

**Mizuho Bank (Malaysia) Berhad**

Company No. 201001039768 (923693-H)

(Incorporated in Malaysia)

**Financial statements for the financial  
year ended 31 March 2024**

**MIZUHO BANK (MALAYSIA) BERHAD**  
Company No. 201001039768 (923693-H)  
(Incorporated in Malaysia)

**DIRECTORS' REPORT**  
**FOR THE FINANCIAL YEAR ENDED 31 MARCH 2024**

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 ("FYE") 31 March 2024.

**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	159,873
Tax expense	<u>(63,039)</u>
Profit for the financial year	<u>96,834</u>

**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.

**Directors of the Bank**

Directors who served during the financial year until the date of this report are:

Dato' Dr Zaha Rina binti Zahari  
Abdul Khalil bin Abdul Hamid  
Lim Kim Seng  
Guan Yeow Kwang

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**Bad and doubtful debts and financing**

Before the statement of comprehensive income and statement 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 statement of comprehensive income and statement 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 other than those arising from the ordinary course of business of the Bank.

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.

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**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.

**Business plan and strategy**

**Business results for the financial year ended 31 March 2024**

The Bank recorded a profit before tax ("PBT") of RM159.9 million for the financial year ended 31 March 2024, an increase of RM40.2 million or 33.6% as compared to PBT of RM119.7 million in the previous financial year. The increase was mainly attributable to higher net interest income by RM47.0 million. The increase in PBT was partially offset by higher operating expenses, which has increased by RM8.5 million or 10.1% compared to the previous financial year.

Total assets of the Bank stood at RM17.3 billion as at 31 March 2024, a decrease of RM0.8 billion or 4.5% as compared to the previous financial year mainly due to lower cash and short-term funds, partially offset by higher loans, advances and financing. The Bank's Common Equity Tier 1 capital ratio and Total Capital Ratio remained healthy at 24.13% and 25.24% respectively.

**Business outlook for the financial year ending 31 March 2025**

The continuous expansion for Malaysia economy in 2024 is driven by resilient domestic expenditure and positive turnaround in exports. Continued employment and wage growth remain supportive of household spending. In addition, tourist arrivals and spending are expected to improve further. The growth outlook remains subject to downside risks from weaker-than-expected external demand and larger declines in commodity production.

Overnight policy rate ("OPR") is expected to remain unchanged throughout 2024 focusing on sustaining growth momentum in the Malaysia economy.

Despite the challenging economic environment, the Bank aims to strengthen its efforts to realise sustainability while undergoing business transformation and maintaining resilience as well as pursuing growth. As part of Mizuho Financial Group, the Bank remains committed to fulfilling its role as a financial institution and fully leveraging its financial capabilities to support its customers.

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**Statement of Corporate Governance**

Being responsible for the stewardship of the Bank, the Board of Directors ("Board") is committed to achieving a high standard of corporate governance and ensuring the Bank conducts its business operations responsibly. To this end, the Bank has a well-structured corporate governance framework in place to support the Board's aim of achieving long-term and sustainable value, as well as foster a culture that values ethical behaviour, integrity and respect to protect the shareholder's and other stakeholders' interests at all times.

The Bank's corporate governance practices are based on the principles set out in the Bank Negara Malaysia's Policy Document on Corporate Governance ("BNM CG") and the Malaysian Code on Corporate Governance.

**Board of Directors**

**(a) Board Composition**

The Board currently has four (4) members, consisting of three (3) Independent Non-Executive Directors ("INEDs") and one (1) Executive Director ("ED"). The Board is represented by individuals of high calibre with relevant experience and skillset that allow a breadth of perspective; this is viewed as optimal given the complexity, size and scope of the business operations of the Bank.

The roles of the Chairman and the Chief Executive Officer ("CEO") of the Bank are clearly separated and this distinction allows an appropriate balance of responsibilities, authority and accountability between the Board and Management. The INEDs of the Bank are independent of Management and free from associations or circumstances that may impair the exercise of their independent judgement. The independence of INEDs is reviewed annually and benchmarked against regulatory provisions. Based on the latest assessment, the Board was satisfied that each of the INEDs continues to be independent and free from any business or other relationship that could interfere with the exercise of independent judgement or the ability to act in the best interest of the Bank. Besides, none of the INEDs have served for a cumulative period of more than nine (9) years in the Bank, i.e. the maximum term imposed on INEDs.

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**Statement of Corporate Governance (continued)**

**Board of Directors (continued)**

**(a) Board Composition (continued)**

A brief profile of each Director is as follows:

**Dato' Dr. Zaha Rina binti Zahari**

***Chairman/Independent Non-Executive Director (appointed to the Board on 7 February 2022 and as Chairman on 8 March 2022)***

*Member of Board Risk Management Committee*

*Member of Board Audit Committee*

*Member of Board Nomination Committee*

*Member of Board Remuneration Committee*

62 years old/Malaysian

**Academic/Professional Qualification**

- Bachelor of Arts (Honours) in Accounting and Finance, Leeds Metropolitan University, United Kingdom (“UK”)
- Master in Business Administration, University of Hull, UK
- Doctorate in Business Administration, University of Hull, UK (focusing on capital markets research and specialising in derivatives)
- Global Leadership Development Programme, International Centre for Leadership in Finance (ICLIF)

**Skills and Experience**

Dato' Dr. Zaha Rina binti Zahari (“Dato' Zaha Rina”) has more than 33 years of experience in financial, commodities and securities industries and the development of the Malaysian Capital Market. Among her career highlights, Dato' Zaha Rina was instrumental in merging the Commodity and Monetary Exchange of Malaysia (“COMMEX”) and Kuala Lumpur Options and Financial Futures Exchange (“KLOFFE”) to form the Malaysian Derivatives Exchange (“MDEX”) and the subsequent appointment of the Chief Operating Officer (“COO”) of MDEX in June 2001. She has previous board appointments at COMMEX from 1993 to 1996, and then as the COO of KLOFFE in 2001.

**Other Directorships**

- Manulife Holdings Berhad (Chair)
- Manulife Investment Management (M) Berhad (Chair)
- Pacific & Orient Insurance Co Berhad (Chair)
- Pacific & Orient Berhad (Chair)
- Pacific & Orient Properties Limited
- Hibiscus Petroleum Berhad
- IGB Berhad
- Keck Seng (Malaysia) Berhad
- Several private companies

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**Statement of Corporate Governance (continued)**

**Board of Directors (continued)**

**(a) Board Composition (continued)**

**Mr. Abdul Khalil bin Abdul Hamid**

***Independent Non-Executive Director (appointed to the Board on 11 November 2019)***

*Chairman of Board Risk Management Committee*

*Chairman of Board Nomination Committee*

*Member of Board Audit Committee*

*Member of Board Remuneration Committee*

68 years old/Malaysian

**Academic/Professional Qualification**

- Bachelor of Economics (B. Admin) Degree, University of Malaya, Malaysia

**Skills and Experience**

Mr. Abdul Khalil bin Abdul Hamid ("Mr. Abdul Khalil") began his banking career with Hong Kong & Shanghai Banking Corporation in February 1979 and left the bank as Sub-Manager of the Customer Service Department in October 1985. Mr. Abdul Khalil subsequently joined Bank of Nova Scotia as an Account Manager in November 1985, where he was responsible in managing multiple portfolios ranging from corporate, commercial and public sector business segments. His last position at the Bank of Nova Scotia was as a Manager of Personal Banking. He then spent about 7 years in Affin Bank Berhad where his last position was Head of Credit Management Department. In April 2002, Mr. Abdul Khalil joined Bank of Tokyo-Mitsubishi UFJ (M) Berhad as its Executive Vice President-Operations and was subsequently appointed as the Operations Advisor in 2012 prior to his retirement in October 2013.

**Other Directorships**

- Prudential Assurance Malaysia Berhad (Chairman)
- Kuwait Finance House (Malaysia) Berhad

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**Statement of Corporate Governance (continued)**

**Board of Directors (continued)**

**(a) Board Composition (continued)**

**Mr. Lim Kim Seng**

***Independent Non-Executive Director (appointed to the Board on 14 February 2020)***

*Chairman of Board Audit Committee*

*Chairman of Board Remuneration Committee*

*Member of Board Risk Management Committee*

*Member of Board Nomination Committee*

69 years old/Malaysian

**Academic/Professional Qualification**

- Higher National Diploma in Accounting, Scottish Business Education Council, Scotland
- Member of the Institute of Chartered Accountants of Scotland

**Skills and Experience**

Mr. Lim Kim Seng ("Mr. Lim") is a Chartered Accountant (with a commendation). He received his early training as an external auditor with an international accounting firm, Messrs. Touche Ross & Co. in Scotland for 7 years before returning to Malaysia in 1983. He started his career in the local banking industry with Bank of Commerce Berhad in 1985 where he held various positions in both, the front line and back office operations. He had served Bumiputera Merchant Bankers Berhad as Head of Internal Audit Department from 1992 to 2000 before leaving Malaysia to become the Financial Controller of a start-up company in the United Kingdom for 5 years. Upon returning to Malaysia, he joined Courts Mammoth (M) Berhad as Group Chief Internal Auditor for 4 years. He then rejoined the banking industry in 2009 upon his appointment as the Group Chief Internal Auditor of Hong Leong Bank Berhad until his retirement in 2014.

**Other Directorships**

- Nil



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**Statement of Corporate Governance (continued)**

**Board of Directors (continued)**

**(a) Board Composition (continued)**

**Mr. Guan Yeow Kwang**

***Executive Director (appointed to the Board on 26 June 2018)***

*Member of Board Nomination Committee*

67 years old/Singaporean

**Academic/Professional Qualification**

- Bachelor of Arts (Economics and Political Science), National University of Singapore, Singapore
- Master of Business Administration, University of Manchester, UK

**Skills and Experience**

Mr. Guan Yeow Kwang ("Mr. Guan") has over 40 years of experience in the financial sector, where he worked mostly at Mizuho Bank, Ltd. and its predecessor entities in Singapore. He started his career with Astley & Pearce Pte Ltd in 1981 and subsequently with First National Bank of Boston. He spent the first 15 years of his career in the financial markets honing his skills as an arbitrager before progressing into risk management, human resource, operations, legal and compliance, technology and finance. Mr. Guan was the Chief Executive Officer of Mizuho Singapore from April 2016 till his retirement in September 2023. He was also General Manager of Mizuho Bank's Asia and Oceania Administration Department from April 2016 to March 2023 and Co-General Manager of Singapore Administration Department from April to September 2023. He has been appointed as Special Advisor to Mizuho Singapore upon his retirement. In October 2023, he was appointed by the Deputy Prime Minister of Singapore as a Member of the Monetary Authority of Singapore Appeals Advisory Panel.

**Other Directorships**

- Nil

As at the date of this report, none of the Directors have any shareholding in the Bank nor any conflict of interest or personal interest in any business arrangement involving the Bank. All the Directors have properly discharged their duties as required under BNM CG.

**(b) Roles and Responsibilities of the Board**

The Board has the overall responsibility for promoting the sustainable growth and financial soundness of the Bank and for ensuring reasonable standards of fair dealing, without undue influence from any party. This includes a consideration of the long-term implications of the Board's decisions on the Bank and its customers, officers and the general public. In fulfilling this role, the Board will review and approve, among others, the Bank's long-term objectives, overall business strategies and significant policies. The Board also, through the established Board Committees, provides effective oversight of the Bank's performance against the budget and plans, risk assessment and controls over business operations, and compliance with regulatory requirements.

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**Statement of Corporate Governance (continued)**

**Board of Directors (continued)**

**(b) Roles and Responsibilities of the Board (continued)**

The Board has adopted a Board Charter that sets out the mandate, responsibilities and procedures of the Board and the Board Committees, including matters reserved for the Board's decision. The Board Charter will be reviewed as and when deemed appropriate to ensure that it is up to date and consistent with the Board's objectives and responsibilities as well as relevant regulatory requirements. The Board Charter was last reviewed and revised by the Board on 23 January 2024 and is available on the Bank's corporate website.

**(c) Board Effectiveness Evaluation**

The Bank conducts an annual Board Effectiveness Evaluation ("BEE") exercise with the objective of assessing the performance of the Board as a whole, Board Committees and individual Directors. This is to enable the Board to distinguish the Directors' strengths as well as to identify areas for professional development and process improvements for the Board, Board Committees and individual Directors. The results of the BEE also form part of the basis for evaluation by the Board Nomination Committee, for the re-appointment of Directors.

In 2023, the Board had appointed an independent consultant to undertake the BEE for FY2022/2023. The BEE exercise was undertaken in two (2) phases, i.e. customised questionnaires to assess the Board, Board Committees and individual Directors' performance and qualities; and structured one-on-one interviews with all Directors and Senior Management to obtain views on key strengths and areas for improvement within the Board and Board Committees, including Board-Management interactions.

The overall results of the BEE conducted for FY2022/2023 were positive with most areas rated as either "strong" or "satisfactory", reflecting strong performance by the Board and Board Committees. The Board's key strengths identified in the BEE included having strong support from Board Committees, positive boardroom dynamic and strong leadership by the Board Chair. The Board also identified key areas and action plans for improvement through the exercise.

Apart from that, the Board, through the Board Nomination Committee, assessed the fitness and propriety of the Directors in accordance with the Bank's Qualification, Fit and Proper Policy. All Directors are required to complete a Fit & Proper Declaration annually. The Fit & Proper Declarations by the Directors are verified against independent sources. Overall, the Board was satisfied that each of the Directors has met the required standard of qualification, fitness and propriety.

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**Statement of Corporate Governance (continued)**

**Board of Directors (continued)**

**(d) Board and Board Committee Meetings**

Board and Board Committee meetings are scheduled well ahead of the start of a calendar year. Additional meetings are held during the year if required by circumstances. The agenda together with the management reports and proposal papers for a meeting are uploaded onto a secure portal, which Directors can access via tablet devices provided by the Bank, 7 working days before the Board and Board Committee meetings.

There is always an avenue for the Directors to seek clarifications or obtain details concerning the proposal papers/reports from the Management, Chief Risk Officer ("CRO"), Chief Compliance Officer ("CCO"), Chief Internal Auditor ("CIA") or Company Secretary. The Directors may seek independent professional advice or third-party experts, at the Bank's expense, should the need arise in discharging their duties. Senior Management or any other person would be invited to attend Board meetings as and when deemed appropriate.

All Directors are given opportunities to express their views, opinions and ideas to facilitate a proper decision-making process. In particular for Board meetings, the Board is informed of decisions, salient issues and views raised at the Board Committee meetings by the Chairmen of the respective Committees. Minutes of the respective Board Committee meetings are also tabled at the Board Meetings for information.

Depending on the urgency of the matters, the Board may grant approval by way of circular resolution in writing pursuant to the Constitution of the Bank.

All Directors have demonstrated that they are able to allocate sufficient time to the Bank in discharging their duties and responsibilities, and their commitment is affirmed by their attendance at the Board and Board Committee meetings held during the financial year, as reflected below:

Directors as at 31 March 2024	Attendance				
	Board	Board Audit Committee	Board Risk Management Committee	Board Remuneration Committee	Board Nomination Committee
Dato' Dr. Zaha Rina binti Zahari	8/8*	6/6	8/8	6/6	8/8
Mr. Abdul Khalil bin Abdul Hamid	8/8	6/6	8/8*	6/6	8/8*
Mr. Lim Kim Seng	8/8	6/6*	8/8	6/6*	8/8
Mr. Guan Yeow Kwang	8/8	N/A	N/A	N/A	8/8

\* Chairperson/Chairman of Board/Board Committee

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**Statement of Corporate Governance (continued)**

**Board Committees**

The Board has established four (4) Board Committees to assist in carrying out its roles and responsibilities. Each Board Committee operates within its Terms of Reference ("TOR"), which clearly define its functions and authorities. The aforesaid TORs are reviewed from time to time to ensure they remain relevant and up-to-date. The Board remains fully accountable for any authority delegated to the Board Committees.

**(a) Board Audit Committee**

The Board Audit Committee ("BAC") comprises solely INEDs.

The BAC supports the Board in overseeing the integrity of financial statements and the financial reporting process, internal control systems, performance of internal audit functions and internal auditors, appointment of external auditors and the evaluation of the external auditors' qualifications, independence and performance, related party transactions and corporate governance framework of the Bank. It also works closely with Board Risk Management Committee in connection with assessing the effectiveness of the risk management and internal control framework.

The details of BAC's duties and responsibilities are set out in its TOR which is published on the Bank's corporate website.

During the financial year, the BAC has held six (6) meetings. Attendance as set out in the table on page 10.

**(b) Board Risk Management Committee**

The Board Risk Management Committee ("BRMC") comprises solely INEDs.

The BRMC is established with the objective of assisting the Board in overseeing and ensuring that the Bank's corporate objectives are supported by a sound risk strategy and an effective risk management framework that is appropriate to the nature, scale and complexity of its activities. In fulfilling its role, the BRMC oversees the Senior Management's activities in managing risks (which cover, among others, credit, market, liquidity, operational, compliance, financial crime risk, technology, cybersecurity, and environmental, social and governance risks (including climate risk)), as well as ensures compliance with regulations. This includes promoting a sound compliance, corporate governance and risk awareness culture within the Bank; and reviewing risk and compliance strategies, policies and methodologies, as well as related matters.

The details of the duties and responsibilities of the BRMC are set out in its TOR which is available on the Bank's corporate website.

During the financial year, the BRMC has held eight (8) meetings. Attendance as set out in the table on page 10.

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**Statement of Corporate Governance (continued)**

**Board Committees (continued)**

**(c) Board Nomination Committee**

The Board Nomination Committee (“BNC”) consists of one (1) Executive Director and three (3) INED. The Committee is chaired by an INED.

