Company No.

923693	H

MIZUHO BANK (MALAYSIA) BERHAD

Incorporated in Malaysia

STATUTORY FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2014

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

FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2014

CONTENTS	**PAGE**

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

DIRECTORS' REPORT
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2014

The directors have pleasure in presenting their report together with the audited financial statements of Mizuho Bank (Malaysia) Berhad (the "Bank") for the financial year ended 31 March 2014.

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.

The Bank has changed its name from Mizuho Corporate Bank (Malaysia) Berhad to Mizuho Bank (Malaysia) Berhad on 1 July 2013.

FINANCIAL RESULTS

	RM'000
Profit before taxation	7,254
Taxation	(2,724)
Net profit for the financial year	4,530

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

DIVIDENDS

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

DIRECTORS

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

Mr. Hiroshi Suehiro
Mr. Katsuyuki Mizuma
Dato‟ Seri Talaat Bin Husain
Mr. Mohd Mokhtar Bin Ghazali
Mr. Hiroyuki Yoshinari (resigned on 12 May 2014)

DIRECTORS' REPORT
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2014

DIRECTORS' INTERESTS IN SHARES

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

DIRECTORS' BENEFITS

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

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

ISSUE OF SHARES

The issued and paid-up share capital of the Bank was increased from RM350,000,000 as at 31 March 2013 to RM700,000,000 as at 31 March 2014 by the issuance of additional 350,000,000 new ordinary shares of RM1 each at par in the share capital of the Bank to its holding bank, Mizuho Bank, Ltd. for cash.

BAD AND DOUBTFUL DEBTS

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

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

CURRENT ASSETS

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

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

VALUATION METHODS

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

CONTINGENT AND OTHER LIABILITIES

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

(a) any charge on the assets of the Bank which has arisen since the end of the financial year which secures the liability of any other person; or

(b) any contingent liability in respect of the Bank which has arisen since the end of the financial year other than in the ordinary course of banking business.

CONTINGENT AND OTHER LIABILITIES (CONTINUED)

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

CHANGE OF CIRCUMSTANCES

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

ITEMS OF UNUSUAL NATURE

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

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

HOLDING COMPANIES

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

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

DIRECTORS' REPORT
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2014

BUSINESS OVERVIEW AND OUTLOOK FOR THE NEXT FINANCIAL YEAR

Business overview

Mizuho Bank (Malaysia) Berhad, incorporated in Malaysia, is a fully owned subsidiary of Mizuho Bank, Ltd. (formerly known as Mizuho Corporate Bank, Ltd.), incorporated in Japan. Mizuho has maintained its banking presence in Malaysia for more than 30 years, from the initial establishment of a representative office in Kuala Lumpur in 1981 to the subsequent successful expansion of its business operations in the Malaysian off-shore banking market. In 2011, Mizuho obtained the opportunity to enhance the provision of banking services to our customers in the Malaysian on-shore banking market, via incorporation of Mizuho Bank (Malaysia) Berhad.

The Bank works closely with various group affiliates under the global umbrella of Mizuho Financial Group. During the financial year ended 31 March 2014, our business strategy was to enhance our corporate client base in Malaysia by providing high quality financial products with value added solutions. This business strategy has led us to the positive results below.

The Bank has recorded a net profit of RM5.0 million during the current financial year ended 31 March 2014. Total operating profit of the Bank has increased significantly to RM11.0 million as compared to total operating profit of RM8.8 million during the previous financial year. Gross loans, advances and financing outstanding amounted to RM429.8 million as at 31 March 2014, representing a 53.9% increase compared to the previous financial year.

Based on these positive financial results, the Board is confident that the Bank will continue to enhance both its asset and client base in Malaysia significantly.

Business outlook for the next financial year

Moving into the new financial year, the Bank remains optimistic on the economy in Malaysia. Malaysia‟s GDP growth is expected to be around 5% in 2014 with the positive outlook underpinned by the services and manufacturing sectors but amid higher inflation due to domestic costs factors. Sustainable growth in private sector consumption and robust investment activities will further support Malaysia's economic growth as well. As such, the Bank is confident that it is well positioned to capitalise on the business opportunities available in Malaysia's economy.

The overriding expectation for the world economy in 2014 is that it will continue to display stable growth, underpinned mainly by the economies of developed countries. However, the direction of Europe and China‟s economies remains unclear creating downside risk. Therefore, diligence in insightful forecasting and credit management remain important.

The Bank will continue to strengthen its customer relationships and respond accurately to any changes in the business environment. The Bank will aim to achieve sustainable and stable growth together with its customers and position itself as a reliable financial institution that contributes to the sound development of economy and society for both Malaysia and Japan.

DIRECTORS' REPORT
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2014

STATEMENT OF CORPORATE GOVERNANCE

BOARD'S DUTIES AND RESPONSIBILITIES

The Board of Directors (the "Board") is led by the Chairman, Mr. Hiroshi Suehiro, who is a Non-Independent Non-Executive Director.

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

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

The Terms of Reference of the Board include the following:

(1) The review and approval of management's proposal on strategies, business plan and significant policies and monitoring of management‟s performance in the implementation process;

(2) Establishment of comprehensive risk management policies, processes and infrastructure to manage the various types of risks; and

(3) Ensuring the operations of the Bank are carried out prudently and within the framework of relevant laws, rulings and regulations.

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

DIRECTORS' REPORT
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2014

BOARD COMPOSITION

The Board of the Bank consists of five (5) members, of whom one (1) is the Managing Director/Chief Executive Officer ("CEO"), two (2) are Independent Non-Executive Directors and two (2) are Non-Independent Non-Executive Directors.

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

The presence of the two (2) Independent Non-Executive Directors provides the necessary checks and balances in the functioning of the Board and facilitates the Board in exercising objective judgement in decision making.

PROFILE OF DIRECTORS

Mr. Hiroshi Suehiro
Chairman, Non-Independent Non-Executive Director

Mr. Hiroshi Suehiro, aged 56, was appointed the Chairman of the Bank on 9 February 2012. He holds a Bachelor of Law Degree from the University of Tokyo, Japan.

Mr. Katsuyuki Mizuma
Non-Independent Non-Executive Director

Mr. Katsuyuki Mizuma, aged 54, was appointed the Director of the Bank on 29 May 2012. He holds a Bachelor of Law Degree from The Kyoto University, Japan.

Dato’ Seri Talaat Bin Husain
Independent Non-Executive Director

Dato' Seri Talaat Bin Husain, aged 63, was appointed as a Director of the Bank on 1 March 2011. He is the Chairman at the Nomination Committee and Remuneration Committee. He holds a Bachelor of Social and Political Science from University Sains Malaysia and a Masters degree in Professional Studies (International Planning) from Cornell University New York, USA.

Mr. Mohd Mokhtar Bin Ghazali
Independent Non-Executive Director

Mr. Mohd Mokhtar Bin Ghazali, aged 71, was appointed as a Director of the Bank on 1 March 2011. He is the Chairman of the Risk Management Committee and Audit Committee. He holds a Bachelor of Economics from University Malaya, Malaysia.

STATEMENT OF CORPORATE GOVERNANCE (CONTINUED)

PROFILE OF DIRECTORS (CONTINUED)

Mr. Hiroyuki Yoshinari
Managing Director/Chief Executive Officer

Mr. Hiroyuki Yoshinari, aged 54, was appointed as Managing Director and CEO of the Bank on 1 March 2011. He has resigned as Managing Director of the Bank on 12 May 2014. He holds a Bachelor of Liberal Arts (Natural Sciences Division) from International Christian University, Japan.

FREQUENCY AND CONDUCT OF BOARD MEETINGS

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

During the financial year, the Board held five (5) meetings and the attendance at the Board meetings are as follows:

Board	Number of Meetings	
	Held	Attended
Mr. Hiroshi Suehiro *Non-Independent Non-Executive Director*	5	5
Mr. Katsuyuki Mizuma *Non-Independent Non-Executive Director*	5	5
Dato‟ Seri Talaat Bin Husain *Independent Non-Executive Director*	5	5
Mr. Mohd Mokhtar Bin Ghazali *Independent Non-Executive Director*	5	5
Mr. Hiroyuki Yoshinari (resigned on 12 May 2014) *Managing Director/Chief Executive Officer*	5	5

DIRECTORS' TRAINING

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

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

STATEMENT OF CORPORATE GOVERNANCE (CONTINUED)

BOARD COMMITTEES (CONTINUED)

NOMINATION AND REMUNERATION COMMITTEE

The Nomination and Remuneration Committees are responsible to provide a formal and transparent procedure for the appointment of directors and CEO as well as the assessment of the effectiveness of individual directors, board as a whole and the performance of the CEO and key senior management officers. The Remuneration Committee also reviews and endorses, where appropriate, the remuneration of the CEO and key senior management officers as recommended by the Bank's regional management.

The Nomination and Remuneration Committees meet at least annually. During the financial year ended 31 March 2013, the Nomination Committee met twice (2) and the Remuneration Committee met once (1). The attendance at the Nomination and Remuneration Committee are as follows:

Nomination Committee Members	**Number of Meetings**	
	Held	**Attended**
Dato‟ Seri Talaat Bin Husain *Chairman*	2	2
Mr. Mohd Mokhtar Bin Ghazali *Member*	2	2
Mr. Hiroyuki Yoshinari (resigned on 12 May 2014) *Member*	2	2
Mr. Hiroshi Suehiro *Member*	2	2
Mr. Katsuyuki Mizuma *Member*	2	2

Remuneration Committee Members	**Number of Meetings**	
	Held	**Attended**
Dato‟ Seri Talaat Bin Husain *Chairman*	1	1
Mr. Hiroshi Suehiro *Member*	1	1
Mr. Katsuyuki Mizuma *Member*	1	1

STATEMENT OF CORPORATE GOVERNANCE (CONTINUED)

BOARD COMMITTEES (CONTINUED)

AUDIT COMMITTEE

The Bank‟s Audit Committee comprises two (2) Independent Non-Executive Directors (of whom one (1) is the Chairman) and one (1) Non-Independent Non-Executive Director.

The Audit Committee meets every quarter at minimum.

Details of attendance of each Member at the Audit Committee meetings held during the financial year ended 31 March 2014 are as follows:

Audit Committee Members	**Number of Meetings**	
	Held	**Attended**
Mr. Mohd Mokhtar Bin Ghazali *Chairman*	5	5
Dato‟ Seri Talaat Bin Husain *Member*	5	5
Mr. Katsuyuki Mizuma *Member*	5	5

Accountability and Audit

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

The Chief Internal Auditor attends every Audit Committee meeting.

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

The activities carried out by the Audit Committee during the year are set out in the Audit Committee Report on pages 11 to 13 of this Directors' Report.

STATEMENT OF CORPORATE GOVERNANCE (CONTINUED)

BOARD COMMITTEES (CONTINUED)

AUDIT COMMITTEE (CONTINUED)

Relationship with External Auditors

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

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

The Audit Committee has considered the provision of non-audit services by the external auditors during the year and concluded that the provision of these services did not compromise the external auditors‟ independence and objectivity as the amount of the fees paid for these services was not significant when compared to the total fees paid to the external auditors.

Risk Governance

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

Summary of Activities

During the financial year ended 31 March 2014, the Audit Committee carried out the following activities:

Financial Reporting

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

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

STATEMENT OF CORPORATE GOVERNANCE (CONTINUED)

BOARD COMMITTEES (CONTINUED)

AUDIT COMMITTEE (CONTINUED)

Internal Audit

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

External Audit

Reviewed with the external auditors:

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

Related Party Transactions

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

STATEMENT OF CORPORATE GOVERNANCE (CONTINUED)

BOARD COMMITTEES (CONTINUED)

AUDIT COMMITTEE (CONTINUED)

Internal Audit Function

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

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

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

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

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

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

STATEMENT OF CORPORATE GOVERNANCE (CONTINUED)

BOARD COMMITTEES (CONTINUED)

BOARD RISK MANAGEMENT COMMITTEE

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

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

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

The establishment of BRMC is approved by the Board.

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

The Chairman of the BRMC is Mr. Mohd Mokhtar Bin Ghazali and its members are Mr. Hiroshi Suehiro and Mr. Katsuyuki Mizuma.

