

Company No.

923693	H
--------	---



MIZUHO BANK (MALAYSIA) BERHAD
Incorporated in Malaysia

PILLAR 3 DISCLOSURES
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2016

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

PILLAR 3 DISCLOSURES
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2016

1.0 SCOPE OF APPLICATION

The Pillar 3 Disclosure for financial reporting beginning 1 January 2010 is introduced under the Bank Negara Malaysia's Risk-Weighted Capital Adequacy Framework ("RWCAF"), which is the equivalent to Basel II issued by the Basel Committee on Banking Supervision (BCBS). Basel II consists of 3 Pillars as follows:

- Pillar 1 sets out the minimum amount of regulatory capital that banking institutions must hold against credit, market and operational risks assumed.
- Pillar 2 focuses on strengthening the supervisory review process in developing more rigorous risk management framework and techniques. The purpose is for banking institutions to implement an effective and rigorous internal capital adequacy assessment process that commensurate with the risk profile and business plans of the bank.
- Pillar 3 sets out the minimum disclosure requirements of information on the risk management practices and capital adequacy of banking institution, aimed to enhance comparability amongst banking institutions.

The Bank adopted Standardised Approach in determining the capital requirements for credit risk and market risk and applied the Basic Indicator Approach for operational risk.

The Bank Negara Malaysia's ("BNM") Risk Weighted Capital Adequacy Framework - (Basel II) ("RWCAF") - Disclosure Requirements ("Pillar 3") is applicable to all banking institutions licensed under the Financial Services Act 2013 ("FSA"). The Pillar 3 disclosure requirements aim to enhance transparency on the risk management practices and capital adequacy of banking institutions.

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

PILLAR 3 DISCLOSURES
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2016

2.0 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.

2.1 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
<u>Capital ratios:</u>		
CET1 Capital Ratio/Total Tier 1 Capital Ratio	23.539%	38.494%
Total Capital Ratio	<u>24.431%</u>	<u>38.964%</u>

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

PILLAR 3 DISCLOSURES
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2016

2.1 CAPITAL ADEQUACY (CONTINUED)

(ii) 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				
<u>On-balance sheet exposures:</u>				
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	<u>5,442,711</u>	<u>5,131,393</u>	<u>1,948,523</u>	<u>155,882</u>
<u>Off-balance sheet exposures:</u>				
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	<u>1,222,373</u>	<u>1,222,373</u>	<u>916,261</u>	<u>73,301</u>
Total on and off-balance sheet exposures	<u>6,665,084</u>	<u>6,353,766</u>	<u>2,864,784</u>	<u>229,183</u>
			Risk-Weighted Assets	Minimum Capital Requirements
	Long Position	Short Position	RM'000	at 8% RM'000
Market risk				
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			<u>3,083,623</u>	<u>246,691</u>

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

PILLAR 3 DISCLOSURES
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2016

2.1 CAPITAL ADEQUACY (CONTINUED)

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

Exposure class	Gross Exposures RM'000	Net Exposures RM'000	Risk- Weighted Assets RM'000	Minimum Capital Require- ments at 8% RM'000
2015				
Credit risk				
<u>On-balance sheet exposures:</u>				
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	<u>2,890,527</u>	<u>2,652,754</u>	<u>1,153,730</u>	<u>92,298</u>
<u>Off-balance sheet exposures:</u>				
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	<u>813,409</u>	<u>813,409</u>	<u>542,049</u>	<u>43,364</u>
Total on and off-balance sheet exposures	<u>3,703,936</u>	<u>3,466,163</u>	<u>1,695,779</u>	<u>135,662</u>
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			<u>1,871,486</u>	<u>149,718</u>

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

PILLAR 3 DISCLOSURES
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2016

2.2 CAPITAL STRUCTURE

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

	2016	2015
	RM'000	RM'000
<u>CET 1 Capital</u>		
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
<u>Tier 2 Capital</u>		
Collective impairment allowance and regulatory reserve	27,518	8,786
Total Capital	753,367	729,201

3.0 RISK MANAGEMENT FRAMEWORK

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. Complementing this is internal audit, which provides independent assurance of the effectiveness of the risk management approach.

