

Company No.

923693	H
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MIZUHO BANK (MALAYSIA) BERHAD
Incorporated in Malaysia

**STATUTORY FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2018**

MIZUHO BANK (MALAYSIA) BERHAD (923693-H)
Incorporated in Malaysia
FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2018

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

DIRECTORS' REPORT
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2018

The directors have pleasure in presenting their report together with the audited financial statements of Mizuho Bank (Malaysia) Berhad (the "Bank") for the financial year ended 31 March 2018.

PRINCIPAL ACTIVITIES

The Bank is principally engaged in the provision of banking and related financial services. There have been no significant changes in these principal activities during the financial year.

FINANCIAL RESULTS

	RM'000
Profit before taxation	81,605
Taxation	<u>(24,049)</u>
Net profit for the financial year	<u>57,556</u>

There were no material transfers to or from reserves and provisions during the financial year other than as disclosed in the financial statements.

DIVIDENDS

Since the end of the previous financial year, no dividend was paid and the directors do not recommend any dividend to be paid for the current financial year.

DIRECTORS

The names of the directors of the Bank in office since the date of last report and at the date of this report are:

Dato' Seri Talaat Bin Husain
Mr. Mohd Mokhtar Bin Ghazali
Mr. Shojiro Mizoguchi
Datuk Lor Chee Leng (appointed on 01 June 2017)
Mr. Seiji Imai (resigned w.e.f. 26 June 2018)
Mr. Guan Yeow Kwang (appointed on 26 June 2018)

DIRECTORS' INTERESTS IN SHARES

According to the Register of Directors' shareholdings, the directors in office at the end of the financial year did not have any interest in shares and share options of the Bank and its related corporations during the financial year.

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DIRECTORS' REPORT
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DIRECTORS' BENEFITS

Since the end of the previous financial year, no director of the Bank has received or become entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by directors as shown in the financial statements or the fixed salary of a full-time employee of the Bank) by reason of a contract made by the Bank or a related corporation with the director or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest.

Neither at the end of the financial year, nor at any time during the year, did there subsist any arrangements to which the Bank was a party whereby directors might acquire benefits by means of the acquisition of shares in or debenture of the Bank or any other body corporate.

ISSUE OF SHARES

There were no changes in the authorised, issued and paid up share capital of the Bank during the financial year.

There were no issues of debentures during the financial year.

BAD AND DOUBTFUL DEBTS

Before the financial statements of the Bank were made out, the directors took reasonable steps to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and satisfied themselves that there is no known bad debts and that adequate allowance had been made for doubtful debts.

At the date of this report, the directors are not aware of any circumstances which would render it necessary to write off any amount as bad debts or render the amount of the allowance for doubtful debts in the financial statements of the Bank inadequate to any substantial extent.

CURRENT ASSETS

Before the financial statements of the Bank were made out, the directors took reasonable steps to ascertain that any current assets, which were unlikely to be realised in the ordinary course of business, their value as shown in the accounting records of the Bank, had been written down to their estimated realisable values.

At the date of this report, the directors are not aware of any circumstances which would render the values attributed to current assets in the financial statements of the Bank misleading.

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DIRECTORS' REPORT
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2018

VALUATION METHODS

At the date of this report, the directors are not aware of any circumstances which have arisen which would render adherence to the existing methods of valuation of assets or liabilities in the Bank's financial statements misleading or inappropriate.

CONTINGENT AND OTHER LIABILITIES

At the date of this report, there does not exist:

- (a) any charge on the assets of the Bank which has arisen since the end of the financial year which secures the liability of any other person; or
- (b) any contingent liability in respect of the Bank which has arisen since the end of the financial year other than in the ordinary course of banking business.

No contingent liability or other liability of the Bank has become enforceable, or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the directors, will or may substantially affect the ability of the Bank to meet its obligations as and when they fall due.

CHANGE OF CIRCUMSTANCES

At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or the financial statements of the Bank which would render any amount stated in the financial statements misleading.

ITEMS OF UNUSUAL NATURE

The results of the operations of the Bank during the financial year were not, in the opinion of the directors, substantially affected by any item, transaction or event of a material and unusual nature.

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, to affect substantially the results of the Bank's operations for the current financial year in which this report is made.

HOLDING COMPANIES

The directors regard Mizuho Bank, Ltd. and Mizuho Financial Group, Inc. as its immediate holding company and ultimate holding company respectively. Both companies are incorporated in Japan.

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Incorporated in Malaysia

DIRECTORS' REPORT
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2018

BUSINESS RESULTS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2018

For the financial year ended 31 March 2018, the Bank registered higher profit before taxation ("PBT") of RM81.6 million, representing an increase of 363.0% as compared to PBT of RM17.6 million in the previous financial year. The significant increase was mainly attributed to higher net interest income of RM33.5 million and lower impairment allowance on loans, advances and financing of RM25.8 million. The increase in net interest income was derived from higher interest income on loans, advances and financing of RM65.8 million, partly offset by the increase in interest expense on interbank deposits of RM34.2 million. Lower impairment allowance in the year was due to write back of collective impairment allowance as there was an overall improvement in the customers' credit rating.

Other operating income increased by RM15.7 million mainly due to higher realised and unrealised foreign exchange gain. Meanwhile, other operating expenses increased by RM11.0 million primarily due to the higher administrative and general expenses which included collateral fees and legal and professional fees.

The Bank's total assets rose by RM73.7 million to RM8,300.0 million as at 31 March 2018. The growth in total assets was mainly attributable to the increase in loans, advances and financing by RM2.2 billion. This was offset by a decrease in cash and short-term funds and deposits and placements with financial institutions of RM2.1 billion.

As at 31 March 2018, the Bank's common equity Tier 1 capital ratio and total capital ratio remain stable at 27.651% and 28.768% respectively.

BUSINESS OUTLOOK FOR THE FINANCIAL YEAR ENDING 31 MARCH 2019

Malaysia's GDP growth is forecasted to be moderate at 5.0% this year, taking into account global demand is less assured in 2018 and downside risks are heightened, not least due to the elevated trade tensions between the United States and China that threaten to significantly reduce trade flows. On a positive note, Bank Negara Malaysia expects Malaysia's economic outlook to remain strong in the post-election environment, given its resilient and robust financial system.

MYR is expected to remain soft in the short term after the post-election environment, but once the political uncertainty abates, the long term prospects of MYR is anticipated to be at the bright side given the solid macro fundamental and expected hike in oil prices.

For the year ending 31 March 2019, the Bank will remain focused on strengthening its customer-based business to achieve sustainable growth. In addition, the Bank will continue to pursue a higher level of operational excellence by enhancing its existing services as well as increase its efficiency of operations. Through the on-going collaboration efforts, the Bank aims to achieve stable growth in its customers' base and position itself as reliable financial institution that contributes to the sound economic development of both Malaysia and Japan.

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Incorporated in Malaysia

DIRECTORS' REPORT
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2018

STATEMENT OF CORPORATE GOVERNANCE

BOARD'S DUTIES AND RESPONSIBILITIES

The Board of Directors (the "Board") is led by the Chairman, Dato' Seri Talaat Bin Husain, who is an Independent Non-Executive Director.

The roles of the Chairman and CEO are separated to ensure a balance of power and authority, such that no one individual has unfettered powers of decisions.

There are matters specifically reserved for the Board's decision to ensure that the direction and control of the Bank are firmly in hand. The day-to-day conduct of the Bank's business is delegated to the Executive Director/CEO and the full-time employees of the Bank subject to the authority limit given.

The Terms of Reference of the Board include the following:

- (1) The review and approval of management's proposal on strategies, business plan and significant policies and monitoring of management's performance in the implementation process;
- (2) Establishment of comprehensive risk management policies, processes and infrastructure to manage the various types of risks; and
- (3) Ensuring the operations of the Bank are carried out prudently and within the framework of relevant laws, rulings and regulations.

The Board also assumes various functions and responsibilities that are required of them by Bank Negara Malaysia ("BNM"), as specified in guidelines and directives issued by BNM from time to time.

BOARD COMPOSITION

At the date of this report, the Board of the Bank consists of five (5) members, of whom one (1) is the Executive Director/Chief Executive Officer ("ED/CEO"), three (3) are Independent Non-Executive Directors and one (1) is an Executive Director.

The Board consists of individuals of calibre, with credibility, integrity and the necessary skills, experiences as well as qualifications to supervise the management of the business and affairs of the Bank. The Board, as a whole, provides a mixture of core competencies including banking, finance, accounting, economics and business management for effective functioning and discharging of the responsibilities of the Board.

The presence of the three (3) Independent Non-Executive Directors provides the necessary checks and balances in the functioning of the Board and facilitates the Board in exercising objective judgement in decision making.

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DIRECTORS' REPORT
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STATEMENT OF CORPORATE GOVERNANCE (CONTINUED)

PROFILE OF DIRECTORS

Dato' Seri Talaat Bin Husain
Chairman, Independent Non-Executive Director

Dato' Seri Talaat Bin Husain, aged 67, was appointed as a Director of the Bank on 1 March 2011 and as the Chairman of the Bank on 28 November 2014. He holds a Bachelor of Social and Political Science from University Sains Malaysia and a Masters Degree in Professional Studies (International Planning) from Cornell University New York, USA.

Mr. Mohd Mokhtar Bin Ghazali
Independent Non-Executive Director

Mr. Mohd Mokhtar Bin Ghazali, aged 75, was appointed as a Director of the Bank on 1 March 2011. He is the Chairman of the Nominating Committee, Remuneration Committee, and Audit Committee. He holds a Bachelor of Economics from University Malaya, Malaysia.

Mr. Shojiro Mizoguchi
Executive Director/Chief Executive Officer

Mr. Shojiro Mizoguchi, aged 53, was appointed as ED/CEO of the Bank on 1 September 2015. He graduated from University of Hitotsubashi, majoring in Commerce.

Datuk Lor Chee Leng
Independent Non-Executive Director

Datuk Lor Chee Leng, aged 54, was appointed as Director of the Bank on 1 June 2017. He holds a Bachelor of Arts and Social Sciences from The National University of Singapore. He is a member of Nominating Committee, Remuneration Committee and Audit Committee. He is also the Chairman of Board Risk Management Committee.

Mr. Seiji Imai
Executive Director

Mr. Seiji Imai, aged 56, was appointed as a Director of the Bank on 20 October 2016. He holds a Bachelor of Law from The Kyoto University, Japan. He has resigned as a Director on 26 June 2018.

Mr. Guan Yeow Kwang
Executive Director

Mr. Guan Yeow Kwang, aged 61, was appointed as a Director of the Bank on 26 June 2018. He holds a Bachelor of Arts (Economic & Political Science) from National University of Singapore and MBA in Finance from the Manchester Business School.

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DIRECTORS' REPORT
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STATEMENT OF CORPORATE GOVERNANCE (CONTINUED)
FREQUENCY AND CONDUCT OF BOARD MEETINGS

The Board meets on a scheduled basis to review the management reports and to deliberate on various matters which require its guidance and approval.

During the financial year, the Board held twelve (12) meetings and the attendance at the Board meetings are as follows:

Board	Number of Meetings	
	Held	Attended
Dato' Seri Talaat Bin Husain <i>Independent Non-Executive Director</i>	12	12
Mr. Mohd Mokhtar Bin Ghazali <i>Independent Non-Executive Director</i>	12	12
Mr. Seji Imai (resigned w.e.f. 26 June 2018) <i>Executive Director</i>	12	9
Mr. Shojiro Mizoguchi <i>Executive Director/Chief Executive Officer</i>	12	12
Datuk Lor Chee Leng (appointed on 1 June 2017) <i>Independent Non-Executive Director</i>	9	9

DIRECTORS' TRAINING

All the directors received continuous trainings to keep abreast with latest developments in the banking and related sectors.

During the financial year, the seminars and courses attended by the directors are, inter-alia, on areas relating to banking and related topics, amongst others, including Financial Institutions Directors' Education Programme, Risk Management, Economics and Corporate Governance.

BOARD COMMITTEES

NOMINATING AND REMUNERATION COMMITTEE

The Bank's Nominating Committee consists of all the Directors of the Bank. The Remuneration Committee comprises three (3) Independent Non-Executive Directors (of whom one (1) is the Chairman).

The Nominating Committee is responsible to provide a formal and transparent procedure for the appointment of Directors and Executive Director / Chief Executive Officer (ED/CEO) as well as the assessment of the effectiveness of individual directors, Board as a whole, Board committees and the performance of the ED/CEO and key senior management officers. The Remuneration Committee is responsible to provide a formal and transparent procedure for developing remuneration policy for directors, ED/CEO, key senior management officers and Shariah Committee members as recommended by the Bank's regional management.

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STATEMENT OF CORPORATE GOVERNANCE (CONTINUED)

BOARD COMMITTEES (CONTINUED)

NOMINATING AND REMUNERATION COMMITTEE (CONTINUED)

The Nominating and Remuneration Committee shall meet at least once annually. During the financial year ended 31 March 2018, the Nominating Committee met nine (9) times. Details of attendance of each member at the Nominating Committee and Remuneration Committee meetings held during the financial year ended 31 March 2018 are as follows:

Nominating Committee Members	Number of Meetings	
	Held	Attended
Mr. Mohd Mokhtar Bin Ghazali * <i>Chairman</i>	9	9
Dato' Seri Talaat Bin Husain ** <i>Member</i>	9	9
Mr. Seiji Imai (ceased as member on 6 June 2017) <i>Member</i>	9	7
Mr. Shojiro Mizoguchi <i>Member</i>	9	9
Datuk Lor Chee Leng (appointed as member on 6 June 2017) <i>Member</i>	6	6

Remuneration Committee Members	Number of Meetings	
	Held	Attended
Mr. Mohd Mokhtar Bin Ghazali * <i>Chairman</i>	3	3
Dato' Seri Talaat Bin Husain ** <i>Member</i>	3	3
Datuk Lor Chee Leng (appointed as member on 6 June 2017) <i>Member</i>	3	3

* appointed as chairman on 6 June 2017

** stepped down as chairman on 6 June 2017

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STATEMENT OF CORPORATE GOVERNANCE (CONTINUED)

BOARD COMMITTEES (CONTINUED)

AUDIT COMMITTEE

The Bank's Audit Committee comprises three (3) Independent Non-Executive Directors (of whom one (1) is the Chairman).

The Audit Committee shall meet at least once every quarter. During the financial year ended 31 March 2018, the Audit Committee met eight (8) times.

Details of attendance of each Member at the Audit Committee meetings held during the financial year ended 31 March 2018 are as follows:

Audit Committee Members	Number of Meetings	
	Held	Attended
Mr. Mohd Mokhtar Bin Ghazali <i>Chairman</i>	8	7
Dato' Seri Talaat Bin Husain <i>Member</i>	8	8
Mr. Seiji Imai (ceased as member on 6 June 2017) <i>Member</i>	2	2
Datuk Lor Chee Leng (appointed as member on 6 June 2017) <i>Member</i>	6	6

Accountability and Audit

In addition to the duties and responsibilities set out under its Terms of Reference, the Audit Committee assists the Board by providing an objective non-executive review of the effectiveness and efficiency of the internal controls, risk management and governance processes of the Bank.

The Head of Internal Auditor attends every Audit Committee meeting.

The minutes of the Audit Committee meetings are tabled to the Board for noting and for action by the Board where appropriate.

The activities carried out by the Audit Committee during the year are set out on pages 10 to 12 of this Directors' Report.

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STATEMENT OF CORPORATE GOVERNANCE (CONTINUED)

BOARD COMMITTEES (CONTINUED)

AUDIT COMMITTEE (CONTINUED)

Relationship with External Auditors

It is the policy of the Audit Committee to meet with the external auditors at least twice a year to discuss their audit plan, audit findings and the Bank's financial statements. These meetings are held without the presence of the Executive Directors and the Management. The Audit Committee also meets with the external auditors whenever it deems necessary. In addition, the external auditors are invited to attend the annual general meeting of the Bank and are available to answer shareholders' questions on the conduct of the statutory audit and the preparation and content of their audit report.

The Audit Committee is responsible for approving audit, recurring audit-related and non-audit services provided by the external auditors. These recurring audit related and non-audit related services comprise regulatory reviews and reporting, tax advisory and compliance services. The terms of engagement for these services are reviewed by the Audit Committee and approved by the Board. The Audit Committee approves all ad-hoc non-audit services on a case to case basis. In approving such cases, the Audit Committee ensures that the independence and objectivity of the external auditors are not compromised.

Risk Governance

The Audit Committee, supported by the Internal Audit Department, provides an independent assessment of the adequacy and reliability of the risk management processes and system of internal controls, and compliance with risk policies and regulatory requirements.

Summary of Activities

During the financial year ended 31 March 2018, the Audit Committee carried out the following activities:

Financial Reporting

- Reviewed the quarterly unaudited financial results of the Bank before recommending the same for approval by the Board of Directors.
- Reviewed the final audited financial results of the Bank before recommending the same for approval by the Board of Directors.

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STATEMENT OF CORPORATE GOVERNANCE (CONTINUED)

BOARD COMMITTEES (CONTINUED)

AUDIT COMMITTEE (CONTINUED)

Internal Audit

- Reviewed the Internal Audit Charter in relation to the Guidelines on Internal Audit Function of Licensed Institutions issued by BNM to ensure its adequacy of scope and compliance with the guidelines.
- Reviewed the Annual Audit Plan to ensure adequate scope and comprehensive coverage over the activities of the Bank and ensured that all high risk areas are audited annually.
- Reviewed the effectiveness of the audit processes, resource requirements for the year and assessed the performance of Internal Audit Department.
- Reviewed, commented and approved the audit reports presented to the Audit Committee.
- Appoint, set compensation, evaluate performance and decide on the transfer and dismissal of the Bank's Head of Internal Audit.