The Committee meets at least once every quarter, or more often as the Chairman of the Committee considers necessary or appropriate and the Committee held four (4) meetings during the year.

STATEMENT OF CORPORATE GOVERNANCE (CONTINUED)

BOARD COMMITTEES (CONTINUED)

BOARD RISK MANAGEMENT COMMITTEE (CONTINUED)

The details of attendance of each member at BRMC Meetings held during the financial year ended 31 March 2014 are as follows:

Board Risk Management Committee Members	**Number of Meetings**	
	Held	**Attended**
Mr. Mohd Mokhtar Bin Ghazali *Chairman*	4	4
Mr. Hiroshi Suehiro *Member*	4	4
Mr. Katsuyuki Mizuma *Member*	4	4

The Board Risk Management Committee is responsible for:

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

STATEMENT OF CORPORATE GOVERNANCE (CONTINUED)

BOARD COMMITTEES (CONTINUED)

BOARD RISK MANAGEMENT COMMITTEE (CONTINUED)

Committees supporting the Board Risk Management Committee

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

ALMC

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

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

- reviewing, assessing and reporting to the Board matters in relation to market risk, liquidity risk and market-oriented profits; and
- reviewing and assessing Asset and Liability Management (“ALM”) operations in relation to funding management, market risk management and any other policies.

CRMC

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

The CRMC is chaired by Independent non-executive director.

The Role of the CRMC is as follows:

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

STATEMENT OF CORPORATE GOVERNANCE (CONTINUED)

BOARD COMMITTEES (CONTINUED)

MANAGEMENT INFORMATION

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

RELATED PARTY TRANSACTIONS

During the financial year ended 31 March 2014, the Bank entered into transactions with its immediate holding company, Mizuho Bank, Ltd. in the normal course of business. The details and nature of the transactions are disclosed in Note 26 to the financial statements.

AUDITORS

The auditors, Ernst & Young, have expressed their willingness to continue in office.

Signed on behalf of the Board in accordance with their resolution dated _________________.

DATO' SERI TALAAT BIN HUSAIN DIRECTOR	MR. MOHD MOKHTAR BIN GHAZALI DIRECTOR

Kuala Lumpur

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

STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2014

	Note	2014 RM'000	2013 RM'000
ASSETS			
Cash and short-term funds	5	1,203,637	651,596
Deposits and placements with financial institutions	6	222,000	35,927
Financial investments available-for-sale	7	143,471	94,340
Loans, advances and financing	8	424,168	277,472
Derivative financial assets	9	74,982	20,209
Other assets	10	6,751	2,591
Property and equipment	11	9,183	11,003
Intangible asset	12	2,777	2,528
TOTAL ASSETS		2,086,969	1,095,666
LIABILITIES AND EQUITY			
Deposits from customers	13	971,160	577,622
Deposits and placements from financial institutions	14	293,754	151,995
Derivative financial liabilities	9	58,933	7,896
Other liabilities	15	53,784	3,794
Deferred tax liabilities	16	1,854	1,347
TOTAL LIABILITIES		1,379,485	742,654
Share capital	17	700,000	350,000
Retained profit		4,738	2,986
Other reserves	18	2,746	26
TOTAL EQUITY		707,484	353,012
TOTAL LIABILITIES AND EQUITY		2,086,969	1,095,666
COMMITMENTS AND CONTINGENCIES	28	4,348,033	2,277,317

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

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

STATEMENT OF COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR ENDED 31 MARCH 2014

	Note	2014 RM'000	2013 RM'000
Interest income	19	39,514	25,963
Interest expense	20	(15,593)	(8,928)
Net interest income		23,921	17,035
Other operating income	21	21,909	24,689
Net operating income		45,830	41,724
Other operating expenses	22	(34,808)	(32,900)
Operating profit		11,022	8,824
Impairment allowance on loans, advances and financing	24	(3,768)	(1,308)
Profit before taxation		7,254	7,516
Taxation	25	(2,724)	(1,960)
Profit for the financial year		4,530	5,556
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss:			
Unrealised (loss)/gain on financial investments		(77)	11
Income tax effect		19	(3)
Other comprehensive income for the year		(58)	8
Total comprehensive income for the financial year		4,472	5,564
Profit attributable to:			
Owner of the Bank		4,530	5,556
Total comprehensive income attributable to:			
Owner of the Bank		4,472	5,564
Basic earnings per share (sen)		1.14	1.59

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

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

STATEMENT OF CHANGES IN EQUITY FOR THE FINANCIAL YEAR ENDED 31 MARCH 2014

		←Non-distributable	→	Distributable	
	Share capital RM'000	Statutory reserve RM'000	Available for-sale reserve RM'000	Retained profits RM'000	Total RM'000
2014					
At 1 April 2013	350,000	-	26	2,986	353,012
Issuance of shares	350,000	-	-	-	350,000
Profit for the financial year	-	-	-	4,530	4,530
Other comprehensive income	-	-	(58)	-	(58)
Transfer to statutory reserve	-	2,778	-	(2,778)	-
At 31 March 2014	700,000	2,778	(32)	4,738	707,484
2013					
At 1 April 2012	350,000	-	18	(2,570)	347,448
Profit for the financial year	-	-	-	5,556	5,556
Other comprehensive income	-	-	8	-	8
At 31 March 2013	350,000	-	26	2,986	353,012

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

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

STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2014

	2014 RM'000	2013 RM'000
Cash flows from operating activities		
Profit before taxation	7,254	7,516
Adjustment for:		
Depreciation of property and equipment	2,309	2,207
Amortisation of intangible asset	450	394
Impairment allowances on loans, advances and financing	3,768	1,308
Accretion of discount net of amortisation of premium	(2,172)	(450)
Unrealised gain on revaluation of derivatives	(3,734)	(8,194)
Unrealised foreign exchange gain	(2,501)	(890)
Operating profit before changes in working capital	5,374	1,891
(Increase)/decrease in operating assets		
Deposits and placements with financial institutions	(186,073)	(10,927)
Loans, advances and financing	(150,464)	(188,298)
Other assets	(1,457)	175
Amount owing by holding company	(130)	(298)
Purchase of financial investments available-for-sale	(47,036)	(53,856)
Increase in operating liabilities		
Deposits from customers	393,538	478,450
Deposits and placements from financial institutions	141,759	97,965
Other liabilities	51,488	1,116
Cash generated from operating activities	206,999	326,218
Taxation paid	(3,770)	(125)
Net cash generated from operating activities	203,229	326,093
Cash flows from investing activities		
Purchase of property and equipment	(489)	(875)
Purchase of intangible asset	(699)	(1,289)
Net cash used in investing activities	(1,188)	(2,164)

STATEMENT OF CASH FLOWS (CONTINUED)
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2014

	2014 RM'000	2013 RM'000
Cash flows from financing activity		
Proceeds from issuance of ordinary shares	350,000	-
Net cash generated from financing activity	350,000	-
Net increase in cash and cash equivalents	552,041	323,929
Cash and cash equivalents at 1 April	651,596	327,667
Cash and cash equivalents as at 31 March	1,203,637	651,596
Analysis of cash and cash equivalents		
Cash and short-term funds (Note 5)	1,203,637	651,596

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

1 GENERAL INFORMATION

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

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

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

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of directors on 6 August 2014.

2 ACCOUNTING POLICIES

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

2.1 BASIS OF PREPARATION AND PRESENTATION

The financial statements of the Bank have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards ("IFRS") and the requirements of the Companies Act, 1965 in Malaysia.

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

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

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

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

2 ACCOUNTING POLICIES (CONTINUED)

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(i) Financial assets

(a) Date of recognition

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

(b) Initial recognition and subsequent measurement

Financial assets within the scope of MFRS 139 are classified as financial assets at fair value through profit or loss, loans and receivables, financial investments held-to-maturity and financial investments available-for-sale. The Bank determines the classification of financial assets at initial recognition, in which the details are disclosed below.

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

Included in financial assets of the Bank are the following:

(1) Loans and receivables

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

(2) Financial investments available-for-sale ("AFS")

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

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

2 ACCOUNTING POLICIES (CONTINUED)

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Financial assets (continued)

(b) Initial recognition and subsequent measurement (continued)

(2) Financial investments available-for-sale ("AFS") (continued)

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

(c) Derecognition

A financial asset is derecognised when:

(1) The rights to receive cash flows from the financial asset have expired;

(2) The Bank have transferred its rights to receive cash flows from the financial asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass through" arrangement; and either:

(i) the Bank have transferred substantially all the risks and rewards of the financial asset, or

(ii) the Bank have neither transferred nor retained substantially all the risks and rewards of the financial asset, but have transferred control of the financial asset.

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

2 ACCOUNTING POLICIES (CONTINUED)

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Financial assets (continued)

(d) Impairment of financial assets

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

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

(1) Loans and receivables

(i) Loans, advances and financing

Classification of loans, advances and financing as impaired

Loans, advances and financing are classified as impaired when:

- principal or interest/profit or both are past due for three (3) months or more; or

- where loans, advances and financing in arrears for less than three (3) months exhibit indications of credit weaknesses, whether or not impairment loss has been provided for; or

- where an impaired loans, advances and financing has been rescheduled or restructured, the loans, advances and financing will continue to be classified as impaired until repayments based on the revised and/or restructured terms have been observed continuously for a period of six (6) months.

2 ACCOUNTING POLICIES (CONTINUED)

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Financial assets (continued)

(d) Impairment of financial assets (continued)

(1) Loans and receivables (continued)

(i) Loans, advances and financing (continued)

Impairment process – individual assessment

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

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

Impairment process – collective assessment

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

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

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

2 ACCOUNTING POLICIES (CONTINUED)

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Financial assets (continued)

(d) Impairment of financial assets (continued)

(1) Loans and receivables (continued)

(i) Loans, advances and financing (continued)

Impairment process – written off accounts

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

(ii) Other receivables

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

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

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

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

2 ACCOUNTING POLICIES (CONTINUED)

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Financial assets (continued)

(d) Impairment of financial assets (continued)

(2) Financial investments available-for-sale ("AFS")

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

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

Interest income is recorded as part of interest and similar income. If in a subsequent period, the fair value of a debt instrument increases and the increase can be objectively related to a credit event occurring after the impairment loss was recognised in the income statements, the impairment loss is reversed through the income statements.

In the case of equity investments classified as financial investments AFS, the objective evidence would also include a "significant" or "prolonged" decline in the fair value of the investment below its cost. The the Bank treats "significant" generally as 25% and "prolonged" generally as four consecutive quarters.

Where there is evidence of impairment, the cumulative loss measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the income statements - is removed from equity and recognised in the income statements. Impairment losses on equity investments are not reversed through the income statements; increases in the fair value after impairment are recognised in other comprehensive income.

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

2 ACCOUNTING POLICIES (CONTINUED)

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Financial assets (continued)

(d) Impairment of financial assets (continued)

(2) Financial investments available-for-sale ("AFS") (continued)

For unquoted equity securities carried at cost, impairment loss is measured as the difference between the securities' carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for similar securities. The amount of impairment loss is recognised in the income statements and such impairment losses are not reversed subsequent to its recognition.

(ii) Financial liabilities

(a) Date of recognition

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

(b) Initial recognition and subsequent measurement

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

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

(1) Financial liabilities at FVTPL

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

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

2 ACCOUNTING POLICIES (CONTINUED)

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(ii) Financial liabilities (continued)

(b) Initial recognition and subsequent measurement (continued)

(2) Other financial liabilities

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

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

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

(ii) Payables

Payables are recognised initially at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method.