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

PILLAR 3 DISCLOSURES
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2016

3.0 RISK MANAGEMENT FRAMEWORK (CONTINUED)

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

- to develop, maintain and enhance the Bank's risk management framework, quantitative methodologies and policies for monitoring and managing Credit, Market 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 unit and internal audit.

- 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.
- Risk control units are responsible for setting the risk management framework and developing tools and methodologies for the identification, measurement, monitoring and
- Internal audit provides independent assurance of the effectiveness of the risk management approach and provides independent responsibility to ensure adequacy, effectiveness and

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 and Credit Risk Management Committee ("CRMC") is chaired by the Independent Non-Executive Director of the Bank on a monthly basis.

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

PILLAR 3 DISCLOSURES
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2016

3.0 RISK MANAGEMENT FRAMEWORK (CONTINUED)

Committees supporting the Board

The Board Risk Management Committee ("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.

Board Risk Management Committee ("BRMC")

The role of BRMC are as follows:

- reviewing and recommending risk management strategies, policies and risk tolerance for the Boards approval;
- reviewing and assessing the adequacy of the Bank's risk management policies and framework in identifying, measuring, monitoring and controlling risk, and the extent to which these policies and frameworks are effective;
- deciding whether any credit activity or product is suitable from the business perspective, whether it complies with 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.

Credit Risk Management Committee ("CRMC")

The role of CRMC are 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;

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

PILLAR 3 DISCLOSURES
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2016

3.0 RISK MANAGEMENT FRAMEWORK (CONTINUED)

Credit Risk Management Committee ("CRMC") (continued)

- reviewing and commenting on the sports 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.

Asset and Liability Management Committee ("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 the following matters in relation to market risk:
 - (i) status of compliance with any applicable limits;
 - (ii) methods and assumptions applied by the Bank to the interest rate maturity ladder; and
 - (iii) stress test;
- reviewing, assessing and reporting to the Board the following matters in relation to liquidity risk:
 - (i) status of compliance with funding gap limits;
 - (ii) major funding counterparties;
 - (iii) commitment lines;
 - (iv) stress test;
- reviewing, assessing and reporting to the Board the following matters in relation to market-oriented profits:
 - (i) actual profit and loss of the Bank; and
 - (ii) unrealised profit and loss of the Bank;
- reviewing and assessing the status of securities held by the Bank;
- other matters, including the status of compliance with any applicable regulations;

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

PILLAR 3 DISCLOSURES
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2016

3.0 RISK MANAGEMENT FRAMEWORK (CONTINUED)

Asset and Liability Management Committee ("ALMC") (continued)

- reviewing and assessing Asset and Liability Management ("ALM") operations in relation to funding management, which includes:
 - (i) asset plan and actual results;
 - (ii) liability plan and actual results; and
 - (iii) funding situation of the Bank;

- reviewing and assessing ALM operations in relation to market risk management which includes:
 - (i) market situation (including the projection of asset rate trends);
 - (ii) the proper execution of any policy related to ALM operations;
 - (iii) the proper execution of any policy related to risk management; and
 - (iv) other related matters;

- reviewing and assessing ALM operations in relation to any other policies which includes:
 - (i) the management of the liquidity categorisation (for offices which have local currencies);
 - (ii) contingency plans for local currencies;
 - (iii) violations of criteria for the holding of special (extraordinary) meetings;
 - (iv) adjustment when applying for limits;
 - (v) revision of policies; and
 - (vi) other matters.

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

PILLAR 3 DISCLOSURES
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2016

4.0 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.

Risk Governance

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.

Risk Management Approach

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.

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

PILLAR 3 DISCLOSURES
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2016

4.0 CREDIT RISK MANAGEMENT (CONTINUED)

Risk Management Approach (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 regularly 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	2015
	RM'000	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	23,342	4,429
Derivative financial assets	430,134	260,942
	<u>5,800,012</u>	<u>3,099,933</u>
Off-balance sheet exposures:		
Commitments and contingencies	7,178,426	5,838,357
Total maximum credit risk exposure	<u>12,978,438</u>	<u>8,938,290</u>

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

PILLAR 3 DISCLOSURES
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2016

4.0 CREDIT RISK MANAGEMENT (CONTINUED)

(ii) The following table present the credit exposures of financial assets of the Bank analysed by economic sectors:

