

Company No.

923693	H
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**MIZUHO CORPORATE BANK (MALAYSIA) BERHAD**

Incorporated in Malaysia

**FINANCIAL STATEMENTS**

**FOR THE FINANCIAL PERIOD FROM**

**29 NOVEMBER 2010 (DATE OF INCORPORATION) TO 31 MARCH 2012**

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

**DIRECTORS' REPORT**  
**FOR THE FINANCIAL PERIOD FROM**  
**29 NOVEMBER 2010 (DATE OF INCORPORATION) TO 31 MARCH 2012**

The Directors are pleased to submit their report to the member together with the audited financial statements of the Bank for the financial period ended 31 March 2012.

**PRINCIPAL ACTIVITIES**

The principal activities of Mizuho Corporate Bank (Malaysia) Berhad ("MCBM" or "the Bank") are banking and related financial services.

There have been no significant changes in the nature of principal activities during the financial period.

**FINANCIAL RESULTS**

	RM'000
Loss for the financial period	<u>(3,915)</u>

**DIVIDENDS**

No dividend has been paid, declared or proposed since the date of incorporation.

The Directors do not recommend the payment of any dividend for the financial period ended 31 March 2012.

**RESERVES AND PROVISIONS**

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

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**DIRECTORS**

The names of the Directors of the Bank in office since the date of incorporation and as at the date of this report are as follows:

Mr. Hiroshi Suehiro (appointed on 9 February 2012)  
Mr. Keizo Ohashi (appointed on 1 March 2011 and resigned on 9 February 2012)  
Mr. Akira Sugano (appointed on 1 March 2011)  
Mr. Hiroyuki Yoshinari (appointed on 1 March 2011)  
Dato' Seri Talaat Bin Husain (appointed on 1 March 2011)  
Mr. Mohd Mokhtar Bin Ghazali (appointed on 1 March 2011)  
Mr. Kyoichi Nagata (first director and resigned on 3 March 2011)  
Mr. Yasuo Fukai (first director and resigned on 3 March 2011)

**DIRECTORS' BENEFITS**

During and at the end of the financial period, no arrangements subsisted to which the Bank is a party, being arrangements with the object or objects of enabling Directors of the Bank to acquire benefits by means of the acquisition of shares in, or debentures of, the Bank or any other body corporate.

Since the date of incorporation, no Director of the Bank has received or become entitled to receive any benefit (other than the directors' remuneration as disclosed in Note 20 to the financial statements) 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.

**DIRECTORS' INTERESTS**

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

**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.

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**CURRENT ASSETS**

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

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

**VALUATION METHODS**

At the date of this report, the Directors are not aware of any circumstances which have arisen which 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 period 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 period other than in the ordinary course of banking business.

**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.

**ISSUE OF SHARES**

Details of the increase in issued and paid-up ordinary share capital is disclosed in Note 13 to the financial statements.

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**ITEMS OF UNUSUAL NATURE**

The results of the Bank's operations during the financial period 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 period 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 period in which this report is made.

**BUSINESS OVERVIEW AND OUTLOOK FOR THE NEXT FINANCIAL YEAR**

*Overview of the financial period ended 31 March 2012*

Mizuho Financial Group has maintained a banking presence in Malaysia for nearly 30 years, ever since the establishment of its representative office in Kuala Lumpur in 1981. During this last 30 years, Mizuho successfully expanded its business operations in the Malaysian offshore banking market. Mizuho extended this successful banking chapter in Malaysia by obtaining its Malaysian commercial banking license in 2010. The Board of Directors is pleased to announce our first financial report for the period ended 31 March 2012 for Mizuho Corporate Bank (Malaysia) Berhad.

Our business strategy during the current financial period was to build a solid business platform by offering an extensive range of financial products with value added solutions to a segmented group of corporates, sovereigns and financial institutions.

The Bank commenced its banking operations on 5 September 2011 and recorded a net loss amounting to RM3.9m for the financial period ended 31 March 2012. Operating loss stood at RM1.4m which can be attributed to substantial expenditure on initial set up costs. Gross loans outstanding has grown to RM91m within 7 months. The Board is confident that the Bank will be able to further increase its high priority corporate client portfolio asset base, which includes both local, multinational and government sector entities, within a couple of years.

*Business outlook for the next financial year*

Moving into financial year 2013, the Board remains optimistic on the Malaysian economy. The country's economy is expected to grow between 4% - 5% in 2012 where it will continue to depend on domestic demand to drive GDP growth against the backdrop of bleak economic conditions overseas. Malaysia's strong fundamentals, pragmatic economic policies and the Economic Transformation Programme (ETP) will enhance domestic sources for growth. Looking forward, recent global data suggests that external factors like the events surrounding the European economies have heightened risk aversion. However, strong policy implementation by the Government of Malaysia and positive consumer data will alleviate these pressures and we envisage that growth will continue across the board.

