Company No.

923693	H

MIZUHO BANK (MALAYSIA) BERHAD

Incorporated in Malaysia

STATUTORY FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2016

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

FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2016

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

DIRECTORS' REPORT
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2016

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 2016.

PRINCIPAL ACTIVITIES

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

FINANCIAL RESULTS

	RM'000
Profit before taxation	14,804
Taxation	(3,642)
Net profit for the financial year	11,162

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

DIVIDENDS

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

DIRECTORS

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

Dato' Seri Talaat Bin Husain
Mr. Mohd Mokhtar Bin Ghazali
Mr. Takuya Ito
Mr. Shojiro Mizoguchi (appointed on 1 September 2015)
Mr. Katsuyuki Mizuma (resigned on 1 April 2016)

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.

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

DIRECTORS' REPORT
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2016

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

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

There were no issues of debentures during the financial year.

BAD AND DOUBTFUL DEBTS

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

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

CURRENT ASSETS

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

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

VALUATION METHODS

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

CONTINGENT AND OTHER LIABILITIES

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

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

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

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

CHANGE OF CIRCUMSTANCES

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

ITEMS OF UNUSUAL NATURE

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

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

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

DIRECTORS' REPORT
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2016

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.

BUSINESS RESULTS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2016

The Bank recorded a profit before taxation of RM14.8 million for the financial year ended 31 March 2016 representing a decrease of RM1.9 million or 11.6% against the previous financial year. Net interest income for the year was RM45.5 million (increased by RM5.6 million or 14.1%), generated mainly from interest income from interbank placements of RM66.9 million, and interest income from loans, advances and financing of RM29.9 million, net of interest expense incurred on deposits from customers of RM37.3 million and interbank deposits of RM11.1 million.

Other operating income of RM39.6 million was derived mainly from foreign exchange gains and mark to market gains on revaluation of derivatives. Personnel costs, information systems and equipment costs together with operations and systems outsourcing expenses made up the bulk of other operating expenses of RM57.3 million.

The Bank's total assets stood at RM5,821.9 million as at 31 March 2016, where this is RM2.7 million or 87.0% higher compared against 31 March 2015. In comparison with the previous financial year, the increase can be attributed to cash and short term funds (RM1.2 million or 79.8% higher) and loans, advances and financing (RM1.3 million or 147.3% higher).

As at 31 March 2016, the Bank's common equity tier 1 capital ratio and total capital ratio stood high at 23.540% and 24.432% respectively.

BUSINESS OUTLOOK FOR THE FINANCIAL YEAR ENDING 31 MARCH 2016

The Bank expects the Malaysian economy to grow at a moderate pace in light of the challenging economic environment globally and domestically. Overall domestic investment is expected to grow at a slower pace but will remain supported by the implementation of infrastructure development projects and capital spending in the manufacturing and service sectors. For the year ending 31 March 2017, the Bank will continue to remain customer-oriented and focus on delivering value-added solutions to its customers. 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 economic development of both Malaysia and Japan.

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

DIRECTORS' REPORT
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2016

STATEMENT OF CORPORATE GOVERNANCE

BOARD'S DUTIES AND RESPONSIBILITIES

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

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

There are matters specifically reserved for the Board's decision to ensure that the direction and control of the Bank are firmly in hand. The day-to-day conduct of the Bank's business is delegated to the 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.

BOARD COMPOSITION

The Board of the Bank consists of five (5) members, of whom one (1) is the Managing Director/Chief Executive Officer ("MD/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.

STATEMENT OF CORPORATE GOVERNANCE (CONTINUED)

PROFILE OF DIRECTORS

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

Dato' Seri Talaat Bin Husain, aged 65, was appointed as a Director of the Bank on 1 March 2011 and as the Chairman of the Bank on 28 November 2014. He is also the Chairman of the Nominating Commitee 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. Katsuyuki Mizuma
Non-Independent Non-Executive Director

Mr. Katsuyuki Mizuma, aged 56, was appointed the Director of the Bank on 29 May 2012. He holds a Bachelor of Law Degree from The Kyoto University, Japan. He has resigned as a Director on 1 April 2016.

Mr. Takuya Ito
Non-Independent Non-Executive Director

Mr. Takuya Ito, aged 49, was appointed the Director of the Bank on 28 November 2014. He holds a Bachelor of Arts in Economics from Keio University, Japan and a Masters of Business Administration ("MBA") from the Columbia Business School, New York, USA.

Mr. Mohd Mokhtar Bin Ghazali
Independent Non-Executive Director

Mr. Mohd Mokhtar Bin Ghazali, aged 72, was appointed as a Director of the Bank on 1 March 2011. He is the Chairman of the Board Risk Management Committee and Audit Committee. He holds a Bachelor of Economics from University Malaya, Malaysia.

Mr. Shojiro Mizoguchi
Managing Director/Chief Executive Officer

Mr. Shojiro Mizoguchi, aged 51, was appointed as MD/CEO of the Bank on 1 September 2015. He graduated from University of Hitotsubashi, majoring in Commerce.

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

DIRECTORS' REPORT
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2016

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 six (6) meetings and the attendance at the Board meetings are as follows:

Board	Number of Meetings	
	Held	Attended
Dato' Seri Talaat Bin Husain *Independent Non-Executive Director*	7	7
Mr. Katsuyuki Mizuma (resigned on 1 April 2016) *Non-Independent Non-Executive Director*	7	6
Mr. Mohd Mokhtar Bin Ghazali *Independent Non-Executive Director*	7	7
Mr. Takuya Ito *Non-Independent Non-Executive Director*	7	7
Mr. Shojiro Mizoguchi (appointed on 1 September 2015) *Managing Director/Chief Executive Officer*	4	4

DIRECTORS' TRAINING

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

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

BOARD COMMITTEES

NOMINATION AND REMUNERATION COMMITTEE

The Bank's Nomination Committee consists of all the Directors of the Bank. The Remuneration Committee comprises two (2) Independent Non-Executive Directors (of whom one (1) is the Chairman) and one (1) Non-Independent Non-Executive Director.

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

STATEMENT OF CORPORATE GOVERNANCE (CONTINUED)

BOARD COMMITTEES

NOMINATION AND REMUNERATION COMMITTEE

The Nominating and Remuneration Committee shall meet at least once annually. During the financial year ended 31 March 2016, the Nominating Committee and Remuneration Committee met four times and once, respectively. Details of attendance of each member at the Nominating Committee and Remuneration Committee meetings held during the financial year ended 31 March 2016 are as follows:

Nomination Committee Members	**Number of Meetings**	
	Held	**Attended**
Dato' Seri Talaat Bin Husain *Chairman*	4	4
Mr. Mohd Mokhtar Bin Ghazali *Member*	4	4
Mr. Katsuyuki Mizuma (resigned on 1 April 2016) *Member*	4	3
Mr. Takuya Ito *Member*	4	4
Mr. Shojiro Mizoguchi (appointed on 1 September 2015) *Member*	1	1

Remuneration Committee Members	**Number of Meetings**	
	Held	**Attended**
Dato' Seri Talaat Bin Husain *Chairman*	1	1
Mr. Katsuyuki Mizuma (resigned on 1 April 2016) *Member*	1	1
Mr. Mohd Mokhtar Bin Ghazali *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 shall meet at least once every quarter. During the financial year ended 31 March 2016, the Audit Committee met seven (7) times.

Details of attendance of each Member at the Audit Committee meetings held during the financial year ended 31 March 2016 are as follows:

Audit Committee Members	Number of Meetings	
	Held	Attended
Mr. Mohd Mokhtar Bin Ghazali *Chairman*	7	7
Dato' Seri Talaat Bin Husain *Member*	7	7
Mr. Takuya Ito *Member*	7	7

Accountability and Audit

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

The Head of Internal Auditor attends every Audit Committee meeting.

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

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

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 2016, 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 Dato’ Seri Talaat Bin Husain and Mr. Takuya Ito.

The Committee meets at least once every quarter, or more often as the Chairman of the Committee considers necessary or appropriate and the Committee held six (6) meetings during the year.

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 2016 are as follows:

Board Risk Management Committee Members	**Number of Meetings**	
	Held	**Attended**
Mr. Mohd Mokhtar Bin Ghazali *Chairman*	6	6
Dato’ Seri Talaat Bin Husain *Member*	6	6
Mr. Takuya Ito *Member*	6	6

The Board Risk Management Committee is responsible for:

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

Committees supporting the Board Risk Management Committee

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

STATEMENT OF CORPORATE GOVERNANCE (CONTINUED)

BOARD COMMITTEES (CONTINUED)

BOARD RISK MANAGEMENT COMMITTEE (CONTINUED)

Committees supporting the Board Risk Management Committee (continued)

ALMC

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

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

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

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, amongst others, include the monthly performance of the Bank, minutes of the various Board and Management Committees, risk portfolio reports, any other prevailing regulatory developments as well as economic and business environment updates.

RELATED PARTY TRANSACTIONS

During the financial year ended 31 March 2016, the Bank entered into transactions with its immediate holding company, Mizuho Bank, Ltd. in the normal course of business. The details and nature of the transactions are disclosed in Note 27 to the financial statements.

DISCLOSURE OF SHARIAH COMMITTEE

The Bank's Shariah Committee was established to ensure that the Bank's Islamic Banking aims and operations, business affairs and activities are in compliance with Shariah rules and principles. The roles and reponsibilities of the Bank's Shariah Committee are as prescribed in the Shariah Governance Framework for Islamic Financial Institutions issued by BNM and in compliance with the respective members' letter of appointment.

The Chairman of the Shariah Committee is Dr. Mohd Zakhiri Bin Md Nor and its members are Dr. Muhamad Faisal Ashaari and Dr. Mohd Edil Bin Abd Sukor.

