

**Mizuho Bank (Malaysia) Berhad**

Company No. 201001039768 (923693-H)

(Incorporated in Malaysia)

**Pillar 3 disclosure  
for the financial period ended 30 September 2021**

# MIZUHO BANK (MALAYSIA) BERHAD

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(Incorporated in Malaysia)

## PILLAR 3 DISCLOSURE FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2021

### 1.0 Overview

The Pillar 3 Disclosure for financial reporting beginning 1 January 2010 is introduced under the Bank Negara Malaysia's Risk-Weighted Capital Adequacy Framework ("RWCAF"), which is the equivalent to Basel II issued by the Basel Committee on Banking Supervision ("BCBS"). Basel II consists of 3 Pillars as follows:

- (a) Pillar 1 sets out the minimum amount of regulatory capital that banking institutions must hold against credit, market and operational risks assumed.
- (b) Pillar 2 focuses on strengthening the supervisory review process in developing more rigorous risk management framework and techniques. The purpose is for banking institutions to implement an effective and rigorous internal capital adequacy assessment process that commensurate with the risk profile and business plans of the bank.
- (c) Pillar 3 sets out the minimum disclosure requirements of information on the risk management practices and capital adequacy of banking institution, aimed to enhance comparability amongst banking institutions.

The approaches adopted by Mizuho Bank (Malaysia) Berhad ("the Bank") are shown in the table below:

| <b>Risk Type</b> | <b>Approach Adopted</b>  | <b>Capital Requirement Assessment</b>                                  |
|------------------|--------------------------|--|
| Credit           | Standardised Approach    | Standard risk-weights  |
| Market           | Standardised Approach    | Standard risk-weights  |
| Operational      | Basic Indicator Approach | Fixed percentage over average gross income for a fixed number of years |

### 2.0 Capital management and capital adequacy

The objective of the Bank's capital management policy is to maintain an adequate level of capital to support business growth strategies under an acceptable risk framework, and to meet its regulatory minimum capital requirements. On top of the minimum regulatory capital requirements, a buffer is added on to arrive at the Bank's internal capital target to ensure adequacy of capital to support the current and anticipated business growth. Internal Capital Adequacy Assessment Process ("ICAAP") is formulated to identify the material risks in the business. The material risk areas that are taken into consideration are credit risk, market risk, operational risk, credit concentration risk, liquidity risk, interest rate risk in banking book, compliance risk, legal risk, strategic risk as well as reputation risk.

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**2.0 Capital management and capital adequacy (continued)**

Internal capital assessment is carried out to determine the level of internal capital required by the Bank based on the Pillar 1 and 2 requirements as well as actual results of the preceding financial year (as the base case). Capital plan, business plan and budget are approved by the Board of Directors on an annual basis. The business plan in particular would set out the Bank's risk appetite to be in line with the lending direction and business strategies for the coming year. Senior Management is responsible for ensuring a smooth development and implementation of the ICAAP policy as well as effective systems and processes are in place. The Bank's performance against the internal capital levels is reviewed on a regular basis by the Senior Management.

The Bank undertakes stress test exercise on a half yearly basis to assess the Bank's capability to withstand any adverse environment that may arise. The stress test will at least cover the exceptional but plausible event and the worst case scenario. For the Bank, the stress test is conducted either based on the parameters applied to the current position or using the 3 year business plan projection. The three key segments namely loan growth, deposit growth and profit growth are focused in the 3 year business plan. Impacts on the Bank's potential losses, impairments, liquidity position, earnings and capital ratio is projected based on the selected parameters. With the stress test results that will be communicated to the Board and Board Risk Management Committee ("BRMC"), the Bank shall identify the key strategies to mitigate the effects of stress events and conserve the capital.

Capital adequacy ratios of the Bank are computed in accordance with BNM's Capital Adequacy Framework. For the year 2020, the minimum regulatory CET1 capital ratio, Tier 1 capital ratio and total capital ratio requirement including the capital conservation buffer are 7.0%, 8.5% and 10.5% respectively. The following information presents the capital adequacy ratios of the Bank and the breakdown of RWA:

(a) Capital adequacy ratio

|                      | <b>30 Sep<br/>2021</b> | <b>31 Mar<br/>2021</b> |
|----------------------|------------------------|------------------------|
| CET1 Capital Ratio   | 29.234%                | 30.176%                |
| Tier 1 Capital Ratio | 29.234%                | 30.176%                |
| Total Capital Ratio  | 30.319%                | 31.145%                |

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**2.0 Capital management and capital adequacy (continued)**

(b) The breakdown of RWA by exposures in each major risk category under standardised approach is as follows:

| Exposure Class  | Gross<br>Exposures<br>RM'000        | Net<br>Exposures<br>RM'000           | Risk-<br>Weighted<br>Assets<br>RM'000           | Minimum<br>Capital<br>Requirement<br>at 8%<br>RM'000            |
|---|-------------------------------------|--------------------------------------|---|---|
| <b>As at 30 September 2021</b>  |                                     |                                      |   |   |
| <b>Credit Risk</b>  |                                     |                                      |   |   |
| <u>On-balance sheet exposures:</u>  |                                     |                                      |   |   |
| Sovereigns/central banks  | 1,855,491                           | 1,855,491                            | -   | -   |
| Banks, development financial<br>Institutions and Multilateral<br>Development Banks ("MDBs") | 2,998,233                           | 1,353,045                            | 346,902   | 27,752  |
| Corporates  | 7,282,518                           | 4,562,067                            | 3,366,083                                       | 269,287   |
| Other assets  | 28,776                              | 28,776                               | 28,776  | 2,302   |
| Total on-balance sheet exposures  | <u>12,165,018</u>                   | <u>7,799,379</u>                     | <u>3,741,761</u>                                | <u>299,341</u>  |
| <u>Off-balance sheet exposures:</u>   |                                     |                                      |   |   |
| Over-the-counter ("OTC") derivatives  | 719,284                             | 719,284                              | 490,739   | 39,259  |
| Off-balance sheet exposures other than<br>OTC derivatives or credit derivatives             | 154,626                             | 154,626                              | 142,177   | 11,374  |
| Total off-balance sheet exposures   | <u>873,910</u>                      | <u>873,910</u>                       | <u>632,916</u>                                  | <u>50,633</u>   |
| Total on and off-balance sheet<br>exposures   | <u>13,038,928</u>                   | <u>8,673,289</u>                     | <u>4,374,677</u>                                | <u>349,974</u>  |
|   | <b>Long<br/>Position<br/>RM'000</b> | <b>Short<br/>Position<br/>RM'000</b> | <b>Risk-<br/>Weighted<br/>Assets<br/>RM'000</b> | <b>Minimum<br/>Capital<br/>Requirement<br/>at 8%<br/>RM'000</b> |
| <b>Market risk</b>  |                                     |                                      |   |   |
| Interest rate risk  | 8,299,037                           | 8,278,888                            | 94,720  | 7,577   |
| Foreign currency risk   | -                                   | 20,674                               | 258,425   | 20,674  |
| <b>Operational risk</b>   |                                     |                                      | 310,076   | 24,806  |
| Total RWA and capital requirements  |                                     |                                      | <u>5,037,898</u>                                | <u>403,031</u>  |



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#### 3.0 Capital structure

The components of Tier I and Tier II capital of the Bank are as follows:

|   | <b>30 Sep<br/>2021<br/>RM'000</b> | <b>31 Mar<br/>2021<br/>RM'000</b> |
|---|-----------------------------------|-----------------------------------|
| <b>CET 1 Capital</b>                      |                                   |                                   |
| Paid-up share capital                     | 1,200,000                         | 1,200,000                         |
| Retained profits                          | 277,516                           | 311,805                           |
| Other reserves                            | (4,742)                           | (8,645)                           |
| Total Tier 1 Capital                      | <u>1,472,774</u>                  | <u>1,503,160</u>                  |
| <b>Tier 2 Capital</b>                     |                                   |                                   |
| General provisions and regulatory reserve | <u>54,683</u>                     | <u>48,313</u>                     |
| Total Capital                             | <u>1,527,457</u>                  | <u>1,551,473</u>                  |

#### 4.0 Stress test

The Bank conducts a robust and dynamic exercise on semi-annually basis. The stress test exercise is part of risk and management process in capital and business planning.