External Audit

Reviewed with the external auditors:

- Their audit plan, audit strategy and scope of work for the year.
- The results of their annual audit, audit report and management letter together with management's response to their findings.
- Assessed the independence and objectivity of the external auditors during the year and prior to the appointment of the external auditors for ad-hoc non-audit services. The Audit Committee also received reports from the external auditors on their own policies regarding independence and the measures used to control the quality of their work.
- Evaluated the performance and effectiveness of the external auditors and made recommendations to the Board on their appointment and remuneration.

Related Party Transactions

- Reviewed the related party transactions entered into by the Bank.

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STATEMENT OF CORPORATE GOVERNANCE (CONTINUED)

BOARD COMMITTEES (CONTINUED)

AUDIT COMMITTEE (CONTINUED)

Internal Audit Function

The Audit Committee is supported by the Internal Audit Department in the discharge of its duties and responsibilities. Internal Audit Department provides independent and objective assessment on the adequacy and effectiveness of the risk management, internal controls and governance processes.

The internal audit function reviews the effectiveness of the internal control structures over the Bank's activities focusing on high risk areas as determined using a risk-based approach. All high risk activities in each auditable area are audited annually.

The internal audits cover the review of the adequacy of risk management, operational controls, compliance with established procedures, guidelines and statutory requirements, quality of assets, management efficiency and level of customer services, amongst others. These audits are to ensure that the established controls are appropriate, effectively applied and achieve acceptable risk exposures consistent with the Bank's risk management policies. In performing such reviews, recommendations for improvement and enhancements to the existing system of internal controls and work processes are made.

Internal Audit Department also audits the information systems of the Bank.

Internal Audit Department provides consulting or advisory functions in the evaluation of risk exposures of new systems, business products and services to assess the controls that should be in place to mitigate the risks identified prior to implementation. When providing such consulting or advisory functions, Internal Audit Department is not involved in the system selection or implementation process in order to maintain its objectivity and independence.

Internal Audit Department works collaboratively with Risk Management Department to review and assess the risk governance framework and the risk management processes of the Bank in respect of their adequacy and effectiveness.

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STATEMENT OF CORPORATE GOVERNANCE (CONTINUED)

BOARD COMMITTEES (CONTINUED)

BOARD RISK MANAGEMENT COMMITTEE

The Board, through the Board Risk Management Committee ("BRMC"), maintains overall responsibility for risk oversight within the Bank.

The responsibilities of the Board in providing oversight for the risk management processes include ensuring that:

- all risk policies set by the Board are effectively implemented by the Three Lines of Defence;
- procedures exist for the approval of any activity that introduces new risks or significantly increases the existing risk profile of the Bank;
- information on the Bank's risk exposures are regularly and promptly reported to the Board and other appropriate parties;
- significant risk management policies and risk exposures are regularly discussed/reviewed, with special emphasis placed on those that define the Bank's risk tolerance; and
- effective internal control procedures are implemented and competent audit personnel are available to review the effectiveness of risk management procedures/controls and the reliability of information submitted.

The establishment of BRMC is approved by the Board.

The objectives are to oversee senior management's activities in managing credit, market, liquidity, operational and other risks and to ensure that the risk management processes are in place and function effectively.

The Chairman of the BRMC is Datuk Lor Chee Leng and its members are Dato' Seri Talaat Bin Husain, Mr. Mohd Mokhtar Bin Ghazali and Mr. Seiji Imai.

The Committee meets at least once every quarter, or more often as the Chairman of the Committee considers necessary or appropriate and the Committee held seven (7) meetings during the year.

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STATEMENT OF CORPORATE GOVERNANCE (CONTINUED)

BOARD COMMITTEES (CONTINUED)

BOARD RISK MANAGEMENT COMMITTEE (CONTINUED)

The details of attendance of each member at BRMC Meetings held during the financial year ended 31 March 2018 are as follows:

Board Risk Management Committee Members	Number of Meetings	
	Held	Attended
Datuk Lor Chee Leng (appointed as chairman on 6 June 2017) <i>Chairman</i>	5	5
Dato' Seri Talaat Bin Husain <i>Member</i>	7	7
Mr. Mohd Mokhtar Bin Ghazali * <i>Member</i>	7	7
Mr. Seiji Imai (ceased as member on 6 June 2017) <i>Member</i>	2	2

* stepped down as chairman on 6 June 2017

The Board Risk Management Committee is responsible for:

- reviewing and recommending risk management strategies, policies and risk tolerance for the Board's approval;
- reviewing and assessing the adequacy of the Bank's risk management policies and framework in identifying, measuring, monitoring and controlling risks, and the extent to which these policies and frameworks are effective;
- deciding whether any new credit activity or product is suitable from the business perspective, whether it complies with the Bank's business plan and regulations, and whether it will be adequately incorporated within the credit risk management process of the Bank and conducted according to standards set by the Board;
- ensuring infrastructure, resources and systems are in place for risk management, i.e. ensuring that the staff responsible for implementing risk management systems perform those duties independently of the Bank's risk taking activities; and
- reviewing and commenting on management's periodic reports on risk exposure, risk portfolio composition and risk management activities.

Committees supporting the Board Risk Management Committee

The BRMC, Credit Risk Management Committee ("CRMC") and Asset and Liability Management Committee ("ALMC") have been established by the Board to assume responsibility for the risk oversight and any approved policies and frameworks formulated on Credit, Market, Liquidity and Operational Risk.

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STATEMENT OF CORPORATE GOVERNANCE (CONTINUED)

BOARD COMMITTEES (CONTINUED)

BOARD RISK MANAGEMENT COMMITTEE (CONTINUED)

Committees supporting the Board Risk Management Committee (continued)

ALMC

The ALMC supports the BRMC in the oversight of market and liquidity risk management.

The ALMC, chaired by the Bank's CEO, has primary responsibility for the following:

- reviewing, assessing and reporting to the Board matters in relation to market risk, liquidity risk and market-oriented profits;
- reviewing and assessing Asset and Liability Management ("ALM") operations in relation to funding management, market risk management and any other policies;
- reviewing and assessing the status of the securities held by the Bank; and
- reviewing and assessing ALM operations in relation to the status of compliance with any applicable regulations.

CRMC

The CRMC supports the BRMC in the oversight of Credit Risk Management.

The CRMC is chaired by Independent non-executive director.

The Role of the CRMC is as follows:

- evaluating and assessing strategies to manage overall credit risks of the Bank;
- overseeing development of credit policies, monitoring and assessing the credit risk portfolio composition of the Bank;
- evaluating risks of the Bank under stress scenarios;
- assessing the risk-return trade-off of the Bank;
- reviewing and commenting on the reports of the credit review process, asset quality and ensure corrective action is taken; and
- reviewing and evaluating the various credit products to ensure compliance with standards set by the Board.

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DIRECTORS' REPORT
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STATEMENT OF CORPORATE GOVERNANCE (CONTINUED)

BOARD COMMITTEES (CONTINUED)

MANAGEMENT INFORMATION

All the Directors have reviewed the Board reports prior to the Board Meetings. Information and materials, duly endorsed by the CEO and the relevant functional heads that are important to the directors' understanding of the agenda items and related topics are distributed in advance prior to the date of the meeting. The Board reports, amongst others, include the monthly performance of the Bank, minutes of the various Board and Management Committees, risk portfolio reports, any other prevailing regulatory developments as well as economic and business environment updates.

RELATED PARTY TRANSACTIONS

During the financial year ended 31 March 2018, the Bank entered into transactions with its immediate holding company, Mizuho Bank, Ltd. in the normal course of business. The details and nature of the transactions are disclosed in Note 27 to the financial statements.

DISCLOSURE OF SHARIAH COMMITTEE

The Bank's Shariah Committee was established to ensure that the aims and operations of the Bank's business in Islamic finance are in compliance with Shariah principles at all times. The roles and responsibilities of the Bank's Shariah Committee are as prescribed in the Shariah Governance Framework for Islamic Financial Institutions issued by BNM and in compliance with the respective members' letter of appointment.

The Chairman of the Shariah Committee is Dr. Mohd Zakhiri Bin Md Nor and its members are Dr. Mohd Edil Bin Abd Sukor and Mr. Mohd Fazli Bin Masri.

The details of attendance of each member at Shariah Committee Meetings held during the financial year ended 31 March 2018 are as follows:

Shariah Committee Members	Number of Meetings	
	Held	Attended
Dr. Mohd Zakhiri Bin Md Nor <i>Chairman</i>	6	6
Dr. Mohd Edil Bin Abd Sukor <i>Member</i>	6	6
Mr. Mohd Fazli Bin Masri <i>Member (appointed as member on May 2017)</i>	6	6

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

DIRECTORS' REPORT
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2018

STATEMENT OF CORPORATE GOVERNANCE (CONTINUED)

DISCLOSURE OF SHARIAH COMMITTEE (CONTINUED)

The key roles and responsibilities of Shariah Committee include:

- to understand that in the course of discharging the duties and responsibilities as a Shariah Committee member, the Shariah Committee is responsible and accountable for all Shariah decisions, opinions and views provided by them.
- to advise the Board and provide input to the Bank on Shariah matters in order for the Bank to comply with Shariah principles at all times.
- to endorse Shariah policies and procedure prepared by the Bank and to ensure that the contents do not contain any elements which are not in line with Shariah.
- to ensure that the products of the Bank related to Islamic finance comply with Shariah principles and the Shariah Committee must approve:
 - (i) the terms and conditions contained in the forms, contracts, agreements or legal documentations used in executing the transactions; and
 - (ii) the product manual, marketing advertisements, sales illustrations and brochures used to describe the product.
- to assess the work carried out by Shariah review and Shariah audit in order to ensure compliance with Shariah matters which forms part of their duties in providing their assessment of Shariah compliance and assurance information in the annual report.
- to assist related parties of the Bank such as legal counsel, auditor or consultant that may seek advice on Shariah matters from the Shariah Committee by providing the necessary assistance to the requesting party.
- to advise the Bank to consult the BNM's Shariah Advisory Council ("SAC") on Shariah matter that could not be resolved.
- to provide written Shariah opinions in circumstances where the Bank makes reference to the BNM's SAC for further deliberation, or where the Bank submits applications to the BNM for new product approval.

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

DIRECTORS' REPORT
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2018

AUDITORS AND AUDITORS' REMUNERATION

The auditors, Ernst & Young, have expressed their willingness to continue in office. The auditors remuneration is disclosed in Note 23 to the financial statements.

Signed on behalf of the Board in accordance with their resolution dated 24 July 2018.



DATO' SERI TALAAT BIN HUSAIN
DIRECTOR



MR. MOHD MOKHTAR BIN GHAZALI
DIRECTOR

Kuala Lumpur

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

STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2018

	Note	2018 RM'000	2017 RM'000
ASSETS			
Cash and short-term funds	5	1,388,718	2,475,174
Deposits and placements with financial institutions	6	127,813	1,176,891
Financial investments available-for-sale	7	454,653	300,024
Loans, advances and financing	8	5,838,601	3,645,254
Derivative financial assets	9	368,881	593,387
Other assets	10	98,039	13,101
Property and equipment	11	9,981	8,651
Intangible assets	12	13,344	13,867
TOTAL ASSETS		<u>8,300,030</u>	<u>8,226,349</u>
LIABILITIES AND EQUITY			
Deposits from customers	13	2,163,831	2,636,143
Deposits and placements from financial institutions	14	4,836,622	3,686,803
Derivative financial liabilities	9	347,288	565,168
Other liabilities	15	138,640	587,846
Deferred tax liabilities	16	7,151	1,870
TOTAL LIABILITIES		<u>7,493,532</u>	<u>7,477,830</u>
Share capital	17	700,000	700,000
Retained profits	18	66,994	18,222
Other reserves	19	39,504	30,297
TOTAL EQUITY		<u>806,498</u>	<u>748,519</u>
TOTAL LIABILITIES AND EQUITY		<u>8,300,030</u>	<u>8,226,349</u>
COMMITMENTS AND CONTINGENCIES	29	<u>10,323,351</u>	<u>11,641,250</u>

The accompanying notes form an integral part of the financial statements.

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

STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2018

	Note	2018 RM'000	2017 RM'000
Interest income	20	203,007	128,912
Interest expense	21	<u>(107,047)</u>	<u>(66,500)</u>
Net interest income		95,960	62,412
Other operating income	22	<u>58,980</u>	<u>43,284</u>
Net operating income		154,940	105,696
Other operating expenses	23	<u>(81,505)</u>	<u>(70,479)</u>
Operating profit		73,435	35,217
Writeback/(Impairment) allowance on loans, advances and financing	25	<u>8,170</u>	<u>(17,592)</u>
Profit before taxation		81,605	17,625
Taxation	26	<u>(24,049)</u>	<u>(395)</u>
Profit for the financial year		57,556	17,230
Other comprehensive income:			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Unrealised gain/(loss) on financial investments available-for-sale		557	(565)
Income tax effect		<u>(134)</u>	<u>136</u>
Other comprehensive income for the year		423	(429)
Total comprehensive income for the financial year		<u>57,979</u>	<u>16,801</u>
Profit attributable to: Owner of the Bank		<u>57,556</u>	<u>17,230</u>
Total comprehensive income attributable to: Owner of the Bank		<u>57,979</u>	<u>16,801</u>
Basic earnings per share (sen)	28	<u>8.22</u>	<u>2.46</u>

The accompanying notes form an integral part of the financial statements.

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

STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2018

	← Non-distributable →			→ Distributable		Total RM'000
	Share capital RM'000	Statutory reserve RM'000	Regulatory reserve RM'000	Available for-sale reserve RM'000	Retained profits RM'000	
2018						
At 1 April 2017	700,000	25,680	4,889	(272)	18,222	748,519
Profit for the financial year	-	-	-	-	57,556	57,556
Other comprehensive income	-	-	-	423	-	423
Transfer to regulatory reserve	-	-	34,464	-	(34,464)	-
Transfer from statutory reserve (Note 19(a))	-	(25,680)	-	-	25,680	-
At 31 March 2018	<u>700,000</u>	<u>-</u>	<u>39,353</u>	<u>151</u>	<u>66,994</u>	<u>806,498</u>
2017						
At 1 April 2016	700,000	17,065	5,784	157	8,712	731,718
Profit for the financial year	-	-	-	-	17,230	17,230
Other comprehensive income	-	-	-	(429)	-	(429)
Transfer from regulatory reserve	-	-	(895)	-	895	-
Transfer to statutory reserve	-	8,615	-	-	(8,615)	-
At 31 March 2017	<u>700,000</u>	<u>25,680</u>	<u>4,889</u>	<u>(272)</u>	<u>18,222</u>	<u>748,519</u>

The accompanying notes form an integral part of the financial statements.

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

STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2018

	2018	2017
	RM'000	RM'000
Cash flows from operating activities		
Profit before taxation	81,605	17,625
<i>Adjustments for:</i>		
Depreciation of property and equipment	2,500	2,583
Amortisation of intangible asset	3,329	2,965
Property and equipment written off	-	2
(Writeback)/Impairment allowances on loans, advances and financing	(8,170)	17,592
Amortisation of premium net of accretion of discount	118	656
Net unrealised loss/(gain) on revaluation of derivatives	6,626	(5,409)
Unrealised foreign exchange gain	(22,839)	(15,327)
Operating profit before changes in working capital	63,169	20,687
<i>(Increase)/decrease in operating assets</i>		
Deposits and placements with financial institutions	(76,746)	(170,870)
Loans, advances and financing	(2,185,177)	(1,391,425)
Other assets	(64,387)	27,951
Amount owing by holding company	294	(121)
Purchase of financial investments available-for-sale	(154,190)	(90,142)
<i>(Decrease)/increase in operating liabilities</i>		
Deposits from customers	(472,312)	998,545
Deposits and placements from financial institutions	1,149,819	969,677
Other liabilities	(456,514)	262,016
Cash (used in)/generated from operating activities	(2,196,044)	626,318
Taxation paid	(9,600)	(1,694)
Net cash (used in)/generated from operating activities	(2,205,644)	624,624
Cash flows from investing activities		
Purchase of property and equipment	(3,830)	(2,058)
Purchase of intangible asset	(2,806)	(5,382)
Net cash used in investing activities	(6,636)	(7,440)

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

STATEMENT OF CASH FLOWS (CONTINUED)
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2018

	2018	2017
	RM'000	RM'000
Net (decrease)/increase in cash and cash equivalents	(2,212,280)	617,184
Cash and cash equivalents at 1 April	<u>3,420,998</u>	<u>2,803,814</u>
Cash and cash equivalents as at 31 March	<u>1,208,718</u>	<u>3,420,998</u>
 Analysis of cash and cash equivalents		
Cash and short-term funds (Note 5)	1,388,718	2,475,174
Deposits and placements with financial institutions (Note 6)	127,813	1,176,891
Less: Deposits and placements with financial institutions with contractual maturity more than 3 months	<u>(307,813)</u>	<u>(231,067)</u>
	<u>1,208,718</u>	<u>3,420,998</u>

The accompanying notes form an integral part of the financial statements.

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2018

1. GENERAL INFORMATION

Mizuho Bank (Malaysia) Berhad is a limited liability company, incorporated and domiciled in Malaysia. The registered office and principal place of business of the Bank is located at Level 27, Menara Maxis, Kuala Lumpur City Centre, 50088, Kuala Lumpur, Malaysia.

The principal activities of the Bank are banking and related financial services. There have been no significant changes in the nature of the principal activities during the financial year.

The immediate holding company and ultimate holding company of the Bank are Mizuho Bank, Ltd. and Mizuho Financial Group, Inc. respectively, both are incorporated in Japan.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of directors on 25 July 2018.

2. ACCOUNTING POLICIES

The following accounting policies have been used consistently in dealing with items which are considered material in relation to the financial statements, unless otherwise stated.

2.1 BASIS OF PREPARATION AND PRESENTATION

The financial statements of the Bank have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards ("IFRSs") and the requirements of the Companies Act 2016 in Malaysia.

The financial statements have been prepared under the historical cost basis unless otherwise indicated in the summary of significant accounting policies as disclosed in Note 2.2.

The Bank presents the statement of financial position in order of liquidity.