In such market conditions, Mizuho Corporate Bank (Malaysia) Berhad will continue to strive to meet customer needs by providing financially engineered products in conventional banking as well as Islamic finance for both Japanese Corporates and Malaysian Corporates. We also aim to strategically position ourselves to offer a full lineup of responsive and timely financial services. We will leverage on our network of group companies - Mizuho Corporate Bank, Mizuho Bank, Mizuho Securities, and Mizuho Trust & Banking - bringing cutting-edge financial technology and know-how, as well as Mizuho's research and advisory capabilities, in order to offer a complete range of high quality financial products and services.

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**STATEMENT OF CORPORATE GOVERNANCE**

**BOARD'S DUTIES AND RESPONSIBILITIES**

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

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

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

The Terms of Reference of the Board include the following:

- (1) The review and approval of management's proposal on strategies, business plan and significant policies and monitor 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 ("CEO"), two (2) are Independent Non-Executive Directors and two (2) are Non-Independent Non-Executive Directors.

The Board consists of individuals of caliber, 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.

A brief profile of each Director is presented on page 6 of this Directors' Report.

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**STATEMENT OF CORPORATE GOVERNANCE (CONT'D)**

**PROFILE OF DIRECTORS**

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

Mr. Hiroshi Suehiro, aged 52, was appointed the Chairman of the Bank on 9 February 2012. He holds a Bachelor of Laws degree from the University of Tokyo, Japan.

**Mr. Akira Sugano**  
**Non-Independent Non-Executive Director**

Mr. Akira Sugano, aged 53, was appointed as a Director of the Bank on 1 March 2011. He holds a Bachelor of Arts in Economics from University of Tokyo, Japan and a Masters degree in Business Administration from Massachusetts Institute of Technology, USA.

**Mr. Hiroyuki Yoshinari**  
**Managing Director/Chief Executive Officer**

Mr. Hiroyuki Yoshinari, aged 52, was appointed as Managing Director and CEO of the Bank on 1 March 2011. He holds a Bachelor of Liberal Arts (Natural Sciences Division) from International Christian University, Japan.

**Dato' Seri Talaat Bin Husain**  
**Independent Non-Executive Director**

Dato' Seri Talaat Bin Husain, aged 61, was appointed as a Director of the Bank on 1 March 2011. He holds a Bachelor of Social and Political Science from University Sains Malaysia and a Masters degree in Professional Studies (International Planning) from Cornell University New York, USA.

**Mr. Mohd Mokhtar Bin Ghazali**  
**Independent Non-Executive Director**

Mr. Mohd Mokhtar Bin Ghazali, aged 69, was appointed as a Director of the Bank on 1 March 2011. He is the Chairman of the Risk Management Committee and Audit Committee. He holds a Bachelor of Economics from University Malaya, Malaysia.



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**STATEMENT OF CORPORATE GOVERNANCE (CONT'D)**

**FREQUENCY AND CONDUCT OF BOARD MEETINGS**

The Board meets on a scheduled basis, at least once in every two (2) months, to review the management reports and to deliberate on various matters which require its guidance and approval.

During the financial period, the Board held nine (9) meetings and the attendance at the Board meetings are as follows:

<b>Nomination Committee Members</b>	<b>Number of Meetings</b>	
	<b>Held</b>	<b>Attended</b>
Mr. Hiroshi Suehiro <i>Non-Independent Non-Executive Director (appointed on 9 February 2012)</i>	9	1
Mr. Hiroyuki Yoshinari <i>Managing Director/Chief Executive Officer</i>	9	8
Mr. Akira Sugano <i>Non-Independent Non-Executive Director</i>	9	8
Dato' Seri Talaat Bin Husain <i>Independent Non-Executive Director</i>	9	8
Mr. Mohd Mokhtar Bin Ghazali <i>Independent Non-Executive Director</i>	9	8
Mr. Keizo Ohashi <i>Non-Independent Non-Executive Director (resigned on 9 February 2012)</i>	9	7
Mr. Yasuo Fukai <i>Non-Independent Executive Director (resigned on 3 March 2011)</i>	9	2
Mr. Keizo Ohashi <i>Non-Independent Non-Executive Director (resigned on 3 March 2011)</i>	9	2

**DIRECTORS' TRAINING**

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

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

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**STATEMENT OF CORPORATE GOVERNANCE (CONT'D)**

**BOARD PERFORMANCE**

The Board has established a performance evaluation mechanism to assess the effectiveness of the Board, Board Committees and each Director's contribution annually. The Nomination Committee is responsible to undertake the performance evaluation every year and submit the result to the Board for deliberation.

The Board, Board Committees and individual Directors' performances are evaluated against identified key areas and key performance indicators ("KPIs") that are based on regulatory requirements and best practices. The key areas and KPIs include but are not limited to the Board and Board Committees' structure, responsibilities, meeting operations, input in policy development, participation in decision making and

**BOARD COMMITTEES**

The Board has established the Nomination Committee, Remuneration Committee, Risk Management Committee and Audit Committee to assist the Board in the execution of its duties and responsibilities.

Each Board Committee operates within its own terms of reference approved by the Board, which clearly define its duties and responsibilities.