The BNC is formed to assist the Board in developing, maintaining and reviewing matters with regard to human resource, talent management, succession planning, corporate value and ethical behaviour of the Directors and employees of the Bank. Its oversight role includes reviewing/assessing the following matters concerning the Board, Shariah Committee, Senior Management, Senior Officers and Company Secretary:-

- Composition of the Board
- Succession planning
- Performance evaluation and development
- Fit and proper assessment

The BNC also oversees the appointment/reappointment of expatriate staff. The details of the duties and responsibilities of the BNC are set out in its TOR which is available on the Bank’s corporate website.

During the financial year, the BNC has held eight (8) meetings. Attendance as set out in the table on page 10.

**(d) Board Remuneration Committee**

The Board Remuneration Committee (“BRC”) comprises solely INEDs.

The BRC assists the Board in overseeing the establishment of a sound remuneration system, which is the key component of the governance and incentive structure through which the Board and Senior Management drive performance, convey acceptable risk taking behaviour and reinforce the Bank’s corporate and risk culture. Among others, the BRC oversees the design and operation of the Bank’s remuneration system and policies, and reviews the compensation proposals, including the bonus payout and annual salary review for Senior Management, Senior Officers and Company Secretary.

The details of BRC’s duties and responsibilities are set out in its TOR which is available on the Bank’s corporate website.

During the financial year, the BRC met six (6) times. Attendance as set out in the table on page 10.

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**Statement of Corporate Governance (continued)**

**Board Training and Development**

The Directors of the Bank are required to maintain sound knowledge and understanding of the business of the Bank as well as the relevant market and regulatory developments. For this purpose, the Bank committed to dedicating sufficient resources toward the on-going development of Directors, including setting an adequate budget, having in place development plans for Directors and regularly updating such plans to ensure that each Director possesses the knowledge and skills necessary to fulfil his/her responsibilities.

The Bank has in place an In-house Directors' Induction Programme for newly appointed Directors to familiarise themselves with the industry and the Bank's operations in addition to the regulatory mandatory training programmes such as the Financial Institutions Directors' Education Core Programme and Islamic Finance for Board Programme. During the financial year under review, all Directors have attended the compulsory training programmes as required by Bank Negara Malaysia ("BNM").

The Directors have also attended various training programmes, conferences, seminars, briefings and/or workshops on subject matters relevant to their duties and responsibilities to further enhance their skills and knowledge as well as to keep abreast with the latest developments in the industry and changes in the new statutory and regulatory requirements. The list of training programmes attended by the Directors is as follows:

Dato' Dr. Zaha Rina binti Zahari

- Supplementary Training: Creating Strong Passwords - Security Awareness Training (KnowBe4 eTraining)
- Mandatory Training: Social Media: Staying Secure in a Connected World (KnowBe4 eTraining)
- Supplementary Training: Mobile Device Security (KnowBe4 eTraining)
- Mandatory Training: CEO Fraud (KnowBe4 eTraining)
- Invest Malaysia KL Series 2: Digital Malaysia – Tomorrow's Infrastructure, Today
- Webinar: Environmental, Social and Governance (ESG) Training
- Bursa PLCT: S3 Restructuring and Financing Workshop
- BOSIET – Further Offshore Emergency Training (FOET) and Travel Safely By Boat (TSBB)
- BOSIET – Further Offshore Emergency Training (FOET) and Compressed Air Emergency Breathing System (CA-EBS)
- Sustainability In The Digital Age by Georg Kell & Carolina Minio Paluello
- Mandatory Training: 2023 Kevin Mitnick Security Awareness Training (KnowBe4 eTraining)
- Mandatory Accreditation Programme Part II: Leading for Impact (LIP)
- Knowledge Sharing & Engagement Session between Board and Shariah Committee (MBM)
- Cybersecurity Leadership Talk 2023: Build a Secure and Resilience Future with Cloud Computing (MBM)
- ICDM Seminar / Dialogue Session Title: The Path to Viability
- Mandatory Training: Links and Attachments: Think Before You Click (KnowBe4 eTraining)
- Sustainability/Environmental, Social and Governance Briefing (MBM)
- Briefing Session on Recovery Planning (MBM)
- Affin Bank Market Outlook 2024: Propelling Malaysia Forward
- Offshore Technology Conference (OTC) Asia 2024
- Palm & Lauric Oil Price Outlook Conference (POC 2024)

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**Statement of Corporate Governance (continued)**

**Board Training and Development (continued)**

Dato' Dr. Zaha Rina binti Zahari (continued)

- BNM Engagement Session with Chairpersons and CEOs of Banking Institutions and Associations in conjunction with the release of Annual Report 2023, Economic & Monetary Review 2023, and Financial Stability Review Second Half 2023

Mr. Abdul Khalil bin Abdul Hamid

- Mandatory Training: Social Media: Staying Secure in a Connected World (KnowBe4 eTraining)
- Mandatory Training: CEO Fraud (KnowBe4 eTraining)
- Climate Risk Management
- Understanding the Impact of Digital Transformation in the Financial Industry: What Board Members Need to Know
- Security Awareness Proficiency Assessment (SAPA) 2023: Security Awareness Proficiency Assessment (SAPA) (KnowBe4 eTraining)
- ESG in Insurance: Strategy and Transformation
- Sustainability & Impact on Organisations: What Directors Need to Know?
- Mandatory Training: 2023 Kevin Mitnick Security Awareness Training (KnowBe4 eTraining)
- National Climate Governance Summit 2023 (Webinar)
- Environmental, Social and Governance - IFRS S1 and S2: Beyond Compliance
- Sustainability in the Digital Age
- Recovery and Resolution Planning Sharing Session
- Knowledge Sharing & Engagement Session between Board and Shariah Committee (MBM)
- Mandatory Training: Links and Attachments: Think Before You Click (KnowBe4 eTraining)
- Navigating AI Governance and ESG Reporting for the Future
- Cybersecurity Leadership Talk 2023: Build a Secure and Resilience Future with Cloud Computing (MBM)
- KPMG ESG Talk: Addressing Challenges in Implementing ISSB (The International Sustainability Standards Boards) Standards
- Cyber Security Training
- FIDE Forum - 2nd Distinguished Board Leadership Series on Empowering Change through Diversity, Equity and Inclusion (DEI)
- FIDE Forum - AI and Financial Institutions: Friend or Foe?
- Sustainability/Environmental, Social and Governance Briefing (MBM)
- Briefing Session on Recovery Planning (MBM)
- BNM-FIDE FORUM Dialogue on
  - (i) Cloud Requirements in Risk Management in Technology (RMiT) Policy Document
  - (ii) Artificial Intelligence & Machine Learning (AI/ML) Adoption Landscape in the Industry
- Anti-Money Laundering And Counter Financing of Terrorism (AML/CFT)
- Mandatory Training: QR Codes: Safe Scanning (KnowBe4 eTraining)
- Mandatory Training: Creating Strong Passwords - Security Awareness Training (KnowBe4 eTraining)
- Fireside Chat with Former Central Bank Governors on "Central Banking in an Evolving International Financial System"

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**FOR THE FINANCIAL YEAR ENDED 31 MARCH 2024**

**Statement of Corporate Governance (continued)**

**Board Training and Development (continued)**

Mr. Abdul Khalil bin Abdul Hamid (continued)

- BNM – FIDE FORUM Engagement Session with Board of Directors of Islamic Financial Institutions: Hajah and Darurah Policy Document

Mr. Lim Kim Seng

- Mandatory Training: CEO Fraud (KnowBe4 eTraining)
- Mandatory Training: Social Media: Staying Secure in a Connected World (KnowBe4 eTraining)
- Security Awareness Proficiency Assessment (SAPA) 2023: Security Awareness Proficiency Assessment (SAPA) (KnowBe4 eTraining)
- Mandatory Training: 2023 Kevin Mitnick Security Awareness Training (KnowBe4 eTraining)
- Knowledge Sharing & Engagement Session between Board and Shariah Committee (MBM)
- Cybersecurity Leadership Talk 2023: Build a Secure and Resilience Future with Cloud Computing (MBM)
- JC3 Journey to Zero Conference 2023
- FIDE Forum - 2nd Distinguished Board Leadership Series on Empowering Change through Diversity, Equity and Inclusion (DEI)
- Sustainability/Environmental, Social and Governance Briefing (MBM)
- Briefing Session on Recovery Planning (MBM)
- Mandatory Training: QR Codes: Safe Scanning (KnowBe4 eTraining)
- Supplementary Training: Mobile Device Security (KnowBe4 eTraining)
- Mandatory Training: Creating Strong Passwords - Security Awareness Training (KnowBe4 eTraining)
- Mandatory Training: Links and Attachments: Think Before You Click (KnowBe4 eTraining)
- Supplementary Training: Creating Strong Passwords - Security Awareness Training (KnowBe4 eTraining)

Mr. Guan Yeow Kwang

- In-house training: Business Continuity Management
- In-house training: AML/CFT
- MAS Lecture by PBOC President
- In-house training: Anti-social Elements
- Toastmaster Club Leadership Firechat
- Sustainability/Environmental, Social and Governance Briefing (MBM)
- Briefing Session on Recovery Planning (MBM)



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**Statement of Corporate Governance (continued)**

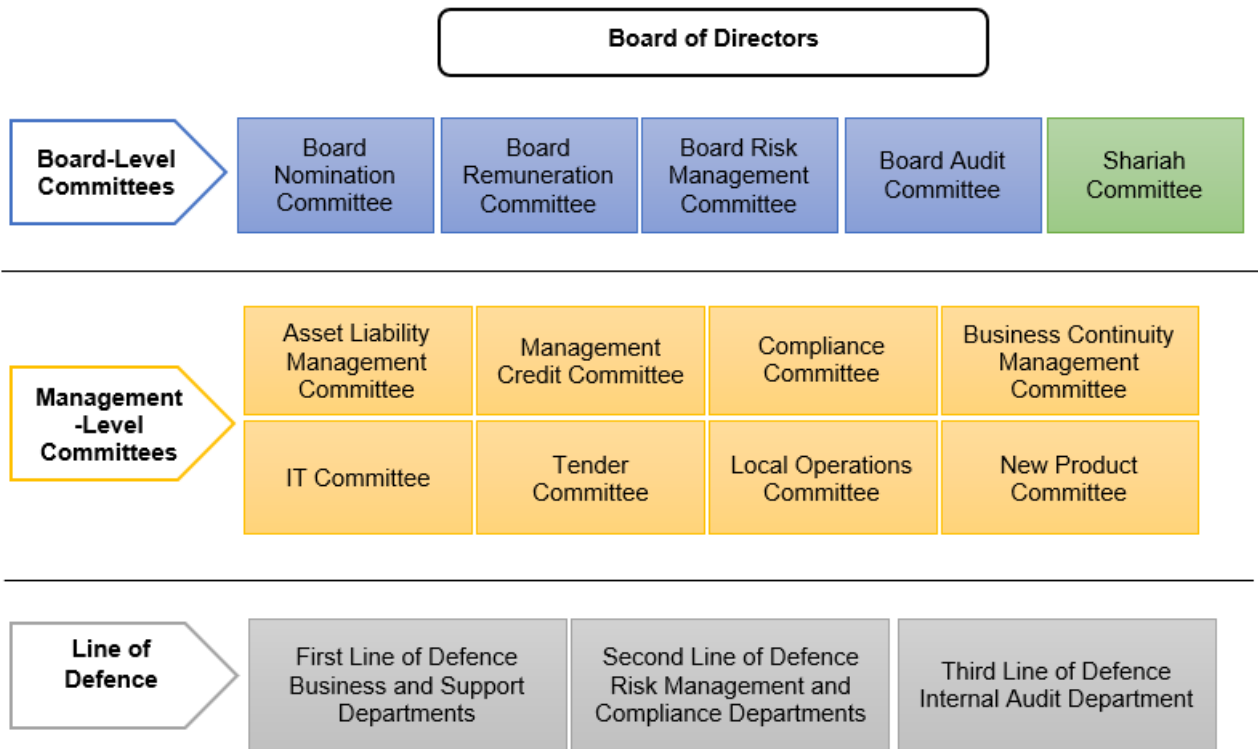
**Internal Control Framework**

The Bank maintains an effective and well-established system of internal controls and risk management processes to safeguard stakeholders' interests and its assets while mitigating the risk of failure to achieve the business objectives of the Bank.

**(a) Governance and Oversight**

In acknowledging that having a sound risk management, compliance programme and internal control systems are imperative, the Bank establishes a governance model that ensures effective oversight of risks, compliance and internal controls at all levels. The governance model places accountability and ownership in ensuring an appropriate level of independence and segregation of duties between the Three Lines of Defence. The management of risk and compliance broadly takes place at different hierarchical levels and is emphasised through various levels of committees, business, support and control functions.

The Bank's overall risk governance structure is as illustrated below:



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**Statement of Corporate Governance (continued)**

**Internal Control Framework (continued)**

**(a) Governance and Oversight (continued)**

**The Board** takes cognisance of its overall oversight responsibility in establishing a sound risk management, compliance programme and internal control system as well as reviewing its adequacy and effectiveness to identify, assess and respond to risks which may hinder the Bank from achieving its objectives. In discharging its risk management and internal control oversight responsibilities, the Board has entrusted the BRMC with the responsibility to provide oversight of the management of critical risks that the Bank faces while the BAC is delegated with the responsibility to review the effectiveness of internal controls implemented in the Bank. Other Board committees, i.e. BNC and BRC, have also been set up to assist the Board in executing its overall governance responsibilities and oversight function. Meanwhile, Shariah Committee ("SC") plays a role in advising the Board on Shariah matters to ensure the Bank complies with Shariah principles in its Islamic banking activities at all times. The Board remains responsible for the governance of risk and for all the actions of the Board Committees and SC with regard to the execution of the delegated oversight responsibilities.

**The Management** is accountable for implementing the Board's policies and procedures on risk and control and its roles include:

- identifying and evaluating the risks relevant to the Bank's business, and the achievement of its business objectives and strategies;
- formulating relevant policies and procedures to manage these risks in accordance with the Bank's strategic vision and overall risk appetite;
- designing, implementing and monitoring the robustness and effectiveness of the risk management and internal control system;
- identifying changes to risks or emerging risks, take actions as appropriate, and promptly bring these to the attention of the Board;
- implementing the policies approved by the Board, and the remedial actions to address the compliance deficiencies as directed by the Board; and
- reporting in a timely manner to the Board any changes to the risks and the corrective actions taken.

The Management is also assisted by various Management Committees to carry out its duties as stated above. These include Asset Liability Management Committee, Management Credit Committee, Compliance Committee, Business Continuity Management Committee, IT Committee, Tender Committee, Local Operations Committee and New Product Committee, which assume the responsibility of monitoring specific area of risks pertaining to the Bank's business activities and implement various risk management policies and procedures.

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**Statement of Corporate Governance (continued)**

**Internal Control Framework (continued)**

**(a) Governance and Oversight (continued)**

The Bank adopts Three Lines of Defence model in its risk management and internal control framework:

- **The First Line of Defence** refers to business and support departments which own and manage day-to-day risks inherent in business and activities. The business and support departments have the primary responsibility for implementing and executing effective controls for the management of risks arising from their business activities. This includes establishing adequate managerial and supervisory controls to ensure compliance with risk policies, appetite and limits as well as to highlight control breakdowns, inadequacy of processes and unexpected events.
- **The Second Line of Defence** refers to Risk Management and Compliance functions which have both the oversight and advisory roles to the First Line of Defence. The Risk Management and Compliance functions support the Bank's strategy of balancing growth with stability by establishing risk and compliance frameworks, policies, appetite and limits within which the business functions must operate. These functions actively challenge the initiatives done by the First Line of Defence and are responsible for performing independent reviews and monitoring of the Bank's risk profile and reporting any significant vulnerabilities, risks or compliance issues to the respective Management Committees, Board Committees and/or Board.

The CRO and Risk Management Department are responsible for establishing and facilitating the implementation of the Bank's risk management framework as well as performing periodic assessments of the consistency of the Bank's risk profile with the risk appetite statement as approved by the Board. The risk management function is guided by the Bank's risk management framework based on the guidelines issued by relevant regulatory authorities, Parent Bank, Regional Office and the best practices in governing banking business.

The CCO is the central point of authority for the Bank's compliance matters and is responsible for providing an institution-wide view on the management of compliance risk. The CCO is supported by Compliance Department which undertakes the function of identification, assessment, monitoring and reporting of compliance risk. In carrying out the activities, Compliance Department has adopted a risk based approach in the management of compliance risk.

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**FOR THE FINANCIAL YEAR ENDED 31 MARCH 2024**

**Statement of Corporate Governance (continued)**

**Internal Control Framework (continued)**

**(a) Governance and Oversight (continued)**

The Bank adopts Three Lines of Defence model in its risk management and internal control framework (continued):

- **The Third Line of Defence** is provided by Internal Audit Department (“IAD”) which is led by the CIA and aptly supported by a team with specialisation in key risk areas. To preserve the independence of the IAD, the CIA has a functional reporting line to the BAC, and administratively to the Management. The internal audit function is governed and guided by the Bank’s Audit Charter, regulatory guidelines and policies of Parent Bank.

The internal audit function conducts risk-based audits covering all aspects of the First and Second Lines of Defence to provide independent assurance to the Management, the BAC and the Board, on the effectiveness of the risk management and control structure, policies, frameworks, systems and processes. Execution of time-bound remedial action plans are also closely monitored by internal audit function to ensure audit issues are resolved timely.