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously. Income and expenses are not offset in the income statement unless required or permitted by an accounting standard or interpretation, and specifically disclosed in the accounting policies of the Bank.

The financial statements are presented in Ringgit Malaysia ("RM") and all values are rounded to the nearest thousand ("RM'000"), unless otherwise stated.

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2018

2. ACCOUNTING POLICIES (CONTINUED)

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(i) Financial assets

(a) Date of recognition

All financial assets are initially recognised on the trade date, i.e. the date that the Bank becomes a party to the contractual provisions of the instrument. This includes regular way trades, purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

(b) Initial recognition and subsequent measurement

Financial assets within the scope of MFRS 139 *Financial Instruments: Recognition and Measurement* ("MFRS139") are classified as financial assets at fair value through profit or loss ("FVTPL"), loans and receivables, financial investments held-to-maturity ("HTM") and financial investments available-for-sale ("AFS"). The Bank determines the classification of financial assets at initial recognition, in which the details are disclosed below.

The classification of financial assets at initial recognition depends on the purpose and the management's intention for which the financial assets were acquired and their characteristics. All financial assets are measured initially at their fair value plus directly attributable transaction costs, except in the case of financial investments recorded at fair value through profit or loss.

Included in financial assets of the Bank are the following:

(1) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Financial assets classified in this category include cash and balances with banks, loans, advances and financing and other receivables. These financial assets are initially recognised at fair value, including direct and incremental transaction costs and subsequently measured at amortised cost using the effective interest method.

(2) Financial investments AFS

Financial investments AFS are financial assets that are designated as available-for-sale.

Financial investments AFS relates to debt securities. Debt securities in this category are intended to be held for an indefinite period of time and which may be sold in response to liquidity needs or changes in market conditions.

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2018

2. ACCOUNTING POLICIES (CONTINUED)

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Financial assets (continued)

(b) Initial recognition and subsequent measurement (continued)

(2) Financial investments AFS (continued)

After initial recognition, financial investments AFS are subsequently measured at fair value. Unrealised gains and losses are recognised directly in other comprehensive income in the 'available-for-sale reserve', except for impairment losses, foreign exchange gains or losses on monetary financial assets and interest income calculated using the effective interest method are recognised in the income statements. Dividends on financial investments AFS are recognised in the income statements when the Bank's right to receive payment is established. When the Bank derecognise financial investments AFS, the cumulative gain or loss previously recognised in equity is recognised in the income statements in 'other operating income'.

(c) Derecognition

A financial asset is derecognised when:

- (1) The rights to receive cash flows from the financial asset have expired;
- (2) The Bank has transferred its rights to receive cash flows from the financial asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass through" arrangement; and either:
 - (i) the Bank has transferred substantially all the risks and rewards of the financial asset, or
 - (ii) the Bank has neither transferred nor retained substantially all the risks and rewards of the financial asset, but have transferred control of the financial asset.

When the Bank has transferred its rights to receive cash flows from a financial asset or has entered into a pass through arrangement and have neither transferred nor retained substantially all the risks and rewards of the financial asset nor transferred control of the financial asset, the financial asset is recognised to the extent of the Bank's continuing involvement in the financial asset. In that case, the Bank also recognises an associated financial liability. The transferred financial asset and associated financial liability are measured on a basis that reflects the rights and obligations that the Bank has retained.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2018

2. ACCOUNTING POLICIES (CONTINUED)

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Financial assets (continued)

(d) Impairment of financial assets

The Bank assesses at each reporting date whether there is any objective evidence that a financial asset, including financial investment or group of financial investments (other than financial assets at FVTPL) is impaired. A financial asset or a group of financial assets is deemed to be impaired if and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred loss event) and that loss event(s) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the borrower or a group of borrowers experiencing significant financial difficulty, the probability that they will enter bankruptcy or other reorganisation, default or delinquency in interest or principal payments or where observable data indicates that there is a measureable decrease in the estimated future cash flows, such as changes in economic conditions that correlate with defaults.

(1) Loans and receivables

(i) Loans, advances and financing

Classification of loans, advances and financing as impaired

Loans, advances and financing are classified as impaired when:

- principal or interest/profit or both are past due for three (3) months or more; or
- where loans, advances and financing in arrears for less than three (3) months exhibit indications of credit weaknesses, whether or not impairment loss has been provided for; or
- where an impaired loan, advance and financing has been rescheduled or restructured, the loans, advances and financing will continue to be classified as impaired until repayments based on the revised and/or restructured terms have been observed continuously for a period of six (6) months.

Impairment process – individual assessment

The Bank assesses if objective evidence of impairment exists for loans, advances and financing which are deemed to be individually significant.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2018

2. ACCOUNTING POLICIES (CONTINUED)

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Financial assets (continued)

(d) Impairment of financial assets (continued)

(1) Loans and receivables (continued)

(i) Loans, advances and financing (continued)

Impairment process – individual assessment (continued)

If there is objective evidence that an impairment loss has been incurred, the amount of loss is measured as the difference between the loans, advances and financing carrying amount and the present value of the estimated future cash flows discounted at the loans, advances and financing original effective interest rate. The carrying amount of the loans, advances and financing is reduced through the use of an allowance account and the amount of the loss is recognised in the income statements.

Impairment process – collective assessment

Loans, advances and financing which are not individually significant and that have been individually assessed with no evidence of impairment loss are grouped together for collective impairment assessment. These loans, advances and financing are grouped within similar credit risk characteristics for collective assessment, whereby data from the loans, advances and financing portfolio (such as credit quality, levels of arrears, credit utilisation, loan to collateral ratios etc.) and concentrations of risks (such as the performance of different individual groups) are taken into consideration.

Future cash flows in a group of loans, advances and financing that are collectively evaluated for impairment are estimated based on the historical loss experience of the Bank. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not currently exist.

Estimates of changes in future cash flows for groups of assets should reflect and be directionally consistent with changes in related observable data from period to period. The methodology and assumptions used for estimating future cash flows are reviewed regularly by the Bank to reduce any differences between loss estimates and actual loss experience.

MIZUHO BANK (MALAYSIA) BERHAD (923693-H)
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2018

2. ACCOUNTING POLICIES (CONTINUED)

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Financial assets (continued)

(d) Impairment of financial assets (continued)

(1) Loans and receivables (continued)

(i) Loans, advances and financing (continued)

Impairment process – written off accounts

Where a loan, advance and financing is uncollectible, it is written off against the related allowance for loan impairment. Such loans, advances and financing are written off after the necessary procedures have been completed and the amount of the loss has been determined. Subsequent recoveries of the amounts previously written off are recognised in the income statements.

(ii) Other receivables

To determine whether there is objective evidence that an impairment loss on financial assets has been incurred, the Bank considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

If any such evidence exists, the amount of impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The impairment loss is recognised in profit or loss.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets.

If in a subsequent year, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date. The amount of reversal is recognised in profit or loss.

MIZUHO BANK (MALAYSIA) BERHAD (923693-H)
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2018

2. ACCOUNTING POLICIES (CONTINUED)

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Financial assets (continued)

(d) Impairment of financial assets (continued)

(2) Financial investments AFS

For financial investments AFS, the Bank assesses at each reporting date whether there is objective evidence that an investment is impaired.

In the case of debt instruments classified as financial investments AFS, the Bank assesses individually whether there is objective evidence that an investment is impaired. If there are objective evidence of impairment on financial investments AFS, the amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognised in the income statements. Future interest income is based on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

Interest income is recorded as part of interest and similar income.

Subsequent reversals in the impairment loss are recognised when the decrease can be objectively related to an event occurring after the impairment loss was recognised, to the extent that the financial assets carrying amount does not exceed its amortised cost had the impairment not been recognised at the reversal date. The reversal is recognised in the income statements.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2018

2. ACCOUNTING POLICIES (CONTINUED)

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(ii) Financial liabilities

(a) Date of recognition

All financial liabilities are initially recognised on the trade date i.e. the date that the Bank becomes a party to the contractual provision of the instruments. This includes regular way trades: purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place.

(b) Initial recognition and subsequent measurement

Financial liabilities are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability. All financial liabilities are measured initially at fair value plus directly attributable transaction costs, except in the case of financial liabilities at FVTPL.

Financial liabilities are classified as either financial liabilities at FVTPL or other financial liabilities.

(1) Financial liabilities at FVTPL

Financial liabilities at FVTPL include financial liabilities held for trading ("HFT") and financial liabilities designated upon initial recognition as at FVTPL. Financial liabilities HFT include derivatives entered into by the Bank that does not meet the hedge accounting criteria.

The Bank has not designated any financial liabilities as at FVTPL.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2018

2. ACCOUNTING POLICIES (CONTINUED)

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(ii) Financial liabilities (continued)

(b) Initial recognition and subsequent measurement (continued)

(2) Other financial liabilities

The Bank's other financial liabilities mainly include deposits from customers, deposits and placements from financial institutions and other liabilities.

(i) Deposits from customers and deposits and placements from financial institutions

Deposits from customers and deposits and placements from financial institutions are stated at placement values.

(ii) Other liabilities

Other liabilities are stated at cost which is the fair value of the consideration expected to be paid in the future for goods and services received.

(c) Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expired. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference between the carrying value of the original financial liability and the consideration paid is recognised in profit or loss.

(iii) Offsetting of financial instruments

Financial assets and financial liabilities are offset against each other and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2018

2. ACCOUNTING POLICIES (CONTINUED)

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(iv) Derivative instruments and hedge accounting

(a) Derivative instruments

The Bank trades derivatives such as interest rate swaps and forward foreign exchange contracts.

Derivative instruments are initially recognised at fair value, which is normally zero or negligible at inception for non-option derivatives and equivalent to the market premium paid or received for purchased or written options. The derivatives are subsequently re-measured at their fair value. Fair values are obtained from quoted market prices in active markets, including recent market transactions and valuation techniques that include discounted cash flow models and option pricing models, as appropriate. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative. Changes in the fair value of any derivatives that do not qualify for hedge accounting are recognised immediately in the income statements.

(b) Hedge accounting

The Bank uses derivative instruments to manage exposures to interest rate, foreign currency and credit risks. In order to manage particular risks, the Bank applies hedge accounting for transactions which meet specified criteria.

At the inception of the hedge relationship, the Bank documents the relationship between the hedged item and the hedging instrument, including the nature of the risk, the risk management objective and strategy for undertaking the hedge and the method that will be used to assess the effectiveness of the hedging relationship at inception and on ongoing basis. At each hedge effectiveness assessment date, a hedge relationship must be expected to be highly effective on a prospective basis and demonstrate that it was effective (retrospective effectiveness) for the designated period in order to qualify for hedge accounting.

Hedge ineffectiveness is recognised in the income statements. For situations where the hedged item is a forecast transaction, the Bank also assesses whether the transaction is highly probable and presents an exposure to variations in cash flows that could ultimately affect the income statements.

(1) Fair value hedge

For designated and qualifying fair value hedges, the cumulative change in the fair value of a hedging derivative is recognised in the income statements. Meanwhile, the cumulative change in the fair value of the hedged item attributable to the risk hedged is recorded as part of the carrying value of the hedged item in the statements of financial position and is also recognised in the income statements.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2018

2. ACCOUNTING POLICIES (CONTINUED)

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(iv) Derivative instruments and hedge accounting (continued)

(b) Hedge accounting (continued)

(1) Fair value hedge (continued)

If the hedging instrument expires or is sold, terminated or exercised or where the hedge no longer meets the criteria for hedge accounting, the hedge relationship is terminated. For hedged items recorded at amortised cost, the difference between the carrying value of the hedged item on termination and the face value is amortised over the remaining term of the original hedge using the effective interest rate. If the hedged item is derecognised, the unamortised fair value adjustment is recognised immediately in the income statements.

The Bank did not apply fair value hedge as at the financial year end.

(2) Cash flow hedge

For designated and qualifying cash flow hedges, the effective portion of the gain or loss on the hedging instrument is initially recognised directly in equity in the cash flow hedge reserve. The ineffective portion of the gain or loss on the hedging instrument is recognised immediately in non-interest income in the income statements.

When the hedged cash flow affects the income statements, the gain or loss on the hedging instrument is recorded in the corresponding income or expense line of the income statements.

When a hedging instrument expires, or is sold, terminated, exercised or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in other comprehensive income at that time remains separately in equity until the hedged forecast transaction occurs.

When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in other comprehensive income is immediately transferred to income statements.

The Bank did not apply cash flow hedge as at the financial year end.

(3) Hedge of net investments in foreign operations

Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges. Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in the income statements.

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2. ACCOUNTING POLICIES (CONTINUED)

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(iv) Derivative instruments and hedge accounting (continued)

(b) Hedge accounting (continued)

(3) Hedge of net investments in foreign operations (continued)

On disposal of the foreign operations, the cumulative value of any such gains or losses recognised in other comprehensive income is transferred to the income statements.

The Bank did not apply hedge of net investments in foreign operations as at the financial year end.

(v) Property and equipment and depreciation

All items of property and equipment are initially recorded at cost. The cost of an item of property and equipment is recognised as an asset, if and only if, it is probable that future economic benefits associated with the item will flow to the Bank and the cost of the item can be measured reliably.

Subsequent to recognition, property and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. When significant parts of property, plant and equipment are required to be replaced in intervals, the Bank recognises such parts as individual assets with specific useful lives and depreciate them accordingly. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the property and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in the profit or loss as incurred.

Depreciation of other property and equipment is computed on a straight-line basis over its estimated useful life as follows:

Leasehold improvements	10 years
Office equipment, furniture and fittings	5 years
Computer hardware	5 years
Computer equipments	3 years

The carrying values of property and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. The residual value, useful life and depreciation method are reviewed at each financial year-end and adjusted prospectively, if appropriate. An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. The difference between the net disposal proceeds, if any, and the net carrying amount is recognised in the profit or loss.

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2. ACCOUNTING POLICIES (CONTINUED)

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(vi) Intangible assets

An intangible asset is recognised only when its cost can be measured reliably and it is probable that the expected future economic benefits that are attributable to it will flow to the Bank. Intangible assets as at the year end include computer software.

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

The useful lives of intangible assets are assessed as either finite or infinite. Intangible assets with finite lives are amortised over the useful economic life. Intangibles with infinite lives or not yet available for use are assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate and treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the income statements in the expense category consistent with the function of the intangible asset.

Intangible assets are amortised over their estimated finite useful lives as follows:

Computer software	5 years
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(vii) Other assets

Other assets are carried at anticipated realisable values. Bad debts are written off when identified. An allowance for impairment is based on a review of all outstanding amounts as at the reporting date.

(viii) Cash and cash equivalents

For the purpose of the cash flow statements, cash and cash equivalents include cash and short-term funds and deposits and placements with financial institutions, with a maturity of three month or less, which are subject to an insignificant rise of changes in value.

(ix) Provisions for liabilities

Provisions for liabilities are recognised when the Bank has a present obligation (legal or constructive) as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount can be made.

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2. ACCOUNTING POLICIES (CONTINUED)

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(ix) Provisions for liabilities (continued)

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount of the provision is the present value of the expenditure expected to be required to settle the obligation.

(x) Foreign currencies

(a) Functional and presentation currency

The financial statements of the Bank are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The financial statements are presented in Ringgit Malaysia ("RM"), which is also the Bank's functional currency.

(b) Foreign currency transactions and balances

Transactions in foreign currencies are measured in the functional currencies of the Bank are recorded on initial recognition in the functional currencies at exchange rates approximating those ruling at the transaction dates.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot exchange rate at the reporting date.

Non-monetary items denominated in foreign currencies that are measured at historical cost are translated using the spot exchange rates as at the date of the initial transactions. Non-monetary items denominated in foreign currencies measured at fair value are translated using the spot exchange rates at the date when the fair value was determined.

Exchange differences arising on the settlement of monetary items or on the translation of monetary items at the reporting date are recognised in the income statements.

Exchange differences arising on the translation of non-monetary items carried at fair value are included in the income statements for the year except for the differences arising on the translation of non-monetary items in respect of which gains and losses are recognised directly in equity.

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2. ACCOUNTING POLICIES (CONTINUED)

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(xi) Income tax

Income tax in the profit or loss for the year comprises current and deferred taxes. Current tax is the expected amount of income taxes payable in respect of the taxable profit for the year and is measured using the tax rates that have been enacted at the reporting date.

Deferred tax is provided for using the liability method. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

Deferred tax is measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the reporting date. Deferred tax is recognised as income or an expense and included in the profit or loss for the year, except when it arises from a transaction which is recognised directly in equity, in which case the deferred tax is also recognised directly in equity via other comprehensive income on fair value re-measurement of financial investments AFS.

(xii) Recognition of interest income and expense

Interest income and expense for all financial instruments measured at amortised cost and interest/profit-bearing financial assets classified as financial investments available-for-sale are recognised within 'interest income' and 'interest expense' in the income statements using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instruments or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Bank takes into account all contractual terms of the financial instrument and include any fees or incremental costs that are directly attributable to the instrument, which are an integral part of the effective interest rate, but does not consider future credit losses.

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2. ACCOUNTING POLICIES (CONTINUED)

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(xii) Recognition of interest income and expense (continued)

Once the recorded value of a financial asset or a group of similar financial assets has been reduced due to an impairment loss, interest income continues to be recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

Income and expense from Islamic banking business is recognised on an accrual basis in accordance with the principles of Shariah.

(xiii) Recognition of fee and other income

(a) Fee and commission income

The Bank earns fee and commission income from a diverse range of services it provides to its customers. Fee income can be divided into the following two categories:

(1) Fee income earned from services that are provided over a certain period of time

Fees earned for the provision of services over a period of time are accrued over that period. These fees include commission income and outsourcing fee on shared-service services to Mizuho Bank, Ltd., Labuan Branch and other management and advisory fees.

Loan commitment fees for loans that are likely to be drawn down and other credit related fees are deferred (together with any incremental costs) and recognised as an adjustment to the effective interest rate on the loan. When it is unlikely that a loan will be drawn down, the loan commitment fees are recognised over the commitment period on a straight-line basis.