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	-	-	1,864	1,016,877	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	-	-	490	187,204	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	426,734	4,341,319	5,264,344
Education, health and others	-	-	19,584	-	-	-	19,584	25,988
Others	-	-	117,536	-	2,970	-	120,506	39,177
	<u>2,761,801</u>	<u>102,209</u>	<u>2,293,155</u>	<u>211,105</u>	<u>23,342</u>	<u>430,134</u>	<u>5,821,746</u>	<u>7,178,426</u>
Less: Collective allowance	-	-	(21,734)	-	-	-	(21,734)	-
	<u>2,761,801</u>	<u>102,209</u>	<u>2,271,421</u>	<u>211,105</u>	<u>23,342</u>	<u>430,134</u>	<u>5,800,012</u>	<u>7,178,426</u>

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

PILLAR 3 DISCLOSURES
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2016

4.0 CREDIT RISK MANAGEMENT (CONTINUED)

(ii) The following table present the credit exposures of financial assets of the Bank analysed by economic sectors:

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
	<u>1,536,067</u>	<u>232,000</u>	<u>927,224</u>	<u>148,057</u>	<u>4,429</u>	<u>260,942</u>	<u>3,108,719</u>	<u>5,838,357</u>
Less: Collective allowance	-	-	(8,786)	-	-	-	(8,786)	-
	<u>1,536,067</u>	<u>232,000</u>	<u>918,438</u>	<u>148,057</u>	<u>4,429</u>	<u>260,942</u>	<u>3,099,933</u>	<u>5,838,357</u>

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

PILLAR 3 DISCLOSURES
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2016

4.0 CREDIT RISK MANAGEMENT (CONTINUED)

(iii) Credit quality

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

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

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

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

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

PILLAR 3 DISCLOSURES
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2016

4.0 CREDIT RISK MANAGEMENT (CONTINUED)

(iii) Credit quality (continued)

Customer Categorisation	Credit Rating	Customer Profile	Status	Comparable External Rating
Customers with Special Attention (I)	E	<p>1</p> <p>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.</p>	Non-default	(CCC or lower) Non-Investment grade
Customers with Special Attention (II)		<p>2</p> <p>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.</p>		
Customers under Strict Management		<p>R</p> <p>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.</p>	Default	

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

PILLAR 3 DISCLOSURES
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2016

4.0 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.		

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

PILLAR 3 DISCLOSURES
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2016

4.0 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	<u>2,293,155</u>	<u>2,293,155</u>
Less: Impairment allowance		
- Collective impairment allowance	<u>(21,734)</u>	<u>(21,734)</u>
Net loans, advances and financing	<u>2,271,421</u>	<u>2,271,421</u>
Collective impairment allowance as a percentage of total loans, advances and financing	<u>0.95%</u>	<u>0.95%</u>

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

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	<u>2,269,051</u>	<u>24,104</u>	<u>2,293,155</u>
As a percentage of total loans, advances and financing	<u>98.95%</u>	<u>1.05%</u>	<u>100.00%</u>

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

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

PILLAR 3 DISCLOSURES
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2016

4.0 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	<u>927,224</u>	<u>927,224</u>
Less: Impairment allowance		
- Collective impairment allowance	<u>(8,786)</u>	<u>(8,786)</u>
Net loans, advances and financing	<u>918,438</u>	<u>918,438</u>
Collective impairment allowance as a percentage of total loans, advances and financing	<u>0.95%</u>	<u>0.95%</u>

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

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	<u>914,576</u>	<u>12,648</u>	<u>927,224</u>
As a percentage of total loans, advances and financing	<u>98.64%</u>	<u>1.36%</u>	<u>100.00%</u>

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

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

PILLAR 3 DISCLOSURES
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2016

4.0 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	2015
	RM'000	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	23,342	4,429
Derivative financial assets	430,134	260,942
Total - neither past due nor impaired	<u>3,528,591</u>	<u>2,181,495</u>
As a percentage of gross balances	<u>100.00%</u>	<u>100.00%</u>