The details of attendance of each member at Shariah Committee Meetings held during the financial year ended 31 March 2016 are as follows:

Shariah Committee Members	**Number of Meetings**	
	Held	**Attended**
Dr. Mohd Zakhiri Bin Md Nor *Chairman*	7	7
Dr. Muhamad Faisal Ashaari *Member*	7	7
Dr. Mohd Edil Bin Abd Sukor *Member*	7	7

STATEMENT OF CORPORATE GOVERNANCE (CONTINUED)

DISCLOSURE OF SHARIAH COMMITTEE (CONTINUED)

The key roles and responsibilities of Shariah Committee include:

- to advise the Board and provide input to the Bank on Shariah matters in order for the Bank to comply with Shariah principles at all times.

- to endorse Shariah policies and procedure prepared by the Bank and to ensure that the contents are Shariah compliant.

- to approve the Bank's Islamic products including the relevant documentation as follows:
  - i) the terms and conditions contained in the forms, contracts, agreements or legal documentations used in executing the transactions;and
  - ii) the product manual, advertisements, sales illustrations and brochures used to describe the product.

- to assess the work carried out by Shariah review and Shariah audit in order to ensure compliance with Shariah matters which forms part of their duties in providing their assessment of Shariah compliance and assurance in the annual report.

- to advise the Bank to consult BNM's Shariah Advisory Council ("SAC") on Shariah matter that could not be resolved.

- to provide written Shariah opinions in circumstances where the Bank make reference to the BNM's SAC for further deliberation, or where the Bank submits applications to the BNM for new product.

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 30 August 2016.

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

Kuala Lumpur

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

STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2016

	Note	2016 RM'000	2015 RM'000
ASSETS			
Cash and short-term funds	5	2,761,801	1,536,067
Deposits and placements with financial institutions	6	102,209	232,000
Financial investments available-for-sale	7	211,105	148,057
Loans, advances and financing	8	2,271,421	918,438
Derivative financial assets	9	430,134	260,942
Other assets	10	24,572	5,523
Property and equipment	11	9,178	9,287
Intangible assets	12	11,450	3,666
TOTAL ASSETS		5,821,870	3,113,980
LIABILITIES AND EQUITY			
Deposits from customers	13	1,637,598	1,139,744
Deposits and placements from financial institutions	14	2,717,126	764,630
Derivative financial liabilities	9	407,324	242,599
Other liabilities	15	325,830	245,036
Deferred tax liabilities	16	2,274	1,541
TOTAL LIABILITIES		5,090,152	2,393,550
Share capital	17	700,000	700,000
Retained profits	18	8,712	8,915
Other reserves	19	23,006	11,515
TOTAL EQUITY		731,718	720,430
TOTAL LIABILITIES AND EQUITY		5,821,870	3,113,980
COMMITMENTS AND CONTINGENCIES	29	7,178,426	5,838,357

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 2016

	Note	2016 RM'000	2015 RM'000
Interest income	20	93,906	64,631
Interest expense	21	(48,425)	(24,772)
Net interest income		45,481	39,859
Other operating income	22	39,571	20,495
Net operating income		85,052	60,354
Other operating expenses	23	(57,300)	(40,418)
Operating profit		27,752	19,936
Impairment allowance on loans, advances and financing	25	(12,948)	(3,185)
Profit before taxation		14,804	16,751
Taxation	26	(3,642)	(3,868)
Profit for the financial year		11,162	12,883
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss:			
Unrealised gain on financial investments		166	83
Income tax effect		(40)	(20)
Other comprehensive income for the year		126	63
Total comprehensive income for the financial year		11,288	12,946
Profit attributable to:			
Owner of the Bank		11,162	12,883
Total comprehensive income attributable to:			
Owner of the Bank		11,288	12,946
Basic earnings per share (sen)	28	1.59	1.84

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 2016

	←	Non-distributable	→		Distributable	
	Share capital RM'000	Statutory reserve RM'000	Regulatory reserve RM'000	Available for-sale reserve RM'000	Retained profits RM'000	Total RM'000
2016						
At 1 April 2015	700,000	11,484	-	31	8,915	720,430
Profit for the financial year	-	-	-	-	11,162	11,162
Other comprehensive income	-	-	-	126	-	126
Transfer to regulatory reserve	-	-	5,784	-	(5,784)	-
Transfer to statutory reserve	-	5,581	-	-	(5,581)	-
At 31 March 2016	700,000	17,065	5,784	157	8,712	731,718
2015						
At 1 April 2014	700,000	2,778	-	(32)	4,738	707,484
Profit for the financial year	-	-	-	-	12,883	12,883
Other comprehensive income	-	-	-	63	-	63
Transfer to statutory reserve	-	8,706	-	-	(8,706)	-
At 31 March 2015	700,000	11,484	-	31	8,915	720,430

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 2016

	2016 RM'000	2015 RM'000
Cash flows from operating activities		
Profit before taxation	14,804	16,751
Adjustments for:		
Depreciation of property and equipment	3,027	2,416
Amortisation of intangible asset	1,383	656
Impairment allowances on loans, advances and financing	12,948	3,185
Accretion of discount net of amortisation of premium	(3,573)	(4,599)
Net unrealised gain on revaluation of derivatives	(4,468)	(2,294)
Unrealised foreign exchange gain	(9,846)	(4,366)
Operating profit before changes in working capital	14,275	11,749
Decrease/(increase) in operating assets		
Deposits and placements with financial institutions	(60,196)	25,000
Loans, advances and financing	(1,365,931)	(497,455)
Other assets	(9,038)	5,670
Amount owing by holding company	(166)	(150)
Purchase of financial investments available-for-sale	(59,308)	95
Increase in operating liabilities		
Deposits from customers	497,854	168,584
Deposits and placements from financial institutions	1,952,496	470,876
Other liabilities	80,794	191,252
Cash generated from operating activities	1,050,780	375,621
Taxation paid	(2,948)	(4,126)
Net cash generated from operating activities	1,047,832	371,495
Cash flows from investing activities		
Purchase of property and equipment	(2,918)	(2,520)
Purchase of intangible asset	(9,167)	(1,545)
Net cash used in investing activities	(12,085)	(4,065)

STATEMENT OF CASH FLOWS (CONTINUED)
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2016

	2016 RM'000	2015 RM'000
Net increase in cash and cash equivalents	1,035,747	367,430
Cash and cash equivalents at 1 April	1,768,067	1,400,637
Cash and cash equivalents as at 31 March	2,803,814	1,768,067
Analysis of cash and cash equivalents		
Cash and short-term funds (Note 5)	2,761,801	1,536,067
Deposits and placements with financial institutions (Note 6)	102,209	232,000
Less: Deposits and placements with financial institutions with contractual maturity more than 3 months	(60,196)	-
	2,803,814	1,768,067

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 30 August 2016.

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 *Financial Instruments: Recognition and Measurement* ("MFRS139") 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 other comprehensive income in the ‘available-for-sale reserve’, except for impairment losses, foreign exchange gains or losses on monetary financial assets and interest income calculated using the effective interest method are recognised in the income statements. Dividends on financial investments AFS are recognised in the income statements when the Bank's right to receive payment is established. When the Bank derecognise financial investments AFS, the cumulative gain or loss previously recognised in equity is recognised in the income statements in 'other operating income'.

(c) Derecognition

A financial asset is derecognised when:

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

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

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

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

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

2. ACCOUNTING POLICIES (CONTINUED)

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Financial assets (continued)

(d) Impairment of financial assets

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

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

(1) Loans and receivables

(i) Loans, advances and financing

Classification of loans, advances and financing as impaired

Loans, advances and financing are classified as impaired when:

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

Impairment process – individual assessment

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

2. ACCOUNTING POLICIES (CONTINUED)

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Financial assets (continued)

(d) Impairment of financial assets (continued)

(1) Loans and receivables (continued)

(i) Loans, advances and financing (continued)

Impairment process – individual assessment (continued)

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

Impairment process – collective assessment

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

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

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

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 separately in equity until the hedged forecast transaction occurs.

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

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

(3) Hedge of net investments in foreign operations

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

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 a maturity of three month or less, which are subject to an insignificant rise of changes in value.

(ix) Provisions for liabilities

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

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 unless the probability of outflow or economic resouces is remote. However, contingent liabilities do not include financial guarantee contracts.

2. ACCOUNTING POLICIES (CONTINUED)

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(xvi) Contingent liabilities and contingent assets (continued)

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

(xvii) Fair value measurement

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

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

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

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

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

The Bank 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.

2. ACCOUNTING POLICIES (CONTINUED)

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(xvii) Fair value measurement (continued)

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

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

2.3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted are consistent with those of the previous financial year except as follows:

On 1 April 2016, the Bank adopted the following new and amended MFRSs :

Description	**Effective for annual periods beginning on or after**
Amendments to MFRS 119 Defined Benefit Plans Assets: Employee Contributions	1 January 2016
Annual Improvements to MFRSs 2010-2012 Cycle	1 January 2016
Annual Improvements to MFRSs 2011-2013 Cycle	1 January 2016

The adoption of these amendments and annual improvements to standards did not have any material impact on the financial statements of the Bank.

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

Annual Improvements to MFRSs 2010-2012 Cycle

The Annual Improvements to MFRSs 2010-2012 Cycle include a number of amendments to various MFRSs, which are summarised below:

(i) MFRS 2:Share based payment

This improvement clarifies various issues relating to the definitions of performance and service conditions which are vesting conditions, including:

- A performance condition must contain a service condition;

2. ACCOUNTING POLICIES (CONTINUED)

2.3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

Annual Improvements to MFRSs 2010-2012 Cycle (continued)

(i) MFRS 2 Share based payment (continued)

- A performance target must be met while the counterparty is rendering service;
- A performance target may relate to the operations or activities of an entity, or those of another entity in the same group;
- A performance condition may be a market or non-market condition; and
  If the counterparty, regardless of the reason, ceases to provide service during the vesting period, the service condition is not satisfied.

