

MIZUHO BANK (MALAYSIA) BERHAD

(Company No. 923693-H)

(Incorporated in Malaysia)

**UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2018**

MIZUHO BANK (MALAYSIA) BERHAD

(Company No. 923693-H)

(Incorporated in Malaysia)

**UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2018**

		30 June 2018 RM'000	31 March 2018 RM'000
	Note		
ASSETS			
Cash and short-term funds		1,769,414	1,388,718
Deposits and placements with financial institutions		258,406	127,813
Derivative financial assets		289,889	368,881
Financial assets at fair value through other comprehensive income ("FVOCI")	12	499,318	-
Financial investments available-for-sale ("AFS")	13	-	454,653
Loans, advances and financing	14	6,184,315	5,838,601
Other assets		60,412	98,039
Property and equipment		9,505	9,981
Intangible assets		12,582	13,344
TOTAL ASSETS		<u>9,083,841</u>	<u>8,300,030</u>
LIABILITIES AND EQUITY			
Deposits from customers	15	2,463,137	2,163,831
Deposits and placements from financial institutions	16	5,327,956	4,836,622
Derivative financial liabilities		323,116	347,288
Other liabilities		205,831	138,640
Deferred tax liabilities		3,303	7,151
TOTAL LIABILITIES		<u>8,323,343</u>	<u>7,493,532</u>
Share capital		700,000	700,000
Reserves		60,498	106,498
TOTAL EQUITY		<u>760,498</u>	<u>806,498</u>
TOTAL LIABILITIES AND EQUITY		<u>9,083,841</u>	<u>8,300,030</u>
COMMITMENTS AND CONTINGENCIES	22	<u>11,131,403</u>	<u>10,323,351</u>

The unaudited condensed interim financial statements should be read in conjunction with the audited financial statements for the year ended 31 March 2018.

MIZUHO BANK (MALAYSIA) BERHAD

(Company No. 923693-H)

(Incorporated in Malaysia)

**UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2018**

	Note	1st Quarter ended		Three months ended	
		30 June 2018 RM'000	30 June 2017 RM'000	30 June 2018 RM'000	30 June 2017 RM'000
Interest income	17	64,730	48,366	64,730	48,366
Interest expense	18	(38,347)	(25,402)	(38,347)	(25,402)
Net interest income		26,383	22,964	26,383	22,964
Other operating income	19	21,491	10,170	21,491	10,170
Net operating income		47,874	33,134	47,874	33,134
Other operating expenses	20	(19,696)	(16,865)	(19,696)	(16,865)
Operating profit		28,178	16,269	28,178	16,269
(Allowance)/Writeback for impairment on loans, advances and financing	21	(3,842)	4,486	(3,842)	4,486
Writeback of impairment on other financial assets, commitments and contingencies		303	-	303	-
Profit before taxation		24,639	20,755	24,639	20,755
Taxation		110	(1,512)	110	(1,512)
Profit after taxation		24,749	19,243	24,749	19,243
Other comprehensive income:					
Items that may be reclassified subsequently to profit or loss:-					
- Net fair value change in financial assets at FVOCI		(355)	-	(355)	-
- Net fair value change in financial investments AFS		-	284	-	284
Income tax effect		85	(68)	85	(68)
Other comprehensive (loss)/income for the financial period		(270)	216	(270)	216
Total comprehensive income for the financial period		24,479	19,459	24,479	19,459

The unaudited condensed interim financial statements should be read in conjunction with the audited financial statements for the year ended 31 March 2018.

MIZUHO BANK (MALAYSIA) BERHAD

(Company No. 923693-H)

(Incorporated in Malaysia)

**UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2018**

	← Non-distributable reserves →					Distributable reserves	Total RM'000
	Share capital RM'000	Statutory reserve RM'000	Regulatory reserve RM'000	AFS reserve RM'000	FVOCI reserve RM'000	Retained profits RM'000	
At 1 April 2018	700,000	-	39,353	151	-	66,994	806,498
Effect of adopting MFRS 9	-	-	(9,914)	(151)	151	(60,565)	(70,479)
At 1 April 2018, as restated	700,000	-	29,439	-	151	6,429	736,019
Profit for the period	-	-	-	-	-	24,749	24,749
Other comprehensive loss	-	-	-	-	(270)	-	(270)
Transfer to regulatory reserve	-	-	4,532	-	-	(4,532)	-
At 30 June 2018	700,000	-	33,971	-	(119)	26,646	760,498
At 1 April 2017	700,000	25,680	4,889	(272)	-	18,222	748,519
Profit for the period	-	-	-	-	-	19,243	19,243
Other comprehensive income	-	-	-	216	-	-	216
Transfer to regulatory reserve	-	-	19,693	-	-	(19,693)	-
At 30 June 2017	700,000	25,680	24,582	(56)	-	17,772	767,978

