Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

The initial application of the accounting standards, amendments or interpretations are not expected to have any material financial impacts to the current period and prior period financial statements of the Bank except as mentioned below:

MFRS 9, Financial Instruments

MFRS 9 replaces the guidance in MFRS 139, *Financial Instruments: Recognition and Measurement* on the classification and measurement of financial assets and financial liabilities, and on hedge accounting.

The Bank is currently assessing the financial impact that may arise from the adoption of MFRS 9.

MFRS 15, Revenue from Contracts with Customers

MFRS 15 replaces the guidance in MFRS 111, *Construction Contracts*, MFRS 118, *Revenue*, IC Interpretation 13, *Customer Loyalty Programmes*, IC Interpretation 15, *Agreements for Construction of Real Estate*, IC Interpretation 18, *Transfers of Assets from Customers* and IC Interpretation 131, *Revenue - Barter Transactions Involving Advertising Services*.

The Bank will assess the financial impact that may arise from the adoption of MFRS 15.

MFRS 16, Leases

MFRS 16 replaces the guidance in MFRS 117, *Leases*, IC Interpretation 4, *Determining whether an Arrangement contains a Lease*, IC Interpretation 115, *Operating Leases - Incentives* and IC Interpretation 127, *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*.

The Bank will assess the financial impact that may arise from the adoption of MFRS 16.

MIZUHO BANK (MALAYSIA) BERHAD (923693-H)
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NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE QUARTER ENDED 31 DECEMBER 2017

2 AUDIT REPORT

The audit report on the audited annual financial statements for the financial year ended 31 March 2017 was not subject to any qualification.

3 SEASONAL OR CYCLICAL FACTORS

The business operations of the Bank have not been affected by any material seasonal or cyclical factors.

4 EXCEPTIONAL OR EXTRAORDINARY ITEMS

There were no exceptional or extraordinary items for the financial quarter ended 31 December 2017.

5 CHANGES IN ESTIMATES

There were no significant changes in estimates of amounts reported in the prior financial years that have a material effect on the financial results and position of the Bank for the financial quarter ended 31 December 2017.

6 CHANGES IN DEBT AND EQUITY SECURITIES

There were no issuance and repayment of debt and equity securities during the financial quarter ended 31 December 2017.

7 DIVIDEND PAID

No dividend was declared or paid during the financial quarter ended 31 December 2017.

8 SUBSEQUENT EVENTS

There were no material events subsequent to the balance sheet date that require disclosure or adjustments to the unaudited condensed interim financial statements.

9 REVIEW OF PERFORMANCE

The Bank recorded higher profit before taxation for the financial period ended 31 December 2017 of RM67.4 million compared to RM35.9 million profit before taxation in the previous corresponding period, representing an increase of RM31.5 million or 87.7%. Operating profit increased by RM27.5 million (83.3%) from RM33.0 million to RM60.5 million primarily due to higher net interest income earned compared to December 2016. Operating expenses increased by RM8.2 million (17.79%) from RM46.1 million to RM54.3 million, mainly due to administration & general expenses.

The Bank's total assets increased marginally from RM8.2 billion to RM8.9 billion compared to 31 March 2017. The Bank's CET1/Tier 1 capital ratio and total capital ratio remained strong at 24.620% and 25.744% respectively.

MIZUHO BANK (MALAYSIA) BERHAD (923693-H)
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NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE QUARTER ENDED 31 DECEMBER 2017

10 PROSPECTS

The Bank's strategy is to continue growing its profit sustainably by focusing in the financial year to expand its corporate client portfolio asset base and managing its capital efficiently to support loan growth. The Bank will continue to offer commercial banking services such as deposit, foreign exchange, derivatives, cash management services and Islamic Finance services to both Japanese and non-Japanese clients. In addition, the Bank will further leverage on its network of group companies - Mizuho Bank, Mizuho Securities, and Mizuho Trust & Banking - by offering a comprehensive range of high quality financial products and services to the local market.

