Mizuho Bank (Malaysia) Berhad

(Company No. 923693-H)
(Incorporated in Malaysia)

Financial statements for the financial year ended 31 March 2019

MIZUHO BANK (MALAYSIA) BERHAD
(Company No. 923693-H)
(Incorporated in Malaysia)

DIRECTORS' REPORT
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2019

The Directors have pleasure in presenting their report and the audited financial statements of Mizuho Bank (Malaysia) Berhad (the "Bank") for the financial year ended 31 March 2019.

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.

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.

Results

	RM'000
Profit before taxation	88,071
Tax expense	(14,173)
Profit for the financial year	73,898

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.

Reserves and provisions

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

Bad and doubtful debts and financing

Before the statements of comprehensive income and statements of financial position 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 provision for doubtful debts, and satisfied themselves that all known bad debts had been written off and that adequate provision had been made for doubtful debts.

At the date of this report, the Directors are not aware of any circumstances which would render the amount written off for bad debts or the amount of the provision for doubtful debts in the financial statements of the Bank inadequate to any substantial extent.

Current assets

Before the statements of comprehensive income and statements of financial position of the Bank were made out, the Directors took reasonable steps to ensure that any current assets which were unlikely to realise their value as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.

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

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 of the Bank 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 liabilities of any other person; or
(b) any contingent liability of the Bank which has arisen since the end of the financial year.

In the opinion of the Directors, no contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Bank to meet its obligations 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 financial statements of the Bank which would render any amount stated in the financial statements misleading.

Items of an 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.

MIZUHO BANK (MALAYSIA) BERHAD
(Company No. 923693-H)
(Incorporated in Malaysia)

DIRECTORS' REPORT
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2019

Business plan and strategy
Business results for the financial year ended 31 March 2019

For the financial year ended 31 March 2019, the Bank continues to achieve higher profit before taxation ("PBT") of RM88.1 million, representing an increase of 7.9% as compared to PBT of RM81.6 million in the previous financial year. Net interest income for the financial year was RM109.6 million, an increase of 14.2% as compared to the previous financial year. The increase in net interest income was mainly derived from higher interest income on loans, advances and financing of RM78.2 million, partly offset by the increase in interest expense on interbank deposits of RM68.7 million. Other operating income increased by 15.0% to RM67.9 million mainly due to higher unrealised foreign exchange gain and decrease in net unrealised loss on revaluation of derivatives, partly offset by a decrease in realised foreign exchange gain. The Bank's other operating expenses increased by RM13.4 million primarily due to an increase in personnel costs of RM7.5 million and administration and general expenses of RM5.0 million.

The Bank's total assets rose by RM1.3 billion to RM9.6 billion as at 31 March 2019. The growth in total assets was attributable to the increase in loans, advances and financing of RM606.1 million, deposits and placements with financial institutions of RM416.6 million and cash and short-term funds of RM413.0 million. The Bank remains well capitalised with Common Equity Tier 1 capital ratio and Total Capital Ratio of 29.641% and 30.727% respectively.

Business outlook for the financial year ended 31 March 2020

The Bank remains cautious for the financial year ending 31 March 2020 in view of the sustained external headwinds, trade tensions and decelerating global economic growth. Amidst this backdrop, Bank Negara Malaysia ("BNM") reduced the overnight policy rate ("OPR") to 3.0% with a baseline projection for the Malaysian economy to grow within the projected range of 4.3% to 4.8% in 2019. Externally, it is expected that there will be slowing down in the global demand as well as the subdued growth of key trading partners. Notwithstanding that, the moderate growth was expected to continue with the drive from the domestic market based on the stable labour market conditions and capacity expansion in key sectors which would be able to drive the household and capital spending.

Malaysian Ringgit ("MYR")'s performance is expected to be impacted by the uncertainties on global trade and investment activities arising from the trade tension between United States and China. On the other hand, a gradual pick-up in commodity prices, better fiscal position of Malaysian government and higher investment and domestic consumption activities arising from the reduction in OPR is expected to support MYR growth gradually.

For the financial year ending 31 March 2020, the Bank will continue to build value for its customer-based business by leveraging its global network and transaction banking capacity. Additionally, the Bank will also focus on operational excellence by evolving its service quality and enhancing its technologies to improve operational efficiency while meeting the global and local regulations requirement. The Bank aims to achieve sustainable growth in its customers' base and position itself as reliable financial institution that contributes to the sound economic development of both Malaysia and Japan.

MIZUHO BANK (MALAYSIA) BERHAD
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DIRECTORS' REPORT
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2019

Statement of Corporate Governance

Board of Directors

Composition of the Board of Directors

The Board of Directors (the "Board") brings a wealth of knowledge, experience and skills in a wide range of business management, audit and accountancy, economics, finance, risk management and international banking to the Board. The Board presently has four (4) members, of which one (1) is the Executive Director/Chief Executive Officer, two (2) are Independent Non-Executive Directors, and one (1) is the Executive Director. The Directors who served during the financial year until the date of this report are:

Mr. Mohd Mokhtar bin Ghazali (appointed as Chairman on 25 March 2019)
Datuk Ahmad Hizzad bin Baharuddin (appointed on 8 March 2019)
Mr. Guan Yeow Kwang (appointed on 26 June 2018)
Mr. Shojiro Mizoguchi
Dato' Seri Talaat bin Husain (resigned on 28 January 2019)
Datuk Michael Lor Chee Leng (ceased on 31 May 2019)

The current composition and size of the Board is appropriate and commensurate with the complexity, scope and operations of the Bank. The Independent Non-Executive Directors of the Bank fulfill the criteria of independence as defined in the BNM Policy Document.

The members of the Board fulfill the 'fit and proper' criteria for appointment as Directors required under the Bank's Fit and Proper Policy as established in accordance with the BNM Policy Document on Fit and Proper Criteria. The Board Terms of Reference has set out the tenure of an Independent Director which shall not exceed a cumulative term of nine (9) years.

Roles and responsibilities of the Board

Besides carrying out its statutory responsibilities, the Board approves the Bank's long-term objectives and commercial strategy and the annual operating budget. It oversees the management of the business and the Bank's affairs and regularly monitors the Bank's performance against budget and plans. Matters reserved for the Board's decision include major investments, strategic plans, business plans, key financial and operating policies, financial results and corporate governance matters. The Board carries out various functions and responsibilities laid down in guidelines and directives that are issued by BNM from time to time. The Board also operates under the approved terms of reference which set out their roles and responsibilities towards the Bank.

In compliance with the BNM Policy Document, there is a clear separation between the roles of Independent Non-Executive Chairman and Chief Executive Officer ("CEO") of the Bank. The distinction allows an appropriate balance of role, responsibility, authority and accountability at the Board level.

DIRECTORS' REPORT
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2019

Board of Directors (continued)

Key information and background of Directors

Mr. Mohd Mokhtar bin Ghazali
Chairman, Independent Non-Executive Director
Mr. Mohd Mokhtar bin Ghazali, aged 76, was appointed as a Director of the Bank on 1 March 2011 and as the Chairman of the Bank on 25 March 2019. He holds a Bachelor of Economics from University Malaya, Malaysia. Upon his graduation, Mr. Mohd Mokhtar joined Bank Negara Malaysia (BNM) in Investment Department from 1974-1978. In 1978, he joined Esso Malaysia Berhad in the Corporate Finance Department. He then started his career in banking and capital market in 1979 and served various organizations such as Bank Bumiputra Malaysia Berhad, Malaysia Discounts Berhad, Affin Discount Berhad and Boustead Reit Managers Sdn Bhd. He was the Chief Executive Officer of Boustead Reit Managers Sdn Bhd before his retirement in 2009. Mr. Mohd Mokhtar is also a Non-Independent Non-Executive Director of Affin Moneybrokers Sdn Bhd.

Datuk Ahmad Hizzad bin Baharuddin
Independent Non-Executive Director
Datuk Ahmad Hizzad bin Baharuddin, aged 56, was appointed as a Director of the Bank on 8 March 2019. He graduated with a Bachelor Degree in Business Studies from Eastern Illinois University and holds an MBA from St. Louis University. He is the Chairman of Nominating Committee, Remuneration Committee and Audit Committee. He is also a member of Board Risk Management Committee. Datuk Ahmad Hizzad was an Assistant Governor with BNM before his retirement on 18 September 2018. He was previously seconded to Labuan Financial Services Authority ("Labuan FSA") as Director-General for 6 years before he returned to BNM in October 2017. Prior to his secondment to Labuan FSA, Datuk Ahmad Hizzad served as the Director of several departments in BNM including Payment System, Financial Sector Development and Islamic Banking and Takaful. Datuk Ahmad Hizzad is also the Independent Non-Executive Director of Small Medium Enterprise Development Bank Malaysia Berhad ("SME Bank"), Chairman/Director of Bina Bicara Sdn. Bhd. and Non-Executive Non-Independent Chairman of Payments Network Malaysia Sdn Bhd ("PayNet").

Mr. Guan Yeow Kwang
Executive Director
Mr. Guan Yeow Kwang, aged 62, was appointed as a Director of the Bank on 26 June 2018. He holds a Bachelor of Arts (Economics & Political Science) from National University of Singapore and an MBA with Merit in Finance from the Manchester Business School. Mr. Guan stated his career in the financial sector in Singapore in 1981. He had worked mostly at Mizuho Bank and its predecessor entities in Singapore. He had also worked at Astley & Pearce Pte Ltd and First National Bank of Boston. He spent the first fifteen years of his career in financial markets where he honed his skills as an arbitrager but had since acquired management expertise in risk management, HR, operations, legal & compliance, technology and finance. Mr. Guan is currently the Chief Executive Officer of Mizuho Singapore and General Manager of the Bank's Asia and Oceania Administration Department. He is also the Chairman of Audit Committee and Council Member of the Singapore Institute of Finance as well as Chairman of Manpower Sub-committee and Member of the Singapore FX Market Committee.

Board of Directors (continued)

Key information and background of Directors (continued)

Mr. Shojiro Mizoguchi
Executive Director/Chief Executive Officer
Mr. Shojiro Mizoguchi, aged 54, was appointed as Executive Director/Chief Executive Officer of the Bank on 1 September 2015. He graduated from University of Hitotsubashi, majoring in Commerce. Mr. Mizoguchi began his career with Mizuho Financial Group when he joined the Industrial Bank of Japan, Ltd. in Akasaka Branch in April 1990. He has 29 years of experience in holding various positions in Japan as well as Mizuho Financial Group oversea branches such as New York, Vietnam and Singapore. Prior to his appointment in the Bank, he was the Joint General Manager of Mizuho Financial Group's Asia & Oceania Division in Singapore where he was responsible for planning business strategy, managing both Mizuho branches and subsidiaries in the region.

Dato' Seri Talaat bin Husain
Independent Non-Executive Director
Dato' Seri Talaat bin Husain, aged 68, was appointed as a Director of the Bank on 1 March 2011. He holds a Bachelor of Social and Political Science from University of Science, Malaysia and a Master's Degree in Professional Studies (International Planning) from Cornell University New York, USA. He has resigned as a Director of the Bank on 28 January 2019. Dato' Seri Talaat started his civil service career as an Assistant State Secretary in Penang and had since then held several vital posts in the various government departments/agencies such as the Prime Minister's Department, National Institute for Public Administration, National Palace, Ministry of Education, Ipoh City Council and Ministry of Youth and Sports. He retired from the civil service in 2007 and the last position he served was Secretary General of the Ministry of Domestic Trade and Consumer Affairs. During his tenure in the Government, he held the positions of Chairman of Companies Commission of Malaysia and as a Board Member of Malaysian Intellectual Property Corporation and Malaysian Communications and Multimedia Commission. He is the President of the Outward Bound Council, Malaysia and serves on the Board of several private companies.

Datuk Michael Lor Chee Leng
Independent Non-Executive Director
Datuk Michael Lor Chee Leng, aged 55, was appointed as a Director of the Bank on 1 June 2017. He holds a Bachelor of Arts and Social Sciences from 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. Datuk Michael joined DBS Bank in Singapore upon his graduation in 1988. During his 17 years tenure in this regional banking group, he served in various senior management capacities in both their Singapore and Thailand operations. Upon returning to Malaysia in 2004, Datuk Michael joined RHB Bank Berhad as Group Head of Consumer Banking Division. After 3 years, Datuk Michael joined Hewlett-Packard Worldwide, a multinational information technology company as Director for Banking Solutions for a year. Datuk Michael was the Group Chief Executive Officer of EON Bank Group, Malaysia from 2008 to 2011 and the Chief Executive Officer of Canadia Bank Plc., Cambodia between 2011 and 2016. Datuk Michael does not hold directorship in any other company.

Board of Directors (continued)

Frequency and attendance of each Director at Board meetings

The Board meets regularly and has a formal schedule of matters specifically reserved for its decision. Meetings for the year are scheduled early in the year with due notice given for all scheduled meetings. During the financial year 2019, the Board met twelve (12) times to deliberate on and consider a variety of significant matters that required its guidance and approval. Relevant management personnel are invited to Board meetings to report and appraise the Board on financials, operations and other developments within their respective purview. Where appropriate, decisions are taken by way of circular resolutions in between scheduled meetings. The record of the attendance at the Board Meetings is as follows:

Board Members	**Attendance and Number of Meetings**
Mr. Mohd Mokhtar bin Ghazali (appointed as Chairman on 25 March 2019)	12/12
Mr. Shojiro Mizoguchi	12/12
Mr. Guan Yeow Kwang (appointed on 26 June 2018)	8/9
Datuk Ahmad Hizzad bin Baharuddin (appointed on 8 March 2019)	1/1
Dato' Seri Talaat bin Husain (resigned on 28 January 2019)	10/10
Datuk Michael Lor Chee Leng (ceased on 31 May 2019)	12/12

Training and Development of Directors

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, Chartered Banker, Risk Management, Strategic Management, Cyber Risk, Compliance and Corporate Governance.

Board of Directors (continued)

Board Committees

Nomination and Remuneration Committees

The Bank's Nomination Committee ("NC") consists of all the Directors of the Bank. The Remuneration Committee ("RC") comprises three (3) Independent Non-Executive Directors.

