

Mizuho Bank (Malaysia) Berhad

Company No. 201001039768 (923693-H)

(Incorporated in Malaysia)

**Unaudited condensed interim financial statements
for the financial period ended 30 June 2020**

MIZUHO BANK (MALAYSIA) BERHAD

Company No. 201001039768 (923693-H)

(Incorporated in Malaysia)

**UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2020**

		30 June 2020 RM'000	31 March 2020 RM'000
	Note		
Assets			
Cash and short-term funds		1,166,377	1,556,301
Deposits and placements with financial institutions		1,889,918	1,420,480
Financial assets at fair value through other comprehensive income ("FVOCI")	11	1,529,459	1,134,913
Loans, advances and financing	12	8,960,616	8,966,896
Derivative financial assets		159,817	199,572
Other assets		66,644	38,485
Right of use assets		11,471	12,146
Property and equipment		6,170	6,841
Intangible assets		9,307	10,338
Deferred tax assets		694	1,758
Total assets		<u>13,800,473</u>	<u>13,347,730</u>
Liabilities			
Deposits from customers	13	2,804,225	2,826,487
Deposits and placements from financial institutions	14	9,280,671	9,221,487
Derivative financial liabilities		135,833	142,154
Lease liabilities		11,585	12,240
Other liabilities		100,530	208,411
Total liabilities		<u>12,332,844</u>	<u>12,410,779</u>
Share capital		1,200,000	700,000
Reserves		267,629	236,951
Total equity attributable to owner of the bank		<u>1,467,629</u>	<u>936,951</u>
Total liabilities and equity		<u>13,800,473</u>	<u>13,347,730</u>
Commitments and contingencies	21	<u>14,830,590</u>	<u>13,799,485</u>

The unaudited condensed interim financial statements should be read in conjunction with the audited financial statements for the year ended 31 March 2020.

MIZUHO BANK (MALAYSIA) BERHAD

Company No. 201001039768 (923693-H)

(Incorporated in Malaysia)

**UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2020**

		1st Quarter ended		Three months ended	
		30 June	30 June	30 June	30 June
		2020	2019	2020	2019
	Note	RM'000	RM'000	RM'000	RM'000
Interest income	15	77,254	79,776	77,254	79,776
Interest expense	16	(37,291)	(52,008)	(37,291)	(52,008)
Net interest income		39,963	27,768	39,963	27,768
Other operating income	17	13,627	19,070	13,627	19,070
Operating income		53,590	46,838	53,590	46,838
Other operating expenses	18	(22,134)	(19,948)	(22,134)	(19,948)
Operating profit		31,456	26,890	31,456	26,890
Writeback/(addition) of allowance for expected credit losses ("ECL")	19	8,211	(640)	8,211	(640)
Profit before taxation		39,667	26,250	39,667	26,250
Tax (expense)/credit		(12,367)	1,882	(12,367)	1,882
Profit for the financial period		27,300	28,132	27,300	28,132
Other comprehensive income net of tax:					
Fair value changes of financial assets at FVOCI		4,445	2,632	4,445	2,632
Income tax effect		(1,067)	(631)	(1,067)	(631)
Other comprehensive income for the financial period		3,378	2,001	3,378	2,001
Total comprehensive income for the financial period		30,678	30,133	30,678	30,133

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**UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2020**

	← Non-distributable reserves →			Distributable reserves	Total RM'000
	Share capital RM'000	Regulatory reserve RM'000	FVOCI reserve RM'000	Retained profits RM'000	
At 1 April 2020	700,000	21,489	4,912	210,550	936,951
Issuance of shares	500,000	-	-	-	500,000
Profit for the financial period	-	-	-	27,300	27,300
Other comprehensive income	-	-	3,378	-	3,378
Transfer from regulatory reserve	-	(21,489)	-	21,489	-
At 30 June 2020	1,200,000	-	8,290	259,339	1,467,629
At 1 April 2019	700,000	28,595	1,759	151,498	881,852
Profit for the financial period	-	-	-	28,132	28,132
Other comprehensive income	-	-	2,001	-	2,001
Transfer to regulatory reserve	-	(12,406)	-	12,406	-
At 30 June 2019	700,000	16,189	3,760	192,036	911,985

The unaudited condensed interim financial statements should be read in conjunction with the audited financial statements for the year ended 31 March 2020.