11 FINANCIAL INVESTMENTS AVAILABLE-FOR-SALE

| | 31 Dec 2017 RM'000 | 31 Mar 2017 RM'000 |
|-------------------------------------|-----------------------------------|-----------------------------------|
| At fair value: | | |
| Malaysian Government Securities | - | 30,108 |
| Malaysian Government Treasury Bills | - | 99,626 |
| Government Investment Issues | 229,425 | 89,913 |
| Government Guaranteed Securities | 170,581 | 80,377 |
| | <u>400,006</u> | <u>300,024</u> |

12 LOANS, ADVANCES AND FINANCING

| | 31 Dec 2017 RM'000 | 31 Mar 2017 RM'000 |
|-------------------------------------|-----------------------------------|-----------------------------------|
| (a) By type: | | |
| At amortised cost: | | |
| Term loans | 4,313,198 | 2,236,952 |
| Revolving credits | 1,456,204 | 1,434,185 |
| Overdraft | - | - |
| Banker Acceptances | 13,150 | 13,537 |
| | <u>5,782,552</u> | <u>3,684,674</u> |
| Less: Unearned interest | (74) | (94) |
| Gross loans, advances and financing | <u>5,782,478</u> | <u>3,684,580</u> |
| Less: Impairment allowance | | |
| - Collective impairment allowance | (32,367) | (39,326) |
| Net loans, advances and financing | <u>5,750,111</u> | <u>3,645,254</u> |
| (b) By geographical distribution: | | |
| In Malaysia | 3,844,316 | 3,578,355 |
| Outside Malaysia | 1,938,162 | 106,225 |
| | <u>5,782,478</u> | <u>3,684,580</u> |

MIZUHO BANK (MALAYSIA) BERHAD (923693-H)
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**NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE QUARTER ENDED 31 DECEMBER 2017**

12 LOANS, ADVANCES AND FINANCING (CONTINUED)

| | 31 Dec 2017 RM'000 | 31 Mar 2017 RM'000 |
|---|-----------------------------------|-----------------------------------|
| (c) By type of customer: | | |
| Domestic business enterprise | 2,560,227 | 2,385,831 |
| Domestic non-bank financial institutions | 1,284,089 | 1,192,524 |
| Foreign business entity | 1,938,162 | 106,225 |
| | <u>5,782,478</u> | <u>3,684,580</u> |
| (d) By interest/profit rate sensitivity: | | |
| Fixed rate | 1,387,697 | 1,338,395 |
| Variable rate - cost plus | 4,394,781 | 2,346,185 |
| | <u>5,782,478</u> | <u>3,684,580</u> |
| (e) By economic purpose: | | |
| Construction | 51,476 | 77,212 |
| Purchase of fixed assets other than land and building | 1,020,285 | 1,100,265 |
| Purchase of non-residential property | 53,423 | 33,659 |
| Working capital | 4,657,294 | 2,473,444 |
| | <u>5,782,478</u> | <u>3,684,580</u> |
| (f) By economic sector: | | |
| Agriculture | 99,837 | - |
| Mining and quarrying | 73,170 | 79,981 |
| Manufacturing | 1,372,976 | 1,236,537 |
| Electricity, gas and water supply | 91,804 | 63,816 |
| Construction | 151,764 | 1,803 |
| Wholesale and retail trade, and restaurants and hotels | 513,832 | 614,304 |
| Transport, storage and communication | 145,860 | 145,748 |
| Finance, insurance, real estate and business activities | 3,208,102 | 1,415,609 |
| Education, health and others | 16,675 | 20,557 |
| Others | 108,458 | 106,225 |
| | <u>5,782,478</u> | <u>3,684,580</u> |
| (g) By residual contractual maturity: | | |
| Maturity within | | |
| - one year | 3,318,580 | 1,493,484 |
| - one to five years | 2,017,660 | 1,680,129 |
| - over five years | 446,238 | 510,967 |
| | <u>5,782,478</u> | <u>3,684,580</u> |

MIZUHO BANK (MALAYSIA) BERHAD (923693-H)
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**NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE QUARTER ENDED 31 DECEMBER 2017**

12 LOANS, ADVANCES AND FINANCING (CONTINUED)

| | 31 Dec 2017 RM'000 | 31 Mar 2017 RM'000 |
|---|-----------------------------------|-----------------------------------|
| (h) Movements in collective impairment allowance for loans, advances and financing: | | |
| Collective impairment allowance: | | |
| At 1 April | 39,326 | 21,734 |
| (Writeback) / Allowance made during the period | <u>(6,959)</u> | <u>17,592</u> |
| At end of the reporting period / year | <u>32,367</u> | <u>39,326</u> |
| As percentage of total loan | <u>0.56%</u> | <u>1.07%</u> |

The Bank has no impaired loans, advances and financing and no individual impairment allowance was deemed required as at 31 December 2017.