(iii) Other liabilities

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

(c) Derecognition

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

(iii) Offsetting of financial instruments

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

2 ACCOUNTING POLICIES (CONTINUED)

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(iv) Derivative instruments and hedge accounting

(a) Derivative instruments

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

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

(b) Hedge accounting

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

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

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

(1) Fair value hedge

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

2 ACCOUNTING POLICIES (CONTINUED)

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(iv) Derivative instruments and hedge accounting (continued)

(b) Hedge accounting (continued)

(1) Fair value hedge (continued)

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

(2) Cash flow hedge

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

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

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

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

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

(3) Hedge of net investments in foreign operations

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

2 ACCOUNTING POLICIES (CONTINUED)

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(iv) Derivative instruments and hedge accounting (continued)

(b) Hedge accounting (continued)

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

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

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

(v) Property and equipment and depreciation

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

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

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

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

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

2 ACCOUNTING POLICIES (CONTINUED)

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(vi) Intangible assets

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

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

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

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

Computer software	5 years

(vii) Other assets

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

(viii) Cash and cash equivalents

For the purpose of the cash flow statements, cash and cash equivalents include of cash and short-term funds and deposits and placements with financial institutions, with remaining maturity of less than one month.

(ix) Provisions for liabilities

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

2 ACCOUNTING POLICIES (CONTINUED)

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(ix) Provisions for liabilities (continued)

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

(x) Foreign currencies

(a) Functional and presentation currency

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

(b) Foreign currency transactions and balances

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

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

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

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

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

2 ACCOUNTING POLICIES (CONTINUED)

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(xi) Income tax

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

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

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

(xii) Recognition of interest income and expense

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

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

2 ACCOUNTING POLICIES (CONTINUED)

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

(xiii) Recognition of fee and other income

(a) Fee and commission income

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

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

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

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

(2) Fee income from providing transaction services

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

(b) Net trading income

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

2 ACCOUNTING POLICIES (CONTINUED)

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(xiv) Employee benefits

(a) Short-term benefits

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

(b) Defined contribution plans

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

(xv) Share capital

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

(xvi) Contingent liabilities and contingent assets

The Bank does not recognise a contingent liability but disclose its existence in the financial statements. A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Bank or a present obligation that is not recognised because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in the extremely rare case where there is a liability that cannot be recognised because it cannot be measured reliably. 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 and the Bank. The Bank does not recognise contingent assets but discloses their existence where inflows of economic benefits are probable, but not virtually certain.

Subsequent to the initial recognition, the Bank measure the contingent liabilities that are recognised separately at the date of acquisition at the higher of the amount that would be recognised in accordance with the provision of MFRS 137 *Provision, Contingent Liabilities and Contingent Assets* and the amount initially recognised as profit or loss, when appropriate, cumulative amortisation recognised in accordance with MFRS 118 *Revenue* .

2 ACCOUNTING POLICIES (CONTINUED)

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(xvii) Fair value measurement

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

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

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

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

A fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their best economic best interest.

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

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

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

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

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

The fair value of financial instruments and further details are disclosed in Note 32.

2 ACCOUNTING POLICIES (CONTINUED)

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Changes in accounting policies and disclosures

On 1 April 2013, the Bank adopted the following new and amended MFRS and IC Interpretations mandatory for annual financial periods beginning on or after 1 January 2013. The accounting policies adopted are consistent with those of the previous financial year except as follows:

Description	*Effective for annual periods beginning on or*
Amendments to MFRS 101: Presentation of Items of Other Comprehensive Income	1 July 2012
MFRS 3 *Business Combinations* (IFRS 3 Business Combinations issued by IASB in March 2004)	1 January 2013
MFRS 127 *Consolidated and Separate Financial Statements* (IAS 27 revised by IASB in December 2003)	1 January 2013
MFRS 10 *Consolidated Financial Statements*	1 January 2013
MFRS 11 *Joint Arrangements*	1 January 2013
MFRS 12 *Disclosure of Interests in Other Entities*	1 January 2013
MFRS 13 *Fair Value Measurement*	1 January 2013
MFRS 119 *Employee Benefits* (IAS 19 as amended by IASB in June 2011)	1 January 2013
MFRS 127 *Separate Financial Statements* (IAS 27 as amended by IASB in May 2011)	1 January 2013
IC Interpretation 20 Stripping Costs in the Production Phase of a Surface Mine	1 January 2013
Amendments to MFRS 7: Disclosures – Offsetting Financial Assets and Financial Liabilities	1 January 2013
Annual Improvements 2009-2011 Cycle	1 January 2013
Amendments to MFRS 1: Government Loans	1 January 2013
Amendments to MFRS 10, MFRS 11 and MFRS 12: Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance	1 January 2013

2 ACCOUNTING POLICIES (CONTINUED)

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Changes in accounting policies and disclosures (continued)

Adoption of the above standards and interpretations did not have any effect on the financial performance or position of the Bank except for those discussed below:

(i) MFRS 13 *Fair Value Measurement* ("MFRS 13")

MFRS 13 establishes a single source of guidance under MFRS for all fair value measurements. MFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under MFRS. MFRS 13 defines fair value as an exit price. As a result of the guidance in MFRS 13, the Bank re-assessed its policies for measuring fair values, in particular, its valuation inputs such as non-performance risk for fair value measurement of liabilities. MFRS 13 also requires additional disclosures.

Application of MFRS 13 did not materially affect the fair value measurements of the Bank. Additional disclosures where required, are made in Note 32.

(ii) MFRS 101 *Presentation of Financial Statements* ("MFRS 101") - Presentation of Items of Other Comprehensive Income (Amendments to MFRS 101)

The amendments to MFRS 101 introduce a grouping of items presented in other comprehensive income in statement of comprehensive income. Items that will be reclassified to profit or loss at a future point in time (e.g. net gain or loss on financial investments AFS) have to be presented separately from items that will not be reclassified (e.g. revaluation of land and buildings). The amendments affected presentation only and had no impact on the Bank's financial position or performance.

(iii) MFRS 7 *Financial Instruments: Disclosures* ("MFRS 7") - Offsetting Financial Assets and Financial Liabilities (Amendments to MFRS 7)

The amendments to MFRS 7 require more quantitative information to be disclosed about rights to set-off and related arrangements so as to provide users with information to evaluate the effect of netting arragements on an entity's financial position. The new disclosures are required for all recognised financial instruments that are set-off in accordance with MFRS 132. The disclosures also apply to recognised financial instruments that are subject to an enforceable master netting agreement or similar agreement, irrespective whether they are set-off in accordance with MFRS 132. The amendments affected disclosures only and had no impact on the Bank's financial position or performance.

3 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

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

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

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

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

3.2 IMPAIRMENT OF FINANCIAL INVESTMENTS AFS

The Bank reviews the financial investments AFS at each reporting date to assess whether there is any objective evidence that the investment is impaired. If there are indicators or objective evidence, the investments are subject to impairment review.

In carrying out the impairment review, the following management's judgments are required:

(i) Determination whether the investment is impaired based on certain indicators such as, amongst others, prolonged decline in fair value, significant financial difficulties of the issuer or obligors, the disappearance of an active trading market and deterioration of the credit quality of the issuers or obligors; and

(ii) Determination of "significant" or "prolonged" requires judgment and management evaluation on various factors, such as historical fair value movement, the duration and extent of reduction in fair value.

3 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (CONTINUED)

3.3 IMPAIRMENT ALLOWANCE ON LOANS, ADVANCES AND FINANCING

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

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

3.4 DEFERRED TAX AND INCOME TAXES

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

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

3.5 GOING CONCERN

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

4 STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

The following are standards and interpretations issued by Malaysian Accounting Standard Board ("MASB"), but not yet effective, up to the date of issuance of the Bank‟s financial statements. The Bank intends to adopt these standards and interpretations, if applicable, when they become effective:

Description	*Effective for annual periods beginning on or after*
MFRS 9 *Financial Instruments* (IFRS 9 issued by IASB in November 2009)	Deferred to a date to be announced by MASB
MFRS 9 *Financial Instruments* (IFRS 9 issued by IASB in October 2010)	Deferred to a date to be announced by MASB
MFRS 9 *Financial Instruments*: Hedge Accounting and amendments to MFRS 9, MFRS 7 and MFRS 139	Deferred to a date to be announced by MASB
Amendments to MFRS 10, MFRS 12 and MFRS 127: Investment Entities	1 January 2014
Amendments to MFRS 119: Defined Benefit Plans: Employee Contributions	1 July 2014
Amendments to MFRS 132: Offsetting Financial Assets and Financial Liabilities	1 January 2014
Amendments to MFRS 136: Recoverable Amount Disclosures for Non-Financial Assets	1 January 2014
Amendments to MFRS 139: Novation of Derivatives and Continuation of Hedge Accounting	1 January 2014
IC Interpretation 21 Levies	1 January 2014
Annual Improvements to MFRSs 2010–2012 Cycle	1 July 2014
Annual Improvements to MFRSs 2011–2013 Cycle	1 July 2014

MFRS 9 *Financial Instruments* ("MFRS 9")

MFRS 9 reflects the work on the replacement of MFRS 139 and the first phase applies to classification and measurement of financial assets and financial liabilities as defined in MFRS 139. The first phase of the standard was initially effective for annual periods beginning on or after 1 January 2013 but Amendments to MFRS 9: Mandatory Effective Date of MFRS 9 and Transitional Disclosures, issued in March 2012, moved the mandatory effective date to 1 January 2015.

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

MFRS 9 *Financial Instruments* ("MFRS 9") (continued)

The new hedge accounting model under phase three of the standard, together with corresponding disclosures about risk management activity under MFRS 7 were developed in response to concerns raised by preparers of financial statements about the difficulty of appropriately reflecting their risk management activities. The new model represents a substantial overhaul of hedge accounting that will enable entities to better reflect their risk management activities in their financial statements. The MFRS 9 hedge accounting model, if adopted, applies prospectively with limited exceptions.

As part of the Amendments issued in February 2014, an entity is now allowed to change the accounting for liabilities that it has to measure at fair value, before applying any of the other requirements in MFRS 9. This change in accounting would mean that gains or losses caused by a change in the entity"s own credit risk on such liabilities are no longer recognised in profit or loss. The Bank currently do not have any financial liabilities measured at fair value, other than derivatives.

The Amendments in February 2014 also remove the mandatory effective date from MFRS 9. The IASB has decided that a mandatory date of 1 January 2015 would not allow sufficient time for entities to prepare and to apply the new standard because the second phase of the standard, i.e. the impairment methodology phase of IFRS 9 has not yet been completed. On 24 July 2013, the IASB tentatively decided to defer the mandatory effective date of IFRS 9 and that the mandatory effective date should be left open pending finalisation of the impairment and classification and measurement requirements. Nevertheless, IFRS 9 would still be available for early adoption.

The Bank will assess the financial implications of the new standard when the final standard including all phases are issued.

MFRS 132 *Financial Instruments: Presentation* - Offsetting Financial Assets and Financial Liabilities (Amendments to MFRS 132)

The amendments clarify the meaning of “currently has a legally enforceable right to set-off”. It will be necessary to assess the impact to the Bank by reviewing settlement procedures and legal documentation to ensure that offsetting is still possible in cases where it has been achieved in the past. In certain cases, offsetting may no longer be achieved. In other cases, contracts may have to be renegotiated. The requirement that the right of setoff be available for all counterparties to the netting agreement may prove to be a challenge for contracts where only one party has the right to offset in the event of default.

The amendments also clarify the application of the MFRS 132 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. Currently, transactions settled through clearing systems are, in most cases, deemed to achieve simultaneous settlement. While many settlement systems are expected to meet the new criteria, some may not. Any changes in offsetting are expected to impact leverage ratios, regulatory capital requirements, etc. The Bank does not anticipate significant impact to the financial statements upon adoption of these amendments.

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

MFRS 139 *Financial Instruments: Recognition and Measurement* - Novation of Derivatives and Continuation of Hedge Accounting (Amendments to MFRS 139)

The amendments provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria. These amendments are effective for annual periods beginning on or after 1 January 2014. The Bank has not novated its derivatives during the current financial year. However, the amendments will be considered for future novations, if any.

IC Interpretation 21 *Levies*

The interpretation clarifies that an entity recognises a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be anticipated before the specified minimum threshold is reached. The Bank does not expect that the interpretation will have material financial impact in future financial statements.

Annual Improvements to MFRS

The following amendments are effective for annual periods beginning on or after 1 July 2014 with earlier application is permitted:

<u>Annual Improvements to MFRS 2010 - 2012 Cycle</u>

(i) MFRS 2 *Share-Based Payment*

The amendment to MFRS 2 clarifies the definition of „vesting conditions" by separately defining „performance condition" and „service condition" to ensure consistent classification of conditions attached to a share-based payment.