(ii) MFRS 3 Business Combinations

The amendments to MFRS 3 clarify that contingent consideration classified as liabilities (or assets) should be measured at fair value through profit or loss at each reporting date, irrespective of whether the contingent consideration is a financial instrument within the scope of MFRS 139. The amendments are effective for business combinations for which the acquisition date is on or after 1 July 2014.

(iii) MFRS 8 Operating Segments

The amendments are to be applied retrospectively and clarify that:

- an entity must disclose the judgements made by management in applying the aggregation criteria in MFRS 8, including a brief description of operating segments that have been aggregated and the economic characteristics used to assess whether the segments are similar; and
- the reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker.

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

The amendments remove inconsistencies in the accounting for accumulated depreciation or amortisation when an item of property, plant and equipment or an intangible asset is revalued. The amendments clarify that the gross carrying amount is adjusted in a manner consistent with the revaluation of the carrying amount of the asset and that accumulated depreciation/amortisation is the difference between the gross carrying amount and the carrying amount after taking into account accumulated impairment losses.

2. ACCOUNTING POLICIES (CONTINUED)

2.3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

Annual Improvements to MFRSs 2010-2012 Cycle (continued)

(v) MFRS 124 Related Party Disclosures

The amendments clarify that a management entity providing key management personnel services to a reporting entity is a related party of the reporting entity. The reporting entity should disclose as related party transactions the amounts incurred for the service paid or payable to the management entity for the provision of key management personnel services.

Annual Improvements to MFRSs 2011-2013 Cycle

The Annual Improvements to MFRSs 2011-2013 Cycle include a number of amendments to various MFRSs, which are summarised below:

(i) MFRS 3 Business Combinations

The amendments to MFRS 3 clarify that the standard does not apply to the accounting for formation of all types of joint arrangement in the financial statements of the joint arrangement itself. This amendment applies prospectively.

(ii) MFRS 13 Fair Value Measurement

The amendments to MFRS 13 clarify that the portfolio exception in MFRS 13 can be applied not only to financial assets and financial liabilities, but also to other contracts within the scope of MFRS 139.

(iii) MFRS 140 Investment Property

The amendments to MFRS 140 clarify that an entity acquiring investment property must determine whether:

- the property meets the definition of investment property in terms of MFRS 140;
- the transaction meets the definition of a business combination under MFRS 3,

to determine if the transaction is a purchase of an asset or is a business combination.

2. ACCOUNTING POLICIES (CONTINUED)

2.3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

Bank Negara Malaysia ("BNM") Policy Document on Classification and Impairment Provisions for Loans/Financing

On 6 April 2015, BNM issued a revised policy document on Classification and Impairment Provisions for Loans/Financing. The requirements in this revised policy document are effective for financial years beginning on or after 1 January 2015, except for the following:

(i) the requirement to classify loans/financing as rescheduled and restructured in the Central Credit Reference Information System ("CCRIS") is effective on or after 1 April 2015; and

(ii) the requirement for a banking institution to maintain, in aggregate, collective impairment allowance and regulatory reserves of no less than 1.2% of total outstanding loans/financing, net of individual impairment allowance will be effective beginning 31 December 2015.

To comply with the BNM Guideline, management has set aside RM5.8 million of retained earnings in a separate regulatory reserve. As at the end of the financial year, the total collective impairment allowance and regulatory reserves of the Bank amount to 1.2% of total outstanding loans/financing, net of individual impairment allowance.

3. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

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

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

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

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

3.2 IMPAIRMENT OF FINANCIAL INVESTMENTS AVAILABLE-FOR-SALE

The Bank reviews the financial investments AFS and assesses at each reporting date 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 issuers 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 JUDGMENTS, 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 judgments about the borrower's financial situation and the net realisable value of collateral. These estimates are based on assumptions on a number of factors and actual results may differ, resulting in future changes to the allowances.

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

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

Description	**Effective for annual periods beginning on or after**
Amendments to MFRS 5: Non-current Assets Held for Sale and Discontinued Operations (Annual Improvements 2012 - 2014 Cycle)	1 April 2017
Amendments to MFRS 7: Financial Instruments: Disclosures (Annual Improvements 2012 - 2014 Cycle)	1 April 2017
Amendments to MFRS 119: Employee Benefits - Defined Benefits Plans (Annual Improvements 2012 - 2014 Cycle)	1 April 2017
Amendments to MFRS 134: Interim Financial Reporting (Annual Improvements 2012 - 2014 Cycle)	1 April 2017
Amendments to MFRS 116 and MFRS 138 Clarification of Acceptable Methods of Depreciation and Amortisation	1 April 2017
Amendments to MFRS 116 and MFRS 141 Agriculture: Bearer Plants	1 April 2017
Amendments to MFRS 10, MFRS 12 and MFRS 128: Investment Entities: Applying the Consolidation Exception	1 April 2017
Amendments to MFRS 11: Accounting for Acquisitions of Interest in Joint Operations	1 April 2017
Amendments to MFRS 101: Disclosure Initiatives	1 April 2017
Amendments to MFRS 127: Equity Method in Separate Financial Statements	1 April 2017
MFRS 14 Regulatory Deferral Accounts	1 April 2017
Amendments to MFRS 107: Disclosure Initiatives	1 April 2018
Amendments to MFRS 112 Recognition of Deferred Tax Assets for Unrealised Losses	1 April 2018
MFRS 15 *Revenue from Contracts with Customers*	1 April 2019
MFRS 9 *Financial Instruments*	1 April 2019
MFRS 16 *Leases*	1 April 2020

Amendments to MFRS 10 and MFRS 128 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture which was earlier announced to be effective for the financial year ending 31 March 2017 has been deferred to a date to be determined by MASB.

Annual Improvements to MFRSs 2012–2014 Cycle

The Annual Improvements to MFRSs 2012-2014 Cycle include a number of amendments to various MFRSs, which are summarised below. The Directors of the Bank do not anticipate that the application of these amendments will have a significant impact on the Bank's financial statements.

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

Annual Improvements to MFRSs 2012–2014 Cycle (continued)

MFRS 5 Non-current Assets Held for Sale and Discontinued Operations

The amendment to MFRS 5 clarifies that changing from one of these disposal methods to the other should not be considered to be a new plan of disposal, rather it is a continuation of the original plan. There is therefore no interruption of the application of the requirements in MFRS 5.

The amendment also clarifies that changing the disposal method does not change the date of classification. This amendment is to be applied prospectively to changes in methods of disposal that occur in annual periods beginning on or after 1 January 2016, with earlier application permitted.

MFRS 7 *Financial Instruments: Disclosures*

The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and arrangement against the guidance for continuing involvement in MFRS 7 in order to assess whether the disclosures are required.

In addition, the amendment also clarifies that the disclosures in respect of offsetting of financial assets and financial liabilities are not required in the condensed interim financial report.

MFRS 119 *Employee Benefits*

The amendment to MFRS 119 clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used.

MFRS 134 *Interim Financial Reporting*

MFRS 134 requires entities to disclose information in the notes to the interim financial statements if not disclosed elsewhere in the interim financial report.

The amendment states that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the greater interim financial report (e.g., in the management commentary or risk report). The other information within the interim financial report must be available to users on the same terms as the interim financial statements and at the same time.

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

Amendments to MFRS 116 and MFRS 138: Clarification of Acceptable Methods of Depreciation and Amortisation

The amendments clarify that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part of the business) rather than the economic benefits that are consumed through the use of an asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets.

The amendments are effective prospectively for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments are not expected to have any impact to the Bank as the Bank has not used a revenue-based method to depreciate its non-current assets.

Amendments to MFRS 10, MFRS 12 and MFRS 128: Investment Entities: Applying the Consolidation Exception

The amendments clarify that the exemption from presenting consolidated financial statements applies to a parent entity that is a subsidiary of an investment entity, when the investment entity measures all of its subsidiaries at fair value. The amendments further clarify that only a subsidiary that is not an investment entity itself and provides support services to the investment entity is consolidated. In addition, the amendments also provides that if an entity that is not itself an investment entity has an interest in an associate or joint venture that is an investment entity, the entity may, when applying the equity method, retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. The amendments are to be applied retrospectively and are effective for annual periods beginning on or after 1 January 2016, with early adoption permitted.

Amendments to MFRS 101: Disclosure Initiatives

The amendments to MFRS 101 include narrow-focus improvements in the following five areas:

- Materiality
- Disaggregation and subtotals
- Notes structure
- Disclosure of accounting policies
- Presentation of items of other comprehensive income arising from equity accounted investments

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

Amendments to MFRS 127 Equity Method in Separate Financial Statements

The amendments will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associate in their separate financial statements. Entities already applying MFRS and electing to change to the equity method in its separate financial statements will have to apply this change retrospectively. For first-time adopters of MFRS electing to use the equity method in its separate financial statements, they will be required to apply this method from the date of transition to MFRS. The amendments are effective for annual periods beginning on or after 1 January 2016, with early adoption permitted.

MFRS 14 *Regulatory Deferral Accounts*

MFRS 14 is an optional standard that allows an entity, whose activities are subject to rate-regulations, to continue applying most of its existing accounting policies for regulatory deferral account balances upon its first-time adoption of MFRS. Entities that adopt MFRS 14 must present the regulatory deferral accounts as separate line items on the statement of financial position and present movements in the account balances as separate line items in profit or loss and other comprehensive income. The standard requires disclosures on the nature of, and risks associated with, the entity's rate-regulation and the effects of that rate-regulation on its financial statements. Since the Bank is an existing MFRS preparer, this standard would not apply.