The stress test including reverse stress test involve in identifying possible events or future changes in the financial and economic conditions that could have unfavourable effects on the Bank's exposure. It provides the assessment of the Bank's ability to withstand such changes, usually in relation to the capacity of its capital and earning to absorb potentially significant losses. Steps are then identified to manage the risks and conserve capital to prepare for such eventualities.

The assumptions used for stress test are regularly reviewed by the Stress Test Working Group. The assumptions used in the past include global economic turmoil, cyber attack, weakening of Malaysian Ringgit, crude oil price hike, higher bond yield, rising of inflation rate, amongst others.

With the stress test results that will be communicated to the Board and BRMC, the Bank shall identify the key strategies to mitigate the effects of stress test events and conserve the capital.

#### 5.0 Risk management framework

The Board of Directors establishes the Bank's risk appetite and risk principles. The BRMC, Management Credit Committee ("MCC") and Asset-Liability Management Committee ("ALMC") have been established by the Board to assume responsibilities for the risk oversight and any approved policies and frameworks formulated on credit, market, liquidity and operational risk.

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#### **5.0 Risk management framework (continued)**

Strong risk governance supports Integrated Risk Management ("IRM") approach. The Board of Directors through BRMC is ultimately responsible for the implementation of IRM. Risk Management Department ("RMD") has been principally tasked to assist the various risk committees and undertakes the performance of the day-to-day risk management functions of the IRM.

RMD is responsible for identifying, monitoring, analysing and reporting the principal risks to which the Bank is exposed. In facilitating the Bank's achievement of its objectives whilst operating in a sound business environment, teams from RMD are engaged from an early stage in the risk process for independent inputs and risk assessments. Complementing this is internal audit, which provides independent assurance of the effectiveness of the risk management approach.

The Bank has exposure to the following risks, amongst others, from financial instruments:

- Credit risk
- Market risk
- Operational risk
- Liquidity risk

#### **6.0 Credit risk**

Credit risk is defined as risk of loss arising from the failure of a counterparty to perform their contractual obligations in accordance with the agreed terms and conditions. Corporate and institutional credits are assessed by business units and ratings were assigned based on quantitative and qualitative factors. These credits are subsequently evaluated and approved by independent parties.

Apart from credit risk, credit concentration risks and large exposure risks are managed by setting limits for single counterparty, connected parties, market sectors, etc. These limits are monitored to control and prevent excessive concentration of risk exposure. In addition, reviews of the limits are conducted on a periodic basis.

The credit approving authority is established and documented in the Bank's credit risk policy. The Board of Directors have the approving authority to approve credit facilities above Chief Executive Officer's ("CEO's") approval limit. Secondly, the Board of Directors also have the veto power. CEO's approval of credit facilities limit is capped at Single Counterparty Exposure Limit ("SCEL"). There are certain customers and credit facilities will be subjected to Parent Bank consultation first before obtaining CEO's approval.

The MCC is set up to enhance the efficiency and effectiveness of the credit oversight. The Committee ensures the overall loan/financing portfolio meets the guidelines of the regulatory authorities and adherence to the approved credit policies and procedures.

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**6.0 Credit risk (continued)**

Adherence to established credit limits is monitored daily by RMD, which combines all exposures for each counterparty or group, including off balance sheet items and potential exposures. Credit limits are also monitored based on rating classification of the obligor.

The credit rating models for corporate customers are designed to assess the credit worthiness in paying their obligations, derived from risk factors such as financial position, conduct of account and market conditions.

These credit rating models are developed and implemented to standardise and enhance the credit decision-making process for the Mizuho Bank Group's corporate exposures.

Credit reviews and rating are conducted on the credit exposures on an annual basis and more frequently when material information on the obligor or other external factors come to light.

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**6.1 Distribution of credit exposures**

**(i) Industry analysis**

The following tables present the credit exposures of financial assets of the Bank analysed by industrial distribution.

|   | Mining &<br>Quarrying | Manufacturing    | Electricity,<br>Gas &<br>Water Supply | Construction     | Wholesale &<br>Retail Trade &<br>Restaurants &<br>Hotels | Transport,<br>Storage &<br>Communication | Finance,<br>Insurance,<br>Real Estate &<br>Business<br>Activities | Education,<br>Health<br>and Others | Others       | Total             |
|---|-----------------------|------------------|---------------------------------------|------------------|--|--|---|------------------------------------|--------------|-------------------|
| As at 30 September 2021   | RM'000                | RM'000           | RM'000                                | RM'000           | RM'000   | RM'000                                   | RM'000  | RM'000                             | RM'000       | RM'000            |
| <b>On-Balance Sheet Exposures</b>   |                       |                  |                                       |                  |  |  |   |                                    |              |                   |
| Cash and short-term funds   | -                     | -                | -                                     | -                | -  | -  | 1,547,549   | -                                  | -            | 1,547,549         |
| Deposits and placements with<br>financial institutions ("FIs")                    | -                     | -                | -                                     | -                | -  | -  | 566,109   | -                                  | -            | 566,109           |
| Financial assets at fair value<br>through other comprehensive<br>income ("FVOCI") | -                     | -                | -                                     | -                | -  | -  | 1,994,068   | -                                  | -            | 1,994,068         |
| Loans, advances and financing   | -                     | 1,656,793        | 32,357                                | 872,735          | 227,339  | 15,074                                   | 4,909,174   | 257,053                            | -            | 7,970,525         |
| Derivative financial assets   | -                     | 7,885            | -                                     | 118              | 137  | 1  | 98,505  | -                                  | -            | 106,646           |
| Other financial assets  | -                     | 59               | 7                                     | -                | 1  | -  | 36,945  | 17                                 | 1,135        | 38,164            |
|   | -                     | 1,664,737        | 32,364                                | 872,853          | 227,477  | 15,075                                   | 9,152,350   | 257,070                            | 1,135        | 12,223,061        |
| <b>Commitment and Contingencies</b>   | 95,700                | 2,039,993        | 30,853                                | 1,092,475        | 574,786  | 272,804                                  | 9,614,768   | 36,704                             | -            | 13,758,083        |
| <b>Total Credit Exposures</b>   | <b>95,700</b>         | <b>3,704,730</b> | <b>63,217</b>                         | <b>1,965,328</b> | <b>802,263</b>   | <b>287,879</b>                           | <b>18,767,118</b>   | <b>293,774</b>                     | <b>1,135</b> | <b>25,981,144</b> |

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**6.1 Distribution of credit exposures (continued)**

**(i) Industry analysis (continued)**

The following tables present the credit exposures of financial assets of the Bank analysed by industrial distribution (continued).