(ii) MFRS 3 *Business Combinations*

The amendment to MFRS 3 clarifies that when contingent consideration meets the definition of financial instrument, its classification as a liability or equity is determined by reference to MFRS 132 Financial Instruments: Presentation. The amendment also clarifies that contingent consideration that is classified as an asset or a liability shall be subsequently measured at fair value at each reporting date and changes in fair value shall be recognised in the income statements.

(iii) MFRS 8 *Operating Segments*

The amendment to MFRS 8 requires the disclosure of judgements made in applying the aggregation criteria to operating segments. This includes a brief description of the operating segments that have been aggregated and the economic indicators that have been assessed in determining that the aggregated operating segments share similar economic characteristics. The amendment also clarifies that reconciliation of the total reportable segments" assets to the entity"s assets is required if that amount is regularly provided to the chief operating decision maker.

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

Annual Improvements to MFRS (continued)

Annual Improvements to MFRS 2010 - 2012 Cycle (continued)

(iv) MFRS 13 *Fair Value Measurement*

The amendment relates to the IASB"s Basis for Conclusions which is not an integral part of the Standard. The Basis for Conclusions clarifies that when IASB issued IFRS 13, it did not remove the practical ability to measure short-term receivables and payables with no stated interest rate at invoice amounts without discounting, if the effect of discounting is immaterial.

(v) MFRS 116 *Property, Plant and Equipment* and MFRS 138 *Intangible Assets*

The amendments clarify the accounting for the accumulated depreciation/ amortisation when an asset is revalued. It clarifies that:

- the gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount of the asset; and
- the accumulated depreciation/amortisation is calculated as the difference between the gross carrying amount and the carrying amount of the asset after taking into account accumulated impairment losses.

(vi) MFRS 124 *Related Party Disclosures*

The amendment to MFRS 124 extends the definition of „related party" to include an entity, or any member of a group of which it is a part, that provides key management personnel services to the reporting entity or to the parent of the reporting entity.

Annual Improvements to MFRS 2011 - 2013 Cycle

(i) MFRS 1 *First-time adoption of Malaysian Financial Reporting Standards*

The amendment relates to the IASB"s Basis for Conclusions which is not an integral part of the Standard. The Basis for Conclusions clarifies that a first-time adopter is permitted but not required to apply a new or revised Standard that is not yet mandatory but is available for early application.

(ii) MFRS 3 *Business Combinations*

The amendment to MFRS 3 clarifies that MFRS 3 excludes from its scope the accounting for the formation of all types of joint arrangements (as defined in MFRS 11 Joint Arrangements) in the financial statements of the joint arrangement itself, but not to the parties to the joint arrangement for their interests in the joint arrangement.

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

Annual Improvements to MFRS 2011 - 2013 Cycle (continued)

(iii) MFRS 13 *Fair Value Measurement*

The amendment to MFRS 13 clarifies that the scope of the portfolio exception of MFRS 13 includes all contracts accounted for within the scope of MFRS 139 Financial Instruments: Recognition and Measurement or MFRS 9 Financial Instruments, regardless of whether they meet the definition of financial assets or financial liabilities as defined in MFRS 132 Financial Instruments: Presentation.

(iv) MFRS 140 *Investment Property*

The amendment to MFRS 140 clarifies that the determination of whether an acquisition of investment property meets the definition of both a business combination as defined in MFRS 3 and investment property as defined in MFRS 140 requires the separate application of both Standards independently of each other.

The Bank does not expect that the amendments on the annual improvements for the above standards will have significant financial implications in future financial statements.

5 CASH AND SHORT-TERM FUNDS

	2014 RM'000	2013 RM'000
Cash and balances with banks and other financial institutions	53,784	38,238
Money at call and deposit placements maturing within one month	1,149,853	613,358
	1,203,637	651,596

6 DEPOSITS AND PLACEMENTS WITH FINANCIAL INSTITUTIONS

	2014 RM'000	2013 RM'000
Deposits and placements maturing more than one month	222,000	35,927

7 FINANCIAL INVESTMENTS AVAILABLE-FOR-SALE

	2014 RM'000	2013 RM'000
At fair value:		
Malaysian Government Securities	10,015	10,242
Malaysian Government Treasury Bills	133,456	84,098
	143,471	94,340

8 LOANS, ADVANCES AND FINANCING

	2014 RM'000	2013 RM'000
(a) By type:		
At amortised cost:		
Term loans	177,894	80,497
Revolving credits	251,875	198,808
Gross loans, advances and financing	429,769	279,305
Less: Impairment allowance		
- Collective impairment allowance	(5,601)	(1,833)
Net loans, advances and financing	424,168	277,472
(b) By geographical distribution:		
Malaysia	429,769	279,305

8 LOANS, ADVANCES AND FINANCING (CONTINUED)

	2014 RM'000	2013 RM'000
(c) By type of customer:		
Domestic business enterprise	317,378	200,043
Domestic non-bank financial institutions	92,788	79,262
Foreign business entity	19,603	-
	429,769	279,305
(d) By interest/profit rate sensitivity:		
Cost plus	429,769	279,305
(e) By economic purpose:		
Purchase of fixed assets other than land and building	120,826	64,936
Purchase of non-residential property	2,777	5,485
Working capital	306,166	208,884
	429,769	279,305
(f) By economic sector:		
Manufacturing	274,911	156,372
Construction	7,257	9,640
Wholesale and retail trade, and restaurants and hotels	22,412	18,526
Transport, storage and communication	12,798	15,505
Finance, insurance, real estate and business activities	112,391	79,262
	429,769	279,305
(g) By residual contractual maturity:		
Maturity within		
- one year	295,072	206,482
- one to five years	85,664	72,823
- after five years	49,033	-
	429,769	279,305

8 LOANS, ADVANCES AND FINANCING (CONTINUED)

	2014 RM'000	2013 RM'000
(h) Movements in collective impairment allowance for loans, advances and financing:		
Collective impairment allowance:		
At 1 April	1,833	525
Allowance made during the year	3,768	1,308
At 31 March	5,601	1,833

The Bank has no impaired loans, advances and financing and no individual impairment allowance was deemed required as at 31 March 2014.

9 DERIVATIVE FINANCIAL INSTRUMENTS

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

	Notional amount	Fair value	
2014	**RM'000**	**Assets RM'000**	**Liabilities RM'000**
At fair value:			
Foreign exchange related contracts	1,039,305	2,719	(2,500)
Interest rate related contracts	2,897,055	72,263	(56,433)
Total derivative assets/(liabilities)	3,936,360	74,982	(58,933)
2013			
At fair value:			
Foreign exchange related contracts	374,409	761	(627)
Interest rate related contracts	1,698,028	19,448	(7,269)
Total derivative assets/(liabilities)	2,072,437	20,209	(7,896)

10 OTHER ASSETS

	Note	2014 RM'000	2013 RM'000
Accrued interest receivable		1,396	752
Other receivables, deposits and prepayments		4,888	1,502
Due from holding company	(a)	467	337
		6,751	2,591

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

11 PROPERTY AND EQUIPMENT

2014	Office equipment, furniture and fittings RM'000	Leasehold improvements RM'000	Computer equipment RM'000	Computer hardware RM'000	Total RM'000
Cost					
At 1 April 2013	4,788	6,758	382	2,506	14,434
Additions	3	255	91	140	489
At 31 March 2014	4,791	7,013	473	2,646	14,923
Accumulated depreciation					
At 1 April 2013	1,484	1,044	193	710	3,431
Depreciation charged	958	688	145	518	2,309
At 31 March 2014	2,442	1,732	338	1,228	5,740
Net book value					
At 31 March 2014	2,349	5,281	135	1,418	9,183
2013					
Cost					
At 1 April 2012	4,658	6,498	355	2,048	13,559
Additions	130	260	27	458	875
At 31 March 2013	4,788	6,758	382	2,506	14,434
Accumulated depreciation					
At 1 April 2012	543	379	69	233	1,224
Depreciation charged	941	665	124	477	2,207
At 31 March 2013	1,484	1,044	193	710	3,431
Net book value					
At 31 March 2013	3,304	5,714	189	1,796	11,003

12 INTANGIBLE ASSETS

2014	Software RM'000	Software Development in-Progress RM'000	Total RM'000
Cost			
At 1 April 2013	2,088	948	3,036
Additions	28	671	699
Transferred to software	454	(454)	-
At 31 March 2014	2,570	1,165	3,735
Accumulated amortisation			
At 1 April 2013	508	-	508
Amortisation charged	450	-	450
At 31 March 2014	958	-	958
Net book value			
At 31 March 2014	1,612	1,165	2,777

2013	Software RM'000	Software Development in-Progress RM'000	Total RM'000
Cost			
At 1 April 2012	1,747	-	1,747
Additions	300	989	1,289
Transferred to software	41	(41)	-
At 31 March 2013	2,088	948	3,036
Accumulated amortisation			
At 1 April 2012	114	-	114
Amortisation charged	394	-	394
At 31 March 2013	508	-	508
Net book value			
At 31 March 2013	1,580	948	2,528

13 DEPOSITS FROM CUSTOMERS

	2014 RM'000	2013 RM'000
(a) By type of deposit:		
- Demand deposits	318,188	244,827
- Fixed deposits	215,636	31,839
- Short-term deposits	437,336	300,956
	971,160	577,622
(b) By type of customer:		
- Domestic non-bank financial institutions	73,835	25,506
- Domestic business enterprises	858,875	541,063
- Foreign business enterprises	38,450	11,053
	971,160	577,622
(c) Maturity structure:		
- On demand	318,188	244,827
- Due within six months	625,659	273,795
- Due within six months to one year	27,313	59,000
	971,160	577,622

14 DEPOSITS AND PLACEMENTS FROM FINANCIAL INSTITUTIONS

	2014 RM'000	2013 RM'000
Licensed banks	293,754	151,995

15 OTHER LIABILITIES

	2014 RM'000	2013 RM'000
Accrued interest payable	1,441	626
Other accruals	823	127
Other payables	51,520	3,041
	53,784	3,794

16 DEFERRED TAX LIABILITIES

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

	2014 RM'000	2013 RM'000
At 1 April 2013 / 2012	(1,347)	(1,005)
Recognised in profit or loss	(526)	(339)
Recognised in other comprehensive income	19	(3)
At 31 March	(1,854)	(1,347)

Presented after appropriate offsetting as follows:

	2014 RM'000	2013 RM'000
Deferred tax assets	10	502
Deferred tax liabilities	(1,864)	(1,849)
	(1,854)	(1,347)

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

	Unutilised tax losses allowances RM'000	Excess of depreciation over capital allowances RM'000	Financial investments available-for-sale RM'000	Provisions RM'000	Total RM'000
2014					
At 1 April 2013	-	(1,840)	(9)	502	(1,347)
Recognised in profit or loss	-	(24)	-	(502)	(526)
Recognised in other comprehensive income	-	-	19	-	19
At 31 March 2014	-	(1,864)	10	-	(1,854)
2013					
At 1 April 2012	331	(1,881)	(6)	551	(1,005)
Recognised in profit or loss	(331)	41	-	(49)	(339)
Recognised in other comprehensive income	-	-	(3)	-	(3)
At 31 March 2013	-	(1,840)	(9)	502	(1,347)

17 SHARE CAPITAL

	Number of ordinary share of RM 1 each		Amount	
	2014	2013	2014	2013
	'000	'000	RM'000	RM'000
Ordinary shares of RM1.00 each:				
Authorised:				
At 1 April 2013/2012	1,000,000	1,000,000	1,000,000	1,000,000
Created during the financial year	-	-	-	-
At 31 March 2014/2013	1,000,000	1,000,000	1,000,000	1,000,000
Issued and fully paid:				
At 1 April 2013/2012	350,000	350,000	350,000	350,000
Issued during the financial year	350,000	-	350,000	-
At 31 March 2014/2013	700,000	350,000	700,000	350,000

18 OTHER RESERVES

	2014	2013
	RM'000	RM'000
Non-distributable:		
Statutory reserve	2,778	-
Available-for-sale reserve	(32)	26
	2,746	26