The NC is responsible for the following matters:

- Recommend to the Board for approval, the minimum requirements for the Board, i.e. required mix of skills, experience, qualification and other core competencies required of a Director and the minimum requirements for the CEO, consistent with all legal and regulatory requirements including, but not limited to, the BNM Policy Document.
- Assess and recommend to the Board for their approval, nominee(s) for (i) Board Committee members, (ii) the CEO and/or (iii) Shariah Committee Members ("SCM") prior to submission to BNM for approval of the nominated candidate.
- Oversee and review, on an annual basis, the overall composition of the Board to ensure the appropriate size and skills, and the balance between Executive Directors, Non-Executive Directors and Independent Directors are maintained in accordance with the BNM Policy Document.
- Assess and evaluate on an annual basis the independence of the Board's Independent Directors consistent with all legal and regulatory requirements including, but not limited to, the BNM Policy Document.
- Recommend to the Board on the removal of a Director, CEO, a senior management officer or SCM from the Board or management, as well as Shariah Committee if the Director, CEO, senior management officer or SCM is ineffective, errant and/or negligent in discharging his/her responsibilities.
- Establish a mechanism for the formal assessment on the effectiveness of the Board as a whole and the contribution of each Director to the effectiveness of the Board, the contribution of the Board's various committees and the performance of the CEO, other key senior management officers and SCM. The Committee's annual assessment should be based on objective performance criteria, in line with established key performance indicators, as approved by the Board.
- Ensure that all Directors and SCM receive appropriate continuous training in order to keep abreast with developments in the financial industry and with changes in the relevant statutory and regulatory requirements.
- Oversee the appointment, management succession planning and performance evaluation of key senior management officers.
- Assess on an annual basis that the Directors, key senior management officers and SCM are not disqualified under Section 59 of the Financial Services Act 2013 and Shariah Governance Framework.

Board Committees (continued)

Nomination and Remuneration Committees (continued)

The RC is responsible for the following matters:

- Review annually and recommend to the Board the overall remuneration policy for Directors, the CEO, key senior management officers and SCM that support the Bank’s long-term success and shareholder value, and ensure that compensation is consistent with the Bank's objectives, culture and strategy and all legal or regulatory requirements including, but not limited to, the BNM Policy Document and Shariah Governance Framework.
- Recommend to the Board on the individual remuneration packages for Directors, the CEO, key senior management officers and SCM (including but not limited to fees, salaries, allowances, bonuses, share options and benefits-in-kind). The Committee shall ensure that such remuneration packages are competitive, fair and not excessive, and in determining such packages and arrangements the Committee must consider the level of responsibilities undertaken and contribution to the Bank's growth and profitability, the relevant market comparisons and practice as well as any other relevant guidance.
- Review annually the performance of the Executive Directors, the CEO, key senior management officers, and SCM and recommend to the Board specific adjustments in remuneration and/or reward payments, if any reflecting their contributions for the previous year; and which are competitive and consistent with the Bank's objectives, culture and strategy.
- Ensure that the level of remuneration for Non-Executive Directors and SCM are linked to their level of responsibilities undertaken and contribution to the effective functioning of the Board and Shariah committee, respectively.
- Review and approve the compensation payable to Executive Directors, the CEO and key senior management officers in connection with any loss or termination of their office or appointment to ensure that such compensation is determined in accordance with relevant contractual terms and that such compensation is otherwise fair and not excessive for the Bank; and
- Review and approve compensation arrangements relating to dismissal or removal of Directors for misconduct to ensure that such arrangements are determined in accordance with relevant contractual terms and that any compensation payment is otherwise reasonable and appropriate.

Board Committees (continued)

Nomination and Remuneration Committees (continued)

The NC and the RC shall meet at least once annually. During the financial year ended 31 March 2019, the NC met fourteen (14) times and the RC met six (6) times. Details of attendance of each member at the NC and the RC meetings held during the financial year ended 31 March 2019 are as follows:

Nominating Committee Members	**Attendance and Number of Meetings**
Datuk Ahmad Hizzad bin Baharuddin (appointed as Chairman on 20 March 2019)	*
Mr. Mohd Mokhtar bin Ghazali (stepped down as Chairman on 20 March 2019)	14/14
Mr. Guan Yeow Kwang (appointed on 26 June 2018)	11/11
Mr. Shojiro Mizoguchi	14/14
Dato’ Seri Talaat bin Husain (resigned on 28 January 2019)	11/11
Datuk Michael Lor Chee Leng (ceased on 31 May 2019)	14/14

Remuneration Committee Members	**Attendance and Number of Meetings**
Datuk Ahmad Hizzad bin Baharuddin (appointed as Chairman on 20 March 2019)	*
Mr. Mohd Mokhtar bin Ghazali (stepped down as Chairman on 20 March 2019)	6/6
Dato’ Seri Talaat bin Husain (resigned on 28 January 2019)	6/6
Datuk Michael Lor Chee Leng (ceased on 31 May 2019)	6/6

* There was no meeting held subsequent to the Director's appointment

Board Committees (continued)

Audit Committee ("AC")

The AC shall meet at least once every quarter. During the financial year ended 31 March 2019, the AC met ten (10) times. Details of attendance of each Member at the AC meetings held during the financial year ended 31 March 2019 are as follows:

Audit Committee Members	**Attendance and Number of Meetings**
Datuk Ahmad Hizzad bin Baharuddin (appointed as Chairman on 20 March 2019)	*
Mr. Mohd Mokhtar bin Ghazali (stepped down as Chairman on 20 March 2019)	10/10
Dato' Seri Talaat bin Husain (resigned on 28 January 2019)	9/9
Datuk Michael Lor Chee Leng (ceased on 31 May 2019)	10/10

* There was no meeting held subsequent to the Director's appointment

Accountability and Audit
In addition to the duties and responsibilities set out under its Terms of Reference, the AC 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 minutes of the AC meetings are tabled to the Board for noting and for action by the Board where appropriate.

Relationship with External Auditors
It is the policy of the AC 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 AC 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 AC 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 AC and approved by the Board. The AC approves all ad-hoc non-audit services on a case to case basis. In approving such cases, the AC ensures that the independence and objectivity of the external auditors are not compromised.

Board Committees (continued)

Audit Committee ("AC") (continued)

Risk Governance
The AC, 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 2019, 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.

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 financial year and assessed the performance of Internal Audit Department.
- Reviewed, commented and approved the audit reports presented to the AC.
- 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 financial 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 AC 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.

Board Committees (continued)

Audit Committee ("AC") (continued)

Internal Audit Function

The AC 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 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.

Board Committees (continued)

Board Risk Management Committee ("BRMC")

The establishment of BRMC is approved by the Board. During the financial year ended 31 March 2019, the Chairman of the BRMC was Datuk Michael Lor Chee Leng and its members are Mr. Mohd Mokhtar bin Ghazali and Datuk Ahmad Hizzad bin Baharuddin. Upon Datuk Michael Lor Chee Leng's cessation as BRMC Chariman on 31 May 2019, Mr. Mohd Mokhtar bin Ghazali has been appointed as interim Chairman of the BRMC. The objectives of the BRMC 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 Board, through 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 Committee meets at least once every quarter, or more often as the Chairman of the Committee considers necessary or appropriate and the Committee held six (6) meetings during the year. The details of attendance of each member at BRMC Meetings held during the financial year ended 31 March 2019 are as follows:

Board Risk Management Committee Members	**Attendance and Number of Meetings**
Mr. Mohd Mokhtar bin Ghazali - Chairman (appointed on 31 May 2019)	6/6
Datuk Ahmad Hizzad bin Baharuddin (appointed on 20 March 2019)	*
Dato' Seri Talaat bin Husain (resigned on 28 January 2019)	5/5
Datuk Michael Lor Chee Leng - Chairman (ceased on 31 May 2019)	6/6

* There was no meeting held subsequent to the Director's appointment

Board Committees (continued)

Board Risk Management Committee ("BRMC") (continued)

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.

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 and its compliance with any applicable regulations.

Board Committees (continued)

Board Risk Management Committee ("BRMC") (continued)

Committees supporting the Board Risk Management Committee (continued)

CRMC

The CRMC supports the BRMC in the oversight of Credit Risk Management and 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 credit products to ensure compliance with standards set by the Board.

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 2019 are as follows:

Shariah Committee Members	Attendance and Number of Meetings
Dr. Mohd Zakhiri bin Md Nor - Chairman	6/6
Dr. Mohd Edil bin Abd Sukor	6/6
Mr. Mohd Fazli bin Masri	6/6

Board Committees (continued)

Shariah Committee (continued)

Responsibilities of the Shariah Committee:

- 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 matters 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.

Related Party Transactions

There were no other significant related party transactions other than as reported in Note 28.

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.

MIZUHO BANK (MALAYSIA) BERHAD
(Company No. 923693-H)
(Incorporated in Malaysia)

DIRECTORS' REPORT
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2019

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 options over shares in the Bank and its related corporations during the financial year.

Issue of shares

There were no changes in the issued and paid-up capital of the Bank during the financial year. There were no debentures issued during the financial year.

Directors' benefits

Since the end of the previous financial year, no Director of the Bank has received nor become entitled to receive any benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by Directors or the fixed salary of full time employee of the Bank) by reason of a contract made by the Bank or a related corporation with any 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.

Indemnity and insurance costs

During the financial year, the total amount of indemnity given to Directors of the Bank and the premium paid is RM10,000,000 and RM32,000 respectively.

Auditors

The auditors, Ernst & Young, will not be seeking reappointment to continue in office. The auditors' remuneration is disclosed in Note 23 to the financial statements.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors:

....	....
Mr. Mohd Mokhtar bin Ghazali	Mr. Shojiro Mizoguchi
Director	Director

Kuala Lumpur
Date: 23 July 2019

MIZUHO BANK (MALAYSIA) BERHAD
(Company No. 923693-H)
(Incorporated in Malaysia)

Statement by Directors pursuant to Section 251(2) of the Companies Act 2016

In the opinion of the Directors, the financial statements set out on pages 25 to 121 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 2019 and of its financial performance and cash flows for the financial year then ended.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors:

....
Mr. Mohd Mokhtar bin Ghazali
Director

....
Mr. Shojiro Mizoguchi
Director

Kuala Lumpur
Date: 23 July 2019

MIZUHO BANK (MALAYSIA) BERHAD
(Company No. 923693-H)
(Incorporated in Malaysia)

Statutory Declaration pursuant to
Section 251(1)(b) of the Companies Act 2016

I, Shojiro Mizoguchi, the Director primarily responsible for the financial management of Mizuho Bank (Malaysia) Berhad, do solemnly and sincerely declare that the financial statements set out on pages 25 to 121 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the declaration to be true, and by virtue of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the above named Shojiro Mizoguchi, in Kuala Lumpur on 23 July 2019.

....
Mr. Shojiro Mizoguchi

Before me:

PESURUHJAYA SUMPAH
W712
TAIB BIN AHMAD
1/7/2018 - 31/12/2020
MALAYSIA

BILIK 6-6, TINGKAT 6,
MENARA HIDAYAH,
JALAN 3/27A, SEKSYEN 1,
WANGSA MAJU
53300 KUALA LUMPUR

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Ernst & Young AF: 0039
SST ID: W10-1808-31043558
Chartered Accountants
Level 23A Menara Milenium
Jalan Damanlela, Pusat Bandar Damansara
50490 Kuala Lumpur Malaysia

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+603 2095 9076
+603 2095 9078
ey.com

923693-H

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 2019, and the statement of comprehensive income, statement of changes in equity and statement of cash flows of the Bank for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 25 to 121.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Bank as at 31 March 2019, 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 the 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)
(Incorporated in Malaysia)

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 auditors' 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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923693-H

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

Kuala Lumpur, Malaysia
23 July 2019

Brandon Bruce Sta Maria
No. 02937/09/2019 J
Chartered Accountant

MIZUHO BANK (MALAYSIA) BERHAD
(Company No. 923693-H)
(Incorporated in Malaysia)

STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2019

	Note	2019 RM'000	2018 RM'000
Assets			
Cash and short-term funds	5	1,801,692	1,388,718
Deposits and placements with financial institutions	6	544,393	127,813
Financial assets at fair value through other comprehensive income ("FVOCI")	7	602,896	-
Financial investments available-for-sale ("AFS")	8	-	454,653
Loans, advances and financing	9	6,444,676	5,838,601
Derivative financial assets	10	166,782	368,881
Other assets	11	67,334	98,039
Property and equipment	12	9,531	9,981
Intangible assets	13	12,422	13,344
Total assets		9,649,726	8,300,030
Liabilities			
Deposits from customers	14	2,397,678	2,163,831
Deposits and placements from financial institutions	15	6,082,687	4,836,622
Derivative financial liabilities	10	180,495	347,288
Other liabilities	16	97,748	138,640
Deferred tax liabilities	17	9,266	7,151
Total liabilities		8,767,874	7,493,532
Equity			
Share capital	18	700,000	700,000
Reserves	19	181,852	106,498
Total equity attributable to owner of the Bank		881,852	806,498
Total liabilities and equity		9,649,726	8,300,030
Commitments and contingencies	31	11,658,160	10,323,351

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

MIZUHO BANK (MALAYSIA) BERHAD
(Company No. 923693-H)
(Incorporated in Malaysia)

STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2019

	Note	2019 RM'000	2018 RM'000
Interest income	20	292,112	203,007
Interest expense	21	(182,541)	(107,047)
Net interest income		109,571	95,960
Other operating income	22	67,854	58,980
Total net income		177,425	154,940
Other operating expenses	23	(94,935)	(81,505)
Operating profit		82,490	73,435
Writeback of allowance for expected credit losses ("ECL")	25	5,581	-
Writeback of allowance for impairment on loans, advances and financing	26	-	8,170
Profit before taxation		88,071	81,605
Tax expense	27	(14,173)	(24,049)
Profit for the financial year		73,898	57,556
Other comprehensive income that will be reclassified to profit or loss in future periods:			
Fair value changes of financial assets at FVOCI		2,116	-
Fair value changes of investment securities AFS		-	557
Income tax effect		(508)	(134)
Other comprehensive income for the financial year		1,608	423
Total comprehensive income for the financial year		75,506	57,979
Profit attributable to:			
Owner of the Bank		73,898	57,556
Total comprehensive income attributable to:			
Owner of the Bank		75,506	57,979
Basic and diluted earnings per share (sen)	29	10.56	8.22

