

MIZUHO BANK (MALAYSIA) BERHAD

(Company No. 923693-H)

(Incorporated in Malaysia)

**UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2018**

MIZUHO BANK (MALAYSIA) BERHAD

(Company No. 923693-H)

(Incorporated in Malaysia)

**UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2018**

		31 Dec 2018	31 Mar 2018
	Note	RM'000	RM'000
ASSETS			
Cash and short-term funds		1,405,594	1,388,718
Deposits and placements with financial institutions		1,226,153	127,813
Financial assets at fair value through other comprehensive income ("FVOCI")	12	571,515	-
Financial investments available-for-sale ("AFS")	13	-	454,653
Loans, advances and financing	14	6,019,443	5,838,601
Derivative financial assets		298,585	368,881
Other assets		25,498	98,039
Property and equipment		10,252	9,981
Intangible assets		13,079	13,344
TOTAL ASSETS		<u>9,570,119</u>	<u>8,300,030</u>
LIABILITIES AND EQUITY			
Deposits from customers	15	2,420,141	2,163,831
Deposits and placements from financial institutions	16	5,678,010	4,836,622
Derivative financial liabilities		299,950	347,288
Other liabilities		303,750	138,640
Deferred tax liabilities		5,987	7,151
TOTAL LIABILITIES		<u>8,707,838</u>	<u>7,493,532</u>
Share capital		700,000	700,000
Reserves		162,281	106,498
TOTAL EQUITY		<u>862,281</u>	<u>806,498</u>
TOTAL LIABILITIES AND EQUITY		<u>9,570,119</u>	<u>8,300,030</u>
COMMITMENTS AND CONTINGENCIES	23	<u>12,643,708</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 31 DECEMBER 2018**

		3rd Quarter ended		Nine months ended	
		31 Dec	31 Dec	31 Dec	31 Dec
		2018	2017	2018	2017
	Note	RM'000	RM'000	RM'000	RM'000
Interest income	17	75,690	47,758	213,053	147,210
Interest expense	18	(47,094)	(25,522)	(130,224)	(76,493)
Net interest income		<u>28,596</u>	<u>22,236</u>	<u>82,829</u>	<u>70,717</u>
Other operating income	19	16,444	17,453	45,344	44,166
Net operating income		<u>45,040</u>	<u>39,689</u>	<u>128,173</u>	<u>114,883</u>
Other operating expenses	20	(22,425)	(19,788)	(62,242)	(54,347)
Operating profit		<u>22,615</u>	<u>19,901</u>	<u>65,931</u>	<u>60,536</u>
Allowance for expected credit losses	21	(1,486)	-	472	-
Allowance for impairment on loans, advances and financing	22	-	1,176	-	6,959
Profit before taxation		<u>21,129</u>	<u>21,077</u>	<u>66,403</u>	<u>67,495</u>
Tax expense		(6,621)	(1,933)	(11,193)	(4,462)
Profit after taxation		<u>14,508</u>	<u>19,144</u>	<u>55,210</u>	<u>63,033</u>
Other comprehensive income net of tax					
Fair value changes of financial assets at FVOCI		(220)	-	954	-
Fair value changes of investment securities available-for-sale		-	407	-	1,145
Income tax effect		53	(98)	(229)	(275)
Other comprehensive (loss)/income for the financial period		<u>(167)</u>	<u>309</u>	<u>725</u>	<u>870</u>
Total comprehensive income for the financial period		<u>14,341</u>	<u>19,453</u>	<u>55,935</u>	<u>63,903</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 CHANGES IN EQUITY
FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 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	-	-	(8,338)	(151)	151	8,186	(152)
At 1 April 2018, as restated	700,000	-	31,015	-	151	75,180	806,346
Profit for the period	-	-	-	-	-	55,210	55,210
Other comprehensive income	-	-	-	-	725	-	725
Transfer to regulatory reserve	-	-	13,481	-	-	(13,481)	-
At 31 December 2018	700,000	-	44,496	-	876	116,909	862,281
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 income	-	-	-	870	-	-	870
Transfer to regulatory reserve	-	-	32,133	-	-	(32,133)	-
At 31 December 2017	700,000	25,680	37,022	598	-	49,122	812,422

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

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**UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
STATEMENT OF CASH FLOWS
FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2018**