19 INTEREST INCOME

	2014	2013
	RM'000	RM'000
Loans, advances and financing	9,693	6,199
Money at call and deposits and placements with financial institutions	23,451	15,067
Net gain from cross-currency interest rate swap	3,689	2,166
Financial investments available-for-sale	2,681	2,531
	39,514	25,963

20 INTEREST EXPENSE

	2014 RM'000	2013 RM'000
Deposits and placements from financial institutions	1,225	316
Deposits from customers	14,368	8,612
	15,593	8,928

21 OTHER OPERATING INCOME

	2014 RM'000	2013 RM'000
Fee income	4,843	5,218
Net unrealised gain on revaluation of derivatives	3,734	8,194
Realised foreign exchange gain	10,831	10,385
Unrealised foreign exchange gain	2,501	890
Other income	-	2
	21,909	24,689

22 OTHER OPERATING EXPENSES

	2014 RM'000	2013 RM'000
Personnel costs:		
Salaries, allowances and bonuses	12,815	11,404
Contribution to Employees Provident Fund	1,265	1,100
Other staff related costs	4,164	3,956
Establishment costs:		
Repair and maintenance	1,446	1,195
Depreciation of property and equipment	2,309	2,207
Amortisation of intangible asset	450	394
Rental of premises	1,965	1,655
Information technology expenses	3,688	2,882
Others	276	271
Marketing expenses:		
Advertisement and publicity	113	77
Others	148	102
Administration and general expenses:		
Communication expenses	667	648
Legal and professional fees	1,629	3,835
Others	3,873	3,174
	34,808	32,900

22 OTHER OPERATING EXPENSES (CONTINUED)

	2014 RM'000	2013 RM'000
The above expenses include the following statutory disclosures:		
Directors' remuneration (Note 23)	1,242	1,260
Auditors' remuneration:		
- Statutory audit	193	120
- Regulatory-related services	37	-
- Other services	-	50

23 DIRECTORS' REMUNERATION

	2014 RM'000	2013 RM'000
Executive Director		
- Salary and other remuneration	819	835
- Bonus	175	187
- Benefits-in-kind	123	113
	1,117	1,135
Non-executive Directors		
- Fees	96	96
- Allowances	29	29
	125	125
	1,242	1,260

The details of the Directors of the Bank in office, and their interests in shares and shares options during the financial year are disclosed in the Directors' Report.

The number of Directors of the Bank whose total remuneration during the financial year fell within the following bands is analysed below:

	2014	2013
Executive Director		
Above RM500,000	1	1
Non-Executive Directors		
RM50,000 - RM100,000	2	2

24 IMPAIRMENT ALLOWANCE ON LOANS, ADVANCES AND FINANCING

	2014 RM'000	2013 RM'000
Collective impairment allowance made	3,768	1,308

25 TAXATION

	2014 RM'000	2013 RM'000
Tax expense for the year		
Malaysian income tax	2,424	1,621
Over provision in prior years	(226)	-
	2,198	1,621
Deferred tax:		
Relating to origination and reversal of temporary differences	(367)	631
Under/(over) provision in prior years	893	(292)
	526	339
Income tax expense	2,724	1,960

Income tax is calculated at the Malaysian statutory rate of 25% (2013: 25%) of the estimated chargeable profit for the financial year. As announced in the Budget 2014, it is proposed that the statutory tax rate will be reduced to 24% from the year of assessment 2016 onwards.

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:

	2014 RM'000	2013 RM'000
Profit before taxation	7,254	7,516
Taxation at Malaysian statutory tax rate of 25%	1,814	1,879
Expenses not deductible for tax purposes	243	373
Over provision of tax expense in prior years	(226)	-
Under/(over) provision of deferred tax in prior years	893	(292)
Tax expense for the year	2,724	1,960

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 the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Bank and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

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

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

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

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

	2014 RM'000	**2013 RM'000**
Interest income		
Money at call and deposits and placements placed with related parties	41	80
Interest expense		
Deposits and placements from parent bank	383	201
Fee income		
Outsourcing fee	4,021	4,108
Fee expense		
Other fee and commission expenses	263	1,638
Other expenses	54	40

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.

26 SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

(b) Related party balances

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

	2014 RM'000	2013 RM'000
Amount due from parent bank:		
- Cash and short term funds	19,410	105,375
- Deposits and placements with financial institutions	-	927
- Interest receivable on deposits and other receivables	45	25
- Derivative assets	49	285
- Outsourcing fee	422	313
	19,926	106,925

(ii) Included in the statement of financial position are the amount due to related party, represented by the following:

	2014 RM'000	2013 RM'000
Amount due to parent bank:		
- Deposits and placements from financial institutions	(289,501)	(151,382)
- Interest payable on deposits and other payables	(385)	(343)
- Derivative liabilities	(163)	(413)
	(290,049)	(152,138)

(c) Key management personnel

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly.

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

	2014 RM'000	2013 RM'000
Salary and emoluments	5,070	4,974
Defined contribution plan	489	530
Benefits-in-kind	707	672
	6,266	6,176

27 EARNINGS PER ORDINARY SHARE

The calculation of the basic earnings per ordinary share at 31 March 2014 was based on the profit attributable to ordinary shareholder of RM4,530,000 (2013: RM5,556,000) and the weighted average number of ordinary shares outstanding during the financial year.

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:

	Principal amount RM'000	Credit equivalent amount* RM'000	Risk-weighted amount* RM'000
2014			
Direct credit substitutions	4,063	4,063	4,063
Transaction related contingent items	95,988	47,994	33,265
Short-term self-liquidating trade related contingencies	558	112	112
Foreign exchange related contracts			
- One year or less	1,039,305	21,220	13,156
Interest related contracts			
- One year or less	187,448	8,968	6,100
- Over one year to five years	2,388,706	316,857	234,327
- Over five years	320,901	63,732	46,631
Any commitments that are unconditionally cancelled at any time without prior notice	311,064	-	-
Total	4,348,033	462,946	337,654

28 COMMITMENTS AND CONTINGENCIES (CONTINUED)

	Principal amount RM'000	Credit equivalent amount* RM'000	Risk-weighted amount* RM'000
2013			
Direct credit substitutions	2,757	2,757	2,757
Transaction related contingent items	21,720	10,860	5,816
Foreign exchange related contracts			
- One year or less	374,409	9,491	5,449
Interest related contracts			
- One year or less	3,052	136	92
- Over one year to five years	1,565,684	171,081	132,704
- Over five years	129,292	23,987	18,267
Other commitments, such as formal standby facilities and credit lines, with original maturity of over one year	14,000	7,000	7,000
Any commitments that are unconditionally cancelled at any time without prior notice	166,403	-	-
Total	2,277,317	225,312	172,085

* 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.

29 OPERATING LEASE COMMITMENT

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

	2014 RM'000	2013 RM'000
One year or less	1,947	1,611
Over one year to five years	2,991	1,203
	4,938	2,814

30 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

Risk Management Department ("RMD") is responsible for identifying, monitoring, analysing and reporting the principal risks to which the Bank is exposed. In facilitating the Bank‟s achievement of its objectives whilst operating in a sound business environment, teams from RMD are engaged from an early stage in the risk process for independent inputs and risk assessments.

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

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

- Identify the various risk exposures and risk capital requirements;
- Ensure risk taking activities are consistent with risk policies and the aggregated risk positions are within the risk appetite; and
- Regular updating of risk management principles, policies, procedures and practices to ensure relevance and compliance with current/applicable laws and regulations.

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

30 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 while the risk control units are responsible for setting the risk management framework and developing tools and methodologies. Complementing this is internal audit, which provides independent assurance of the effectiveness of the risk management approach.

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

(a) Credit Risk Management

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

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

These limits are monitored on a daily basis to control and prevent the excessive concentration of risk exposure in certain counterparty. In addition, those counterparties for which the judgment is made that these counterparties should be treated with caution from a credit risk perspective are managed on an individual basis.

The credit approving authority is established and documented in Mizuho Bank Group"s credit policy. The Mizuho Bank Group adopts a multi-tiered credit approving authority spanning various delegated authorities and consultation with Head Office.

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

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

30 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(a) Credit Risk Management (continued)

It is a policy of the Bank that all exposures must be rated or scored based on the appropriate internal rating models. The credit rating models for corporate customers are designed to assess the credit worthiness in paying their obligations, derived from risk factors such as financial history and demographics or company profile.

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

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

(i) Maximum exposure to credit risk

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

	2014 RM'000	2013 RM'000
On-balance sheet exposures:		
Cash and short-term funds	1,203,637	651,596
Deposits and placements with financial institutions	222,000	35,927
Loans, advances and financing	424,168	277,472
Financial investments available-for-sale	143,471	94,340
Other assets	6,751	2,591
Derivative financial assets	74,982	20,209
	2,075,009	1,082,135
Off-balance sheet exposures:		
Commitments and contingencies	4,348,033	2,277,317
Total maximum credit risk exposure	6,423,042	3,359,452

30 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(a) Credit Risk Management (continued)

(ii) Credit risk concentration profile

2014	Cash and short-term term funds RM'000	Deposits and placements with financial institutions RM'000	Loans, advances and financing RM'000	Financial investments available-for-sale RM'000	Other assets RM'000	Derivative financial assets RM'000	Total RM'000	Commitments and contingencies RM'000
Manufacturing	-	-	274,911	-	-	5,163	280,074	897,158
Construction	-	-	7,257	-	-	48	7,305	68,622
Wholesale and retail trade, and restaurants and hotels	-	-	22,412	-	-	16	22,428	186,210
Finance, insurance, real estate and business activities	1,203,637	222,000	112,391	-	6,751	69,755	1,614,534	3,183,410
Transport, storage and communication	-	-	12,798	-	-	-	12,798	12,631
Others	-	-	-	143,471	-	-	143,471	2
	1,203,637	222,000	429,769	143,471	6,751	74,982	2,080,610	4,348,033
Less: Collective allowance	-	-	(5,601)	-	-	-	(5,601)	-
	1,203,637	222,000	424,168	143,471	6,751	74,982	2,075,009	4,348,033

30 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(a) Credit Risk Management (continued)

(ii) Credit risk concentration profile

2013	Cash and short-term term funds RM'000	Deposits and placements with financial institutions RM'000	Loans, advances and financing RM'000	Financial investments available-for-sale RM'000	Other assets RM'000	Derivative financial assets RM'000	Total RM'000	Commitments and contingencies RM'000
Manufacturing	-	-	156,372	-	-	6,453	162,825	627,541
Construction	-	-	9,640	-	-	-	9,640	19,598
Wholesale and retail trade, and restaurants and hotels	-	-	18,526	-	-	4,547	23,073	171,874
Finance, insurance, real estate and business activities	651,596	35,927	79,262	-	2,591	9,209	778,585	1,442,888
Transport, storage and communication	-	-	15,505	-	-	-	15,505	15,416
Others	-	-	-	94,340	-	-	94,340	-
	651,596	35,927	279,305	94,340	2,591	20,209	1,083,968	2,277,317
Less: Collective allowance	-	-	(1,833)	-	-	-	(1,833)	-
	651,596	35,927	277,472	94,340	2,591	20,209	1,082,135	2,277,317

30 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(a) Credit Risk Management (continued)

(iii) Credit quality

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

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

Customer categorization is the categorization 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	Business conditions are favorable and there are no specific problems in the customer‟s financial position.	Very high probability of performance on obligations. Extremely stable in terms of credit management.	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				BBB-	
	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					
		3					
	D	1		No problem at present with performance on obligations but has low resistance to future changes in the business environment.		(B)	
		2					
		3					

30 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(a) Credit Risk Management (continued)

(iii) Credit quality (continued)

<table>
<tr><th>Customer Categorisation</th><th colspan="2">Credit Rating</th><th>Customer Profile</th><th>Status</th><th colspan="2">Comparable External Rating</th></tr>
<tr><td>Customers with Special Attention (I)</td><td rowspan="3">E</td><td>1</td><td>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.</td><td rowspan="2">Non-default</td><td rowspan="3">(CCC or lower)</td><td rowspan="3">Non-Investment grade</td></tr>
<tr><td>Customers with Special Attention (II)</td><td>2</td><td>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.</td></tr>
<tr><td>Customers under Strict Management</td><td>R</td><td>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.</td><td>Default</td></tr>
</table>