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

PILLAR 3 DISCLOSURES
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2016

4.0 CREDIT RISK MANAGEMENT (CONTINUED)

(vi) Credit risk disclosures on risk weights

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

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

Risk weights	Sovereigns/ central banks RM'000	Banks, Development Financial Institutions and MDBs RM'000	Corporates RM'000	Other Assets RM'000	Total Exposures after Netting and Credit Risk Mitigation RM'000	Total Risk- Weighted Assets RM'000
2016						
0%	2,414,107	-	-	11	2,414,118	-
20%	-	376,330	-	-	376,330	75,266
50%	-	600,869	946,731	-	1,547,600	773,800
100%	-	-	1,960,831	54,797	2,015,628	2,015,628
	<u>2,414,107</u>	<u>977,199</u>	<u>2,907,562</u>	<u>54,808</u>	<u>6,353,676</u>	<u>2,864,694</u>
2015						
0%	773,224	-	-	32	773,256	-
20%	-	926,528	-	-	926,528	185,306
50%	-	511,812	-	-	511,812	255,906
100%	-	-	1,209,503	45,064	1,254,567	1,254,567
	<u>773,224</u>	<u>1,438,340</u>	<u>1,209,503</u>	<u>45,096</u>	<u>3,466,163</u>	<u>1,695,779</u>

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

PILLAR 3 DISCLOSURES
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2016

4.0 CREDIT RISK MANAGEMENT (CONTINUED)

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

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

On and off-balance sheet exposures

Exposure Class	Ratings of Sovereigns and Central Banks by Approved ECAIs						
	Moody's	Aaa to Aa3	A1 to A3	Baa1 to Ba3	B1 to C	Caa1 to C	Unrated
	S&P	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated
	Fitch	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated
	R&I	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated

RM'000 RM'000 RM'000 RM'000 RM'000 RM'000

2016

Sovereigns and
central banks

2,414,107 - - - - -

Total

2,414,107 - - - - -

2015

Sovereigns and
central banks

773,224 - - - - -

Total

773,224 - - - - -

Exposure Class	Ratings of Banking Institutions by Approved ECAIs						
	Moody's	Aaa to Aa3	A1 to A3	Baa1 to Ba3	Ba1 to B3	Caa1 to C	Unrated
	S&P	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated
	Fitch	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated
	RAM	AAA to AA3	A1 to A3	BBB1 to BBB3	BB1 to B3	C1 to D	Unrated
	MARC	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	C+ to D	Unrated
	R&I	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to C	Unrated

RM'000 RM'000 RM'000 RM'000 RM'000 RM'000

2016

Banks, MDBs and
FDIs

376,330 600,869 - - - -

Total

376,330 600,869 - - - -

2015

Banks, MDBs and
FDIs

926,528 511,812 - - - -

Total

926,528 511,812 - - - -

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

PILLAR 3 DISCLOSURES
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2016

4.0 CREDIT RISK MANAGEMENT (CONTINUED)

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

On and off-balance sheet exposures (continued)

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

Exposure Class	Ratings of Corporate by Approved ECAs					
	Moody's	Aaa to Aa3	A1 to A3	Baa1 to Ba3	Ba1 to B3	Unrated
	S&P	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	Unrated
	Fitch	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	Unrated
	RAM	AAA to AA3	A1 to A3	BBB1 to BBB3	BB1 to B3	Unrated
	MARC	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	Unrated
	R&I	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	Unrated
	RM'000	RM'000	RM'000	RM'000	RM'000	
2016						
Corporates	-	-	-	-	2,962,370	
Total	-	-	-	-	2,962,370	
2015						
Corporates	-	-	-	-	1,254,599	
Total	-	-	-	-	1,254,599	

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

PILLAR 3 DISCLOSURES
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2016

4.0 CREDIT RISK MANAGEMENT (CONTINUED)

(viii) General Disclosures for Off-Balance Sheet Exposure and Counterparty Credit Risk

	Principal amount RM'000	Positive Fair Value of Derivative Contracts 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 item	81,001		40,501	34,749
Short-term self-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 facilities and credit lines, with an of over one year	431,239		215,619	215,619
Any commitments that are cancelled at any time without	1,001,421		-	-
Total	7,178,426	-	1,222,373	916,261

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

PILLAR 3 DISCLOSURES
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2016

4.0 CREDIT RISK MANAGEMENT (CONTINUED)

	Principal amount RM'000	Positive Fair Value of Derivative Contracts	Credit equivalent amount* RM'000	Risk- weighted amount* RM'000
2015				
Direct credit substitutions	5,179		5,179	5,179
Transaction related contingent item	133,047		66,524	44,520
Short-term self- 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 facilities and credit lines, with an of over one year	91,086		45,543	45,543
Any commitments that are cancelled at any time without	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.