13 DEPOSITS FROM CUSTOMERS

| | 31 Dec 2017 RM'000 | 31 Mar 2017 RM'000 |
|--|-----------------------------------|-----------------------------------|
| (a) By type of deposit: | | |
| - Demand deposits | 1,168,987 | 642,178 |
| - Fixed deposits | 709,749 | 1,353,471 |
| - Short-term deposits | <u>559,568</u> | <u>640,494</u> |
| | <u>2,438,304</u> | <u>2,636,143</u> |
| (b) By type of customer: | | |
| - Domestic non-bank financial institutions | 46,631 | 93,637 |
| - Domestic business enterprises | 2,351,238 | 2,492,058 |
| - Domestic other enterprises | 162 | - |
| - Foreign business enterprises | <u>40,273</u> | <u>50,448</u> |
| | <u>2,438,304</u> | <u>2,636,143</u> |
| (c) Maturity structure: | | |
| - On demand | 1,168,987 | 642,178 |
| - Due within six months | 1,242,870 | 1,933,977 |
| - Due over six months to one year | <u>26,447</u> | <u>59,988</u> |
| | <u>2,438,304</u> | <u>2,636,143</u> |

14 DEPOSITS AND PLACEMENTS FROM FINANCIAL INSTITUTIONS

| | 31 Dec 2017 RM'000 | 31 Mar 2017 RM'000 |
|----------------|-----------------------------------|-----------------------------------|
| Licensed banks | <u>4,735,430</u> | <u>3,686,803</u> |

MIZUHO BANK (MALAYSIA) BERHAD (923693-H)
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**NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE QUARTER ENDED 31 DECEMBER 2017**

15 INTEREST INCOME

| | 3rd Quarter ended | | Nine months ended | |
|---|--------------------------|--------------------------|--------------------------|--------------------------|
| | 31 Dec 2017 RM'000 | 31 Dec 2016 RM'000 | 31 Dec 2017 RM'000 | 31 Dec 2016 RM'000 |
| Loans, advances and financing | 29,758 | 16,012 | 86,845 | 39,428 |
| Money at call and deposits and placements with financial institutions | 14,501 | 17,276 | 50,818 | 45,927 |
| Net gain from interest rate swap and cross-currency interest rate swap | (117) | (346) | (269) | 402 |
| Financial investments available-for-sale | 3,595 | 1,648 | 9,766 | 4,710 |
| Other Interest Income | 21 | - | 50 | - |
| | <u>47,758</u> | <u>34,590</u> | <u>147,210</u> | <u>90,467</u> |

16 INTEREST EXPENSE

| | 3rd Quarter ended | | Nine months ended | |
|--|--------------------------|--------------------------|--------------------------|--------------------------|
| | 31 Dec 2017 RM'000 | 31 Dec 2016 RM'000 | 31 Dec 2017 RM'000 | 31 Dec 2016 RM'000 |
| Deposits and placements from financial institutions | 15,553 | 8,245 | 44,823 | 19,385 |
| Deposits from customers | 9,969 | 8,953 | 31,670 | 26,319 |
| | <u>25,522</u> | <u>17,198</u> | <u>76,493</u> | <u>45,704</u> |

17 OTHER OPERATING INCOME

| | 3rd Quarter ended | | Nine months ended | |
|---|--------------------------|--------------------------|--------------------------|--------------------------|
| | 31 Dec 2017 RM'000 | 31 Dec 2016 RM'000 | 31 Dec 2017 RM'000 | 31 Dec 2016 RM'000 |
| Fee income | 5,080 | 2,215 | 9,674 | 6,199 |
| Net unrealised gain/(loss) on revaluation of derivatives | (1,103) | 830 | (4,295) | 9,237 |
| Realised foreign exchange gain | 7,520 | 3,919 | 25,333 | 8,663 |
| Unrealised foreign exchange gain | 5,956 | 3,948 | 13,454 | 10,224 |
| Other income | - | - | - | 1 |
| | <u>17,453</u> | <u>10,912</u> | <u>44,166</u> | <u>34,324</u> |

MIZUHO BANK (MALAYSIA) BERHAD (923693-H)
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**NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE QUARTER ENDED 31 DECEMBER 2017**