**(b) Key Elements of Internal Control**

The fundamental elements of the Bank’s internal control, compliance and risk management framework include, among others, the following:

- Clear organisational structure, where the responsibility, authority and accountability have been clearly defined;
- Sound compliance and risk awareness culture, which facilitates ongoing effective discovery, management and mitigation of risks arising from external factors and business activities, and to use resources efficiently to address these risks;
- Board oversight over Management actions/decisions, including review of regular and comprehensive management reports, which allow for effective monitoring of significant risks and compliance issues faced by the Bank;
- Risk Management Framework as a fundamental guidance to identify, evaluate, monitor, manage and respond to significant risks faced by the Bank in its achievement of the business goals and objectives amidst the dynamic and challenging business environment and increasing regulatory scrutiny;
- Compliance Framework to ensure effective management of compliance risks in a structured manner with the aim of inculcating a stronger compliance culture and ensuring consistency in management of compliance risks across the Bank;
- Sound Remuneration Framework that promotes a culture of prudent risk-taking;
- Establishment and regular updates of internal policies and procedures (e.g. Anti-Bribery and Corruption Policy, Conflict of Interest Policy, Information Control and Security Policy, Credit Risk Policy, etc.) to adapt to changing risk profiles and address operational concerns;
- Periodic assessment of controls and processes by all business and support units for managing key risks;
- Regular management level meetings to review, identify, discuss and resolve strategic, operational, financial and key management issues; and

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**DIRECTORS' REPORT**  
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**Statement of Corporate Governance (continued)**

**Internal Control Framework (continued)**

**(b) Key Elements of Internal Control**

The fundamental elements of the Bank's internal control, compliance and risk management framework include, among others, the following (continued):

- Independent reviews by IAD on the Bank's key activities using risk based approach, follows up closely on the items that require attention and reports their implementation status to the Management and the Board through BAC in a timely manner.

The compliance and risk awareness culture is driven by a strong tone from the top and strengthened by staff training/orientation and on-going supervision. Incident handling is also reinforced through performance management and consequence management.

Based on the internal controls, compliance and risk management processes established and maintained by the Bank, the work performed by the Internal Audit function, and the reviews performed by Management (including the CRO and CCO) and the relevant Board Committees, the Board is of the opinion that the Bank's system of risk management, compliance and internal controls, including financial, operational and information technology controls, was adequate and effective as at 31 March 2024.

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**DIRECTORS' REPORT**  
**FOR THE FINANCIAL YEAR ENDED 31 MARCH 2024**

**Statement of Corporate Governance (continued)**

**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 policy document of Shariah Governance issued by BNM and in compliance with the respective members' letter of appointment.

During the financial year, the Bank maintained the composition of the Shariah Committee with three (3) members where the Chairman is Dr Mohd Edil bin Abd Sukor and the members are Dr Abdullaah bin Jalil and En Megat Hizaini bin Hassan.

The Shariah Committee has the responsibility to provide objective and sound advice to the Bank to ensure that its aims and operations, business, affairs and activities are in compliance with Shariah principles. This includes:

- (i) Providing a decision or advice to the Bank on the application of any rulings of the Shariah Advisory Council ("SAC") or standards on Shariah matters that are applicable to the operations, business, affairs and activities of the Bank;
- (ii) Providing a decision or advice on matters which require a reference to be made to the SAC;
- (iii) Providing a decision or advice on the operations, business, affairs and activities of the Bank which may trigger a Shariah non-compliance event;
- (iv) Deliberating and affirming a Shariah non-compliance finding by any relevant functions; and
- (v) Endorsing a rectification measure to address a Shariah non-compliance event.

The details of attendance of each member at Shariah Committee meetings held during the financial year ended 31 March 2024 are as follows:

<b>Shariah Committee Members</b>	<b>Attendance and Number of Meetings</b>
Dr. Mohd Edil bin Abd Sukor (Retired as Chairman on 30 April 2024)	7/7
Dr. Abdullaah bin Jalil (Appointed as Chairman on 1 May 2024)	7/7
En. Megat Hizaini bin Hassan (Re-appointed as Member on 1 May 2024)	7/7
Dr. Syaryanti binti Hussin (Appointed as Member on 15 April 2024)	0/0

**DIRECTORS' REPORT**  
**FOR THE FINANCIAL YEAR ENDED 31 MARCH 2024**

**Statement of Corporate Governance (continued)**

**Remuneration strategy**

The remuneration system in the Bank forms a key component of the governance and incentive structure through which all employees including the Senior Management and Other Material Risk Takers drive performance, convey acceptable risk taking behaviour and reinforce the Bank's corporate and risk culture. The goal is to ensure the remuneration system in the Bank is aligned with other management tools in the pursuit of prudent risk taking.

The fundamental objective of the Bank's Remuneration Policy is to ensure that the Bank has its remuneration framework that is robust and effective in:

- (i) attracting and retaining employees including Senior Management and Other Material Risk Takers of requisite quality that increases productivity and profitability in the long run;
- (ii) motivating and creating incentives for the employees including Senior Management or Other Material Risk Takers to perform at their best; and
- (iii) focusing attention on the achievement of desired goals and objectives.

***Design and structure of the remuneration system of the Bank***

The remuneration structure of the Bank comprises Fixed Pay ("FP") and Variable Pay ("VP"). The policy is a balanced formula to attract and retain talent whilst ensuring that the Bank's funds are not misused or used in a manner that compromises the on-going viability, solvency and reputation of the Bank. The policy is applicable to all employees including Senior Management and Other Material Risk Takers of the Bank only and does not extend to any other entity within the Mizuho group of entities.

The meaning of "Senior Management", "Other Material Risk Takers" and "Senior Officers" respectively, have the same meaning as prescribed under the Guidelines on Corporate Governance and the Fit and Proper Criteria issued by BNM.

The Human Resources ("HR") department reviews the remuneration system to ensure it supports the achievement of the Bank's strategic objectives. The review will consider a range of factors including market practice, changes in market conditions, regulatory developments and our overarching remuneration principles.

The control functions of Audit and Risk operate independently from the business units in the Bank, and have appropriate authority to carry out their individual functions without intervention from the business units. To prevent conflict of interest, remuneration of employees in these control functions are not dictated by business units that they support and are ultimately subject to the approval of the Board. Remuneration of the Chief Risk Officer and the Chief Internal Auditor are approved by the Board Risk Management Committee and Board Audit Committee.

**DIRECTORS' REPORT**  
**FOR THE FINANCIAL YEAR ENDED 31 MARCH 2024**

**Statement of Corporate Governance (continued)**

**Remuneration strategy (continued)**

***Considerations of risk and performance in the remuneration system of the Bank***

In the Bank, the overall remuneration framework takes into consideration risks in the industry and the performance of the individuals within the organisation. As the remuneration structure mainly consists of FP and VP, we set out below the main considerations for each type of remuneration.

FP is the primary compensation component for all employees of the Bank. Management will decide on the amount of FP for each employee where management will take into account factors such as the individual employee's performance, prevailing market or industry level of remuneration and the position held by the individual employee.

VP is based on the industry objective of retaining cost flexibility while attracting and retaining the right talent. The VP in the Bank comprises performance-based, cash long term incentive and special bonuses. The VP is cash-based and does not involve a mix of different forms of variable remuneration (i.e. mix of cash, shares or share-linked instruments).

The budget for the total amount of VP, i.e. the size of the bonus pool, is calculated according to the risk adjusted performance results approved by the Board and is subject to the Board's discretion. This method ensures the Bank to fix the variable remuneration pool after considering risk exposures and changes and to maintain effective risk management through the remuneration mechanism.

In the Bank, performance indicators are an important element for remuneration. Annual salary increments and promotions are also judged based on the overall evaluation of the employee's performance and the applicable salary levels within the Bank. The portion of VP provided to each employee is also based on the employee's "Final Evaluation Grade" which is determined based on the evaluation of the employee's performance.

Employees' performance in the Bank is judged based on a combination of financial achievements and non-financial elements such as compliance with risk management policies, adherence to legal, regulatory and ethical standard, customer service and effectiveness and efficiency of supporting operations. The Bank sets annual key performance indicators and the parameters are specifically tailored to the area each individual involved is in and has a level of control over. The level set for each KPI is based on budgeted figures for the Bank and respective industry standards. The individual KPI reflects the Bank's 5 core values of Integrity, Passion, Agility, Creativity and Empathy.



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**Statement of Corporate Governance (continued)**

**Remuneration strategy (continued)**

***Considerations of risk and performance in the remuneration system of the Bank (continued)***

Variable (Performance Based) bonus deferral will be applicable to all employees (including expatriates) where deferral is applied to variable (Performance Based) bonus above RM350,000 (threshold).

Amount	Deferral Rate
> RM350,000 - RM1,000,000	40% of amount above RM350,000
> RM1,000,000 and above	40% of amount above RM350,000 + 50% of amount above RM1,000,000

In general, the deferred amount will be paid over a period of two years in equal instalments.

Employees who are re-employed after reaching the minimum retirement age will still be subject to variable (Performance Based) bonus deferral if their bonus is above the threshold.

All deferred variable (Performance Based) bonus will be subject to leaver, forfeiture and clawback provisions.

**Directors' remuneration**

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

	Fee RM'000	Other emoluments RM'000	Benefit- in-kind RM'000	Total RM'000
<b>2024</b>				
Executive Director	-	-	1	1
Non-executive Directors	463	170	3	636
	<u>463</u>	<u>170</u>	<u>4</u>	<u>637</u>
<b>2023</b>				
Non-executive Directors	425	194	3	622
	<u>425</u>	<u>194</u>	<u>3</u>	<u>622</u>

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**DIRECTORS' REPORT**  
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**Statement of Corporate Governance (continued)**

**Remuneration disclosure for Senior Management and Other Material Risk Takers**

Total value of remuneration awards for the financial year	2024		Number of Officers	2023		Number of Officers
	Unrestricted RM'000	Deferred RM'000		Unrestricted RM'000	Deferred RM'000	
<b><u>CEO</u></b>						
<b>Fixed remuneration</b>						
Cash based	520	-	2	560	-	1
Others	341	-	2	365	-	1
<b>Variable remuneration</b>						
Cash based	142	-	2	188	-	1
Others	228	-	2	223	-	1
	<b>1,231</b>	<b>-</b>	<b>2</b>	<b>1,336</b>	<b>-</b>	<b>1</b>
<b><u>Senior Management</u></b>						
<b>Fixed remuneration</b>						
Cash based	4,147	-	9	3,916	-	8
Others	1,254	-	9	1,223	-	8
<b>Variable remuneration</b>						
Cash based	970	-	9	1,561	-	8
Others	258	-	9	313	-	8
	<b>6,629</b>	<b>-</b>	<b>9</b>	<b>7,013</b>	<b>-</b>	<b>8</b>
<b><u>Other Material Risk Takers</u></b>						
<b>Fixed remuneration</b>						
Cash based	879	-	2	855	-	2
Others	174	-	2	165	-	2
<b>Variable remuneration</b>						
Cash based	153	-	2	117	-	2
Others	4	-	2	5	-	2
	<b>1,210</b>	<b>-</b>	<b>2</b>	<b>1,142</b>	<b>-</b>	<b>2</b>
<b>Total</b>	<b>9,070</b>	<b>-</b>	<b>13</b>	<b>9,491</b>	<b>-</b>	<b>11</b>

**MIZUHO BANK (MALAYSIA) BERHAD**  
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**DIRECTORS' REPORT**  
**FOR THE FINANCIAL YEAR ENDED 31 MARCH 2024**

**Related Party Transactions**

There were no other significant related party transactions other than as reported in Note 26.

**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 quarterly 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.

**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 and debentures**

There were no changes in the issued and paid-up share 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 financial 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 RM31,311 respectively.

During the financial year, there were no indemnity given or insurance effected for officers and auditors of the Bank.

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**DIRECTORS' REPORT**  
**FOR THE FINANCIAL YEAR ENDED 31 MARCH 2024**

**Auditors**

The auditors, KPMG PLT, have expressed their willingness to continue in office. The auditors' remuneration of the Bank during the year is RM345,000.

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

Dato' Dr. Zaha Rina binti Zahari  
Director

Lim Kim Seng  
Director

Kuala Lumpur  
Date: 19 July 2024

**MIZUHO BANK (MALAYSIA) BERHAD**  
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**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 36 to 131 are drawn up in accordance with Malaysian Financial Reporting Standards, IFRS Accounting Standards as issued by the International Accounting Standards Board 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 2024 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:

Dato' Dr. Zaha Rina binti Zahari  
Director

Lim Kim Seng  
Director

Kuala Lumpur  
Date: 19 July 2024

**MIZUHO BANK (MALAYSIA) BERHAD**  
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**Statutory Declaration pursuant to  
Section 251(1)(b) of the Companies Act 2016**

I, Toshiharu Fujiwara, the officer primarily responsible for the financial management of Mizuho Bank (Malaysia) Berhad, do solemnly and sincerely declare that the financial statements set out on pages 36 to 131 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 Toshiharu Fujiwara, in Kuala Lumpur on 19 July 2024.

Toshiharu Fujiwara  
Chief Executive Officer

Before me:

**MIZUHO BANK (MALAYSIA) BERHAD**  
Company No. 201001039768 (923693-H)

**SHARIAH COMMITTEE'S REPORT**

In the name of Allah, the Beneficent, the Merciful

In carrying out the roles and responsibilities of the Shariah Committee of Mizuho Bank (Malaysia) Berhad as prescribed in the Shariah Governance Policy Document issued by Bank Negara Malaysia, the internal policy on Shariah governance and charter of the Shariah Committee, we hereby submit our Shariah Committee's Report for the financial year ended 31 March 2024.

In accordance with the Shariah Governance Policy Document, it is the responsibility of the Management to ensure that the Islamic banking operations, business, affairs and activities are in accordance with the Shariah rules and principles. As the Shariah Committee of Mizuho Bank (Malaysia) Berhad, it is our responsibility to provide an independent view on the status of Shariah compliance conduct of the Islamic banking operations and to produce this report.

We have performed the oversight role on the Shariah control functions of Shariah review, Shariah risk management and Shariah audit functions in ensuring that the Islamic banking operations of Mizuho Bank (Malaysia) Berhad comply with the Shariah principles and rulings issued by the Shariah Advisory Council of Bank Negara Malaysia as well as other relevant regulatory requirements.

In discharging our duties, we had obtained all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Bank has complied with the Shariah rules and principles in all transactions that have been presented to us with regard to Islamic banking operations and business activities.

Pursuant to the above, we are of the view that:

1. Nothing has come to our attention that causes the Shariah Committee to believe that the Islamic banking operations, business, affairs and activities of Mizuho Bank (Malaysia) Berhad involve any material Shariah non-compliance;
2. In respect of the Islamic banking operations and business activities of Mizuho Bank (Malaysia) Berhad, no earning has been realised from sources or by means prohibited by the Shariah principles within the financial year; and
3. Mizuho Bank (Malaysia) Berhad is not obligated to pay zakat on the basis that it is an entity wholly owned and controlled by non-Muslim shareholders where non-Muslims are not obligated to pay zakat.

Based on the above consideration, observation and deliberations, we, the Shariah Committee of Mizuho Bank (Malaysia) Berhad, do hereby confirm on the basis of the review and assessments as discussed above that the Islamic banking operations and business activities of Mizuho Bank (Malaysia) Berhad for the financial year ended 31 March 2024 have, in general, been conducted in conformity with the Shariah rules and principles.

**MIZUHO BANK (MALAYSIA) BERHAD**  
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**SHARIAH COMMITTEE'S REPORT**

We pray to Allah the Almighty to grant us success and the right path of straight-forwardness.

Chairman of the Shariah Committee: .....  
(Dr. Abdullaah bin Jalil)

Shariah Committee Member: .....  
(Dr. Syaryanti binti Hussin)

Shariah Committee Member: .....  
(Megat Hizaini bin Hassan)

Kuala Lumpur, Malaysia  
Date: 19 July 2024



**Independent auditors' report to the members 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 2024, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policy information, as set out on pages 36 to 131.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Bank as at 31 March 2024, and of its financial performance and its cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, IFRS Accounting Standards as issued by the International Accounting Standards Board (IFRS Accounting 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 auditors' 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' *International Code of Ethics for Professional Accountants (including International Independence Standards)* ("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 and Shariah Committee's 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.

**Independent auditors' report to the members 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, IFRS Accounting 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.

**Independent auditors' report to the members 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 judgement and maintain professional scepticism 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 gives a true and fair view.

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.