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

PILLAR 3 DISCLOSURES
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2016

4.1 CREDIT RISK MITIGATION

The Bank undertakes a holistic approach when granting any credit facilities to the customer, such as the credit worthiness of the customer, source of repayment and debt servicing ability, rather than placing primary dependency on the credit risk mitigation.

Depending on a customer's credit standing and the type of product, the facilities may be granted on an unsecured basis. Nevertheless, collateral serves as an effective tool in mitigating the credit risk.

The collaterals taken by the Bank consist of cash and corporate guarantee. Before any of the collaterals are accepted by the Bank, it has to be assessed in terms of legal enforceability. In all relevant jurisdiction, recognition of eligible collateral and to have the rights to liquidate or take legal possession of the collateral in a timely manner in the event of default.

The application of haircut takes place whenever there is a currency mismatch between customer exposure and collaterals, as it serves as a protection for the Bank against the foreign currency fluctuations.

2016	Total	Total	Total	Total
Exposure class	exposures	exposures	exposures	exposures
	before	covered by	covered by	covered by
	CRM	guarantees	financial	other
	RM'000	RM'000	collaterals	eligible
			RM'000	collaterals
				RM'000
Credit risk				
<i>On-balance sheet exposures:</i>				
Sovereigns/central banks	2,414,107	-	-	-
Banks, development financial Institutions and Multilateral Development Banks ("MDBs")	680,551	-	-	-
Corporates	2,293,155	-	-	-
Other assets	54,898	-	-	-
Total on-balance sheet exposures	5,442,711	-	-	-
<i>Off-Balance Sheet Exposures:</i>				
Over-the-counter ("OTC") derivatives	953,531	-	-	-
Off balance sheet exposures other than OTC derivatives or credit derivatives	268,842	-	-	-
Total off-balance sheet exposures	1,222,373	-	-	-
Total on and off balance sheet exposures	6,665,084	-	-	-

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

PILLAR 3 DISCLOSURES
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2016

4.1 CREDIT RISK MITIGATION (CONTINUED)

2015	Total	Total	Total	Total
Exposure class	exposures	exposures	exposures	exposures
	before	covered by	covered by	covered by
	CRM	guarantees	financial	other
	RM'000	RM'000	collaterals	eligible
			RM'000	collaterals
				RM'000
Credit risk				
<i>On-balance sheet exposures:</i>				
Sovereigns/central banks	773,224	-	-	-
Banks, development financial Institutions and Multilateral Development Banks ("MDBs")	1,144,983	-	-	-
Corporates	927,224	-	-	-
Other assets	45,096	-	-	-
Total on-balance sheet exposures	2,890,527	-	-	-
<i>Off-balance sheet exposures:</i>				
Over-the-counter ("OTC") derivatives	696,112	-	-	-
Off balance sheet exposures other than OTC derivatives or credit derivatives	117,297	-	-	-
Total off-balance sheet exposures	813,409	-	-	-
Total on and off balance sheet exposures	3,703,936	-	-	-

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

PILLAR 3 DISCLOSURES
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2016

5.0 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.

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.

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

(i) Interest/Profit Rate Risk

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

MIZUHO BANK (MALAYSIA) BERHAD (923693-H)
Incorporated in Malaysia
PILLAR 3 DISCLOSURES
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2016

5.0 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 2016.