The unaudited condensed interim financial statements should be read in conjunction with the audited financial statements for the year ended 31 March 2018.

MIZUHO BANK (MALAYSIA) BERHAD

(Company No. 923693-H)

(Incorporated in Malaysia)

**UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
STATEMENT OF CASH FLOWS
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2018**

	30 June 2018 RM'000	30 June 2017 RM'000
Profit before taxation	24,639	20,755
Adjustments for non-operating and non-cash items	(8,526)	(4,131)
Operating profit before changes in working capital	<u>16,113</u>	<u>16,624</u>
Net changes in operating assets	(309,685)	(1,622,957)
Net changes in operating liabilities	857,083	395,694
	547,398	(1,227,263)
Cash flows generated from/(used in) operations	<u>563,511</u>	<u>(1,210,639)</u>
Taxation paid	(2,400)	(1,125)
Net cash flows generated from/(used in) operating activities	<u>561,111</u>	<u>(1,211,764)</u>
Net cash flows used in investing activities	(415)	(992)
Net increase/(decrease) in cash and cash equivalents during the financial period	560,696	(1,212,756)
Cash and cash equivalents at the beginning of the financial period	<u>1,208,718</u>	<u>3,420,998</u>
Cash and cash equivalents at the end of the financial period	<u><u>1,769,414</u></u>	<u><u>2,208,242</u></u>
Analysis of cash and cash equivalents:		
Cash and short-term funds	1,769,414	1,905,876
Deposits and placements with financial institutions	258,406	828,796
Less: Deposits and placements with financial institutions with contractual maturity more than 3 months	(258,406)	(526,430)
	<u><u>1,769,414</u></u>	<u><u>2,208,242</u></u>

The unaudited condensed interim financial statements should be read in conjunction with the audited financial statements for the year ended 31 March 2018.

MIZUHO BANK (MALAYSIA) BERHAD

(Company No. 923693-H)

(Incorporated in Malaysia)

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2018**

1. Basis of Preparation

The unaudited condensed interim financial statements for the Bank have been prepared under the historical cost convention except for the following assets and liabilities that are stated at fair values: financial assets at fair value through other comprehensive income, financial assets and liabilities at fair value through profit or loss and derivative financial instruments.

The unaudited condensed interim financial statements have been prepared in accordance with MFRS 134 "Interim Financial Reporting" issued by the Malaysian Accounting Standards Board.

The unaudited condensed interim financial statements should be read in conjunction with the Bank's audited financial statements for the financial year ended 31 March 2018. The explanatory notes attached to the 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 2018.

The significant accounting policies and methods of computation applied by the Bank are consistent with those adopted in the most recent audited annual financial statements for the financial year ended 31 March 2018 except for adoption of the following new Malaysian Financial Reporting Standards ("MFRSs"), amendments to MFRSs, annual improvements to MFRSs and IC Interpretations which are effective for annual periods beginning on or after 1 January 2018:

- MFRS 9 "Financial Instruments"
- MFRS 15 "Revenue from Contracts with Customers" and "Clarifications to MFRS 15"
- Amendments to MFRS 2 "Classification and Measurement of Share-based Payment Transactions"
- Amendments to MFRS 140 "Transfers of Investment Property"
- Annual improvement to MFRSs 2014 - 2016 Cycle:
 - Amendments to MFRS 1 "First-time Adoption of Malaysian Financial Reporting Standards"
 - Amendments to MFRS 128 "Investments in Associates and Joint Ventures"
- IC Interpretation 22 "Foreign Currency Transactions and Advance Consideration"

With effect from the financial year beginning on/after 1 April 2018, the Bank applies MFRS 9 "Financial Instruments", replacing MFRS 139 "Financial Instruments: Recognition and Measurement", and includes requirements for classification and measurement of financial assets and liabilities and impairment of financial assets. MFRS 9 introduces an expected credit loss model on impairment that replaces the incurred loss impairment model used in MFRS 139. The expected credit loss model is forward-looking and eliminates the need for a trigger event to have occurred before credit losses are recognised. The new standard also introduces expanded disclosure requirements and changes in presentation. Comparatives for 2017 will not be restated. The impact of adoption of MFRS 9 to the Bank are disclosed in Note 2.