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**UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
STATEMENT OF CASH FLOWS
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2020**

	30 June 2020 RM'000	30 June 2019 RM'000
Profit before taxation	39,667	26,250
Adjustments for non-cash items	(9,832)	(3,364)
Operating profit before changes in working capital	<u>29,835</u>	<u>22,886</u>
Net changes in operating assets	<u>43,246</u>	<u>362,786</u>
Net changes in operating liabilities	<u>(84,564)</u>	<u>30,715</u>
	(41,318)	393,501
Cash flows (used in)/generated from operating activities	<u>(11,483)</u>	<u>416,387</u>
Taxation paid	(4,740)	(4,739)
Net cash flows (used in)/generated from operating activities	<u>(16,223)</u>	<u>411,648</u>
Net cash flows used in investing activities	(225)	(1,581)
Net cash flows generated from financing activity	500,000	-
Net increase in cash and cash equivalents during the financial period	483,552	410,067
Cash and cash equivalents at the beginning of the financial period	<u>1,710,529</u>	<u>1,703,745</u>
Cash and cash equivalents at the end of the financial period	<u><u>2,194,081</u></u>	<u><u>2,113,812</u></u>
Analysis of cash and cash equivalents:		
Cash and short-term funds	1,166,377	1,757,022
Deposits and placements with financial institutions	1,889,918	1,432,579
Less: Deposits and placements with financial institutions with contractual maturity more than 3 months	<u>(862,214)</u>	<u>(1,075,789)</u>
	<u><u>2,194,081</u></u>	<u><u>2,113,812</u></u>

The unaudited condensed interim financial statements should be read in conjunction with the audited financial statements for the year ended 31 March 2020.

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**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2020**

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 2020. 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 2020.

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 2020 except for the following:

MFRSs, Interpretations and amendments affective for annual periods beginning on or after 1 January 2020

- i) Amendments to MFRS 101 and Amendments to MFRS 108 *Presentation of Financial Statements and Accounting Policies, Changes in Accounting Estimates and Errors - Definition of Material*
- ii) Amendments to MFRS 7, Amendments to MFRS 9, and Amendments to MFRS 139 *Financial Instrument: Disclosures, Financial Instruments, Financial Instruments: Recognition and Measurement - Interest Rate Benchmark Reform*

MFRSs, Interpretations and amendments affective for annual periods beginning on or after 1 June 2020

- i) Amendments to MFRS 16 *Leases: Covid 19 - Related Rent Concessions*

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.

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**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 200**

2. Auditors' report on preceding audited annual financial statements

The auditors' report on the audited annual financial statements for the financial year ended 31 March 2020 was not qualified.

3. Seasonal or cyclical factors

The operations of the Bank were not materially affected by any seasonal or cyclical factors during the first quarter ended 30 June 2020.

4. Unusual items due to their nature, size or incidence

There were no unusual items affecting the assets, liabilities, equity, net income or cash flows of the Bank during the first quarter ended 30 June 2020.

5. Changes in estimates

There were no material changes in estimates during the first quarter ended 30 June 2020.

6. Debt and equity securities

There were no issuance, cancellation, repurchase, resale and repayment of debt and equity securities during the first quarter ended 30 June 2020.

7. Dividend

No dividend was paid during the first quarter ended 30 June 2020.

8. Subsequent events

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

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**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2020**

9. Review of performance

The Bank registered higher profit before taxation (“PBT”) of RM39.7 million for the financial period ended 30 June 2020 compared to RM26.3 million in the previous corresponding period, representing an increase of RM13.4 million or 51.1%. The growth in the PBT was mainly contributed by higher operating income by RM6.8 million or 14.4%, coupled with the writeback of allowance for expected credit losses amounting to RM8.2 million in the current quarter. Operating expenses slightly increased by RM2.2 million or 11.0% mainly due to higher administration and general expenses.

Total assets stood at RM13.8 billion as at 30 June 2020, a slight increase of 3.4% compared against total assets of RM13.3 billion at 31 March 2020. The Bank’s Common Equity Tier 1 capital ratio and Total Capital Ratio remained strong at 31.921% and 33.005% respectively.

10. Prospects

The impact of COVID-19 on the global economy is severe and unprecedented with global economic conditions expected to remain weak and global growth projected to be negative for the year. In Malaysia, eventhough there has been a gradual reopening of the local economy since May, the pace and strength of the recovery process is subject to downside risks emanating from both domestic and external factors. These include the prospect of the resurgence of the pandemic leading to reimpositions of containment measures, persistent weakness in labour market conditions, and a weaker-than-expected recovery in global economic growth.