	←----- Non-trading book ----->					Non-Interest Sensitive RM'000	Trading Book RM'000	Total RM'000
	Up to 1 Month RM'000	> 1 to 3 Months RM'000	> 3 to 12 Months RM'000	> 1 to 5 Years RM'000	> 5 Years RM'000			
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

MIZUHO BANK (MALAYSIA) BERHAD (923693-H)
Incorporated in Malaysia
PILLAR 3 DISCLOSURES
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2016

5.0 MARKET RISK MANAGEMENT (CONTINUED)

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

	←----- Non-trading book ----->					Non-Interest Sensitive RM'000	Trading Book RM'000	Total RM'000
	Up to 1 Month RM'000	> 1 to 3 Months RM'000	> 3 to 12 Months RM'000	> 1 to 5 Years RM'000	> 5 Years RM'000			
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	-

MIZUHO BANK (MALAYSIA) BERHAD (923693-H)
Incorporated in Malaysia
PILLAR 3 DISCLOSURES
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2016

5.0 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 tables 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 ----->					Non-Interest Sensitive RM'000	Trading Book RM'000	Total RM'000
	Up to 1 Month RM'000	> 1 to 3 Months RM'000	> 3 to 12 Months RM'000	> 1 to 5 Years RM'000	> 5 Years RM'000			
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

MIZUHO BANK (MALAYSIA) BERHAD (923693-H)
Incorporated in Malaysia
PILLAR 3 DISCLOSURES
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2016

5.0 MARKET RISK MANAGEMENT (CONTINUED)

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

	←----- Non-trading book ----->					Non-Interest Sensitive RM'000	Trading Book RM'000	Total RM'000
	Up to 1 Month RM'000	> 1 to 3 Months RM'000	> 3 to 12 Months RM'000	> 1 to 5 Years RM'000	> 5 Years RM'000			
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	-

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

PILLAR 3 DISCLOSURES
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2016

5.0 MARKET RISK MANAGEMENT (CONTINUED)

(ii) Currency risk

Currency rate risk arises as a result of the movements in exchange rates, which affects the bank's profit and capital from the open position in foreign currencies. Currently the bank executes the transactions on a back-to-back basis to minimize its exposure to the fluctuations in exchange rate.

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

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

PILLAR 3 DISCLOSURES
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2016

5.0 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					
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

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

PILLAR 3 DISCLOSURES
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2016

5.0 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

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

PILLAR 3 DISCLOSURES
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2016

5.0 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					
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

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

PILLAR 3 DISCLOSURES
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2016

5.0 MARKET RISK MANAGEMENT (CONTINUED)

(ii) Currency risk (continued)

Sensitivity analysis - impact on profit/loss after taxation

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

(iii) Liquidity risk

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.

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

PILLAR 3 DISCLOSURES
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2016

5.0 MARKET RISK MANAGEMENT (CONTINUED)

(iii) Liquidity risk (continued)

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

	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							
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

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

PILLAR 3 DISCLOSURES
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2016

5.0 MARKET RISK MANAGEMENT (CONTINUED)

(iii) 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	-	-	-	-	-	2,126	2,126
Total liabilities	2,617,966	1,545,643	226,562	340,974	45,414	313,445	5,090,004
Net liquidity gap	893,422	(1,251,601)	87,295	983,526	294,689	(275,465)	731,866

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

PILLAR 3 DISCLOSURES
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2016

5.0 MARKET RISK MANAGEMENT (CONTINUED)

(iii) 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							
Assets							
Cash and short-term funds	1,536,067	-	-	-	-	-	1,536,067
Deposits and placements with financial institutions	-	232,000	-	-	-	-	232,000
Loans, advances and financing	9,991	59,656	78,410	-	-	-	148,057
Financial investments available-for-sale	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

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

PILLAR 3 DISCLOSURES
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2016

5.0 MARKET RISK MANAGEMENT (CONTINUED)

(iii) 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

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

PILLAR 3 DISCLOSURES
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2016

5.0 MARKET RISK MANAGEMENT (CONTINUED)

(iii) 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

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

PILLAR 3 DISCLOSURES
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2016

5.0 MARKET RISK MANAGEMENT (CONTINUED)

(iii) 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
	<u>1,248,753</u>	<u>558,320</u>	<u>112,761</u>	<u>42</u>	<u>237,772</u>	<u>2,157,648</u>
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
	<u>1,084,767</u>	<u>198,894</u>	<u>815,732</u>	<u>3,097,461</u>	<u>641,503</u>	<u>5,838,357</u>