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

MIZUHO BANK (MALAYSIA) BERHAD
(Company No. 923693-H)
(Incorporated in Malaysia)

STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2019

		← Non-distributable reserves			→	Distributable reserves	
	Share capital RM'000	Statutory reserve RM'000	Regulatory reserve RM'000	AFS reserve RM'000	FVOCI reserve RM'000	Retained profits RM'000	Total RM'000
At 1 April 2018, as previously stated	700,000	-	39,353	151	-	66,994	806,498
Impact of adopting MFRS 9 (Note 4)	-	-	(8,338)	(151)	151	8,186	(152)
At 1 April 2018, as restated	700,000	-	31,015	-	151	75,180	806,346
Profit for the financial year	-	-	-	-	-	73,898	73,898
Other comprehensive income	-	-	-	-	1,608	-	1,608
Transfer from regulatory reserve	-	-	(2,420)	-	-	2,420	-
At 31 March 2019	700,000	-	28,595	-	1,759	151,498	881,852
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	-	(25,680)	-	-	-	25,680	-
At 31 March 2018	700,000	-	39,353	151	-	66,994	806,498

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

MIZUHO BANK (MALAYSIA) BERHAD
(Company No. 923693-H)
(Incorporated in Malaysia)

STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2019

	2019 RM'000	2018 RM'000
Cash flows from operating activities		
Profit before taxation	88,071	81,605
Adjustments for:		
Depreciation of property and equipment	2,848	2,500
Amortisation of intangible assets	4,225	3,329
Writeback of allowance for ECL	(5,581)	-
Writeback of allowances for impairment on loans, advances, and financing	-	(8,170)
Amortisation of premium net of accretion of discount	53	118
Net unrealised loss on revaluation of derivatives	28	6,626
Net unrealised loss on revaluation of financial assets at fair value through profit or loss ("FVTPL")	266	-
Unrealised foreign exchange gain	(31,709)	(22,839)
Operating profit before changes in working capital	58,201	63,169
(Increase)/decrease in operating assets		
Deposits and placements with financial institutions	(334,528)	(76,746)
Loans, advances and financing	(565,094)	(2,185,177)
Other assets	63,790	(64,387)
Amount owing by holding company	(53)	294
Purchase of financial assets at FVOCI	(146,180)	-
Purchase of financial investments AFS	-	(154,190)
Increase/(decrease) in operating liabilities		
Deposits from customers	233,847	(472,312)
Deposits and placements from financial institutions	1,246,065	1,149,819
Other liabilities	(34,190)	(456,514)
Cash generated from/(used in) operating activities	521,858	(2,196,044)
Taxation paid	(21,130)	(9,600)
Net cash flows generated from/(used in) operating activities	500,728	(2,205,644)
Net cash flows used in investing activities		
Purchase of property and equipment	(2,398)	(3,830)
Purchase of intangible assets	(3,303)	(2,806)
Net cash used in investing activities	(5,701)	(6,636)

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

MIZUHO BANK (MALAYSIA) BERHAD
(Company No. 923693-H)
(Incorporated in Malaysia)

STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2019

	2019 RM'000	2018 RM'000
Net increase/(decrease) in cash and cash equivalents	495,027	(2,212,280)
Cash and cash equivalents as at 1 April 2018/2017	1,208,718	3,420,998
Cash and cash equivalents as at 31 March	1,703,745	1,208,718

Analysis of cash and cash equivalents:

Cash and short-term funds (Note 5)	1,801,692	1,388,718
Deposits and placements with financial institutions (Note 6)	544,393	127,813
Less: deposits and placements with financial institutions with original contractual maturity more than 3 months	(642,340)	(307,813)
	1,703,745	1,208,718

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2019

1. Corporate 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 approved by the Board of Directors on 23 July 2019.

2. Basis of preparation of the financial statements

(a) Statement of compliance

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 accounting policies adopted by the Bank are consistent with those adopted in the most recent annual financial statements for the financial year ended 31 March 2018, except for the adoption of the following MFRS, Amendments to MFRSs and Interpretation during the current financial year end which are relevant to the Bank:

i)	MFRS 9	*Financial Instruments (2014)*
ii)	MFRS 15	*Revenue from Contracts with Customers*
iii)	Clarifications to MFRS 15	*Revenue from Contracts with Customers*
iv)	IC Interpretation 22	*Foreign Currency Transactions and Advance Consideration*
v)	Amendments to MFRS 1	*First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements to MFRS Standards 2014-2016 Cycle)*

Except for MFRS 9, the adoption of the above pronouncements do not have any material impact on the financial statements of the Bank. The impact of MFRS 9 adoption is set out in Note 4. The Bank has not restated comparative information. Accordingly, amounts prior to 1 April 2018 are prepared and disclosed in accordance with MFRS 139 *Financial Instruments: Recognition and Measurement* ("MFRS 139"), and are not comparable.

2. Basis of preparation of the financial statements (continued)

(a) Statement of compliance (continued)

Accounting standards not yet effective

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

MFRSs, Amendments to MFRS and Interpretation effective for annual periods beginning on or after 1 January 2019

i)	MFRS 16	*Leases*
ii)	IC Interpretation 23	*Uncertainty over Income Tax Treatments*
iii)	Amendments to MFRS 9	*Financial Instruments - Prepayment Features with Negative Compensation*
iv)	Amendments to MFRS 112	*Income Taxes (Annual Improvements to MFRS Standards 2015 - 2017 Cycle)*
v)	Amendments to MFRS 119	*Employee Benefits - Plan Amendment, Curtailment or Settlement*
vi)	Amendments to MFRS 123	*Borrowing Costs (Annual Improvements to MFRS Standards 2015 - 2017 Cycle)*

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

i)	Amendments to MFRS 101 and Amendments to MFRS 108	*Presentation of Financial Statements and Accounting Policies, Changes in Accounting Estimates and Errors - Definition of Material*

The initial application of the abovementioned pronouncements are not expected to have any material impact to the financial statements of the Bank except for MFRS 16: *Leases* .

MFRS 16 Leases ("MFRS 16")

MFRS 16 supersedes MFRS 117: *Leases* ("MFRS 117") and its 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 introduces a single accounting model for a lessee and eliminates the classification of leases by the lessee as either finance leases (on-balance sheet) or operating leases (off-balance sheet).

2. Basis of preparation of the financial statements (continued)

(a) Statement of compliance (continued)

MFRS 16 Leases ("MFRS 16") (continued)

i) Lessee

At the commencement date of a lease, a lessee will recognise a lease liability to make lease payments and an asset representing the "right of use" of the underlying asset during the lease term. Subsequently, 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 profit or loss.

ii) Lessor

Lessor accounting under MFRS 16 is substantially the same as the accounting under MFRS 117. Lessor will continue to classify all leases using the same classification principle as in MFRS 117 and distinguish between two types of leases: operating and finance leases.

The Bank is currently assessing the financial impact that may arise from the adoption of MFRS 16.

(b) Basis of measurement

The financial statements have been prepared under the historical cost basis except as mentioned in the respective accounting policy notes.

(c) Functional and presentation currency

These financial statements are presented in Ringgit Malaysia ("RM"), which is the Bank's functional currency. All financial information is presented in RM and has been rounded to the nearest thousand, unless otherwise stated.

(d) Use of estimates and judgements

The preparation of financial statements in conformity with the MFRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reported period. It also requires Directors to exercise their judgement in the process of applying the Bank's accounting policies. Although these estimates and judgements are based on the Directors' best knowledge of current events and actions, actual results may differ from these estimates.

2. Basis of preparation of the financial statements (continued)

(d) Use of estimates and judgements (continued)

In determining the carrying amounts of some assets and liabilities, the Bank makes assumptions of the effects of uncertain future events on those assets and liabilities at the reporting date. The estimates and assumptions used are based on historical experience and expectation of future events and are reviewed periodically. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are described in the following notes:

i) Estimation of the Bank's expected credit loss ("ECL")

The Bank reviews its individually significant loans, advances and financing at each reporting date to assess whether an impairment loss should be recorded in profit or loss. In particular, management's judgement 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 make judgements about the borrower's or the customer'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.

The Bank's ECL calculation under MFRS 9 are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the ECL models that are considered accounting judgements and estimates include:

- Internal credit grading model, which assigns probability of default ("PD") to the individual grades;
- Criteria for assessing if there has been a significant increase in credit risk and so allowances for financial assets should be measured on a life time ECL basis and the qualitative assessments thereon;
- The segmentation of financial assets when their ECL is assessed on a collective basis;
- Development of ECL models, including the various formulae and the choice of inputs;
- Determination of associations between macroeconomic scenarios and, economic inputs, such as gross domestic product and collateral values, and the effect on PD, exposure at default ("EAD"), and loss given default ("LGD"); and
- Selection of forward-looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into the ECL models.

2. Basis of preparation of the financial statements (continued)

(d) Use of estimates and judgements (continued)

i) Estimation of the Bank's expected credit loss ("ECL") (continued)

Under MFRS 139, loans, advances and financing that have been assessed individually but for which no impairment 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 allowances should be made due to incurred loss events for which there is objective evidence but whose effects of which are not yet evident. The collective assessment takes account of data from the loans, advances and financing portfolios (such as credit quality, levels of arrears, credit utilisation, loan to collateral ratios etc.) and judgements on the effects of concentrations of risks (such as the performance of different individual groups).

ii) Fair value estimation of financial assets and financial liabilities

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 existing 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.

iii) Estimation of tax provisions and deferred tax assets

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.

2. Basis of preparation of the financial statements (continued)

(e) BNM Policy Documents on Financial Reporting

Bank Negara Malaysia ("BNM") had on 2 February 2018, issued Revised Policy Documents on Financial Reporting and Financial Reporting for Islamic Banking Institutions ("Revised Policy Documents") which are applicable to all licensed banks, licensed investment banks and licensed Islamic banks in Malaysia. The issuance of these revised Policy Documents superseded previous guidelines issued by BNM previously, namely Financial Reporting and Financial Reporting for Islamic Banking Institutions dated 28 January 2015 and 5 February 2016 respectively as well as Classification and Impairment Provisions for Loans/Financing dated 6 April 2015.

The key changes in the Revised Policy Documents are:

i) To maintain, in aggregate, loss allowance for non-credit-impaired exposures and regulatory reserves of no less than 1% of total credit exposures, net of loss allowance for credit-impaired exposures;

ii) Additional disclosures on intercompany charges and placement of funds in an investment account with an Islamic banking institution; and

iii) Clarification on the classification of a credit facility as credit-impaired.

3. Significant accounting policies

The accounting policies set out below have been applied consistently to the periods presented in these financial statements by the Bank, unless otherwise stated.

Arising from the adoption of MFRS 9: *Financial Instruments* ("MFRS 9"), there are changes to the accounting policies of:
i) Financial instruments; and
ii) Impairment of financial assets

The impacts arising from the changes are disclosed in Note 4.

(a) Financial instruments

i) Classification and measurement of financial assets and liabilities - policy applicable from 1 April 2018

Following the adoption of MFRS 9 effective 1 April 2018, the Bank classifies its financial assets into the following measurement categories: amortised cost; fair value through other comprehensive income; and fair value through profit or loss. Financial liabilities are classified as either amortised cost, or held at fair value through profit or loss. Management determines the classification of its financial assets and liabilities at initial recognition of the instruments or, where applicable, at the time of reclassification.

A) Financial assets held at amortised cost and FVOCI

Debt instruments held at amortised cost or held at FVOCI, have contractual terms that give rise to cash flows that are solely payments of principal and interest ("SPPI" characteristics). Principal is the fair value of the financial asset at initial recognition but this may change over the life of the instrument as amounts are repaid. Interest consists of consideration for the time value of money, for the credit risk associated with the principal amount outstanding during a particular period and for other basic lending risks and costs, as well as a profit margin.

In assessing whether the contractual cash flows have SPPI characteristics, the Bank considers the contractual terms of the instrument. This includes assessing whether the financial asset contains contractual terms that could change the timing or amount of contractual cash flows such that it would not meet this condition.

Whether financial assets are held at amortised cost or at FVOCI depend on the objectives of the business models under which the assets are held. A business model refers to how the Bank manages financial assets to generate cash flows.

3. Significant accounting policies (continued)

(a) Financial instruments (continued)

i) Classification and measurement of financial assets and liabilities - policy applicable from 1 April 2018 (continued)

A) Financial assets held at amortised cost and FVOCI (continued)

The Bank make an assessment of the objective of a business model in which an asset is held at the individual product business line, and where applicable within business lines depending on the way the business is managed and information is provided to management.

Financial assets which have SPPI characteristics and that are held within a business model whose objective is to hold financial assets to collect contractual cash flows ("hold to collect") are recorded at amortised cost. Conversely, financial assets which have SPPI characteristics but are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets ("hold to collect and sell") are classified as held at FVOCI.

B) Financial assets and liabilities held at FVTPL

Financial assets which are not held at amortised cost or that are not held at FVOCI are held at FVTPL. Financial assets and liabilities held at FVTPL are either mandatorily classified at FVTPL or irrevocably designated at FVTPL at initial recognition.

<u>Mandatorily classified at FVTPL</u>

Financial assets and liabilities which are mandatorily held at FVTPL include:
- financial assets and liabilities held for trading, which are those acquired principally for the purpose of selling in the short term;
- hybrid financial assets that contain one or more embedded derivatives;
- financial assets that would otherwise be measured at amortised cost or FVOCI but which do not have SPPI characteristics;
- equity instruments that have not been designated as held at FVOCI; and
- financial liabilities that constitute contingent consideration in a business combination.

<u>Designated at FVTPL</u>

Financial assets and liabilities may be designated at FVTPL when the designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities on a different basis ("accounting mismatch").

3. Significant accounting policies (continued)

(a) Financial instruments (continued)

i) Classification and measurement of financial assets and liabilities - policy applicable from 1 April 2018 (continued)

B) Financial assets and liabilities held at FVTPL (continued)

Designated at FVTPL (continued)

Interest rate swaps have been acquired with the intention of significantly reducing interest rate risk on certain loans and advances and debt securities with fixed rates of interest. To significantly reduce the accounting mismatch between assets and liabilities and measurement bases, these loans and advances and debt securities have been designated at fair value through profit or loss.