The composition of the Board Committees are as follows:

<b>Name of Directors</b>	<b>Nomination Committee</b>	<b>Remuneration Committee</b>	<b>Risk Management Committee</b>	<b>Audit Committee</b>
Mr. Hiroshi Suehiro (Non-Independent Non-Executive Director)	M	M	M	
Mr. Akira Sugano (Non-Independent Non-Executive Director)	M	M	M	M
Mr. Hiroyuki Yoshinari (Managing Director/CEO)	M			
Dato' Seri Talaat Bin Husain (Independent Non-Executive Director)	CH	CH		M
Mr. Mohd Mokhtar Bin Ghazali (Independent Non-Executive Director)	M		CH	CH

Note:

CH - Chairman  
M - Member

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**STATEMENT OF CORPORATE GOVERNANCE (CONT'D)**

**BOARD COMMITTEES (CONT'D)**

**NOMINATION AND REMUNERATION COMMITTEE**

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

The Nomination and Remuneration Committees meet at least annually. During the financial period ended 31 March 2012, the Nomination Committee met three (3) times and the Remuneration Committee met once (1). The attendance at the Nomination and Remuneration Committee are as follows:

<b>Nomination Committee Members</b>	<b>Number of Meetings</b>	
	<b>Held</b>	<b>Attended</b>
Dato' Seri Talaat Bin Husain <i>Chairman</i>	3	3
Mr. Mohd Mokhtar Bin Ghazali <i>Member</i>	3	3
Mr. Hiroyuki Yoshinari <i>Member</i>	3	3
Mr. Akira Sugano <i>Member</i>	3	3
Mr. Hiroshi Suehiro <i>Member (appointed on 9 February 2012)</i>	3	1
Mr. Keizo Ohashi <i>Member (resigned on 9 February 2012)</i>	3	1

<b>Remuneration Committee Members</b>	<b>Number of Meetings</b>	
	<b>Held</b>	<b>Attended</b>
Dato' Seri Talaat Bin Husain <i>Chairman</i>	1	1
Mr. Akira Sugano <i>Member</i>	1	1
Mr. Hiroshi Suehiro <i>Member (appointed on 9 February 2012)</i>	1	-
Mr. Keizo Ohashi <i>Member (resigned on 9 February 2012)</i>	1	1

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**STATEMENT OF CORPORATE GOVERNANCE (CONT'D)**

**BOARD COMMITTEES (CONT'D)**

**AUDIT COMMITTEE**

The Bank's Audit Committee comprised of two (2) Independent Non-Executive Directors and one (1) Non-Independent Non-Executive Director.

The Audit Committee meets every quarter.

The attendance at the Audit Committee meetings held during the financial period are as follows:

<b>Audit Committee Members</b>	<b>Number of Meetings</b>	
	<b>Held</b>	<b>Attended</b>
Mr. Mohd Mokhtar Bin Ghazali <i>Chairman</i>	5	5
Dato' Seri Talaat Bin Husain <i>Member</i>	5	5
Mr. Akira Sugano <i>Member</i>	5	5

***Accountability and Audit***

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

The Chief Internal Auditor attends every Audit Committee meeting.

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

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

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**STATEMENT OF CORPORATE GOVERNANCE (CONT'D)**

**BOARD COMMITTEES (CONT'D)**

**AUDIT COMMITTEE (CONT'D)**

***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 MCBM'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 shareholder's questions.

The Audit Committee is responsible for approving audit, audit-related and non-audit services provided by the external auditors. These audit-related and non-audit services comprise regulatory reviews and reporting, interim reviews, accounting trainings, tax advisory and compliance services. Terms of engagement for these services are reviewed by the Audit Committee and approved by the Board. The Audit Committee approves all 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 period 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 Division, 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 period, the Committee carried out the following activities:

***Financial Reporting***

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

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**STATEMENT OF CORPORATE GOVERNANCE (CONT'D)**

**BOARD COMMITTEES (CONT'D)**

**AUDIT COMMITTEE (CONT'D)**

*Internal Audit*

- Reviewed the Internal Audit Charter in relation to the new 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 MCBM and ensured that all high risk areas are audited annually.
- Reviewed the effectiveness of the audit process, resource requirements for the period and assessed the performance of Internal Audit Division.
- Reviewed, commented and approved the audit reports presented to the Committee.

*External Audit*

Reviewed with the external auditors:

- their audit plan, audit strategy and scope of work for the period.
- the results of their annual audit, auditors' report and management letter together with Management's response to their findings.
- Assessed the independence and objectivity of the external auditors during the period and prior to the appointment of the external auditors for non-audit services.

*Related Party Transactions*

- Reviewed the related party transactions entered into by MCBM.

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**STATEMENT OF CORPORATE GOVERNANCE (CONT'D)**

**BOARD COMMITTEES (CONT'D)**

**AUDIT COMMITTEE (CONT'D)**

***Internal Audit Function***

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

The internal audit function reviews the effectiveness of the internal control structures over MCBM'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 MCBM's risk management policy. In performing such reviews, recommendations for improvement and enhancements to the existing system of internal controls and work processes are made.