	31 Dec 2018 RM'000	31 Dec 2017 RM'000
Profit before taxation	66,403	67,495
Adjustments for non-operating and non-cash items	(15,310)	(11,788)
Operating profit before changes in working capital	<u>51,093</u>	<u>55,707</u>
Net changes in operating assets	(342,457)	(2,479,401)
Net changes in operating liabilities	1,260,881	607,448
	918,424	(1,871,953)
Cash flows generated from/(used in) operations	<u>969,517</u>	<u>(1,816,246)</u>
Taxation paid	(11,712)	(4,650)
Net cash flows generated from/(used in) operating activities	<u>957,805</u>	<u>(1,820,896)</u>
Net cash flows used in investing activities	(5,175)	(4,886)
Net increase/(decrease) in cash and cash equivalents during the financial period	949,184	(1,825,782)
Cash and cash equivalents at the beginning of the financial period	1,208,718	3,420,998
Impact of adopting MFRS 9 during financial period	(11)	-
Cash and cash equivalents at the end of the financial period	<u>2,157,891</u>	<u>1,595,216</u>
Analysis of cash and cash equivalents:		
Cash and short-term funds	1,405,594	1,545,216
Deposits and placements with financial institutions	1,226,153	461,080
Less: Deposits and placements with financial institutions with contractual maturity more than 3 months	(473,856)	(411,080)
	<u>2,157,891</u>	<u>1,595,216</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)

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**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 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.

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**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 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.

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**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 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
Financial assets at FVOCI	-	454,653	-	454,653
Financial investments AFS	454,653	(454,653)	-	-
Loans, advances and financing	5,838,601	103,556	(2,589)	5,939,568
Derivative financial assets	368,881	(102,577)	-	266,304
Other assets	98,039	-	-	98,039
Property and equipment	9,981	-	-	9,981
Intangible assets	13,344	-	-	13,344
TOTAL ASSETS	8,300,030	979	(2,589)	8,298,420
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	827	1,056	140,523
Deferred tax liabilities	7,151	-	(875)	6,276
TOTAL LIABILITIES	7,493,532	(1,639)	181	7,492,074
Share capital	700,000	-	-	700,000
Reserves	106,498	2,618	(2,770)	106,346
TOTAL EQUITY	806,498	2,618	(2,770)	806,346
TOTAL LIABILITIES AND EQUITY	8,300,030	979	(2,589)	8,298,420

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**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 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 second quarter ended 31 December 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 second quarter ended 31 December 2018.

6. Changes in Estimates

There were no material changes in estimates during the second quarter ended 31 December 2018.

7. Debt and Equity Securities

There were no issuance, cancellation, repurchase, resale and repayment of debt and equity securities during the second quarter ended 31 December 2018.

8. Dividend

No dividend was paid during the second quarter ended 31 December 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's profit before taxation for the financial period ended 31 December 2018 was RM66.4 million, a decrease of 1.6% or RM1.1 million due to lower write-back of allowances for credit losses and higher tax expenses in this period as compared to the previous corresponding period. Overall, operating income increased by RM13.3 million from RM114.9 million to RM128.2 million, which is an improved performance of 11.6% as compared to the corresponding period last year. The positive result was mainly attributed to the increase in net interest income amounting to RM82.8 million from RM70.7 million as reported in the previous corresponding period. Operating expenses increased by RM7.9 million mainly due to higher establishment and administrative expenses.

Total assets increased from RM8.3 billion to RM9.5 billion compared to 31 March 2018. The Bank's CET1/Tier 1 capital ratio and total capital ratio remained strong at 26.726% and 27.806% respectively.

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**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2018**

11. Prospects

The Bank remains cautious amidst weaker regional economies and global trade tensions. The outlook for Malaysia remains positive, albeit economic growth may be slower in the near term, with projected GDP growth of 4.9% in 2019 driven by the services and manufacturing sectors.

Against this backdrop, the Bank will remain prudent and continue to focus on strengthening its customer based business by capitalizing on Mizuho Group's established business network and service channels globally. Through on-going collaboration efforts, the Bank aims to achieve stable growth in its customers base and position itself as a reliable financial institution that contributes to the sound economic development of both Malaysia and Japan.

12. Financial Assets at FVOCI

	31 Dec 2018 RM'000	31 Mar 2018 RM'000
At fair value		
Government Investment Issues	229,560	-
Government Guaranteed Bond	341,955	-
	<u>571,515</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

	31 Dec 2018 RM'000	31 Mar 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.

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(Company No. 923693-H)

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**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2018****14. Loans, Advances and Financing**