Financial liabilities may also be designated at FVTPL where they are managed on a fair value basis or have an embedded derivative where the Bank is not able to separately value the embedded derivative component.

Fair value changes due to the Bank's own credit risk are recorded in other comprehensive income rather than profit or loss, unless this creates an accounting mismatch.

C) Financial liabilities held at amortised cost

Financial liabilities that are not financial guarantees or loan commitments and that are not classified as financial liabilities held at FVTPL are classified as financial liabilities held at amortised cost.

Fair value of financial assets and liabilities

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 in the principal market for the asset or liability, or in the absence of a principal market, the most advantageous market to which the Bank has access at that date. The fair value of a liability includes the risk that the Bank will not be able to honour its obligations.

The fair value of financial instruments is generally measured on the basis of the individual financial instrument. However, when a group of financial assets and financial liabilities is managed on the basis of its net exposure to either market risk or credit risk, the fair value of the group of financial instruments is measured on a net basis.

3. Significant accounting policies (continued)

(a) Financial instruments (continued)

i) Classification and measurement of financial assets and liabilities - policy applicable from 1 April 2018 (continued)

Fair value of financial assets and liabilities (continued)

The fair values of quoted financial assets and liabilities in active markets are based on current prices. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. If the market for a financial instrument, and for unlisted securities, is not active, the Bank establishes fair value by using valuation techniques.

Initial recognition

Purchases and sales of financial assets and liabilities held at FVTPL, and debt securities classified as financial assets held at FVOCI are initially recognised on the trade-date (the date on which the Bank commits to purchase or sell the asset). Loans and advances and other financial assets held at amortised cost are recognised on settlement date (the date on which cash is advanced to the borrowers).

All financial instruments are initially recognised at fair value, which is normally the transaction price, plus directly attributable transaction costs for financial assets which are not subsequently measured at FVTPL.

In certain circumstances, the initial fair value may be based on a valuation technique which may lead to the recognition of profits or losses at the time of initial recognition. However, these profits or losses can only be recognised when the valuation technique used is based solely on observable market data. In those cases where the initially recognised fair value is based on a valuation model that uses unobservable inputs, the difference between the transaction price and the valuation model is not recognised immediately in profit or loss but is amortised or released to profit or loss as the inputs become observable, or the transaction matures or is terminated.

Subsequent measurement

A) Financial assets and financial liabilities held at amortised cost

Financial assets and financial liabilities held at amortised cost are subsequently carried at amortised cost using the effective interest rate method. Foreign exchange gains and losses are recognised in profit or loss.

3. Significant accounting policies (continued)

(a) Financial instruments (continued)

i) Classification and measurement of financial assets and liabilities - policy applicable from 1 April 2018 (continued)

B) Financial assets held at FVOCI

Debt instruments held at FVOCI are subsequently carried at fair value, with all unrealised gains and losses arising from changes in fair value (including any related foreign exchange gains or losses) recognised in other comprehensive income and accumulated in a separate component of equity. Foreign exchange gains and losses on the amortised cost are recognised in profit or loss. Changes in expected credit losses are recognised in profit or loss and are accumulated in a separate component of equity. On derecognition, the cumulative fair value gains or losses, net of the cumulative ECL reserve, are transferred to profit or loss.

C) Financial assets and liabilities held at FVTPL

Financial assets and liabilities mandatorily held at FVTPL and financial assets designated at FVTPL are subsequently carried at fair value, with gains and losses arising from changes in fair value recorded in the net trading income line in profit or loss unless the instrument is part of a cash flow hedging relationship. Contractual interest income on financial assets held at FVTPL is recognised as interest income in a separate line in profit or loss.

D) Financial liabilities designated at FVTPL

Financial liabilities designated at FVTPL are held at fair value, with changes in fair value recognised in the net trading income line in profit or loss, other than changes attributable to changes in credit risk. Fair value changes attributable to credit risk are recognised in other comprehensive income and recorded in a separate category of reserves unless this is expected to create or enlarge an accounting mismatch, in which case the entire change in fair value of the financial liability designated FVTPL is recognised in profit or loss.

ii) Financial assets - policy applicable before 1 April 2018

A) Initial recognition and subsequent measurement

Financial assets within the scope of MFRS 139 are classified as financial assets at FVTPL, loans and receivables, financial investments held-to-maturity ("HTM") and AFS. The Bank determines the classification of financial assets at initial recognition, in which the details are disclosed below.

3. Significant accounting policies (continued)

(a) Financial instruments (continued)

ii) Financial assets - policy applicable before 1 April 2018 (continued)

A) Initial recognition and subsequent measurement (continued)

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.

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 ‘AFS 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'.

3. Significant accounting policies (continued)

(a) Financial instruments (continued)

iii) Financial liabilities - policy applicable before 1 April 2018

A) 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 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 at FVTPL.

(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.

3. Significant accounting policies (continued)

(a) Financial instruments (continued)

iv) Reclassifications - policy applicable from 1 April 2018

Financial liabilities are not reclassified subsequent to initial recognition.

Reclassifications of financial assets are made when, and only when, the business model for those assets changes. Such changes are expected to be infrequent and arise as a result of significant external or internal changes such as the termination of a line of business or the purchase of a subsidiary whose business model is to realise the value of pre-existing held for trading financial assets through a hold to collect model. Financial assets are reclassified at their fair value on the date of reclassification and previously recognised gains and losses are not restated. Moreover, reclassifications of financial assets between financial assets held at amortised cost and financial assets held at fair value through other comprehensive income do not affect effective interest rate or ECL computations.

A) Reclassified from amortised cost

Where financial assets held at amortised cost are reclassified to financial assets held at FVTPL, the difference between the fair value of the assets at the date of reclassification and the previously recognised amortised cost is recognised in profit or loss.

For financial assets held at amortised cost that are reclassified to FVOCI, the difference between the fair value of the assets at the date of reclassification and the previously recognised gross carrying value is recognised in other comprehensive income. Additionally, the related cumulative ECL amounts relating to the reclassified financial assets are reclassified from loan loss provisions to a separate reserve in other comprehensive income at the date of reclassification.

B) Reclassified from FVOCI

Where financial assets held at FVOCI are reclassified to financial assets held at FVTPL, the cumulative gain or loss previously recognised in other comprehensive income is transferred to profit or loss.

For financial assets held at FVOCI that are reclassified to financial assets held at amortised cost, the cumulative gain or loss previously recognised in other comprehensive income is adjusted against the fair value of the financial asset such that the financial asset is recorded at a value as if it had always been held at amortised cost. In addition, the related cumulative ECL held within other comprehensive income are reversed against the gross carrying value of the reclassified assets at the date of reclassification.

3. Significant accounting policies (continued)

(a) Financial instruments (continued)

iv) Reclassifications - policy applicable from 1 April 2018 (continued)

C) Reclassified from FVTPL

Where financial assets held at fair value through profit or loss are reclassified to financial assets held at FVOCI or financial assets held at amortised cost, the fair value at the date of reclassification is used to determine the effective interest rate on the financial asset going forward. In addition, the date of reclassification is used as the date of initial recognition for the calculation of ECL. Where financial assets held at FVTPL are reclassified to financial assets held at amortised cost, the fair value at the date of reclassification becomes the gross carrying value of the financial asset.

v) Derecognition of financial instruments

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or where the Bank has transferred substantially all risks and rewards of ownership. If substantially all the risks and rewards have been neither retained nor transferred and the Bank has retained control, the assets continue to be recognised to the extent of the Bank's continuing involvement.

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognised) and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss except for equity instruments designated at FVOCI and cumulative fair value adjustments attributable to the credit risk of a liability that are held in other comprehensive income.

Financial liabilities are derecognised when they are extinguished. A financial liability is extinguished when the obligation is discharged, cancelled or expires and this is evaluated both qualitatively and quantitatively.

vi) Regular way purchase or sale of financial assets

A regular way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the marketplace concerned.

3. Significant accounting policies (continued)

(a) Financial instruments (continued)

vi) Regular way purchase or sale of financial assets (continued)

A regular way purchase or sale of financial assets is recognised and derecognised, as applicable, using trade date accounting. Trade date accounting refers to:

- the recognition of an asset to be received and the liability to pay for it on the trade date, and
- derecognition of an asset that is sold, recognition of any gain or loss on disposal and the recognition of a receivable from the buyer for payment on the trade date.

vii) 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 statement.

viii) Offsetting

Financial assets and liabilities are offset and the net amount presented on the statements of financial position when there is a legally enforceable right to offset the amounts and the intention to settle on a net basis or realise the asset and settle the liability simultaneously.

Income and expense are presented on a net basis only when permitted by the accounting standards.

ix) Impairment of financial assets - policy applicable from 1 April 2018

Following the adoption of MFRS 9 effective from 1 April 2018, the Bank has adopted the following accounting policy in relation to the impairment of financial assets.

ECL are determined for all financial assets measured at amortised cost or FVOCI, undrawn commitments and financial guarantee contract, which include loans, advances and financing and debt instruments held by the Bank. The ECL model also applies to contract assets under MFRS 15: *Revenue from Contracts with Customers* and lease receivables under MFRS 117: *Leases* .

3. Significant accounting policies (continued)

(a) Financial instruments (continued)

ix) Impairment of financial assets - policy applicable from 1 April 2018 (continued)

An ECL represents the present value of expected cash shortfalls over the residual term of a financial asset, undrawn commitment or financial guarantee.

A cash shortfall is the difference between the cash flows that are due in accordance with the contractual terms of the instrument and the cash flows that the Bank expects to receive over the contractual life of the instrument.

<u>Measurement</u>

ECL are computed as unbiased, probability weighted amounts which are determined by evaluating a range of reasonably possible outcomes, the time value of money, and considering all reasonable and supportable information including that which is forward-looking. The estimate of expected cash shortfalls is determined by multiplying the PD with the LGD with the EAD.

Forward looking economic assumptions are incorporated into the PD, LGD and EAD where relevant and where they influence credit risk, such as GDP growth rates, interest rates and commodity prices amongst others. These assumptions are incorporated using the Bank's most likely forecast for a range of macroeconomic assumptions. These forecasts are determined using all reasonable and supportable information, which includes both internally developed forecasts and those available externally, and are consistent with those used for budgeting, forecasting and capital planning.

To account for the potential non-linearity in credit losses, multiple forward-looking scenarios are incorporated into the range of reasonably possible outcomes for all material portfolios. For example, where there is a greater risk of downside credit losses than upside gains, multiple forward-looking economic scenarios are incorporated into the range of reasonably possible outcomes, both in respect of determining the PD (and where relevant, the LGD and EAD) and in determining the overall ECL amounts.

The period over which cash shortfalls are determined is generally limited to the maximum contractual period for which the Bank is exposed to credit risk.

3. Significant accounting policies (continued)

(a) Financial instruments (continued)

ix) Impairment of financial assets - policy applicable from 1 April 2018 (continued)

Recognition

A) 12-months ECL (Stage 1)

Expected credit losses are recognised at the time of initial recognition of a financial instrument and represent the lifetime cash shortfalls arising from possible default events up to 12 months into the future from the reporting date. ECL continue to be determined on this basis until there is either a significant increase in the credit risk of an instrument or the instrument becomes credit-impaired. If an instrument is no longer considered to exhibit a significant increase in credit risk, expected credit losses will revert to being determined on a 12-month basis.

B) Significant increase in credit risk (Stage 2)

If a financial asset experiences a significant increase in credit risk since initial recognition, an ECL provision is recognised for default events that may occur over the lifetime of the asset.

Significant increase in credit risk is assessed by comparing the risk of default of an exposure at the reporting date to the risk of default at origination (after taking into account the passage of time). Significant does not mean statistically significant nor it is assessed in the context of changes in ECL. Whether a change in the risk of default is significant or not is assessed using a number of quantitative and qualitative factors, the weight of which depends on the type of product and counterparty. Financial assets that are 30 or more days past due and not credit-impaired will always be considered to have experienced a significant increase in credit risk.

Quantitative factors include an assessment of whether there has been rating notch downgrade since origination. Qualitative factors assessed include those linked to current credit risk management processes, such as accounts under watch list monitoring. Watch list monitoring account is one which exhibits risk or potential weaknesses of a material nature requiring closer monitoring, supervision, or attention by management.

3. Significant accounting policies (continued)

(a) Financial instruments (continued)

ix) Impairment of financial assets - policy applicable from 1 April 2018 (continued)

Recognition (continued)

C) Credit impaired (Stage 3)

Financial assets that are credit impaired (or in default) represent those that are at least 90 days past due in respect of principal and/or interest. Financial assets are also considered to be credit impaired where the obligors are unlikely to pay on the occurrence of one or more observable events that have a detrimental impact on the estimated future cash flows of the financial asset. It may not be possible to identify a single discrete event but instead the combined effect of several events may cause financial assets to become credit impaired. Evidence that a financial asset is credit impaired includes observable data about the following events:

- The principal or interest or both of the financial instrument is past due for more than 90 days or 3 months. In the case of revolving facilities (e.g. overdraft), the facility shall be classified as impaired where the outstanding amount has remained in excess of the approved limit for a period of more than 90 days or 3 months;
- Any financial instrument that exhibits weaknesses in accordance with the Bank's internal credit risk policy; or
- Restructuring and rescheduling of a loan facility involves any modification made to the original repayment terms and conditions of the loan facility following an increase in the credit risk of a obligor/counterparty.

Irrevocable lending commitments to a credit impaired obligor that have not yet been drawndown are also included within the Stage 3 credit impairment provision to the extent that the commitment cannot be withdrawn.

Loss provisions against credit impaired financial assets are determined based on an assessment of the recoverable cash flows under a range of scenarios, including the realisation of any collateral held where appropriate. The loss provisions held represent the difference between the present value of the cash flows expected to be recovered, discounted at the instrument's original effective interest rate, and the gross carrying value of the instrument prior to any credit impairment.

3. Significant accounting policies (continued)

(a) Financial instruments (continued)

ix) Impairment of financial assets - policy applicable from 1 April 2018 (continued)

Write-offs of credit impaired instruments & reversal of impairment

To the extent a financial debt instrument is considered irrecoverable, the applicable portion of the gross carrying value is written off against the related loan provision. Such loans are written off after all the necessary procedures have been completed, it is decided that there is no realistic probability of recovery and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off decrease the amount of the provision for loan impairment in profit or loss. If, in a subsequent period, the amount of the credit impairment loss decreases and the decrease can be related objectively to an event occurring after the credit impairment was recognised (such as an improvement in the debtor's credit rating), the previously recognised credit impairment loss is reversed by adjusting the provision account. The amount of the reversal is recognised in profit or loss.