(2) Fee income from providing transaction services

Fees arising from negotiating or participating in the negotiation of a transaction for a third party, such as the loan arrangement fee, commissions and placement fees, are recognised as income when all conditions precedent are fulfilled.

(b) Net trading income

Results arising from trading activities include all gains and losses from changes in fair value and related interest income or expense and dividends for financial assets and financial liabilities held-for-trading. This includes any ineffectiveness recorded in hedging transactions.

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2. ACCOUNTING POLICIES (CONTINUED)

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(xiv) Employee benefits

(a) Short-term benefits

Wages, salaries, bonuses and social security contributions are recognised as an expense in the year in which the associated services are rendered by employees of the Bank. Short-term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences. Short-term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

(b) Defined contribution plans

As required by law, companies in Malaysia make contributions to the Employees Provident Fund ("EPF"). Such contributions are recognised as an expense in the income statement when incurred.

(xv) Share capital

Ordinary shares are classified as equity when there is no contracted obligation to transfer cash on other financial assets. Transaction cost directly attributable to the issuance of new equity shares are taken for equity as a deduction for the proceeds.

(xvi) Contingent liabilities and contingent assets

The Bank does not recognise a contingent liability but disclose its existence in the financial statements. A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Bank or a present obligation that is not recognised because it is not probable that an outflow of resources will be required to settle the obligation or the amount cannot be estimated reliably. Contingent liabilities are disclosed, unless the probability of outflow of economic resources is remote. However, contingent liabilities do not include financial guarantee contracts.

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2. ACCOUNTING POLICIES (CONTINUED)

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(xvi) Contingent liabilities and contingent assets (continued)

A contingent asset is a possible asset that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Bank. The Bank does not recognise contingent assets but discloses their existence where inflows of economic benefits are probable, but not virtually certain.

(xvii) Fair value measurement

The Bank measures financial instruments such as financial investments AFS and derivatives at fair value at each statement of financial position date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability: or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to the Bank.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Bank uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

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2. ACCOUNTING POLICIES (CONTINUED)

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(xvii) Fair value measurement (continued)

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Bank determines whether transfers have occurred between fair value hierarchy levels by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The fair value of financial instruments and further details are disclosed in Note 33.

2.3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted are consistent with those of the previous financial year except for the adoption of the following new accounting standards and amendments to published standards which became effective for the first time for the Bank on 1 April 2017:

- Amendments to MFRS 107 Statement of Cash Flows - Disclosure Initiative
- Amendments to MFRS 112 Income Tax - Recognition of Deferred Tax Assets for Unrealised Losses
- Annual Improvements to MFRSs 2014-2016 cycle - Amendments to MFRS 12

The adoption of these amendments and annual improvements to standards did not have any material impact on the financial statements of the Bank. The Bank did not have to change its accounting policies or make retrospective adjustment as a result of adopting these new standards and amendments to published standards.

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2. ACCOUNTING POLICIES (CONTINUED)

2.3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

The nature of the new and amended MFRSs are described as below:

Amendments to MFRS 107 Statement of Cash Flow - Disclosure Initiative

The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (for example foreign exchange movements and fair value changes).

Amendments to MFRS 112 Income Tax - Recognition of Deferred Tax Assets for Unrealised Losses

The amendments clarify the requirements for recognising deferred tax assets on unrealised losses arising from deductible temporary difference on asset carried at fair value.

In addition, in evaluating whether an entity will have sufficient taxable profits in future periods against which deductible temporary differences can be utilised, the amendments require an entity to compare the deductible temporary differences with future taxable profits that excludes tax deductions resulting from the reversal of those temporary differences. The existing policy applied by the Bank in respect of the regulation of deferred tax assets comply with these requirements.

Annual Improvements to MFRSs 2014–2016 Cycle

(i) Amendments to MFRS 12 Disclosure of Interest in Other Entities

The amendments clarify the scope of MFRS 12 by specifying that its disclosure requirements (other than those in paragraphs B10-B16) apply to an entity's interest irrespective of whether they are classified (or included in a disposal group that is classified) as held-for-sale or discontinued operations in accordance with MFRS 5. The amendments are applied retrospectively.

3. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the financial statements requires the management to make judgments, estimates and assumptions that affect the reported amounts of income and expense in the profit and loss and of assets and liabilities in the statement of financial position, and the accompanying disclosures and the disclosure of contingent liabilities at the reporting date. This requires the management to exercise their judgments and to make use of information available at the reporting date when making their estimates. The actual future results from operations where management has made use of estimates may in reality differ significantly from those estimates, mainly due to market conditions and changes in credit risk. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability in the future.

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3. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (CONTINUED)

3.1 FAIR VALUE ESTIMATION OF FINANCIAL INVESTMENTS AVAILABLE-FOR-SALE AND DERIVATIVE FINANCIAL INSTRUMENTS

The fair values of financial investments and derivatives that are not traded in an active market are determined using appropriate valuation techniques based on assumptions of market conditions existed at the reporting date, including reference to quoted market prices and independent dealer quotes for similar financial instruments and discounted cash flows method.

Where the fair values of financial assets and financial liabilities recorded on the statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The input to these models is taken from observable markets where possible but where this is not feasible, a degree of judgement is required in establishing fair values. The judgments include consideration of liquidity and model inputs such as correlation and volatility for longer dated derivatives.

3.2 IMPAIRMENT ALLOWANCE ON LOANS, ADVANCES AND FINANCING

The Bank reviews its individually significant loans, advances and financing at each reporting date to assess whether an impairment loss should be recorded in the profit or loss. In particular, management judgment is required in the estimation of the amount and timing of future cash flows when determining the impairment loss. In estimating these cash flows, the Bank makes judgments about the borrower's financial situation and the net realisable value of collateral. These estimates are based on assumptions on a number of factors and actual results may differ, resulting in future changes to the allowances.

Loans, advances and financing that have been assessed individually but for which no impairment loss is required and all individually insignificant loans, advances and financing are then assessed collectively in groups of assets with similar credit risk characteristics, to determine whether provision should be made due to incurred loss events for which there is objective evidence but whose effects are not yet evident. The collective assessment takes account of data from loans, advances and financing portfolio (such as credit quality, levels of arrears, credit utilisation, loan to collateral ratio etc.) and judgments on the effect of concentrations of risks (such as the performance of different individual group).

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3. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS
(CONTINUED)

3.3 DEFERRED TAX AND INCOME TAXES

Significant judgment is required in estimating the provision for income taxes. There are many transactions and interpretations of tax law for which the final outcome will not be established until some time later. Liabilities for taxation are recognised based on estimates of whether additional taxes will be payable. The estimation process includes seeking advice on the tax treatments where appropriate. Where the final liability for taxation is different from the amounts that were initially recorded, the differences will affect the income tax and deferred tax provisions in the period in which the estimate is revised or the final liability is established.

Deferred tax assets are recognised in respect of tax losses to the extent that it is probable that future taxable profit will be available against which the losses can be utilised. Judgment is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits, together with future tax planning strategies.

3.4 GOING CONCERN

The Bank's management has made an assessment of its ability to continue as a going concern and is satisfied that it has the resources to continue in business for the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Bank's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

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4. STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

The standards and interpretations that are issued but not yet effective up to the date of issuance of the Bank's financial statements are disclosed below. The Bank intends to adopt these standards, if applicable, when they become effective.

Description	Effective for annual periods beginning on or after
Annual Improvements to MFRSs 2014 - 2016 Cycle - Amendments to MFRS 1 and MFRS 128	1 January 2018
Amendments to MFRS 2 Share-based Payment - Classification and Measurement of Share-based Payment Transactions	1 January 2018
Amendments to MFRS 4 Insurance Contracts - Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts	1 January 2018
IC Interpretation 22 Foreign Currency Transactions and Advance Consideration	1 January 2018
Amendments to MFRS 140 Investment Property - Transfers of Investment Property	1 January 2018
MFRS 15 Revenue from Contracts with Customers	1 January 2018
MFRS 9 Financial Instruments	1 January 2018
MFRS 16 Leases	1 January 2019
Annual Improvements to MFRSs 2015 - 2017 Cycle	1 January 2019
Amendments to MFRS 9 Financial Instruments - Prepayment Features with Negative Compensation	1 January 2019
Amendments to MFRS 128 Investment in Associate and Joint Ventures - Long-term Interests in Associates and Joint Ventures	1 January 2019
Amendments to MFRS 119 Employee Benefit - Plan Amendment, Curtailment or Settlement	1 January 2019
IC Interpretation 23 Uncertainty over Income Tax Treatments	1 January 2019
MFRS 17 Insurance Contracts	1 January 2021
Amendments to MFRS 10 Consolidated Financial Statements and Amendments to MFRS 128 Investment in Associate and Joint Venture - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be announced by MASB

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4. STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE (CONTINUED)

Annual Improvements to MFRSs 2014–2016 Cycle

The Annual Improvements to MFRSs 2014-2016 Cycle include a number of amendments to various MFRSs, which are summarised below. The Directors of the Bank do not anticipate that the application of these amendments will have a significant impact on the Bank's financial statements.

(i) Amendments to MFRS 1 First-time Adoption of Malaysian Financial Reporting Standards

The amendments deleted short-term exemptions covering MFRS 7, MFRS 10 and MFRS 119. These transition provision were available to entities for past reporting periods and therefore are no longer applicable.

(ii) Amendments to MFRS 128 Investments in Associates and Joint Ventures

MFRS 128 allows venture capital organisations, mutual funds, unit trusts and similar entities to elect measuring their investments in associates or joint ventures at fair value or using equity method. The amendments clarified that this election should be made separately for each associate or joint venture at initial recognition.

IC Interpretation 22 Foreign Currency Transactions and Advance Consideration

The Interpretation provides guidance on how to determine the date of the transaction when applying MFRS 121 in situations where an entity either pays or receives consideration in advance for foreign currency-denominated contracts. For the purpose of determining the exchange rate to use on initial recognition of the related item, the Interpretation states that the date of the transaction shall be the date on which an entity initially recognises the non-monetary asset or liability arising from the advance consideration.

The amendments are effective for annual periods beginning on or after 1 January 2018 with early adoption permitted. Entities can choose to apply the Interpretation retrospectively, prospectively to items that are initially recognised on or after the beginning of the reporting period in which the Interpretation is first applied, or prospectively from the beginning of a prior reporting period presented as comparative information.

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4. STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE (CONTINUED)

MFRS 15 Revenue from Contracts with Customers

MFRS 15 establishes a new five-step models that will apply to revenue arising from contracts with customers. MFRS 15 will supersede the current revenue recognition guidance including MFR 118 *Revenue*, MFRS 111 *Construction Contracts* and the related interpretations when it becomes effective.

The core principle of MFRS 15 is that an entity should recognise revenue which depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

Under MFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e when “control” of the goods or services underlying the particular performance obligation is transferred to the customer.

The adoption of MFRS 15 is not expected to have any material impact on the financial statements of the Bank as most of the revenue of the Bank are already recognised in accordance with the principles of MFRS 15.

MFRS 9 Financial Instruments

The IASB issued the final version of IFRS 9 Financial Instruments which reflects all phases of the financial instruments project and replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Retrospective application is required, but restatement of comparative information is not compulsory.

MFRS 9 is issued by the MASB in respect of its application in Malaysia. It is equivalent to IFRS 9 as issued by IASB, including the effective and issuance dates. The areas with expected significant impact from application of MFRS 9 are summarised as below:

Classification and Measurement

The classification and measurement of financial assets is determined on the basis of the contractual cash flow characteristics and the objective of the business model associated with holding the assets. Key changes include:

- The HTM and AFS asset categories will be removed;

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4. STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE (CONTINUED)

MFRS 9 Financial Instruments (continued)

Classification and Measurement (continued)

- A new asset category measured at fair value through other comprehensive income ("FVOCI") is introduced. This applies to debt instruments with contractual cash flow characteristics that are solely payments of principal and interest and held in a model whose objective is achieved by both collecting contractual cash flows and selling financial assets;
- A new asset category for non-traded equity investments measured at FVOCI is introduced; and
- Classification of financial liabilities will remain largely unchanged, other than the fair value gains and losses attributable to changes in 'own credit risk' for financial liabilities designated and measured at FVTPL to be presented in other comprehensive income ("OCI"). The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change in respect of the liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss.

Impairment

The MFRS 9 impairment requirements are based on an expected credit loss ("ECL") model that replaces the incurred loss model under the current accounting standard. The Bank will be generally required to recognise either a 12-month or lifetime ECL, depending on whether there has been a significant increase in credit risk since initial recognition. The ECL model will apply to financial assets measured at amortised cost or at FVOCI, irrevocable loan commitments and financial guarantee contracts, which will include loans, advances and financing and debt instruments held by the Bank, contract assets under MFRS 15 and lease receivables under MFRS 117 Leases. MFRS 9 will change the Bank's current methodology for calculating allowances for impairment, in particular for individual and collective assessment and provisioning.

Hedge Accounting

The requirements for general hedge accounting have been simplified for hedge effectiveness testing and may result in more designations of hedged items for accounting purposes.

Impact as a result of the adoption of MFRS 9

MFRS 9 introduces significant changes in the way the Bank account for its financial instrument, particularly on the Bank's accounting policy on impairment allowance for loans, advances and financing and financial assets.

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4. STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE (CONTINUED)

MFRS 9 Financial Instruments (continued)

Impact as a result of the adoption of MFRS 9 (continued)

The key areas which would impact the financial results of the Bank as a result of the adoption of MFRS 9 are:

(i) Classification and measurement of financial assets

Certain debt instruments which are currently classified as loans and receivables and measured at amortised cost will be redesignated and measured at fair value.

(ii) Recognition and measurement of impairment

The recognition and measurement of impairment under MFRS 9 will be more forward-looking and will result in earlier recognition of credit losses as compared to MFRS 139. As certain basis and assumptions are still being refined, the quantitative impact to the overall financial statements has not been finalised at this juncture.

The adoption of MFRS 9 will also result in changes to the presentation and disclosures of financial instruments in the financial statement of the Bank. Under the new requirement, the disclosures of financial instruments and its related risks will be more extensive.

MFRS 16 Leases

MFRS 16 'Leases' supersedes MFRS 117 'Leases' and the related interpretations.

Under MFRS 16, a lease is a contract (or part of a contract) that conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

MFRS 16 eliminates the classification of leases by the lessee as either finance leases (on balance sheet) or operating leases (off balance sheet). MFRS 16 requires a lessee to recognise a "right-of-use" of the underlying asset and a lease liability reflecting future lease payments for most leases.

The right-of-use asset is depreciated in accordance with the principle in MFRS 116 'Property, Plant and Equipment' and the lease liability is accreted over time with interest expense recognised in the income statement.

For lessors, MFRS 16 retains most of the requirements in MFRS 117. Lessors continue to classify all leases as either operating leases or finance leases and account for them differently.

MFRS16 is effective for annual periods beginning on or after 1 January 2019, with early application permitted provided MFRS 15 is also applied.

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4. STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE (CONTINUED)

Annual Improvements to MFRSs 2015–2017 Cycle

The Annual Improvements to MFRSs 2015-2017 Cycle include a number of amendments to various MFRSs, which are summarised below. The Directors of the Bank do not anticipate that the application of these amendments will have a significant impact on the Bank's financial statements.

(i) Amendments to MFRS 3 Business Combinations

The amendments clarify that when an entity obtains control of a business that is a joint operation, it shall remeasure its previously held interest in the joint operation at fair value.

(ii) Amendments to MFRS 11 Joint Arrangements

The amendments clarify that when an entity obtains joint control of a business that is a joint operation, the previously held interest is not remeasured.

(iii) Amendments to MFRS 112 Income Taxes

The amendments clarify that all income tax consequences of dividends (including payments on financial instruments classified as equity) are recognised consistently with the transactions that generated the distribution profit i.e. in profit or loss, OCI or equity.

(iv) Amendments to MFRS 123 Borrowing Costs

The amendments clarify that when a qualifying asset is ready for its intended use or sale, an entity shall treat any outstanding borrowing made specially to obtain that qualifying asset as part of general borrowings.

Amendments to MFRS 9 Financial Instruments - Prepayment Features with Negative Compensation

Under the current MFRS 9 requirements, the "solely payments of principal and interest on the principal amount outstanding" ("SPPI") condition is not met if the lender has to make a settlement payment in the event of early termination by the borrower. The existing requirements are amended to enable entities, to measure at amortised cost or at fair value through other comprehensive income, some prepayable financial assets with negative compensation if the negative compensation is a reasonable compensation for early termination of the contract. The amendments are effective for annual periods beginning on or after 1 January 2019 with early adoption permitted. The amendments shall be applied retrospectively.

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4. STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE (CONTINUED)

Amendments to MFRS 128 Investment in Associate and Joint Ventures - Long-term Interests in Associates and Joint Ventures

The amendments clarify that an entity should apply MFRS 9 Financial Instruments (including the impairment requirements) to long-term interests in an associate or joint venture, which are in substance form part of the entity's net investment, for which settlement is neither planned nor likely to occur in the foreseeable future. In addition, such long-term interest are subject to loss allowance and impairment requirements in MFRS 128. The amendments shall be applied retrospectively.

IC Interpretation 23 Uncertainty over Income Tax Treatments

The IC interpretation provides guidance on how to recognise and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment. If an entity concludes that it is not probable that the tax treatment will be accepted by the tax authority, the effect of the tax uncertainty should be included in the period when such determination is made. An entity shall measure the effect of uncertainty using the method which best predicts the resolution of the uncertainty. IC Interpretation 23 shall be applied retrospectively.

MFRS 17 Insurance Contracts

MFRS 17 will replace MFRS 4 *Insurance Contracts* that was issued in 2005. MFRS 17 introduces consistent accounting for all insurance contracts based on current measurement model. MFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of MFRS 17 is the general model, supplemented by (i) a specific adaptation for contracts with direct participation features (the variable fee approach); plus (ii) a simplified approach (the premium allocation approach) mainly for short-duration contracts.