	31 Dec 2018 RM'000	31 Mar 2018 RM'000
(a) By type:		
At amortised cost:		
Term loans	3,604,388	4,125,123
Revolving credits	1,514,989	1,697,065
Banker acceptances	-	47,800
Bills receivable	11,078	-
	<u>5,130,455</u>	<u>5,869,988</u>
Less: Unearned interest	(55)	(231)
Gross loans, advances and financing at amortised cost	<u>5,130,400</u>	<u>5,869,757</u>
At FVTPL:		
Term loans	<u>922,260</u>	-
Gross loans, advances and financing at FVTPL	<u>922,260</u>	-
Total gross loans, advances and financing	6,052,660	5,869,757
Allowance for impaired loans and financing		
- Collective impairment allowance	-	(31,156)
- Expected credit loss	(33,217)	-
Net loans, advances and financing	<u>6,019,443</u>	<u>5,838,601</u>
(b) By geographical distribution:		
In Malaysia	4,086,064	4,027,383
Outside Malaysia	<u>1,966,596</u>	<u>1,842,374</u>
	<u>6,052,660</u>	<u>5,869,757</u>
(c) By type of customer:		
Domestic business enterprise	2,339,690	2,370,626
Domestic non-bank financial institutions	1,746,373	1,656,756
Foreign business entity	<u>1,966,597</u>	<u>1,842,375</u>
	<u>6,052,660</u>	<u>5,869,757</u>

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**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2018****14. Loans, Advances and Financing (Continued)**

	31 Dec 2018 RM'000	31 Mar 2018 RM'000
(d) By interest/profit rate sensitivity:		
Fixed rate	1,479,217	1,668,468
Variable rate - cost plus	4,573,443	4,201,289
	<u>6,052,660</u>	<u>5,869,757</u>
(e) By economic purpose:		
Construction	26,296	42,907
Purchase of fixed assets other than land and building	1,037,969	973,137
Purchase of non-residential property	69,143	53,318
Working capital	4,919,252	4,800,395
	<u>6,052,660</u>	<u>5,869,757</u>
(f) By economic sector:		
Primary agriculture	6,118	-
Mining and quarrying	162,063	69,060
Manufacturing	1,314,439	1,351,114
Electricity, gas and water supply	107,314	93,043
Construction	206,227	142,656
Wholesale and retail trade, and restaurants and hotels	372,708	457,582
Transport, storage and communication	5,491	140,154
Finance, insurance, real estate and business activities	3,763,583	3,497,159
Education, health and others	114,717	15,203
Others	-	103,786
	<u>6,052,660</u>	<u>5,869,757</u>
(g) By residual contractual maturity:		
Maturity within		
- one year	3,892,087	3,732,456
- one to five years	1,804,396	1,773,710
- over five years	356,177	363,591
	<u>6,052,660</u>	<u>5,869,757</u>

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**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2018**

14. Loans, Advances and Financing (Continued)

	31 Dec 2018 RM'000	31 Mar 2018 RM'000
(h) Movements in impairment allowance for loans, advances and financing:		
At 1 April 2018/2017	31,156	39,326
Effect of adopting MFRS 9	2,589	-
At 1 April 2018, as restated	<u>33,745</u>	<u>39,326</u>
Writeback made during the period	(528)	(8,170)
At end of the reporting period / year	<u>33,217</u>	<u>31,156</u>
As percentage of total loan	<u>0.54%</u>	<u>0.53%</u>

The Bank has no impaired loans, advances and financing and no individual impairment allowance was deemed required as at 31 December 2018.

- (i) Movement in impairment allowances on loans, advances and financing which reflect the ECL model on impairment are as follows:

	12-Month ECL	Lifetime ECL		
		Non-credit Impaired	Credit Impaired	
	Stage 1	Stage 2	Stage 3	Total
	RM'000	RM'000	RM'000	RM'000
At 1 April 2018				31,156
Effect of adopting MFRS 9				2,589
At 1 April 2018, as restated	7,521	26,224	-	<u>33,745</u>
Changes due to loans, advances and financing recognised as at 1 April 2018:				
Transfer to 12-Month ECL (Stage 1)	6	(6)	-	-
Transfer to Lifetime ECL not credit impaired (Stage 2)	-	-	-	-
Transfer to Lifetime ECL credit impaired (Stage 3)	-	-	-	-
New financial assets originated	5,423	27,178	-	32,601
Financial assets derecognised	(6,825)	(24,758)	-	(31,583)
Writeback during the period	(80)	(1,466)	-	(1,546)
At 31 December 2018	<u>6,045</u>	<u>27,172</u>	<u>-</u>	<u>33,217</u>

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**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2018****15. Deposit from Customers**