Improvement in credit risk/Curing

A period may elapse from the point at which instruments enter lifetime ECL (Stage 2 or Stage 3) and are reclassified back to 12-month ECL (Stage 1).

For financial assets that are credit-impaired (Stage 3), a transfer to Stage 2 or Stage 1 is only permitted where the instrument is no longer considered to be credit-impaired.

For financial assets within Stage 2, these can only be transferred to Stage 1 when they are no longer considered to have experienced a significant increase in credit risk.

Where significant increase in credit risk was determined using quantitative measures, the instruments will automatically transfer back to Stage 1 when there was upgrading of rating notches. Where instruments were transferred to Stage 2 due to an assessment of qualitative factors, the issues that led to the reclassification must be cured before the instruments can be reclassified to Stage 1. This includes instances where management actions led to instruments being classified as Stage 2, requiring that action to be resolved before loans are reclassified to Stage 1.

3. Significant accounting policies (continued)

(a) Financial instruments (continued)

x) Impairment of financial assets - policy applicable before 1 April 2018

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 measurable decrease in the estimated future cash flows, such as changes in economic conditions that correlate with defaults.

A) Loans and receivables

(1) 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.

3. Significant accounting policies (continued)

(a) Financial instruments (continued)

x) Impairment of financial assets - policy applicable before 1 April 2018 (continued)

A) Loans and receivables (continued)

(1) 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.

3. Significant accounting policies (continued)

(a) Financial instruments (continued)

x) Impairment of financial assets - policy applicable before 1 April 2018 (continued)

A) Loans and receivables (continued)

(1) 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.

(2) 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.

3. Significant accounting policies (continued)

(a) Financial instruments (continued)

x) Impairment of financial assets - policy applicable before 1 April 2018 (continued)

B) 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.

(b) Property and equipment

Property and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses. Cost includes expenditure that are directly attributable to the acquisition of the asset and any other costs directly attributable to bringing the assets to its location and working condition for its intended use, and the costs of dismantling and removing the assets and restoring the site on which the assets are located. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

Subsequent costs incurred in replacing part of an item of property and equipment is recognised in the asset's carrying amount or are recognised as a separate asset, as appropriate, only when 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. The carrying amount of the replaced part is derecognised to profit or loss. All other repairs and maintenance costs are charged to profit or loss during the financial period in which they are incurred.

3. Significant accounting policies (continued)

(b) Property and equipment (continued)

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

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

Depreciation methods, residual values and useful lives of assets are reviewed, and adjusted if appropriate, at each reporting date.

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.

(c) 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.

3. Significant accounting policies (continued)

(c) Intangible assets (continued)

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

Computer software	5 years

Gains or losses arising from the derecognition of intangible assets are measured as the difference between the net disposal proceeds and the carrying amount of the assets and are recognised in income statements when the assets are derecognised.

(d) 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.

(e) Cash and cash equivalents

For the purpose of the cash flow statements, cash and cash equivalents comprise of cash and short-term funds and deposits and placements with financial institutions with original contractual maturity of less than three month and subject to insignificant risk of change in value.

(f) Provisions

A provision is recognised when it is probable that an outflow of resources embodying economic benefits will be required to settle a present obligation (legal or constructive) as a result of a past event and a reliable estimate can be made of the amount. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

(g) Employee benefits

Short term employee benefit obligations in respect of salaries, annual bonuses, paid annual leave and sick leave are measured on an undiscounted basis and are expensed as the related service is provided.

A provision is recognised for the amount expected to be paid under short term cash bonus if the Bank have a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

The Bank contributes to the Employees Provident Fund ("EPF") for eligible employees on a monthly basis. Obligations for contributions to EPF are recognised as an expense in the statements of comprehensive income in the year to which they relate. Once the contributions have been paid, the Bank have no further payment obligations.

3. Significant accounting policies (continued)

(h) Operating leases

Leases where the Bank do not assume substantially all the risk and rewards of ownership are classified as operating leases and the leased assets are not recognised on the statements of financial position.

Rentals payable under operating leases are accounted for on a straight line basis over the period of the lease and are included in profit or loss as establishment costs within "establishment cost".

(i) Recognition of interest/profit income

Interest/profit income is recognised in profit or loss using the effective interest/profit method for financial assets measured at amortised cost and financial assets at FVOCI. The effective interest/profit rate is the rate that exactly discounts estimated future receipts through the expected life of the financial assets. The calculation of the effective interest/profit rate includes all contractual terms of the financial instrument and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the effective interest/profit rate.

Where an account is classified as impaired, impairment provision is made on principal outstanding and interest/fee accrued prior to an account being impaired. Upon impairment, subsequent contractual interest/fee due will not be recognised as income.

(j) Recognition of fees and other income from contracts with customers

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 main categories:

i) 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.

ii) 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 over the contract period.

3. Significant accounting policies (continued)

(k) Tax expense

Tax expense comprises current and deferred tax. Tax expense is recognised in profit or loss except to the extent that it relates to items recognised directly in other comprehensive income, in which case it is recognised in other comprehensive income.

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous financial years. Deferred tax is recognised, using the liability method, on temporary differences arising between the carrying amounts of assets and liabilities for reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax liability is recognised for all taxable temporary differences.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(l) Foreign currency transactions and balances

Transaction in foreign currencies are translated to the functional currency of the Bank at the exchange rate at the dates of the transactions.

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

Non-monetary items denominated in foreign currencies that are measured at historical costs 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 translating monetary items at the reporting date are recognised in profit or loss.

3. Significant accounting policies (continued)

(m) Fair value measurements

The fair value of an asset or a liability, except for share-based payment and lease transactions, is determined as 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 measurement assumes that the transaction to sell the asset of transfer the liability takes place either in the principal market or in the absence of a principal market, in the most advantageous market.

For non-financial assets, the fair value measurement 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.

When measuring the fair value of an asset or a liability, the Bank use observable market data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation technique as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Bank can assess at the measurement date.
Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
Level 3: unobservable inputs for the asset or liability.

The Bank recognise transfers between levels of the fair value hierarchy as of the date of the event or change in circumstances that caused the transfers.

(n) 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.

(o) 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.

3. Significant accounting policies (continued)

(o) 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.

4. Impact of MFRS 9 adoption

The MFRS 9 classification and measurement requirements as well as the impairment requirements have been applied retrospectively through adjustments to the Bank's statement of financial positions on the date of initial application, i.e. 1 April 2018, with no restatement of comparative periods. The impacts of the MFRS 9 adoption were recognised through adjustments to retained profits and accumulated other reserves on 1 April 2018.

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

	Note	MFRS 139 31 March 2018 RM'000	MFRS 9 Classification and remeasurement RM'000	MFRS 9 Expected credit losses RM'000	MFRS 9 1 April 2018 RM'000
Assets					
Cash and short-term funds		1,388,718	-	-	1,388,718
Deposits and placements with financial institutions		127,813	-	-	127,813
Financial assets at FVOCI	(a)	-	454,653	-	454,653
Financial investments AFS	(a)	454,653	(454,653)	-	-
Loans, advances and financing	(b)	5,838,601	103,556	(2,589)	5,939,568
Derivative financial assets	(b)	368,881	(102,577)	-	266,304
Other assets		98,039	-	-	98,039
Property and equipment		9,981	-	-	9,981
Intangible assets		13,344	-	-	13,344
Total assets		8,300,030	979	(2,589)	8,298,420

4. Impact of MFRS 9 adoption (continued)

		MFRS 139	← MFRS 9		→
	Note	31 March 2018 RM'000	Classification and remeasurement RM'000	Expected credit losses RM'000	1 April 2018 RM'000
Liabilities					
Deposits from customers		2,163,831	-	-	2,163,831
Deposits and placements from financial institutions		4,836,622	-	-	4,836,622
Derivative financial liabilities	(b)	347,288	(2,466)	-	344,822
Other liabilities		138,640	827	181	139,648
Deferred tax liabilities		7,151	-	-	7,151
Total liabilities		7,493,532	(1,639)	181	7,492,074
Share capital		700,000	-	-	700,000
Reserves		106,498	2,618	(2,770)	106,346
Total equity		806,498	2,618	(2,770)	806,346
Total liabilities and equity		8,300,030	979	(2,589)	8,298,420

(a) As of 1 April 2018, the Bank has reclassified its previous financial investments AFS as financial assets at FVOCI, these instruments are managed within a business model of collecting contractual cash flows and selling the financial assets.

(b) As of 1 April 2018, the Bank has reclassified certain loans, advances and financing along with the separated embedded derivatives (previously separated under MFRS 139) as financial assets at FVTPL as the combined instrument did not meet the SPPI criterion.

4. Impact of MFRS 9 adoption (continued)

The following table analyses the impact, net of tax, of transition to MFRS 9 and Revised Financial Reporting Policy document issued by BNM on the statements of financial position of the the Bank:

	Impact of adopting MFRS 9 and BNM's Revised Financial Reporting Policy as at 1 April 2018
	RM'000
Regulatory reserve	
Closing balance at 31 March 2018	39,353
- Transfer to retained profits	(8,338)
Opening balance at 1 April 2018	31,015
Retained profits	
Closing balance at 31 March 2018	66,994
- Transfer from regulatory reserve	8,338
- Recognition of expected credit loss	(3,645)
- Unrealised gain on financial assets at FVTPL	3,445
- Tax recoverable arising from ECL	875
- Provision for taxation	(827)
Opening balance at 1 April 2018	75,180
AFS reserve	
Closing balance at 31 March 2018	151
- Transfer to FVOCI reserve	(151)
Opening balance at 1 April 2018	-
FVOCI reserve	
Closing balance at 31 March 2018	-
- Transfer from AFS reserve	151
Opening balance at 1 April 2018	151

MIZUHO BANK (MALAYSIA) BERHAD
(Company No. 923693-H)
(Incorporated in Malaysia)

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5. Cash and short term funds

	2019 RM'000	2018 RM'000
Cash and balances with banks and other financial institutions	156,102	151,990
Money at call and deposit placements maturing within one month	1,645,590	1,236,728
	1,801,692	1,388,718

6. Deposits and placements with financial institutions

	2019 RM'000	2018 RM'000
Deposits and placements maturing more than one month	544,394	127,813
Less: Allowance for expected credit losses	(1)	-
	544,393	127,813

7. Financial assets at FVOCI

	2019 RM'000	2018 RM'000
At fair value		
Government Investment Issues	310,199	-
Government Guaranteed Bonds	292,697	-
	602,896	-

The financial assets at FVOCI category was introduced upon the adoption of MFRS 9 on 1 April 2018. Comparative figures are not restated in line with the transition requirement under MFRS 9. The financial effects of the adoption of MFRS 9 are disclosed in Note 4.

The carrying amount of a debt instrument measured at FVOCI is its fair value. Accordingly, the recognition of an impairment loss does not affect the carrying amount of those assets, but is reflected as a debit to profit or loss and credit to other comprehensive income.

8. Financial investments AFS

	2019 RM'000	2018 RM'000
At fair value		
Government Investment Issues	-	229,102
Government Guaranteed Bond	-	225,551
	-	454,653

The financial investments AFS category was removed upon the adoption of MFRS 9. The financial effects of the adoption of MFRS 9 are disclosed in Note 4.

9. Loans, advances and financing

	2019 RM'000	2018 RM'000
(a) By type:		
At amortised cost:		
Term loans	4,113,862	4,125,123
Revolving credits	1,367,847	1,697,065
Banker acceptances	-	47,800
Bills receivable	15,211	-
	5,496,920	5,869,988
Less: Unearned interest	(77)	(231)
Gross loans, advances and financing at amortised cost	5,496,843	5,869,757
Less: Impairment allowance		
- Expected credit losses	(28,632)	-
- Collective assessment	-	(31,156)
Net loans, advances and financing at amortised cost	5,468,211	5,838,601
At FVTPL:		
Term loans .	976,465	-
Total net loans, advances and financing	6,444,676	5,838,601
Total gross loans, advances and financing		
- At amortised cost	5,496,843	5,869,757
- At FVTPL	976,465	-
	6,473,308	5,869,757

	2019 RM'000	2018 RM'000
(b) By geographical distribution:		
Within Malaysia	4,532,370	4,027,383
Outside Malaysia	1,940,938	1,842,374
	6,473,308	5,869,757

	2019 RM'000	2018 RM'000
(c) By type of customer:		
Domestic business enterprises	2,487,557	2,370,626
Domestic non-bank financial institutions	2,044,813	1,656,756
Foreign business entities	1,940,938	1,842,375
	6,473,308	5,869,757

9. Loans, advances and financing (continued)

	2019 RM'000	2018 RM'000
(d) By interest/profit rate sensitivity:		
Fixed rate	1,355,247	1,668,468
Variable rate	5,118,061	4,201,289
	6,473,308	5,869,757
(e) By economic purpose:		
Construction	19,452	42,907
Purchase of fixed assets other than land and building	842,218	973,137
Purchase of non-residential property	82,032	53,318
Working capital	5,529,606	4,800,395
	6,473,308	5,869,757
(f) By economic sector:		
Mining and quarrying	116,976	69,060
Manufacturing	1,250,316	1,351,114
Electricity, gas and water supply	105,888	93,043
Construction	207,334	142,656
Wholesale and retail trade, and restaurants and hotels	338,534	457,582
Transport, storage and communication	4,947	140,154
Finance, insurance, real estate and business activities	4,332,687	3,497,159
Education, health and others	116,626	15,203
Others	-	103,786
	6,473,308	5,869,757
(g) By maturity structure:		
Maturing within one year	3,592,410	3,732,456
One year to three years	1,727,229	1,421,098
Three years to five years	800,540	352,612
Over five years	353,129	363,591
	6,473,308	5,869,757

9. Loans, advances and financing (continued)

(h) Movement in gross loans, advances and financing carrying amount at amortised cost:

	12-month ECL Stage 1 RM'000	Lifetime ECL Not credit-impaired Stage 2 RM'000	Lifetime ECL Credit-impaired Stage 3 RM'000	Total RM'000
At 1 April 2018, as previously stated				5,869,757
Impact of adopting MFRS 9				(978,505)
At 1 April 2018, as restated	4,702,158	189,094	-	4,891,252
Changes due to loans, advances and financing recognised as at 1 April 2018:				
Transfer to 12-month ECL (Stage 1)	38,928	(38,928)	-	-
New financial assets originated	3,907,751	169,005	-	4,076,756
Financial assets derecognised	(3,321,000)	(150,165)	-	(3,471,165)
At 31 March 2019	5,327,837	169,006	-	5,496,843

9. Loans, advances and financing (continued)

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

	12-month ECL	Lifetime ECL		
		Not credit-impaired	Credit-impaired	
	Stage 1	Stage 2	Stage 3	Total
	RM'000	RM'000	RM'000	RM'000
At 1 April 2018, as previously stated				31,156
Impact of adopting MFRS 9 (Note 4)				2,589
At 1 April 2018, as restated	7,521	26,224	-	33,745
Changes due to loans, advances and financing recognised as at 1 April 2018:				
Transfer to 12-month ECL (Stage 1)	22	(22)	-	-
New financial assets originated	2,438	25,593	-	28,031
Financial assets derecognised	(6,835)	(24,758)	-	(31,593)
Changes in model/risk parameters	(107)	(1,444)	-	(1,551)
At 31 March 2019	3,039	25,593	-	28,632

The decrease in impairment allowance on loans, advances and financing were mainly due to improvement in customers' credit rating and enhancement in credit risk model.