Despite these considerable uncertainties in the economy and financial markets, Mizuho Bank Malaysia as part of Mizuho Financial Group remain committed to fulfilling our mission as a financial institution, fully exercising our financial functions to support our customers. At the same time, the Bank will tackle this unprecedented crisis by maintaining a strong defence, expand our business foundations with an eye towards the world after COVID-19 and deepen structural reforms.

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**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2020**

11. Financial assets at FVOCI

	30 June 2020 RM'000	31 March 2020 RM'000
At fair value		
Government investment issues	584,648	484,626
Government guaranteed bond	944,811	650,287
	1,529,459	1,134,913

12. Loans, advances and financing

	30 June 2020 RM'000	31 March 2020 RM'000
(a) By type:		
At amortised cost:		
Term loans	6,168,581	6,240,295
Revolving credits	1,490,048	1,404,350
Bills receivable	12,401	33,946
	7,671,030	7,678,591
Less: Unearned interest	(34)	(107)
Gross loans, advances and financing at amortised cost	7,670,996	7,678,484
Less: Impairment allowance		
- Expected credit losses	(41,708)	(54,608)
Net loans, advances and financing at amortised cost	7,629,288	7,623,876
At fair value through profit or loss ("FVTPL"):		
Term loans	1,331,328	1,343,020
Total net loans, advances and financing	8,960,616	8,966,896
Total gross loans, advances and financing		
- At amortised cost	7,670,996	7,678,484
- At FVTPL	1,331,328	1,343,020
	9,002,324	9,021,504

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**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2020****12. Loans, advances and financing (continued)**

	30 June 2020 RM'000	31 March 2020 RM'000
(b) By geographical distribution:		
Within Malaysia	7,073,796	7,079,461
Outside Malaysia	1,928,528	1,942,043
	<u>9,002,324</u>	<u>9,021,504</u>
(c) By type of customer:		
Domestic business enterprises	4,115,207	4,077,681
Domestic non-bank financial institutions	2,958,589	3,001,780
Foreign business entities	1,928,528	1,942,043
	<u>9,002,324</u>	<u>9,021,504</u>
(d) By interest/profit rate sensitivity:		
Fixed rate	1,516,512	1,413,597
Variable rate	7,485,812	7,607,907
	<u>9,002,324</u>	<u>9,021,504</u>
(e) By economic purpose:		
Purchase of fixed assets other than land and building	1,740,930	1,810,406
Purchase of non-residential property	22,134	23,885
Working capital	7,239,260	7,187,213
	<u>9,002,324</u>	<u>9,021,504</u>

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**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2020**

12. Loans, advances and financing (continued)

	30 June 2020 RM'000	31 March 2020 RM'000
(f) By economic sector:		
Mining and quarrying	45,676	46,686
Manufacturing	2,259,755	2,266,051
Electricity, gas and water supply	112,844	113,082
Construction	573,461	575,328
Wholesale and retail trade, and restaurants and hotels	215,412	168,890
Transport, storage and communication	11,294	18,957
Finance, insurance, real estate and business activities	5,746,448	5,807,275
Education, health and others	37,434	25,235
	<u>9,002,324</u>	<u>9,021,504</u>
(g) By maturity structure:		
Maturing within one year	5,280,744	5,243,151
One year to three years	2,030,423	1,899,394
Three years to five years	1,477,511	1,664,204
Over five years	213,646	214,755
	<u>9,002,324</u>	<u>9,021,504</u>

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

	12-Month ECL	Lifetime ECL		
	Stage 1	Not credit- Impaired Stage 2	Credit- Impaired Stage 3	Total
	RM'000	RM'000	RM'000	RM'000
At 1 April 2020	19,215	35,393	-	54,608
New financial assets originated	22,846	8,489	-	31,335
Financial assets derecognised	(14,246)	(35,358)	-	(49,604)
Net remeasurement during the financial period	5,360	9	-	5,369
At 30 June 2020	<u>33,175</u>	<u>8,533</u>	<u>-</u>	<u>41,708</u>

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**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2020****12. Loans, advances and financing (continued)**

- (h) Movement in impairment allowance on loans, advances and financing which reflect the ECL model on impairment are as follows: (continued)**

	12-Month ECL	Lifetime ECL Not credit- Impaired	Credit- Impaired	Total
	Stage 1	Stage 2	Stage 3	
	RM'000	RM'000	RM'000	RM'000
At 1 April 2019	3,039	25,593	-	28,632
New financial assets originated	17,491	35,393	-	52,884
Financial assets derecognised	(2,735)	(25,593)	-	(28,328)
Net remeasurement during the financial period	1,420	-	-	1,420
At 31 March 2020	19,215	35,393	-	54,608

- (i) Movements in impairment allowance for loans, advances and financing:**

	30 June 2020 RM'000	31 March 2020 RM'000
At 1 April	54,608	28,632
(Writeback)/allowance made during the financial period	(12,900)	25,976
At end of the financial period	41,708	54,608
As percentage of total loans, advances and financing	0.46%	0.61%

The Bank has no impaired loans, advances and financing and no individual impairment allowance was deemed required as at 30 June 2020.