Internal Audit Division also audits the information systems and data communications network of MCBM.

Internal Audit Division 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 Division is not involved in the system selection or implementation process in order to maintain its objectivity and independence.

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

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**STATEMENT OF CORPORATE GOVERNANCE (CONT'D)**

**BOARD COMMITTEES (CONT'D)**

**BOARD RISK MANAGEMENT COMMITTEE**

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

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 MCBM;
- information on MCBM'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 MCBM'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

The Chairman of BRMC is Mr. Mohd Mokhtar Bin Ghazali and its members are Mr. Hiroshi Suehiro and Mr. Akira Sugano.

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 three (3) meetings during the period.



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**STATEMENT OF CORPORATE GOVERNANCE (CONT'D)**

**BOARD COMMITTEES (CONT'D)**

**BOARD RISK MANAGEMENT COMMITTEE (CONT'D)**

The details of attendance of each member at BRMC Meetings held during the financial period ended 31 March 2012 are as follows:

<b>Board Risk Management Committee Members</b>	<b>Number of Meetings</b>	
	<b>Held</b>	<b>Attended</b>
Mr. Mohd Mokhtar Bin Ghazali <i>Chairman</i>	3	3
Mr. Hiroshi Suehiro <i>Member (appointed on 9 February 2012)</i>	3	1
Mr. Akira Sugano <i>Member</i>	3	3
Mr. Keizo Ohashi <i>Member (resigned on 9 February 2012)</i>	2	2

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 MCBM'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 MCBM's business plan and regulations, and whether it will be adequately incorporated within the credit risk management process of MCBM 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 MCBM's risk taking activities; and
- reviewing and commenting on management's periodic reports on risk exposure, risk portfolio composition and risk management activities.

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**STATEMENT OF CORPORATE GOVERNANCE (CONT'D)**

**BOARD COMMITTEES (CONT'D)**

**BOARD RISK MANAGEMENT COMMITTEE (CONT'D)**

***Committees supporting the Board Risk Management Committee***

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.

*ALMC*

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

The ALMC, chaired by MCBM'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.

*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 MCBM;
- overseeing development of credit policies, monitoring and assessing the credit risk portfolio composition of MCBM;
- evaluating risks of MCBM under stress scenarios;
- assessing the risk-return trade-off of MCBM;
- 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.

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

**DIRECTORS' REPORT**  
**FOR THE FINANCIAL PERIOD FROM**  
**29 NOVEMBER 2010 (DATE OF INCORPORATION) TO 31 MARCH 2012**

**STATEMENT OF CORPORATE GOVERNANCE (CONT'D)**

**BOARD COMMITTEES (CONT'D)**

**MANAGEMENT INFORMATION**

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

These reports are issued timely to enable the Directors to obtain further explanations, where necessary, in order to be briefed properly before the meeting.

**RELATED PARTY TRANSACTIONS**

During the financial year period 31 March 2012, the Bank entered into transactions with its immediate holding company, Mizuho Corporate Bank Ltd. in the normal course of business. The details and nature of the transactions are disclosed in Note 20 to the financial statements.

**AUDITORS**

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

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

HIROYUKI YOSHINARI  
DIRECTOR

DATO' SERI TALAAT BIN HUSAIN  
DIRECTOR

Kuala Lumpur

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

**STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2012**

	<b>Note</b>	<b>2012 RM'000</b>
<b>ASSETS</b>		
Cash and short-term funds	2	327,667
Deposits and placements with banks		25,000
Loans, advances and financing	3	89,642
Financial investments available-for-sale	4	40,024
Derivative financial assets	5	10,634
Other assets	6	1,096
Property and equipment	7	12,335
Intangible asset	8	1,633
<b>TOTAL ASSETS</b>		<b><u>508,031</u></b>
<b>LIABILITIES AND EQUITY</b>		
Deposits from customers	9	99,172
Deposits and placements of banks	10	54,030
Derivative financial liabilities	5	6,428
Other liabilities	11	1,181
Deferred tax liabilities	12	1,117
<b>TOTAL LIABILITIES</b>		<b><u>161,928</u></b>
Share capital	13	350,000
Available-for-sale reserve	14	18
Accumulated losses		(3,915)
<b>TOTAL EQUITY</b>		<b><u>346,103</u></b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b><u><u>508,031</u></u></b>
<b>COMMITMENTS AND CONTINGENCIES</b>	15	<b><u>850,095</u></b>

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

**STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE FINANCIAL PERIOD FROM**  
**29 NOVEMBER 2010 (DATE OF INCORPORATION) TO 31 MARCH 2012**

	<b>Note</b>	<b>2012 RM'000</b>
Interest income	17	15,296
Interest expense	18	<u>(2,699)</u>
Net interest income		12,597
Other operating income	19	<u>7,960</u>
Net operating income		20,557
Other operating expenses	20	<u>(21,996)</u>
Operating loss		(1,439)
Impairment allowance on loans, advances and financing	21	<u>(1,365)</u>
Loss before taxation		(2,804)
Income tax expense	23	<u>(1,111)</u>
Loss for the financial period		<u>(3,915)</u>
Other comprehensive income		
- Unrealised gain on securities - available-for-sale		24
Less:		
Income tax relating to component of other comprehensive income		<u>(6)</u>
Other comprehensive income for the financial period, net of tax		18
Total comprehensive income for the financial period		<u>(3,897)</u>