|                                     |                                 |                         | Electricity,<br>Gas &<br>Water Supply | Construction            | Wholesale &<br>Retail Trade &<br>Restaurants &<br>Hotels | Transport,<br>Storage &<br>Communication | Finance,<br>Insurance,<br>Real Estate &<br>Business<br>Activities | Education,<br>Health<br>and Others | Others              | Total                    |
|-------------------------------------|---------------------------------|-------------------------|---------------------------------------|-------------------------|--|--|---|------------------------------------|---------------------|--------------------------|
| As at 31 March 2021                 | Mining &<br>Quarrying<br>RM'000 | Manufacturing<br>RM'000 | RM'000                                | RM'000                  | RM'000   | RM'000                                   | RM'000  | RM'000                             | RM'000              | RM'000                   |
| <b>On-Balance Sheet Exposures</b>   |                                 |                         |                                       |                         |  |  |   |                                    |                     |                          |
| Cash and short-term funds           | -                               | -                       | -                                     | -                       | -  | -  | 1,068,070   | -                                  | -                   | 1,068,070                |
| Deposits and placements with FIs    | -                               | -                       | -                                     | -                       | -  | -  | 282,343   | -                                  | -                   | 282,343                  |
| Financial assets at FVOCI           | -                               | -                       | -                                     | -                       | -  | -  | 1,903,042   | -                                  | -                   | 1,903,042                |
| Loans, advances and financing       | 15,326                          | 1,699,812               | 796                                   | 648,822                 | 49,699   | 16,274                                   | 5,525,613   | 55,069                             | -                   | 8,011,411                |
| Derivative financial assets         | -                               | 12,462                  | -                                     | 310                     | 157  | 4  | 143,592   | -                                  | -                   | 156,525                  |
| Other financial assets              | -                               | 36                      | -                                     | -                       | 2  | 476                                      | 98,550  | -                                  | 1,106               | 100,170                  |
|                                     | <u>15,326</u>                   | <u>1,712,310</u>        | <u>796</u>                            | <u>649,132</u>          | <u>49,858</u>  | <u>16,754</u>                            | <u>9,021,210</u>  | <u>55,069</u>                      | <u>1,106</u>        | <u>11,521,561</u>        |
| <b>Commitment and Contingencies</b> | <u>110,580</u>                  | <u>2,064,449</u>        | <u>700</u>                            | <u>784,288</u>          | <u>461,849</u>   | <u>1,478,855</u>                         | <u>10,386,044</u>   | <u>41,112</u>                      | <u>-</u>            | <u>15,327,877</u>        |
| <b>Total Credit Exposures</b>       | <b><u>125,906</u></b>           | <b><u>3,776,759</u></b> | <b><u>1,496</u></b>                   | <b><u>1,433,420</u></b> | <b><u>511,707</u></b>                                    | <b><u>1,495,609</u></b>                  | <b><u>19,407,254</u></b>  | <b><u>96,181</u></b>               | <b><u>1,106</u></b> | <b><u>26,849,438</u></b> |

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**6.1 Distribution of credit exposures (continued)**

**(ii) Geographical analysis**

The following tables present the credit exposures of financial assets analysed by geographical distribution based on the geographical location where the credit risk resides.

|                                     | <b>Within<br/>Malaysia<br/>RM'000</b> | <b>Outside<br/>Malaysia<br/>RM'000</b> | <b>Total<br/>RM'000</b> |
|-------------------------------------|---------------------------------------|--|-------------------------|
| <b>As at 30 September 2021</b>      |                                       |  |                         |
| <b>On-Balance Sheet Exposures</b>   |                                       |  |                         |
| Cash and short-term funds           | 1,367,996                             | 179,553                                | 1,547,549               |
| Deposits and placements with FIs    | 566,109                               | -                                      | 566,109                 |
| Financial assets at FVOCI           | 1,994,068                             | -                                      | 1,994,068               |
| Loans, advances and financing       | 6,083,341                             | 1,887,184                              | 7,970,525               |
| Derivative financial assets         | 104,946                               | 1,700                                  | 106,646                 |
| Other financial assets              | 38,089                                | 75                                     | 38,164                  |
|                                     | <u>10,154,549</u>                     | <u>2,068,512</u>                       | <u>12,223,061</u>       |
| <b>Commitment and Contingencies</b> | <u>12,944,169</u>                     | <u>813,914</u>                         | <u>13,758,083</u>       |
| Total Credit Exposures              | <u>23,098,718</u>                     | <u>2,882,426</u>                       | <u>25,981,144</u>       |
| <b>As at 31 March 2021</b>          |                                       |  |                         |
| <b>On-Balance Sheet Exposures</b>   |                                       |  |                         |
| Cash and short-term funds           | 890,061                               | 178,009                                | 1,068,070               |
| Deposits and placements with FIs    | 282,343                               | -                                      | 282,343                 |
| Financial assets at FVOCI           | 1,903,042                             | -                                      | 1,903,042               |
| Loans, advances and financing       | 6,083,794                             | 1,927,617                              | 8,011,411               |
| Derivative financial assets         | 155,152                               | 1,373                                  | 156,525                 |
| Other financial assets              | 99,383                                | 787                                    | 100,170                 |
|                                     | <u>9,413,775</u>                      | <u>2,107,786</u>                       | <u>11,521,561</u>       |
| <b>Commitment and Contingencies</b> | <u>14,687,633</u>                     | <u>640,244</u>                         | <u>15,327,877</u>       |
| Total Credit Exposures              | <u>24,101,408</u>                     | <u>2,748,030</u>                       | <u>26,849,438</u>       |

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**6.1 Distribution of credit exposures (continued)**

**(iii) Maturity analysis**

The following tables present the residual contractual maturity for major types of gross credit exposures for on and off-balance sheet exposures of financial assets.

|                                     | <b>Up to 1<br/>month<br/>RM'000</b> | <b>&gt;1 - 3<br/>months<br/>RM'000</b> | <b>&gt;3 - 12<br/>months<br/>RM'000</b> | <b>1 - 5<br/>years<br/>RM'000</b> | <b>Over 5<br/>years<br/>RM'000</b> | <b>No specific<br/>maturity<br/>RM'000</b> | <b>Total<br/>RM'000</b> |
|-------------------------------------|-------------------------------------|--|---|-----------------------------------|------------------------------------|--|-------------------------|
| <b>As at 30 September 2021</b>      |                                     |  |   |                                   |                                    |  |                         |
| <b>On-Balance Sheet Exposures</b>   |                                     |  |   |                                   |                                    |  |                         |
| Cash and short-term funds           | 1,547,549                           | -                                      | -                                       | -                                 | -                                  | -  | 1,547,549               |
| Deposits and placements with FIs    | -                                   | 241,872                                | 324,237                                 | -                                 | -                                  | -  | 566,109                 |
| Financial assets at FVOCI           | 50,020                              | 50,256                                 | 616,958                                 | 1,276,834                         | -                                  | -  | 1,994,068               |
| Loans, advances and financing       | 2,669,049                           | 652,437                                | 1,242,045                               | 3,398,260                         | 8,734                              | -  | 7,970,525               |
| Derivative financial assets         | 1,007                               | 3,980                                  | 20,939                                  | 80,720                            | -                                  | -  | 106,646                 |
| Other financial assets              | 10,234                              | 10,482                                 | 3,562                                   | -                                 | -                                  | 13,886                                     | 38,164                  |
|                                     | <u>4,277,859</u>                    | <u>959,027</u>                         | <u>2,207,741</u>                        | <u>4,755,814</u>                  | <u>8,734</u>                       | <u>13,886</u>                              | <u>12,223,061</u>       |
| <b>Commitment and Contingencies</b> | <u>4,470,228</u>                    | <u>628,148</u>                         | <u>2,951,468</u>                        | <u>5,691,668</u>                  | <u>16,571</u>                      | <u>-</u>                                   | <u>13,758,083</u>       |
| <b>Total Credit Exposures</b>       | <u>8,748,087</u>                    | <u>1,587,175</u>                       | <u>5,159,209</u>                        | <u>10,447,482</u>                 | <u>25,305</u>                      | <u>13,886</u>                              | <u>25,981,144</u>       |