201001039768 (923693-H)

**Independent auditors' report to the members 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.

**KPMG PLT**  
(LLP0010081-LCA & AF 0758)  
Chartered Accountants

Petaling Jaya, Selangor

Date: 19 July 2024

**Chan Kah Mun**  
Approval Number: 03350/01/2026 J  
Chartered Accountant

**MIZUHO BANK (MALAYSIA) BERHAD**  
Company No. 201001039768 (923693-H)  
(Incorporated in Malaysia)

**STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2024**

	Note	2024 RM'000	2023 RM'000
<b>Assets</b>			
Cash and short-term funds	4	2,784,039	5,118,847
Deposits and placements with financial institutions	5	2,074,262	1,846,911
Financial assets at fair value through other comprehensive income ("FVOCI")	6	1,595,385	1,523,709
Loans, advances and financing	7	10,407,923	9,244,048
Derivative financial assets	8	320,473	260,094
Other assets	9	69,742	72,184
Right of use assets	10	6,073	6,449
Property and equipment	11	8,865	7,994
Intangible assets	12	7,599	4,911
Current tax assets		5,352	8,415
Deferred tax assets	13	5,261	3,578
<b>Total assets</b>		<u>17,284,974</u>	<u>18,097,140</u>
<b>Liabilities</b>			
Deposits from customers	14	4,944,596	3,661,331
Deposits and placements from financial institutions	15	9,931,819	12,247,566
Derivative financial liabilities	8	236,040	225,185
Lease liabilities		6,212	6,744
Other liabilities	16	396,085	287,062
<b>Total liabilities</b>		<u>15,514,752</u>	<u>16,427,888</u>
<b>Equity</b>			
Share capital	17	1,200,000	1,200,000
Reserves	18	570,222	469,252
<b>Total equity attributable to owner of the Bank</b>		<u>1,770,222</u>	<u>1,669,252</u>
<b>Total liabilities and equity</b>		<u>17,284,974</u>	<u>18,097,140</u>
<b>Commitments and contingencies</b>	28	<u>22,802,704</u>	<u>18,059,141</u>

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

**MIZUHO BANK (MALAYSIA) BERHAD**  
Company No. 201001039768 (923693-H)  
(Incorporated in Malaysia)

**STATEMENT OF COMPREHENSIVE INCOME  
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2024**

	Note	2024 RM'000	2023 RM'000
Interest income	19	903,277	467,631
Interest expense	20	<u>(746,923)</u>	<u>(358,305)</u>
<b>Net interest income</b>		156,354	109,326
Other operating income	21	<u>86,678</u>	<u>85,016</u>
Total net income		243,032	194,342
Other operating expenses	22	<u>(92,073)</u>	<u>(83,615)</u>
<b>Operating profit</b>		150,959	110,727
Writeback of allowance for expected credit losses ("ECL")	24	<u>8,914</u>	<u>8,950</u>
<b>Profit before taxation</b>		159,873	119,677
Tax expense	25	<u>(63,039)</u>	<u>(38,755)</u>
<b>Profit for the financial year</b>		<u>96,834</u>	<u>80,922</u>
<b>Other comprehensive income/(loss) that will be reclassified to profit or loss in future periods:</b>			
Fair value changes of financial assets at FVOCI		5,442	(28)
Income tax effect		<u>(1,306)</u>	<u>7</u>
<b>Other comprehensive income/(loss) for the financial year</b>		<u>4,136</u>	<u>(21)</u>
<b>Total comprehensive income for the financial year</b>		<u>100,970</u>	<u>80,901</u>
Profit attributable to:			
Owner of the Bank		<u>96,834</u>	<u>80,922</u>
Total comprehensive income attributable to:			
Owner of the Bank		<u>100,970</u>	<u>80,901</u>
Basic earnings per share (sen)	27	<u>8.07</u>	<u>6.74</u>

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

**MIZUHO BANK (MALAYSIA) BERHAD**  
Company No. 201001039768 (923693-H)  
(Incorporated in Malaysia)

**STATEMENT OF CHANGES IN EQUITY  
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2024**

	← Non-distributable reserves →			Distributable reserves	Total RM'000
	Share capital RM'000	Regulatory reserve RM'000	FVOCI reserve RM'000	Retained profits RM'000	
<b>At 1 April 2023</b>	1,200,000	68,437	(2,741)	403,556	1,669,252
Profit for the financial year	-	-	-	96,834	96,834
Other comprehensive income for the financial year	-	-	4,136	-	4,136
Transfer to regulatory reserve	-	19,785	-	(19,785)	-
<b>At 31 March 2024</b>	<b>1,200,000</b>	<b>88,222</b>	<b>1,395</b>	<b>480,605</b>	<b>1,770,222</b>
<b>At 1 April 2022</b>	1,200,000	30,534	(2,720)	360,537	1,588,351
Profit for the financial year	-	-	-	80,922	80,922
Other comprehensive loss for the financial year	-	-	(21)	-	(21)
Transfer to regulatory reserve	-	37,903	-	(37,903)	-
<b>At 31 March 2023</b>	<b>1,200,000</b>	<b>68,437</b>	<b>(2,741)</b>	<b>403,556</b>	<b>1,669,252</b>

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

**MIZUHO BANK (MALAYSIA) BERHAD**  
Company No. 201001039768 (923693-H)  
(Incorporated in Malaysia)

**STATEMENT OF CASH FLOWS**  
**FOR THE FINANCIAL YEAR ENDED 31 MARCH 2024**

	<b>2024</b>	<b>2023</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Cash flows from operating activities</b>		
Profit before taxation	159,873	119,677
<i>Adjustments for:</i>		
Depreciation of right of use assets	4,471	5,021
Depreciation of property and equipment	2,004	2,077
Amortisation of intangible assets	2,313	2,754
Property and equipment written off	-	945
Writeback of allowance for ECL	(8,914)	(8,950)
Amortisation of premium net of accretion of discount	12,893	20,832
Net unrealised (gain)/loss on revaluation of derivatives	(18,899)	5,236
Net unrealised (gain)/loss on revaluation of financial assets at fair value through profit or loss ("FVTPL")	(3,174)	8,930
Unrealised foreign exchange gain	<u>(12,626)</u>	<u>(34,566)</u>
Operating profit before changes in working capital	137,941	121,956
<i>(Increase)/decrease in operating assets</i>		
Deposits and placements with financial institutions	610,628	(1,735,345)
Loans, advances and financing	(1,181,983)	(2,170,276)
Other assets	15,272	(5,851)
Amount owing by holding company	(268)	273
<i>Increase/(decrease) in operating liabilities</i>		
Deposits from customers	1,283,265	(362,900)
Deposits and placements from financial institutions	(2,315,747)	5,458,371
Other liabilities	<u>108,570</u>	<u>202,820</u>
Cash (used in)/generated from operating activities	(1,342,322)	1,509,048
Taxation paid	<u>(62,896)</u>	<u>(39,445)</u>
<b>Net cash (used in)/generated from operating activities</b>	<u>(1,405,218)</u>	<u>1,469,603</u>
<b>Cash flows from investing activities</b>		
Purchase of property and equipment	(2,875)	(5,858)
Purchase of intangible assets	(5,001)	(1,631)
Net (purchase of)/proceeds from financial assets at FVOCI	<u>(79,127)</u>	<u>445,782</u>
<b>Net cash (used in)/generated from investing activities</b>	<u>(87,003)</u>	<u>438,293</u>



**MIZUHO BANK (MALAYSIA) BERHAD**  
Company No. 201001039768 (923693-H)  
(Incorporated in Malaysia)

**STATEMENT OF CASH FLOWS**  
**FOR THE FINANCIAL YEAR ENDED 31 MARCH 2024**

	<b>2024</b>	<b>2023</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Cash flows from financing activity</b>		
Payment of lease liabilities	(4,627)	(4,812)
<b>Net cash used in financing activity</b>	<u>(4,627)</u>	<u>(4,812)</u>
Net (decrease)/increase in cash and cash equivalents	(1,496,848)	1,903,084
Cash and cash equivalents as at 1 April 2023/2022	4,964,307	3,061,223
<b>Cash and cash equivalents as at 31 March</b>	<u>3,467,459</u>	<u>4,964,307</u>

**Analysis of cash and cash equivalents:**

Cash and short-term funds (Note 4)	2,784,043	5,118,870
Deposits and placements with financial institutions (Note 5)	2,074,262	1,846,911
Less: Deposits and placements with financial institutions with original contractual maturity of more than 3 months	(1,390,846)	(2,001,474)
	<u>3,467,459</u>	<u>4,964,307</u>

**Reconciliation of movements of liabilities to cash flows arising from financing activity**

	<b>Lease liabilities RM'000</b>
<b>At 1 April 2023</b>	6,744
Net change from financing activity	(4,627)
Acquisition of new leases	3,453
Other changes	642
<b>At 31 March 2024</b>	<u>6,212</u>
<b>At 1 April 2022</b>	9,564
Net change from financing activity	(4,812)
Acquisition of new leases	1,265
Other changes	727
<b>At 31 March 2023</b>	<u>6,744</u>

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

**MIZUHO BANK (MALAYSIA) BERHAD**  
Company No. 201001039768 (923693-H)  
(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2024**

**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 19 July 2024.

**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"), IFRS Accounting Standards 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 2023, except for the adoption of the following MFRS, Amendments to MFRSs and Interpretations during the current financial year end which are relevant to the Bank:

- i) Amendments to MFRS 101 *Presentation of Financial Statements - Disclosures of Accounting Policies*
- ii) Amendments to MFRS 108 *Accounting Policies, Changes in Accounting Estimates and Errors - Definition of Accounting Estimates*
- iii) Amendments to MFRS 112 *Income Taxes - Deferred Tax related to Assets and Liabilities arising from a Single Transaction and International Tax Reform - Pillar Two Model Rules*

The adoption of the above pronouncements do not have any material impact on the financial statements of the Bank.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2024**

**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 Interpretations 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, Interpretations and amendments effective for annual periods beginning on or after 1 January 2024

- i) Amendments to MFRS 16 *Leases - Lease Liability in a Sale and Leaseback*
- ii) Amendments to MFRS 101 *Presentation of Financial Statements - Non-Current Liabilities with Covenants and Classification of Liabilities as Current or Non-current*
- iii) Amendments to MFRS 107 *Statement of Cash Flows - Supplier Finance Arrangements*
- iv) Amendments to MFRS 7 *Financial Instruments: Disclosures - Supplier Finance Arrangements*

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2025

- i) Amendments to MFRS 121 *The Effects of Changes in Foreign Exchange Rates - Lack of Exchangeability*

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2027

- i) MFRS 18 *Presentation and Disclosure in Financial Statements*

The initial application of the abovementioned pronouncements are not expected to have any material impact to the financial statements of the Bank.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2024**

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

**(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.

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 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 makes 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.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2024**

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

**(d) Use of estimates and judgements (continued)**

i) Estimation of the Bank's ECL (continued)

The Bank's ECL calculations 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 lifetime 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.

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.

**MIZUHO BANK (MALAYSIA) BERHAD**  
Company No. 201001039768 (923693-H)  
(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2024**

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

**(d) Use of estimates and judgements (continued)**

iii) Estimation of tax provisions and deferred tax assets

Significant judgement 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.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2024**

**3. Material 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.

**(a) Financial instruments**

*i) Classification and measurement of financial assets and liabilities*

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.

The Bank makes 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.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2024**

**3. Material accounting policies (continued)**

**(a) Financial instruments (continued)**

*i) Classification and measurement of financial assets and liabilities (continued)*

**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.

Mandatorily classified at FVTPL

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.

Designated at FVTPL

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").

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.



**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2024**

**3. Material accounting policies (continued)**

**(a) Financial instruments (continued)**

*i) Classification and measurement of financial assets and liabilities (continued)*

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.

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.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2024**

**3. Material accounting policies (continued)**

**(a) Financial instruments (continued)**

*i) Classification and measurement of financial assets and liabilities (continued)*

C) Financial liabilities held at amortised cost (continued)

Initial recognition (continued)

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.

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.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2024**

**3. Material accounting policies (continued)**

**(a) Financial instruments (continued)**

*i) Classification and measurement of financial assets and liabilities (continued)*

C) Financial liabilities held at amortised cost (continued)

Subsequent measurement (continued)

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 at FVTPL is recognised in profit or loss.

*ii) Reclassifications*

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.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2024**

**3. Material accounting policies (continued)**

**(a) Financial instruments (continued)**

*ii) Reclassifications (continued)*

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.

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.

*iii) 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.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2024**

**3. Material accounting policies (continued)**

**(a) Financial instruments (continued)**

*iv) 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.

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.

*v) 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 profit or loss.

*vi) 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.

*vii) 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 16, *Leases*.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2024**

**3. Material accounting policies (continued)**

**(a) Financial instruments (continued)**

*vii) Impairment of financial assets (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.

Measurement

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.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2024**

**3. Material accounting policies (continued)**

**(a) Financial instruments (continued)**

*vii) Impairment of financial assets (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.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2024**

**3. Material accounting policies (continued)**

**(a) Financial instruments (continued)**

*vii) Impairment of financial assets (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 obligor/counterparty.

Irrevocable lending commitments to a credit impaired obligor that have not yet been drawdown 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.



**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2024**

**3. Material accounting policies (continued)**

**(a) Financial instruments (continued)**

*vii) Impairment of financial assets (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.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2024**

**3. Material accounting policies (continued)**

**(b) Leases - The Bank as lessee**

Leases are recognised as right of use ("ROU") assets and a corresponding liability at the day on which the leased asset is available for use by the Bank (i.e. the commencement date).

Contracts may contain both lease and non-lease components. The Bank allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices.

Lease term

In determining the lease term, the Bank considers all facts and circumstances that create an economic incentive to exercise an extension option, or not to exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not to be terminated).

The Bank reassesses the lease term upon the occurrence of a significant event or change in circumstances that is within the control of the Bank and affects whether the Bank is reasonably certain to exercise an option not previously included in the determination of lease term, or not to exercise an option previously included in the determination of lease term. A revision in lease term results in remeasurement of the lease liabilities.

ROU assets

ROU assets are initially measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- decommissioning or restoration costs.

ROU assets that are not investment properties are subsequently measured at cost, less accumulated depreciation and impairment loss (if any). The ROU assets are generally depreciated over the shorter of the assets' useful life and the lease term on a straight-line basis. If the Bank is reasonably certain to exercise a purchase option, the ROU asset is depreciated over the underlying asset's useful life. In addition, the ROU assets are periodically reduced by impairment losses, if any, and adjusted for certain remeasurement of the lease liabilities.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2024**

**3. Material accounting policies (continued)**

**(b) Leases - The Bank as lessee (continued)**

Lease liabilities

Lease liabilities are initially measured at the present value of the lease payments that are not paid at that date. The lease payments include the following:

- fixed payments (including in-substance fixed payments), less any lease incentives receivables;
- amounts expected to be payable by the Bank under residual value guarantees;
- the exercise price of a purchase option if the Bank is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the Bank exercising that option.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Bank, the lessee's incremental borrowing rate is used. This is the rate that the individual lessees would have to pay to borrow the funds necessary to obtain an asset in a similar economic environment with similar terms, security and conditions.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

The Bank presents the lease liabilities as a separate line item in the statement of financial position. Interest expense on the lease liability is included in profit or loss as establishment costs within "other operating expenses".

Short-term leases and leases of low-value assets

The Bank elects to apply MFRS 16 recognition exemption such as short-term leases and leases for which the underlying asset is of low value. Short-term leases are leases with a lease term of 12 months or less with no purchase option. Payment associated with short-term leases and low-value assets are recognised on a straight-line basis as an expense in profit or loss.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2024**

**3. Material accounting policies (continued)**

**(c) Leases - The Bank as lessor**

As a lessor, the Bank determines at lease inception whether each lease is a finance lease or an operating lease. To classify each lease, the Bank makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset to the lessee. As part of this assessment, the Bank considers certain indicators such as whether the lease is for the major part of economic life of the asset.

*i) Operating leases*

When assets are leased out under an operating lease, the asset is included in the statement of financial position based on the nature of the asset. Lease income is recognised over the term of the lease on a straight-line basis.

*ii) Finance leases*

When assets are leased out under a finance lease, the present value of the lease payment is recognised as a receivable. The receivable is subject to MFRS 9 impairment (refer to accounting policy Note 3(a)(vii) on impairment of financial assets). The difference between gross receivable and the present value of the receivable is recognised as unearned finance income. Lease income is recognised over the term of the lease using the 'net investment' method so as to reflect a constant periodic rate of return.

**MIZUHO BANK (MALAYSIA) BERHAD**  
Company No. 201001039768 (923693-H)  
(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2024**

**3. Material accounting policies (continued)**

**(d) 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.

Depreciation of property and equipment is computed on a straight-line basis over their estimated useful lives 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 profit or loss.

**(e) 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.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2024**

**3. Material accounting policies (continued)**

**(e) Intangible assets (continued)**

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. Intangible assets are not amortised until the assets are ready for their intended use. 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 statement in the expense category consistent with the function of the intangible asset.

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

Computer software	5 years
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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 statement when the assets are derecognised.

**(f) 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.

**(g) Cash and cash equivalents**

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

**(h) 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.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2024**

**3. Material accounting policies (continued)**

**(i) 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 has 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 statement of comprehensive income in the year to which they relate. Once the contributions have been paid, the Bank has no further payment obligations.

**(j) 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.

**(k) 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.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2024**

**3. Material accounting policies (continued)**

**(k) Recognition of fees and other income from contracts with customers (continued)**

*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 fees, commissions and placement fees, are recognised as income when all conditions precedent are fulfilled over the contract period.

**(l) 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 by 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.

**(m) 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.



**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2024**

**3. Material accounting policies (continued)**

**(n) 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 or 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 uses observable market data as far as possible. Fair value is 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 recognises transfers between levels of the fair value hierarchy as of the date of the event or change in circumstances that caused the transfers.

**(o) Share capital**

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

**(p) Contingent liabilities and contingent assets**

The Bank does not recognise a contingent liability but discloses 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.

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.