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

**STATEMENT OF CHANGES IN EQUITY**  
**FOR THE FINANCIAL PERIOD FROM**  
**29 NOVEMBER 2010 (DATE OF INCORPORATION) TO 31 MARCH 2012**

	Share capital RM'000	Available for-sale reserve RM'000	Retained earnings RM'000	Total RM'000
At 29 November 2010 (date of incorporation)	*	-	-	-
Issuance of shares	350,000	-	-	350,000
Loss for the financial period	-	-	(3,915)	(3,915)
Other comprehensive income	-	18	-	18
Balance as at 31 March 2012	<u>350,000</u>	<u>18</u>	<u>(3,915)</u>	<u>346,103</u>

\* Representing 3 ordinary shares of RM1 each

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

**STATEMENT OF CASH FLOWS**  
**FOR THE FINANCIAL PERIOD FROM**  
**29 NOVEMBER 2010 (DATE OF INCORPORATION) TO 31 MARCH 2012**

	Note	2012 RM'000
<b>Cash Flows from Operating Activities</b>		
Loss before taxation		(2,804)
<i>Adjustment for non-cash items</i>		
Depreciation of property and equipment and intangible asset	7	1,338
Amortisation of premium net of accretion of discount		18
Impairment allowance on loans, advances and financing		1,365
Unrealised foreign exchange gain and mark-to-market gain		(104)
Unrealised gain on revaluation of derivatives	19	(4,120)
Unrealised foreign exchange gain		(86)
Operating loss before changes in working capital		<u>(4,393)</u>
<i>Changes in working capital:</i>		
Increase in other assets		(1,073)
Increase in loans, advances and financing		(91,007)
Increase in deposits and placements with banks and other financial institutions		(25,000)
Increase in deposits and placements of banks and other financial institutions		54,030
Increase in other liabilities		1,181
Increase in deposits from customers		99,172
Net cash generated from operating activities		<u>32,910</u>
<b>Cash Flows from Investing Activities</b>		
Purchase of property and equipment	7	(13,559)
Purchase of intangible assets	8	(1,747)
Purchase of financial assets available-for-sale		(39,937)
Net cash used in investing activities		<u>(55,243)</u>
<b>Cash Flow from Financing Activity</b>		
Proceeds from issuance of ordinary share, representing net cash generating from financing activity		<u>350,000</u>
		<u>350,000</u>
Net increase in cash and cash equivalents		327,667
Cash and cash equivalents		
- at the date of incorporation		-
- at the end of the financial period		<u>327,667</u>
<b>Analysis of Cash and Cash equivalents</b>		
Cash and short-term funds	2	<u>327,667</u>

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

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**  
**FOR THE FINANCIAL PERIOD FROM**  
**29 NOVEMBER 2010 (DATE OF INCORPORATION) TO 31 MARCH 2012**

**SUMMARY OF SIGNIFICANT 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.

**A BASIS OF PREPARATION**

The financial statements of the Bank have been prepared under historical cost convention unless otherwise indicated in this summary of significant accounting policies.

The financial statements comply with the Financial Reporting Standards ("FRS"), Bank Negara Malaysia ("BNM") Guidelines and the provisions of the Companies Act, 1965.

The preparation of financial statements in conformity with the provisions of the Companies Act, 1965, FRS and BNM Guidelines requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reported period. It also requires Directors to exercise their judgement in the process of applying the Bank's accounting policies. Although these estimates are based on the Directors' best knowledge of current events and actions, actual results may differ from estimates.

The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in accounting policy Note H.

(a) Standards, amendments to published standards and interpretations that are effective and applicable to the Bank.

The new accounting standards, amendments and improvements to published standards and interpretations that are effective for the Bank's financial period beginning on or after 1 January 2011 are as follows:

- Amendment to FRS 7 "Financial instruments: Disclosures - improving disclosures about financial instruments"
- IC Interpretation 4 "Determining whether an arrangement contains a lease"
- Improvements to FRSs (2010)



**MIZUHO CORPORATE BANK (MALAYSIA) BERHAD (923693-H)**  
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**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**  
**FOR THE FINANCIAL PERIOD FROM**  
**29 NOVEMBER 2010 (DATE OF INCORPORATION) TO 31 MARCH 2012**

**A BASIS OF PREPARATION (CONT'D)**

- (b) Standards, amendments to published standards and interpretations to existing standards that are applicable to the Bank but not yet effective.

The Bank will apply the new standards, amendments to standards and interpretations in the following period:

- (i) Financial year beginning on 1 January 2012

In the next financial year, the Bank will be adopting the new IFRS-compliant framework, Malaysian Financial Reporting Standards ("MFRS"). MFRS 1 "First-time adoption of MFRS" provides for certain optional exemptions and certain mandatory exceptions for first-time MFRS adopters.