	2019	2018
	RM'000	RM'000
(j) Movements in impairment allowance for loans, advances and financing:		
At 1 April , as previously stated	31,156	39,326
Impact of adopting MFRS 9 (Note 4)	2,589	-
At 1 April, as restated	33,745	39,326
Writeback during the financial year (Note 25)	(5,113)	(8,170)
At 31 March	28,632	31,156
As percentage of total loans, advances and financing	0.44%	0.53%

The Bank has no impaired loans, advances and financing and no individual impairment allowance was deemed required as at 31 March 2019.

10. 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	Fair value	
		Assets	Liabilities
	RM'000	RM'000	RM'000
2019			
At fair value:			
Foreign exchange related contracts	2,201,004	4,724	(5,494)
Interest rate related contracts	6,623,475	162,058	(175,001)
Total derivative assets/(liabilities)	8,824,479	166,782	(180,495)
2018			
At fair value:			
Foreign exchange related contracts	1,717,987	11,338	(9,659)
Interest rate related contracts	6,389,611	357,543	(337,629)
Total derivative assets/(liabilities)	8,107,598	368,881	(347,288)

11. Other assets

	Note	2019 RM'000	2018 RM'000
Accrued interest receivable		13,193	8,299
Other receivables, deposits and prepayments		53,459	89,130
Amount due from holding company	(a)	682	610
		67,334	98,039

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

12. 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
2019					
Cost					
At 1 April 2018	5,882	10,437	1,627	8,300	26,246
Additions	111	466	26	1,795	2,398
At 31 March 2019	5,993	10,903	1,653	10,095	28,644
Accumulated depreciation					
At 1 April 2018	5,131	5,346	1,344	4,444	16,265
Depreciation charged	238	1,072	153	1,385	2,848
At 31 March 2019	5,369	6,418	1,497	5,829	19,113
Net book value					
At 31 March 2019	624	4,485	156	4,266	9,531
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	5,882	10,437	1,627	8,300	26,246
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	5,131	5,346	1,344	4,444	16,265
Net book value					
At 31 March 2018	751	5,091	283	3,856	9,981

13. Intangible assets

	Software RM'000	Software development in-progress RM'000	Total RM'000
2019			
Cost			
At 1 April 2018	20,279	2,356	22,635
Additions	-	3,303	3,303
Transferred to software	5,125	(5,125)	-
At 31 March 2019	25,404	534	25,938
Accumulated amortisation			
At 1 April 2018	9,291	-	9,291
Amortisation charged	4,225	-	4,225
At 31 March 2019	13,516	-	13,516
Net book value			
At 31 March 2019	11,888	534	12,422
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	20,279	2,356	22,635
Accumulated amortisation			
At 1 April 2017	5,962	-	5,962
Amortisation charged	3,329	-	3,329
At 31 March 2018	9,291	-	9,291
Net book value			
At 31 March 2018	10,988	2,356	13,344

14. Deposits from customers

		2019 RM'000	2018 RM'000
(a)	**By type of deposits:**		
	Demand deposits	1,012,216	975,232
	Fixed deposits	775,450	763,085
	Short-term deposits	610,012	425,514
		2,397,678	2,163,831
(b)	**By type of customers:**		
	Domestic non-bank financial institutions	45,326	33,763
	Domestic business enterprises	2,287,566	2,093,930
	Foreign business enterprises	64,625	35,996
	Domestic other enterprises	161	142
		2,397,678	2,163,831
(c)	**Maturity structure:**		
	On demand	1,012,216	975,232
	Due within six months	1,380,962	1,182,099
	Due over six months to one year	4,500	6,500
		2,397,678	2,163,831

15. Deposits and placements from financial institutions

	2019 RM'000	2018 RM'000
Licensed banks	6,082,687	4,836,622

16. Other liabilities

	2019 RM'000	2018 RM'000
Accrued interest payable	24,079	13,199
Other accruals	12,823	4,668
Other payables	60,239	120,771
Advances from holding company	21	2
Allowance for ECL on credit commitments and contingencies	586	-
	97,748	138,640

16. Other liabilities (continued)

Movement in impairment allowance on credit commitments and contingencies which reflect ECL model on impairment are as follows:

	12-month ECL	Lifetime ECL Not credit-impaired	Lifetime ECL Credit-impaired	
	Stage 1	Stage 2	Stage 3	Total
	RM'000	RM'000	RM'000	RM'000
At 1 April 2018, as previously stated				-
Impact of adopting MFRS 9				1,056
At 1 April 2018, as restated	994	62	-	1,056
Changes due credit commitments and contingencies recognised as at 1 April 2018:				
Transfer to Lifetime ECL not credit-impaired (Stage 2)	(117)	117	-	-
New financial assets originated	322	19	-	341
Financial assets derecognised	(548)	(62)	-	(610)
Changes in model/risk parameters	(201)	-	-	(201)
At 31 March 2019	450	136	-	586

17. 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.

	2019 RM'000	2018 RM'000
At 1 April	(7,151)	(1,870)
Recognised in profit or loss	(1,607)	(5,147)
Recognised in other comprehensive income	(508)	(134)
At 31 March	(9,266)	(7,151)
Presented after appropriate offsetting as follows:		
Deferred tax liabilities	(9,373)	(7,151)
Deferred tax assets	107	-
	(9,266)	(7,151)

17. Deferred tax liabilities (continued)

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

2019	Allowance for expected credit losses RM'000	Accelerated capital allowances RM'000	Financial assets at FVOCI RM'000	Financial investments at AFS RM'000	Unrealised foreign exchange (gain)/loss RM'000	Total RM'000
At 1 April 2018, as previously stated	-	(1,622)	-	(48)	(5,481)	(7,151)
Effect of adopted MFRS 9	-	-	(48)	48	-	-
At 1 April 2018, as restated	-	(1,622)	(48)	-	(5,481)	(7,151)
Recognised in profit or loss	107	415	-	-	(2,129)	(1,607)
Recognised in other comprehensive income	-	-	(508)	-	-	(508)
At 31 March 2019	107	(1,207)	(556)	-	(7,610)	(9,266)
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)

18. Share capital

	Number of ordinary shares		Amount	
	2019	**2018**	**2019**	**2018**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Issued and fully paid:				
At beginning/end of financial year	700,000	700,000	700,000	700,000

19. Reserves

	Note	2019 RM'000	2018 RM'000
Non-distributable:			
Regulatory reserves	(a)	28,595	39,353
FVOCI reserves	(b)	1,759	-
AFS reserves	(b)	-	151
		30,354	39,504
Distributable:			
Retained profits	(c)	151,498	66,994
		181,852	106,498

(a) Regulatory reserves is maintained in compliance with BNM's Revised Policy Documents on Financial Reporting, whereby the Bank must maintain, in aggregate, loss allowance for non-credit impaired exposures and regulatory reserves of no less than 1% of total credit exposures, net of loss allowance for credit-impaired exposures.

(b) The FVOCI reserve comprises the cumulative net change in the fair value of financial assets at fair value through other comprehensive income (2018: financial investments AFS).

(c) The retained profits of the Bank as at 31 March 2019 and 31 March 2018 are distributable profits and may be distributed as dividends under the single-tier system.

20. Interest income

	2019 RM'000	2018 RM'000
Loans, advances and financing	202,834	124,638
Money at call and deposits and placements with financial institutions	65,021	63,857
Net gain from interest rate swap and cross-currency interest rate swap	4,474	863
Financial assets at FVOCI	19,783	-
Financial investments AFS	-	13,585
Others	-	64
	292,112	203,007

21. Interest expense

	2019 RM'000	2018 RM'000
Deposits and placements from financial institution	132,856	64,139
Deposits from customers	49,685	42,908
	182,541	107,047

22. Other operating income

	2019 RM'000	2018 RM'000
Fee income	10,891	10,125
Net unrealised loss on revaluation of derivatives	(28)	(6,626)
Realised foreign exchange gain	25,548	32,642
Unrealised foreign exchange gain	31,709	22,839
Net unrealised loss on revaluation of financial assets at FVTPL	(266)	-
	67,854	58,980

23. Other operating expenses

	2019	**2018**
	RM'000	**RM'000**
Personnel costs:		
Salaries, allowances and bonuses	31,471	25,809
Contribution to Employees Provident Fund	4,271	3,244
Other staff related costs	7,980	7,159
Establishment costs:		
Repair and maintenance	5,376	5,590
Depreciation of property and equipment	2,848	2,500
Amortisation of intangible asset	4,225	3,329
Rental of premises	2,353	2,354
Information technology expenses	4,166	4,302
Others	1,427	1,530
Marketing expenses:		
Advertisement and publicity	124	142
Others	1,036	869
Administration and general expenses:		
Collateral deposit fees	21,795	14,444
Communication expenses	1,039	984
Legal and professional fees	1,286	3,118
Others	5,538	6,131
	94,935	81,505

The above expenses include the following statutory disclosures:

	2019	**2018**
	RM'000	**RM'000**
Directors' remuneration (Note 24)	1,920	1,734
Auditors' remuneration:		
- Statutory audit	370	305
- Regulatory-related services	40	109

24. Directors' remuneration

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

	Salary and bonus RM'000	Fee RM'000	Other emoluments RM'000	Benefit-in-kind RM'000	Total RM'000
2019					
Executive Director and CEO:					
Mr. Shojiro Mizoguchi	723	-	432	177	1,332
Non-executive Directors:					
Dato' Seri Talaat Bin Husain	-	104	71	-	175
Mr. Mohd Mokhtar Bin Ghazali	-	123	76	-	199
Datuk Lor Chee Leng	-	121	93	-	214
	723	348	672	177	1,920
2018					
Executive Director 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
	709	339	524	162	1,734

25. Writeback of allowances for expected credit losses

	2019 RM'000	2018 RM'000
Deposits and placement with financial institutions	1	-
Loans, advances and financing	(5,113)	-
Credit commitments and contingencies	(469)	-
	(5,581)	-

26. Writeback of allowance for impairment on loans, advances and financing

	2019 RM'000	2018 RM'000
Collective impairment allowance		
- Writeback during the financial year	-	(8,170)

27. Taxation

	2019 RM'000	2018 RM'000
Tax expense for the financial year		
Malaysian income tax	14,708	16,908
(Over)/under provision in prior financial years	(2,142)	1,994
	12,566	18,902
Deferred tax:		
Relating to origination and reversal of temporary differences	1,577	1,452
Under provision in prior financial years	30	3,695
	1,607	5,147
Income tax expense	14,173	24,049

Income tax is calculated at the Malaysian statutory rate of 24% (2018: 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:

	2019 RM'000	2018 RM'000
Profit before taxation	88,071	81,605
Taxation at Malaysian statutory tax rate of 24% (2018: 24%)	21,137	19,585
Income not subject to tax	(5,551)	-
Expenses not deductible for tax purposes	699	1,332
Effect of reduction in income tax rate for incremental chargeable income	-	(2,557)
(Over)/under provision of tax expense in prior financial years	(2,142)	1,994
Under provision of deferred tax in prior financial years	30	3,695
Tax expense for the financial year	14,173	24,049

28. 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 persons 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 certain members of senior management of the Bank.

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

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

	2019 RM'000	2018 RM'000
Transactions with parent bank		
Interest income on money at call and deposits and placements	34	32
Interest expense on deposits and placements	(131,004)	(63,181)
Outsourcing fee income	7,923	7,110
Other income	351	101
Other fee and commission expenses	(25,028)	(17,403)
Other expenses	(203)	(197)

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.

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

Intercompany charges with parent bank	2019 RM'000	2018 RM'000
(i) By type of service:		
Interest expense	131,004	63,181
Administration and general expenses	22,047	14,725
Establishment cost	3,184	2,875
	156,235	80,781

28. Significant related party transactions and balances (continued)

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

Intercompany charges with parent bank (continued)	**2019 RM'000**	**2018 RM'000**
(ii) By country:		
Malaysia	143,549	67,893
Singapore	9,251	9,732
Japan	3,435	3,156
	156,235	80,781

(c) Related party balances

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

	2019 RM'000	**2018 RM'000**
Amount due from/(to) parent bank:		
- Cash and short term funds	98,046	98,060
- Deposits and placements with financial institutions	2,041	593
- Interest receivable on deposits and other receivables	25	1
- Derivative assets	808	4,371
- Outsourcing fee	569	529
- Other asset	113	81
- Deposits and placements from financial institutions	(5,994,148)	(4,835,261)
- Interest payable on deposits and other payables	(20,358)	(11,512)
- Derivative liabilities	(988)	(119)
- Other liabilities	(1)	(2)

(d) Key management personnel

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

	2019 RM'000	**2018 RM'000**
Salary and emoluments	3,028	2,282
Defined contribution plan	397	293
Benefits-in-kind	119	103
	3,544	2,678

28. Significant related party transactions and balances (continued)

(e) Credit transactions and exposures with connected parties

	2019 RM'000	2018 RM'000
Outstanding credit exposures with connected parties	31,927	40,317
Percentage of outstanding credit exposures to connected parties as proportion of total credit exposures	0.09%	0.13%

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

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

29. Earnings per ordinary share - basic and diluted

The calculation of the basic earnings per ordinary share at 31 March 2019 was based on the profit attributable to owner of the Bank of RM73,898,000 (2018: RM57,556,000) and the weighted average number of ordinary shares outstanding during the financial year of 700,000,000 (2018: 700,000,000).