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**6.1 Distribution of credit exposures (continued)**

**(iii) Maturity analysis (continued)**

The following tables present the residual contractual maturity for major types of gross credit exposures for on and off-balance sheet exposures of financial assets (continued).

|                                     | <b>Up to 1<br/>month<br/>RM'000</b> | <b>&gt;1 - 3<br/>months<br/>RM'000</b> | <b>&gt;3 - 12<br/>months<br/>RM'000</b> | <b>1 - 5<br/>years<br/>RM'000</b> | <b>Over 5<br/>years<br/>RM'000</b> | <b>No specific<br/>maturity<br/>RM'000</b> | <b>Total<br/>RM'000</b> |
|-------------------------------------|-------------------------------------|--|---|-----------------------------------|------------------------------------|--|-------------------------|
| <b>As at 31 March 2021</b>          |                                     |  |   |                                   |                                    |  |                         |
| <b>On-Balance Sheet Exposures</b>   |                                     |  |   |                                   |                                    |  |                         |
| Cash and short-term funds           | 1,068,070                           | -                                      | -                                       | -                                 | -                                  | -  | 1,068,070               |
| Deposits and placements with FIs    | -                                   | -                                      | 282,343                                 | -                                 | -                                  | -  | 282,343                 |
| Financial assets at FVOCI           | 275,425                             | 135,551                                | 238,952                                 | 1,253,114                         | -                                  | -  | 1,903,042               |
| Loans, advances and financing       | 2,462,472                           | 1,039,134                              | 1,017,099                               | 3,474,083                         | 18,623                             | -  | 8,011,411               |
| Derivative financial assets         | 11,476                              | 8,941                                  | 40,944                                  | 95,164                            | -                                  | -  | 156,525                 |
| Other financial assets              | 14,123                              | 8,341                                  | 3,069                                   | -                                 | -                                  | 74,637                                     | 100,170                 |
|                                     | <u>3,831,566</u>                    | <u>1,191,967</u>                       | <u>1,582,407</u>                        | <u>4,822,361</u>                  | <u>18,623</u>                      | <u>74,637</u>                              | <u>11,521,561</u>       |
| <b>Commitment and Contingencies</b> | <u>5,188,011</u>                    | <u>2,278,406</u>                       | <u>2,620,629</u>                        | <u>5,204,540</u>                  | <u>36,291</u>                      | <u>-</u>                                   | <u>15,327,877</u>       |
| <b>Total Credit Exposures</b>       | <u>9,019,577</u>                    | <u>3,470,373</u>                       | <u>4,203,036</u>                        | <u>10,026,901</u>                 | <u>54,914</u>                      | <u>74,637</u>                              | <u>26,849,438</u>       |

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#### **6.2 Credit quality of loans, advances and financing**

MFRS 9 accounting standard requires banks to determine an expected credit loss ("ECL") amount on a probability-weighted basis as the difference between cash flows that are due to the Bank in accordance with the contractual terms of financial assets and the cash flows that the Bank expects to receive. The ECL model adopted by the Bank covers the on and off balance sheet credit exposures to sovereign, financial institutions and corporate loans. The credit exposures are to be segregated to its three stages, as described below:

Stage 1: Ordinary / Performing Credit Exposure. (12-Month ECL)

Stage 2: Exposure with Significant Increase in Credit Risk. (Lifetime ECL)

Stage 3: Impaired Credit Exposure. (Lifetime ECL)

The three main components to measure ECL are as follows:

##### Probability of Default ("PD")

The PD of the Bank is derived based on modelling approach of which statistical analysis and expert judgement was performed to derive the PD estimates given the historical zero-default observation in the Bank. The model relies on the credit quality in the Bank's asset portfolio to predict the 12-month PD. The Lifetime PD is developed using the Bank's year-on-year relative change approach with the application of forecasted macroeconomic variable ("MEV").

##### Loss Given Default ("LGD")

The Bank applies LGD based on rating classification of counterparty, seniority of claim, availability of collateral and other credit support. With zero defaults to-date, the Bank refers on the regulatory standards on the assigned LGD for unsecured senior claims and subordinated claims.

##### Exposure at Default ("EAD")

The 12-month and lifetime EADs are determined based on the expected payment profile, which varies by product type. In the EAD model, the Bank applies the regulator's Credit Conservation Factor ("CCF") on the on-and off-balance sheet exposures. The CCF ratios varies depending on the product type.

##### Forecast of key macroeconomic variables

Based on MFRS 9, the Bank shall hold provision against potential future credit risk losses which depend not only on the present economy but also on the potential changes to the economic environment in the future.

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The Bank captures the effect of changes to the economic environment in the future in the computation of PD. Hence, ECL incorporates forward looking information, assumptions on economic variables that are likely to have an effect on the repayment capabilities of the Bank's customers and counterparties.

The Bank incorporates the forward looking adjustments in the credit risk parameter used in ECL calculation, where Gross Domestic Product ("GDP") growth is the main economic input used in the computation of forward looking scalar. The Bank applies three scenarios which include "Baseline", "Favourable" and "Downturn" scenarios, taking into account the probability weighted range of possible future outcomes in estimating ECL.

The general provision / impairment for the credit exposures of the Bank will be equivalent to 12-Month ECL or Lifetime ECL, depending on the stage of credit exposures befitting each financial asset.

All gross loans, advances and financing at amortised cost are neither past due nor impaired as at the following reporting dates:

|   | <b>30 Sep<br/>2021<br/>RM'000</b> | <b>31 Mar<br/>2021<br/>RM'000</b> |
|---|-----------------------------------|-----------------------------------|
| <b>At amortised cost:</b>                             |                                   |                                   |
| Term loans  | 5,141,350                         | 5,225,246                         |
| Revolving credits                                     | 1,472,556                         | 1,560,748                         |
| Bills receivable                                      | 16,219                            | 20,310                            |
|   | <u>6,630,125</u>                  | <u>6,806,304</u>                  |
| Less: Unearned interest                               | (23)                              | (36)                              |
| Gross loans, advances and financing at amortised cost | <u>6,630,102</u>                  | <u>6,806,268</u>                  |
| Less: Allowance for expected credit losses            | (28,934)                          | (41,551)                          |
| Net loans, advances and financing at amortised cost   | <u>6,601,168</u>                  | <u>6,764,717</u>                  |

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**6.2 Credit quality of loans, advances and financing (continued)**