The adoption of MFRS 17 is not expected to have any material financial impact on the financial statement of the Bank as the Bank does not have any insurance business.

Amendments to MFRS 119 Employee Benefits - Plan Amendment, Curtailment or Settlement

The amendments to MFRS 119 require an entity to use updated actuarial assumptions to determine current service cost and net interest for the remainder of the annual reporting period after a plan amendment, curtailment or settlement which occur during reporting period. The adoption of the amendments is not expected to have any financial impact on the financial statement of the Bank.

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5. CASH AND SHORT-TERM FUNDS

	2018	2017
	RM'000	RM'000
Cash and balances with banks and other financial institutions	151,990	152,438
Money at call and deposit placements maturing within one month	1,236,728	2,322,736
	<u>1,388,718</u>	<u>2,475,174</u>

6. DEPOSITS AND PLACEMENTS WITH FINANCIAL INSTITUTIONS

	2018	2017
	RM'000	RM'000
Deposits and placements maturing more than one month	<u>127,813</u>	<u>1,176,891</u>

7. FINANCIAL INVESTMENTS AVAILABLE-FOR-SALE

	2018	2017
	RM'000	RM'000
At fair value:		
Malaysian Government Securities	-	30,108
Malaysian Government Treasury Bills	-	99,626
Government Investment Issues	229,102	89,913
Government Guaranteed Bonds	225,551	80,377
	<u>454,653</u>	<u>300,024</u>

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8. LOANS, ADVANCES AND FINANCING

	2018	2017
	RM'000	RM'000
(a) By type:		
At amortised cost:		
Term loans	4,125,123	2,236,952
Revolving credits	1,697,065	1,434,185
Banker Acceptances	47,800	13,537
	<u>5,869,988</u>	<u>3,684,674</u>
Less: Unearned interest and income	(231)	(94)
Gross loans, advances and financing	<u>5,869,757</u>	<u>3,684,580</u>
Less: Impairment allowance		
- Collective impairment allowance	(31,156)	(39,326)
Net loans, advances and financing	<u>5,838,601</u>	<u>3,645,254</u>
	2018	2017
	RM'000	RM'000
(b) By geographical distribution:		
In Malaysia	4,027,383	3,578,355
Outside Malaysia	1,842,374	106,225
	<u>5,869,757</u>	<u>3,684,580</u>
	2018	2017
	RM'000	RM'000
(c) By type of customer:		
Domestic business enterprise	2,370,626	2,385,831
Domestic non-bank financial institutions	1,656,756	1,192,524
Foreign business entity	1,842,375	106,225
	<u>5,869,757</u>	<u>3,684,580</u>
	2018	2017
	RM'000	RM'000
(d) By interest/profit rate sensitivity:		
Fixed rate	1,668,468	1,338,395
Variable rate - Cost plus	4,201,289	2,346,185
	<u>5,869,757</u>	<u>3,684,580</u>

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8. LOANS, ADVANCES AND FINANCING (CONTINUED)

	2018	2017
	RM'000	RM'000
(e) By economic purpose:		
Construction	42,907	77,212
Purchase of fixed assets other than land and building	973,137	1,100,265
Purchase of non-residential property	53,318	33,659
Working capital	4,800,395	2,473,444
	<u>5,869,757</u>	<u>3,684,580</u>
	2018	2017
	RM'000	RM'000
(f) By economic sector:		
Mining and quarrying	69,060	79,981
Manufacturing	1,351,114	1,236,537
Electricity, gas and water supply	93,043	63,816
Construction	142,656	1,803
Wholesale and retail trade, and restaurants and hotels	457,582	614,304
Transport, storage and communication	140,154	145,748
Finance, insurance, real estate and business activities	3,497,159	1,415,609
Education, health and others	15,203	20,557
Others	103,786	106,225
	<u>5,869,757</u>	<u>3,684,580</u>
	2018	2017
	RM'000	RM'000
(g) By residual contractual maturity:		
Maturity within		
- one year	3,732,456	1,493,484
- one to five years	1,773,710	1,680,129
- after five years	363,591	510,967
	<u>5,869,757</u>	<u>3,684,580</u>

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8. LOANS, ADVANCES AND FINANCING (CONTINUED)

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

	2018	2017
	RM'000	RM'000
At 1 April 2017/2016	39,326	21,734
(Writeback)/Allowance made during the year (Note 25)	<u>(8,170)</u>	<u>17,592</u>
At 31 March	<u>31,156</u>	<u>39,326</u>
As percentage of total loan	<u>0.53%</u>	<u>1.07%</u>

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

9. DERIVATIVE FINANCIAL INSTRUMENTS

Derivative financial instruments are financial instruments whose values change in response to changes in prices or rates of the underlying instruments. These instruments allow the Bank to transfer, modify or reduce its foreign exchange and interest rate risks via hedge relationships. Most of the Bank's derivative trading activities relate to deals with customers which the Bank normally enters corresponding positions with counterparties. The Bank may also take positions with the expectation of profiting from favourable movements in prices, rates or indices. The table below shows the Bank's derivative financial instruments as at the date of statement of financial position. The contractual or underlying principal amounts of these derivative financial instruments and their corresponding gross positive (derivative financial asset) and gross negative (derivative financial liability) fair values at the date of statement of financial position are analysed below.

	Notional amount RM'000	Fair value	
		Assets RM'000	Liabilities RM'000
2018			
At fair value:			
Foreign exchange related contracts	1,717,987	11,338	(9,659)
Interest rate related contracts	<u>6,389,611</u>	<u>357,543</u>	<u>(337,629)</u>
Total derivative assets/(liabilities)	<u>8,107,598</u>	<u>368,881</u>	<u>(347,288)</u>

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9. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

	Notional amount RM'000	Fair value	
		Assets RM'000	Liabilities RM'000
2017			
At fair value:			
Foreign exchange related contracts	2,436,638	6,794	(6,873)
Interest rate related contracts	7,030,504	586,593	(558,295)
Total derivative assets/(liabilities)	<u>9,467,142</u>	<u>593,387</u>	<u>(565,168)</u>

10. OTHER ASSETS

	Note	2018 RM'000	2017 RM'000
Accrued interest receivable		8,299	4,334
Other receivables, deposits and prepayments		89,130	7,863
Amount due from holding company	(a)	610	904
		<u>98,039</u>	<u>13,101</u>

(a) The amount due from holding company is unsecured, interest-free and repayable on demand.

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11. PROPERTY AND EQUIPMENT

	Office equipment, furniture and fittings RM'000	Leasehold improvements RM'000	Computer equipment RM'000	Computer hardware RM'000	Total RM'000
2018					
Cost					
At 1 April 2017	5,397	10,388	1,378	5,253	22,416
Additions	485	49	249	3,047	3,830
At 31 March 2018	<u>5,882</u>	<u>10,437</u>	<u>1,627</u>	<u>8,300</u>	<u>26,246</u>
Accumulated depreciation					
At 1 April 2017	4,946	4,306	1,032	3,481	13,765
Depreciation charged	185	1,040	312	963	2,500
At 31 March 2018	<u>5,131</u>	<u>5,346</u>	<u>1,344</u>	<u>4,444</u>	<u>16,265</u>
Net book value					
At 31 March 2018	<u>751</u>	<u>5,091</u>	<u>283</u>	<u>3,856</u>	<u>9,981</u>
2017					
Cost					
At 1 April 2016	5,092	8,853	1,275	5,141	20,361
Additions	305	1,535	106	112	2,058
Written-off	-	-	(3)	-	(3)
At 31 March 2017	<u>5,397</u>	<u>10,388</u>	<u>1,378</u>	<u>5,253</u>	<u>22,416</u>
Accumulated depreciation					
At 1 April 2016	4,440	3,344	731	2,668	11,183
Depreciation charged	506	962	302	813	2,583
Written-off	-	-	(1)	-	(1)
At 31 March 2017	<u>4,946</u>	<u>4,306</u>	<u>1,032</u>	<u>3,481</u>	<u>13,765</u>
Net book value					
At 31 March 2017	<u>451</u>	<u>6,082</u>	<u>346</u>	<u>1,772</u>	<u>8,651</u>

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12. INTANGIBLE ASSETS

	Software RM'000	Software Development in-Progress RM'000	Total RM'000
2018			
Cost			
At 1 April 2017	16,822	3,007	19,829
Additions	33	2,773	2,806
Transferred to software	3,424	(3,424)	-
At 31 March 2018	<u>20,279</u>	<u>2,356</u>	<u>22,635</u>
Accumulated amortisation			
At 1 April 2017	5,962	-	5,962
Amortisation charged	3,329	-	3,329
At 31 March 2018	<u>9,291</u>	<u>-</u>	<u>9,291</u>
Net book value			
At 31 March 2018	<u>10,988</u>	<u>2,356</u>	<u>13,344</u>
2017			
Cost			
At 1 April 2016	11,071	3,376	14,447
Additions	1,777	3,605	5,382
Transferred to software	3,974	(3,974)	-
At 31 March 2017	<u>16,822</u>	<u>3,007</u>	<u>19,829</u>
Accumulated amortisation			
At 1 April 2016	2,997	-	2,997
Amortisation charged	2,965	-	2,965
At 31 March 2017	<u>5,962</u>	<u>-</u>	<u>5,962</u>
Net book value			
At 31 March 2017	<u>10,860</u>	<u>3,007</u>	<u>13,867</u>

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13. DEPOSITS FROM CUSTOMERS

	2018	2017
	RM'000	RM'000
(a) By type of deposit:		
- Demand deposits	975,232	642,178
- Fixed deposits	763,085	1,353,471
- Short-term deposits	425,514	640,494
	<u>2,163,831</u>	<u>2,636,143</u>
(b) By type of customer:		
- Domestic non-bank financial institutions	33,763	93,637
- Domestic business enterprises	2,093,930	2,492,058
- Foreign business enterprises	35,996	50,448
- Domestic other enterprises	142	-
	<u>2,163,831</u>	<u>2,636,143</u>
(c) Maturity structure:		
- On demand	975,232	642,178
- Due within six months	1,182,099	1,933,977
- Due within six months to one year	6,500	59,988
	<u>2,163,831</u>	<u>2,636,143</u>

14. DEPOSITS AND PLACEMENTS FROM FINANCIAL INSTITUTIONS

	2018	2017
	RM'000	RM'000
Licensed banks	<u>4,836,622</u>	<u>3,686,803</u>

15. OTHER LIABILITIES

	2018	2017
	RM'000	RM'000
Accrued interest payable	13,199	12,190
Other accruals	4,668	219
Other payables	120,771	575,435
Advances from holding company	2	2
	<u>138,640</u>	<u>587,846</u>

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16. DEFERRED TAX LIABILITIES

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same tax authority. The following amounts, determined after appropriate offsetting, are shown in the statement of financial position.

	2018	2017
	RM'000	RM'000
At 1 April 2017	(1,870)	(2,274)
Recognised in profit or loss	(5,147)	268
Recognised in other comprehensive income	(134)	136
At 31 March 2018	(7,151)	(1,870)

Presented after appropriate offsetting as follows:

Deferred tax assets	-	-
Deferred tax liabilities	(7,151)	(1,870)
	(7,151)	(1,870)

The movements in deferred tax assets/(liabilities) during the financial year comprise the following:

	Accelerated capital allowances	Financial investments available-for-sale	Unrealised foreign exchange (gain)/loss	Total
	RM'000	RM'000	RM'000	RM'000
2018				
At 1 April 2017	(1,956)	86	-	(1,870)
Recognised in profit or loss	334	-	(5,481)	(5,147)
Recognised in other comprehensive income	-	(134)	-	(134)
At 31 March 2018	(1,622)	(48)	(5,481)	(7,151)
2017				
At 1 April 2016	(2,224)	(50)	-	(2,274)
Recognised in profit or loss	268	-	-	268
Recognised in other comprehensive income	-	136	-	136
At 31 March 2017	(1,956)	86	-	(1,870)

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17. SHARE CAPITAL

	Number of ordinary share		Amount	
	2018	2017	2018	2017
	'000	'000	RM'000	RM'000
Issued and fully paid:				
At beginning/end of financial year	700,000	700,000	700,000	700,000

18. RETAINED PROFITS

The retained profits of the Bank as at 31 March 2018 and 31 March 2017 are distributable profits and may be distributed as dividends under the single-tier system.

19. OTHER RESERVES

	2018 RM'000	2017 RM'000
Non-distributable:		
Statutory reserve (a)	-	25,680
Available-for-sale reserve	151	(272)
Regulatory reserve	39,353	4,889
	39,504	30,297

(a) The requirement to maintain a statutory reserve funds has been removed pursuant to BNM's Capital Fund Policy with effect from 3 May 2017. Consequently, the statutory reserve amount has been transferred to retained earnings.

20. INTEREST INCOME

	2018 RM'000	2017 RM'000
Loans, advances and financing	124,638	58,878
Money at call and deposits and placements with financial institutions	63,857	66,039
Net gain/(loss) from interest rate swap and cross-currency interest rate swap	863	(2,518)
Financial investments available-for-sale	13,585	6,513
Others	64	-
	203,007	128,912

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21. INTEREST EXPENSE

	2018	2017
	RM'000	RM'000
Deposits and placements from financial institutions	64,139	29,907
Deposits from customers	42,908	36,593
	107,047	66,500

22. OTHER OPERATING INCOME

	2018	2017
	RM'000	RM'000
Fee income	10,125	9,969
Net unrealised (loss)/gain on revaluation of derivatives	(6,626)	5,409
Realised foreign exchange gain	32,642	12,578
Unrealised foreign exchange gain	22,839	15,327
Others	-	1
	58,980	43,284

23. OTHER OPERATING EXPENSES

	2018	2017
	RM'000	RM'000
Personnel costs:		
Salaries, allowances and bonuses	25,809	25,232
Contribution to Employees Provident Fund	3,244	3,135
Other staff related costs	7,159	6,498
Establishment costs:		
Repair and maintenance	5,590	4,458
Depreciation of property and equipment	2,500	2,583
Amortisation of intangible asset	3,329	2,965
Rental of premises	2,354	2,188
Information technology ("IT") expenses	4,302	6,212
Others	1,530	1,501
Marketing expenses:		
Advertisement and publicity	142	124
Others	869	1,029
Administration and general expenses:		
Collateral deposit fees	14,444	6,599
Communication expenses	984	974
Legal and professional fees	3,118	2,008
Others	6,131	4,973
	81,505	70,479

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23. OTHER OPERATING EXPENSES (CONTINUED)

	2018	2017
	RM'000	RM'000
The above expenses include the following statutory disclosures:		
Directors' remuneration (Note 24)	1,734	1,612
Auditors' remuneration:		
- Statutory audit	305	277
- Regulatory-related services	109	105
	1,734	1,612

24. DIRECTORS' REMUNERATION

The total remuneration (including benefits-in-kind) of the directors of the Bank are as follows:

	Salary and bonus	Fee	Other emoluments	Benefit- in-kind	Total
	RM'000	RM'000	RM'000	RM'000	RM'000
2018					
Executive directors and CEO:					
Mr. Shojiro Mizoguchi	709	-	369	162	1,240
Non-executive directors:					
Dato' Seri Talaat Bin Husain	-	123	52	-	175
Mr. Mohd Mokhtar Bin Ghazali	-	118	55	-	173
Datuk Lor Chee Leng	-	98	48	-	146
Mr. Seiji Imai	-	-	-	-	-
	709	339	524	162	1,734
2017					
Executive directors and CEO:					
Mr. Shojiro Mizoguchi	695	-	389	184	1,268
Non-executive directors:					
Dato' Seri Talaat Bin Husain	-	128	39	-	167
Mr. Mohd Mokhtar Bin Ghazali	-	125	52	-	177
Mr. Seiji Imai	-	-	-	-	-
Mr. Takuya Ito	-	-	-	-	-
	695	253	480	184	1,612

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25. (WRITEBACK)/IMPAIRMENT ALLOWANCE ON LOANS, ADVANCES AND FINANCING

	2018	2017
	RM'000	RM'000
Collective impairment allowance		
- (writeback)/allowance made during the year (Note 8(h))	<u>(8,170)</u>	<u>17,592</u>

26. TAXATION

	2018	2017
	RM'000	RM'000
Tax expense for the year		
Malaysian income tax	16,908	1,694
Under/(over) provision in prior years	<u>1,994</u>	<u>(1,031)</u>
	18,902	663
Deferred tax:		
Relating to origination and reversal of temporary differences	1,452	(521)
Under provision in prior years	<u>3,695</u>	<u>253</u>
	5,147	(268)
Income tax expense	<u>24,049</u>	<u>395</u>

Income tax is calculated at the Malaysian statutory rate of 24% (2017: 24%) of the estimated chargeable profit for the financial year.

A reconciliation of income tax expense applicable to profit before taxation at the statutory income tax rate to income tax expense at the effective income tax rate of the Bank is as follows:

	2018	2017
	RM'000	RM'000
Profit before taxation	<u>81,605</u>	<u>17,625</u>
Taxation at Malaysian statutory tax rate of 24% (2017: 24%)	19,585	4,230
Income not subject to tax	-	(3,678)
Expenses not deductible for tax purposes	1,332	621
Effect of reduction in income tax rate for incremental chargeable income	(2,557)	-
Under/(over) provision of tax expense in prior years	1,994	(1,031)
Under provision of deferred tax in prior years	3,695	253
Tax expense for the year	<u>24,049</u>	<u>395</u>

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27. SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES

For the purpose of these financial statements, parties are considered to be related to the Bank if the Bank has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Bank and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

Related parties also include key management personnel defined as those person having authority and responsibility for planning, directing and controlling the activities of the Bank, either directly or indirectly. The key management personnel includes all the directors and executive director of the Bank.

The Bank has related party relationships with its holding companies, related companies/entities of its holding companies and key management personnel.