The adoption of the above new standards, amendments to published standards and interpretation are not expected to give rise to significant impact on the financial results of the Bank, except for the cumulative impact on the adoption of MFRS 9 which is recognised in the retained earnings as at 1 April 2018.

MIZUHO BANK (MALAYSIA) BERHAD

(Company No. 923693-H)

(Incorporated in Malaysia)

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2018**

2. Changes in Accounting Policies

MFRS 9 Financial Instruments

Classification and measurement

Under MFRS 9, on initial recognition, a financial asset is classified as measured at amortised cost ("AC"), Fair Value through Other Comprehensive Income ("FVOCI") and Fair Value through Profit or Loss ("FVTPL"). The classification of financial assets under MFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics.

As MFRS 9 retains most of the MFRS 139 requirements, there is no change to the classification and measurement of the Bank's financial liabilities.

Impairment

The MFRS 9 impairment requirements are based on an expected credit loss ("ECL") model that replaces the incurred loss model under the current accounting standard. The ECL model will apply to financial assets measured at amortised cost or at FVOCI, irrevocable loan commitments and financial guarantee contracts, which will include loans, advances and financing and debt instruments held by the Bank, contract assets under MFRS 15 and lease receivables under MFRS 117 Leases.

Allowance for impairment will be made based on the following three-stage approach which reflects the change in credit quality of the financial instrument since initial recognition:

Stage 1: 12-month ECL

For exposures where there has not been a significant increase in credit risk since initial recognition and that are not credit impaired upon origination, the ECL associated with the probability of default events occurring within next 12 months will be recognised.

Stage 2: Lifetime ECL - non-credit impaired

For exposures where there has been a significant increase in credit risk since initial recognition but that are non-credit impaired, a lifetime ECL will be recognised.

Stage 3: Lifetime ECL - credit impaired

Financial assets are assessed as credit impaired when one or more events that have detrimental impact on the estimated future cash flows of that asset have occurred. For financial assets that are credit impaired, a lifetime ECL will be recognised.

The assessment of credit risk, as well as the estimation of ECL, are required to be unbiased, probability-weighted and should incorporate all available information which is relevant to the assessment, including information about past events, current conditions and reasonable and supportable forecasts of future events and economic conditions at the reporting date. In addition, the estimation of ECL should also take into account the time value of money.

MIZUHO BANK (MALAYSIA) BERHAD

(Company No. 923693-H)

(Incorporated in Malaysia)

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2018****2. Changes in Accounting Policies (Continued)****MFRS 9 Financial Instruments (Continued)**

The adoption of MFRS 9 resulted in the following financial effects to the statement of financial position of the Bank.

	Audited 31 March 2018 RM'000	Classification and Measurement RM'000	Expected Credit Losses RM'000	Adjusted 1 April 2018 RM'000
ASSETS				
Cash and short-term funds	1,388,718	-	-	1,388,718
Deposits and placements with financial institutions	127,813	-	-	127,813
Derivative financial assets	368,881	(102,577)	-	266,304
Financial assets at FVOCI	-	454,653	-	454,653
Financial investments AFS	454,653	(454,653)	-	-
Loans, advances and financing	5,838,601	33,599	(4,169)	5,868,031
Other assets	98,039	-	-	98,039
Property and equipment	9,981	-	-	9,981
Intangible assets	13,344	-	-	13,344
TOTAL ASSETS	8,300,030	(68,978)	(4,169)	8,226,883
LIABILITIES AND EQUITY				
Deposits from customers	2,163,831	-	-	2,163,831
Deposits and placements from financial institutions	4,836,622	-	-	4,836,622
Derivative financial liabilities	347,288	(2,466)	-	344,822
Other liabilities	138,640	-	1,051	139,691
Deferred tax liabilities	7,151	-	(1,253)	5,898
TOTAL LIABILITIES	7,493,532	(2,466)	(202)	7,490,864
Share capital	700,000	-	-	700,000
Reserves	106,498	(66,512)	(3,967)	36,019
TOTAL EQUITY	806,498	(66,512)	(3,967)	736,019
TOTAL LIABILITIES AND EQUITY	8,300,030	(68,978)	(4,169)	8,226,883