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**4. Cash and short-term funds**

	<b>2024</b>	<b>2023</b>
	<b>RM'000</b>	<b>RM'000</b>
Cash and balances with banks and other financial institutions	302,035	135,941
Money at call and deposit placements maturing within one month	2,482,008	4,982,929
	<u>2,784,043</u>	<u>5,118,870</u>
Less: Allowance for expected credit losses	(4)	(23)
	<u>2,784,039</u>	<u>5,118,847</u>

**5. Deposits and placements with financial institutions**

	<b>2024</b>	<b>2023</b>
	<b>RM'000</b>	<b>RM'000</b>
Deposits and placements maturing within three months	2,074,262	1,646,911
Deposits and placements maturing more than three months	-	200,000
	<u>2,074,262</u>	<u>1,846,911</u>

**6. Financial assets at FVOCI**

	<b>2024</b>	<b>2023</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>At fair value</b>		
Malaysian government securities	626,285	253,635
Government investment issues	873,328	544,288
Government guaranteed bonds	95,772	676,503
Commercial papers	-	49,283
	<u>1,595,385</u>	<u>1,523,709</u>

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**7. Loans, advances and financing**

	<b>2024</b>	<b>2023</b>
	<b>RM'000</b>	<b>RM'000</b>
(a) By type:		
<b>At amortised cost:</b>		
Term loans	5,225,226	5,450,540
Revolving credits	2,857,438	2,410,518
Bills receivable	31,676	14,714
Trust receipts	35,637	-
Banker's acceptances	68,244	4,662
	<u>8,218,221</u>	<u>7,880,434</u>
Less: Unearned interest	(391)	(93)
Gross loans, advances and financing at amortised cost	<u>8,217,830</u>	<u>7,880,341</u>
Less: Allowance for expected credit losses	(16,919)	(26,262)
Net loans, advances and financing at amortised cost	<u>8,200,911</u>	<u>7,854,079</u>
<b>At FVTPL:</b>		
Term loans	2,207,012	1,389,969
<b>Total net loans, advances and financing</b>	<u>10,407,923</u>	<u>9,244,048</u>
<b>Total gross loans, advances and financing</b>		
- At amortised cost	8,217,830	7,880,341
- At FVTPL	2,207,012	1,389,969
	<u>10,424,842</u>	<u>9,270,310</u>
(b) By geographical distribution:		
Within Malaysia	8,514,822	7,720,146
Outside Malaysia	1,910,020	1,550,164
	<u>10,424,842</u>	<u>9,270,310</u>
(c) By type of customer:		
Commercial banks	944,338	882,064
Domestic business enterprises	2,809,769	3,039,845
Domestic non-bank financial institutions	4,760,715	3,798,237
Foreign business entities	1,910,020	1,550,164
	<u>10,424,842</u>	<u>9,270,310</u>

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**7. Loans, advances and financing (continued)**

	<b>2024</b>	<b>2023</b>
	<b>RM'000</b>	<b>RM'000</b>
(d) By interest/profit rate sensitivity:		
Fixed rate	3,442,756	1,924,595
Variable rate	6,982,086	7,345,715
	<u>10,424,842</u>	<u>9,270,310</u>
(e) By economic purpose:		
Purchase of fixed assets other than land and building	69,432	129,096
Purchase of non-residential property	-	4,802
Working capital	8,598,179	7,449,364
Other purpose	1,757,231	1,687,048
	<u>10,424,842</u>	<u>9,270,310</u>
(f) By economic sector:		
Manufacturing	1,535,073	974,826
Electricity, gas and water supply	162,370	25,603
Construction	311,491	621,084
Wholesale and retail trade, and restaurants and hotels	169,208	188,213
Transport, storage and communication	321,480	677,064
Finance, insurance, real estate and business activities	7,622,572	6,242,146
Education, health and others	302,648	541,374
	<u>10,424,842</u>	<u>9,270,310</u>
(g) By maturity structure:		
Maturing within one year	4,632,001	4,115,770
One year to three years	3,777,287	2,136,175
Three years to five years	2,015,554	3,018,365
	<u>10,424,842</u>	<u>9,270,310</u>

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**7. Loans, advances and financing (continued)**

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

	<b>Not credit-impaired</b>		<b>Credit- impaired</b>	<b>Total</b>
	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>At 1 April 2023</b>	7,855,913	24,428	-	7,880,341
Changes due to loans, advances and financing recognised as at 1 April 2023:				
Transfer to lifetime ECL (Stage 2)	(414,403)	414,403	-	-
New financial assets originated	3,497,350	19,214	-	3,516,564
Financial assets derecognised	(3,143,206)	(35,869)	-	(3,179,075)
<b>At 31 March 2024</b>	<u>7,795,654</u>	<u>422,176</u>	<u>-</u>	<u>8,217,830</u>
<b>At 1 April 2022</b>	5,947,259	58,950	-	6,006,209
New financial assets originated	5,817,618	24,428	-	5,842,046
Financial assets derecognised	(3,908,964)	(58,950)	-	(3,967,914)
<b>At 31 March 2023</b>	<u>7,855,913</u>	<u>24,428</u>	<u>-</u>	<u>7,880,341</u>

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**7. Loans, advances and financing (continued)**

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

	Not credit-impaired		Credit-impaired	Total RM'000
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	
<b>At 1 April 2023</b>	25,270	992	-	26,262
Changes due to loans, advances and financing recognised as at 1 April 2023:				
Transfer to lifetime ECL (Stage 2)	(17,698)	17,698	-	-
New financial assets originated	10,498	170	-	10,668
Financial assets derecognised	(6,107)	(7,932)	-	(14,039)
Net remeasurement during the financial year	30	(6,002)	-	(5,972)
<b>At 31 March 2024</b>	<u>11,993</u>	<u>4,926</u>	<u>-</u>	<u>16,919</u>
<b>At 1 April 2022</b>	13,418	616	-	14,034
New financial assets originated	17,943	992	-	18,935
Financial assets derecognised	(12,176)	(616)	-	(12,792)
Net remeasurement during the financial year	6,085	-	-	6,085
<b>At 31 March 2023</b>	<u>25,270</u>	<u>992</u>	<u>-</u>	<u>26,262</u>
			<b>2024 RM'000</b>	<b>2023 RM'000</b>

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

At 1 April	26,262	14,034
(Writeback)/addition during the financial year (Note 24)	(9,343)	12,228
At 31 March	<u>16,919</u>	<u>26,262</u>
As percentage of total loans, advances and financing	<u>0.16%</u>	<u>0.28%</u>

The Bank has no impaired loans, advances and financing and no individual impairment allowance was deemed required as at 31 March 2024 (2023: Nil).

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**8. Derivative financial instruments**

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

	Notional amount RM'000	Fair value	
		Assets RM'000	Liabilities RM'000
<b>2024</b>			
At fair value:			
Foreign exchange related contracts	5,973,302	48,555	(30,268)
Interest rate related contracts	6,320,037	271,918	(205,772)
Total derivative assets/(liabilities)	<u>12,293,339</u>	<u>320,473</u>	<u>(236,040)</u>
<b>2023</b>			
At fair value:			
Foreign exchange related contracts	3,225,948	25,446	(26,024)
Interest rate related contracts	7,713,933	234,648	(199,161)
Total derivative assets/(liabilities)	<u>10,939,881</u>	<u>260,094</u>	<u>(225,185)</u>

**9. Other assets**

	Note	2024 RM'000	2023 RM'000
Accrued interest receivable		49,906	55,592
Other receivables, deposits and prepayments		19,129	16,158
Amount due from holding company	(a)	707	434
		<u>69,742</u>	<u>72,184</u>

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

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**10. Right of use assets**

The Bank leases various offices, apartments, equipment and vehicles. The leases typically run for a period of 1 to 5 years, with an option to renew the lease after that date.

	<b>Buildings RM'000</b>	<b>Equipment RM'000</b>	<b>Vehicles RM'000</b>	<b>Total RM'000</b>
<b>2024</b>				
<b>Cost</b>				
At 1 April 2023	15,295	562	3,764	19,621
Additions	2,390	-	1,063	3,453
Derecognition	(3,588)	-	(975)	(4,563)
Remeasurements	1,139	-	274	1,413
At 31 March 2024	<u>15,236</u>	<u>562</u>	<u>4,126</u>	<u>19,924</u>
<b>Accumulated depreciation</b>				
At 1 April 2023	10,190	337	2,645	13,172
Depreciation charged	3,555	127	789	4,471
Derecognition	(2,834)	-	(958)	(3,792)
At 31 March 2024	<u>10,911</u>	<u>464</u>	<u>2,476</u>	<u>13,851</u>
<b>Carrying amount</b>				
At 31 March 2024	<u>4,325</u>	<u>98</u>	<u>1,650</u>	<u>6,073</u>
<b>2023</b>				
<b>Cost</b>				
At 1 April 2022	15,433	562	3,562	19,557
Additions	1,265	-	-	1,265
Derecognition	(1,992)	-	-	(1,992)
Remeasurements	589	-	202	791
At 31 March 2023	<u>15,295</u>	<u>562</u>	<u>3,764</u>	<u>19,621</u>
<b>Accumulated depreciation</b>				
At 1 April 2022	8,023	211	1,845	10,079
Depreciation charged	4,095	126	800	5,021
Derecognition	(1,928)	-	-	(1,928)
At 31 March 2023	<u>10,190</u>	<u>337</u>	<u>2,645</u>	<u>13,172</u>
<b>Carrying amount</b>				
At 31 March 2023	<u>5,105</u>	<u>225</u>	<u>1,119</u>	<u>6,449</u>



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**10. Right of use assets (continued)**

	<b>2024</b>	<b>2023</b>
	<b>RM'000</b>	<b>RM'000</b>
Cash outflows for leases as a lessee:		
Interest on lease liabilities	223	441
Income from sub-leasing right of use assets presented in 'other operating income'	(70)	(67)
Expenses relating to short-term leases	-	21
Expenses relating to leases of low-value assets, excluding short-term leases	53	40
Payment of lease liabilities	4,627	4,812
Total cash outflows for leases	4,833	5,247

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**11. Property and equipment**

	Office equipment, furniture and fittings RM'000	Leasehold improvements RM'000	Computer equipment RM'000	Computer hardware RM'000	Total RM'000
<b>2024</b>					
<b>Cost</b>					
At 1 April 2023	1,489	5,470	1,432	10,513	18,904
Additions	62	57	102	2,654	2,875
Written off	(25)	-	(22)	-	(47)
At 31 March 2024	<u>1,526</u>	<u>5,527</u>	<u>1,512</u>	<u>13,167</u>	<u>21,732</u>
<b>Accumulated depreciation</b>					
At 1 April 2023	582	913	1,058	8,357	10,910
Depreciation charged	199	539	252	1,014	2,004
Written off	(25)	-	(22)	-	(47)
At 31 March 2024	<u>756</u>	<u>1,452</u>	<u>1,288</u>	<u>9,371</u>	<u>12,867</u>
<b>Carrying amount</b>					
At 31 March 2024	<u>770</u>	<u>4,075</u>	<u>224</u>	<u>3,796</u>	<u>8,865</u>
<b>2023</b>					
<b>Cost</b>					
At 1 April 2022	5,619	11,086	2,566	11,819	31,090
Additions	944	4,289	128	497	5,858
Disposals/written off	(5,074)	(9,905)	(1,262)	(1,803)	(18,044)
At 31 March 2023	<u>1,489</u>	<u>5,470</u>	<u>1,432</u>	<u>10,513</u>	<u>18,904</u>
<b>Accumulated depreciation</b>					
At 1 April 2022	5,536	9,348	2,004	9,044	25,932
Depreciation charged	116	529	316	1,116	2,077
Disposals/written off	(5,070)	(8,964)	(1,262)	(1,803)	(17,099)
At 31 March 2023	<u>582</u>	<u>913</u>	<u>1,058</u>	<u>8,357</u>	<u>10,910</u>
<b>Carrying amount</b>					
At 31 March 2023	<u>907</u>	<u>4,557</u>	<u>374</u>	<u>2,156</u>	<u>7,994</u>

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**12. Intangible assets**

	<b>Software RM'000</b>	<b>Software development in-progress RM'000</b>	<b>Total RM'000</b>
<b>2024</b>			
<b>Cost</b>			
At 1 April 2023	32,783	744	33,527
Additions	865	4,136	5,001
Transferred to software	3,032	(3,032)	-
Written off	(2,471)	-	(2,471)
At 31 March 2024	<u>34,209</u>	<u>1,848</u>	<u>36,057</u>
<b>Accumulated amortisation</b>			
At 1 April 2023	28,616	-	28,616
Amortisation charged	2,313	-	2,313
Written off	(2,471)	-	(2,471)
At 31 March 2024	<u>28,458</u>	<u>-</u>	<u>28,458</u>
<b>Carrying amount</b>			
At 31 March 2024	<u>5,751</u>	<u>1,848</u>	<u>7,599</u>
<b>2023</b>			
<b>Cost</b>			
At 1 April 2022	31,494	402	31,896
Additions	12	1,619	1,631
Transferred to software	1,277	(1,277)	-
At 31 March 2023	<u>32,783</u>	<u>744</u>	<u>33,527</u>
<b>Accumulated amortisation</b>			
At 1 April 2022	25,862	-	25,862
Amortisation charged	2,754	-	2,754
At 31 March 2023	<u>28,616</u>	<u>-</u>	<u>28,616</u>
<b>Carrying amount</b>			
At 31 March 2023	<u>4,167</u>	<u>744</u>	<u>4,911</u>

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**13. Deferred tax assets/(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.

	<b>2024</b>	<b>2023</b>
	<b>RM'000</b>	<b>RM'000</b>
At 1 April	3,578	(2,619)
Recognised in profit or loss	2,989	6,190
Recognised in other comprehensive income	(1,306)	7
At 31 March	5,261	3,578
Presented after appropriate offsetting as follows:		
Deferred tax assets	10,076	12,324
Deferred tax liabilities	(4,815)	(8,746)
	5,261	3,578

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**13. Deferred tax assets/(deferred tax liabilities) (continued)**

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

	<b>Allowance for expected credit losses RM'000</b>	<b>Accelerated capital allowances RM'000</b>	<b>Financial assets at FVOCI RM'000</b>	<b>Unrealised foreign exchange gain RM'000</b>	<b>Others RM'000</b>	<b>Total RM'000</b>
<b>2024</b>						
At 1 April 2023	6,462	(450)	866	(8,296)	4,996	3,578
Recognised in profit or loss	(2,575)	(895)	-	5,266	1,193	2,989
Recognised in other comprehensive income	-	-	(1,306)	-	-	(1,306)
At 31 March 2024	<u>3,887</u>	<u>(1,345)</u>	<u>(440)</u>	<u>(3,030)</u>	<u>6,189</u>	<u>5,261</u>
<b>2023</b>						
At 1 April 2022	6,106	(625)	859	(9,270)	311	(2,619)
Recognised in profit or loss	356	175	-	974	4,685	6,190
Recognised in other comprehensive income	-	-	7	-	-	7
At 31 March 2023	<u>6,462</u>	<u>(450)</u>	<u>866</u>	<u>(8,296)</u>	<u>4,996</u>	<u>3,578</u>

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**14. Deposits from customers**

	<b>2024</b>	<b>2023</b>
	<b>RM'000</b>	<b>RM'000</b>
(a) By type of deposits:		
Demand deposits	2,251,569	1,322,256
Fixed deposits	889,632	1,216,744
Short-term deposits	1,800,960	1,119,920
Others	2,435	2,411
	4,944,596	3,661,331

The maturity structure of fixed deposits and short-term deposits are as follows:

Due within six months	2,592,243	2,217,978
Due over six months to one year	98,349	118,686
	2,690,592	2,336,664

(b) By type of customers:		
Domestic non-bank financial institutions	487,085	153,811
Domestic business enterprises	4,119,703	3,407,421
Foreign business enterprises	337,599	84,114
Domestic other enterprises	209	15,985
	4,944,596	3,661,331

**15. Deposits and placements from financial institutions**

	<b>2024</b>	<b>2023</b>
	<b>RM'000</b>	<b>RM'000</b>
Licensed banks	9,931,819	12,247,566

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**16. Other liabilities**

	Note	2024 RM'000	2023 RM'000
Accrued interest payable		88,495	84,079
Other accruals		12,317	9,587
Other payables		293,424	192,000
Advances from holding company	(a)	35	30
Allowance for ECL on credit commitments and contingencies	(b)	1,814	1,366
		<u>396,085</u>	<u>287,062</u>

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

(b) Movements in impairment allowance on credit commitments and contingencies which reflect ECL model on impairment are as follows:

	Not credit-impaired		Credit- impaired	
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
<b>At 1 April 2023</b>	906	460	-	1,366
Changes due to credit commitments and contingencies recognised as at 1 April 2023:				
Transfer to 12-Month ECL (Stage 1)	377	(377)	-	-
New credit commitments and contingencies originated	1,372	155	-	1,527
Credit commitments and contingencies derecognised	(726)	(82)	-	(808)
Net remeasurement during the financial year	(270)	(1)	-	(271)
<b>At 31 March 2024</b>	<u>1,659</u>	<u>155</u>	<u>-</u>	<u>1,814</u>
<b>At 1 April 2022</b>	884	21,638	-	22,522
Changes due to credit commitments and contingencies recognised as at 1 April 2022:				
Transfer to lifetime ECL (Stage 2)	(3)	3	-	-
New credit commitments and contingencies originated	781	137	-	918
Credit commitments and contingencies derecognised	(496)	(21,315)	-	(21,811)
Net remeasurement during the financial year	(260)	(3)	-	(263)
<b>At 31 March 2023</b>	<u>906</u>	<u>460</u>	<u>-</u>	<u>1,366</u>

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**17. Share capital**

	Number of ordinary shares		Amount	
	2024	2023	2024	2023
	'000	'000	RM'000	RM'000
<b>Issued and fully paid with no par value classified as equity instruments:</b>				
At beginning/end of the financial year	1,200,000	1,200,000	1,200,000	1,200,000

**18. Reserves**

	Note	2024	2023
		RM'000	RM'000
<b>Non-distributable:</b>			
Regulatory reserve	(a)	88,222	68,437
FVOCI reserve	(b)	1,395	(2,741)
		<u>89,617</u>	<u>65,696</u>
<b>Distributable:</b>			
Retained profits	(c)	480,605	403,556
		<u>570,222</u>	<u>469,252</u>

- (a) Regulatory reserve 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 reserve 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.
- (c) The retained profits of the Bank as at 31 March 2024 and 31 March 2023 represent distributable profits and may be distributed as dividends under the single-tier system.