There was no dilutive potential impacts on the ordinary shares at the end of the year.

30. Operating lease commitment

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

	2019 RM'000	2018 RM'000
One year or less	3,002	2,905
Over one year to five years	1,347	1,631
	4,349	4,536

31. 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:

2019	**Principal amount RM'000**	**Credit equivalent amount* RM'000**	**Risk-weighted amount* RM'000**
Direct credit substitutions	21,251	21,186	21,036
Transaction related contingent items	82,412	41,045	35,239
Short-term self-liquidating trade related contingencies	3,484	677	677
Foreign exchange related contracts			
- One year or less	2,174,333	24,776	11,652
- Over one year to five years	26,672	2,086	1,346
Interest related contracts			
- One year or less	1,298,903	94,826	43,283
- Over one year to five years	5,005,541	519,029	369,558
- Over five years	319,031	65,787	47,452
Other commitments, such as formal standby facilities and credit lines, with an original maturity of over one year	279,524	139,421	139,421
Any commitments that are unconditionally cancelled at any time without prior notice	2,447,009	-	-
Total	11,658,160	908,833	669,664
2018			
Direct credit substitutions	123,658	123,658	121,848
Transaction related contingent items	98,349	49,175	42,002
Short-term self-liquidating trade related contingencies	4,217	843	843
Foreign exchange related contracts			
- One year or less	1,679,341	33,661	18,825
- Over one year to five years	38,646	3,157	1,515
Interest related contracts			
- One year or less	1,922,671	184,041	123,210
- Over one year to five years	4,064,373	535,770	414,117
- Over five years	402,567	99,652	83,072
Other commitments, such as formal standby facilities and credit lines, with an original maturity of over one year	232,713	116,356	116,356
Any commitments that are unconditionally cancelled at any time without prior notice	1,756,816	-	-
Total	10,323,351	1,146,313	921,788

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

32. 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 financial assets at FVOCI 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.

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

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

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

The CRMC 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.

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

32. Financial risk management objectives and policies (continued)

(a) Credit risk management (continued)

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 of the Bank relates to amounts on the statement 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:

	2019 RM'000	2018 RM'000
On-balance sheet exposures:		
Cash and short-term funds	1,801,692	1,388,718
Deposits and placements with financial institutions	544,393	127,813
Loans, advances and financing	6,444,676	5,838,601
Financial investments at FVOCI	602,896	-
Financial investments AFS	-	454,653
Other financial assets	65,440	96,624
Derivative financial assets	166,782	368,881
	9,625,879	8,275,290
Off-balance sheet exposures:		
Commitments and contingencies	11,658,160	10,323,351
Total maximum credit risk exposure	21,284,039	18,598,641

32. Financial risk management objectives and policies (continued)

(a) Credit risk management (continued)

(ii) Credit risk concentration profile

2019	Cash and short-term term funds RM'000	Deposits and placements with financial institutions RM'000	Loans, advances and financing RM'000	Financial assets at FVOCI RM'000	Other financial assets RM'000	Derivative financial assets RM'000	Total RM'000	Commitments and contingencies RM'000
Primary Agriculture	-	-	-	-	-	-	-	122,433
Mining and Quarrying	-	-	116,976	-	-	-	116,976	32,896
Manufacturing	-	-	1,250,316	-	3	1,475	1,251,794	1,684,557
Electricity, gas and water supply	-	-	105,888	-	-	-	105,888	-
Construction	-	-	207,334	-	-	388	207,722	319,620
Wholesale and retail trade, and restaurants and hotels	-	-	338,534	-	1	71	338,606	511,157
Transport, storage and communication	-	-	4,947	-	-	-	4,947	332,746
Finance, insurance, real estate and business activities	1,801,692	544,394	4,332,687	602,896	59,005	164,848	7,505,522	8,566,200
Education, heath and others	-	-	116,626	-	-	-	116,626	23,254
Others	-	-	-	-	6,431	-	6,431	65,297
	1,801,692	544,394	6,473,308	602,896	65,440	166,782	9,654,512	11,658,160
Less: Allowance for ECL	-	(1)	(28,632)	-	-	-	(28,633)	-
	1,801,692	544,393	6,444,676	602,896	65,440	166,782	9,625,879	11,658,160

32. Financial risk management objectives and policies (continued)

(a) Credit risk management (continued)

(ii) Credit risk concentration profile

2018	Cash and short-term funds RM'000	Deposits and placements with financial institutions RM'000	Loans, advances and financing RM'000	Financial investments AFS 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, heath 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

32. Financial risk management objectives and policies (continued)

(a) Credit risk management (continued)

(iii) Credit measurement

Following the implementation of MFRS 9, the Bank's assets are classified and measured using a forward looking model to compute ECL.

Staging approach is applied into ECL computation when assessing significant increases in credit risk of financial instruments. There are 3 stages:

(1) Stage 1 (Performing): Financial instrument with no significant deterioration in credit quality and 12-month ECL is recognised.

(2) Stage 2 (Underperforming): Financial instrument with significant increase in credit risk but no objective evidence of impairment. For these financial instrument, lifetime ECL is

(3) Stage 3 (Non-performing): Financial instrument with objective evidence of impairment/ default at the reporting date. For these financial instrument, individual allowance is recognised.

The three main components to measure ECL are as follows:

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

<u>Loss Given Default ("LGD")</u>
The Bank applies LGD based on rating classification of counterparty, seniority of claim, availability of collateral and other credit support. With zero defaults to-date, the Bank refers on the regulatory standards on the assigned LGD for unsecured senior claims and subordinated claims.

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

32. Financial risk management objectives and policies (continued)

(a) Credit risk management (continued)

(iii) Credit measurement (continued)

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

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

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

32. Financial risk management objectives and policies (continued)

(a) Credit risk management (continued)

(iv) 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.

<table>
<tr><th>Customer Categorisation</th><th colspan="2">Credit Rating</th><th colspan="2">Customer Profile</th><th>Status</th><th colspan="2">Comparable External Rating</th></tr>
<tr><td rowspan="11">Ordinary Customers</td><td rowspan="3">A</td><td>1</td><td rowspan="11">Business conditions are favorable and there are no specific problems in the customer's financial position.</td><td rowspan="3">Very high probability of performance on obligations. Extremely stable in terms of credit management.</td><td rowspan="11">Non-default</td><td>AAA</td><td rowspan="5">Investment grade</td></tr>
<tr><td>2</td><td>AA</td></tr>
<tr><td>3</td><td>A</td></tr>
<tr><td rowspan="2">B</td><td>1</td><td rowspan="2">No problem, for the time being, with performance on obligations. Sufficiently stable 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.)</td><td>BBB+/ BBB</td></tr>
<tr><td>2</td><td>BBB-</td></tr>
<tr><td rowspan="3">C</td><td>1</td><td rowspan="3">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.)</td><td rowspan="3">(BB)</td><td rowspan="6">Non-Investment grade</td></tr>
<tr><td>2</td></tr>
<tr><td>3</td></tr>
<tr><td rowspan="3">D</td><td>1</td><td rowspan="3">No problem at present with performance on obligations but has low resistance to future changes in the business environment.</td><td rowspan="3">(B)</td></tr>
<tr><td>2</td></tr>
<tr><td>3</td></tr>
</table>

32. Financial risk management objectives and policies (continued)

(a) Credit risk management (continued)

(iv) Credit quality (continued)

Customer Categorisation	Credit Rating		Customer Profile	Status	Comparable External Rating	
Customers with Special Attention (l)	E	1	Customers with Special Attention (l): 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 (ll)	E	2	Customers with Special Attention (ll): 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.	Non-default	(CCC or lower)	Non-Investment grade
Customers under Strict Management	E	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	(CCC or lower)	Non-Investment grade

32. Financial risk management objectives and policies (continued)

(a) Credit risk management (continued)

(iv) 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.			

32. Financial risk management objectives and policies (continued)

(a) Credit risk management (continued)

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

2019	**Neither past due nor impaired RM'000**	**Total RM'000**
Term loans	4,113,862	4,113,862
Revolving credits	1,367,847	1,367,847
Bills Receivable	15,134	15,134
Gross loans, advances and financing	5,496,843	5,496,843
Less: Impairment allowance		
- Expected credit loss	(28,632)	(28,632)
Net loans, advances and financing	5,468,211	5,468,211
Impairment allowance as a percentage of total loans, advances and financing	0.52%	0.52%

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 32(a)(iii).

2019	**Ordinary RM'000**	**Special attention RM'000**	**Total RM'000**
Term loans	4,113,862	-	4,113,862
Revolving credits	1,331,519	36,328	1,367,847
Bills Receivable	15,134	-	15,134
Total - Neither past due nor impaired	5,460,515	36,328	5,496,843
As a percentage of total loans, advances and financing	99.34%	0.66%	100.00%

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

32. Financial risk management objectives and policies (continued)

(a) Credit risk management (continued)

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

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	5,869,757	5,869,757
Less: Impairment allowance		
- Collective impairment allowance	(31,156)	(31,156)
Net loans, advances and financing	5,838,601	5,838,601
Collective impairment allowance as a percentage of total loans, advances and financing	0.53%	0.53%

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 32(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	5,845,651	24,106	5,869,757
As a percentage of total loans, advances and financing	99.59%	0.41%	100.00%

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

32. Financial risk management objectives and policies (continued)

(a) Credit risk management (continued)

(vi) 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 32(a)(iv).

	2019	**2018**
	RM'000	**RM'000**
Cash and short-term funds	1,801,692	1,388,718
Deposits and placements with financial institutions	544,393	127,813
Financial investments at FVOCI	602,896	-
Financial investments AFS	-	454,653
Other financial assets	65,440	96,624
Derivative financial assets	166,782	368,881
Total - neither past due nor impaired	3,181,203	2,436,689
As a percentage of gross balances	100.00%	100.00%

(b) Market risk management

Market risk is defined as the risk of loss or adverse impact on earnings or capital arising from changes in the level of volatility of market rates or prices such as interest rates/profit rates, foreign exchange rates, securities prices and market risk factors.

There are two categories of market risk exposure for the Bank which are traded and non-traded activities. The Bank uses a variety of measurement techniques and controls to make sure the financial targets and regulatory/internal requirements are coherent.

The Bank's market risk exposure are discussed and managed at the ALMC on a monthly basis and the BRMC on a quarterly basis, which is in line with the approved guidelines and policies.

(i) Traded Activities

Traded market risk for the Bank arises mainly from Equity Risk and Foreign Exchange Risk. These activities may create positions held with trading intent to express a market view, to benefit from short-term price movements or to lock in arbitrage profits. The trading book portfolio is governed by trading limits.

32. Financial risk management objectives and policies (continued)

(b) Market risk management (continued)

(i) Traded activities (continued)

<u>Equity risk management</u>

Equity risk is the risk to earnings or capital arising from movements in the value of Bank's equity-related holdings. The Bank employs a robust equity risk measurement as follows:

- Money Market ("MM") Realised and Unrealised P/L: use to recalculate of the Bank's realised & unrealised MM profit or loss.

<u>Foreign exchange risk management</u>

Foreign exchange risk is the risk to earnings or capital arising from adverse movements in foreign exchange rates. The Bank employs a robust foreign exchange risk measurement as

- FX10BPV: use to measure by the change in present value with a rise of 10 basis points in FX yield. Overall and each currency position are to be monitored.
- FX BOE: use to monitor loss in FX trading using Bank of England method.
- FX MTM P/L (Loss Cut): use to calculate MTM profit/loss on demand in a day and confirm not to breach the loss cut limits.

(ii) Non-traded activities

Non-Traded market risk for the Bank arises from Liquidity Risk and Interest Rate Risk. These activities are 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/profit rates significantly higher than normal rates to secure funding.

<u>Liquidity risk management</u>

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

- Maturity Ladder/Funding Gap: use to measure the maximum amount in funding gap between assets and liabilities for overnight, 1 week and 1 month tenure.
- Domestic Market Liquidity Position: use to measure the liquidity position by Bank Negara Malaysia.
- Deposits Cash Outflow: use to measure the Bank's deposit outflow within 1 week and 1 month period.

32. Financial risk management objectives and policies (continued)

(b) Market risk management (continued)

(ii) Non-traded activities (continued)

<u>Interest rate risk management</u>

Interest rate risk is the risk that the value of a security will fall as a result of increase in interest rates as the exposure of the Bank's financial condition to the adverse movements in interest rates including for off-balance sheet item. The Bank employs a robust interest/profit rate risk measurement as follows:

- Repricing gap: use to measure interest/profit rate exposures arising from the mismatch in repricing balances for each time band.
- Earnings-at-Risk ("EaR"): use to measure the sensitivity of earnings based on an assumed interest/profit rate scenario.
- Economic Value-at-Risk ("EVaR"): use to measure the change in economic value that would occur given an assumed interest/profit rate scenario.

32. 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 flow. 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 2019.