Related party transactions have been entered into in the normal course of business under normal trade terms. The significant related party transactions and balances of the Bank are as follows:

- (a) In addition to the transactions detailed elsewhere in the financial statements, the Bank has the following transactions with related parties.

<u>Transactions with parent bank</u>	2018 RM'000	2017 RM'000
Interest income on money at call and deposits and placements	32	64
Interest expense on deposits and placements	(63,181)	(29,178)
Outsourcing fee income	7,110	7,269
Other income	101	9
Other fee and commission expenses	(17,403)	(11,991)
Other expenses	<u>(197)</u>	<u>(182)</u>

The directors are of the opinion that the transactions have been entered into in the normal course of business and have been established on a negotiated basis that are not materially different from those obtainable in transactions with unrelated parties.

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27. SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

(b) In addition to the transactions detailed elsewhere in the financial statements, the Bank has the following intercompany charges with related parties.

<u>Intercompany charges with parent bank</u>	2018 RM'000	2017 RM'000
(i) By type of service:		
Interest expense	63,181	29,178
Administration and general expenses	14,725	6,854
Establishment cost	2,875	5,319
	80,781	41,351
(ii) By country:		
Malaysia	67,893	23,497
Singapore	9,732	12,280
Japan	3,156	5,574
	80,781	41,351

(c) Related party balances

Included in the statement of financial position are the amounts due from/(to) related party, represented by the following:

<u>Amount due from/(to) parent bank:</u>	2018 RM'000	2017 RM'000
- Cash and short term funds	98,060	88,418
- Deposits and placements with financial institutions	593	815
- Interest receivable on deposits and other receivables	1	17
- Derivative assets	4,371	426
- Outsourcing fee	529	772
- Other asset	81	132
- Deposits and placements from financial institutions	(4,835,261)	(3,646,294)
- Interest payable on deposits and other payables	(11,512)	(5,303)
- Derivative liabilities	(119)	(980)
- Other liabilities	(2)	(2)
	(2)	(2)

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27. SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

(d) Key management personnel

The remuneration of key management personnel included in the profit or loss are as follows:

	2018	2017
	RM'000	RM'000
Salary and emoluments	2,282	2,055
Defined contribution plan	293	261
Benefits-in-kind	103	89
	<u>2,678</u>	<u>2,405</u>

The remuneration of key management personnel for year 2017 was revised from RM9,110,000 to RM2,405,000 due to the amendment on the Bank's fit and proper policy.

28. EARNINGS PER ORDINARY SHARE

The calculation of the basic earnings per ordinary share at 31 March 2018 was based on the profit attributable to owner of the Bank of RM57,556,000 (2017: RM17,230,000) and the weighted average number of ordinary shares outstanding during the financial year of 700,000,000 (2017: 700,000,000).

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29. 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
2018			
Direct credit substitutions	123,658	123,658	121,848
Transaction related contingent items	98,349	49,175	42,002
Short-term self-liquidating trade related contingencies	4,217	843	843
Foreign exchange related contracts			
- One year or less	1,679,341	33,661	18,825
- Over one year to five years	38,646	3,157	1,515
Interest related contracts			
- One year or less	1,922,671	184,041	123,210
- Over one year to five years	4,064,373	535,770	414,117
- Over five years	402,567	99,652	83,072
Other commitments, such as formal standby facilities and credit lines, with an original of over one year	232,713	116,356	116,356
Any commitments that are unconditionally cancelled at any time without prior notice	1,756,816	-	-
Total	10,323,351	1,146,313	921,788

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29. COMMITMENTS AND CONTINGENCIES (CONTINUED)

	Principal amount RM'000	Credit equivalent amount* RM'000	Risk- weighted amount* RM'000
2017			
Direct credit substitutions	15,593	15,593	15,583
Transaction related contingent items	112,128	56,064	44,208
Short-term self-liquidating trade related contingencies	6,019	1,204	1,204
Foreign exchange related contracts			
- One year or less	2,318,852	22,117	12,062
- Over one year to five years	117,786	10,357	7,170
Interest related contracts			
- One year or less	1,447,512	187,631	103,256
- Over one year to five years	5,101,785	869,860	542,628
- Over five years	481,207	98,305	73,961
Other commitments, such as formal standby facilities and credit lines, with an original maturity of over one year	448,390	224,195	224,195
Any commitments that are unconditionally cancelled at any time without prior notice	1,591,978	-	-
Total	11,641,250	1,485,326	1,024,267

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

30. OPERATING LEASE COMMITMENT

The Bank has entered into commercial property lease for its business offices. The future minimum lease payments for under non-cancellable operating lease as at the reporting date are, as follows:

	2018 RM'000	2017 RM'000
One year or less	2,905	2,542
Over one year to five years	1,631	2,734
	4,536	5,276

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31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Bank's principal financial liabilities, other than derivatives, comprise loans and borrowings, other payables and financial guarantee contracts. The main purpose of these financial liabilities is to finance the Bank's operations and to provide guarantees to support its operations. The Bank has loan and other receivables, trade and other receivables, and cash and short-term deposits that arrive directly from its operations. The Bank also holds available-for-sale investments and enters into derivative transactions.

Risk Management Department ("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.

The approach adopted by RMD in maintaining effective oversight on day-to-day risk taking activities while continuously enhancing its infrastructure to provide a more holistic view of its risk exposures and positions has enabled the Bank to better manage the challenges arising from the uncertainties and market volatility.

The objectives of the Bank's risk management activities are to:

- To develop, maintain and enhance the Bank's risk management framework, quantitative methodologies and policies for monitoring and managing Credit, Market and Operational Risk;
- To conduct independent monitoring to ensure that Risk Taking Departments are in line with approved policies and limits; and
- To initiate and execute upon approval, specific strategic decisions in relation to Credit, Market and Operational Risk.

Strong risk governance supports Integrated Risk Management ("IRM") approach. The Board of Directors through the Board Risk Management Committee ("BRMC") is ultimately responsible for the implementation of IRM. 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.

Establishment of the three (3) lines of Defence Concept – risk taking units, risk control units and internal audit. The risk taking units manage the day-to-day management of risks inherent in their business activities and ensuring the proper implementation and execution of its policies while the risk control units are responsible for setting the risk management framework and developing tools and methodologies for the identification, measurement, monitoring and reporting of risks. Complementing this is internal audit, which provides independent assurance of the effectiveness of the risk management approach and provides independent responsibility to ensure adequacy, effectiveness and robustness of the risk management policies.

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31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

The CEO, with the Board's support, has established various management level risk committees to assist and support the Board Risk Management Committees in the operations of the Bank. The Asset Liability Management Committee ("ALMC") is chaired by the CEO on a monthly basis and Credit Risk Management Committee ("CRMC") is chaired by the Independent Non-Executive Director of the Bank on a monthly basis.

(a) Credit risk management

Major areas of the Bank's risk management are as follows:

Credit risk is defined as arising from losses when the counterparty which has an lending exposure is unable to meet its obligations as a result of bankruptcy or other circumstances, or when the possibility of such non-performance of obligations increases, resulting in a loss of the value of the assets. The purpose of credit risk management is to keep credit risk exposure to an acceptable level set in accordance with the Internal and BNM requirement under the "Single Counterparty Exposure Limit" (SCEL), "Large Exposure Limit" and "Transaction with Connected Parties".

These limits are monitored on a daily basis to control and prevent the excessive concentration of risk exposure in certain counterparty. In addition, those counterparties for which the judgment is made that these counterparties should be treated with caution from a credit risk perspective are managed on an individual 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 SCEL limit. There are certain customers and credit facilities will be subjected to Head Office consultation first before obtaining CEO's approval.

The Credit Risk Management Committee 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.

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.

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31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(a) Credit risk management (continued)

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 history and demographics or company profile.

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.

(i) Maximum exposure to credit risk

The maximum exposure to credit risk at the statements of financial position is the amounts on the statements of financial position as well as commitments and contingencies, without taking into account of any collateral held or other credit enhancements. For contingent liabilities, the maximum exposure to credit risk is the maximum amount that the Bank would have to pay if the obligations of the instruments issued are called upon. For credit commitments, the maximum exposure to credit risk is the full amount of the undrawn credit facilities granted to customers. The table below shows the maximum exposure to credit risk for the Bank:

	2018	2017
	RM'000	RM'000
On-balance sheet exposures:		
Cash and short-term funds	1,388,718	2,475,174
Deposits and placements with financial institutions	127,813	1,176,891
Loans, advances and financing	5,838,601	3,645,254
Financial investments available-for-sale	454,653	300,024
Other financial assets	96,624	12,266
Derivative financial assets	368,881	593,387
	<u>8,275,290</u>	<u>8,202,996</u>
Off-balance sheet exposures:		
Commitments and contingencies	10,323,351	11,641,250
Total maximum credit risk exposure	<u>18,598,641</u>	<u>19,844,246</u>

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31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(a) Credit risk management (continued)

(ii) Credit risk concentration profile

2018	Cash and short-term term funds RM'000	Deposits and placements with financial institutions RM'000	Loans, advances and financing RM'000	Financial investments available- for-sale RM'000	Other financial assets RM'000	Derivative financial assets RM'000	Total RM'000	Commitments and contingencies RM'000
Primary Agriculture	-	-	-	-	-	-	-	115,830
Mining and Quarrying	-	-	69,060	-	-	-	69,060	8,500
Manufacturing	-	-	1,351,114	-	-	33,986	1,385,100	1,442,230
Electricity, gas and water supply	-	-	93,043	-	-	-	93,043	122,592
Construction	-	-	142,656	-	-	13,313	155,969	489,810
Wholesale and retail trade, and restaurants and hotels	-	-	457,582	-	1	29,459	487,042	693,393
Transport, storage and communication	-	-	140,154	-	-	-	140,154	308,545
Finance, insurance, real estate and business activities	1,388,718	127,813	3,497,159	454,653	91,432	289,764	5,849,539	7,069,666
Education, health and others	-	-	15,203	-	-	2,359	17,562	21,305
Others	-	-	103,786	-	5,191	-	108,977	51,480
	1,388,718	127,813	5,869,757	454,653	96,624	368,881	8,306,446	10,323,351
Less: Collective allowance	-	-	(31,156)	-	-	-	(31,156)	-
	1,388,718	127,813	5,838,601	454,653	96,624	368,881	8,275,290	10,323,351

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31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(a) Credit risk management (continued)

(ii) Credit risk concentration profile (continued)

2017	Cash and short-term term funds RM'000	Deposits and placements with financial institutions RM'000	Loans, advances and financing RM'000	Financial investments available- for-sale RM'000	Other financial assets RM'000	Derivative financial assets RM'000	Total RM'000	Commitments and contingencies RM'000
Primary Agriculture	-	-	-	-	-	-	-	132,741
Mining and Quarrying	-	-	79,981	-	-	-	79,981	-
Manufacturing	-	-	1,236,537	-	-	13,369	1,249,906	1,728,188
Electricity, gas and water supply	-	-	63,816	75,374	865	-	140,055	68,932
Construction	-	-	1,803	-	-	331	2,134	180,198
Wholesale and retail trade, and restaurants and hotels	-	-	614,304	-	-	1,300	615,604	906,941
Transport, storage and communication	-	-	145,748	5,003	11	-	150,762	165,879
Finance, insurance, real estate and business activities	2,475,174	1,176,891	1,415,609	219,647	4,452	578,106	5,869,879	8,362,611
Education, health and others	-	-	20,557	-	-	281	20,838	24,965
Others	-	-	106,225	-	6,938	-	113,163	70,795
	<u>2,475,174</u>	<u>1,176,891</u>	<u>3,684,580</u>	<u>300,024</u>	<u>12,266</u>	<u>593,387</u>	<u>8,242,322</u>	<u>11,641,250</u>
Less: Collective allowance	-	-	(39,326)	-	-	-	(39,326)	-
	<u>2,475,174</u>	<u>1,176,891</u>	<u>3,645,254</u>	<u>300,024</u>	<u>12,266</u>	<u>593,387</u>	<u>8,202,996</u>	<u>11,641,250</u>

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31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(a) Credit risk management (continued)

(iii) Credit quality

For the purposes of disclosure relating to MFRS 7, all financial assets are categorised into the following:

- Neither past due nor impaired;
- Past due but not impaired; and
- Past due and impaired.

Customer categorisation is the categorisation of customers into Insolvent Customers, Unrecoverable Customers, Customers to be Insolvent, Customers with Special Attention (I or II) and Ordinary Customers after comprehensively determining the viability of the customer's business using the customer's profit/loss for the period and cash flow, shareholders' equity in substance, achievability of business restructuring plans and support from the parent company and financial institutions, and is carried out before asset classification.

Customer Categorisation	Credit Rating	Customer Profile	Status	Comparable External Rating						
Ordinary Customers	A	1	Non-default	AAA						
		2		AA						
		3		A						
	B	1		Business conditions are favorable and there are no specific problems in the customer's financial position.	BBB+/ BBB					
		2			BBB-					
		3			Investment grade					
	C	1			No problem, for the time being, with performance on obligations. Extremely stable in terms of credit management.	Non-Default	(BB)			
		2						No problem, for the time being, with performance on obligations and stability in terms of credit management. ("For the time being" means that if the business environment should change in the future, there is a possibility that the change would affect the customer.)		
		3								
	D	1							No problem at present with performance on obligations but has low resistance to future changes in the business environment.	(B)
		2								
		3								
		Non-Default	Non-Investment grade							

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31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(a) Credit risk management (continued)

(iii) Credit quality (continued)

Customer Categorisation	Credit Rating	Customer Profile	Status	Comparable External Rating
Customers with Special Attention (I)	1	Customers with Special Attention (I): Customers that require close observation, such as customers whose business conditions are on a deteriorating trend or have unstable business performance; customers that have minor problems in their financial position or have problems in their financial position but recovery according to plan is anticipated.	Non-default	(CCC or lower) Non-Investment grade
Customers with Special Attention (II)	2	Customers with Special Attention (II): Customers that require particularly close observation, such as customers that have problematic lending conditions, e.g. interest reduced, forgiven, or suspended; customers that have problems with performance of obligations, e.g. those that are effectively in arrears for principal and/or interest payments; as well as customers with deteriorating business conditions, unstable business performance, and problems in their financial position.		
Customers under Strict Management	R	Customers that are assessed to have Claims under Strict Management as stipulated in Provision 4 Item 4 of the Law concerning urgent measures for the reconstruction of the functions of the financial system (1998 Financial Reconstruction Commission Rules and Regulations No.2) in terms of exposure.	Default	

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31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(a) Credit risk management (continued)

(iii) Credit quality (continued)

Customer Categorisation	Credit Rating		Customer Profile	Status	Comparable External Rating	
Customers to be Insolvent	F	1	Customers to be Insolvent: Customers that are not insolvent, but are having business difficulties with insufficient progress on their business improvement plans. There is a high probability that the customer will become insolvent (includes customers that are under the continuing support of a financial institution and/or other entities).	Default	(CCC or lower)	Non-Investment grade
Unrecoverable Customers	G	1	Unrecoverable Customers: Customers that are not at present legally or formally bankrupt, but are having serious business difficulties, and it is deemed that there is no prospect for recovery. The customer is essentially bankrupt.			
Insolvent Customers	H	1	Insolvent Customers: Customers that are legally and formally bankrupt.			

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31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(a) Credit risk management (continued)

(iv) Credit quality of financial assets - gross loans, advances and financing

2018	Neither past due nor impaired RM'000	Total RM'000
Term loans	4,125,123	4,125,123
Revolving credits	1,697,065	1,697,065
Banker Acceptances	47,569	47,569
Gross loans, advances and financing	<u>5,869,757</u>	<u>5,869,757</u>
Less: Impairment allowance		
- Collective impairment allowance	<u>(31,156)</u>	<u>(31,156)</u>
Net loans, advances and financing	<u>5,838,601</u>	<u>5,838,601</u>
Collective impairment allowance as a percentage of total loans, advances and financing	<u>0.53%</u>	<u>0.53%</u>

All gross loans, advances and financing are neither past due nor impaired as of the reporting date. Summary of risk categories of gross loans, advances and financing of the Bank are assessed based on credit quality classification as described in Note 31(a)(iii).

2018	Ordinary RM'000	Special attention RM'000	Total RM'000
Term loans	4,125,123	-	4,125,123
Revolving credits	1,672,959	24,106	1,697,065
Banker Acceptances	47,569	-	47,569
Total - Neither past due nor impaired	<u>5,845,651</u>	<u>24,106</u>	<u>5,869,757</u>
As a percentage of total loans, advances and financing	<u>99.59%</u>	<u>0.41%</u>	<u>100.00%</u>

Note: Special attention category includes special attention (I) and special attention (II).

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31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(a) Credit risk management (continued)

(iv) Credit quality of financial assets - gross loans, advances and financing (continued)

2017	Neither past due nor impaired RM'000	Total RM'000
Term loans	2,236,952	2,236,952
Revolving credits	1,434,185	1,434,185
Overdraft	13,443	13,443
Gross loans, advances and financing	<u>3,684,580</u>	<u>3,684,580</u>
Less: Impairment allowance		
- Collective impairment allowance	(39,326)	(39,326)
Net loans, advances and financing	<u>3,645,254</u>	<u>3,645,254</u>
Collective impairment allowance as a percentage of total loans, advances and financing	<u>1.07%</u>	<u>1.07%</u>

All gross loans, advances and financing are neither past due nor impaired as of the reporting date. Summary of risk categories of gross loans, advances and financing of the Bank are assessed based on credit quality classification as described in Note 31(a)(iii).

2017	Ordinary RM'000	Special attention RM'000	Total RM'000
Term loans	2,236,952	-	2,236,952
Revolving credits	1,408,964	25,221	1,434,185
Overdraft	13,443	-	13,443
Total - Neither past due nor impaired	<u>3,659,359</u>	<u>25,221</u>	<u>3,684,580</u>
As a percentage of total loans, advances and financing	<u>99.32%</u>	<u>0.68%</u>	<u>100.00%</u>

Note: Special attention category includes special attention (I) and special attention (II).