MIZUHO BANK (MALAYSIA) BERHAD

(Company No. 923693-H)

(Incorporated in Malaysia)

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2018**

3. Auditors' Report on Preceding Audited Annual Financial Statements

The auditors' report on the audited annual financial statements for the financial year ended 31 March 2018 was not qualified.

4. Seasonal or Cyclical Factors

The operations of the Bank were not materially affected by any seasonal or cyclical factors during the first quarter ended 30 June 2018.

5. Unusual Items Due to Their Nature, Size or Incidence

There were no unusual items affecting the assets, liabilities, equity, net income or cash flows of the Bank during the first quarter ended 30 June 2018.

6. Changes in Estimates

There were no material changes in estimates during the first quarter ended 30 June 2018.

7. Debt and Equity Securities

There were no issuance, cancellation, repurchase, resale and repayment of debt and equity securities during the first quarter ended 30 June 2018.

8. Dividend

No dividend was paid during the first quarter ended 30 June 2018.

9. 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.

10. Review of Performance

The Bank recorded higher profit before taxation for the financial period ended 30 June 2018 of RM24.6 million compared to RM20.7 million profit before taxation in the previous corresponding period, representing an increase of RM3.9 million or 18.7%. The increased profit was due to higher net interest income by RM3.4 million or 14.9%. Operating profit increased by RM11.9 million (73.2%) from RM16.3 million to RM28.2 million primarily due to unrealised gain from foreign exchange and revaluation gain on loans, advances and financing at fair value through profit and loss. Operating expenses increased by RM2.8 million (16.8%) from RM16.9 million to RM19.7 million, mainly due to administrative and general expenses. The Bank's total assets stood at RM9,083.8 million as at 30 June 2018, this is higher compared against 31 March 2018 which stood at RM8,300.0 million. The Bank's total common equity Tier 1 ratio and total capital ratio remained strong at 25.959% and 27.058% respectively.

MIZUHO BANK (MALAYSIA) BERHAD

(Company No. 923693-H)

(Incorporated in Malaysia)

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2018**

11. Prospects

The Bank's key priorities this year include continuous expansion of our corporate customer portfolios, focus on providing high quality financial products and services to support loan growth while efficiently managing our capital and asset quality. The Bank has also implemented MFRS 9 on 1st April 2018 and will continue to keep its capital and liquidity positions strong. The impairment assessment under MFRS 9 is based on the expected credit loss model, which uses forward-looking assumptions, as opposed to the previous accounting standard MFRS 139, in which the impairment assessment is based on an incurred loss model. As such, the allowances for impaired loans and financing in this financial year ending 2019 are expected to be higher than the previous year.

12. Financial Assets at FVOCI

	30 June 2018 RM'000	31 March 2018 RM'000
At fair value		
Government Investment Issues	228,864	-
Government Guaranteed Bond	270,454	-
	<u>499,318</u>	<u>-</u>

The financial assets at FVOCI category was introduced upon the adoption of MFRS 9 on 1 April 2018. Comparative figures are not restated in line with the transition requirement under MFRS 9. The financial effects of the adoption of MFRS 9 are disclosed in Note 2 Changes in Accounting Policies.

13. Financial Investments Available-for-Sale

	30 June 2018 RM'000	31 March 2018 RM'000
At fair value		
Government Investment Issues	-	229,102
Government Guaranteed Bond	-	225,551
	<u>-</u>	<u>454,653</u>

The financial investments available-for-sale category was removed upon the adoption of MFRS 9. The financial effects of the adoption of MFRS 9 are disclosed in Note 2 Changes in Accounting Policies.