	31 Dec 2018 RM'000	31 Mar 2018 RM'000
(a) By type of deposit:		
Demand deposits	826,124	975,232
Fixed deposits	958,016	763,085
Short-term deposits	636,000	425,514
	<u>2,420,140</u>	<u>2,163,831</u>
(b) By type of customer:		
Domestic non-bank financial institutions	40,485	33,763
Domestic business enterprises	2,312,778	2,093,930
Foreign business enterprises	66,696	35,996
Domestic other enterprises	181	142
	<u>2,420,140</u>	<u>2,163,831</u>
(c) Maturity structure:		
On demand	826,124	975,232
Due within six months	1,565,444	1,182,099
Due over six months to one year	28,572	6,500
	<u>2,420,140</u>	<u>2,163,831</u>

16. Deposit and Placements from Financial Institutions

	31 Dec 2018 RM'000	31 Mar 2018 RM'000
Licensed banks	<u>5,678,010</u>	<u>4,836,622</u>

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**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2018**

17. Interest Income

	3rd Quarter ended		Nine months ended	
	31 Dec 2018	31 Dec 2017	31 Dec 2018	31 Dec 2017
	RM'000	RM'000	RM'000	RM'000
Loans, advances and financing	51,554	29,758	148,538	86,845
Money at call and deposits and placements with financial institutions	18,633	14,501	46,243	50,818
Net gain from interest rate swap and cross-currency interest rate swap	542	(117)	3,995	(269)
Financial assets at FVOCI	4,961	-	14,276	-
Financial investments available-for-sale	-	3,595	-	9,766
Others	-	21	1	50
	<u>75,690</u>	<u>47,758</u>	<u>213,053</u>	<u>147,210</u>

18. Interest Expense

	3rd Quarter ended		Nine months ended	
	31 Dec 2018	31 Dec 2017	31 Dec 2018	31 Dec 2017
	RM'000	RM'000	RM'000	RM'000
Deposits and placements from financial institutions	33,870	15,553	93,753	44,823
Deposits from customers	13,224	9,969	36,471	31,670
	<u>47,094</u>	<u>25,522</u>	<u>130,224</u>	<u>76,493</u>

19. Other Operating Income

	3rd Quarter ended		Nine months ended	
	31 Dec 2018	31 Dec 2017	31 Dec 2018	31 Dec 2017
	RM'000	RM'000	RM'000	RM'000
Fee income	2,410	5,080	7,321	9,674
Net unrealised loss on revaluation of derivatives	2,920	(1,103)	462	(4,295)
Realised foreign exchange gain	4,976	7,520	18,018	25,333
Unrealised foreign exchange gain	5,048	5,956	21,290	13,454
Net unrealised loss on revaluation of loans, advances and financing at FVTPL	1,090	-	(1,747)	-
	<u>16,444</u>	<u>17,453</u>	<u>45,344</u>	<u>44,166</u>

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	3rd Quarter ended		Nine months ended	
	31 Dec 2018 RM'000	31 Dec 2017 RM'000	31 Dec 2018 RM'000	31 Dec 2017 RM'000
Personnel costs:				
Salaries, allowances and bonuses	7,131	5,719	20,953	18,740
Contribution to Employees Provident Fund	857	653	2,711	2,287
Other staff related costs	2,020	1,819	5,288	4,710
Establishment costs:				
Repair and maintenance	1,794	1,738	3,167	3,803
Depreciation of property and equipment	759	646	2,110	1,823
Amortisation of intangible asset	962	866	3,059	2,417
Rental of premises	590	523	1,763	1,607
Information technology expenses	376	651	764	975
Others	355	391	1,019	1,074
Marketing expenses:				
Advertisement and publicity	87	93	120	123
Others	228	218	653	605
Administration and general expenses:				
Collateral deposit fees	5,126	4,062	15,026	9,988
Communication expenses	294	262	722	687
Legal and professional fees	558	764	870	1,385
Others	1,288	1,383	4,017	4,123
	<u>22,425</u>	<u>19,788</u>	<u>62,242</u>	<u>54,347</u>

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21. Allowance/(Writeback) for Expected Credit Losses

	3rd Quarter ended		Nine months ended	
	31 Dec 2018 RM'000	31 Dec 2017 RM'000	31 Dec 2018 RM'000	31 Dec 2017 RM'000
Loans, advances and financing	1,324	-	(528)	-
Credit commitments and contingencies	162	-	56	-
	<u>1,486</u>	<u>-</u>	<u>(472)</u>	<u>-</u>

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

	3rd Quarter ended		Nine months ended	
	31 Dec 2018 RM'000	31 Dec 2017 RM'000	31 Dec 2018 RM'000	31 Dec 2017 RM'000
Collective impairment allowance				
- Impairment loss during the period	<u>-</u>	<u>(1,176)</u>	<u>-</u>	<u>(6,959)</u>