30 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(a) Credit Risk Management (continued)

(iii) Credit quality (continued)

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

30 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(a) Credit Risk Management (continued)

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

2014	Neither past due nor impaired RM'000	Total RM'000
Term loans	177,894	177,894
Revolving credits	251,875	251,875
Gross loans, advances and financing	429,769	429,769
Less: Impairment allowance		
- Collective impairment allowance	(5,601)	(5,601)
Net loans, advances and financing	424,168	424,168
Collective impairment allowance as a percentage of total loans, advances and financing	1.30%	1.30%

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

2014	Ordinary RM'000	Special attention RM'000	Total RM'000
Term loans	175,594	2,300	177,894
Revolving credits	229,969	21,906	251,875
Total - Neither past due nor impaired	405,563	24,206	429,769
As a percentage of total loans, advances and financing	94.37%	5.63%	100.00%

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

30 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(a) Credit Risk Management (continued)

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

2013	Neither past due nor impaired RM'000	Total RM'000
Term loans	80,497	80,497
Revolving credits	198,808	198,808
Gross loans, advances and financing	279,305	279,305
Less: Impairment allowance		
- Collective impairment allowance	(1,833)	(1,833)
Net loans, advances and financing	277,472	277,472
Collective impairment allowance as a percentage of total loans, advances and financing	0.66%	0.66%

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

2013	Ordinary RM'000	Special attention RM'000	Total RM'000
Term loans	80,497	-	80,497
Revolving credits	186,628	12,180	198,808
Total - Neither past due nor impaired	267,125	12,180	279,305
As a percentage of total loans, advances and financing	95.64%	4.36%	100.00%

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

30 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(a) Credit Risk Management (continued)

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

All financial investments portfolio and other financial assets are neither past due nor impaired and categorised as ordinary customers as of reporting date. Summary of risk categories of financial investments portfolio and other financial assets of the Bank are assessed based on credit quality classification as described in Note 30(a)(iii).

	2014 RM'000	2013 RM'000
Cash and short-term funds	1,203,637	651,596
Deposits and placements with financial institutions	222,000	35,927
Financial investments available-for-sale	143,471	94,340
Other assets	6,168	2,088
Derivative financial assets	74,982	20,209
Total - neither past due nor impaired	1,650,258	804,160
As a percentage of gross balances	100.00%	100.00%

(b) Market Risk Management

Market risk is defined as the risk of potential losses due to the impact of fluctuations in interest rates and foreign exchange rates on the values of the assets and liabilities held (including off-balance sheet items).

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

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

30 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(b) Market Risk Management (continued)

RMD controls the exposure by setting the limits which is in accordance to Head Office. RMD monitors the exposures through Foreign Exchange Position Limit, Interest Rate 10BPV and Foreign Exchange Positions 10BPV.

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

Liquidity Risk forms part of Market Risk and is defined as the risk that the Bank will be unable to secure necessary funding due to deteriorating financial condition or a similar reason, and will therefore be unable to meet cash flow requirements, or that it will suffer a loss because it is compelled to pay interest rates significantly higher than normal rates to secure funding.

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

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

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

30 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(b) Market Risk Management (continued)

(i) Interest Rate Risk

The Bank is exposed to various risks associated with the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. The following tables represents the Bank's assets and liabilities at carrying amount, categorised by the earlier of contractual or repricing dates as at 31 March 2014.

	<------- Non-trading book					------->		
	Up to 1 Month RM '000	**> 1 to 3 Months RM '000**	**> 3 to 12 Months RM '000**	**> 1 to 5 Years RM '000**	**> 5 Years RM '000**	**Non-Interest Sensitive RM '000**	**Trading Book RM '000**	**Total RM '000**
2014								
Assets								
Cash and short-term funds	1,149,853	-	-	-	-	53,784	-	1,203,637
Deposits and placements with financial institutions	-	197,000	25,000	-	-	-	-	222,000
Financial investments available-for-sale	23,991	55,701	63,779	-	-	-	-	143,471
Loans, advances and financing	219,367	29,816	45,888	85,665	49,033	(5,601)	-	424,168
Derivative financial assets	-	-	-	-	-	-	74,982	74,982
Other non-interest sensitive balances	-	-	-	-	-	18,711	-	18,711
Total assets	1,393,211	282,517	134,667	85,665	49,033	66,894	74,982	2,086,969

30 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(b) Market Risk Management (continued)

(i) Interest Rate Risk (continued)

	<----- Non-trading book -----					----->		
	Up to 1 Month RM '000	> 1 to 3 Months RM '000	> 3 to 12 Months RM '000	> 1 to 5 Years RM '000	> 5 Years RM '000	Non-Interest Sensitive RM '000	Trading Book RM '000	Total RM '000
2014								
Liabilities								
Deposits from customers	395,425	210,155	47,392	-	-	318,188	-	971,160
Deposits and placements from financial institutions	47,192	140,056	28,531			77,975		293,754
Derivatives financial liabilities	-	-	-	-	-	-	58,933	58,933
Other non-interest sensitive balances	-	-	-	-	-	55,638	-	55,638
Total liabilities	442,617	350,211	75,923	-	-	451,801	58,933	1,379,485
Shareholder's equity	-	-	-	-	-	707,484	-	707,484
Total liabilities and and shareholder's equity	442,617	350,211	75,923	-	-	1,159,285	58,933	2,086,969
On-balance sheet interest sensitivity gap representing total interest sensitivity gap	950,594	(67,694)	58,744	85,665	49,033	(1,092,391)	16,049	-

30 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(b) Market Risk Management (continued)

(i) Interest Rate Risk

The Bank is exposed to various risks associated with the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. The following tables represents the Bank's assets and liabilities at carrying amount, categorised by the earlier of contractual or repricing dates as at 31 March 2013.

	<--- Non-trading book					--->		
	Up to 1 Month RM '000	> 1 to 3 Months RM '000	> 3 to 12 Months RM '000	> 1 to 5 Years RM '000	> 5 Years RM '000	Non-Interest Sensitive RM '000	Trading Book RM '000	Total RM '000
2013								
Assets								
Cash and short-term funds	613,358	-	-	-	-	38,238	-	651,596
Deposits and placements with financial institutions	-	35,927	-	-	-	-	-	35,927
Financial investments available-for-sale	19,988	19,861	44,248	10,243	-	-	-	94,340
Loans, advances and financing	160,436	17,778	28,268	72,823	-	(1,833)	-	277,472
Derivative financial assets	-	-	-	-	-	-	20,209	20,209
Other non-interest sensitive balances	-	-	-	-	-	16,122	-	16,122
Total assets	793,782	73,566	72,516	83,066	-	52,527	20,209	1,095,666

30 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(b) Market Risk Management (continued)

(i) Interest Rate Risk (continued)

	<--- Non-trading book					--->		
	Up to 1 Month RM '000	> 1 to 3 Months RM '000	> 3 to 12 Months RM '000	> 1 to 5 Years RM '000	> 5 Years RM '000	Non-Interest Sensitive RM '000	Trading Book RM '000	Total RM '000
2013								
Liabilities								
Deposits from customers	230,868	35,927	66,000	-	-	244,827	-	577,622
Deposits and placements from financial institutions	11,739	67,994	9,223	-	-	63,039	-	151,995
Derivatives financial liabilities	-	-	-	-	-	-	7,896	7,896
Other non-interest sensitive balances	-	-	-	-	-	5,141	-	5,141
Total liabilities	242,607	103,921	75,223	-	-	313,007	7,896	742,654
Shareholder's equity	-	-	-	-	-	353,012	-	353,012
Total liabilities and and shareholder's equity	242,607	103,921	75,223	-	-	666,019	7,896	1,095,666
On-balance sheet interest sensitivity gap representing total interest sensitivity gap	551,175	(30,355)	(2,707)	83,066	-	(613,492)	12,313	-

30 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 2014 and 31 March 2013, 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 Britain Pound, Hong Kong Dollar, Euro and Thailand Baht.

	Ringgit Malaysia RM '000	United States Dollar RM '000	Japanese Yen RM '000	Others RM '000	Total RM '000
2014					
Assets					
Cash and short-term funds	964,821	214,369	17,337	7,110	1,203,637
Deposits and placements with financial institutions	222,000	-	-	-	222,000
Loans, advances and financing	213,745	197,121	13,302	-	424,168
Financial investments available-for-sale	143,471	-	-	-	143,471
Derivative financial assets	2,352	72,577	5	48	74,982
Other assets	6,718	33	-	-	6,751
Property and equipment	9,183	-	-	-	9,183
Intangible asset	2,777	-	-	-	2,777
Total assets	1,565,067	484,100	30,644	7,158	2,086,969

30 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(b) Market Risk Management (continued)

(ii) Currency risk (continued)

	Ringgit Malaysia RM '000	United States Dollar RM '000	Japanese Yen RM '000	Others RM '000	Total RM '000
2014 (continued)					
Liabilities					
Deposits from customers	807,094	139,074	18,523	6,469	971,160
Deposits and placements from financial institutions	4,253	274,757	14,740	4	293,754
Derivative financial liabilities	315	58,555	16	47	58,933
Other liabilities	53,365	31	387	1	53,784
Deferred tax liabilities	1,854	-	-	-	1,854
Total liabilities	866,881	472,417	33,666	6,521	1,379,485
On-balance sheet open position	698,186	11,683	(3,022)	637	707,484
Less: Derivative assets	(2,352)	(72,577)	(5)	(48)	(74,982)
Add: Derivative liabilities	315	58,555	16	47	58,933
Net open position	696,149	(2,339)	(3,011)	636	691,435

30 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(b) Market Risk Management (continued)

(ii) Currency risk (continued)

	Ringgit Malaysia RM '000	United States Dollar RM '000	Japanese Yen RM '000	Others RM '000	Total RM '000
2013					
Assets					
Cash and short-term funds	544,283	73,285	33,447	581	651,596
Deposits and placements with financial institutions	35,000	927	-	-	35,927
Loans, advances and financing	181,984	89,595	5,893	-	277,472
Financial investments available-for-sale	94,340	-	-	-	94,340
Derivative financial assets	315	19,894	-	-	20,209
Other assets	2,575	16	-	-	2,591
Property and equipment	11,003	-	-	-	11,003
Intangible asset	2,528	-	-	-	2,528
Total assets	872,028	183,717	39,340	581	1,095,666

30 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(b) Market Risk Management (continued)

(ii) Currency risk (continued)

	Ringgit Malaysia RM '000	United States Dollar RM '000	Japanese Yen RM '000	Others RM '000	Total RM '000
2013 (continued)					
Liabilities					
Deposits from customers	524,566	27,573	25,007	476	577,622
Deposits and placements from financial institutions	613	137,385	13,993	4	151,995
Derivative financial liabilities	166	7,491	239	-	7,896
Other liabilities	3,451	19	323	1	3,794
Deferred tax liabilities	1,347	-	-	-	1,347
Total liabilities	530,143	172,468	39,562	481	742,654
On-balance sheet open position	341,885	11,249	(222)	100	353,012
Less: Derivative assets	(315)	(19,894)	-	-	(20,209)
Add: Derivative liabilities	166	7,491	(239)	-	7,896
Net open position	341,736	(1,154)	(461)	100	340,699

30 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(b) Market Risk Management (continued)

(ii) Currency risk (continued)

Sensitivity analysis - impact on profit/loss after taxation

	2014 RM'000	2013 RM'000	
• if USD weaken by 100 basis points (or 1%)	(23,385)	(1,519)	(gain)
• if JPY weaken by 100 basis points (or 1%)	38	426	loss
• if SGD weaken by 100 basis points (or 1%)	722	317	loss
• if other currencies weaken by 100 basis points (or 1%)	5,636	688	loss
	(16,989)	(88)	net gain

30 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 2014 and 31 March 2013.