MIZUHO BANK (MALAYSIA) BERHAD

(Company No. 923693-H)

(Incorporated in Malaysia)

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2018****14. Loans, Advances and Financing**

	30 June 2018 RM'000	31 March 2018 RM'000
(a) By type:		
At amortised cost:		
Term loans	3,517,502	4,125,123
Revolving credits	1,720,877	1,697,065
Overdraft	243	-
Banker acceptances	22,160	47,800
Bills receivable	2,715	-
	<u>5,263,497</u>	<u>5,869,988</u>
Less: Unearned interest	(149)	(231)
Gross loans, advances and financing at amortised cost	<u>5,263,348</u>	<u>5,869,757</u>
At FVTPL:		
Term loans	960,134	-
Gross loans, advances and financing at FVTPL	<u>960,134</u>	<u>-</u>
Total gross loans, advances and financing	6,223,482	5,869,757
Less: Impairment allowance		
- Collective impairment allowance	(39,167)	(31,156)
Net loans, advances and financing	<u>6,184,315</u>	<u>5,838,601</u>
(b) By geographical distribution:		
In Malaysia	4,295,325	4,027,383
Outside Malaysia	1,928,157	1,842,374
	<u>6,223,482</u>	<u>5,869,757</u>
(c) By type of customer:		
Domestic business enterprise	2,561,368	2,370,626
Domestic non-bank financial institutions	1,733,957	1,656,756
Foreign business entity	1,928,157	1,842,375
	<u>6,223,482</u>	<u>5,869,757</u>
(d) By interest/profit rate sensitivity:		
Fixed rate	1,666,799	1,668,468
Variable rate - cost plus	4,556,683	4,201,289
	<u>6,223,482</u>	<u>5,869,757</u>

MIZUHO BANK (MALAYSIA) BERHAD

(Company No. 923693-H)

(Incorporated in Malaysia)

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2018****14. Loans, Advances and Financing (Continued)**

	30 June 2018 RM'000	31 March 2018 RM'000
(e) By economic purpose:		
Construction	38,486	42,907
Purchase of fixed assets other than land and building	1,125,379	973,137
Purchase of non-residential property	53,309	53,318
Working capital	5,006,308	4,800,395
	<u>6,223,482</u>	<u>5,869,757</u>
(f) By economic sector:		
Mining and quarrying	155,742	69,060
Manufacturing	1,411,686	1,351,114
Electricity, gas and water supply	99,465	93,043
Construction	154,200	142,656
Wholesale and retail trade, and restaurants and hotels	454,346	457,582
Transport, storage and communication	170,301	140,154
Finance, insurance, real estate and business activities	3,653,186	3,497,159
Education, health and others	16,788	15,203
Others	107,768	103,786
	<u>6,223,482</u>	<u>5,869,757</u>
(g) By residual contractual maturity:		
Maturity within		
- one year	3,941,511	3,732,456
- one to five years	1,910,124	1,773,710
- over five years	371,847	363,591
	<u>6,223,482</u>	<u>5,869,757</u>

MIZUHO BANK (MALAYSIA) BERHAD

(Company No. 923693-H)

(Incorporated in Malaysia)

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2018**

14. Loans, Advances and Financing (Continued)

30 June	31 March
2018	2018
RM'000	RM'000

- (h) Movements in collective impairment allowance for loans, advances and financing:

Collective Impairment Allowance:

At 1 April 2018/2017	31,156	39,326
- effect of adopting MFRS 9	4,169	-
At 1 April 2018, as restated	<u>35,325</u>	<u>39,326</u>
Allowance/(Writeback) made during the period	<u>3,842</u>	<u>(8,170)</u>
At end of the reporting period / year	<u><u>39,167</u></u>	<u><u>31,156</u></u>
 As percentage of total loan	 <u>0.74%</u>	 <u>0.53%</u>

The Bank has no impaired loans, advances and financing and no individual impairment allowance was deemed required as at 30 June 2018.