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23. 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 2018			
Direct credit substitutions	118,655	118,234	118,085
Transaction related contingent items	83,045	41,140	34,060
Short-term self-liquidating trade related contingencies	4,744	920	920
Foreign exchange related contracts			
- One year or less	1,723,355	34,092	17,047
- Over one year to five years	31,580	2,312	1,541
Interest related contracts			
- One year or less	2,791,906	265,656	89,366
- Over one year to five years	3,900,380	390,264	264,557
- Over five years	1,054,765	181,302	133,528
Other commitments, such as formal standby facilities and credit lines, with an original maturity of over one year	188,548	94,005	94,005
Any commitments that are unconditionally cancelled at any time without prior notice	2,746,730	-	-
Total	12,643,708	1,127,925	753,109
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.

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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:

	31 Dec 2018	31 Mar 2018
Capital ratios:		
CET1 Capital Ratio / Total Tier 1 Capital Ratio	26.726%	27.651%
Total Capital Ratio	<u>27.806%</u>	<u>28.768%</u>

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

	31 Dec 2018 RM'000	31 Mar 2018 RM'000
CET 1 Capital		
Paid-up share capital	700,000	700,000
Retained profits	61,700	66,994
Other reserves	(12,259)	1,469
Total CET1 Capital, representing total Tier 1 Capital	<u>749,441</u>	<u>768,463</u>
Tier 2 Capital		
Collective impairment allowance and regulatory reserve	<u>30,307</u>	<u>31,051</u>
Total Capital	<u>779,748</u>	<u>799,514</u>

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

	31 Dec 2018 RM'000	31 Mar 2018 RM'000
Total RWA for Credit risk	2,424,555	2,484,061
Total RWA for Market risk	128,224	83,192
Total RWA for Operational risk	251,378	211,931
Total RWA	<u>2,804,157</u>	<u>2,779,184</u>

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24. Capital Adequacy (Continued)

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

Exposure Class	Gross	Net	Risk-	Minimum
	Exposures	Exposures	Weighted	Capital
	RM'000	RM'000	Assets	Require-
			RM'000	ments
				at 8%
				RM'000
As at 31 December 2018				
Credit Risk				
On-balance sheet exposures:				
Sovereigns/central banks	830,136	830,136	-	-
Banks, development financial Institutions and Multilateral Development Banks ("MDBs")	2,047,460	1,795,161	359,032	28,723
Corporates	6,375,730	1,639,558	1,295,293	103,623
Other assets	17,162	17,162	17,121	1,370
Total on-balance sheet exposures	<u>9,270,488</u>	<u>4,282,017</u>	<u>1,671,446</u>	<u>133,716</u>
Off-balance sheet exposures:				
Over-the-counter ("OTC") derivatives	873,626	873,626	506,039	40,483
Off-balance sheet exposures other than OTC derivatives or credit derivatives	254,300	254,300	247,070	19,766
Total off-balance sheet exposures	<u>1,127,926</u>	<u>1,127,926</u>	<u>753,109</u>	<u>60,249</u>
Total on and off-balance sheet exposures	<u>10,398,414</u>	<u>5,409,943</u>	<u>2,424,555</u>	<u>193,965</u>
				Minimum
				Capital
			Risk-	Require-
	Long	Short	Weighted	ments
	Position	Position	Assets	at 8%
	RM'000	RM'000	RM'000	RM'000
Market risk				
Interest rate risk	8,953,514	8,933,039	127,624	10,210
Foreign currency risk	48	-	600	48
Operational risk			251,378	20,110
Total RWA and capital requirements			<u>2,804,157</u>	<u>224,333</u>

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24. 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>
			Risk- Weighted Assets RM'000	Minimum Capital 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>

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24. 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 2018						
0%	830,136	-	344,266	41	1,174,443	-
20%	-	2,120,527	-	-	2,120,527	424,105
50%	-	229,049	-	-	229,049	114,525
100%	-	-	1,868,804	17,121	1,885,925	1,885,925
	<u>830,136</u>	<u>2,349,576</u>	<u>2,213,070</u>	<u>17,162</u>	<u>5,409,944</u>	<u>2,424,555</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>

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25. Credit Transactions and Exposures with Connected Parties

	31 Dec 2018 RM'000	31 Mar 2018 RM'000
Outstanding credit exposures with connected parties	<u>38,570</u>	<u>40,317</u>
Percentage of outstanding credit exposures to connected parties as proportion of total credit exposures	<u>0.12%</u>	<u>0.13%</u>

There are currently no exposures to connected parties which are classified as impaired.

The credit exposures above are derived based on Bank Negara Malaysia's revised Guidelines on Credit Transactions and Exposures with Connected Parties.