The disclosure is made in accordance with the requirement of BNM's policy document on *Financial Reporting* :

Contractual maturity of total assets and liabilities

2014	Up to 1 Month RM'000	> 1 to 3 Months RM'000	> 3 to 12 Months RM'000	> 1 to 5 Years RM'000	Over 5 Years RM'000	No specific maturity RM'000	Total RM'000
Assets							
Cash and short-term funds	1,203,637	-	-	-	-	-	1,203,637
Deposits and placements with financial institutions	-	197,000	25,000	-	-	-	222,000
Loans, advances and financing	217,080	29,771	45,120	85,199	46,998	-	424,168
Financial investments available-for-sale	23,991	55,701	63,779	-	-	-	143,471
Derivative financial assets	1,404	61,423	11,637	518	-	-	74,982
Other assets	1,179	229	63	-	-	5,280	6,751
Property and equipment	-	-	-	-	-	9,183	9,183
Intangible asset	-	-	-	-	-	2,777	2,777
Total assets	1,447,291	344,124	145,599	85,717	46,998	17,240	2,086,969

30 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(c) Liquidity risk (continued)

Contractual maturity of total assets and liabilities (continued)

2014	Up to 1 Month RM'000	> 1 to 3 Months RM'000	> 3 to 12 Months RM'000	> 1 to 5 Years RM'000	Over 5 Years RM'000	No specific maturity RM'000	Total RM'000
Liabilities							
Deposits from customers	713,614	210,154	47,392	-	-	-	971,160
Deposits and placements from financial institutions	125,167	140,056	28,531	-	-	-	293,754
Derivative financial liabilities	1,256	48,710	8,507	460	-	-	58,933
Other liabilities	955	1,125	248	3	-	51,453	53,784
Deferred tax liabilities	-	-	-	-	-	1,854	1,854
Total liabilities	840,992	400,045	84,678	463	-	53,307	1,379,485
Net liquidity gap	606,299	(55,921)	60,921	85,254	46,998	(36,067)	707,484

30 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(c) Liquidity risk (continued)

Contractual maturity of total assets and liabilities (continued)

2013	Up to 1 Month RM'000	> 1 to 3 Months RM'000	> 3 to 12 Months RM'000	> 1 to 5 Years RM'000	Over 5 Years RM'000	No specific maturity RM'000	Total RM'000
Assets							
Cash and short-term funds	651,596	-	-	-	-	-	651,596
Deposits and placements with financial institutions	-	35,927	-	-	-	-	35,927
Loans, advances and financing	158,795	17,729	28,221	72,727	-	-	277,472
Financial investments available-for-sale	19,988	19,861	44,248	10,243	-	-	94,340
Derivative financial assets	554	17,786	1,666	27	176	-	20,209
Other assets	737	22	-	-	-	1,832	2,591
Property and equipment	-	-	-	-	-	11,003	11,003
Intangible asset	-	-	-	-	-	2,528	2,528
Total assets	831,670	91,325	74,135	82,997	176	15,363	1,095,666

30 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(c) Liquidity risk (continued)

Contractual maturity of total assets and liabilities (continued)

2013	Up to 1 Month RM'000	> 1 to 3 Months RM'000	> 3 to 12 Months RM'000	> 1 to 5 Years RM'000	Over 5 Years RM'000	No specific maturity RM'000	Total RM'000
Liabilities							
Deposits from customers	475,695	35,927	66,000	-	-	-	577,622
Deposits and placements from financial institutions	74,778	67,994	9,223	-	-	-	151,995
Derivative financial liabilities	388	7,066	334	16	92	-	7,896
Other liabilities	2,124	53	1,612	5	-	-	3,794
Deferred tax liabilities	-	-	-	-	-	1,347	1,347
Total liabilities	552,985	111,040	77,169	21	92	1,347	742,654
Net liquidity gap	278,685	(19,715)	(3,034)	82,976	84	14,016	353,012

30 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 2014 and 31 March 2013. 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.

2014	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	Total RM'000
Non-derivative liabilities						
Deposits from customers	715,174	211,713	48,563	-	-	975,450
Deposits and placements from financial institutions	125,177	140,168	28,562	-	-	293,907
Other liabilities	52,583	1,125	1,014	3	-	54,725
	892,934	353,006	78,139	3	-	1,324,082
Commitment and contingencies						
Direct credit substitutes	125	1,100	2,838	-	-	4,063
Transaction related contingencies	10	5	59,452	36,521	-	95,988
Short-term self liquidating trade related contingencies	-	228	330	-	-	558
Foreign exchange related contracts	341,210	196,895	501,200	-	-	1,039,305
Interest / profit related contracts	-	-	187,448	2,388,706	320,901	2,897,055
Other commitments, such as formal standby facilities and credit lines, with an original maturity over one year	-	-	-	-	-	-
Any commitments that are unconditionally cancelled at any time by the bank without prior notice	311,064	-	-	-	-	311,064
	652,409	198,228	751,268	2,425,227	320,901	4,348,033

30 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(c) Liquidity risk (continued)

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

2013	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	Total RM'000
Non-derivative liabilities						
Deposits from customers	279,443	197,917	102,761	-	-	580,121
Deposits and placements from financial institutions	63,039	13,999	75,050	-	-	152,088
Other liabilities	2,124	53	2,959	5	-	5,141
	344,606	211,969	180,770	5	-	737,350
Commitment and contingencies						
Direct credit substitutes	-	-	2,757	-	-	2,757
Transaction related contingencies	-	-	20,626	1,094	-	21,720
Foreign exchange related contracts	1,555	13,037	208,531	151,286	-	374,409
Interest/profit related contracts	-	-	-	508,691	1,189,337	1,698,028
Other commitments, such as formal standby facilities and credit lines, with an original maturity over one year	-	-	-	14,000	-	14,000
Any commitments that are unconditionally cancelled at any time by the bank without prior notice	-	-	-	166,403	-	166,403
	1,555	13,037	231,914	841,474	1,189,337	2,277,317

30 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(d) Operational Risk Management

The Bank defines operational risk as the risk of loss that it may incur resulting from inadequate or failed internal processes, people and systems, or from external events. The following risk categories are included in the Bank's definition of operational risk.

(i) *Information Technology Risk*
Risk that clients may suffer service disruptions, or that clients or the Bank may incur losses arising from system defects such as failures, faults, or incompleteness in computer operations, or illegal or unauthorized use of computer systems.

(ii) *Operations Risk*
Risk that clients may suffer service disruptions, as well as the risk that clients or the Bank may incur losses because senior executives or employees fail to fulfil their tasks properly, cause accidents, or otherwise act improperly.

(iii) *Legal Risk*
Risk that the Bank may incur losses due to violation of laws and regulations, breach of contract, entering into improper contracts, or other legal factors.

(iv) *Human Resources Risk*
Risk that the Bank may incur losses due to drain or loss of personnel, deterioration of morale, inadequate development of human resources, inappropriate working schedules, an inappropriate working and safety environment, inequality or inequity in human resource management, or discriminatory conduct.

(v) *Tangible Asset Risk*
Risk that the Bank may incur losses from damage to tangible assets or a decline in the quality of working environment as a result of disasters, criminal actions, or defects in asset maintenance.

(vi) *Regulatory Change Risk*
Risk that the Bank may incur losses due to changes in various regulations or systems, such as those related to law, taxation, and accounting.

(vii) *Reputational Risk*
Risk that the Bank may incur losses due to damage to its credibility or the value of the "Mizuho" brand when market participants or others learn about, or the media reports on, various adverse events, including actual materialization of risks or false rumours.

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

31 OFFSETTING OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

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

	Gross amount of recognised financial assets/ liabilities	Gross amounts offset in the statement of financial position	Amounts presented in the statement of financial position	Amount not offset in the statement of financial position		
				Financial instruments	Cash collateral received/ pledged	Net Amount
2014	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Derivative financial assets	74,982	-	74,982	-	(48,551)	26,431
Derivative financial liabilities	58,933	-	58,933	-	(3,170)	55,763
2013						
Derivative financial assets	20,209	-	20,209	-	-	20,209
Derivative financial liabilities	7,896	-	7,896	-	-	7,896

32 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.

32 FAIR VALUE MEASUREMENTS (CONTINUED)

(a) Valuation principles (continued)

The Bank continuously enhance their 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.

- 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.

32 FAIR VALUE MEASUREMENTS (CONTINUED)

(a) Valuation principles (continued)

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

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

(b) Valuation techniques

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

Derivatives, loans and financing and financial liabilities

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

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

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

32 FAIR VALUE MEASUREMENTS (CONTINUED)

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

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

		Valuation technique using		
	Quoted Market Price (Level 1)	Observable Inputs (Level 2)	Unobservable Inputs (Level 3)	Total
2014	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Financial assets measured at fair value:				
Financial investments available-for-sale	**143,471**	**-**	**-**	**143,471**
Money market instruments	143,471	-	-	143,471
Non-money market instruments	-	-	-	-
Derivative assets	**-**	**74,982**	**-**	**74,982**
Foreign exchange related contracts	-	2,719	-	2,719
Interest rate related contracts	-	72,263	-	72,263
	143,471	**74,982**	**-**	**218,453**

32 FAIR VALUE MEASUREMENTS (CONTINUED)

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

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

		Valuation technique using		
	Quoted Market Price (Level 1)	Observable Inputs (Level 2)	Unobservable Inputs (Level 3)	Total
2014	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Financial liabilities measured at fair value:				
Derivative liabilities	**-**	**58,933**	**-**	**58,933**
Foreign exchange related contracts	-	2,500	-	2,500
Interest rate related contracts	-	56,433	-	56,433
2013				
Financial assets measured at fair value:				
Financial investments available-for-sale	**94,340**	**-**	**-**	**94,340**
Money market instruments	94,340	-	-	94,340
Non-money market instruments	-	-	-	-
Derivative assets	**-**	**20,209**	**-**	**20,209**
Foreign exchange related contracts	-	761	-	761
Interest rate related contracts	-	19,448	-	19,448
	94,340	**20,209**	**-**	**114,549**
Financial liabilities measured at fair value:				
Derivative liabilities	**-**	**7,896**	**-**	**7,896**
Foreign exchange related contracts	-	627	-	627
Interest rate related contracts	-	7,269	-	7,269

32 FAIR VALUE MEASUREMENTS (CONTINUED)

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

The accounting policy for determining when transfers between levels of the fair value hierarchy occurred is disclosed in Note 2.2(xvii). There were no transfers between Level 1 and 2 for the Bank during the financial year ended 31 March 2014.

(e) Movements of Level 3 instruments

There is no Level 3 intruments as at 31 March 2014.

(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 their assets and liabilities with the exception of provision for current taxation.

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

32 FAIR VALUE MEASUREMENTS (CONTINUED)

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

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 due to short-term in nature, except for the loans and advances as stated below.

The fair values of variable rate loans are estimated to approximate their carrying values. For fixed rate loans and Islamic financing, the fair values are estimated based on expected future cash flows of contractual instalment payments, discounted at applicable and prevailing rates at reporting date offered for similar facilities to new borrowers with similar credit profiles. In respect of impaired loans, the fair values are deemed to approximate the carrying values which are net of impairment allowances. As at 31 March 2014, the Bank has only offered variable rate loans to the borrowers and thus the fair value of these loans and advances are approximately the carrying amounts.

33 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.

34 CAPITAL ADEQUACY

With effect from 1 January 2013, the capital ratios are computed in accordance with Bank Negara Malaysia's Capital Adequacy Framework (Capital Components) and Capital Adequacy Framework (Basel II - Risk Weighted Assets) (collectively, the "Framework") issued on 28 November 2012. The Bank has adopted Standardised Approach for credit risk and market risk and the Basic Indicator Approach for operational risk. In line with transitional arrangements under BNM's Capital Adequacy Framework (Capital Components), the minimum regulatory capital adequacy requirement for common equity Tier 1 ("CET1") capital ratio and Tier 1 capital ratio are 4.0% and 5.5% respectively for year 2014. The minimum regulatory capital adequacy requirement remains at 8% for total capital ratio.