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31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(a) Credit risk management (continued)

(v) Credit quality of financial assets - financial investments portfolio and other financial assets

All financial investments portfolio and other financial assets are neither past due nor impaired and categorised as ordinary customers as of reporting date. Summary of risk categories of financial investments portfolio and other financial assets of the Bank are assessed based on credit quality classification as described in Note 31(a)(iii).

	2018	2017
	RM'000	RM'000
Cash and short-term funds	1,388,718	2,475,174
Deposits and placements with financial institutions	127,813	1,176,891
Financial investments available-for-sale	454,653	300,024
Other financial assets	96,624	12,266
Derivative financial assets	368,881	593,387
Total - neither past due nor impaired	2,436,689	4,557,742
As a percentage of gross balances	100.00%	100.00%

(b) Market risk management

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, securities prices, futures prices.

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

The Bank manages those market risks by transferring the risk to another party such as 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.

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31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(b) Market risk management (continued)

RMD controls the exposure by setting the limits which are in accordance to Head Office's policy. RMD monitors the exposures through Foreign Exchange Position Limit, Interest Rate 10 Basis Point Value ("BPV"), Foreign Exchange Positions 10BPV 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 CEO.

Liquidity Risk forms part of Market Risk and is defined as 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 rates significantly higher than normal rates to secure funding.

RMD monitors its cash-in and cash-out positions on a daily basis. The funding gap is used as a tool to monitor and control liquidity risk exposure. This is to ensure that the Bank maintains sufficient amount of liquidity buffer as a protection against any unforeseen interruption to cash flow.

RMD conducts rehearsal for local currency regularly to ensure the effectiveness and operational feasibility of the Liquidity Contingency Plan. The key aspects of the testing are to focus on the preparedness of the Bank in handling a simulated distress funding situation. It also provides exposure and develops capabilities on how to respond to a liquidity crisis situation and operate effectively with each other under challenging circumstances.

The Bank's liquidity risk position and market risk are discussed and managed at the Asset Liability Management Committee ("ALMC") on a monthly basis and BRMC once every quarter in line with the approved guidelines and policies.

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31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(b) Market risk management (continued)

(i) Interest rate risk/Profit rate risk

The Bank is exposed to various risks associated with the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. The following table represents the Bank's assets and liabilities at carrying amount, categorised by the earlier of contractual or repricing dates as at 31 March 2018.

	←----- Non-trading book ----->					Non-Interest Sensitive RM'000	Trading Book RM'000	Total RM'000
	Up to 1 Month RM'000	> 1 to 3 Months RM'000	> 3 to 12 Months RM'000	> 1 to 5 Years RM'000	> 5 Years RM'000			
2018								
Assets								
Cash and short-term funds	1,236,728	-	-	-	-	151,990	-	1,388,718
Deposits and placements with financial institutions	-	50,593	77,220	-	-	-	-	127,813
Financial investments available-for-sale	-	110,105	50,160	294,388	-	-	-	454,653
Loans, advances and financing	3,236,401	2,590,246	43,110	-	-	(31,156)	-	5,838,601
Derivative financial assets	-	-	-	-	-	-	368,881	368,881
Other non-interest sensitive balances	-	-	-	-	-	121,364	-	121,364
Total assets	4,473,129	2,750,944	170,490	294,388	-	242,198	368,881	8,300,030

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31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(b) Market risk management (continued)

(i) Interest rate risk/Profit rate risk (continued)

	←----- Non-trading book ----->					Non-Interest Sensitive RM'000	Trading Book RM'000	Total RM'000
	Up to 1 Month RM'000	> 1 to 3 Months RM'000	> 3 to 12 Months RM'000	> 1 to 5 Years RM'000	> 5 Years RM'000			
2018								
Liabilities								
Deposits from customers	826,177	213,419	149,003	-	-	975,232	-	2,163,831
Deposits and placements from financial institutions	2,689,887	2,138,813	4,170	-	-	3,752	-	4,836,622
Derivatives financial liabilities	-	-	-	-	-	-	347,288	347,288
Other non-interest sensitive balances	-	-	-	-	-	145,791	-	145,791
Total liabilities	3,516,064	2,352,232	153,173	-	-	1,124,775	347,288	7,493,532
Shareholder's equity	-	-	-	-	-	806,498	-	806,498
Total liabilities and shareholder's equity	3,516,064	2,352,232	153,173	-	-	1,931,273	347,288	8,300,030
On-balance sheet interest sensitivity gap representing total interest sensitivity gap	957,065	398,712	17,317	294,388	-	(1,689,075)	21,593	-

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31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(b) Market risk management (continued)

(i) Interest rate risk/Profit rate risk (continued)

	<----- Non-trading book ----->					Non-Interest Sensitive RM'000	Trading Book RM'000	Total RM'000
	Up to 1 Month RM'000	> 1 to 3 Months RM'000	> 3 to 12 Months RM'000	> 1 to 5 Years RM'000	> 5 Years RM'000			
2017								
Assets								
Cash and short-term funds	2,322,736	-	-	-	-	152,438	-	2,475,174
Deposits and placements with financial institutions	-	1,046,709	130,182	-	-	-	-	1,176,891
Financial investments available-for-sale	-	99,626	90,096	110,302	-	-	-	300,024
Loans, advances and financing	1,808,898	1,836,576	39,106	-	-	(39,326)	-	3,645,254
Derivative financial assets	-	-	-	-	-	-	593,387	593,387
Other non-interest sensitive balances	-	-	-	-	-	35,619	-	35,619
Total assets	4,131,634	2,982,911	259,384	110,302	-	148,731	593,387	8,226,349

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31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(b) Market risk management (continued)

(i) Interest rate risk/Profit rate risk (continued)

	←----- Non-trading book ----->					Non-Interest Sensitive RM'000	Trading Book RM'000	Total RM'000
	Up to 1 Month RM'000	> 1 to 3 Months RM'000	> 3 to 12 Months RM'000	> 1 to 5 Years RM'000	> 5 Years RM'000			
2017								
Liabilities								
Deposits from customers	741,214	1,025,824	226,927	-	-	642,178	-	2,636,143
Deposits and placements from financial institutions	1,880,937	1,778,238	24,602	-	-	3,026	-	3,686,803
Derivatives financial liabilities	-	-	-	-	-	-	565,168	565,168
Other non-interest sensitive balances	-	-	-	-	-	589,716	-	589,716
Total liabilities	2,622,151	2,804,062	251,529	-	-	1,234,920	565,168	7,477,830
Shareholder's equity	-	-	-	-	-	748,519	-	748,519
Total liabilities and shareholder's equity	2,622,151	2,804,062	251,529	-	-	1,983,439	565,168	8,226,349
On-balance sheet interest sensitivity gap representing total interest sensitivity gap								
	1,509,483	178,849	7,855	110,302	-	(1,834,708)	28,219	-

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31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(b) Market risk management (continued)

(ii) Currency risk

The table below analyses the net foreign exchange positions of the Bank as at 31 March 2018 and 31 March 2017, by major currencies, which are mainly in Ringgit Malaysia, US Dollar and Japanese Yen. The “others” foreign exchange risk include mainly exposure to Singapore Dollar, the Great British Pound, Hong Kong Dollar, Euro and Thailand Baht.

	Ringgit Malaysia RM'000	United States Dollar RM'000	Japanese Yen RM'000	Others RM'000	Total RM'000
2018					
Assets					
Cash and short-term funds	1,032,975	222,475	80,158	53,110	1,388,718
Deposits and placements with financial institutions	50,000	77,220	-	593	127,813
Financial investments available-for-sale	454,653	-	-	-	454,653
Loans, advances and financing	555,217	5,013,042	194,061	76,281	5,838,601
Derivative financial assets	192,929	169,070	6,629	253	368,881
Other assets	97,927	99	-	13	98,039
Property and equipment	9,981	-	-	-	9,981
Intangible asset	13,344	-	-	-	13,344
Total assets	2,407,026	5,481,906	280,848	130,250	8,300,030

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31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(b) Market risk management (continued)

(ii) Currency risk (continued)

	Ringgit Malaysia RM'000	United States Dollar RM'000	Japanese Yen RM'000	Others RM'000	Total RM'000
2018					
Liabilities					
Deposits from customers	1,357,142	646,763	107,631	52,295	2,163,831
Deposits and placements from financial institutions	3,740	4,563,904	192,813	76,165	4,836,622
Derivative financial liabilities	172,635	173,599	963	91	347,288
Other liabilities	125,449	11,316	1,766	109	138,640
Deferred tax liabilities	7,151	-	-	-	7,151
Total liabilities	1,666,117	5,395,582	303,173	128,660	7,493,532
On-balance sheet open position	740,909	86,324	(22,325)	1,590	806,498
Less: Derivative assets	(192,929)	(169,070)	(6,629)	(253)	(368,881)
Add: Derivative liabilities	172,635	173,599	963	91	347,288
Net open position	720,615	90,853	(27,991)	1,428	784,905

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31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(b) Market risk management (continued)

(ii) Currency risk (continued)

	Ringgit Malaysia RM'000	United States Dollar RM'000	Japanese Yen RM'000	Others RM'000	Total RM'000
2017					
Assets					
Cash and short-term funds	1,985,766	402,089	39,068	48,251	2,475,174
Deposits and placements with financial institutions	446,000	730,076	-	815	1,176,891
Financial investments available-for-sale	300,024	-	-	-	300,024
Loans, advances and financing	499,752	2,826,291	206,753	112,458	3,645,254
Derivative financial assets	15,439	564,371	11,431	2,146	593,387
Other assets	12,669	431	-	1	13,101
Property and equipment	8,651	-	-	-	8,651
Intangible asset	13,867	-	-	-	13,867
Total assets	3,282,168	4,523,258	257,252	163,671	8,226,349

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31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(b) Market risk management (continued)

(ii) Currency risk (continued)

	Ringgit Malaysia RM'000	United States Dollar RM'000	Japanese Yen RM'000	Others RM'000	Total RM'000
2017					
Liabilities					
Deposits from customers	1,424,997	1,099,331	62,953	48,862	2,636,143
Deposits and placements from financial institutions	42,888	3,324,325	207,194	112,396	3,686,803
Derivative financial liabilities	11,827	550,476	949	1,916	565,168
Other liabilities	576,865	9,886	913	182	587,846
Deferred tax liabilities	1,870	-	-	-	1,870
Total liabilities	2,058,447	4,984,018	272,009	163,356	7,477,830
On-balance sheet open position	1,223,721	(460,760)	(14,757)	315	748,519
Less: Derivative assets	(15,439)	(564,371)	(11,431)	(2,146)	(593,387)
Add: Derivative liabilities	11,827	550,476	949	1,916	565,168
Net open position	1,220,109	(474,655)	(25,239)	85	720,300

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31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(b) Market risk management (continued)

(ii) Currency risk (continued)

Sensitivity analysis - impact on profit/loss after taxation

	2018	2017
	RM'000	RM'000
• if USD weakened by 100 basis points (or 1%)	910	(4,747)
• if JPY weakened by 100 basis points (or 1%)	(280)	(252)
• if SGD weakened by 100 basis points (or 1%)	1	3
• if other currencies weakened by 100 basis points (or 1%)	13	(2)
	644	(4,998)

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31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(c) Liquidity risk

Liquidity risk is the risk that the Bank is unable to meet its cash flow obligations as they fall due, such as upon the maturity of deposits and loan draw downs.

The table below analyses assets and liabilities (inclusive of non-financial instruments) of the Bank in the relevant maturity tenures based on remaining contractual maturities as at 31 March 2018 and 31 March 2017.

The disclosure is made in accordance with the requirement of BNM's policy document of BNM/RH/STD 032-5 *Financial Reporting*:

Contractual maturity of total assets and liabilities

	Up to 1 Month RM'000	> 1 to 3 Months RM'000	> 3 to 12 Months RM'000	> 1 to 5 Years RM'000	Over 5 Years RM'000	No specific maturity RM'000	Total RM'000
2018							
Assets							
Cash and short-term funds	1,388,718	-	-	-	-	-	1,388,718
Deposits and placements with financial institutions	-	50,593	77,220	-	-	-	127,813
Financial investments available-for-sale	-	110,105	50,160	294,388	-	-	454,653
Loans, advances and financing	2,399,865	902,809	400,876	1,771,703	363,348	-	5,838,601
Derivative financial assets	4,467	4,326	123,919	204,139	32,030	-	368,881
Other assets	3,379	1,794	144	3,845	-	88,877	98,039
Property and equipment	-	-	-	-	-	9,981	9,981
Intangible asset	-	-	-	-	-	13,344	13,344
Total assets	3,796,429	1,069,627	652,319	2,274,075	395,378	112,202	8,300,030

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31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(c) Liquidity risk (continued)

Contractual maturity of total assets and liabilities (continued)

	Up to 1 Month RM'000	> 1 to 3 Months RM'000	> 3 to 12 Months RM'000	> 1 to 5 Years RM'000	Over 5 Years RM'000	No specific maturity RM'000	Total RM'000
2018							
Liabilities							
Deposits from customers	1,801,409	213,419	149,003	-	-	-	2,163,831
Deposits and placements from financial institutions	2,693,639	2,123,369	4,170	15,444	-	-	4,836,622
Derivative financial liabilities	4,126	3,498	121,636	189,396	28,632	-	347,288
Other liabilities	13,774	3,568	1,268	368	-	119,662	138,640
Deferred tax liabilities	-	-	-	-	-	7,151	7,151
Total liabilities	4,512,948	2,343,854	276,077	205,208	28,632	126,813	7,493,532
Net liquidity gap	(716,519)	(1,274,227)	376,242	2,068,867	366,746	(14,611)	806,498

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31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(c) Liquidity risk (continued)

Contractual maturity of total assets and liabilities (continued)

2017	Up to 1 Month RM'000	> 1 to 3 Months RM'000	> 3 to 12 Months RM'000	> 1 to 5 Years RM'000	Over 5 Years RM'000	No specific maturity RM'000	Total RM'000
Assets							
Cash and short-term funds	2,475,174	-	-	-	-	-	2,475,174
Deposits and placements with financial institutions	-	1,046,709	130,182	-	-	-	1,176,891
Financial investments available-for-sale	-	99,626	90,096	110,302	-	-	300,024
Loans, advances and financing	873,485	344,755	237,264	1,679,412	510,338	-	3,645,254
Derivative financial assets	720	3,863	147,802	426,142	14,860	-	593,387
Other assets	2,431	3,057	6,412	-	-	1,201	13,101
Property and equipment	-	-	-	-	-	8,651	8,651
Intangible asset	-	-	-	-	-	13,867	13,867
Total assets	3,351,810	1,498,010	611,756	2,215,856	525,198	23,719	8,226,349

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31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(c) Liquidity risk (continued)

Contractual maturity of total assets and liabilities (continued)

	Up to 1 Month RM'000	> 1 to 3 Months RM'000	> 3 to 12 Months RM'000	> 1 to 5 Years RM'000	Over 5 Years RM'000	No specific maturity RM'000	Total RM'000
2017							
Liabilities							
Deposits from customers	1,383,392	1,025,824	226,927	-	-	-	2,636,143
Deposits and placements from financial institutions	1,883,963	1,778,238	24,602	-	-	-	3,686,803
Derivative financial liabilities	713	3,442	146,706	403,707	10,600	-	565,168
Other liabilities	10,948	4,085	5,409	6,940	23	560,441	587,846
Deferred tax liabilities	-	-	-	-	-	1,870	1,870
Total liabilities	3,279,016	2,811,589	403,644	410,647	10,623	562,311	7,477,830
Net liquidity gap	72,794	(1,313,579)	208,112	1,805,209	514,575	(538,592)	748,519

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31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(c) Liquidity risk (continued)

Contractual maturity of financial liabilities on an undiscounted basis

The tables below present the cash flows payable by the Bank under non-derivative financial liabilities by remaining contractual maturities as at 31 March 2018 and 31 March 2017. The amounts disclosed in the table will not agree to the carrying amounts reported in the statements of financial position as the amounts incorporated all contractual cash flows, on an undiscounted basis, relating to both principal and interest/profit analysis. The Bank manages inherent liquidity risk based on discounted expected cash flows.

2018	Up to 1 Month RM'000	> 1 to 3 Months RM'000	> 3 to 12 Months RM'000	> 1 to 5 Years RM'000	Over 5 Years RM'000	No specific maturity RM'000	Total RM'000
Non-derivative liabilities							
Deposits from customers	1,804,378	215,249	151,363	-	-	-	2,170,990
Deposits and placements from financial institutions	2,703,829	2,134,685	4,213	15,623	-	-	4,858,350
Other liabilities	13,774	3,568	1,268	368	-	119,662	138,640
	4,521,981	2,353,502	156,844	15,991	-	119,662	7,167,980
Commitment and contingencies							
Direct credit substitutes	2,382	855	118,689	1,732	-	-	123,658
Transaction related contingencies	93	2,136	61,366	34,754	-	-	98,349
Short-term self liquidating trade related contingencies	-	261	3,956	-	-	-	4,217
Foreign exchange related contracts	728,331	279,858	671,152	38,646	-	-	1,717,987
Interest/profit related contracts	-	37,773	1,884,898	4,064,373	402,567	-	6,389,611
Other commitments, such as formal standby facilities and credit lines, with an original maturity over one year	-	27,000	-	205,713	-	-	232,713
Any commitments that are unconditionally cancelled at any time by the bank without prior notice	1,756,816	-	-	-	-	-	1,756,816
	2,487,622	347,883	2,740,061	4,345,218	402,567	-	10,323,351

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31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(c) Liquidity risk (continued)

Contractual maturity of financial liabilities on an undiscounted basis (continued)

2017	Up to 1 Month RM'000	> 1 to 3 Months RM'000	> 3 to 12 Months RM'000	> 1 to 5 Years RM'000	Over 5 Years RM'000	No specific maturity RM'000	Total RM'000
Non-derivative liabilities							
Deposits from customers	1,384,869	1,030,264	235,416	-	-	-	2,650,549
Deposits and placements from financial institutions	1,887,632	1,767,045	24,925	17,904	-	-	3,697,506
Other liabilities	10,948	4,085	5,409	6,940	23	560,441	587,846
	<u>3,283,449</u>	<u>2,801,394</u>	<u>265,750</u>	<u>24,844</u>	<u>23</u>	<u>560,441</u>	<u>6,935,901</u>
Commitment and contingencies							
Direct credit substitutes	200	1,620	12,315	1,458	-	-	15,593
Transaction related contingencies	25,383	442	9,047	77,256	-	-	112,128
Short-term self liquidating trade related contingencies	21	-	5,998	-	-	-	6,019
Foreign exchange related contracts	1,434,797	676,623	207,432	117,786	-	-	2,436,638
Interest/profit related contracts	-	432,962	1,014,550	5,101,785	481,207	-	7,030,504
Other commitments, such as formal standby facilities and credit lines, with an original maturity over one year	-	-	-	409,248	39,142	-	448,390
Any commitments that are unconditionally cancelled at any time by the bank without prior notice	1,591,978	-	-	-	-	-	1,591,978
	<u>3,052,379</u>	<u>1,111,647</u>	<u>1,249,342</u>	<u>5,707,533</u>	<u>520,349</u>	<u>-</u>	<u>11,641,250</u>

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31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(d) Operational risk management

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. The following risk categories are included in the Bank's definition of operational risk.