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**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2020****13. Deposit from customers**

	30 June 2020 RM'000	31 March 2020 RM'000
(a) By type of deposit:		
Demand deposits	922,324	945,365
Fixed deposits	1,145,750	1,185,021
Short-term deposits	736,151	696,101
	<u>2,804,225</u>	<u>2,826,487</u>
(b) By type of customer:		
Domestic non-bank financial institutions	193,560	173,984
Domestic business enterprises	2,525,171	2,573,056
Foreign business enterprises	85,361	79,341
Domestic other enterprises	133	106
	<u>2,804,225</u>	<u>2,826,487</u>
(c) Maturity structure:		
On demand	922,324	945,365
Due within six months	1,836,371	1,795,892
Due over six months to one year	45,530	85,230
	<u>2,804,225</u>	<u>2,826,487</u>

14. Deposit and placements from financial institutions

	30 June 2020 RM'000	31 March 2020 RM'000
Licensed banks	<u>9,280,671</u>	<u>9,221,487</u>

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**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2020****15. Interest income**

	1st Quarter ended		Three months ended	
	30 June 2020	30 June 2019	30 June 2020	30 June 2019
	RM'000	RM'000	RM'000	RM'000
Loans, advances and financing	49,132	50,570	49,132	50,570
Money at call and deposits and placements with financial institutions	14,377	20,088	14,377	20,088
Net gain from interest rate swap and cross-currency interest rate swap	3,466	2,417	3,466	2,417
Financial assets at FVOCI	10,279	6,701	10,279	6,701
	<u>77,254</u>	<u>79,776</u>	<u>77,254</u>	<u>79,776</u>

16. Interest expense

	1st Quarter ended		Three months ended	
	30 June 2020	30 June 2019	30 June 2020	30 June 2019
	RM'000	RM'000	RM'000	RM'000
Deposits and placements from financial institutions	28,270	38,907	28,270	38,907
Deposits from customers	9,021	13,101	9,021	13,101
	<u>37,291</u>	<u>52,008</u>	<u>37,291</u>	<u>52,008</u>

17. Other operating income

	1st Quarter ended		Three months ended	
	30 June 2020	30 June 2019	30 June 2020	30 June 2019
	RM'000	RM'000	RM'000	RM'000
Fee income	2,142	1,877	2,142	1,877
Net unrealised (loss)/gain on revaluation of derivatives	(15,145)	4,205	(15,145)	4,205
Realised foreign exchange gain	3,988	10,128	3,988	10,128
Unrealised foreign exchange gain	22,320	4,004	22,320	4,004
Net unrealised gain/(loss) on revaluation of financial assets at FVTPL	306	(1,144)	306	(1,144)
Others	16	-	16	-
	<u>13,627</u>	<u>19,070</u>	<u>13,627</u>	<u>19,070</u>

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**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2020****18. Other operating expenses**

	1st Quarter ended		Three months ended	
	30 June 2020 RM'000	30 June 2019 RM'000	30 June 2020 RM'000	30 June 2019 RM'000
Personnel costs:				
Salaries, allowances and bonuses	7,563	7,358	7,563	7,358
Contribution to Employees Provident Fund	898	929	898	929
Other staff related costs	1,613	1,479	1,613	1,479
Establishment costs:				
Repair and maintenance	1,348	1,203	1,348	1,203
Depreciation of right of use assets	1,259	817	1,259	817
Depreciation of property and equipment	708	730	708	730
Amortisation of intangible assets	1,219	1,221	1,219	1,221
Rental of premises	5	58	5	58
Information technology expenses	1,037	320	1,037	320
Others	160	687	160	687
Marketing expenses:				
Advertisement and publicity	23	26	23	26
Others	18	235	18	235
Administration and general expenses:				
Collateral deposit fees	4,047	3,287	4,047	3,287
Communication expenses	238	225	238	225
Legal and professional fees	51	62	51	62
Others	1,947	1,311	1,947	1,311
	<u>22,134</u>	<u>19,948</u>	<u>22,134</u>	<u>19,948</u>