- MFRS 139 "Financial instruments: recognition and measurement" - BNM has removed the transitional provision for banking institutions on loan impairment assessment and provisioning to comply with the MFRS 139 requirements.
- The revised MFRS 124 "Related party disclosures" (effective from 1 January 2012) removes the exemption to disclose transactions between government-related entities and the government, and all other government-related entities. The following new disclosures are now required for government related entities:
  - The name of the government and the nature of their relationship;
  - The nature and amount of each individually significant transactions; and
  - The extent of any collectively significant transactions, qualitatively or quantitatively.
- Amendments to IC Interpretation 14 "MFRS 119 - The limit on a defined benefit assets, minimum funding requirements and their interaction" (effective from 1 July 2011) permits an entity to recognise the prepayments of contributions as an asset, rather than an expense in circumstances when the entity is subject to a minimum funding requirement and makes an early payment of contributions to meet those requirements.

**MIZUHO CORPORATE BANK (MALAYSIA) BERHAD (923693-H)**  
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**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**  
**FOR THE FINANCIAL PERIOD FROM**  
**29 NOVEMBER 2010 (DATE OF INCORPORATION) TO 31 MARCH 2012**

A BASIS OF PREPARATION (CONT'D)

(b) Standards, amendments to published standards and interpretations to existing standards that are applicable to the Bank but not yet effective (cont'd)

(ii) Financial year beginning on/after 1 January 2013

- MFRS 9 "Financial instruments - classification and measurement of financial assets and financial liabilities" (effective from 1 January 2013) replaces the multiple classification and measurement models in MFRS 139 with a single model that has only two classification categories: amortised cost and fair value. The basis of classification depends on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset.

The accounting and presentation for financial liabilities and for de-recognising financial instruments has been relocated from MFRS 139, without change, except for financial liabilities that are designated at fair value through profit or loss ("FVTPL"). Entities with financial liabilities designated at FVTPL recognise changes in the fair value due to changes in the liability's credit risk directly in other comprehensive income ("OCI"). There is no subsequent recycling of the amounts in OCI to profit or loss, but accumulated gains or losses may be transferred within equity.

The guidance in MFRS 139 on impairment of financial assets and hedge accounting continues to apply.

- MFRS 13 "Fair value measurement" (effective from 1 January 2013) aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across MFRSs. The requirements do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards. The enhanced disclosure requirements are similar to those in MFRS 7 "Financial instruments: Disclosures", but apply to all assets and liabilities measured at fair value, not just financial ones.
- Amendment to MFRS 7 "Financial instruments: Disclosures on transfers of financial assets" (effective from 1 July 2011) promotes transparency in the reporting of transfer transactions and improve users' understanding of the risk exposures relating to transfers of financial assets and the effect of those risks on an entity's financial position, particularly those involving securitisation of financial assets.

**MIZUHO CORPORATE BANK (MALAYSIA) BERHAD (923693-H)**  
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**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**  
**FOR THE FINANCIAL PERIOD FROM**  
**29 NOVEMBER 2010 (DATE OF INCORPORATION) TO 31 MARCH 2012**

**A BASIS OF PREPARATION (CONT'D)**

(b) Standards, amendments to published standards and interpretations to existing standards that are applicable to the Bank but not yet effective (cont'd)

(ii) Financial year beginning on/after 1 January 2013 (cont'd)

- Amendment to MFRS 101 "Financial statement presentation" (effective from 1 July 2012) requires entities to separate items presented in 'other comprehensive income' ("OCI") in the statement of comprehensive income into two groups, based on whether or not they may be recycled to profit or loss in the future. The amendments do not address which items are presented in OCI.
- Amendment to MFRS 119 "Employee benefits" (effective from 1 January 2013) makes significant changes to the recognition and measurement of defined benefit pension expense and termination benefits, and to the disclosures for all employee benefits. Actuarial gains and losses will no longer be deferred using the corridor approach. MFRS 119 shall be withdrawn on application of this amendment.

The adoption of the above revised MASB accounting standards is not expected to have any significant financial impact on the results of the Bank except for MFRS9 where financial assets currently classified as available for sale is allowed to be reclassified and measured accordingly.

**B FINANCIAL ASSETS AND LIABILITIES**

(a) Loans and receivables

Loans and receivables include credit provided by the Bank and the Bank's share in syndicated loans, unless they are held for trading purposes.

Loans and receivables are initially measured at fair value or equivalent, which is usually the net amount disbursed at inception including directly attributable origination costs and certain types of fees or commission (syndication commission, commitment fees and handling charges) that are regarded as an adjustment to the effective interest rate on the loan.

Loans and receivables are subsequently measured at amortised cost. The income from the loan, representing interest plus transaction costs and fees/commission included in the initial value of the loan, is calculated using the effective interest method and taken to profit or loss over the life of the loan.