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**19. Interest income**

	<b>2024</b>	<b>2023</b>
	<b>RM'000</b>	<b>RM'000</b>
Loans, advances and financing	573,633	276,605
Money at call and deposits and placements with financial institutions	281,179	153,459
Financial assets at FVOCI	48,402	37,457
Others	63	110
	<u>903,277</u>	<u>467,631</u>

**20. Interest expense**

	<b>2024</b>	<b>2023</b>
	<b>RM'000</b>	<b>RM'000</b>
Deposits and placements from financial institutions	616,796	287,377
Deposits from customers	119,756	64,612
Others	10,371	6,316
	<u>746,923</u>	<u>358,305</u>

**21. Other operating income**

	<b>2024</b>	<b>2023</b>
	<b>RM'000</b>	<b>RM'000</b>
Fee income	11,439	7,922
Realised gain in fair value of derivative financial instruments	15,214	13,479
Unrealised gain/(loss) in fair value of derivative financial instruments	18,899	(5,236)
Realised foreign exchange gain	25,256	43,142
Unrealised foreign exchange gain	12,626	34,566
Net unrealised gain/(loss) on revaluation of financial assets at FVTPL	3,174	(8,930)
Others	70	73
	<u>86,678</u>	<u>85,016</u>

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**22. Other operating expenses**

	<b>2024</b>	<b>2023</b>
	<b>RM'000</b>	<b>RM'000</b>
Personnel costs:		
Salaries, allowances and bonuses	40,266	36,735
Contribution to Employees Provident Fund	5,651	5,317
Other staff related costs	9,365	8,069
Establishment costs:		
Repair and maintenance	7,022	6,599
Depreciation of right of use assets	4,471	5,021
Depreciation of property and equipment	2,004	2,077
Amortisation of intangible assets	2,313	2,754
Rental of premises	207	94
Information technology expenses	5,816	3,125
Others	684	1,830
Marketing expenses:		
Advertisement and publicity	139	92
Others	883	737
Administration and general expenses:		
Communication expenses	1,075	1,118
Legal and professional fees	2,133	1,790
Others	10,044	8,257
	<b>92,073</b>	<b>83,615</b>

The above expenses include the following statutory disclosures:

	<b>2024</b>	<b>2023</b>
	<b>RM'000</b>	<b>RM'000</b>
Directors' remuneration (Note 23)	637	622
Auditors' remuneration:		
- Statutory audit	345	315
- Regulatory-related services	-	240
	<b>-</b>	<b>240</b>

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**23. CEO's and Directors' remuneration**

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

	<b>Salary and Bonus RM'000</b>	<b>Fee RM'000</b>	<b>Other emoluments RM'000</b>	<b>Benefit- in-kind RM'000</b>	<b>Total RM'000</b>
<b>2024</b>					
<b>CEO:</b>					
Mr. Toshiharu Fujiwara	377	-	184	154	715
Mr. Katsutoshi Toba	282	-	160	74	516
	<u>659</u>	<u>-</u>	<u>344</u>	<u>228</u>	<u>1,231</u>
<b>Executive Director:</b>					
Mr. Guan Yeow Kwang	-	-	-	1	1
<b>Non-executive Directors:</b>					
Mr. Abdul Khalil bin Abdul Hamid	-	148	56	1	205
Mr. Lim Kim Seng	-	148	56	1	205
Dato' Dr. Zaha Rina binti Zahari	-	167	58	1	226
	<u>-</u>	<u>463</u>	<u>170</u>	<u>4</u>	<u>637</u>
<b>2023</b>					
<b>CEO:</b>					
Mr. Katsutoshi Toba	707	-	406	223	1,336
<b>Non-executive Directors:</b>					
Mr. Abdul Khalil bin Abdul Hamid	-	135	65	1	201
Mr. Lim Kim Seng	-	135	64	1	200
Dato' Dr. Zaha Rina binti Zahari	-	155	65	1	221
	<u>-</u>	<u>425</u>	<u>194</u>	<u>3</u>	<u>622</u>

**24. Writeback of allowances for ECL**

	<b>2024 RM'000</b>	<b>2023 RM'000</b>
Cash and short-term funds	(19)	(22)
Loans, advances and financing	(9,343)	12,228
Credit commitments and contingencies	448	(21,156)
	<u>(8,914)</u>	<u>(8,950)</u>

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**25. Tax expense**

	<b>2024</b>	<b>2023</b>
	<b>RM'000</b>	<b>RM'000</b>
Current tax expense		
Current financial year	66,311	44,766
(Over)/under provision in prior financial years	(283)	179
	<u>66,028</u>	<u>44,945</u>
Deferred tax expense		
Relating to origination and reversal of temporary differences	(3,064)	(5,578)
Under/(over) provision in prior financial years	75	(612)
	<u>(2,989)</u>	<u>(6,190)</u>
Income tax expense	<u>63,039</u>	<u>38,755</u>

Income tax is calculated at the Malaysian statutory rate of 24% (2023: 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:

	<b>2024</b>	<b>2023</b>
	<b>RM'000</b>	<b>RM'000</b>
Profit before taxation	<u>159,873</u>	<u>119,677</u>
Taxation at Malaysian statutory tax rate of 24% (2023: 24%)	38,370	28,722
Expenses not deductible for tax purposes	24,877	10,466
(Over)/under provision of current tax expense in prior financial years	(283)	179
Under/(over) provision of deferred tax in prior financial years	75	(612)
Tax expense for the financial year	<u>63,039</u>	<u>38,755</u>

The Bank is within the scope of the Organisation for Economic Co-operation and Development ("OECD") Pillar Two model rules, which has been substantively enacted in Malaysia on 29 December 2023, where it is expected to be implemented in 2025. Pillar Two introduced a global minimum Effective Tax Rate ("ETR") via a system where multinational groups with consolidated revenue over EUR 750 million are subject to a minimum ETR of 15% on income arising in low-tax jurisdictions.

As provided in the amendments to IAS 12 issued in May 2023, the Bank applies the exception to recognising and disclosing information about deferred tax assets and liabilities related to Pillar Two income taxes. The Bank is in the process of assessing its exposure to the Pillar Two legislation prior to it comes into effect.

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**26. 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 or jointly 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.

	<b>2024</b>	<b>2023</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Transactions with related parties</b>		
Interest income on money at call and deposits and placements	1,696	1,774
Interest expense on deposits and placements	(613,674)	(284,780)
Outsourcing fee income	4,755	4,381
Other income	1,034	736
Other fee and commission expenses	(36,993)	(22,886)
Other expenses	<u>(242)</u>	<u>(232)</u>

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

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**26. 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.

	<b>2024</b>	<b>2023</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Intercompany charges with related parties</b>		
(i) By type of service:		
Collateral deposit fees	33,518	21,183
Interest expense	613,674	284,780
Administration and general expenses	896	434
Establishment costs - outsourcing	2,821	1,501
	<u>650,909</u>	<u>307,898</u>
(ii) By country:		
Malaysia	398,466	156,598
Singapore	248,687	149,365
Japan	3,717	1,935
United Kingdom	39	-
	<u>650,909</u>	<u>307,898</u>

- (c) Related parties balances

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

	<b>2024</b>	<b>2023</b>
	<b>RM'000</b>	<b>RM'000</b>
<u>Amount due from/(to) related parties:</u>		
- Cash and short-term funds	87,252	86,289
- Derivative assets	323	6,506
- Outsourcing fee	619	322
- Other assets	88	112
- Interest receivable on deposits and other receivables	5	12
- Deposits from customers	(288)	(189)
- Deposits and placements from financial institutions	(9,697,414)	(11,991,519)
- Interest payable on deposits and other payables	(81,872)	(79,586)
- Derivative liabilities	<u>(3,358)</u>	<u>(2,159)</u>

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**26. Significant related party transactions and balances (continued)**

(d) Key management personnel

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

	<b>2024</b>	<b>2023</b>
	<b>RM'000</b>	<b>RM'000</b>
Salary and emoluments	6,560	6,932
Defined contribution plan	814	881
Benefits-in-kind	486	536
	<u>7,860</u>	<u>8,349</u>

(e) Credit transactions and exposures with connected parties

	<b>2024</b>	<b>2023</b>
	<b>RM'000</b>	<b>RM'000</b>
Outstanding credit exposures with connected parties	<u>68,794</u>	<u>85,497</u>
Percentage of outstanding credit exposures to connected parties as proportion of total credit exposures	<u>0.13%</u>	<u>0.20%</u>

Currently, none of the exposures to connected parties are classified as impaired.

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

**27. Earnings per ordinary share - basic**

The calculation of the basic earnings per ordinary share at 31 March 2024 was based on the profit attributable to owner of the Bank of RM96,834,000 (2023: RM80,922,000) and the weighted average number of ordinary shares outstanding during the financial year of 1,200,000,000 (2023: 1,200,000,000).

There was no dilutive potential impact (2023: Nil) on the ordinary shares at the end of the year.

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**28. 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:

	<b>Principal amount RM'000</b>	<b>Credit equivalent amount* RM'000</b>	<b>Risk- weighted amount* RM'000</b>
<b>2024</b>			
Direct credit substitutes	194,785	194,785	194,625
Transaction related contingent items	215,678	107,840	92,702
Short-term self-liquidating trade related contingencies	4,620	924	924
Foreign exchange related contracts			
- One year or less	5,927,154	119,887	62,819
- Over one year to five years	46,148	7,080	3,930
Interest related contracts			
- One year or less	3,971,941	265,872	122,851
- Over one year to five years	4,520,748	519,199	363,679
Other commitments, such as formal standby facilities and credit lines, with an original maturity of over one year	1,794,968	252,713	252,713
Any commitments that are unconditionally cancelled at any time without prior notice	6,126,662	-	-
<b>Total</b>	<b>22,802,704</b>	<b>1,468,300</b>	<b>1,094,243</b>



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**28. Commitments and contingencies (continued)**

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

	<b>Principal amount RM'000</b>	<b>Credit equivalent amount* RM'000</b>	<b>Risk- weighted amount* RM'000</b>
<b>2023</b>			
Direct credit substitutes	206,224	206,224	206,064
Transaction related contingent items	138,147	69,073	51,070
Short-term self-liquidating trade related contingencies	7,846	1,569	1,569
Foreign exchange related contracts			
- One year or less	3,138,123	56,642	31,239
- Over one year to five years	87,825	11,475	6,732
Interest related contracts			
- One year or less	3,748,054	219,055	116,770
- Over one year to five years	5,340,073	537,198	355,032
Other commitments, such as formal standby facilities and credit lines, with an original maturity of over one year	1,324,830	154,564	154,564
Any commitments that are unconditionally cancelled at any time without prior notice	4,068,019	-	-
<b>Total</b>	<b>18,059,141</b>	<b>1,255,800</b>	<b>923,040</b>

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

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**29. 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 develop, maintain and enhance the Bank's risk management framework, quantitative methodologies and policies for monitoring and managing Credit, Market, Operational, Liquidity, Shariah, Technology and Cyber, Environmental, Social and Governance Risks (including Climate 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, Liquidity, Shariah, Technology and Cyber, Environmental, Social and Governance Risks (including Climate Risk).

The Board of Directors through BRMC is ultimately responsible to oversee and ensure the Bank's corporate objectives are supported by a sound risk strategy and an effective risk management framework that is appropriate to the nature, scale and complexity of its activities. RMD is principally tasked to assist the various risk committees and undertakes the performance of the day-to-day risk management functions.

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**29. Financial risk management objectives and policies (continued)**

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.

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 Management Credit Committee ("MCC") is chaired by the CEO which will be held at least six times per year.

**(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 has the approving authority to approve credit facilities above CEO's approval limit. Secondly, the Board of Directors also has 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 Parent Bank consultation first before obtaining CEO's approval.

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

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

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**29. Financial risk management objectives and policies (continued)**

**(a) Credit risk management (continued)**

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

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

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

**(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:

	<b>2024</b>	<b>2023</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>On-balance sheet exposures:</b>		
Cash and short-term funds	2,784,039	5,118,847
Deposits and placements with financial institutions	2,074,262	1,846,911
Loans, advances and financing	10,407,923	9,244,048
Financial investments at FVOCI	1,595,385	1,523,709
Other financial assets	65,465	69,790
Derivative financial assets	320,473	260,094
	17,247,547	18,063,399
<b>Off-balance sheet exposures:</b>		
Commitments and contingencies	22,802,704	18,059,141
Total maximum credit risk exposure	40,050,251	36,122,540

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**29. Financial risk management objectives and policies (continued)**

**(a) Credit risk management (continued)**

**(ii) Credit risk concentration profile**

<b>2024</b>	<b>Cash and short-term funds RM'000</b>	<b>Deposits and placements with financial institutions RM'000</b>	<b>Loans, advances and financing RM'000</b>	<b>Financial assets at FVOCI RM'000</b>	<b>Other financial assets RM'000</b>	<b>Derivative financial assets RM'000</b>	<b>Total RM'000</b>	<b>Commitments and contingencies RM'000</b>
Mining and Quarrying	-	-	-	-	-	-	-	-
Manufacturing	-	-	1,535,073	-	-	1,760	1,536,833	2,519,202
Electricity, gas and water supply	-	-	162,370	-	-	-	162,370	21,929
Construction	-	-	311,491	-	1,005	83	312,579	750,287
Wholesale and retail trade, and restaurants and hotels	-	-	169,208	-	1	1,912	171,121	814,471
Transport, storage and communication	-	-	321,480	-	709	-	322,189	2,130,177
Finance, insurance, real estate and business activities	2,784,043	2,074,262	7,622,572	1,595,385	62,667	316,718	14,455,647	16,031,402
Education, health and others	-	-	302,648	-	107	-	302,755	535,236
Others	-	-	-	-	976	-	976	-
	<u>2,784,043</u>	<u>2,074,262</u>	<u>10,424,842</u>	<u>1,595,385</u>	<u>65,465</u>	<u>320,473</u>	<u>17,264,470</u>	<u>22,802,704</u>
Less: Allowance for ECL	(4)	-	(16,919)	-	-	-	(16,923)	-
	<u>2,784,039</u>	<u>2,074,262</u>	<u>10,407,923</u>	<u>1,595,385</u>	<u>65,465</u>	<u>320,473</u>	<u>17,247,547</u>	<u>22,802,704</u>

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**29. Financial risk management objectives and policies (continued)**

**(a) Credit risk management (continued)**

**(ii) Credit risk concentration profile (continued)**

	Deposits and placements		Loans, advances and financing	Financial assets at FVOCI	Other financial assets	Derivative financial assets	Commitments and contingencies	
	Cash and short-term funds	with financial institutions					Total	and contingencies
2023	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Mining and Quarrying	-	-	-	-	18	-	18	-
Manufacturing	-	-	974,826	-	-	888	975,714	2,016,517
Electricity, gas and water supply	-	-	25,603	-	-	-	25,603	24,459
Construction	-	-	621,084	-	-	-	621,084	975,387
Wholesale and retail trade, and restaurants and hotels	-	-	188,213	-	1	508	188,722	780,379
Transport, storage and communication	-	-	677,064	-	385	-	677,449	1,417,487
Finance, insurance, real estate and business activities	5,118,870	1,846,911	6,242,146	1,523,709	68,236	258,698	15,058,570	12,517,575
Education, health and others	-	-	541,374	-	18	-	541,392	327,337
Others	-	-	-	-	1,132	-	1,132	-
	<u>5,118,870</u>	<u>1,846,911</u>	<u>9,270,310</u>	<u>1,523,709</u>	<u>69,790</u>	<u>260,094</u>	<u>18,089,684</u>	<u>18,059,141</u>
Less: Allowance for ECL	(23)	-	(26,262)	-	-	-	(26,285)	-
	<u>5,118,847</u>	<u>1,846,911</u>	<u>9,244,048</u>	<u>1,523,709</u>	<u>69,790</u>	<u>260,094</u>	<u>18,063,399</u>	<u>18,059,141</u>

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**29. 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 recognised.
- (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:

Probability of Default ("PD")

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

Loss Given Default ("LGD")

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

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**29. Financial risk management objectives and policies (continued)**

**(a) Credit risk management (continued)**

**(iii) Credit measurement (continued)**

Exposure at Default ("EAD")

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

Forecast of key macroeconomic variables

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

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.

Below table shows the MEV applied for the ECL estimation.

**2024**

Year	2024	2025	2026	2027	2028	2029
<b>GDP Growth Forecast</b>	4.2%	4.6%	4.5%	4.3%	4.3%	4.3%

**2023**

Year	2023	2024	2025	2026	2027	2028
<b>GDP Growth Forecast</b>	3.9%	4.6%	4.7%	4.4%	4.3%	4.3%



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**29. Financial risk management objectives and policies (continued)**

**(a) Credit risk management (continued)**

**(iv) Credit quality**

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

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

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

Customer Categorisation	Credit Rating	Customer Profile	Status	Comparable External Rating		
Ordinary Customers	A	1	Non-default	AAA	Investment grade	
		2		AA		
		3		A		
	B	1		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.)		BBB+/ BBB
		2		Business conditions are favorable and there are no specific problems in the customer's financial position.		BBB-
		3				
	C	1		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.)	(BB)	Non-Investment grade
		2		No problem at present with performance on obligations but has low resistance to future changes in the business environment.	(B)	
		3				
	D	1		No problem at present with performance on obligations but has low resistance to future changes in the business environment.	(B)	Non-Investment grade
		2				
		3				

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

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**29. 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.		

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**29. Financial risk management objectives and policies (continued)**

**(a) Credit risk management (continued)**

**(v) Credit quality of financial assets - gross loans, advances and financing at amortised cost**

<b>2024</b>	<b>Neither past due nor impaired RM'000</b>	<b>Total RM'000</b>
Term loans	5,225,226	5,225,226
Revolving credits	2,857,438	2,857,438
Bills receivable	31,544	31,544
Trust receipts	35,637	35,637
Banker's acceptances	67,985	67,985
Gross loans, advances and financing at amortised cost	<u>8,217,830</u>	<u>8,217,830</u>
Less: Allowance for expected credit losses	(16,919)	(16,919)
Net loans, advances and financing at amortised cost	<u>8,200,911</u>	<u>8,200,911</u>
Impairment allowance as a percentage of total loans, advances and financing at amortised cost	<u>0.21%</u>	<u>0.21%</u>

All gross loans, advances and financing at amortised cost are neither past due nor impaired as of the reporting date. Summary of risk categories of gross loans, advances and financing at amortised cost of the Bank are assessed based on credit quality classification as described in Note 29(a)(iv).

<b>2024</b>	<b>Ordinary RM'000</b>	<b>Special attention RM'000</b>	<b>Total RM'000</b>
Term loans	5,225,226	-	5,225,226
Revolving credits	2,820,760	36,678	2,857,438
Bills receivable	31,544	-	31,544
Trust receipts	35,637	-	35,637
Banker's acceptances	67,985	-	67,985
Total - neither past due nor impaired	<u>8,181,152</u>	<u>36,678</u>	<u>8,217,830</u>
As a percentage of total loans, advances and financing at amortised cost	<u>99.55%</u>	<u>0.45%</u>	<u>100.00%</u>

Note: Ordinary category includes accounts under watch list monitoring. Special attention category includes special attention (I) and special attention (II).