34 CAPITAL ADEQUACY (CONTINUED)

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

	2014	2013
Capital ratios:		
CET1 Capital Ratio/Total Tier 1 Capital Ratio	65.877%	52.090%
Total Capital Ratio	66.399%	52.361%

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

	2014 RM'000	2013 RM'000
CET 1 Capital		
Paid-up share capital	700,000	350,000
Retained profits	4,738	2,986
Other reserves (net of regulatory adjustments)	2,764	12
Total CET1 Capital, representing total Tier 1 Capital	707,502	352,998
Tier 2 Capital		
Collective impairment allowance	5,601	1,833
Total Capital	713,103	354,831

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

	2014 RM'000	2013 RM'000
Total RWA for Credit risk	945,263	583,639
Total RWA for Market risk	61,138	35,641
Total RWA for Operational risk	67,569	58,388
Total RWA	1,073,970	677,668

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:

2014	Principal RM'000	Risk-Weighted Assets RM'000
0%	799,396	-
20%	735,808	147,162
50%	234,456	117,228
100%	680,873	680,873
Total RWA for Credit risk	2,450,533	945,263
Total RWA for Market risk	-	61,138
Total RWA for Operational risk	-	67,569
Total RWA	2,450,533	1,073,970
2013		
0%	261,710	-
20%	525,958	105,192
50%	98,370	49,185
100%	429,262	429,262
Total RWA for Credit risk	1,315,300	583,639
Total RWA for Market risk	-	35,641
Total RWA for Operational risk	-	58,388
Total RWA	1,315,300	677,668

34 CAPITAL ADEQUACY (CONTINUED)

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

Exposure class	Gross Exposures RM'000	Net Exposures RM'000	Risk-Weighted Assets RM'000	Minimum Capital Require-ments at 8% RM'000
2014				
Credit risk				
On-balance sheet exposures:				
Sovereigns/central banks	799,385	799,385	-	-
Banks, development financial Institutions and MDBs	774,279	725,728	145,146	11,612
Corporates	429,769	429,769	429,769	34,382
Other assets	32,705	32,705	32,694	2,615
Total on-balance sheet exposures	2,036,138	1,987,587	607,609	48,609
Off-balance sheet exposures:				
OTC derivatives	410,777	410,777	300,214	24,017
Off-balance sheet exposures other than OTC derivatives or credit derivatives	52,169	52,169	37,440	2,995
Total off-balance sheet exposures	462,946	462,946	337,654	27,012
Total on and off-balance sheet exposures	2,499,084	2,450,533	945,263	75,621

Market risk	Long Position RM'000	Short Position RM'000	Risk-Weighted Assets RM'000	Minimum Capital Requirements at 8% RM'000
Interest rate risk	2,826,214	2,810,384	59,548	4,764
Foreign currency risk	1,590	-	1,590	127
Operational risk			67,569	5,406
Total RWA and capital requirements			1,073,970	85,918

34 CAPITAL ADEQUACY (CONTINUED)

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

Exposure class	Gross Exposures RM'000	Net Exposures RM'000	Risk-Weighted Assets RM'000	Minimum Capital Requirements at 8% RM'000
2013				
Credit risk				
On-balance sheet exposures:				
Sovereigns/central banks	261,710	261,710	-	-
Banks, development financial Institutions and MDBs	520,906	520,906	104,182	8,334
Corporates	279,305	279,305	279,305	22,345
Other assets	28,067	28,067	28,067	2,245
Total on-balance sheet exposures	1,089,988	1,089,988	411,554	32,924
Off-balance sheet exposures:				
OTC derivatives	204,695	204,695	156,512	12,521
Off-balance sheet exposures other than OTC derivatives or credit derivatives	20,617	20,617	15,573	1,246
Total off-balance sheet exposures	225,312	225,312	172,085	13,767
Total on and off-balance sheet exposures	1,315,300	1,315,300	583,639	46,691

Market risk	Long Position RM'000	Short Position RM'000	Risk-Weighted Assets RM'000	Minimum Capital Requirements at 8% RM'000
Interest rate risk	1,480,067	1,467,886	34,507	2,761
Foreign currency risk	1,134	-	1,134	91
Operational risk			58,388	4,671
Total RWA and capital requirements			677,668	54,214

34 CAPITAL ADEQUACY (CONTINUED)

(vi) Credit Risk Disclosures on Risk Weights

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

<--- Exposures after Netting and Credit Risk Mitigation --->

Risk weights	Sovereigns/ central banks RM'000	Banks, Development Financial Institutions & MDBs RM'000	Corporates RM'000	Other Assets RM'000	Total Exposures after Netting and Credit Risk Mitigation RM'000	Total Risk-Weighted Assets RM'000
2014						
0%	799,385	-	-	11	799,396	-
20%	-	735,808	-	-	735,808	147,162
50%	-	234,456	-	-	234,456	117,228
100%	-	-	648,179	32,694	680,873	680,873
	799,385	970,264	648,179	32,705	2,450,533	945,263
2013						
0%	261,710	-	-	-	261,710	-
20%	-	525,958	-	-	525,958	105,192
50%	-	98,370	-	-	98,370	49,185
100%	-	-	401,195	28,067	429,262	429,262
	261,710	624,328	401,195	28,067	1,315,300	583,639

34 CAPITAL ADEQUACY (CONTINUED)

(vii) Rated Exposures by External Credit Assessment Institutions ("ECAI")

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

On and off-balance sheet exposures

Exposure Class	Ratings of Sovereigns and Central Banks by Approved ECAIs						
	Moody's	Aaa to Aa3	A1 to A3	Baa1 to Ba3	B1 to C	Caa1 to C	Unrated
	S&P	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated
	Fitch	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated
	R&I	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated
		RM'000	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
2014							
Sovereigns and central banks		799,385	-	-	-	-	-
Total		799,385	-	-	-	-	-
2013							
Sovereigns and central banks		261,710	-	-	-	-	-
Total		261,710	-	-	-	-	-

Exposure Class	Ratings of Banking Institutions by Approved ECAIs						
	Moody's	Aaa to Aa3	A1 to A3	Baa1 to Ba3	Ba1 to B3	Caa1 to C	Unrated
	S&P	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated
	Fitch	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated
	RAM	AAA to AA3	A1 to A3	BBB1 to BBB3	BB1 to B3	C1 to D	Unrated
	MARC	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	C+ to D	Unrated
	R&I	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to C	Unrated
		RM'000	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
2014							
Banks, MDBs and FDIs		735,808	234,456	-	-	-	-
Total		735,808	234,456	-	-	-	-
2013							
Banks, MDBs and FDIs		525,958	98,370	-	-	-	-
Total		525,958	98,370	-	-	-	-

34 CAPITAL ADEQUACY (CONTINUED)

(vii) Rated Exposures by External Credit Assessment Institutions ("ECAI") (continued)

Exposure Class	Ratings of Corporate by Approved ECAIs					
	Moody's	Aaa to Aa3	A1 to A3	Baa1 to Ba3	Ba1 to B3	Unrated
	S&P	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	Unrated
	Fitch	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	Unrated
	RAM	AAA to AA3	A1 to A3	BBB1 to BBB3	BB1 to B3	Unrated
	MARC	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	Unrated
	R&I	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	Unrated
		RM'000	**RM'000**	**RM'000**	**RM'000**	**RM'000**
2014						
Corporates		-	-	-	-	680,884
Total		-	-	-	-	680,884
2013						
Corporates		-	-	-	-	429,262
Total		-	-	-	-	429,262

34 CAPITAL ADEQUACY (CONTINUED)

(viii) Disclosure on credit risk mitigation (continued)

2014

Exposure Class	Total Exposures before CRM RM'000	Total Exposures covered by Guarantees RM'000	Total Exposures covered by Financial Collaterals RM'000	Total Exposures covered by Other Eligible Collaterals RM'000
Credit Risk				
On-Balance Sheet Exposures:				
Sovereigns/Central Banks	799,385	-	-	-
Banks, Development Financial Institutions and MDBs	774,279	-	-	-
Corporates	429,769	-	-	-
Other Assets	32,705	-	-	-
Total On-Balance Sheet Exposures	2,036,138	-	-	-
Off-Balance Sheet Exposures:				
OTC Derivatives	410,777	-	-	-
Off balance sheet exposures other than OTC Derivatives or credit derivatives	52,169	-	-	-
Total Off-Balance Sheet Exposures	462,946	-	-	-
Total On and Off balance sheet exposures	2,499,084	-	-	-

34 CAPITAL ADEQUACY (CONTINUED)

(viii) Disclosure on credit risk mitigation (continued)

2013

Exposure Class	Total Exposures before CRM RM'000	Total Exposures covered by Guarantees RM'000	Total Exposures covered by Financial Collaterals RM'000	Total Exposures covered by Other Eligible Collaterals RM'000
Credit Risk				
On-Balance Sheet Exposures:				
Sovereigns/Central Banks	261,710	-	-	-
Banks, Development Financial Institutions and MDBs	520,906	-	-	-
Corporates	279,305	-	-	-
Other Assets	28,067	-	-	-
Total On-Balance Sheet Exposures	1,089,988	-	-	-
Off-Balance Sheet Exposures:				
OTC Derivatives	204,695	-	-	-
Off balance sheet exposures other than OTC Derivatives or credit derivatives	20,617	-	-	-
Total Off-Balance Sheet Exposures	225,312	-	-	-
Total On and Off balance sheet exposures	1,315,300	-	-	-

35 SEGMENT INFORMATION

There is no segmental information as the Bank only has one reportable segment, which is its banking operations in Malaysia.

36 SIGNIFICANT AND SUBSEQUENT EVENTS

On 1 July 2013, Mizuho Bank, Ltd., a wholly-owned subsidiary of Mizuho Financial Group, Inc., the ultimate holding company of the Bank has merged with the holding company of the Bank, Mizuho Corporate Bank, Ltd. Subsequent to that, the Bank has changed its name from Mizuho Corporate Bank (Malaysia) Berhad to Mizuho Bank (Malaysia) Berhad, effective on the same date.

37 COMPARATIVE INFORMATION

Certain comparative information have been reclassified to conform with the current year's presentation.

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

STATEMENT BY DIRECTORS
PURSUANT TO SECTION 169(15) OF THE COMPANIES ACT, 1965

We, Dato' Seri Talaat Bin Husain and Mr. Mohd Mokhtar Bin Ghazali, being two of the Directors of Mizuho Bank (Malaysia) Berhad, state that, in the opinion of the Directors, the financial statements set out on pages 18 to 110 are drawn up so as to give a true and fair view of the state of affairs of the Bank as at 31 March 2014 and of the results and cash flows of the Bank for the financial period ended on that date in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 1965 in Malaysia.

Signed on behalf of the Board of Directors in accordance with their resolution dated ____________.

DATO" SERI TALAAT BIN HUSAIN	MR. MOHD MOKHTAR BIN GHAZALI
DIRECTOR	DIRECTOR

Kuala Lumpur

STATUTORY DECLARATION
PURSUANT TO SECTION 169(16) OF THE COMPANIES ACT, 1965

I, Eiji Sasaki, being 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 18 to 110 are, in my opinion, correct, and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

MR. EIJI SASAKI

Subscribed and solemnly declared by the abovenamed
Eiji Sasaki at Kuala Lumpur in Malaysia
on _________, before me.

COMMISSIONER FOR OATHS

923693-H

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

Report on the financial statements

We have audited the financial statements of Mizuho Bank (Malaysia) Berhad (the “Bank”), which comprise statement of financial position as at 31 March 2014, and statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages, as set out on pages 18 to 110.

Directors’ responsibility for the financial statements

The directors of the Bank are responsible for the preparation of financial statements so as to give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 1965 in Malaysia. The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors’ responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity‟s preparation of financial statements that give a true and fair view 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 entity‟s internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Bank as at 31 March 2014 and of its financial performance and cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 1965 in Malaysia.

Report on other legal and regulatory requirements

In accordance with the requirements of the Companies Act 1965 in Malaysia, we also report that in our opinion, the accounting and other records and the registers required by the Act to be kept by the Bank have been properly kept in accordance with the provisions of the Act.

Other matters

This report is made solely to the member of the Bank, as a body, in accordance with Section 174 of the Companies Act 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

Ernst & Young	Gloria Goh Ewe Gim
AF: 0039	No.1685/04/15(J)
Chartered Accountants	Chartered Accountant

Kuala Lumpur, Malaysia