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**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2020****19. (Writeback)/addition of allowance for expected credit losses**

	1st Quarter ended		Three months ended	
	30 June 2020	30 June 2019	30 June 2020	30 June 2019
	RM'000	RM'000	RM'000	RM'000
Deposits and placement with financial institutions	-	(1)	-	(1)
Loans, advances and financing	(12,900)	(9)	(12,900)	(9)
Credit commitments and contingencies	4,689	650	4,689	650
	<u>(8,211)</u>	<u>640</u>	<u>(8,211)</u>	<u>640</u>

20. Credit transactions and exposures with connected parties

	30 June 2020	31 March 2020
	RM'000	RM'000
Outstanding credit exposures with connected parties	<u>67,028</u>	<u>35,620</u>
Percentage of outstanding credit exposures to connected parties as proportion of total credit exposures	<u>0.18%</u>	<u>0.10%</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.

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**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2020****21. Commitments and contingencies**

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

	Principal amount RM'000	Credit equivalent amount* RM'000	Risk- weighted amount* RM'000
As at 30 June 2020			
Direct credit substitutions	95,362	95,362	88,976
Transaction related contingent items	97,316	48,658	35,959
Short-term self-liquidating trade related contingencies	18,023	3,605	3,605
Foreign exchange related contracts			
- One year or less	1,665,718	24,492	17,128
- Over one year to five years	82,054	7,584	6,388
Interest related contracts			
- One year or less	4,067,208	136,253	76,584
- Over one year to five years	4,448,301	574,017	402,148
- Over five years	44,090	8,116	5,798
Other commitments, such as formal standby facilities and credit lines, with an original maturity up to one year	1,284,630	59,949	-
Other commitments, such as formal standby facilities and credit lines, with an original maturity of over one year	20,000	10,000	10,000
Any commitments that are unconditionally cancelled at any time without prior notice	3,007,888	-	-
Total	14,830,590	968,036	646,586

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**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2020****21. Commitments and contingencies (continued)**

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: (continued)

	Principal amount RM'000	Credit equivalent amount* RM'000	Risk- weighted amount* RM'000
As at 31 March 2020			
Direct credit substitutions	36,157	36,157	29,766
Transaction related contingent items	80,667	40,333	35,497
Short-term self-liquidating trade related contingencies	9,574	1,915	1,915
Foreign exchange related contracts			
- One year or less	2,004,631	48,357	20,557
- Over one year to five years	144,555	11,902	9,876
Interest related contracts			
- One year or less	3,630,854	165,621	92,151
- Over one year to five years	4,894,057	586,088	407,071
- Over five years	46,100	8,899	6,260
Other commitments, such as formal standby facilities and credit lines, with an original maturity of over one year	35,000	17,500	17,500
Any commitments that are unconditionally cancelled at any time without prior notice	2,917,890	-	-
Total	13,799,485	916,772	620,593

*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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**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2020****22. Capital adequacy**

The capital ratios are computed in accordance with Bank Negara Malaysia's Capital Adequacy Framework (Capital Components) and Capital Adequacy Framework (Basel II - Risk Weighted Assets) (collectively, the "Framework") of which the latest version was issued 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 including the capital conservation buffer are 7.0%, 8.5% and 10.5% on the risk-weighted assets ("RWA") respectively. The minimum regulatory capital adequacy requirement remains at 8% for total capital ratio.

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

	30 June 2020	31 March 2020
Capital ratios:		
CET1 capital ratio / Tier 1 capital ratio	31.921%	27.035%
Total capital ratio	<u>33.005%</u>	<u>28.121%</u>

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

	30 June 2020 RM'000	31 March 2020 RM'000
CET 1 capital		
Paid-up share capital	1,200,000	700,000
Retained profits	232,039	210,550
Other reserves	(4,540)	(7,415)
Total tier 1 capital	<u>1,427,499</u>	<u>903,135</u>
Tier 2 capital		
General provisions and regulatory reserve	<u>48,472</u>	<u>36,273</u>
Total capital	<u>1,475,971</u>	<u>939,408</u>

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

	30 June 2020 RM'000	31 March 2020 RM'000
Total RWA for credit risk	4,026,536	2,901,847
Total RWA for market risk	118,506	124,663
Total RWA for operational risk	<u>326,871</u>	<u>314,087</u>
Total RWA	<u>4,471,913</u>	<u>3,340,597</u>