(i) The following table presents the impairment allowances on loans, advances and financing of the Bank analysed by economic sector:

|                                | Mining &<br>Quarrying<br>RM'000 | Manufacturing<br>RM'000 | Electricity,<br>Gas &<br>Water Supply<br>RM'000 | Construction<br>RM'000 | Wholesale &<br>Retail Trade &<br>Restaurants &<br>Hotels<br>RM'000 | Transport,<br>Storage &<br>Communication<br>RM'000 | Finance,<br>Insurance,<br>Real Estate &<br>Business<br>Activities<br>RM'000 | Education,<br>Health<br>and Others<br>RM'000 | Others<br>RM'000 | Total<br>RM'000 |
|--------------------------------|---------------------------------|-------------------------|---|------------------------|--|--|---|--|------------------|-----------------|
| <b>As at 30 September 2021</b> |                                 |                         |   |                        |  |  |   |  |                  |                 |
| <b>Expected Credit Loss</b>    |                                 |                         |   |                        |  |  |   |  |                  |                 |
| Loans, advances and financing  | -                               | 15,669                  | 512   | 5,451                  | 1,086  | 66   | 4,229   | 1,921  | -                | 28,934          |
| <b>As at 31 March 2021</b>     |                                 |                         |   |                        |  |  |   |  |                  |                 |
| <b>Expected Credit Loss</b>    |                                 |                         |   |                        |  |  |   |  |                  |                 |
| Loans, advances and financing  | -                               | 21,522                  | 13  | 1,714                  | 1,980  | 377  | 15,802  | 143  | -                | 41,551          |

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**6.2 Credit quality of loans, advances and financing (continued)**

(ii) The following table presents the impairment allowances on loans, advances and financing of the Bank analysed by geographical location based on where the credit risk resides:

|                                | <b>Within<br/>Malaysia<br/>RM'000</b> | <b>Outside<br/>Malaysia<br/>RM'000</b> | <b>Total<br/>RM'000</b> |
|--------------------------------|---------------------------------------|--|-------------------------|
| <b>As at 30 September 2021</b> |                                       |  |                         |
| <b>Expected Credit Loss</b>    |                                       |  |                         |
| Loans, advances and financing  | <u>28,473</u>                         | <u>461</u>                             | <u>28,934</u>           |
| <b>As at 31 March 2021</b>     |                                       |  |                         |
| <b>Expected Credit Loss</b>    |                                       |  |                         |
| Loans, advances and financing  | <u>39,122</u>                         | <u>2,429</u>                           | <u>41,551</u>           |

(iii) Movements in impairment allowance on loans, advances and financing:

|  | <b>30 Sep<br/>2021<br/>RM'000</b> | <b>31 Mar<br/>2020<br/>RM'000</b> |
|--|-----------------------------------|-----------------------------------|
| At 1 April   | 41,551                            | 54,608                            |
| Writeback during the financial year                  | <u>(12,617)</u>                   | <u>(13,057)</u>                   |
| At 31 March  | <u>28,934</u>                     | <u>41,551</u>                     |
| As percentage of total loans, advances and financing | <u>0.36%</u>                      | <u>0.52%</u>                      |

The Bank has no impaired loans, advances and financing and no individual impairment allowance was deemed required as at 30 September 2021.

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

|  | 12-Month                 | Lifetime ECL                                 |  | Total<br>RM'000 |
|--|--------------------------|--|--|-----------------|
|  | ECL<br>Stage 1<br>RM'000 | Not credit-<br>Impaired<br>Stage 2<br>RM'000 | Credit-<br>Impaired<br>Stage 3<br>RM'000 |                 |
| <b>At 1 April 2021</b>                           | 34,399                   | 7,152  | -  | 41,551          |
| New financial assets originated                  | 9,100                    | 9,512  | -  | 18,612          |
| Financial assets derecognised                    | (19,730)                 | (7,152)                                      | -  | (26,882)        |
| Net remeasurement during the<br>financial period | (4,347)                  | -  | -  | (4,347)         |
| <b>At 30 September 2021</b>                      | <b>19,422</b>            | <b>9,512</b>                                 | <b>-</b>                                 | <b>28,934</b>   |
| <b>At 1 April 2020</b>                           | 19,215                   | 35,393                                       | -  | 54,608          |
| New financial assets originated                  | 22,540                   | 5,297  | -  | 27,837          |
| Financial assets derecognised                    | (17,963)                 | (35,393)                                     | -  | (53,356)        |
| Net remeasurement during the<br>financial year   | 10,607                   | 1,855  | -  | 12,462          |
| <b>At 31 March 2021</b>                          | <b>34,399</b>            | <b>7,152</b>                                 | <b>-</b>                                 | <b>41,551</b>   |

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**6.3 Off-balance sheet exposures and counterparty credit risk**

The off-balance sheet exposures and their related counterparty credit risk of the Bank as at the respective reporting dates are as follows:

|  | <b>Principal<br/>amount<br/>RM'000</b> | <b>Credit<br/>equivalent<br/>amount*<br/>RM'000</b> | <b>Risk-<br/>weighted<br/>amount*<br/>RM'000</b> |
|--|--|---|--|
| <b>As at 30 September 2021</b>   |  |   |  |
| Direct credit substitutes  | 53,901                                 | 53,901  | 53,446   |
| Transaction related contingent items   | 106,471                                | 53,236  | 41,242   |
| Short-term self-liquidating trade related contingencies  | 2,445                                  | 489   | 489  |
| Foreign exchange related contracts   |  |   |  |
| - One year or less   | 1,456,116                              | 30,446  | 20,064   |
| - Over one year to five years  | 157,071                                | 15,997  | 11,921   |
| Interest related contracts   |  |   |  |
| - One year or less   | 2,692,877                              | 75,325  | 43,046   |
| - Over one year to five years  | 5,419,469                              | 594,137   | 412,934  |
| - Over five years  | 16,571                                 | 3,379   | 2,774  |
| Other commitments, such as formal standby facilities and credit lines, with an original maturity of over one year  | 94,000                                 | 47,000  | 47,000   |
| Any commitments that are unconditionally cancelled at any time without prior notice                                | 3,759,162                              | -   | -  |
| <b>Total</b>   | <b>13,758,083</b>                      | <b>873,910</b>                                      | <b>632,916</b>                                   |
| <b>As at 31 March 2021</b>   |  |   |  |
| Direct credit substitutes  | 35,117                                 | 35,117  | 34,665   |
| Transaction related contingent items   | 105,819                                | 52,910  | 40,830   |
| Short-term self-liquidating trade related contingencies  | 11,543                                 | 2,309   | 2,309  |
| Foreign exchange related contracts   |  |   |  |
| - One year or less   | 1,838,982                              | 44,107  | 24,931   |
| - Over one year to five years  | 349,366                                | 27,719  | 20,481   |
| Interest related contracts   |  |   |  |
| - One year or less   | 3,231,541                              | 134,203   | 90,198   |
| - Over one year to five years  | 4,720,190                              | 551,365   | 389,242  |
| - Over five years  | 36,291                                 | 6,635   | 4,873  |
| Other commitments, such as formal standby facilities and credit lines, with an original maturity of over one year  | 100,000                                | 50,000  | 50,000   |
| Other commitments, such as formal standby facilities and credit lines, with an original maturity of up to one year | 1,245,630                              | 58,129  | 58,129   |
| Any commitments that are unconditionally cancelled at any time without prior notice                                | 3,653,398                              | -   | -  |
| <b>Total</b>   | <b>15,327,877</b>                      | <b>962,494</b>                                      | <b>715,658</b>                                   |

\* 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 Bank undertakes a holistic approach when granting any credit facilities to the customer, such as the credit worthiness of the customer, source of repayment and debt servicing ability, rather than placing primary dependency on the credit risk mitigation.