Amendments to MFRS 107 Disclosure Initiatives

The amendments to MFRS 107 introduce an additional disclosure on changes in liabilities arising from financing activities. The disclosure requirement could be satisfied in various ways, and one method is by providing reconciliation between the opening and closing balances in the balance sheet for liabilities arising from financing activities.

The amendments are effective for annual periods beginning on or after 1 January 2017 with early adoption permitted.

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

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

In addition, in evaluating whether an entity will have sufficient taxable profits in future periods against which deductible temporary differences can be utilised, the amendments require an entity to compare the deductible temporary differences with future taxable profits that excludes tax deductions resulting from the reversal of those temporary differences.

The amendments are effective for annual periods beginning on or after 1 January 2017 with early adoption permitted. The amendments shall be applied retrospectively.

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

MFRS 15 *Revenue from Contracts with Customers*

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

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

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

Either a full or modified retrospective application is required for annual periods beginning on or after 1 January 2018 with early adoption permitted.

MFRS 9 *Financial Instruments*

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

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

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

MFRS 9 *Financial Instruments* (Continued)

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

- The held-to-maturity ("HTM") and available-for-sale ("AFS") asset categories will be removed;

- A new asset category measured at fair value through other comprehensive income ("FVOCI") is introduced. This applies to debt instruments with contractual cash flow characteristics that are solely payments of principal and interest and held in a model whose objective is achieved by both collecting contractual cash flows and selling financial assets;

- A new asset category for non-traded equity investments measured at FVOCI is introduced; and

- Classification of financial liabilities will remain largely unchanged, other than the fair value gains and losses attributable to changes in 'own credit risk' for financial liabilities designated and measured at FVTPL to be presented in OCI. The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change in respect of the liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss.

The adoption of MFRS 9 will have an effect on the classification and measurement of the Bank's financial assets and financial liabilities designated at FVTPL.

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

MFRS 9 *Financial Instruments* (Continued)

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

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

MFRS 16 *Leases*

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

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

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

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

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

5. CASH AND SHORT-TERM FUNDS

	2016 RM'000	2015 RM'000
Cash and balances with banks and other financial institutions	84,940	83,469
Money at call and deposit placements maturing within one month	2,676,861	1,452,598
	2,761,801	1,536,067

6. DEPOSITS AND PLACEMENTS WITH FINANCIAL INSTITUTIONS

	2016 RM'000	2015 RM'000
Deposits and placements maturing more than one month	102,209	232,000

7. FINANCIAL INVESTMENTS AVAILABLE-FOR-SALE

	2016 RM'000	2015 RM'000
At fair value:		
Malaysian Government Securities	176,108	-
Malaysian Government Treasury Bills	34,997	148,057
	211,105	148,057

8. LOANS, ADVANCES AND FINANCING

	2016 RM'000	2015 RM'000
(a) By type:		
At amortised cost:		
Term loans	1,182,695	388,968
Revolving credits	1,110,447	538,256
Overdraft	13	-
Gross loans, advances and financing	2,293,155	927,224
Less: Impairment allowance		
- Collective impairment allowance	(21,734)	(8,786)
Net loans, advances and financing	2,271,421	918,438

8. LOANS, ADVANCES AND FINANCING (CONTINUED)

	2016 RM'000	2015 RM'000
(b) By geographical distribution:		
In Malaysia	2,175,619	853,135
Outside Malaysia	117,536	74,089
	2,293,155	927,224

	2016 RM'000	2015 RM'000
(c) By type of customer:		
Domestic business enterprise	1,514,283	608,869
Domestic non-bank financial institutions	661,336	244,266
Foreign business entity	117,536	74,089
	2,293,155	927,224

	2016 RM'000	2015 RM'000
(d) By interest/profit rate sensitivity:		
Fixed rate	1,025,661	446,934
Variable rate - Cost plus	1,267,494	480,290
	2,293,155	927,224

	2016 RM'000	2015 RM'000
(e) By economic purpose:		
Construction	93,188	111,564
Purchase of fixed assets other than land and building	325,527	122,974
Purchase of non-residential property	-	1,575
Working capital	1,874,440	691,111
	2,293,155	927,224

8. LOANS, ADVANCES AND FINANCING (CONTINUED)

(f) By economic sector:

	2016 RM'000	2015 RM'000
Mining and quarrying	117,791	-
Manufacturing	1,015,013	299,135
Electricity, gas and water supply	7,398	-
Wholesale and retail trade, and restaurants and hotels	186,714	161,233
Transport, storage and communication	10,021	11,594
Finance, insurance, real estate and business activities	819,098	381,173
Education, health and others	19,584	-
Others	117,536	74,089
	2,293,155	927,224

(g) By residual contractual maturity:

	2016 RM'000	2015 RM'000
Maturity within		
- one year	1,030,851	474,179
- one to five years	972,659	387,320
- after five years	289,645	65,725
	2,293,155	927,224

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

	2016 RM'000	2015 RM'000
At 1 April 2015/2014	8,786	5,601
Allowance made during the year (Note 25)	12,948	3,185
At 31 March	21,734	8,786
As percentage of total loan	0.95%	0.95%

The Bank has no impaired loans, advances and financing and no individual impairment allowance was deemed required as at 31 March 2016.

9. DERIVATIVE FINANCIAL INSTRUMENTS

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

	Notional amount RM'000	Fair value Assets RM'000	Fair value Liabilities RM'000
2016			
At fair value:			
Foreign exchange related contracts	597,366	6,815	(6,432)
Interest rate related contracts	5,049,474	423,319	(400,892)
Total derivative assets/(liabilities)	5,646,840	430,134	(407,324)
2015			
At fair value:			
Foreign exchange related contracts	1,094,934	11,069	(10,360)
Interest rate related contracts	3,828,894	249,873	(232,239)
Total derivative assets/(liabilities)	4,923,828	260,942	(242,599)

10. OTHER ASSETS

	Note	2016 RM'000	2015 RM'000
Accrued interest receivable		3,236	1,215
Other receivables, deposits and prepayments		20,553	3,691
Due from holding company	(a)	783	617
		24,572	5,523

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

11. PROPERTY AND EQUIPMENT

	Office equipment, furniture and fittings RM'000	Leasehold improvements RM'000	Computer equipment RM'000	Computer hardware RM'000	Total RM'000
2016					
Cost					
At 1 April 2015	5,085	8,473	936	2,949	17,443
Additions	7	380	339	2,192	2,918
At 31 March 2016	5,092	8,853	1,275	5,141	20,361
Accumulated depreciation					
At 1 April 2015	3,422	2,482	463	1,789	8,156
Depreciation charged	1,018	862	268	879	3,027
At 31 March 2016	4,440	3,344	731	2,668	11,183
Net book value					
At 31 March 2016	652	5,509	544	2,473	9,178
2015					
Cost					
At 1 April 2014	4,791	7,013	473	2,646	14,923
Additions	294	1,460	463	303	2,520
At 31 March 2015	5,085	8,473	936	2,949	17,443
Accumulated depreciation					
At 1 April 2014	2,442	1,732	338	1,228	5,740
Depreciation charged	980	750	125	561	2,416
At 31 March 2015	3,422	2,482	463	1,789	8,156
Net book value					
At 31 March 2015	1,663	5,991	473	1,160	9,287

12. INTANGIBLE ASSETS

	Software RM'000	Software Development in-Progress RM'000	Total RM'000
2016			
Cost			
At 1 April 2015	4,220	1,060	5,280
Additions	6,397	2,770	9,167
Transferred to software	454	(454)	-
At 31 March 2016	11,071	3,376	14,447
Accumulated amortisation			
At 1 April 2015	1,614	-	1,614
Amortisation charged	1,383	-	1,383
At 31 March 2016	2,997	-	2,997
Net book value			
At 31 March 2016	8,074	3,376	11,450
2015			
Cost			
At 1 April 2014	2,570	1,165	3,735
Additions	576	969	1,545
Transferred to software	1,074	(1,074)	-
At 31 March 2015	4,220	1,060	5,280
Accumulated amortisation			
At 1 April 2014	958	-	958
Amortisation charged	656	-	656
At 31 March 2015	1,614	-	1,614
Net book value			
At 31 March 2015	2,606	1,060	3,666

13. DEPOSITS FROM CUSTOMERS

	2016 RM'000	2015 RM'000
(a) By type of deposit:		
- Demand deposits	583,000	405,582
- Fixed deposits	588,968	197,079
- Short-term deposits	465,630	537,083
	1,637,598	1,139,744
(b) By type of customer:		
- Domestic non-bank financial institutions	156,404	109,368
- Domestic business enterprises	1,476,778	1,006,769
- Foreign business enterprises	4,416	23,607
	1,637,598	1,139,744
(c) Maturity structure:		
- On demand	583,000	405,582
- Due within six months	932,598	670,034
- Due within six months to one year	122,000	64,128
	1,637,598	1,139,744

14. DEPOSITS AND PLACEMENTS FROM FINANCIAL INSTITUTIONS

	2016 RM'000	2015 RM'000
Licensed banks	2,717,126	764,630

15. OTHER LIABILITIES

	2016 RM'000	2015 RM'000
Accrued interest payable	8,338	2,874
Other accruals	168	768
Other payables	317,324	241,394
	325,830	245,036

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.