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**29. Financial risk management objectives and policies (continued)**

**(a) Credit risk management (continued)**

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

<b>2023</b>	<b>Neither past due nor impaired RM'000</b>	<b>Total RM'000</b>
Term loans	5,450,540	5,450,540
Revolving credits	2,410,518	2,410,518
Bills receivable	14,649	14,649
Banker's acceptances	4,634	4,634
Gross loans, advances and financing at amortised cost	<u>7,880,341</u>	<u>7,880,341</u>
Less: Allowance for expected credit losses	(26,262)	(26,262)
Net loans, advances and financing at amortised cost	<u>7,854,079</u>	<u>7,854,079</u>
Impairment allowance as a percentage of total loans, advances and financing at amortised cost	<u>0.33%</u>	<u>0.33%</u>

All gross loans, advances and financing at amortised cost are neither past due nor impaired as of the reporting date. Summary of risk categories of gross loans, advances and financing at amortised cost of the Bank are assessed based on credit quality classification as described in Note 29(a)(iv).

<b>2023</b>	<b>Ordinary RM'000</b>	<b>Special attention RM'000</b>	<b>Total RM'000</b>
Term loans	5,450,540	-	5,450,540
Revolving credits	2,399,637	10,881	2,410,518
Bills receivable	14,649	-	14,649
Banker's acceptances	4,634	-	4,634
Total - neither past due nor impaired	<u>7,869,460</u>	<u>10,881</u>	<u>7,880,341</u>
As a percentage of total loans, advances and financing at amortised cost	<u>99.86%</u>	<u>0.14%</u>	<u>100.00%</u>

Note: Ordinary category includes accounts under watch list monitoring. Special attention category includes special attention (I) and special attention (II).

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**29. 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 29(a)(iv).

	<b>2024</b>	<b>2023</b>
	<b>RM'000</b>	<b>RM'000</b>
Cash and short-term funds	2,784,039	5,118,847
Deposits and placements with financial institutions	2,074,262	1,846,911
Financial investments at FVOCI	1,595,385	1,523,709
Other financial assets	65,465	69,790
Derivative financial assets	320,473	260,094
Total - neither past due nor impaired	6,839,624	8,819,351

**(vii) Overlays and adjustments for expected credit losses**

As the current MFRS 9 model is not expected to generate levels of ECL with sufficient reliability in view of global geopolitical tensions, external demand is expected to moderate and weighted by headwinds to global growth, the overlay and post-model adjustments have been applied to determine a sufficient overall level of ECL for the year ended and as at 31 March 2024. The overlay and post-model adjustments was introduced in May 2021.

The overlay and post-model adjustments were taken to reflect the latest macroeconomic outlook not captured in the modelled outcome which includes effects of climate-related matters. As at 31 March 2024, the impact of the overlay and post-model adjustments outside the MFRS 9 ECL Model applied to loans, advances and financing and credit commitments and contingencies amounted to RM4,206,000 (2023: RM14,248,000).

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**29. Financial risk management objectives and policies (continued)**

**(b) Market risk management**

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

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

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

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

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

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

Interest/Profit rate risk

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

Foreign exchange risk

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

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

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**29. 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 maturity or repricing dates as at 31 March 2024 and 31 March 2023.

	← Non-trading book →						Trading Book RM'000	Total RM'000
	Up to 1 Month RM'000	> 1 to 3 Months RM'000	> 3 to 12 Months RM'000	> 1 to 5 Years RM'000	Over 5 Years RM'000	Non-Interest Sensitive RM'000		
<b>2024</b>								
<b>Assets</b>								
Cash and short-term funds	2,482,008	-	-	-	-	302,031	-	2,784,039
Deposits and placements with financial institutions	-	2,074,262	-	-	-	-	-	2,074,262
Financial assets at FVOCI	15,008	80,049	321,057	1,179,271	-	-	-	1,595,385
Loans, advances and financing	4,725,812	5,126,833	572,197	-	-	(16,919)	-	10,407,923
Derivative financial assets	-	-	-	-	-	-	320,473	320,473
Other non-interest sensitive balances	-	-	-	-	-	102,892	-	102,892
<b>Total assets</b>	<b>7,222,828</b>	<b>7,281,144</b>	<b>893,254</b>	<b>1,179,271</b>	<b>-</b>	<b>388,004</b>	<b>320,473</b>	<b>17,284,974</b>



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**29. Financial risk management objectives and policies (continued)**

**(b) Market risk management (continued)**

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

	← Non-trading book →						Trading Book RM'000	Total RM'000
	Up to 1 Month RM'000	> 1 to 3 Months RM'000	> 3 to 12 Months RM'000	> 1 to 5 Years RM'000	Over 5 Years RM'000	Non-Interest Sensitive RM'000		
<b>2024</b>								
<b>Liabilities</b>								
Deposits from customers	2,087,170	397,491	205,931	-	-	2,254,004	-	4,944,596
Deposits and placements from financial institutions	4,690,133	4,913,428	320,260	-	-	7,998	-	9,931,819
Derivative financial liabilities	-	-	-	-	-	-	236,040	236,040
Other non-interest sensitive balances	-	-	-	-	-	402,297	-	402,297
<b>Total liabilities</b>	<b>6,777,303</b>	<b>5,310,919</b>	<b>526,191</b>	<b>-</b>	<b>-</b>	<b>2,664,299</b>	<b>236,040</b>	<b>15,514,752</b>
<b>Shareholder's equity</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,770,222</b>	<b>-</b>	<b>1,770,222</b>
<b>Total liabilities and shareholder's equity</b>	<b>6,777,303</b>	<b>5,310,919</b>	<b>526,191</b>	<b>-</b>	<b>-</b>	<b>4,434,521</b>	<b>236,040</b>	<b>17,284,974</b>
<b>On-balance sheet interest sensitivity gap representing total interest sensitivity gap</b>	<b>445,525</b>	<b>1,970,225</b>	<b>367,063</b>	<b>1,179,271</b>	<b>-</b>	<b>(4,046,517)</b>	<b>84,433</b>	<b>-</b>

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**29. Financial risk management objectives and policies (continued)**

**(b) Market risk management (continued)**

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

	← Non-trading book →						Trading Book RM'000	Total RM'000
	Up to 1 Month RM'000	> 1 to 3 Months RM'000	> 3 to 12 Months RM'000	> 1 to 5 Years RM'000	Over 5 Years RM'000	Non-Interest Sensitive RM'000		
<b>2023</b>								
<b>Assets</b>								
Cash and short-term funds	4,982,929	-	-	-	-	135,918	-	5,118,847
Deposits and placements with financial institutions	-	1,646,911	200,000	-	-	-	-	1,846,911
Financial assets at FVOCI	230,148	115,123	726,832	451,606	-	-	-	1,523,709
Loans, advances and financing	4,151,878	4,859,402	259,030	-	-	(26,262)	-	9,244,048
Derivative financial assets	-	-	-	-	-	-	260,094	260,094
Other non-interest sensitive balances	-	-	-	-	-	103,531	-	103,531
<b>Total assets</b>	<b>9,364,955</b>	<b>6,621,436</b>	<b>1,185,862</b>	<b>451,606</b>	<b>-</b>	<b>213,187</b>	<b>260,094</b>	<b>18,097,140</b>

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**29. Financial risk management objectives and policies (continued)**

**(b) Market risk management (continued)**

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

	← Non-trading book →						Trading Book RM'000	Total RM'000
	Up to 1 Month RM'000	> 1 to 3 Months RM'000	> 3 to 12 Months RM'000	> 1 to 5 Years RM'000	Over 5 Years RM'000	Non-Interest Sensitive RM'000		
<b>2023</b>								
<b>Liabilities</b>								
Deposits from customers	1,695,385	457,774	183,505	-	-	1,324,667	-	3,661,331
Deposits and placements from financial institutions	6,991,422	5,188,189	59,144	-	-	8,811	-	12,247,566
Derivative financial liabilities	-	-	-	-	-	-	225,185	225,185
Other non-interest sensitive balances	-	-	-	-	-	293,806	-	293,806
<b>Total liabilities</b>	<b>8,686,807</b>	<b>5,645,963</b>	<b>242,649</b>	<b>-</b>	<b>-</b>	<b>1,627,284</b>	<b>225,185</b>	<b>16,427,888</b>
<b>Shareholder's equity</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,669,252</b>	<b>-</b>	<b>1,669,252</b>
<b>Total liabilities and shareholder's equity</b>	<b>8,686,807</b>	<b>5,645,963</b>	<b>242,649</b>	<b>-</b>	<b>-</b>	<b>3,296,536</b>	<b>225,185</b>	<b>18,097,140</b>
<b>On-balance sheet interest sensitivity gap representing total interest sensitivity gap</b>	<b>678,148</b>	<b>975,473</b>	<b>943,213</b>	<b>451,606</b>	<b>-</b>	<b>(3,083,349)</b>	<b>34,909</b>	<b>-</b>

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**29. Financial risk management objectives and policies (continued)**

**(b) Market risk management (continued)**

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

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

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

	<b>2024</b>		<b>2023</b>	
	<b>- 100 bps RM'000</b>	<b>+ 100 bps RM'000</b>	<b>- 100 bps RM'000</b>	<b>+ 100 bps RM'000</b>
<b>Impact on net interest income</b>				
Ringgit Malaysia	(11,168)	11,168	(11,610)	11,610
United States Dollar	(4,021)	4,021	(2,088)	2,088
Japanese Yen	(167)	167	(90)	90
Others	(1,565)	1,565	(25)	25
<b>Total</b>	<u>(16,921)</u>	<u>16,921</u>	<u>(13,813)</u>	<u>13,813</u>
<b>Impact on economic value</b>				
Ringgit Malaysia	(16,952)	16,952	(8,218)	8,218
United States Dollar	6,730	(6,730)	4,369	(4,369)
Japanese Yen	1,045	(1,045)	920	(920)
Others	2,968	(2,968)	186	(186)
<b>Total</b>	<u>(6,209)</u>	<u>6,209</u>	<u>(2,743)</u>	<u>2,743</u>

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**29. 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 2024 and 31 March 2023, 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.

<b>2024</b>	<b>Ringgit Malaysia RM'000</b>	<b>United States Dollar RM'000</b>	<b>Japanese Yen RM'000</b>	<b>Others RM'000</b>	<b>Total RM'000</b>
<b>Assets</b>					
Cash and short-term funds	1,745,331	689,545	41,392	307,771	2,784,039
Deposits and placements with financial institutions	400,000	1,653,260	-	21,002	2,074,262
Financial assets at FVOCI	1,595,385	-	-	-	1,595,385
Loans, advances and financing	1,427,877	8,006,673	922,610	50,763	10,407,923
Derivative financial assets	18,440	298,790	33	3,210	320,473
Other assets	36,616	28,605	-	244	65,465
<b>Total assets</b>	<b>5,223,649</b>	<b>10,676,873</b>	<b>964,035</b>	<b>382,990</b>	<b>17,247,547</b>
<b>Liabilities</b>					
Deposits from customers	3,194,732	1,276,702	149,913	323,249	4,944,596
Deposits and placements from financial institutions	23,274	9,074,492	782,148	51,905	9,931,819
Derivative financial liabilities	50,884	173,151	7,582	4,423	236,040
Other liabilities	311,205	83,782	920	178	396,085
<b>Total liabilities</b>	<b>3,580,095</b>	<b>10,608,127</b>	<b>940,563</b>	<b>379,755</b>	<b>15,508,540</b>
<b>On-balance sheet open position</b>					
	1,643,554	68,746	23,472	3,235	1,739,007
Less: Derivative assets	(18,440)	(298,790)	(33)	(3,210)	(320,473)
Add: Derivative liabilities	50,884	173,151	7,582	4,423	236,040
<b>Net open position</b>	<b>1,675,998</b>	<b>(56,893)</b>	<b>31,021</b>	<b>4,448</b>	<b>1,654,574</b>

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**29. Financial risk management objectives and policies (continued)**

**(b) Market risk management (continued)**

**(ii) Currency risk (continued)**

<b>2023</b>	<b>Ringgit Malaysia RM'000</b>	<b>United States Dollar RM'000</b>	<b>Japanese Yen RM'000</b>	<b>Others RM'000</b>	<b>Total RM'000</b>
<b>Assets</b>					
Cash and short-term funds	1,404,034	3,641,786	40,709	32,318	5,118,847
Deposits and placements with financial institutions	500,000	1,346,911	-	-	1,846,911
Financial assets at FVOCI	1,523,709	-	-	-	1,523,709
Loans, advances and financing	982,810	7,950,383	142,540	168,315	9,244,048
Derivative financial assets	63,030	196,639	345	80	260,094
Other assets	35,135	34,624	-	31	69,790
<b>Total assets</b>	<b>4,508,718</b>	<b>13,170,343</b>	<b>183,594</b>	<b>200,744</b>	<b>18,063,399</b>
<b>Liabilities</b>					
Deposits from customers	2,459,528	1,031,374	139,870	30,559	3,661,331
Deposits and placements from financial institutions	203,424	11,825,869	49,727	168,546	12,247,566
Derivative financial liabilities	59,506	160,184	5,493	2	225,185
Other liabilities	206,354	79,706	636	366	287,062
<b>Total liabilities</b>	<b>2,928,812</b>	<b>13,097,133</b>	<b>195,726</b>	<b>199,473</b>	<b>16,421,144</b>
<b>On-balance sheet open position</b>					
	1,579,906	73,210	(12,132)	1,271	1,642,255
Less: Derivative assets	(63,030)	(196,639)	(345)	(80)	(260,094)
Add: Derivative liabilities	59,506	160,184	5,493	2	225,185
<b>Net open position</b>	<b>1,576,382</b>	<b>36,755</b>	<b>(6,984)</b>	<b>1,193</b>	<b>1,607,346</b>

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**29. Financial risk management objectives and policies (continued)**

**(b) Market risk management (continued)**

**(ii) Currency risk (continued)**

**Sensitivity analysis - impact on profit/loss before taxation**

	<b>2024</b>	<b>2023</b>
	<b>RM'000</b>	<b>RM'000</b>
• if USD weakened by 100 basis points (or 1%)	569	(368)
• if JPY weakened by 100 basis points (or 1%)	(310)	70
• if other currencies weakened by 100 basis points (or 1%)	(45)	(12)
	<u>214</u>	<u>(310)</u>

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**29. 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 2024 and 31 March 2023.

***Contractual maturity of total assets and liabilities***

<b>2024</b>	<b>Up to 1 Month RM'000</b>	<b>&gt; 1 to 3 Months RM'000</b>	<b>&gt; 3 to 12 Months RM'000</b>	<b>&gt; 1 to 5 Years RM'000</b>	<b>Over 5 Years RM'000</b>	<b>No specific maturity RM'000</b>	<b>Total RM'000</b>
<b>Assets</b>							
Cash and short-term funds	2,784,039	-	-	-	-	-	2,784,039
Deposits and placements with financial institutions	-	2,074,262	-	-	-	-	2,074,262
Financial assets at FVOCI	15,008	80,049	321,057	1,179,271	-	-	1,595,385
Loans, advances and financing	2,048,125	526,817	2,042,142	5,790,839	-	-	10,407,923
Derivative financial assets	37,082	14,752	151,122	117,517	-	-	320,473
Other assets	18,095	30,077	4,227	-	-	17,343	69,742
Right of use assets	-	-	-	-	-	6,073	6,073
Property and equipment	-	-	-	-	-	8,865	8,865
Intangible assets	-	-	-	-	-	7,599	7,599
Current tax assets	-	-	-	-	-	5,352	5,352
Deferred tax assets	-	-	-	-	-	5,261	5,261
<b>Total assets</b>	<b>4,902,349</b>	<b>2,725,957</b>	<b>2,518,548</b>	<b>7,087,627</b>	<b>-</b>	<b>50,493</b>	<b>17,284,974</b>



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**29. Financial risk management objectives and policies (continued)**

**(c) Liquidity risk (continued)**

***Contractual maturity of total assets and liabilities (continued)***

<b>2024</b>	<b>Up to 1 Month RM'000</b>	<b>&gt; 1 to 3 Months RM'000</b>	<b>&gt; 3 to 12 Months RM'000</b>	<b>&gt; 1 to 5 Years RM'000</b>	<b>Over 5 Years RM'000</b>	<b>No specific maturity RM'000</b>	<b>Total RM'000</b>
<b>Liabilities</b>							
Deposits from customers	4,341,174	397,491	205,931	-	-	-	4,944,596
Deposits and placements from financial institutions	372,755	-	2,516,944	7,042,120	-	-	9,931,819
Derivative financial liabilities	8,994	10,755	105,739	110,552	-	-	236,040
Lease liabilities	381	764	2,700	2,367	-	-	6,212
Other liabilities	4,775	2,207	46,865	52,961	617	288,660	396,085
<b>Total liabilities</b>	<b>4,728,079</b>	<b>411,217</b>	<b>2,878,179</b>	<b>7,208,000</b>	<b>617</b>	<b>288,660</b>	<b>15,514,752</b>
<b>Net liquidity gap</b>	<b>174,270</b>	<b>2,314,740</b>	<b>(359,631)</b>	<b>(120,373)</b>	<b>(617)</b>	<b>(238,167)</b>	<b>1,770,222</b>

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**29. Financial risk management objectives and policies (continued)**

**(c) Liquidity risk (continued)**

***Contractual maturity of total assets and liabilities (continued)***

<b>2023</b>	<b>Up to 1 Month RM'000</b>	<b>&gt; 1 to 3 Months RM'000</b>	<b>&gt; 3 to 12 Months RM'000</b>	<b>&gt; 1 to 5 Years RM'000</b>	<b>Over 5 Years RM'000</b>	<b>No specific maturity RM'000</b>	<b>Total RM'000</b>
<b>Assets</b>							
Cash and short-term funds	5,118,847	-	-	-	-	-	5,118,847
Deposits and placements with financial institutions	-	1,646,911	200,000	-	-	-	1,846,911
Financial assets at FVOCI	230,148	115,123	726,832	451,606	-	-	1,523,709
Loans, advances and financing	1,426,670	950,504	1,720,723	5,146,151	-	-	9,244,048
Derivative financial assets	17,446	9,445	97,405	135,798	-	-	260,094
Other assets	41,057	11,946	3,430	-	-	15,751	72,184
Right of use assets	-	-	-	-	-	6,449	6,449
Property and equipment	-	-	-	-	-	7,994	7,994
Intangible assets	-	-	-	-	-	4,911	4,911
Current tax assets	-	-	-	-	-	8,415	8,415
Deferred tax assets	-	-	-	-	-	3,578	3,578
<b>Total assets</b>	<b>6,834,168</b>	<b>2,733,929</b>	<b>2,748,390</b>	<b>5,733,555</b>	<b>-</b>	<b>47,098</b>	<b>18,097,140</b>

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**29. Financial risk management objectives and policies (continued)**

**(c) Liquidity risk (continued)**

*Contractual maturity of total assets and liabilities (continued)*

<b>2023</b>	<b>Up to 1 Month RM'000</b>	<b>&gt; 1 to 3 Months RM'000</b>	<b>&gt; 3 to 12 Months RM'000</b>	<b>&gt; 1 to 5 Years RM'000</b>	<b>Over 5 Years RM'000</b>	<b>No specific maturity RM'000</b>	<b>Total RM'000</b>
<b>Liabilities</b>							
Deposits from customers	3,020,052	457,774	183,505	-	-	-	3,661,331
Deposits and placements from financial institutions	3,423,192	2,891,817	59,144	5,873,413	-	-	12,247,566
Derivative financial liabilities	12,604	4,286	102,620	105,675	-	-	225,185
Lease liabilities	432	862	2,949	2,501	-	-	6,744
Other liabilities	33,964	12,983	7,848	42,569	-	189,698	287,062
<b>Total liabilities</b>	<u>6,490,244</u>	<u>3,367,722</u>	<u>356,066</u>	<u>6,024,158</u>	<u>-</u>	<u>189,698</u>	<u>16,427,888</u>
<b>Net liquidity gap</b>	<u>343,924</u>	<u>(633,793)</u>	<u>2,392,324</u>	<u>(290,603)</u>	<u>-</u>	<u>(142,600)</u>	<u>1,669,252</u>

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**29. 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 2024 and 31 March 2023. 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.