Depending on a customer's credit standing and the type of product, the facilities may be granted on an unsecured basis. Nevertheless, collateral serves as an effective tool in mitigating the credit risk.

The collaterals taken by the Bank consist of cash and corporate guarantee. Before any of the collaterals are accepted by the Bank, it has to be assessed in terms of legal enforceability. In all relevant jurisdiction, recognition of eligible collateral and to have the rights to liquidate or take legal possession of the collateral in a timely manner in the event of default.

The application of haircut takes place whenever there is a currency mismatch between customer exposure and collaterals, as it serves as a protection for the Bank against the foreign currency fluctuations.

|   | <b>Total<br/>exposures<br/>before<br/>CRM<br/>RM'000</b> | <b>Total<br/>exposures<br/>covered by<br/>guarantees<br/>RM'000</b> | <b>Total<br/>exposures<br/>covered by<br/>financial<br/>collaterals<br/>RM'000</b> | <b>Total<br/>exposures<br/>covered by<br/>other<br/>eligible<br/>collaterals<br/>RM'000</b> |
|---|--|---|--|---|
| <b>As at 30 September 2021</b>  |  |   |  |   |
| <b>Credit risk</b>  |  |   |  |   |
| <u>On-balance sheet exposures:</u>  |  |   |  |   |
| Sovereigns/central banks  | 1,855,491  | -   | -  | -   |
| Banks, development financial<br>Institutions and MDBs                           | 2,998,233  | -   | 1,645,188  | -   |
| Corporates  | 7,282,518  | -   | 2,720,451  | -   |
| Other assets  | 28,776   | -   | -  | -   |
| Total on-balance sheet exposures  | <u>12,165,018</u>  | <u>-</u>  | <u>4,365,639</u>   | <u>-</u>  |
| <u>Off-Balance Sheet Exposures:</u>   |  |   |  |   |
| Over-the-counter ("OTC") derivatives  | 719,284  | -   | -  | -   |
| Off balance sheet exposures other than<br>OTC derivatives or credit derivatives | 154,626  | -   | -  | -   |
| Total off-balance sheet exposures   | <u>873,910</u>   | <u>-</u>  | <u>-</u>   | <u>-</u>  |
| Total on and off balance sheet exposures  | <u>13,038,928</u>  | <u>-</u>  | <u>4,365,639</u>   | <u>-</u>  |

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**6.4 Credit risk mitigation ("CRM") (continued)**

|   | <b>Total<br/>exposures<br/>before<br/>CRM<br/>RM'000</b> | <b>Total<br/>exposures<br/>covered by<br/>guarantees<br/>RM'000</b> | <b>Total<br/>exposures<br/>covered by<br/>financial<br/>collaterals<br/>RM'000</b> | <b>Total<br/>exposures<br/>covered by<br/>other<br/>eligible<br/>collaterals<br/>RM'000</b> |
|---|--|---|--|---|
| <b>As at 31 March 2021</b>  |  |   |  |   |
| <b>Credit risk</b>  |  |   |  |   |
| <u>On-balance sheet exposures:</u>  |  |   |  |   |
| Sovereigns/central banks  | 1,298,696  | -   | -  | -   |
| Banks, development financial<br>Institutions and MDBs                           | 2,670,849  | -   | 1,613,278  | -   |
| Corporates  | 7,399,258  | -   | 2,737,435  | -   |
| Other assets  | 27,935   | -   | -  | -   |
| <b>Total on-balance sheet exposures</b>   | <b>11,396,738</b>  | <b>-</b>  | <b>4,350,713</b>   | <b>-</b>  |
| <u>Off-Balance Sheet Exposures:</u>   |  |   |  |   |
| Over-the-counter ("OTC") derivatives  | 764,029  | -   | 190,997  | -   |
| Off balance sheet exposures other than<br>OTC derivatives or credit derivatives | 198,465  | -   | -  | -   |
| <b>Total off-balance sheet exposures</b>  | <b>962,494</b>   | <b>-</b>  | <b>190,997</b>   | <b>-</b>  |
| <b>Total on and off balance sheet exposures</b>                                 | <b>12,359,232</b>  | <b>-</b>  | <b>4,541,710</b>   | <b>-</b>  |

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**6.5 Assignment of risk weights for portfolios under the standardised approach**

The Bank refers to the credit ratings assigned by credit rating agencies in its calculation of credit risk-weighted assets. The following are the External Credit Assessment Institutions ("ECAI") ratings used by the Bank and are recognised by BNM in the RWCAF:

- (a) Standard & Poor's Rating Services ("S&P")
- (b) Moody's Investors Service ("Moody's")
- (c) Fitch Ratings ("Fitch")
- (d) RAM Rating Services Berhad ("RAM")
- (e) Malaysian Rating Corporation Berhad ("MARC")
- (f) Rating and Investment Information, Inc. ("R&I")

The ECAI ratings accorded to the following counterparty exposure classes are used in the calculation of risk-weighted assets for capital adequacy purposes:

- (a) Sovereigns and Central Bank
- (b) Banking Institutions
- (c) Corporates

Rated and Unrated Counterparties

In general, the issue rating i.e. the rating specific to the credit exposure is used. When there is no specific rating available, the credit rating assigned to the issuer or counterparty of the particular credit exposure is used. In cases where an exposure has neither an issue or issuer rating, it is deemed as unrated.

Where a counterparty or an exposure is rated by more than one ECAI, all available external ratings of the counterparty will be captured and the following rules will be observed:

- Where 2 recognised external ratings are available, the lower rating is to be applied; or
- Where 3 or more recognised external ratings are available, the lower of the highest 2 ratings will be used for the capital adequacy calculation purposes.

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## (i) Credit risk disclosures on risk weights

The following tables present the credit exposures by risk weights and after credit risk mitigation of the Bank:

← Exposures after Netting and Credit Risk Mitigation →

| <b>Risk weights</b>            | <b>Sovereigns/<br/>central<br/>banks<br/>RM'000</b> | <b>Banks,<br/>Development<br/>Financial<br/>Institutions &amp;<br/>MDBs<br/>RM'000</b> | <b>Corporates<br/>RM'000</b> | <b>Other<br/>Assets<br/>RM'000</b> | <b>Total<br/>Exposures<br/>after Netting<br/>and Credit<br/>Risk Mitigation<br/>RM'000</b> | <b>Total<br/>Risk-<br/>Weighted<br/>Assets<br/>RM'000</b> |
|--------------------------------|---|--|------------------------------|------------------------------------|--|---|
| <b>As at 30 September 2021</b> |   |  |                              |                                    |  |   |
| 0%                             | 1,855,491   | 272,125  | 1,195,984                    | -                                  | 3,323,600  | -   |
| 20%                            | -   | 808,511  | -                            | -                                  | 808,511  | 161,702   |
| 50%                            | -   | 656,407  | -                            | -                                  | 656,407  | 328,204   |
| 100%                           | -   | -  | 3,855,995                    | 28,776                             | 3,884,771  | 3,884,771   |
|                                | <u>1,855,491</u>                                    | <u>1,737,043</u>   | <u>5,051,979</u>             | <u>28,776</u>                      | <u>8,673,289</u>   | <u>4,374,677</u>  |