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**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
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22. 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	Requirements
			RM'000	at 8%
				RM'000
As at 30 June 2020				
Credit risk				
<u>On-balance sheet exposures:</u>				
Sovereigns/central banks	2,077,527	2,077,527	-	-
Banks, development financial institutions and Multilateral Development Banks ("MDBs")	3,536,039	1,851,087	415,761	33,261
Corporates	8,026,082	3,886,994	2,934,154	234,732
Other assets	30,096	30,096	30,035	2,403
Total on-balance sheet exposures	<u>13,669,744</u>	<u>7,845,704</u>	<u>3,379,950</u>	<u>270,396</u>
<u>Off-balance sheet exposures:</u>				
Over-the-counter ("OTC") derivatives	750,462	750,462	508,046	40,644
Off-balance sheet exposures other than OTC derivatives or credit derivatives	217,574	217,574	138,540	11,083
Total off-balance sheet exposures	<u>968,036</u>	<u>968,036</u>	<u>646,586</u>	<u>51,727</u>
Total on and off-balance sheet exposures	<u>14,637,780</u>	<u>8,813,740</u>	<u>4,026,536</u>	<u>322,123</u>
				Minimum
			Risk-	Capital
	Long	Short	Weighted	Requirements
	Position	Position	Assets	at 8%
	RM'000	RM'000	RM'000	RM'000
Market risk				
Interest rate risk	8,498,926	8,473,914	101,556	8,124
Foreign currency risk	1,356	-	16,950	1,356
Operational risk			326,871	26,150
Total RWA and capital requirements			<u>4,471,913</u>	<u>357,753</u>

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**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
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22. 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	Requirements
			RM'000	at 8%
				RM'000
As at 31 March 2020				
Credit risk				
<u>On-balance sheet exposures:</u>				
Sovereigns/central banks	1,338,653	1,338,653	-	-
Banks, development financial institutions and Multilateral Development Banks ("MDBs")	4,083,445	2,006,839	580,785	46,463
Corporates	7,755,711	2,329,314	1,670,903	133,672
Other assets	29,595	29,595	29,566	2,365
Total on-balance sheet exposures	<u>13,207,404</u>	<u>5,704,401</u>	<u>2,281,254</u>	<u>182,500</u>
<u>Off-balance sheet exposures:</u>				
Over-the-counter ("OTC") derivatives	820,867	820,867	535,915	42,873
Off-balance sheet exposures other than OTC derivatives or credit derivatives	95,905	95,905	84,678	6,774
Total off-balance sheet exposures	<u>916,772</u>	<u>916,772</u>	<u>620,593</u>	<u>49,647</u>
Total on and off-balance sheet exposures	<u>14,124,176</u>	<u>6,621,173</u>	<u>2,901,847</u>	<u>232,147</u>
				Minimum
			Risk-	Capital
	Long	Short	Weighted	Requirements
	Position	Position	Assets	at 8%
	RM'000	RM'000	RM'000	RM'000
Market risk				
Interest rate risk	8,532,490	8,508,314	103,238	8,259
Foreign currency risk	1,714	-	21,425	1,714
Operational risk			314,087	25,127
Total RWA and capital requirements			<u>3,340,597</u>	<u>267,247</u>

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**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
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22. Capital adequacy (continued)

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

Risk weights	Exposures after Netting and Credit Risk Mitigation				Total Exposures after Netting and Credit Risk Mitigation RM'000	Total Risk-Weighted Assets RM'000
	Sovereigns/ central banks RM'000	Banks, development Financial Institution MDBs RM'000	Corporates RM'000	Other Assets RM'000		
As at 30 June 2020						
0%	2,077,527	337,927	952,841	61	3,368,356	-
20%	-	1,418,581	-	-	1,418,581	283,716
50%	-	567,966	-	-	567,966	283,983
100%	-	-	3,428,802	30,035	3,458,837	3,458,837
	<u>2,077,527</u>	<u>2,324,474</u>	<u>4,381,643</u>	<u>30,096</u>	<u>8,813,740</u>	<u>4,026,536</u>
As at 31 March 2020						
0%	1,338,653	1,589	658,411	29	1,998,682	-
20%	-	1,618,047	-	-	1,618,047	323,609
50%	-	852,413	-	-	852,413	426,207
100%	-	-	2,122,465	29,566	2,152,031	2,152,031
	<u>1,338,653</u>	<u>2,472,049</u>	<u>2,780,876</u>	<u>29,595</u>	<u>6,621,173</u>	<u>2,901,847</u>