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

PILLAR 3 DISCLOSURES
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2016

6.0 OPERATIONAL RISK MANAGEMENT

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

- (i) *Execution Risk*
which encompasses situations where trades fail to be executed, due to dealing, processing, settlement, or reconciliation problems, at times leading to costly delays or penalties.
- (ii) *People Risk*
which encompasses the risk of human errors / omissions, frauds by staff or external persons and mishaps involving key personnel.
- (iii) *Systems Risk*
which is the risk of disruption to operations arising from systems failures, unauthorized intrusion or tampering of systems.
- (iv) *Model Risk*
which represents the risk that incorrect raw data, assumptions and hypotheses will result in erroneous output from the model constructed / used.

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

7.0 ICAAP OVERVIEW

The ICAAP is defined as a "process for assessing overall capital adequacy in relation to the Bank's risk profile and a strategy for maintaining its capital level".

The responsibility for developing an ICAAP lies with the Bank. It is therefore the duty of the bank to demonstrate to the regulators, among others, that its ICAAP is comprehensive and that its chosen internal capital target and capital level are adequate in view of its overall risk profile and operating environment.

There is no standard ICAAP methodology or approach that is adopted by the industry. In view of the variations, it is generally accepted that a Bank's ICAAP should be proportionate to the nature, scale and complexity of the activities of the Bank.

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

PILLAR 3 DISCLOSURES
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2016

7.1 COMPONENTS OF ICAAP

(i) Governance and oversight

The Board of Directors is responsible for ensuring that the Bank maintains an appropriate level of capital for its risk exposures.

(ii) Comprehensive risk assessment

- The material risk assessment process is designed to create an ability to estimate the impact of other risk (aside from Pillar 1 risks) on earnings and where relevant, capital requirements.
- The mitigation of the risk of additional capital charges under Pillar 2 ICAAP may be applied through demonstration of management control processes for all aspects of risk that may materially impact the bank.

(iii) Sound capital management

Capital is defined as the net worth of a business that is the amount by which assets exceed liabilities. Main components :-

- Capital planning
- Internal capital target
- Capital stress test
- Early warning indicator
- Capital contingency plan

(vi) Monitoring and reporting

A robust process for ICAAP monitoring and reporting is a major component of the Bank's ICAAP framework. Regular reports are prepared for ALMC, BRMC and the BOD on the Bank's risk profile and capital needs.

(vii) Independent review

A BNM guideline on ICAAP (Pillar 2) requires that a regular independent review be performed to ensure its continued effectiveness. This review function is undertaken by the Internal Audit.

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

PILLAR 3 DISCLOSURES
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2016

8.0 COMPREHENSIVE RISK ASSESSMENT - Material Risk Assessment

Step	Key process	Description of Activity
1	Risk Identification	<p>The risks faced by the Bank are determined by identifying internal and external factors that can adversely affect the Bank's risk profile. This is conducted as both a top-down and bottom-up approach.</p> <p><u>Top down approach</u> Under the top down approach, "material risk" are defined under the ICAAP framework, as a periodic exercise and based on discussions with Senior Management and BRMC and feedback from BNM. The process is qualitative in nature and takes into account the potential implications of such risks as defined in "material risks"</p> <p><u>Bottom up approach</u> This process is designed to identify new material risks, assess and manage inherent risks in new products and services before they are launched in line with BNM requirements.</p>
2	Assessment of Risk	<p>Based on the list of risks identified through both the top-down and bottom-up approaches, the following two dimensions are assessed:-</p> <ol style="list-style-type: none"> 1. Likelihood of a risk event. 2. Impact to the Bank should it materialise. <p>This exercise which is conducted periodically involves the business and support department's to identify and assess the risks.</p>
3	Quantify Risk	<p>The methodology for quantification of risk impacts will depend on the nature of the material risk. For example, the measurement of reputational risk will be different from the measurement of business or strategic risk.</p>
4	Set Materiality Threshold	<p>Before a materiality threshold is set, consideration of this aggregate risk tolerance needs to be decided.</p>
5	Determine Mitigation Approach	<p>The Bank shall evaluate the options in relation to risk appetite, if any, and the cost benefit of potential risk responses and the degree to which a response will reduce the impact or likelihood of event occurring.</p>
6	Manage "Material Risk"	<p>Where the risks have been identified as "material", appropriate policy and procedure shall be developed to embed effective governance and controls the day-to-day operations under the Bank's three lines of defence framework.</p> <p>These risk frameworks shall identify the key policies and procedures that should be emplaced to manage these risks within the tolerances that are consistent with the risk appetite of the Bank.</p> <p>Control and monitoring processes shall be put in place to ensure exposure remains within the acceptable levels.</p> <p>The management of "material risk" is a continuous and on-going process and is a key component of the Pillar 2 requirements set under Basel II.</p>