**As at 31 March 2021**

|      |                  |                  |                  |               |                  |                  |
|------|------------------|------------------|------------------|---------------|------------------|------------------|
| 0%   | 1,298,696        | 331,798          | 1,311,643        | 41            | 2,942,178        | -                |
| 20%  | -                | 616,834          | -                | -             | 616,834          | 123,366          |
| 50%  | -                | 497,907          | -                | -             | 497,907          | 248,954          |
| 100% | -                | -                | 3,923,706        | 27,894        | 3,951,600        | 3,951,600        |
|      | <u>1,298,696</u> | <u>1,446,539</u> | <u>5,235,349</u> | <u>27,935</u> | <u>8,008,519</u> | <u>4,323,920</u> |

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**6.5 Assignment of risk weights for portfolios under the standardised approach (continued)**

(ii) Rated exposures by External Credit Assessment Institutions ("ECAI")

The Bank used external credit assessments from these ECAI for exposures as disclosed below:

On and off-balance sheet exposures

| Exposure Class | Ratings of Sovereigns and Central Banks by Approved ECAIs |            |          |              |           |           |         |
|----------------|---|------------|----------|--------------|-----------|-----------|---------|
|                | Moody's   | Aaa to Aa3 | A1 to A3 | Baa1 to Baa3 | Ba1 to B3 | Caa1 to C | Unrated |
|                | S&P   | AAA to AA- | A+ to A- | BBB+ to BBB- | BB+ to B- | CCC+ to D | Unrated |
|                | Fitch   | AAA to AA- | A+ to A- | BBB+ to BBB- | BB+ to B- | CCC+ to D | Unrated |
|                | R&I   | AAA to AA- | A+ to A- | BBB+ to BBB- | BB+ to B- | CCC+ to C | Unrated |

|                                | RM'000           | RM'000   | RM'000   | RM'000   | RM'000   | RM'000   |
|--------------------------------|------------------|----------|----------|----------|----------|----------|
| <b>As at 30 September 2021</b> |                  |          |          |          |          |          |
| Sovereigns and central banks   | 1,855,491        | -        | -        | -        | -        | -        |
| <b>Total</b>                   | <b>1,855,491</b> | <b>-</b> | <b>-</b> | <b>-</b> | <b>-</b> | <b>-</b> |

|                              |                  |          |          |          |          |          |
|------------------------------|------------------|----------|----------|----------|----------|----------|
| <b>As at 31 March 2021</b>   |                  |          |          |          |          |          |
| Sovereigns and central banks | 1,298,696        | -        | -        | -        | -        | -        |
| <b>Total</b>                 | <b>1,298,696</b> | <b>-</b> | <b>-</b> | <b>-</b> | <b>-</b> | <b>-</b> |

| Exposure Class | Ratings of Banking Institutions by Approved ECAIs |            |              |              |           |           |         |
|----------------|---|------------|--------------|--------------|-----------|-----------|---------|
|                | Moody's   | Aaa to Aa3 | A1 to A3     | Baa1 to Baa3 | Ba1 to B3 | Caa1 to C | Unrated |
|                | S&P   | AAA to AA- | A+ to A-     | BBB+ to BBB- | BB+ to B- | CCC+ to D | Unrated |
|                | Fitch   | AAA to AA- | A+ to A-     | BBB+ to BBB- | BB+ to B- | CCC+ to D | Unrated |
|                | RAM   | AAA to AA3 | A1 to A3     | BBB1 to BBB3 | BB1 to B3 | C1 to D   | Unrated |
|                | MARC  | AAA to AA- | A+ to A-     | BBB+ to BBB- | BB+ to B- | C+ to D   | Unrated |
| R&I            | AAA to AA-  | A+ to A-   | BBB+ to BBB- | BB+ to B-    | CCC+ to C | Unrated   |         |

|                                | RM'000           | RM'000         | RM'000   | RM'000   | RM'000   | RM'000   |
|--------------------------------|------------------|----------------|----------|----------|----------|----------|
| <b>As at 30 September 2021</b> |                  |                |          |          |          |          |
| Banks, MDBs and FDI            | 1,080,636        | 656,407        | -        | -        | -        | -        |
| <b>Total</b>                   | <b>1,080,636</b> | <b>656,407</b> | <b>-</b> | <b>-</b> | <b>-</b> | <b>-</b> |

|                            |                |                |          |          |          |          |
|----------------------------|----------------|----------------|----------|----------|----------|----------|
| <b>As at 31 March 2021</b> |                |                |          |          |          |          |
| Banks, MDBs and FDI        | 948,632        | 497,907        | -        | -        | -        | -        |
| <b>Total</b>               | <b>948,632</b> | <b>497,907</b> | <b>-</b> | <b>-</b> | <b>-</b> | <b>-</b> |

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**6.5 Assignment of risk weights for portfolios under the standardised approach (continued)**

(ii) Rated exposures by External Credit Assessment Institutions ("ECAI") (continued)

On and off-balance sheet exposures (continued)

| <b>Exposure Class</b>          | <b>Ratings of Corporate by Approved ECAIs</b> |               |               |               |               |           |
|--------------------------------|---|---------------|---------------|---------------|---------------|-----------|
|                                | <b>Moody's</b>                                | Aaa to Aa3    | A1 to A3      | Baa1 to Ba3   | B1 to C       | Unrated   |
|                                | <b>S&amp;P</b>                                | AAA to AA-    | A+ to A-      | BBB+ to BB-   | B+ to D       | Unrated   |
|                                | <b>Fitch</b>                                  | AAA to AA-    | A+ to A-      | BBB+ to BB-   | B+ to D       | Unrated   |
|                                | <b>RAM</b>                                    | AAA to AA3    | A1 to A3      | BBB1 to BB3   | B1 to D       | Unrated   |
|                                | <b>MARC</b>                                   | AAA to AA-    | A+ to A-      | BBB+ to BB-   | B+ to D       | Unrated   |
|                                | <b>R&amp;I</b>                                | AAA to AA-    | A+ to A-      | BBB+ to BB-   | B+ to D       | Unrated   |
|                                | <b>RM'000</b>                                 | <b>RM'000</b> | <b>RM'000</b> | <b>RM'000</b> | <b>RM'000</b> |           |
| <b>As at 30 September 2021</b> |   |               |               |               |               |           |
| Corporates                     | 1,195,984                                     | -             | -             | -             | -             | 3,855,995 |
| Total                          | 1,195,984                                     | -             | -             | -             | -             | 3,855,995 |
| <b>As at 31 March 2021</b>     |   |               |               |               |               |           |
| Corporates                     | 1,311,643                                     | -             | -             | -             | -             | 3,923,706 |
| Total                          | 1,311,643                                     | -             | -             | -             | -             | 3,923,706 |

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**7.0 Market risk**

Market risk is defined as the risk of potential losses on the values of assets and liabilities held (including off-balance sheet items) arising from the movements in market variables, such as interest/profit rates, foreign exchange rates, commodity prices and equity prices.

Broadly, the Bank is exposed to two major types of market risk namely interest/profit rate risk and foreign exchange risk.

The Bank manages those market risks by entering into a back-to-back deal with external counterparties. This reduces the negative effect or probability of the risk through offsetting positions of a particular risk.

RMD controls the exposure by setting the limits which is in accordance to Parent Bank. RMD monitors the exposures through Interest Rate 10 Basic Point Value ("BPV"), Foreign Exchange Position Limit, Foreign Exchange Positions 1BPV and Loss Cut Limit.

These position limits are monitored on a daily basis and changes in market value of the Bank's Treasury portfolio due to interest rate and foreign exchange movements are reported to the Management.

The Bank's market risk and liquidity risk position are discussed and managed at the Asset Liability Management Committee ("ALMC") on a monthly basis and the Board Risk Management Committee ("BRMC") on a quarterly basis, which is in line with the approved guidelines and policies.