18 OTHER OPERATING EXPENSES

| | 3rd Quarter ended | | Nine months ended | |
|--|-----------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|
| | 31 Dec 2017 RM'000 | 31 Dec 2016 RM'000 | 31 Dec 2017 RM'000 | 31 Dec 2016 RM'000 |
| Personnel costs: | | | | |
| Salaries, allowances and bonuses | 5,719 | 6,110 | 18,740 | 18,383 |
| Contribution to Employees Provident Fund | 653 | 657 | 2,287 | 2,192 |
| Other staff related costs | 1,819 | 1,429 | 4,710 | 4,195 |
| Establishment costs: | | | | |
| Repair and maintenance | 1,738 | 1,274 | 3,803 | 3,572 |
| Depreciation of property and equipment | 646 | 536 | 1,823 | 2,050 |
| Amortisation of intangible asset | 866 | 774 | 2,417 | 2,197 |
| Rental of premises | 523 | 539 | 1,607 | 1,627 |
| Information technology expenses | 651 | 316 | 975 | 678 |
| Others | 391 | 355 | 1,074 | 1,077 |
| Marketing expenses: | | | | |
| Advertisement and publicity | 93 | 78 | 123 | 99 |
| Others | 218 | 167 | 605 | 772 |
| Administration and general expenses: | | | | |
| Collateral deposit fees | 4,062 | 1,933 | 9,988 | 4,334 |
| Communication expenses | 262 | 222 | 687 | 692 |
| Legal and professional fees | 764 | 290 | 1,385 | 953 |
| Others | 1,383 | 1,162 | 4,123 | 3,264 |
| | <u>19,788</u> | <u>15,842</u> | <u>54,347</u> | <u>46,085</u> |

19 ALLOWANCE FOR IMPAIRMENT ON LOANS, ADVANCES AND FINANCING

| | 3rd Quarter ended | | Nine months ended | |
|------------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|
| | 31 Dec 2017 RM'000 | 31 Dec 2016 RM'000 | 31 Dec 2017 RM'000 | 31 Dec 2016 RM'000 |
| Collective impairment allowance | | | | |
| - (writeback)/made during the year | <u>(1,176)</u> | <u>1,372</u> | <u>(6,959)</u> | <u>(2,989)</u> |

MIZUHO BANK (MALAYSIA) BERHAD (923693-H)
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**NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE QUARTER ENDED 31 DECEMBER 2017**

20 COMMITMENTS AND CONTINGENCIES

In the normal course of business, the Bank makes various commitments and incurs certain contingent liabilities with legal recourse to customers. No material losses are anticipated as a result of these transactions. The risk-weighted exposures of the Bank are as follows:

| | Principal amount RM'000 | Credit equivalent amount* RM'000 | Risk- weighted amount* RM'000 |
|---|--|---|--|
| As at 31 December 2017 | | | |
| Direct credit substitutions | 21,165 | 21,165 | 20,100 |
| Transaction related contingent items | 92,485 | 46,243 | 39,585 |
| Short-term self-liquidating trade related contingencies | 7,845 | 1,569 | 1,569 |
| Foreign exchange related contracts | | | |
| - One year or less | 2,272,456 | 39,342 | 23,751 |
| - Over one year to five years | 85,709 | 6,191 | 3,392 |
| Interest related contracts | | | |
| - One year or less | 787,920 | 64,785 | 40,782 |
| - Over one year to five years | 5,484,289 | 721,391 | 496,265 |
| - Over five years | 414,738 | 97,884 | 79,021 |
| Other commitments, such as formal standby facilities and credit lines, with an original maturity of over one year | 322,235 | 161,118 | 161,118 |
| Any commitments that are unconditionally cancelled at any time without prior notice | 1,646,851 | - | - |
| Total | 11,135,693 | 1,159,688 | 865,583 |
| As at 31 March 2017 | | | |
| Direct credit substitutions | 15,593 | 15,593 | 15,583 |
| Transaction related contingent items | 112,128 | 56,064 | 44,208 |
| Short-term self-liquidating trade related contingencies | 6,019 | 1,204 | 1,204 |
| Foreign exchange related contracts | | | |
| - One year or less | 2,318,852 | 22,117 | 12,062 |
| - Over one year to five years | 117,786 | 10,357 | 7,170 |
| Interest related contracts | | | |
| - One year or less | 1,447,512 | 187,631 | 103,256 |
| - Over one year to five years | 5,101,785 | 869,860 | 542,628 |
| - Over five years | 481,207 | 98,305 | 73,961 |
| Other commitments, such as formal standby facilities and credit lines, with an original maturity of over one year | 448,390 | 224,195 | 224,195 |
| Any commitments that are unconditionally cancelled at any time without prior notice | 1,591,978 | - | - |
| Total | 11,641,250 | 1,485,326 | 1,024,267 |

* The credit equivalent amount and risk-weighted amount are arrived at using the credit conversion factors and risk-weights respectively as specified by Bank Negara Malaysia for regulatory capital adequacy purposes.