- (i) Movement in collective impairment allowance which reflect the ECL model on impairment are as follows:

	12-Month ECL Stage 1 RM'000	Lifetime ECL Non-credit Impaired Stage 2 RM'000	Lifetime ECL Credit Impaired Stage 3 RM'000	Total RM'000
At 1 April 2018				31,156
- effect of adopting MFRS 9				<u>4,169</u>
At 1 April 2018, as restated	9,108	26,217	-	<u>35,325</u>
New financial assets originated	6,341	31,062	-	37,403
Financial assets derecognised	(7,140)	(24,753)	-	(31,893)
Writeback during the period	(453)	(1,215)	-	(1,668)
At 30 June 2018	<u><u>7,856</u></u>	<u><u>31,311</u></u>	<u><u>-</u></u>	<u><u>39,167</u></u>

Collective Impairment Allowance:

MIZUHO BANK (MALAYSIA) BERHAD

(Company No. 923693-H)

(Incorporated in Malaysia)

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2018****15. Deposit from Customers**

	30 June 2018 RM'000	31 March 2018 RM'000
(a) By type of deposit:		
Demand deposits	967,114	975,232
Fixed deposits	775,324	763,085
Short-term deposits	720,699	425,514
	<u>2,463,137</u>	<u>2,163,831</u>
(b) By type of customer:		
Domestic non-bank financial institutions	30,290	33,763
Domestic business enterprises	2,388,849	2,093,930
Foreign business enterprises	43,852	35,996
Domestic other enterprises	146	142
	<u>2,463,137</u>	<u>2,163,831</u>
(c) Maturity structure:		
On demand	967,114	975,232
Due within six months	1,496,023	1,182,099
Due over six months to one year	-	6,500
	<u>2,463,137</u>	<u>2,163,831</u>

16. Deposit and Placements from Financial Institutions

	30 June 2018 RM'000	31 March 2018 RM'000
Licensed banks	<u>5,327,956</u>	<u>4,836,622</u>

MIZUHO BANK (MALAYSIA) BERHAD

(Company No. 923693-H)

(Incorporated in Malaysia)

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2018****17. Interest Income**

	1st Quarter ended		Three months ended	
	30 June 2018	30 June 2017	30 June 2018	30 June 2017
	RM'000	RM'000	RM'000	RM'000
Loans, advances and financing	46,252	25,074	46,252	25,074
Money at call and deposits and placements with financial institutions	11,631	19,971	11,631	19,971
Net gain from interest rate swap and cross-currency interest rate swap	2,306	525	2,306	525
Financial assets at FVOCI	4,540	-	4,540	-
Financial investments available-for-sale	-	2,786	-	2,786
Others	1	10	1	10
	<u>64,730</u>	<u>48,366</u>	<u>64,730</u>	<u>48,366</u>

18. Interest Expense

	1st Quarter ended		Three months ended	
	30 June 2018	30 June 2017	30 June 2018	30 June 2017
	RM'000	RM'000	RM'000	RM'000
Deposits and placements from financial institutions	27,602	14,364	27,602	14,364
Deposits from customers	10,745	11,038	10,745	11,038
	<u>38,347</u>	<u>25,402</u>	<u>38,347</u>	<u>25,402</u>

19. Other Operating Income

	1st Quarter ended		Three months ended	
	30 June 2018	30 June 2017	30 June 2018	30 June 2017
	RM'000	RM'000	RM'000	RM'000
Fee income	1,733	1,711	1,733	1,711
Net unrealised loss on revaluation of derivatives	(2,261)	(4,076)	(2,261)	(4,076)
Realised foreign exchange gain	5,994	7,566	5,994	7,566
Unrealised foreign exchange gain	10,423	4,969	10,423	4,969
Net unrealised gain on revaluation of loans, advances and financing at FVTPL	5,602	-	5,602	-
	<u>21,491</u>	<u>10,170</u>	<u>21,491</u>	<u>10,170</u>

MIZUHO BANK (MALAYSIA) BERHAD

(Company No. 923693-H)

(Incorporated in Malaysia)

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2018****20. Other Operating Expenses**

	1st Quarter ended		Three months ended	
	30 June 2018 RM'000	30 June 2017 RM'000	30 June 2018 RM'000	30 June 2017 RM'000
Personnel costs:				
Salaries, allowances and bonuses	7,332	6,797	7,332	6,797
Contribution to Employees Provident Fund	955	794	955	794
Other staff related costs	1,501	1,443	1,501	1,443
Establishment costs:				
Repair and maintenance	625	1,466	625	1,466
Depreciation of property and equipment	664	532	664	532
Amortisation of intangible asset	989	756	989	756
Rental of premises	586	554	586	554
Information technology expenses	138	148	138	148
Others	308	314	308	314
Marketing expenses:				
Advertisement and publicity	30	17	30	17
Others	171	146	171	146
Administration and general expenses:				
Collateral deposit fees	4,820	2,359	4,820	2,359
Communication expenses	205	213	205	213
Legal and professional fees	132	131	132	131
Others	1,240	1,195	1,240	1,195
	<u>19,696</u>	<u>16,865</u>	<u>19,696</u>	<u>16,865</u>