Interest/Profit Rate Risk

Interest/Profit rate risk is defined as the exposure of a bank's financial condition to the adverse movements in interest/profit rates. Interest/Profit rate risk arises from the mismatch of maturity date and repricing date of the bank's assets, liabilities and off-balance sheet items, as a result to the changes in interest/profit rates related to the shift in yield curves and repricing patterns.

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**7.0 Market risk (continued)**

Foreign Exchange Risk

Foreign exchange risk arises as a result of the movements in currencies, which affects the Bank's profit and capital from the open position in foreign currencies. Currently the Bank is allowed to take position in its foreign exchange ("FX") activity. The Bank employs a robust foreign exchange risk measure as below:

- FX BOE: to monitor the open position for each currency and overall position using Bank of England method.
- FX1BPV: to measure the change in present value with a rise of 1 basis points in FX yield. It is monitored by currency and tenor.
- FX MTM P/L (Loss Cut): to calculate MTM profit/loss within a specified period, i.e. daily, monthly and termly, and confirm not to breach the loss cut limits.

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**7.0 Market risk (continued)**

The following tables present the minimum disclosure on regulatory capital requirements on market risk:

|                                | <b>Long<br/>Position<br/>RM'000</b> | <b>Short<br/>Position<br/>RM'000</b> | <b>Risk-<br/>Weighted<br/>Assets<br/>RM'000</b> | <b>Minimum<br/>Capital<br/>Requirements<br/>at 8%<br/>RM'000</b> |
|--------------------------------|-------------------------------------|--------------------------------------|---|--|
| <b>As at 30 September 2021</b> |                                     |                                      |   |  |
| Interest rate risk             | 8,299,037                           | 8,278,888                            | 94,720  | 7,577  |
| Foreign currency risk          | -                                   | 20,674                               | 258,425   | 20,674   |
|                                | <u>8,299,037</u>                    | <u>8,299,562</u>                     | <u>353,145</u>                                  | <u>28,251</u>  |

|                            | <b>Long<br/>Position<br/>RM'000</b> | <b>Short<br/>Position<br/>RM'000</b> | <b>Risk-<br/>Weighted<br/>Assets<br/>RM'000</b> | <b>Minimum<br/>Capital<br/>Requirements<br/>at 8%<br/>RM'000</b> |
|----------------------------|-------------------------------------|--------------------------------------|---|--|
| <b>As at 31 March 2021</b> |                                     |                                      |   |  |
| Interest rate risk         | 7,871,687                           | 7,849,570                            | 89,956  | 7,196  |
| Foreign currency risk      | 21,389                              | -                                    | 267,363   | 21,389   |
|                            | <u>7,893,076</u>                    | <u>7,849,570</u>                     | <u>357,319</u>                                  | <u>28,585</u>  |

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The projection, by using the repricing gap method, assumes that interest rate moves up and down parallelly by 100 basis points ("bps") across all maturities for all the interest bearing assets and liabilities. It is further assumed that all positions are repriced at the mid-point of each time band and will run to maturity. The repricing profile of any loan that does not have maturity is based on the earliest possible repricing dates. The impact on earnings and economic value is measured on a monthly basis.

The table below illustrates the impact under a 100 bps parallel upward and downward interest rate shock on the Bank's earnings and economic value.

|                                      | <b>30 Sep 2021</b>          |                             | <b>31 Mar 2021</b>          |                             |
|--------------------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
|                                      | <b>- 100 bps<br/>RM'000</b> | <b>+ 100 bps<br/>RM'000</b> | <b>- 100 bps<br/>RM'000</b> | <b>+ 100 bps<br/>RM'000</b> |
| <b>Impact on net interest income</b> |                             |                             |                             |                             |
| Ringgit Malaysia                     | (1,749)                     | 1,749                       | (5,219)                     | 5,219                       |
| United States Dollar                 | (2,746)                     | 2,746                       | 1,479                       | (1,479)                     |
| Japanese Yen                         | 248                         | (248)                       | 97                          | (97)                        |
| Others                               | 52                          | (52)                        | 53                          | (53)                        |
| <b>Total</b>                         | <b>(4,195)</b>              | <b>4,195</b>                | <b>(3,590)</b>              | <b>3,590</b>                |
| <b>Impact on economic value</b>      |                             |                             |                             |                             |
| Ringgit Malaysia                     | (23,848)                    | 23,848                      | (20,063)                    | 20,063                      |
| United States Dollar                 | 5,182                       | (5,182)                     | 560                         | (560)                       |
| Japanese Yen                         | 1,494                       | (1,494)                     | 1,142                       | (1,142)                     |
| Others                               | 263                         | (263)                       | 245                         | (245)                       |
| <b>Total</b>                         | <b>(16,909)</b>             | <b>16,909</b>               | <b>(18,116)</b>             | <b>18,116</b>               |

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**9.0 Liquidity Risk**

Liquidity risk is the risk that the Bank will be unable to secure necessary funding due to deteriorating financial condition or a similar reason, and will therefore be unable to meet cash flow requirements, or that it will suffer a loss because it is compelled to pay interest/profit rates significantly higher than normal rates to secure funding. The Bank employs a robust liquidity risk measurement as follows:

- Maturity Ladder/Funding Gap: used to measure the maximum amount in funding gap between assets and liabilities for overnight, 1 week and 1 month tenure.
- Liquidity Coverage Ratio ("LCR"): to ensure that the Bank holds sufficient high-quality liquid assets ("HQLA") to withstand an acute liquidity stress scenario over a 30-day horizon.
- Net Stable Funding Ratio ("NSFR"): the ratio between the amount of stable funding available and the amount of stable funding required, to ensure the bank maintains a stable funding profile to support its assets and off-balance sheet activities.
- Parent Bank Liquidity Stress Test: used to measure and analyse the impact of cashflows on a Group combined basis under liquidity stress conditions.

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**10.0 Operational Risk**

The Bank defines operational risk as the risk of loss that it may incur resulting from inadequate or failed internal processes, people and systems, or from external events.

*(i) Internal Process*

resulting from inadequate/failure of business processes or transactions process flows. Well-controlled and organised processes are essential.

*(ii) People*

resulting from staff defaulting in expected behaviour or the Bank being ineffective/inefficient in the management of its human capital.

*(iii) Systems*

which arising from system downtime or delays in available data, inadequate integrity between old and new software, and incapability of hardware to fulfil business requirements.

*(iv) External Events*

risk of events and actions from outside (beyond organisation's immediate control) which bring negative impact on the Bank.

As part of initiatives to improve operational risk management, "Control Self-Assessments" ("CSAs"), is implemented every six months to all departments to identify inherent risks and control gaps in the operations within the department. Key Risk Indicator ("KRI") is a statistics or metrics that provide insight into Bank's risk position and reflects the potential sources of Operational Risk from a forward looking perspective, monitored on monthly basis.

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**CHIEF EXECUTIVE OFFICER ATTESTATION**

In accordance with Bank Negara Malaysia's Risk Weighted Capital Adequacy Framework (Basel II) – Disclosure Requirements (Pillar 3), I hereby attest that to the best of my knowledge, the disclosures contained in Mizuho Bank (Malaysia) Berhad's Pillar 3 Disclosure report for the financial period ended 30 September 2021 are consistent with the manner the Bank assesses and manages its risk, accurate, complete and not misleading in any particular way.

Katsutoshi Toba  
Chief Executive Officer

Date: 27 October 2021