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21 CAPITAL ADEQUACY

The capital ratios are computed in accordance with Bank Negara Malaysia's Capital Adequacy Framework (Capital Components) and Capital Adequacy Framework (Basel II - Risk Weighted Assets) (collectively, the "Framework") issued on 28 November 2012. The Bank has adopted Standardised Approach for credit risk and market risk and the Basic Indicator Approach for operational risk.

(i) Based on the above, the capital adequacy ratios of the Bank are as follows:

| | 31 Dec 2017 | 31 Mar 2017 |
|---|------------------------|------------------------|
| <u>Capital ratios:</u> | | |
| CET1 Capital Ratio / Total Tier 1 Capital Ratio | 24.620% | 24.321% |
| Total Capital Ratio | 25.744% | 25.466% |

(ii) The components of CET1 capital, Tier-1 and Tier-2 capital of the Bank are as follows:

| | 31 Dec 2017 RM'000 | 31 Mar 2017 RM'000 |
|--|-----------------------------------|-----------------------------------|
| CET 1 Capital | | |
| Paid-up share capital | 700,000 | 700,000 |
| Retained profits | (13,911) | 18,222 |
| Other reserves | 26,800 | 26,563 |
| Total CET1 Capital, representing total Tier 1 Capital | 712,889 | 744,785 |
| Tier 2 Capital | | |
| Collective impairment allowance and regulatory reserve | 32,572 | 35,066 |
| Total Capital | 745,461 | 779,851 |

(iii) The breakdown of risk-weighted assets ("RWA") by each major risk categories are as follows:

| | 31 Dec 2017 RM'000 | 31 Mar 2017 RM'000 |
|--------------------------------|-----------------------------------|-----------------------------------|
| Total RWA for Credit risk | 2,605,763 | 2,805,297 |
| Total RWA for Market risk | 93,440 | 104,229 |
| Total RWA for Operational risk | 196,413 | 152,814 |
| Total RWA | 2,895,616 | 3,062,340 |

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21 CAPITAL ADEQUACY (CONTINUED)

Disclosures relating to credit risk and market risk are as below:

| Exposure class | Gross Exposures RM'000 | Net Exposures RM'000 | Risk- Weighted Assets RM'000 | Minimum Capital Require- ments at 8% RM'000 |
|---|------------------------------|-----------------------------|---------------------------------------|--|
| As at 31 December 2017 | | | | |
| Credit risk | | | | |
| <u>On-balance sheet exposures:</u> | | | | |
| Sovereigns/central banks | 1,542,684 | 1,542,684 | - | - |
| Banks, development financial Institutions and Multilateral Development Banks ("MDBs") | 908,719 | 658,418 | 131,684 | 10,535 |
| Corporates | 5,782,552 | 1,462,562 | 1,462,562 | 117,004 |
| Other assets | 145,986 | 145,986 | 145,934 | 11,675 |
| Total on-balance sheet exposures | <u>8,379,941</u> | <u>3,809,650</u> | <u>1,740,180</u> | <u>139,214</u> |
| <u>Off-balance sheet exposures:</u> | | | | |
| Over-the-counter ("OTC") derivatives | 929,593 | 929,593 | 643,211 | 51,457 |
| Off-balance sheet exposures other than OTC derivatives or credit derivatives | 230,095 | 230,095 | 222,372 | 17,790 |
| Total off-balance sheet exposures | <u>1,159,688</u> | <u>1,159,688</u> | <u>865,583</u> | <u>69,247</u> |
| Total on and off-balance sheet exposures | <u>9,539,629</u> | <u>4,969,338</u> | <u>2,605,763</u> | <u>208,461</u> |
| Market risk | | | | |
| | Long Position RM'000 | Short Position RM'000 | Risk- Weighted Assets RM'000 | Minimum Capital Require- ments at 8% RM'000 |
| Interest rate risk | 6,464,450 | 6,441,395 | 82,940 | 6,635 |
| Foreign currency risk | 840 | - | 10,500 | 840 |
| Operational risk | | | 196,413 | 15,713 |
| Total RWA and capital requirements | | | <u>2,895,616</u> | <u>231,649</u> |