	2016 RM'000	2015 RM'000
At 1 April 2015/2014	(1,541)	(1,854)
Recognised in profit or loss	(693)	333
Recognised in other comprehensive income	(40)	(20)
At 31 March	(2,274)	(1,541)

Presented after appropriate offsetting as follows:

Deferred tax assets	-	-
Deferred tax liabilities	(2,274)	(1,541)
	(2,274)	(1,541)

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

	Accelerated capital allowances RM'000	Financial investments available-for-sale RM'000	Total RM'000
2016			
At 1 April 2015	(1,531)	(10)	(1,541)
Recognised in profit or loss	(737)	-	(737)
Recognised in other			-
comprehensive income	-	(40)	(40)
Effect of reduction in tax rate	44	-	44
At 31 March 2016	(2,224)	(50)	(2,274)
2015			
At 1 April 2014	(1,864)	10	(1,854)
Recognised in profit or loss	269	-	269
Recognised in other comprehensive income	-	(20)	(20)
Effect of reduction in tax rate	64	-	64
At 31 March 2015	(1,531)	(10)	(1,541)

17. SHARE CAPITAL

	Number of ordinary share of RM 1 each		Amount	
	2016	2015	2016	2015
	'000	'000	RM'000	RM'000
Authorised:				
At beginning/end of financial year	1,000,000	1,000,000	1,000,000	1,000,000
Issued and fully paid:				
At beginning/end of financial year	700,000	700,000	700,000	700,000

18. RETAINED PROFITS

The retained profits of the Bank as at 31 March 2016 and 31 March 2015 are distributable profits and may be distributed as dividends under the single-tier system.

19. OTHER RESERVES

	2016	2015
	RM'000	RM'000
Non-distributable:		
Statutory reserve	17,065	11,484
Available-for-sale reserve	157	31
Regulatory reserve	5,784	-
	23,006	11,515

20. INTEREST INCOME

	2016	2015
	RM'000	RM'000
Loans, advances and financing	29,927	16,452
Money at call and deposits and placements with financial institutions	66,863	40,642
Net (loss) / gain from interest rate swap and cross-currency interest rate swap	(7,982)	2,898
Financial investments available-for-sale	5,098	4,639
	93,906	64,631

21. INTEREST EXPENSE

	2016 RM'000	2015 RM'000
Deposits and placements from financial institutions	11,129	2,544
Deposits from customers	37,296	22,228
	48,425	24,772

22. OTHER OPERATING INCOME

	2016 RM'000	2015 RM'000
Fee income	8,299	5,122
Net unrealised gain on revaluation of derivatives	4,468	2,294
Realised foreign exchange gain	16,956	8,713
Unrealised foreign exchange gain	9,846	4,366
Others	2	-
	39,571	20,495

23. OTHER OPERATING EXPENSES

	2016 RM'000	2015 RM'000
Personnel costs:		
Salaries, allowances and bonuses	21,431	14,179
Contribution to Employees Provident Fund	2,638	1,514
Other staff related costs	6,720	4,901
Establishment costs:		
Repair and maintenance	2,303	1,826
Depreciation of property and equipment	3,027	2,416
Amortisation of intangible asset	1,383	656
Rental of premises	2,064	2,094
Information technology expenses	7,695	4,762
Others	1,260	1,144
Marketing expenses:		
Advertisement and publicity	128	104
Others	1,350	698
Administration and general expenses:		
Communication expenses	866	860
Legal and professional fees	2,227	2,546
Others	4,208	2,718
	57,300	40,418

23. OTHER OPERATING EXPENSES (CONTINUED)

	2016 RM'000	2015 RM'000
The above expenses include the following statutory disclosures:		
Directors' remuneration (Note 24)	1,329	1,088
Auditors' remuneration:		
- Statutory audit	311	246
- Regulatory-related services	71	110

24. DIRECTORS' REMUNERATION

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

	Salary and bonus RM'000	Fee RM'000	Other emoluments RM'000	Benefit-in-kind RM'000	Total RM'000
2016					
Executive directors and CEO:					
Mr. Shojiro Mizoguchi	366	-	253	104	723
Mr. Eiji Sasaki	219	-	115	35	369
Non-executive directors:					
Dato' Seri Talaat Bin Husain	-	95	20	-	115
Mr. Mohd Mokhtar Bin Ghazali	-	90	32	-	122
Mr. Katsuyuki Mizuma	-	-	-	-	-
Mr. Takuya Ito	-	-	-	-	-
	585	185	420	139	1,329
2015					
Executive directors and CEO:					
Mr. Eiji Sasaki	443	-	142	129	714
Mr. Hiroyuki Yoshinari	78	-	74	18	170
Non-executive directors:					
Dato' Seri Talaat Bin Husain	-	88	8	-	96
Mr. Mohd Mokhtar Bin Ghazali	-	87	21	-	108
Mr. Katsuyuki Mizuma	-	-	-	-	-
Mr. Hiroshi Suehiro	-	-	-	-	-
Mr. Takuya Ito	-	-	-	-	-
	521	175	245	147	1,088

25. ALLOWANCE FOR IMPAIRMENT ON LOANS, ADVANCES AND FINANCING

	2016 RM'000	2015 RM'000
Collective impairment allowance made (Note 8(h))	12,948	3,185

26. TAXATION

	2016 RM'000	2015 RM'000
Tax expense for the year		
Malaysian income tax	2,537	4,161
Under provision in prior years	412	40
	2,949	4,201
Deferred tax:		
Relating to origination and reversal of temporary differences	1,147	(164)
Over provision in prior years	(410)	(105)
Relating to reduction in income tax rate	(44)	(64)
	693	(333)
Income tax expense	3,642	3,868

Income tax is calculated at the Malaysian statutory rate of 24% (2015: 25%) of the estimated chargeable profit for the financial year.

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

	2016 RM'000	2015 RM'000
Profit before taxation	14,804	16,751
Taxation at Malaysian statutory tax rate of 24% (2015: 25%)	3,553	4,188
Income not subject to tax	(2,363)	(1,132)
Expenses not deductible for tax purposes	2,494	941
Under provision of tax expense in prior years	412	40
Over provision of deferred tax in prior years	(410)	(105)
Effect of reduction in income tax rate	(44)	(64)
Tax expense for the year	3,642	3,868

27. SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES

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

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

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

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

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

Transactions with parent bank	2016 RM'000	2015 RM'000
Interest income on money at call and deposits and placements	8	8
Interest expense on deposits and placements	(10,423)	(2,413)
Outsourcing fee income	5,932	4,375
Other fee and commission expenses	(6,446)	(175)
Other expenses	(122)	(81)

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.

27. SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

(b) Related party balances

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

	2016 RM'000	2015 RM'000
Amount due from/(to) parent bank:		
- Cash and short term funds	54,541	44,324
- Deposits and placements with financial institutions	4,991	18,522
- Interest receivable on deposits and other receivables	94	80
- Derivative assets	30	2
- Outsourcing fee	658	494
- Deposits and placements from financial institutions	(2,703,311)	(744,403)
- Interest payable on deposits and other payables	(3,041)	(912)
- Derivative liabilities	(150)	(28)

(c) Key management personnel

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

	2016	2015
Salary and emoluments	6,589	5,383
Defined contribution plan	739	528
Benefits-in-kind	695	739
	8,023	6,650

28. EARNINGS PER ORDINARY SHARE

The calculation of the basic earnings per ordinary share at 31 March 2016 was based on the profit attributable to owner of the Bank of RM11,162,000 (2015: RM12,883,000) and the weighted average number of ordinary shares outstanding during the financial year of 700,000,000 (2015: 700,000,000).

29. COMMITMENTS AND CONTINGENCIES

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

	Principal amount RM'000	Credit equivalent amount* RM'000	Risk-weighted amount* RM'000
2016			
Direct credit substitutions	11,421	11,421	11,421
Transaction related contingent items	81,001	40,501	34,749
Short-term self-liquidating trade related contingencies	6,504	1,301	1,301
Foreign exchange related contracts			
- One year or less	597,366	18,412	12,734
Interest related contracts			
- One year or less	192,389	18,517	10,623
- Over one year to five years	4,286,966	773,332	519,953
- Over five years	570,119	143,270	109,861
Other commitments, such as formal standby facilities and credit lines, with an original maturity of over one year	431,239	215,619	215,619
Any commitments that are unconditionally cancelled at any time without prior notice	1,001,421	-	-
Total	7,178,426	1,222,373	916,261

29. COMMITMENTS AND CONTINGENCIES (CONTINUED)

	Principal amount RM'000	Credit equivalent amount* RM'000	Risk-weighted amount* RM'000
2015			
Direct credit substitutions	5,179	5,179	5,179
Transaction related contingent items	133,047	66,524	44,520
Short-term self-liquidating trade related contingencies	255	51	51
Foreign exchange related contracts			
- One year or less	1,094,934	33,660	18,206
Interest related contracts			
- One year or less	243,107	15,072	8,710
- Over one year to five years	2,944,284	503,708	324,855
- Over five years	641,503	143,672	94,985
Other commitments, such as formal standby facilities and credit lines, with an original maturity of over one year	91,086	45,543	45,543
Any commitments that are unconditionally cancelled at any time without prior notice	684,962	-	-
Total	5,838,357	813,409	542,049

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

30. OPERATING LEASE COMMITMENT

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

	2016 RM'000	2015 RM'000
One year or less	2,342	2,165
Over one year to five years	1,145	901
	3,487	3,066

31. 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:

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

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

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

31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

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

(a) Credit risk management

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

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

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

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

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

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

31 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:

	2016 **RM'000**	**2015** **RM'000**
On-balance sheet exposures:		
Cash and short-term funds	2,761,801	1,536,067
Deposits and placements with financial institutions	102,209	232,000
Loans, advances and financing	2,271,421	918,438
Financial investments available-for-sale	211,105	148,057
Other financial assets	23,432	4,429
Derivative financial assets	430,134	260,942
	5,800,102	3,099,933
Off-balance sheet exposures:		
Commitments and contingencies	7,178,426	5,838,357
Total maximum credit risk exposure	12,978,528	8,938,290