	Non-trading book							
	Up to 1 Month	**> 1 to 3 Months**	**> 3 to 12 Months**	**> 1 to 5 Years**	**Over 5 Years**	**Non-Interest Sensitive**	**Trading Book**	**Total**
2019	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Assets								
Cash and short-term funds	1,645,590	-	-	-	-	156,102	-	1,801,692
Deposits and placements with financial institutions	-	217,662	326,732	-	-	(1)	-	544,393
Financial assets at FVOCI	30,007	40,044	20,082	512,763	-	-	-	602,896
Loans, advances and financing	3,269,115	3,168,242	35,951	-	-	(28,632)	-	6,444,676
Derivative financial assets	-	-	-	-	-	-	166,782	166,782
Other non-interest sensitive balances	-	-	-	-	-	89,287	-	89,287
Total assets	4,944,712	3,425,948	382,765	512,763	-	216,756	166,782	9,649,726

32. Financial risk management objectives and policies (continued)

(b) Market risk management (continued)

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

	<—— Non-trading book					——>		
2019	**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**	**Non-Interest Sensitive RM'000**	**Trading Book RM'000**	**Total RM'000**
Liabilities								
Deposits from customers	1,923,311	335,149	139,218	-	-	-	-	2,397,678
Deposits and placements from financial institutions	2,569,076	3,184,014	305,522	13,998	-	10,077	-	6,082,687
Derivative financial liabilities	-	-	-	-	-	-	180,495	180,495
Other non-interest sensitive balances	-	-	-	-	-	107,014	-	107,014
Total liabilities	4,492,387	3,519,163	444,740	13,998	-	117,091	180,495	8,767,874
Shareholder's equity	-	-	-	-	-	881,852	-	881,852
Total liabilities and shareholder's equity	4,492,387	3,519,163	444,740	13,998	-	998,943	180,495	9,649,726
On-balance sheet interest sensitivity gap representing total interest sensitivity gap	452,325	(93,215)	(61,975)	498,765	-	(782,187)	(13,713)	-

32. Financial risk management objectives and policies (continued)

(b) Market risk management (continued)

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

2018	Non-trading book: 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	Non-Interest Sensitive RM'000	Trading Book RM'000	Total RM'000
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 AFS	-	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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32. Financial risk management objectives and policies (continued)

(b) Market risk management (continued)

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

2018	<—Non-trading book					—>		
	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	Non-Interest Sensitive RM'000	Trading Book RM'000	Total RM'000
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
Derivative 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	-

32. 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 2019 and 31 March 2018, 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.

2019	Ringgit Malaysia RM'000	United States Dollar RM'000	Japanese Yen RM'000	Others RM'000	Total RM'000
Assets					
Cash and short-term funds	1,478,071	170,597	105,188	47,836	1,801,692
Deposits and placements with financial institutions	175,055	369,338	-	-	544,393
Financial assets at FVOCI	602,896	-	-	-	602,896
Loans, advances and financing	585,770	5,647,871	191,040	19,995	6,444,676
Derivative financial assets	61,381	101,072	4,309	20	166,782
Other assets	63,436	3,898	-	-	67,334
Property and equipment	9,531	-	-	-	9,531
Intangible asset	12,422	-	-	-	12,422
Total assets	2,988,562	6,292,776	300,537	67,851	9,649,726
Liabilities					
Deposits from customers	1,777,148	485,376	97,974	37,180	2,397,678
Deposits and placements from financial institutions	9,296	5,875,701	176,910	20,780	6,082,687
Derivative financial liabilities	81,516	97,487	1,431	61	180,495
Other liabilities	73,481	23,458	792	17	97,748
Deferred tax liabilities	9,266	-	-	-	9,266
Total liabilities	1,950,707	6,482,022	277,107	58,038	8,767,874
On-balance sheet open position	1,037,855	(189,246)	23,430	9,813	881,852
Less: Derivative assets	(61,381)	(101,072)	(4,309)	(20)	(166,782)
Add: Derivative liabilities	81,516	97,487	1,431	61	180,495
Net open position	1,057,990	(192,831)	20,552	9,854	895,565

32. Financial risk management objectives and policies (continued)

(b) Market risk management (continued)

(ii) Currency risk (continued)

2018	Ringgit Malaysia RM'000	United States Dollar RM'000	Japanese Yen RM'000	Others RM'000	Total RM'000
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 AFS	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
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

32. Financial risk management objectives and policies (continued)

(b) Market risk management (continued)

(ii) Currency risk (continued)

Sensitivity analysis - impact on profit/loss after taxation

	2019 RM'000	2018 RM'000
• if USD weakened by 100 basis points (or 1%)	(1,928)	910
• if JPY weakened by 100 basis points (or 1%)	206	(280)
• if SGD weakened by 100 basis points (or 1%)	27	1
• if other currencies weakened by 100 basis points (or 1%)	71	13
	(1,624)	644

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32. 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 2019 and 31 March 2018.

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

2019	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	1,801,692	-	-	-	-	-	1,801,692
Deposits and placements with financial institutions	-	217,661	326,732	-	-	-	544,393
Financial assets at FVOCI	30,007	40,044	20,082	512,763	-	-	602,896
Loans, advances and financing	2,461,820	758,299	344,132	2,527,314	353,111	-	6,444,676
Derivative financial assets	1,852	1,797	53,350	109,615	168	-	166,782
Other assets	6,325	5,899	1,688	-	-	53,422	67,334
Property and equipment	-	-	-	-	-	9,531	9,531
Intangible asset	-	-	-	-	-	12,422	12,422
Total assets	4,301,696	1,023,700	745,984	3,149,692	353,279	75,375	9,649,726

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32. Financial risk management objectives and policies (continued)

(c) Liquidity risk (continued)

Contractual maturity of total assets and liabilities (continued)

2019	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
Liabilities							
Deposits from customers	1,923,311	335,149	139,218	-	-	-	2,397,678
Deposits and placements from financial institutions	2,579,153	3,184,014	305,522	13,998	-	-	6,082,687
Derivative financial liabilities	1,166	3,306	58,274	102,982	14,767	-	180,495
Other liabilities	13,327	8,857	15,335	493	-	59,736	97,748
Deferred tax liabilities	-	-	-	-	-	9,266	9,266
Total liabilities	4,516,957	3,531,326	518,349	117,473	14,767	69,002	8,767,874
Net liquidity gap	(215,261)	(2,507,626)	227,635	3,032,219	338,512	6,373	881,852

32. Financial risk management objectives and policies (continued)

(c) Liquidity risk (continued)

Contractual maturity of total assets and liabilities (continued)

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
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 AFS	-	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

32. Financial risk management objectives and policies (continued)

(c) Liquidity risk (continued)

Contractual maturity of total assets and liabilities (continued)

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
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

32. 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 2019 and 31 March 2018. 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.

2019	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	1,927,705	339,008	142,498	-	-	-	2,409,211
Deposits and placements from financial institutions	2,593,718	3,206,535	310,598	14,157	-	-	6,125,008
Other liabilities	13,327	8,857	15,335	493	-	59,736	97,748
	4,534,750	3,554,400	468,431	14,650	-	59,736	8,631,967
Commitment and contingencies							
Direct credit substitutes	700	1,160	17,505	1,886	-	-	21,251
Transaction related contingencies	1,031	22,729	10,177	48,475	-	-	82,412
Short-term self liquidating trade related contingencies	55	140	3,289	-	-	-	3,484
Foreign exchange related contracts	1,367,307	551,729	255,297	26,672	-	-	2,201,005
Interest/profit related contracts	18,008	111,770	1,169,125	5,005,541	319,031	-	6,623,475
Other commitments, such as formal standby facilities and credit lines, with an original maturity over one year	-	-	65,298	214,226	-	-	279,524
Any commitments that are unconditionally cancelled at any time by the bank without prior notice	2,447,009	-	-	-	-	-	2,447,009
	3,834,110	687,528	1,520,691	5,296,800	319,031	-	11,658,160

32. Financial risk management objectives and policies (continued)

(c) Liquidity risk (continued)

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

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

32. 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.

33. 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		
				Financial instruments RM'000	Cash collateral received/ pledged RM'000	Net Amount RM'000
2019						
Derivative financial assets	166,782	-	166,782	-	(50,946)	115,836
Derivative financial liabilities	180,495	-	180,495	-	(45,020)	135,475
2018						
Derivative financial assets	368,881	-	368,881	-	(106,360)	262,521
Derivative financial liabilities	347,288	-	347,288	-	(82,295)	264,993

34. 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.

- 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.

34. Fair value measurements (continued)

(a) Valuation principles (continued)

- 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.

Financial assets designated at fair value through profit or loss and financial assets at fair value through other comprehensive income

The fair values of financial assets designated at fair value through profit or loss and financial assets at fair value through other comprehensive income are determined by reference to process quoted by independent data providers and independent broker quotations.

34. Fair value measurements (continued)

(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:

		Valuation technique using		
	Quoted Market Price (Level 1) RM'000	**Observable Inputs (Level 2) RM'000**	**Unobservable Inputs (Level 3) RM'000**	**Total RM'000**
2019				
Financial assets:				
Financial assets at FVTPL	**-**	**976,465**	**-**	**976,465**
Loans, advances and financing	-	976,465	-	976,465
Financial assets at FVOCI	**-**	**602,896**	**-**	**602,896**
Money market instruments	-	602,896	-	602,896
Derivative assets	**-**	**166,782**	**-**	**166,782**
Foreign exchange related contracts	-	4,724	-	4,724
Interest rate related contracts	-	162,058	-	162,058
	-	**1,746,143**	**-**	**1,746,143**
Financial liabilities:				
Derivative liabilities	**-**	**180,495**	**-**	**180,495**
Foreign exchange related contracts	-	5,494	-	5,494
Interest rate related contracts	-	175,001	-	175,001

34. 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):

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

34. 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 3(m). There were no transfers between Level 1 and 2 for the Bank during the financial year ended 31 March 2019 and 31 March 2018.

(e) Movements of Level 3 instruments

There is no Level 3 instruments as at 31 March 2019 and 31 March 2018.

(f) 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 property and equipment, intangible assets, provision for current and deferred 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.

34. Fair value measurements (continued)

(f) 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 statement of financial position:

	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total fair value RM'000	Carrying amount RM'000
2019					
Financial assets					
Loans, advances and financing	-	5,436,048	32,537	5,468,585	5,468,211
2018					
Financial assets					
Loans, advances and financing	-	5,800,755	38,806	5,839,561	5,838,601

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.

35. 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.

36. Capital adequacy

The capital ratios are computed in accordance with Bank Negara Malaysia's Capital Adequacy Framework (Capital Components) and Capital Adequacy Framework (Basel II - Risk Weighted Assets) (collectively, the "Framework") of which the latest version was issued on 2 February 2018. The Bank has adopted Standardised Approach for credit risk and market risk and the Basic Indicator Approach for operational risk. In line with transitional arrangements under BNM's Capital Adequacy Framework (Capital Components), the minimum regulatory capital adequacy requirement for common equity Tier 1 ("CET1") capital ratio and Tier 1 capital ratio are 4.5% and 6.0% respectively for financial year end 2019. 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:

	2019	2018
Capital ratios:		
CET1 Capital Ratio / Tier 1 Capital Ratio	29.641%	27.651%
Total Capital Ratio	30.727%	28.768%

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

	2019 RM'000	2018 RM'000
CET 1 Capital		
Paid-up share capital	700,000	700,000
Retained profits	151,498	66,994
Other reserves	(10,897)	1,469
Total Tier 1 Capital	840,601	768,463
Tier 2 Capital		
General provisions and regulatory reserve	30,804	31,051
Total Capital	871,405	799,514

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

	2019 RM'000	2018 RM'000
Total RWA for Credit risk	2,464,310	2,484,061
Total RWA for Market risk	101,986	83,192
Total RWA for Operational risk	269,663	211,931
Total RWA	2,835,959	2,779,184

36. 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
2019		
0%	1,442,285	-
20%	1,467,447	293,489
50%	427,713	213,857
100%	1,956,964	1,956,964
Total RWA for Credit risk	5,294,409	2,464,310
Total RWA for Market risk	-	101,986
Total RWA for Operational risk	-	269,663
Total RWA	5,294,409	2,835,959
2018		
0%	1,260,996	-
20%	821,379	164,276
50%	309,736	154,868
100%	2,164,917	2,164,917
Total RWA for Credit risk	4,557,028	2,484,061
Total RWA for Market risk	-	83,192
Total RWA for Operational risk	-	211,931
Total RWA	4,557,028	2,779,184

MIZUHO BANK (MALAYSIA) BERHAD
(Company No. 923693-H)
(Incorporated in Malaysia)

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36. Capital adequacy (continued)

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

Exposure Class	Gross Exposures RM'000	Net Exposures RM'000	Risk-Weighted Assets RM'000	Minimum Capital Requirements at 8% RM'000
2019				
Credit Risk				
On-balance sheet exposures:				
Sovereigns/central banks	1,139,339	1,139,339	-	-
Banks, development financial Institutions and Multilateral Development Banks ("MDBs")	3,414,139	1,526,698	371,686	29,735
Corporates	4,891,266	1,700,445	1,404,307	112,344
Other assets	19,094	19,094	18,653	1,492
Total on-balance sheet exposures	9,463,838	4,385,576	1,794,646	143,571
Off-balance sheet exposures:				
Over-the-counter ("OTC") derivatives	706,504	706,504	473,291	37,863
Off-balance sheet exposures other than OTC derivatives or credit derivatives	202,329	202,329	196,373	15,710
Total off-balance sheet exposures	908,833	908,833	669,664	53,573
Total on and off-balance sheet exposures	10,372,671	5,294,409	2,464,310	197,144

	Long Position RM'000	Short Position RM'000	Risk-Weighted Assets RM'000	Minimum Capital Requirements at 8% RM'000
Market risk				
Interest rate risk	6,438,554	6,415,611	83,541	6,683
Foreign currency risk	1,476	-	18,445	1,476
Operational risk			269,663	21,573
Total RWA and capital requirements			2,835,959	226,876

36. Capital adequacy (continued)

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

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				
On-balance sheet exposures:				
Sovereigns/central banks	1,260,936	1,260,936	-	-
Banks, development financial Institutions and Multilateral Development Banks ("MDBs")	800,782	694,422	106,977	8,558
Corporates	5,876,001	1,391,872	1,391,872	111,350
Other assets	63,485	63,485	63,424	5,074
Total on-balance sheet exposures	8,001,204	3,410,715	1,562,273	124,982
Off-balance sheet exposures:				
Over-the-counter ("OTC") derivatives	856,281	856,281	640,739	51,259
Off-balance sheet exposures other than OTC derivatives or credit derivatives	290,032	290,032	281,049	22,484
Total off-balance sheet exposures	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

	Long Position RM'000	Short Position RM'000	Risk-Weighted Assets RM'000	Minimum Capital Requirements at 8% RM'000
Market risk				
Interest rate risk	6,158,264	6,136,985	77,293	6,183
Foreign currency risk	472	-	5,899	472
Operational risk			211,931	16,954
Total RWA and capital requirements			2,779,184	222,334