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**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**  
**FOR THE FINANCIAL PERIOD FROM**  
**29 NOVEMBER 2010 (DATE OF INCORPORATION) TO 31 MARCH 2012**

**B FINANCIAL ASSETS AND LIABILITIES (CONT'D)**

**(a) Loans and receivables (cont'd)**

Commission earned on financing commitments prior to the inception of a loan is deferred and included in the value of the loan when the loan is made.

Commission earned on financing commitments when the probability of drawdown is low, or when there is uncertainty as to the timing and amount of drawdowns, is recognised on a straight-line basis over the life of the commitment.

**(b) Securities**

**(i) Categories of securities**

Securities held by the Bank are classified into one of four categories.

- Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss comprise of:

- financial assets held for trading purposes;
- financial assets that the Bank has designed, on initial recognition, at fair value through profit or loss using the fair value option available under FRS 139.

Securities in this category are measured at fair value at the reporting date. Transaction costs are directly posted in the profit and loss account. Changes in fair value (excluding accrued interest on fixed-income securities) are presented in the profit and loss account under "Net gain/loss on financial instruments at fair value through profit or loss", along with dividends from variable-income securities and realised gains and losses on disposal.

Income earned on fixed-income securities classified into this category is shown under "Interest income" in the profit and loss account. Fair value incorporates an assessment of the counterparty risk on these securities.

- Loans and receivables

Securities with fixed or determinable payments that are not traded on an active market, apart from securities for which the owner may not recover almost all of its initial investment due to reasons other than credit deterioration, are classified as "Loans and receivables" if they do not meet the criteria to be classified as "Financial assets at fair value through profit or loss."

These assets are measured and recognised as described in Note B(a).

**MIZUHO CORPORATE BANK (MALAYSIA) BERHAD (923693-H)**  
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**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**  
**FOR THE FINANCIAL PERIOD FROM**  
**29 NOVEMBER 2010 (DATE OF INCORPORATION) TO 31 MARCH 2012**

**B FINANCIAL ASSETS AND LIABILITIES (CONT'D)**

(b) Securities (cont'd)

(i) Categories of securities (cont'd)

Securities held by the Bank are classified into one of four categories (cont'd)

- Held-to-maturity financial assets

Held-to-maturity financial assets are investments with fixed or determinable payments and fixed maturity that the Bank has the intention and ability to hold until maturity. Hedges contracted to cover assets in this category against interest rate risk do not qualify for hedge accounting as defined in FRS 139.

Assets in this category are accounted for at amortised cost using the effective interest method, which builds in amortisation of premium and discount (corresponding to the difference between the purchase price and redemption value of the asset) and acquisition costs (where material). Income earned from this category of assets is included in "Interest income" in the profit and loss account.

- Available-for-sale financial assets

Available-for-sale financial assets are fixed-income and variable-income securities other than those classified as "fair value through profit or loss" or "held-to-maturity" or "loans and receivables".

Assets included in the available-for-sale category are initially recorded at fair value plus transaction costs where material. At the reporting date, they are remeasured at fair value, with changes in fair value (excluding accrued interest) shown on a separate line in shareholders' equity, fair value reserve — available for sale securities. Upon disposal, these unrealised gains and losses are transferred from shareholder's equity to the profit and loss account, where they are shown on the line "Net gain/loss on available-for-sale financial assets".

Income recognised using the effective interest method for fixed-income available-for-sale securities is recorded under "Interest income" in the profit and loss account. Dividend income from variable-income securities is recognised when the Bank's right to receive payment is established.

(c) Date of recognition for securities transactions

Securities classified as at fair value through profit or loss, held-to-maturity or available-for-sale financial assets are recognised at the trade date.

Securities transactions are carried on the statement of financial position until the Bank's rights to receive the related cash flows expire, or until the Bank has substantially transferred all the risks and rewards related to ownership of the securities.

**MIZUHO CORPORATE BANK (MALAYSIA) BERHAD (923693-H)**  
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**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**  
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**B FINANCIAL ASSETS AND LIABILITIES (CONT'D)**

**(d) Foreign currency transactions**

The methods used to account for assets and liabilities relating to foreign currency transactions entered into by the Bank, and to measure the foreign exchange risk arising on such transactions, depend on whether the asset or liability in question is classified as a monetary or a non-monetary item.

- Monetary assets and liabilities expressed in foreign currencies

Monetary assets and liabilities expressed in foreign currencies are translated into the functional currency of the relevant Bank entity at the closing rate. Translation differences are recognised in the profit and loss account, except for those arising from financial instruments designated as a cash flow hedge or a net foreign investment hedge, which are recognised in shareholder's equity.

- Non-monetary assets and liabilities expressed in foreign currencies

Non-monetary assets may be measured either at historical cost or at fair value. Non-monetary assets expressed in foreign currencies are translated using the exchange rate at the date of the transaction if they are measured at historical cost, and at the closing rate if they are measured at fair value.

Translation differences on non-monetary assets expressed in foreign currencies and measured at fair value (variable-income securities) are recognised in the profit and loss account if the asset is classified under "Financial assets at fair value through profit or loss", and in shareholders' equity if the asset is classified under "Available-for-sale financial assets", unless the financial asset in question is designated as an item hedged against foreign exchange risk in a fair value hedging relationship, in which case the translation difference is recognised in the profit and loss account.