(i) *Execution Risk*

which encompasses situations where trades fail to be executed, due to dealing, processing, settlement, or reconciliation problems, at times leading to costly delays or penalties.

(ii) *People Risk*

which encompasses the risk of human errors/omissions, frauds by staff or external persons and mishaps involving key personnel.

(iii) *Systems Risk*

which is the risk of disruption to operations arising from systems failures, unauthorised intrusion or tampering of systems.

(iv) *Model Risk*

which represents the risk that incorrect raw data, assumptions and hypotheses will result in erroneous output from the model constructed/used.

As part of initiatives to improve operational risk management, "Control Self-Assessments" ("CSAs"), is implemented every six months to all departments to identify operational risk issues in the departments to reduce such risk. "Key Risk Indicator" ("KRI"), also being implemented on a monthly basis to reduce operational risk.

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32. OFFSETTING OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

Financial assets and liabilities subject to offsetting, enforceable master netting arrangements and similar agreements are as follows:

	Gross amount of recognised financial assets/ liabilities RM'000	Gross amounts offset in the statement of financial position RM'000	Amounts presented in the statement of financial position RM'000	Amount not offset in the statement of financial position		Net Amount RM'000
				Financial instruments RM'000	Cash collateral received/ pledged RM'000	
2018						
Derivative financial assets	368,881	-	368,881	-	(106,360)	262,521
Derivative financial liabilities	347,288	-	347,288	-	(82,295)	264,993
2017						
Derivative financial assets	593,387	-	593,387	-	(560,441)	32,946
Derivative financial liabilities	565,168	-	565,168	-	(90)	565,078

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NOTES TO THE FINANCIAL STATEMENTS
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33. FAIR VALUE MEASUREMENTS

This note provides fair value measurement information for both financial instruments and non-financial assets and liabilities and is structured as follows:

- (a) Valuation principles;
- (b) Valuation techniques;
- (c) Fair value measurements and classification within the fair value hierarchy;
- (d) Transfers between Level 1 and Level 2 in the fair value hierarchy;
- (e) Movements of Level 3 instruments;
- (f) Sensitivity of fair value measurements to changes in unobservable input assumptions;
and
- (g) Financial instruments not measured at fair value.

(a) Valuation principles

Fair value is defined as the price that would be received for the sale of an asset or paid to transfer a liability in an orderly transaction between market participants in the principal or most advantageous market as of the measurement date. The Bank determines the fair value by reference to quoted prices in active markets or by using valuation techniques based on observable inputs or unobservable inputs. Management judgment is exercised in the selection and application of appropriate parameters, assumptions and modelling techniques where some or all of the parameter inputs are not observable in deriving fair value. The Bank has also established a framework and policies that provide guidance concerning the practical considerations, principles and analytical approaches for the establishment of prudent valuation for financial instruments measured at fair value.

Valuation adjustment is also an integral part of the valuation process. Valuation adjustment is to reflect the uncertainty in valuations generally for products that are less standardised, less frequently traded and more complex in nature. In making a valuation adjustment, the Bank follows methodologies that consider factors such as bid-offer spread, unobservable prices/inputs in the market and uncertainties in the assumptions/parameters.

The Bank continuously enhances its design, validation methodologies and processes to ensure the valuations are reflective. The valuation models are validated both internally and externally, with periodic reviews to ensure the model remains suitable for their intended use.

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33. FAIR VALUE MEASUREMENTS (CONTINUED)

(a) Valuation principles (continued)

- Level 1: Quoted prices (unadjusted) in active markets for identical assets and liabilities

Refers to instruments which are regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, and those prices which represent actual and regularly occurring market transactions in an arm's length basis. Such financial instruments include actively traded government securities, listed derivatives and cash products traded on exchange.

- Level 2: Valuation techniques for which all significant inputs are, or are based on, observable market data

Refers to inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. prices) or indirectly (i.e. derived from prices). Examples of Level 2 financial instruments include over-the-counter ("OTC") derivatives, corporate and other government bonds, illiquid equities and consumer loans and financing with homogeneous or similar features in the market.

- Level 3: Valuation techniques for which significant inputs are not based on observable market data

Refers to instruments where fair value is measured using significant unobservable market data. The valuation technique is consistent with the Level 2. The chosen valuation technique incorporates the Bank's own assumptions and data. Examples of Level 3 instruments include corporate bonds in illiquid markets, private equity investments and loans and financing priced primarily based on internal credit assessment.

(b) Valuation techniques

The valuation techniques used for the both financial instruments and non-financial assets and liabilities that are not determined by reference to quoted prices (Level 1) are described below:

Derivatives, loans and financing and financial liabilities

The fair values of the Bank's derivative instruments, loans and financing and financial liabilities are derived using discounted cash flows analysis, option pricing and benchmarking models.

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33. FAIR VALUE MEASUREMENTS (CONTINUED)

(b) Valuation techniques (continued)

Financial assets designated at fair value through profit or loss, financial assets held-for-trading, financial investments available-for-sale and financial investments held-to-maturity

The fair values of financial assets and financial investments are determined by reference to prices quoted by independent data providers and independent broker quotations.

(c) Fair value measurements and classification within the fair value hierarchy

The classification in the fair value hierarchy of the Bank's financial assets and liabilities measured at fair value is summarised in the table below:

	<u>Valuation technique using</u>			Total RM'000
	Quoted Market Price (Level 1) RM'000	Observable Inputs (Level 2) RM'000	Unobservable Inputs (Level 3) RM'000	
2018				
<i>Financial assets:</i>				
Financial investments				
available-for-sale	454,653	-	-	454,653
Money market instruments	454,653	-	-	454,653
Non-money market instruments	-	-	-	-
Derivative assets	-	368,881	-	368,881
Foreign exchange related contracts	-	11,338	-	11,338
Interest rate related contracts	-	357,543	-	357,543
	454,653	368,881	-	823,534
<i>Financial liabilities:</i>				
Derivative liabilities	-	347,288	-	347,288
Foreign exchange related contracts	-	9,659	-	9,659
Interest rate related contracts	-	337,629	-	337,629

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33. FAIR VALUE MEASUREMENTS (CONTINUED)

(c) Fair value measurements and classification within the fair value hierarchy (continued)

The classification in the fair value hierarchy of the Bank's financial assets and liabilities measured at fair value is summarised in the table below (continued):

	Quoted Market Price (Level 1) RM'000	Valuation technique using		Total RM'000
		Observable Inputs (Level 2) RM'000	Unobservable Inputs (Level 3) RM'000	
<i>Financial assets:</i>				
Financial investments				
available-for-sale	300,024	-	-	300,024
Money market instruments	300,024	-	-	300,024
Non-money market instruments	-	-	-	-
Derivative assets	-	593,387	-	593,387
Foreign exchange related contracts	-	6,794	-	6,794
Interest rate related contracts	-	586,593	-	586,593
	300,024	593,387	-	893,411
<i>Financial liabilities:</i>				
Derivative liabilities	-	565,168	-	565,168
Foreign exchange related contracts	-	6,873	-	6,873
Interest rate related contracts	-	558,295	-	558,295

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33. FAIR VALUE MEASUREMENTS (CONTINUED)

(d) Transfers between Level 1 and Level 2 in the fair value hierarchy

The accounting policy for determining when transfers between levels of the fair value hierarchy occurred is disclosed in Note 2.2(xvii). There were no transfers between Level 1 and 2 for the Bank during the financial year ended 31 March 2018 and 31 March 2017.

(e) Movements of Level 3 instruments

There is no Level 3 instruments as at 31 March 2018 and 31 March 2017.

(f) Sensitivity of fair value measurements to changes in unobservable input assumptions

Changing one or more of the inputs to reasonable alternative assumptions would not change the value significantly for the financial assets and financial liabilities in Level 3 of the fair value hierarchy.

(g) Financial instruments not measured at fair value

The on-balance sheet financial assets and financial liabilities of the Bank whose fair values are required to be disclosed in accordance with MFRS 132 comprise all its assets and liabilities with the exception of provision for current taxation.

For loans and advances to borrowers, where such market prices are not available, various methodologies have been used to estimate the approximate fair values of such instruments. These methodologies are significantly affected by the assumptions used and judgments made regarding risk characteristics of various financial instruments, discount rates, estimates of future cash flows, future expected loss experience and other factors. Changes in the assumptions could significantly affect these estimates and the resulting fair value estimates. Therefore, for a significant portion of the Bank's financial instruments, including loans and advances to borrowers/customers, their respective fair value estimates do not purport to represent, nor should they be construed to represent, the amounts that the Bank could realise in a sale transaction at the reporting date. The fair value information presented herein should also in no way be construed as representative of the underlying value of the Bank as a going concern.

The estimated fair values of those on-balance sheet financial assets and financial liabilities as at the reporting date approximate their carrying amounts as shown in the statement of financial position, except for the financial assets and liabilities as stated below.

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NOTES TO THE FINANCIAL STATEMENTS
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33. FAIR VALUE MEASUREMENTS (CONTINUED)

(g) Financial instruments not measured at fair value (continued)

The table below analyses financial instruments not carried at fair value for which fair value is disclosed, together with their fair values and carrying amount shown in the statements of financial position:

	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total fair value RM'000	Carrying amount RM'000
2018					
Financial assets					
Loans, advances and financing	-	5,800,755	38,806	5,839,561	5,838,601
2017					
Financial assets					
Loans, advances and financing	-	3,638,131	47,116	3,685,247	3,645,254

The fair values of variable rate loans are estimated to approximate their carrying values. For fixed rate loans and Islamic financing, the fair values are estimated based on expected future cash flows of contractual instalment payments, discounted at applicable and prevailing rates at reporting date offered for similar facilities to new borrowers with similar credit profiles. In respect of impaired loans, the fair values are deemed to approximate the carrying values which are net of impairment allowances.

34. CAPITAL MANAGEMENT

The Bank is fully funded by its parent Bank, Mizuho Bank, Ltd. and currently operates under Mizuho group's acceptable risk framework to meet its regulatory requirements and market expectations.

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35. CAPITAL ADEQUACY

The capital ratios are computed in accordance with Bank Negara Malaysia's Capital Adequacy Framework (Capital Components) and Capital Adequacy Framework (Basel II - Risk Weighted Assets) (collectively, the "Framework") issued on 4 August 2017. The Bank has adopted Standardised Approach for credit risk and market risk and the Basic Indicator Approach for operational risk. In line with transitional arrangements under BNM's Capital Adequacy Framework (Capital Components), the minimum regulatory capital adequacy requirement for common equity Tier 1 ("CET1") capital ratio and Tier 1 capital ratio are 4.5% and 6.0% respectively for year 2018. The minimum regulatory capital adequacy requirement remains at 8% for total capital ratio.

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

	2018	2017
<u>Capital ratios:</u>		
CET1 Capital Ratio/Total Tier 1 Capital Ratio	27.651%	24.321%
Total Capital Ratio	28.768%	25.466%

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

	2018	2017
	RM'000	RM'000
<u>CET 1 Capital</u>		
Paid-up share capital	700,000	700,000
Retained profits	66,994	18,222
Other reserves	1,469	26,563
Total CET1 Capital, representing total Tier 1 Capital	768,463	744,785
<u>Tier 2 Capital</u>		
Collective impairment allowance and regulatory reserve	31,051	35,066
Total Capital	799,514	779,851

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

	2018	2017
	RM'000	RM'000
Total RWA for Credit risk	2,484,061	2,805,297
Total RWA for Market risk	83,192	104,229
Total RWA for Operational risk	211,931	152,814
Total RWA	2,779,184	3,062,340

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NOTES TO THE FINANCIAL STATEMENTS
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35. CAPITAL ADEQUACY (CONTINUED)

(iv) The breakdown of risk-weighted assets (excluding deferred tax assets) of the Bank in the various categories of risk-weights are as follows:

	Principal RM'000	Risk- Weighted Assets RM'000
2018		
0%	1,260,996	-
20%	821,379	164,276
50%	309,736	154,868
100%	<u>2,164,917</u>	<u>2,164,917</u>
Total RWA for Credit risk	4,557,028	2,484,061
Total RWA for Market risk	-	83,192
Total RWA for Operational risk	-	<u>211,931</u>
Total RWA	<u>4,557,028</u>	<u>2,779,184</u>
2017		
0%	2,290,688	-
20%	1,121,937	224,387
50%	895,636	447,818
100%	<u>2,133,092</u>	<u>2,133,092</u>
Total RWA for Credit risk	6,441,353	2,805,297
Total RWA for Market risk	-	104,229
Total RWA for Operational risk	-	<u>152,814</u>
Total RWA	<u>6,441,353</u>	<u>3,062,340</u>

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NOTES TO THE FINANCIAL STATEMENTS
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35. CAPITAL ADEQUACY (CONTINUED)

(v) Disclosures relating to credit risk and market risk are as follows:

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

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NOTES TO THE FINANCIAL STATEMENTS
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35. CAPITAL ADEQUACY (CONTINUED)

(v) Disclosures relating to credit risk and market risk are as follows: (continued)

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

MIZUHO BANK (MALAYSIA) BERHAD (923693-H)
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STATEMENT BY DIRECTORS
PURSUANT TO SECTION 251(2) OF THE COMPANIES ACT 2016

We, Dato' Seri Talaat Bin Husain and Mr. Mohd Mokhtar Bin Ghazali, being two of the Directors of Mizuho Bank (Malaysia) Berhad, do hereby state that, in the opinion of the Directors, the accompanying financial statements set out on pages 19 to 109 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia so as to give a true and fair view of the financial position of the Bank as at 31 March 2018 and of the results and the cash flows of the Bank for the financial year then ended.

Signed on behalf of the Board in accordance with their resolution dated 24 July 2018.



DATO' SERI TALAAT BIN HUSAIN
DIRECTOR



MR. MOHD MOKHTAR BIN GHAZALI
DIRECTOR

Kuala Lumpur, Malaysia

STATUTORY DECLARATION
PURSUANT TO SECTION 251(1)(b) OF THE COMPANIES ACT 2016

I, Shojiro Mizoguchi, being the Chief Executive Officer primarily responsible for the financial management of Mizuho Bank (Malaysia) Berhad, do solemnly, and sincerely declare that the financial statements set out on pages 19 to 109 are, in my opinion, correct, and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.



MR. SHOJIRO MIZOGUCHI

Subscribed and solemnly declared by the abovenamed
Shojiro Mizoguchi at Kuala Lumpur in Malaysia
on 24 July 2018, before me.



COMMISSIONER FOR OATHS

Lot 1.68, 1st Floor,
Wisma Cosway, Jalan Raja Chulan
50200 Kuala Lumpur.
Tel: 03-91725900
I/P: 012-3766796

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**Independent auditors' report to the member of
Mizuho Bank (Malaysia) Berhad
(Incorporated in Malaysia)**

Report on the audit of financial statements

Opinion

We have audited the financial statements of Mizuho Bank (Malaysia) Berhad, which comprise the statement of financial position as at 31 March 2018, statement of comprehensive income, statement of changes in equity and statement of cash flows of the Bank for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 19 to 109.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Bank as at 31 March 2018, and of its financial performance and cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

Basis for opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence and other ethical responsibilities

We are independent of the Bank in accordance with the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and IESBA Code.

Information other than the financial statements and auditors' report thereon

The directors of the Bank are responsible for the other information. The other information comprises the information included in the Directors' Report, but does not include the financial statements of the Bank and our auditors' report thereon.

Our opinion on the financial statements of the Bank does not cover the other information and we do not express any form of assurance conclusion thereon.

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**Independent auditors' report to the member of
Mizuho Bank (Malaysia) Berhad (continued)
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Information other than the financial statements and auditors' report thereon (continued)

In connection with our audit of the financial statements of the Bank, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Bank or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the financial statements

The directors of the Bank are responsible for the preparation of financial statements of the Bank that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia. The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements of the Bank that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Bank, the directors are responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Bank or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Bank as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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**Independent auditors' report to the member of
Mizuho Bank (Malaysia) Berhad (continued)
(Incorporated in Malaysia)**

Auditors' responsibilities for the audit of the financial statements (continued)

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements of the Bank, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Bank or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements of the Bank, including the disclosures, and whether the financial statements of the Bank represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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**Independent auditors' report to the member of
Mizuho Bank (Malaysia) Berhad (continued)
(Incorporated in Malaysia)**

Other matters

This report is made solely to the members of the Bank, as a body, in accordance with Section 266 of the Companies Act 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.



Ernst & Young
AF: 0039
Chartered Accountants



Dato' Megat Iskandar Shah Bin Mohamad Nor
No. 03083/07/2019 J
Chartered Accountant

Kuala Lumpur, Malaysia
24 July 2018