21. Allowance/(Writeback) for Impairment on Loans, Advances and Financing

	1st Quarter ended		Three months ended	
	30 June 2018 RM'000	30 June 2017 RM'000	30 June 2018 RM'000	30 June 2017 RM'000
Collective impairment allowance				
- allowance made/(writeback) during the period	<u>3,842</u>	<u>(4,486)</u>	<u>3,842</u>	<u>(4,486)</u>

MIZUHO BANK (MALAYSIA) BERHAD

(Company No. 923693-H)

(Incorporated in Malaysia)

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2018**

22. 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 30 June 2018			
Direct credit substitutions	121,037	121,037	120,039
Transaction related contingent items	83,698	41,849	33,837
Short-term self-liquidating trade related contingencies	17,859	3,572	3,572
Foreign exchange related contracts			
- One year or less	2,108,328	46,553	21,501
- Over one year to five years	39,412	3,186	1,548
Interest related contracts			
- One year or less	2,129,639	198,246	120,675
- Over one year to five years	4,110,324	501,147	363,688
- Over five years	371,215	87,979	72,092
Other commitments, such as formal standby facilities and credit lines, with an original maturity of over one year	197,208	98,604	98,604
Any commitments that are unconditionally cancelled at any time without prior notice	1,952,683	-	-
Total	11,131,403	1,102,173	835,556
As at 31 March 2018			
Direct credit substitutions	123,658	123,658	121,848
Transaction related contingent items	98,349	49,175	42,002
Short-term self-liquidating trade related contingencies	4,217	843	843
Foreign exchange related contracts			
- One year or less	1,679,341	33,661	18,825
- Over one year to five years	38,646	3,157	1,515
Interest related contracts			
- One year or less	1,922,671	184,041	123,210
- Over one year to five years	4,064,373	535,770	414,117
- Over five years	402,567	99,652	83,072
Other commitments, such as formal standby facilities and credit lines, with an original maturity of over one year	232,713	116,356	116,356
Any commitments that are unconditionally cancelled at any time without prior notice	1,756,816	-	-
Total	10,323,351	1,146,313	921,788

*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.

MIZUHO BANK (MALAYSIA) BERHAD

(Company No. 923693-H)

(Incorporated in Malaysia)

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2018****23. 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") reissued on 2 February 2018. The Bank has adopted Standardised Approach for credit risk and market risk and the Basic Indicator Approach for operational risk. In line with transitional arrangements under BNM's Capital Adequacy Framework (Capital Components), the minimum regulatory capital adequacy requirement for common equity Tier 1 ("CET1") capital ratio and Tier 1 capital ratio are 4.5% and 6.0% respectively for year 2018. The minimum regulatory capital adequacy requirement remains at 8% for total capital ratio.

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

	30 June 2018	31 March 2018
Capital ratios:		
CET1 Capital Ratio / Total Tier 1 Capital Ratio	25.959%	27.651%
Total Capital Ratio	<u>27.058%</u>	<u>28.768%</u>

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

	30 June 2018	31 March 2018
	RM'000	RM'000
CET 1 Capital		
Paid-up share capital	700,000	700,000
Retained profits	1,897	66,994
Other reserves	2,314	1,469
Total CET1 Capital, representing total Tier 1 Capital	<u>704,211</u>	<u>768,463</u>
Tier 2 Capital		
Collective impairment allowance and regulatory reserve	<u>29,821</u>	<u>31,051</u>
Total Capital	<u>734,032</u>	<u>799,514</u>

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

	30 June 2018	31 March 2018
	RM'000	RM'000
Total RWA for Credit risk	2,385,709	2,484,061
Total RWA for Market risk	96,460	83,192
Total RWA for Operational risk	230,633	211,931
Total RWA	<u>2,712,802</u>	<u>2,779,184</u>

MIZUHO BANK (MALAYSIA) BERHAD

(Company No. 923693-H)