	<b>Up to 1 Month RM'000</b>	<b>&gt; 1 to 3 Months RM'000</b>	<b>&gt; 3 to 12 Months RM'000</b>	<b>&gt; 1 to 5 Years RM'000</b>	<b>Over 5 Years RM'000</b>	<b>No specific maturity RM'000</b>	<b>Total RM'000</b>
<b>2024</b>							
<b>Non-derivative liabilities</b>							
Deposits from customers	4,346,862	401,556	211,882	-	-	-	4,960,300
Deposits and placements from financial institutions	374,042	-	2,566,651	7,136,310	-	-	10,077,003
Lease liabilities	393	787	2,767	2,435	-	-	6,382
Other liabilities	4,775	2,207	46,865	52,961	617	288,660	396,085
	<u>4,726,072</u>	<u>404,550</u>	<u>2,828,165</u>	<u>7,191,706</u>	<u>617</u>	<u>288,660</u>	<u>15,439,770</u>

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**29. Financial risk management objectives and policies (continued)**

**(c) Liquidity risk (continued)**

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

<b>2024</b>	<b>Up to 1 Month RM'000</b>	<b>&gt; 1 to 3 Months RM'000</b>	<b>&gt; 3 to 12 Months RM'000</b>	<b>&gt; 1 to 5 Years RM'000</b>	<b>Over 5 Years RM'000</b>	<b>No specific maturity RM'000</b>	<b>Total RM'000</b>
<b>Commitment and contingencies</b>							
Direct credit substitutes	1,928	17,340	151,827	23,690	-	-	194,785
Transaction related contingencies	1,038	1,837	85,175	115,096	12,532	-	215,678
Short-term self-liquidating trade related contingencies	403	-	4,217	-	-	-	4,620
Foreign exchange related contracts	2,180,688	1,243,469	2,502,997	46,148	-	-	5,973,302
Interest/profit related contracts	637,774	2,891	3,331,276	4,520,748	-	-	8,492,689
Other commitments, such as formal standby credit lines, with an original maturity over one year	-	-	1,417,080	377,888	-	-	1,794,968
Any commitments that are unconditionally cancelled any time by the bank without prior notice	6,126,662	-	-	-	-	-	6,126,662
	<u>8,948,493</u>	<u>1,265,537</u>	<u>7,492,572</u>	<u>5,083,570</u>	<u>12,532</u>	<u>-</u>	<u>22,802,704</u>

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**29. Financial risk management objectives and policies (continued)**

**(c) Liquidity risk (continued)**

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

<b>2023</b>	<b>Up to 1 Month RM'000</b>	<b>&gt; 1 to 3 Months RM'000</b>	<b>&gt; 3 to 12 Months RM'000</b>	<b>&gt; 1 to 5 Years RM'000</b>	<b>Over 5 Years RM'000</b>	<b>No specific maturity RM'000</b>	<b>Total RM'000</b>
<b>Non-derivative liabilities</b>							
Deposits from customers	3,025,060	461,127	188,426	-	-	-	3,674,613
Deposits and placements from financial institutions	3,458,239	2,929,062	62,020	5,949,942	-	-	12,399,263
Lease liabilities	444	883	3,013	2,528	-	-	6,868
Other liabilities	33,964	12,983	7,848	42,569	-	189,698	287,062
	<u>6,517,707</u>	<u>3,404,055</u>	<u>261,307</u>	<u>5,995,039</u>	<u>-</u>	<u>189,698</u>	<u>16,367,806</u>

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**29. Financial risk management objectives and policies (continued)**

**(c) Liquidity risk (continued)**

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

<b>2023</b>	<b>Up to 1 Month RM'000</b>	<b>&gt; 1 to 3 Months RM'000</b>	<b>&gt; 3 to 12 Months RM'000</b>	<b>&gt; 1 to 5 Years RM'000</b>	<b>Over 5 Years RM'000</b>	<b>No specific maturity RM'000</b>	<b>Total RM'000</b>
<b>Commitment and contingencies</b>							
Direct credit substitutes	1,511	20,063	164,411	20,239	-	-	206,224
Transaction related contingencies	743	6,484	51,464	79,456	-	-	138,147
Short-term self-liquidating trade related contingencies	22	34	7,790	-	-	-	7,846
Foreign exchange related contracts	1,527,806	179,093	1,431,224	87,825	-	-	3,225,948
Interest/profit related contracts	632,469	237,815	2,877,770	5,340,073	-	-	9,088,127
Other commitments, such as formal standby credit lines, with an original maturity over one year	-	-	-	1,324,830	-	-	1,324,830
Any commitments that are unconditionally cancelled any time by the bank without prior notice	4,068,019	-	-	-	-	-	4,068,019
	<u>6,230,570</u>	<u>443,489</u>	<u>4,532,659</u>	<u>6,852,423</u>	<u>-</u>	<u>-</u>	<u>18,059,141</u>

**NOTES TO THE FINANCIAL STATEMENTS  
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**29. 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.

- (i) *Internal Process*  
resulting from inadequate/failure of business processes or transactions process flows. Well-controlled and organised processes are essential.
- (ii) *People*  
resulting from staff defaulting in expected behaviour or the Bank being ineffective/inefficient in the management of its human capital.
- (iii) *Systems*  
arising from system downtime or delays in available data, inadequate integrity between old and new software, and incapability of hardware to fulfil business requirements.
- (iv) *External Events*  
risk of events and actions from outside (beyond organisation's immediate control) which bring negative impact on the Bank.

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



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**30. Offsetting of financial assets and financial liabilities**

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

	<b>Gross amount of recognised financial assets/ liabilities RM'000</b>	<b>Gross amounts offset in the statement of financial position RM'000</b>	<b>Amounts presented in the statement of financial position RM'000</b>	<b>Amount not offset in the statement of financial position</b>		<b>Net Amount RM'000</b>
				<b>Financial instruments RM'000</b>	<b>Cash collateral received/ pledged RM'000</b>	
<b>2024</b>						
Derivative financial assets	320,473	-	320,473	-	(276,761)	43,712
Derivative financial liabilities	236,040	-	236,040	-	(11,999)	224,041
<b>2023</b>						
Derivative financial assets	260,094	-	260,094	-	(177,015)	83,079
Derivative financial liabilities	225,185	-	225,185	-	(12,110)	213,075

**NOTES TO THE FINANCIAL STATEMENTS  
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**31. 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.

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**31. 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 both the 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.

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**31. 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:

	Quoted Market Price (Level 1) RM'000	Valuation technique using		Total RM'000
		Observable Inputs (Level 2) RM'000	Unobservable Inputs (Level 3) RM'000	
<b>2024</b>				
<i>Financial assets:</i>				
<b>Financial assets at FVTPL</b>	-	<b>2,207,012</b>	-	<b>2,207,012</b>
Loans, advances and financing	-	2,207,012	-	2,207,012
<b>Financial assets at FVOCI</b>	-	<b>1,595,385</b>	-	<b>1,595,385</b>
Money market instruments	-	1,595,385	-	1,595,385
<b>Derivative assets</b>	-	<b>320,473</b>	-	<b>320,473</b>
Foreign exchange related contracts	-	48,555	-	48,555
Interest rate related contracts	-	271,918	-	271,918
	<b>-</b>	<b>4,122,870</b>	<b>-</b>	<b>4,122,870</b>
<i>Financial liabilities:</i>				
<b>Derivative liabilities</b>	-	<b>236,040</b>	-	<b>236,040</b>
Foreign exchange related contracts	-	30,268	-	30,268
Interest rate related contracts	-	205,772	-	205,772

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**31. Fair value measurements (continued)**

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

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

	Quoted Market Price (Level 1) RM'000	Valuation technique using		Total RM'000
		Observable Inputs (Level 2) RM'000	Unobservable Inputs (Level 3) RM'000	
<b>2023</b>				
<i>Financial assets:</i>				
<b>Financial assets at FVTPL</b>	-	<b>1,389,969</b>	-	<b>1,389,969</b>
Loans, advances and financing	-	1,389,969	-	1,389,969
<b>Financial assets at FVOCI</b>	-	<b>1,523,709</b>	-	<b>1,523,709</b>
Money market instruments	-	1,523,709	-	1,523,709
<b>Derivative assets</b>	-	<b>260,094</b>	-	<b>260,094</b>
Foreign exchange related contracts	-	25,446	-	25,446
Interest rate related contracts	-	234,648	-	234,648
	-	<b>3,173,772</b>	-	<b>3,173,772</b>
<i>Financial liabilities:</i>				
<b>Derivative liabilities</b>	-	<b>225,185</b>	-	<b>225,185</b>
Foreign exchange related contracts	-	26,024	-	26,024
Interest rate related contracts	-	199,161	-	199,161

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**31. 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(n). There were no transfers between Level 1 and 2 for the Bank during the financial year ended 31 March 2024 and 31 March 2023.

**(e) Movements of Level 3 instruments**

There are no Level 3 instruments as at 31 March 2024 and 31 March 2023.

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

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

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

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

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**31. Fair value measurements (continued)**

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

The table below analyses financial instruments not carried at fair value for which fair value is disclosed, together with their fair values and carrying amount shown in the 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
<b>2024</b>					
<b>Financial assets</b>					
Loans, advances and financing	-	8,099,562	101,312	8,200,874	8,200,911
<b>2023</b>					
<b>Financial assets</b>					
Loans, advances and financing	-	7,750,316	103,414	7,853,730	7,854,079

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 the 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.

**32. Capital management**

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

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**33. Inter-bank offered rates (“IBOR”) reform**

IBOR which has been widely used in the global financial markets, has been discontinued end-2021 and replaced by risk-free rates (“RFRs”) as part of global reform of benchmark interest rate. The transition from IBOR to RFRs have significant impact on the Bank arising from the legal implications for existing derivatives and loan contract referenced to IBOR, adjustment to accounting and valuation approaches, and system recalibration and reconfiguration.

The following table presents exposures that have yet to transition from IBOR to RFRs:

	<b>Non-derivatives financial assets carrying amount RM'000</b>	<b>Derivatives notional amount RM'000</b>
<b>2024</b>		
USD LIBOR	-	-
MYR KLIBOR	-	-
<b>2023</b>		
USD LIBOR	2,351,440	4,336,443
MYR KLIBOR	139,038	103,200



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**34. Capital adequacy**

The capital ratios are computed in accordance with Bank Negara Malaysia's Capital Adequacy Framework (Capital Components) issued on 9 December 2020 and Capital Adequacy Framework (Basel II - Risk Weighted Assets) issued on 3 May 2019. 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, Tier 1 capital ratio and total capital ratio including the capital conservation buffer are 7.0%, 8.5% and 10.5% on the risk-weighted assets ("RWA") respectively. The minimum regulatory capital adequacy requirement remains at 8% for total capital ratio.

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

	<b>2024</b>	<b>2023</b>
<b>Capital ratios:</b>		
CET1 Capital Ratio / Tier 1 Capital Ratio	24.129%	24.880%
Total Capital Ratio	<u>25.243%</u>	<u>26.019%</u>

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

	<b>2024</b>	<b>2023</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>CET 1 / Tier 1 Capital</b>		
Paid-up share capital	1,200,000	1,200,000
Retained profits	480,605	403,556
Other reserves and regulatory adjustments	<u>(12,420)</u>	<u>(11,230)</u>
Total CET 1 / Tier 1 Capital	1,668,185	1,592,326
<b>Tier 2 Capital</b>		
General provisions and regulatory reserve	<u>77,006</u>	<u>72,910</u>
Total Capital	<u>1,745,191</u>	<u>1,665,236</u>

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

	<b>2024</b>	<b>2023</b>
	<b>RM'000</b>	<b>RM'000</b>
Total RWA for Credit risk	6,160,468	5,832,824
Total RWA for Market risk	371,801	224,140
Total RWA for Operational risk	<u>381,281</u>	<u>343,045</u>
Total RWA	<u>6,913,550</u>	<u>6,400,009</u>

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**34. 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:

	<b>Principal RM'000</b>	<b>Risk- Weighted Assets RM'000</b>
<b>2024</b>		
0%	3,131,079	-
20%	3,693,800	738,760
50%	729,471	364,736
100%	5,056,972	5,056,972
Total RWA for Credit risk	12,611,322	6,160,468
Total RWA for Market risk	-	371,801
Total RWA for Operational risk	-	381,281
Total RWA	<u>12,611,322</u>	<u>6,913,550</u>
<b>2023</b>		
0%	4,069,555	-
20%	4,637,862	927,572
50%	808,301	404,151
100%	4,501,101	4,501,101
Total RWA for Credit risk	14,016,819	5,832,824
Total RWA for Market risk	-	224,140
Total RWA for Operational risk	-	343,045
Total RWA	<u>14,016,819</u>	<u>6,400,009</u>

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**34. 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
<b>2024</b>				
<b>Credit Risk</b>				
<u>On-balance sheet exposures:</u>				
Sovereigns/central banks	2,729,712	2,729,712	-	-
Banks, Development Financial Institutions and Multilateral Development Banks ("MDBs")	6,621,610	4,101,140	851,426	68,114
Corporates	7,634,409	4,284,044	4,186,673	334,934
Other assets	28,126	28,126	28,126	2,250
Total on-balance sheet exposures	<u>17,013,857</u>	<u>11,143,022</u>	<u>5,066,225</u>	<u>405,298</u>
<u>Off-balance sheet exposures:</u>				
Over-the-counter ("OTC") derivatives	912,038	912,038	553,279	44,262
Off-balance sheet exposures other than OTC derivatives or credit derivatives	556,262	556,262	540,964	43,277
Total off-balance sheet exposures	<u>1,468,300</u>	<u>1,468,300</u>	<u>1,094,243</u>	<u>87,539</u>
Total on and off-balance sheet exposures	<u>18,482,157</u>	<u>12,611,322</u>	<u>6,160,468</u>	<u>492,837</u>
	<b>Long Position RM'000</b>	<b>Short Position RM'000</b>	<b>Risk- Weighted Assets RM'000</b>	<b>Minimum Capital Requirements at 8% RM'000</b>
<b>Market risk</b>				
Interest rate risk	8,514,624	8,493,984	95,196	7,616
Foreign currency risk	22,128	-	276,605	22,128
<b>Operational risk</b>			381,281	30,502
Total RWA and capital requirements			<u>6,913,550</u>	<u>553,083</u>

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**34. 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
<b>2023</b>				
<b>Credit Risk</b>				
<u>On-balance sheet exposures:</u>				
Sovereigns/central banks	3,023,209	3,023,209	-	-
Banks, Development Financial Institutions and Multilateral Development Banks ("MDBs")	7,233,521	5,223,825	1,128,490	90,279
Corporates	7,585,441	4,486,645	3,753,954	300,317
Other assets	27,340	27,340	27,340	2,187
Total on-balance sheet exposures	<u>17,869,511</u>	<u>12,761,019</u>	<u>4,909,784</u>	<u>392,783</u>
<u>Off-balance sheet exposures:</u>				
Over-the-counter ("OTC") derivatives	824,370	824,370	509,773	40,782
Off-balance sheet exposures other than OTC derivatives or credit derivatives	431,430	431,430	413,267	33,061
Total off-balance sheet exposures	<u>1,255,800</u>	<u>1,255,800</u>	<u>923,040</u>	<u>73,843</u>
Total on and off-balance sheet exposures	<u>19,125,311</u>	<u>14,016,819</u>	<u>5,832,824</u>	<u>466,626</u>
	<b>Long Position RM'000</b>	<b>Short Position RM'000</b>	<b>Risk- Weighted Assets RM'000</b>	<b>Minimum Capital Requirements at 8% RM'000</b>
<b>Market risk</b>				
Interest rate risk	9,078,399	9,057,616	82,103	6,568
Foreign currency risk	11,363	-	142,037	11,363
<b>Operational risk</b>			343,045	27,444
Total RWA and capital requirements			<u>6,400,009</u>	<u>512,001</u>