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

PILLAR 3 DISCLOSURES
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2016

9.0 SHARIAH RISK MANAGEMENT

Shariah Risk Management is a function to systematically identify, measure, monitor and control of Shariah Non-Compliance ("SNC") risks to mitigate any possible non-compliance events to which the Bank is exposed to when undertaking of Islamic finance business.

Risk Management Department ("RMD") is responsible for facilitating the process of identifying, measuring, controlling, monitoring and reporting of SNC risk inherent in the Bank's finance operations and activities.

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

- to develop, maintain and enhance the Bank's Shariah risk management framework, methodologies and policies for monitoring and managing SNC.
- to conduct independent assessment to ensure that the Islamic finance activities and operations carried out by the Bank do not contravene with Shariah principle.

The Bank's overall governance model for Shariah risk management is premised on the concept of the three (3) lines of Defence - risk taking units, risk control unit and internal audit.

- Risk taking units responsible for the day-to-day management of risks inherent in their business activities and alert RMD of any possible SNC event and occurrence.
- Risk control units are responsible for setting the Shariah risk management framework and developing tools and methodologies for the identification, measurement, monitoring and reporting of risks.
- Internal audit provides independent assurance with the objective of ensuring that sound and effective internal controls have been established in compliance with Shariah principle.

The governance model for Shariah risk management is also supported by the establishment of Shariah Committee which advises the Bank on Shariah matters relating to the Islamic finance operations. The Committee ensures that the operations of Islamic finance, its product, processes and legal documentation are in line with the Shariah principle.

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

PILLAR 3 DISCLOSURES
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2016

10.0 STRESS TESTING

Stress Testing is a risk management tool used to gauge a bank's vulnerability to exceptional but plausible events. This is to evaluate the potential impact on the Bank's portfolio under such circumstances.

The exceptional events would be fairly rare and have a large magnitude or impact on the portfolio to be stress tested. Plausible events cannot be too extreme that no entity could withstand such a shock or have zero probability of occurring.

The role of stress testing involves identifying possible events or future changes in the financial and economic conditions that could have unfavourable effects on the Bank's exposure. It provides the assessment of the Bank's ability to withstand such changes, usually in relation to the capacity of its capital and earnings to absorb potentially significant losses. Steps are then identified to manage the risks and conserve capital to prepare for such eventualities.

The stress test is a semi-annual exercise which is dynamic in nature. The stress test scenarios can be formulated based on hypothetical events or recent economic market environment that could have unfavourable effects to the Bank's exposure.

For the Bank, the stress test is conducted either based on the parameters applied to the current position or using the 3 year business plan projection. The three key segments namely loan growth, deposit growth and profit growth are focused in the 3 year business plan. Impacts on the Bank's potential losses, impairments, liquidity position, earnings and capital ratio is projected based on the selected parameters.

With the stress test results that will be communicated to the Board, BRMC and ALMC, the Bank shall identify the key strategies to mitigate the effects of stress events and conserve the capital.

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

PILLAR 3 DISCLOSURES
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2016

CHIEF EXECUTIVE OFFICER ATTESTATION

In accordance with Bank Negara Malaysia's Risk Weighted Capital Adequacy Framework (Basel II) – Disclosure Requirements (Pillar 3), I hereby attest that to the best of my knowledge, the disclosures contained in Mizuho Bank (Malaysia) Berhad's Pillar 3 Disclosure report for the financial period ended 31 March 2016 are consistent with the manner the Bank assesses and manages its risk, accurate, complete and not misleading in any particular way.



SHOJIRO MIZOGUCHI
CHIEF EXECUTIVE OFFICER

Date : 29 JUN 2016