(Incorporated in Malaysia)

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2018**

23. 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 30 June 2018				
Credit Risk				
On-balance sheet exposures:				
Sovereigns/central banks	1,420,224	1,420,224	-	-
Banks, development financial Institutions and Multilateral Development Banks ("MDBs")	1,158,299	985,725	147,848	11,828
Corporates	6,237,686	1,393,920	1,393,920	111,514
Other assets	8,418	8,418	8,385	671
Total on-balance sheet exposures	<u>8,824,627</u>	<u>3,808,287</u>	<u>1,550,153</u>	<u>124,013</u>
Off-balance sheet exposures:				
Over-the-counter ("OTC") derivatives	837,111	837,111	579,504	46,360
Off-balance sheet exposures other than OTC derivatives or credit derivatives	265,062	265,062	256,052	20,484
Total off-balance sheet exposures	<u>1,102,173</u>	<u>1,102,173</u>	<u>835,556</u>	<u>66,844</u>
Total on and off-balance sheet exposures	<u>9,926,800</u>	<u>4,910,460</u>	<u>2,385,709</u>	<u>190,857</u>
				Minimum Capital Require- ments at 8% RM'000
	Gross Exposures RM'000	Net Exposures RM'000	Risk- Weighted Assets RM'000	Require- ments at 8% RM'000
Market risk				
Interest rate risk	6,400,994	6,381,470	81,750	6,540
Foreign currency risk	1,177	-	14,710	1,177
Operational risk			230,633	18,451
Total RWA and capital requirements			<u>2,712,802</u>	<u>217,025</u>

MIZUHO BANK (MALAYSIA) BERHAD

(Company No. 923693-H)

(Incorporated in Malaysia)

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2018**

23. 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 2018				
Credit Risk				
On-balance sheet exposures:				
Sovereigns/central banks	1,260,936	1,260,936	-	-
Banks, development financial Institutions and Multilateral Development Banks ("MDBs")	800,782	694,422	106,977	8,558
Corporates	5,876,001	1,391,872	1,391,872	111,350
Other assets	63,485	63,485	63,424	5,074
Total on-balance sheet exposures	<u>8,001,204</u>	<u>3,410,715</u>	<u>1,562,273</u>	<u>124,982</u>
Off-balance sheet exposures:				
Over-the-counter ("OTC") derivatives	856,281	856,281	640,739	51,259
Off-balance sheet exposures other than OTC derivatives or credit derivatives	290,032	290,032	281,049	22,484
Total off-balance sheet exposures	<u>1,146,313</u>	<u>1,146,313</u>	<u>921,788</u>	<u>73,743</u>
Total on and off-balance sheet exposures	<u>9,147,517</u>	<u>4,557,028</u>	<u>2,484,061</u>	<u>198,725</u>
				Minimum Capital Require- ments at 8% RM'000
	Gross Exposures RM'000	Net Exposures RM'000	Risk- Weighted Assets RM'000	Require- ments at 8% RM'000
Market risk				
Interest rate risk	6,158,264	6,136,985	77,293	6,183
Foreign currency risk	472	-	5,899	472
Operational risk			211,931	16,954
Total RWA and capital requirements			<u>2,779,184</u>	<u>222,334</u>

MIZUHO BANK (MALAYSIA) BERHAD

(Company No. 923693-H)

(Incorporated in Malaysia)

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2018**

23. 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 30 June 2018						
0%	1,420,224	-	-	33	1,420,257	-
20%	-	1,191,662	-	-	1,191,662	238,332
50%	-	302,328	-	-	302,328	151,164
100%	-	-	1,987,828	8,385	1,996,213	1,996,213
	<u>1,420,224</u>	<u>1,493,990</u>	<u>1,987,828</u>	<u>8,418</u>	<u>4,910,460</u>	<u>2,385,709</u>

As at 31 March 2018

0%	1,260,936	-	-	60	1,260,996	-
20%	-	821,379	-	-	821,379	164,276
50%	-	309,736	-	-	309,736	154,868
100%	-	-	2,101,492	63,425	2,164,917	2,164,917
	<u>1,260,936</u>	<u>1,131,115</u>	<u>2,101,492</u>	<u>63,485</u>	<u>4,557,028</u>	<u>2,484,061</u>