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21 CAPITAL ADEQUACY (CONTINUED)

Disclosures relating to credit risk and market risk are as below:

| Exposure class | Gross Exposures RM'000 | Net Exposures RM'000 | Risk- Weighted Assets RM'000 | Minimum Capital Require- ments at 8% RM'000 |
|---|------------------------------|-----------------------------|---------------------------------------|--|
| As at 31 March 2017 | | | | |
| Credit risk | | | | |
| <u>On-balance sheet exposures:</u> | | | | |
| Sovereigns/central banks | 2,290,665 | 2,290,665 | - | - |
| Banks, development financial Institutions and Multilateral Development Banks ("MDBs") | 1,665,825 | 1,105,384 | 221,077 | 17,686 |
| Corporates | 3,684,674 | 1,493,667 | 1,493,667 | 119,493 |
| Other assets | 66,311 | 66,311 | 66,286 | 5,303 |
| Total on-balance sheet exposures | <u>7,707,475</u> | <u>4,956,027</u> | <u>1,781,030</u> | <u>142,482</u> |
| <u>Off-balance sheet exposures:</u> | | | | |
| Over-the-counter ("OTC") derivatives | 1,188,270 | 1,188,270 | 739,077 | 59,126 |
| Off-balance sheet exposures other than OTC derivatives or credit derivatives | 297,056 | 297,056 | 285,190 | 22,815 |
| Total off-balance sheet exposures | <u>1,485,326</u> | <u>1,485,326</u> | <u>1,024,267</u> | <u>81,941</u> |
| Total on and off-balance sheet exposures | <u>9,192,801</u> | <u>6,441,353</u> | <u>2,805,297</u> | <u>224,423</u> |
| Market risk | | | | |
| | Long Position RM'000 | Short Position RM'000 | Risk- Weighted Assets RM'000 | Minimum Capital Require- ments at 8% RM'000 |
| Interest rate risk | 6,803,624 | 6,774,830 | 95,379 | 7,630 |
| Foreign currency risk | 8,850 | 10 | 8,850 | 708 |
| Operational risk | | | 152,814 | 12,225 |
| Total RWA and capital requirements | | | <u>3,062,340</u> | <u>244,986</u> |

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21 CAPITAL ADEQUACY (CONTINUED)

The breakdown of credit risk exposures by risk weights for the respective balance sheet dates are as follows:

< ---- Exposures after Netting and Credit Risk Mitigation ---->

| Risk weights | Sovereigns/ central banks RM'000 | Banks, Development Financial Institutions & MDBs RM'000 | Corporates RM'000 | Other Assets RM'000 | Total Exposures after Netting and Credit Risk Mitigation RM'000 | Total Risk- Weighted Assets RM'000 |
|-------------------------------|---|--|----------------------|---------------------------|--|--|
| As at 31 December 2017 | | | | | | |
| 0% | 1,542,684 | - | - | 50 | 1,542,734 | - |
| 20% | - | 681,407 | - | - | 681,407 | 136,281 |
| 50% | - | 551,429 | - | - | 551,429 | 275,715 |
| 100% | - | - | 2,047,832 | 145,935 | 2,193,767 | 2,193,767 |
| | <u>1,542,684</u> | <u>1,232,836</u> | <u>2,047,832</u> | <u>145,985</u> | <u>4,969,337</u> | <u>2,605,763</u> |
| As at 31 March 2017 | | | | | | |
| 0% | 2,290,665 | - | - | 23 | 2,290,688 | - |
| 20% | - | 1,121,937 | - | - | 1,121,937 | 224,387 |
| 50% | - | 895,636 | - | - | 895,636 | 447,818 |
| 100% | - | - | 2,066,804 | 66,288 | 2,133,092 | 2,133,092 |
| | <u>2,290,665</u> | <u>2,017,573</u> | <u>2,066,804</u> | <u>66,311</u> | <u>6,441,353</u> | <u>2,805,297</u> |