31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(a) Credit risk management (continued)

(ii) Credit risk concentration profile

2016	Cash and short-term term funds RM'000	Deposits and placements with financial institutions RM'000	Loans, advances and financing RM'000	Financial investments available-for-sale RM'000	Other financial assets RM'000	Derivative financial assets RM'000	Total RM'000	Commitments and contingencies RM'000
Mining and Quarrying	-	-	117,791	-	-	-	117,791	-
Manufacturing	-	-	1,015,013	-	-	32,817	1,047,830	1,213,877
Electricity, gas and water supply	-	-	7,398	-	-	-	7,398	110,134
Construction	-	-	-	-	-	1,046	1,046	118,459
Wholesale and retail trade, and restaurants and hotels	-	-	186,714	-	-	835	187,549	383,309
Transport, storage and communication	-	-	10,021	-	-	-	10,021	23,138
Finance, insurance, real estate and business activities	2,761,801	102,209	819,098	211,105	20,372	392,363	4,306,948	5,264,344
Education, heath and others	-	-	19,584	-	-	3,073	22,657	25,988
Others	-	-	117,536	-	3,060	-	120,596	39,177
	2,761,801	102,209	2,293,155	211,105	23,432	430,134	5,821,836	7,178,426
Less: Collective allowance	-	-	(21,734)	-	-	-	(21,734)	-
	2,761,801	102,209	2,271,421	211,105	23,432	430,134	5,800,102	7,178,426

31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(a) Credit risk management (continued)

(ii) Credit risk concentration profile (continued)

2015	Cash and short-term term funds RM'000	Deposits and placements with financial institutions RM'000	Loans, advances and financing RM'000	Financial investments available-for-sale RM'000	Other financial assets RM'000	Derivative financial assets RM'000	Total RM'000	Commitments and contingencies RM'000
Manufacturing	-	-	299,135	-	-	3,528	302,663	1,167,716
Construction	-	-	-	-	-	-	-	84,643
Wholesale and retail trade, and restaurants and hotels	-	-	161,233	-	-	103	161,336	400,843
Transport, storage and communication	-	-	11,594	-	-	-	11,594	11,574
Finance, insurance, real estate and business activities	1,536,067	232,000	381,173	148,057	2,734	257,311	2,557,342	4,099,453
Others	-	-	74,089	-	1,695	-	75,784	74,128
	1,536,067	232,000	927,224	148,057	4,429	260,942	3,108,719	5,838,357
Less: Collective allowance	-	-	(8,786)	-	-	-	(8,786)	-
	1,536,067	232,000	918,438	148,057	4,429	260,942	3,099,933	5,838,357

31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(a) Credit risk management (continued)

(iii) Credit quality

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

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

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

31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(a) Credit risk management (continued)

(iii) Credit quality (continued)

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

31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(a) Credit risk management (continued)

(iii) Credit quality (continued)

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

31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(a) Credit risk management (continued)

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

2016	Neither past due nor impaired RM'000	Total RM'000
Term loans	1,182,695	1,182,695
Revolving credits	1,110,447	1,110,447
Overdraft	13	13
Gross loans, advances and financing	2,293,155	2,293,155
Less: Impairment allowance		
- Collective impairment allowance	(21,734)	(21,734)
Net loans, advances and financing	2,271,421	2,271,421
Collective impairment allowance as a percentage of total loans, advances and financing	0.95%	0.95%

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

2016	Ordinary RM'000	Special attention RM'000	Total RM'000
Term loans	1,182,695	-	1,182,695
Revolving credits	1,086,343	24,104	1,110,447
Overdraft	13	-	13
Total - Neither past due nor impaired	2,269,051	24,104	2,293,155
As a percentage of total loans, advances and financing	98.95%	1.05%	100.00%

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

31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(a) Credit risk management (continued)

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

2015	Neither past due nor impaired RM'000	Total RM'000
Term loans	388,968	388,968
Revolving credits	538,256	538,256
Gross loans, advances and financing	927,224	927,224
Less: Impairment allowance		
- Collective impairment allowance	(8,786)	(8,786)
Net loans, advances and financing	918,438	918,438
Collective impairment allowance as a percentage of total loans, advances and financing	0.95%	0.95%

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

2015	Ordinary RM'000	Special attention RM'000	Total RM'000
Term loans	381,365	7,603	388,968
Revolving credits	533,211	5,045	538,256
Total - Neither past due nor impaired	914,576	12,648	927,224
As a percentage of total loans, advances and financing	98.64%	1.36%	100.00%

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

31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(a) Credit risk management (continued)

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

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

	2016 RM'000	2015 RM'000
Cash and short-term funds	2,761,801	1,536,067
Deposits and placements with financial institutions	102,209	232,000
Financial investments available-for-sale	211,105	148,057
Other financial assets	23,432	4,429
Derivative financial assets	430,134	260,942
Total - neither past due nor impaired	3,528,681	2,181,495
As a percentage of gross balances	100.00%	100.00%

(b) Market risk management

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

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

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

31. 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.

31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(b) Market risk management (continued)

(i) Interest rate risk/Profit rate risk

The Bank is exposed to various risks associated with the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. The following table represents the Bank's assets and liabilities at carrying amount, categorised by the earlier of contractual or repricing dates as at 31 March 2016.

	<---- 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
2016								
Assets								
Cash and short-term funds	2,676,861	-	-	-	-	84,940	-	2,761,801
Deposits and placements with financial institutions	-	52,012	50,197	-	-	-	-	102,209
Financial investments available-for-sale	34,997	-	176,108	-	-	-	-	211,105
Loans, advances and financing	1,237,972	1,016,789	38,394	-	-	(21,734)	-	2,271,421
Derivative financial assets	-	-	-	-	-	-	430,134	430,134
Other non-interest sensitive balances	-	-	-	-	-	45,200	-	45,200
Total assets	3,949,830	1,068,801	264,699	-	-	108,406	430,134	5,821,870

31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(b) Market risk management (continued)

(i) Interest rate risk/Profit 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
2016								
Liabilities								
Deposits from customers	565,036	289,535	200,027	-	-	583,000	-	1,637,598
Deposits and placements from financial institutions	1,365,873	1,251,069	5,293	-	-	94,891	-	2,717,126
Derivatives financial liabilities	-	-	-	-	-	-	407,324	407,324
Other non-interest sensitive balances	-	-	-	-	-	328,104	-	328,104
Total liabilities	1,930,909	1,540,604	205,320	-	-	1,005,995	407,324	5,090,152
Shareholder's equity	-	-	-	-	-	731,718	-	731,718
Total liabilities and and shareholder's equity	1,930,909	1,540,604	205,320	-	-	1,737,713	407,324	5,821,870
On-balance sheet interest sensitivity gap representing total interest sensitivity gap	2,018,921	(471,803)	59,379	-	-	(1,629,307)	22,810	-

31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(b) Market risk management (continued)

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

The Bank is exposed to various risks associated with the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. The following table represents the Bank's assets and liabilities at carrying amount, categorised by the earlier of contractual or repricing dates as at 31 March 2015.

	<---- 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
2015								
Assets								
Cash and short-term funds	1,452,598	-	-	-	-	83,469	-	1,536,067
Deposits and placements with financial institutions	-	232,000	-	-	-	-	-	232,000
Financial investments available-for-sale	9,991	59,656	78,410	-	-	-	-	148,057
Loans, advances and financing	512,192	391,019	24,013	-	-	(8,786)	-	918,438
Derivative financial assets	-	-	-	-	-	-	260,942	260,942
Other non-interest sensitive balances	-	-	-	-	-	18,476	-	18,476
Total assets	1,974,781	682,675	102,423	-	-	93,159	260,942	3,113,980

31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(b) Market risk management (continued)

(i) Interest rate risk/Profit 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
2015								
Liabilities								
Deposits from customers	437,267	200,138	96,757	-	-	405,582	-	1,139,744
Deposits and placements from financial institutions	305,627	353,181	12,318	-	-	93,504	-	764,630
Derivatives financial liabilities	-	-	-	-	-	-	242,599	242,599
Other non-interest sensitive balances	-	-	-	-	-	246,577	-	246,577
Total liabilities	742,894	553,319	109,075	-	-	745,663	242,599	2,393,550
Shareholder's equity	-	-	-	-	-	720,430	-	720,430
Total liabilities and and shareholder's equity	742,894	553,319	109,075	-	-	1,466,093	242,599	3,113,980
On-balance sheet interest sensitivity gap representing total interest sensitivity gap	1,231,887	129,356	(6,652)	-	-	(1,372,934)	18,343	-

31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(b) Market risk management (continued)

(ii) Currency risk

The table below analyses the net foreign exchange positions of the Bank as at 31 March 2016 and 31 March 2015, 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
2016					
Assets					
Cash and short-term funds	1,662,888	1,039,944	33,481	25,488	2,761,801
Deposits and placements with financial institutions	60,000	42,209	-	-	102,209
Financial investments available-for-sale	211,105	-	-	-	211,105
Loans, advances and financing	289,209	1,854,549	15,681	111,982	2,271,421
Derivative financial assets	106,549	322,753	132	700	430,134
Other assets	24,456	116	-	-	24,572
Property and equipment	9,178	-	-	-	9,178
Intangible asset	11,450	-	-	-	11,450
Total assets	2,374,835	3,259,571	49,294	138,170	5,821,870

31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(b) Market risk management (continued)

(ii) Currency risk (continued)

	Ringgit Malaysia RM'000	United States Dollar RM'000	Japanese Yen RM'000	Others RM'000	Total RM'000
2016 (continued)					
Liabilities					
Deposits from customers	1,215,626	364,422	34,960	22,590	1,637,598
Deposits and placements from financial institutions	16,193	2,568,909	16,617	115,407	2,717,126
Derivative financial liabilities	91,018	316,028	12	266	407,324
Other liabilities	322,701	2,187	742	200	325,830
Deferred tax liabilities	2,274	-	-	-	2,274
Total liabilities	1,647,812	3,251,546	52,331	138,463	5,090,152
On-balance sheet open position	727,023	8,025	(3,037)	(293)	731,718
Less: Derivative assets	(106,549)	(322,753)	(132)	(700)	(430,134)
Add: Derivative liabilities	91,018	316,028	12	266	407,324
Net open position	711,492	1,300	(3,157)	(727)	708,908

31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(b) Market risk management (continued)

(ii) Currency risk (continued)

	Ringgit Malaysia RM'000	United States Dollar RM'000	Japanese Yen RM'000	Others RM'000	Total RM'000
2015					
Assets					
Cash and short-term funds	1,286,570	195,694	33,332	20,471	1,536,067
Deposits and placements with financial institutions	232,000	-	-	-	232,000
Financial investments available-for-sale	148,057	-	-	-	148,057
Loans, advances and financing	274,359	531,600	11,053	101,426	918,438
Derivative financial assets	65	259,467	91	1,319	260,942
Other assets	5,463	60	-	-	5,523
Property and equipment	9,287	-	-	-	9,287
Intangible asset	3,666	-	-	-	3,666
Total assets	1,959,467	986,821	44,476	123,216	3,113,980

31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(b) Market risk management (continued)

(ii) Currency risk (continued)

	Ringgit Malaysia RM'000	United States Dollar RM'000	Japanese Yen RM'000	Others RM'000	Total RM'000
2015 (continued)					
Liabilities					
Deposits from customers	968,799	122,855	28,298	19,792	1,139,744
Deposits and placements from financial institutions	20,227	630,746	11,891	101,766	764,630
Derivative financial liabilities	10,286	230,812	30	1,471	242,599
Other liabilities	243,501	792	525	218	245,036
Deferred tax liabilities	1,541	-	-	-	1,541
Total liabilities	1,244,354	985,205	40,744	123,247	2,393,550
On-balance sheet open position	715,113	1,616	3,732	(31)	720,430
Less: Derivative assets	(65)	(259,467)	(91)	(1,319)	(260,942)
Add: Derivative liabilities	10,286	230,812	30	1,471	242,599
Net open position	725,334	(27,039)	3,671	121	702,087

31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(b) Market risk management (continued)

(ii) Currency risk (continued)

Sensitivity analysis - impact on profit/loss after taxation

	2016 RM'000	2015 RM'000
• if USD weakened by 100 basis points (or 1%)	13	(270)
• if JPY weakened by 100 basis points (or 1%)	(32)	37
• if SGD weakened by 100 basis points (or 1%)	(1)	-
• if other currencies weakened by 100 basis points (or 1%)	(8)	1
	(28)	(232)

31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(c) Liquidity risk

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

The table below analyses assets and liabilities (inclusive of non-financial instruments) of the Bank in the relevant maturity tenures based on remaining contractual maturities as at 31 March 2016 and 31 March 2015.

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

Contractual maturity of total assets and liabilities

2016	Up to 1 Month RM'000	> 1 to 3 Months RM'000	> 3 to 12 Months RM'000	> 1 to 5 Years RM'000	Over 5 Years RM'000	No specific maturity RM'000	Total RM'000
Assets							
Cash and short-term funds	2,761,801	-	-	-	-	-	2,761,801
Deposits and placements with financial institutions	-	52,012	50,197	-	-	-	102,209
Financial investments available-for-sale	34,997	-	176,108	-	-	-	211,105
Loans, advances and financing	711,368	238,753	65,051	966,997	289,252	-	2,271,421
Derivative financial assets	1,302	2,454	18,024	357,503	50,851	-	430,134
Other assets	1,920	823	4,477	-	-	17,352	24,572
Property and equipment	-	-	-	-	-	9,178	9,178
Intangible asset	-	-	-	-	-	11,450	11,450
Total assets	3,511,388	294,042	313,857	1,324,500	340,103	37,980	5,821,870

31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(c) Liquidity risk (continued)

Contractual maturity of total assets and liabilities (continued)

	Up to 1 Month RM'000	> 1 to 3 Months RM'000	> 3 to 12 Months RM'000	> 1 to 5 Years RM'000	Over 5 Years RM'000	No specific maturity RM'000	Total RM'000
2016							
Liabilities							
Deposits from customers	1,148,036	289,535	200,027	-	-	-	1,637,598
Deposits and placements from financial institutions	1,460,763	1,251,069	5,294	-	-	-	2,717,126
Derivative financial liabilities	1,065	2,416	17,740	340,689	45,414	-	407,324
Other liabilities	8,102	2,623	3,501	285	-	311,319	325,830
Deferred tax liabilities	-	-	-	-	-	2,274	2,274
Total liabilities	2,617,966	1,545,643	226,562	340,974	45,414	313,593	5,090,152
Net liquidity gap	893,422	(1,251,601)	87,295	983,526	294,689	(275,613)	731,718

31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(c) Liquidity risk (continued)

Contractual maturity of total assets and liabilities (continued)

2015	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	1,536,067	-	-	-	-	-	1,536,067
Deposits and placements with financial institutions	-	232,000	-	-	-	-	232,000
Financial investments available-for-sale	9,991	59,656	78,410	-	-	-	148,057
Loans, advances and financing	359,173	50,367	61,161	382,074	65,663	-	918,438
Derivative financial assets	2,292	2,189	17,102	195,834	43,525	-	260,942
Other assets	1,685	1,163	755	-	-	1,920	5,523
Property and equipment	-	-	-	-	-	9,287	9,287
Intangible asset	-	-	-	-	-	3,666	3,666
Total assets	1,909,208	345,375	157,428	577,908	109,188	14,873	3,113,980

31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(c) Liquidity risk (continued)

Contractual maturity of total assets and liabilities (continued)

	Up to 1 Month RM'000	> 1 to 3 Months RM'000	> 3 to 12 Months RM'000	> 1 to 5 Years RM'000	Over 5 Years RM'000	No specific maturity RM'000	Total RM'000
2015							
Liabilities							
Deposits from customers	842,849	200,138	96,757	-	-	-	1,139,744
Deposits and placements from financial institutions	399,131	353,181	12,318	-	-	-	764,630
Derivative financial liabilities	2,107	2,053	16,514	182,261	39,664	-	242,599
Other liabilities	4,720	1,990	512	42	-	237,772	245,036
Deferred tax liabilities	-	-	-	-	-	1,541	1,541
Total liabilities	1,248,807	557,362	126,101	182,303	39,664	239,313	2,393,550
Net liquidity gap	660,401	(211,987)	31,327	395,605	69,524	(224,440)	720,430

31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(c) Liquidity risk (continued)

Contractual maturity of financial liabilities on an undiscounted basis

The tables below present the cash flows payable by the Bank under non-derivative financial liabilities by remaining contractual maturities as at 31 March 2016 and 31 March 2015. 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.

2016	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	1,149,801	292,593	208,012	-	-	1,650,406
Deposits and placements from financial institutions	1,462,579	1,254,286	5,322	-	-	2,722,187
Other liabilities	8,102	2,623	3,501	285	311,319	325,830
	2,620,482	1,549,502	216,835	285	311,319	4,698,423
Commitment and contingencies						
Direct credit substitutes	1,900	1,382	3,487	4,652	-	11,421
Transaction related contingencies	2,977	3,021	23,600	51,403	-	81,001
Short-term self liquidating trade related contingencies	-	388	6,116	-	-	6,504
Foreign exchange related contracts	120,350	174,747	302,269	-	-	597,366
Interest/profit related contracts	-	14,048	178,341	4,286,967	570,118	5,049,474
Other commitments, such as formal standby facilities and credit lines, with an original maturity over one year	-	-	-	339,324	91,915	431,239
Any commitments that are unconditionally cancelled at any time by the bank without prior notice	1,001,421	-	-	-	-	1,001,421
	1,126,648	193,586	513,813	4,682,346	662,033	7,178,426

31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(c) Liquidity risk (continued)

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

2015	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	844,633	202,100	99,901	-	-	1,146,634
Deposits and placements from financial institutions	399,400	354,230	12,348	-	-	765,978
Other liabilities	4,720	1,990	512	42	237,772	245,036
	1,248,753	558,320	112,761	42	237,772	2,157,648
Commitment and contingencies						
Direct credit substitutes	390	1,155	3,569	65	-	5,179
Transaction related contingencies	67,006	25	1,113	64,903	-	133,047
Short-term self liquidating trade related contingencies	9	246	-	-	-	255
Foreign exchange related contracts	318,561	177,483	598,890	-	-	1,094,934
Interest/profit related contracts	13,839	19,985	212,160	2,941,407	641,503	3,828,894
Other commitments, such as formal standby facilities and credit lines, with an original maturity over one year	-	-	-	91,086	-	91,086
Any commitments that are unconditionally cancelled at any time by the bank without prior notice	684,962	-	-	-	-	684,962
	1,084,767	198,894	815,732	3,097,461	641,503	5,838,357

31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(d) Operational risk management

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

(i) *Execution Risk*
This risk encompasses situations where trades fail to be executed, due to dealing or processing or settlement or reconciliation problems, at times leading to costly delays or penalties.

(ii) *People Risk*
This risk encompasses the risk of human errors or omissions, frauds by staff or external persons and mishaps involving key personnel.

(iii) *Systems Risk*
This is the risk of disruption to operations arising from systems failures, unauthorized intrusion or tampering of systems.

(iv) *Model Risk*
This risk represents the risk that incorrect raw data, assumptions and hypotheses will result in erroneous output from the model constructed or used.

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

32. OFFSETTING OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

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

	Gross amount of recognised financial assets/ liabilities RM'000	Gross amounts offset in the statement of financial position RM'000	Amounts presented in the statement of financial position RM'000	Amount not offset in the statement of financial position: Financial instruments RM'000	Amount not offset in the statement of financial position: Cash collateral received/ pledged RM'000	Net Amount RM'000
2016						
Derivative financial assets	430,134	-	430,134	-	(311,318)	118,816
Derivative financial liabilities	407,324	-	407,324	-	(16,320)	391,004
2015						
Derivative financial assets	260,942	-	260,942	-	(237,773)	23,169
Derivative financial liabilities	242,599	-	242,599	-	(900)	241,699

33. FAIR VALUE MEASUREMENTS

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

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

(a) Valuation principles

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

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

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

33. FAIR VALUE MEASUREMENTS (CONTINUED)

(a) Valuation principles (continued)

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

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

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

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

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

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

(b) Valuation techniques

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

Derivatives, loans and financing and financial liabilities

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

33. FAIR VALUE MEASUREMENTS (CONTINUED)

(b) Valuation techniques (continued)

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

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

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

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

		Valuation technique using		
	Quoted Market Price (Level 1)	Observable Inputs (Level 2)	Unobservable Inputs (Level 3)	Total
2016	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Financial assets:				
Financial investments available-for-sale	**211,105**	**-**	**-**	**211,105**
Money market instruments	211,105	-	-	211,105
Non-money market instruments	-	-	-	-
Derivative assets	**-**	**430,134**	**-**	**430,134**
Foreign exchange related contracts	-	6,815	-	6,815
Interest rate related contracts	-	423,319	-	423,319
	211,105	**430,134**	**-**	**641,239**
Financial liabilities:				
Derivative liabilities	**-**	**407,324**	**-**	**407,324**
Foreign exchange related contracts	-	6,432	-	6,432
Interest rate related contracts	-	400,892	-	400,892

33. FAIR VALUE MEASUREMENTS (CONTINUED)

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

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

2015	Quoted Market Price (Level 1) RM'000	Valuation technique using: Observable Inputs (Level 2) RM'000	Valuation technique using: Unobservable Inputs (Level 3) RM'000	Total RM'000
Financial assets:				
Financial investments available-for-sale	**148,057**	**-**	**-**	**148,057**
Money market instruments	148,057	-	-	148,057
Non-money market instruments	-	-	-	-
Derivative assets	**-**	**260,942**	**-**	**260,942**
Foreign exchange related contracts	-	11,069	-	11,069
Interest rate related contracts	-	249,873	-	249,873
	148,057	**260,942**	**-**	**408,999**
Financial liabilities:				
Derivative liabilities	**-**	**242,599**	**-**	**242,599**
Foreign exchange related contracts	-	10,360	-	10,360
Interest rate related contracts	-	232,239	-	232,239

(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 2016.

33. FAIR VALUE MEASUREMENTS (CONTINUED)

(e) Movements of Level 3 instruments

There is no Level 3 instruments as at 31 March 2016.

(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.

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

33. FAIR VALUE MEASUREMENTS (CONTINUED)

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

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

	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total fair value RM'000	Carrying amount RM'000
2016					
Financial assets					
Loans,advances and financing	-	2,265,931	27,753	2,293,684	2,271,421
2015					
Financial assets					
Loans,advances and financing	-	917,096	10,379	927,475	918,438

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

34. CAPITAL MANAGEMENT

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

35. CAPITAL ADEQUACY

The capital ratios are computed in accordance with Bank Negara Malaysia's Capital Adequacy Framework (Capital Components) and Capital Adequacy Framework (Basel II - Risk Weighted Assets) (collectively, the "Framework") issued on 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.

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

	2016	**2015**
Capital ratios:		
CET1 Capital Ratio/Total Tier 1 Capital Ratio	23.539%	38.494%
Total Capital Ratio	24.431%	38.964%

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

	2016 RM'000	**2015 RM'000**
CET 1 Capital		
Paid-up share capital	700,000	700,000
Retained profits	8,712	8,915
Other reserves	17,137	11,500
Total CET1 Capital, representing total Tier 1 Capital	725,849	720,415
Tier 2 Capital		
Collective impairment allowance and regulatory reserve	27,518	8,786
Total Capital	753,367	729,201

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

	2016 RM'000	**2015 RM'000**
Total RWA for Credit risk	2,864,784	1,695,779
Total RWA for Market risk	99,316	83,264
Total RWA for Operational risk	119,523	92,443
Total RWA	3,083,623	1,871,486

35. CAPITAL ADEQUACY (CONTINUED)

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

	Principal RM'000	Risk-Weighted Assets RM'000
2016		
0%	2,414,118	-
20%	376,330	75,266
50%	1,547,600	773,800
100%	2,015,718	2,015,718
Total RWA for Credit risk	6,353,766	2,864,784
Total RWA for Market risk	-	99,316
Total RWA for Operational risk	-	119,523
Total RWA	6,353,766	3,083,623
2015		
0%	773,256	-
20%	926,528	185,306
50%	511,812	255,906
100%	1,254,567	1,254,567
Total RWA for Credit risk	3,466,163	1,695,779
Total RWA for Market risk	-	83,264
Total RWA for Operational risk	-	92,443
Total RWA	3,466,163	1,871,486

35. CAPITAL ADEQUACY (CONTINUED)

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

Exposure class	Gross Exposures RM'000	Net Exposures RM'000	Risk-Weighted Assets RM'000	Minimum Capital Requirements at 8% RM'000
2016				
Credit risk				
On-balance sheet exposures:				
Sovereigns/central banks	2,414,107	2,414,107	-	-
Banks, development financial Institutions and Multilateral Development Banks ("MDBs")	680,551	369,233	73,847	5,908
Corporates	2,293,155	2,293,155	1,819,789	145,583
Other assets	54,898	54,898	54,887	4,391
Total on-balance sheet exposures	5,442,711	5,131,393	1,948,523	155,882
Off-balance sheet exposures:				
Over-the-counter ("OTC") derivatives	953,531	953,531	653,171	52,254
Off-balance sheet exposures other than OTC derivatives or credit derivatives	268,842	268,842	263,090	21,047
Total off-balance sheet exposures	1,222,373	1,222,373	916,261	73,301
Total on and off-balance sheet exposures	6,665,084	6,353,766	2,864,784	229,183

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	5,266,324	5,243,892	52,907	4,233
Foreign currency risk	82,486	-	46,409	3,713
Operational risk			119,523	9,562
Total RWA and capital requirements			3,083,623	246,691

35. CAPITAL ADEQUACY (CONTINUED)

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

Exposure class	Gross Exposures RM'000	Net Exposures RM'000	Risk-Weighted Assets RM'000	Minimum Capital Require-ments at 8% RM'000
2015				
Credit risk				
On-balance sheet exposures:				
Sovereigns/central banks	773,224	773,224	-	-
Banks, development financial Institutions and Multilateral Development Banks ("MDBs")	1,144,983	907,210	181,442	14,515
Corporates	927,224	927,224	927,224	74,178
Other assets	45,096	45,096	45,064	3,605
Total on-balance sheet exposures	2,890,527	2,652,754	1,153,730	92,298
Off-balance sheet exposures:				
Over-the-counter ("OTC") derivatives	696,112	696,112	446,756	35,740
Off-balance sheet exposures other than OTC derivatives or credit derivatives	117,297	117,297	95,293	7,624
Total off-balance sheet exposures	813,409	813,409	542,049	43,364
Total on and off-balance sheet exposures	3,703,936	3,466,163	1,695,779	135,662

Market risk	Long Position RM'000	Short Position RM'000	Risk-Weighted Assets RM'000	Minimum Capital Require-ments at 8% RM'000
Interest rate risk	3,873,219	3,855,585	74,478	5,958
Foreign currency risk	8,902	1,126	8,786	703
Operational risk			92,443	7,395
Total RWA and capital requirements			1,871,486	149,718

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, do hereby state that, in the opinion of the Directors, the accompanying financial statements set out on pages 18 to 108 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Bank as at 31 March 2016 and of the results and the cash flows of the Bank for the financial year then ended.

Signed on behalf of the Board in accordance with their resolution dated 30 August 2016.

DATO' SERI TALAAT BIN HUSAIN
DIRECTOR

MR. MOHD MOKHTAR BIN GHAZALI
DIRECTOR

Kuala Lumpur, Malaysia

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

I, Shojiro Mizoguchi, being the Chief Executive Officer primarily responsible for the financial management of Mizuho Bank (Malaysia) Berhad, do solemnly, and sincerely declare that the financial statements set out on pages 18 to 108 are, in my opinion, correct, and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

MR. SHOJIRO MIZOGUCHI

Subscribed and solemnly declared by the abovenamed
Shojiro Mizoguchi at Kuala Lumpur in Malaysia
on 30 August 2016, before me.

PESURUHJAYA SUMPAH
No. W 663
Nama: BALOO A/L T.PICHAI
MALAYSIA

COMMISSIONER FOR OATHS

NO. 102 & 104 1st FLOOR BANGUNAN
PERSATUAN YAP SELANGOR
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Building a better working world

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923693-H

Independent auditors' report to the member 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 2016, 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 18 to 108.

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.

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Independent auditors' report to the member 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 2016 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 ("Act") 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
AF: 0039
Chartered Accountants

Megat Iskandar Shah Bin Mohamad Nor
No. 3083/07/17(J)
Chartered Accountant

Kuala Lumpur, Malaysia
30 August 2016