**(e) Impairment of financial assets**

*Impairment of loans and receivables and held-to-maturity financial assets, provisions for financing and guarantee commitments*

An impairment loss is recognised against loans and held-to-maturity financial assets where (i) there is objective evidence of a decrease in value as a result of an event occurring after inception of the loan or acquisition of the asset; (ii) the event affects the amount or timing of future cash flows; and (iii) the consequences of the event can be reliably measured. Loans are initially assessed for evidence of impairment on an individual basis, and subsequently on a portfolio basis. Similar principles are applied to financing and guarantee commitments given by the Bank, with the probability of drawdown taken into account in any assessment of financing commitments.

At an individual level, objective evidence that a financial asset is impaired includes observable data regarding the following events:

- the existence of accounts that are more than three months past due;

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**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**  
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**29 NOVEMBER 2010 (DATE OF INCORPORATION) TO 31 MARCH 2012**

**B FINANCIAL ASSETS AND LIABILITIES (CONT'D)**

(e) Impairment of financial assets (cont'd)

*Impairment of loans and receivables and held-to-maturity financial assets, provisions for financing and guarantee commitments (cont'd)*

- knowledge or indications that the borrower meets significant financial difficulty, such that a risk can be considered to have arisen regardless of whether the borrower has missed any payments;
- concessions with respect to the credit terms granted to the borrower that the lender would not have considered had the borrower not been meeting financial difficulty.

The amount of the impairment is the difference between the carrying amount before impairment and the present value, discounted at the original effective interest rate of the asset, of those components (principal, interest, collateral, etc.) regarded as recoverable. Changes in the amount of impairment losses recognised in profit and loss account under "Allowances for losses on loans and advances". Any subsequent decrease in an impairment loss that can be related objectively to an event occurring after the impairment loss was recognised is credited to the profit and loss account, also under "Allowances for losses on loans and advances". Once an asset has been impaired, income earned on the carrying amount of the asset calculated at the original effective interest rate used to discount the estimated recoverable cash flows is recognised under "Interest income" in the profit and loss account.

Impairment losses on loans and receivables are usually recorded in a separate provision account which reduces the amount for which the loan or receivable was recorded in assets upon initial recognition. Provisions relating to off-balance sheet financial instruments, financing and guarantee commitments or disputes are recognised in liabilities. Impaired receivables are written off in whole or in part and the corresponding provision is reversed for the amount of the loss when all other means available to the Bank for recovering the receivables or guarantees have failed, or when all or part of the receivables have been waived.

Counterparties that are not individually impaired are risk-assessed on a portfolio basis with similar characteristics. This assessment draws upon an internal rating system based on historical data, adjusted as necessary to reflect circumstances prevailing at the reporting date. It enables the Bank to identify groups of counterparties which, as a result of events occurring since inception of the loans, have collectively acquired a probability of default at maturity that provides objective evidence of impairment of the entire portfolio, but without it being possible at that stage to allocate the impairment to individual counterparties. This assessment also estimates the amount of the loss on the portfolios in question, taking account of trends in the economic cycle during the assessment period. Changes in the amount of portfolio impairments are recognised in the profit and loss account under "Allowances for losses on loans and advances".

Based on the experienced judgement of the Bank's divisions or Risk Management, the Bank may recognise additional collective impairment provisions with respect to a given economic sector or geographic area affected by exceptional economic events. This may be the case when the consequences of these events cannot be measured with sufficient accuracy to adjust the parameters used to determine the collective provision recognised against affected portfolios of loans with similar characteristics.

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**B FINANCIAL ASSETS AND LIABILITIES (CONT'D)**

(e) Impairment of financial assets (cont'd)

*Impairment of available-for-sale financial assets*

Impairment of available-for-sale financial assets (which mainly comprise securities) is recognised on an individual basis if there is objective evidence of impairment as a result of one or more events occurring since acquisition.

In the case of variable-income securities quoted in an active market, the control system identifies securities that may be impaired on a long term basis and is based on criteria such as a significant decline in quoted price below the acquisition cost or a prolonged decline, which prompts the Bank to carry out an additional individual qualitative analysis. This may lead to the recognition of an impairment loss calculated on the basis of the quoted price.

In the case of fixed-income securities, impairment is assessed based on the same criteria applied to individually impaired loans and receivables.

Impairment losses taken against variable-income securities may not be reversed through the profit and loss account until these securities are sold. Any subsequent decline in fair value constitutes an additional impairment loss, recognised in the profit and loss account.

Impairment losses taken against fixed-income securities may be reversed through the profit and loss account in the event of an increase in fair value that relates objectively to an event occurring after the last impairment was recognised.

(f) Reclassification of financial assets

The only authorised reclassifications of financial assets are the following:

- For a non-derivative financial asset which is no longer held for the purposes of selling it in the near-term, out of "Financial assets at fair value through profit or loss" and into:
  - "Loans and receivables" if the asset meets the definition for this category and the Bank has the intention and ability to hold the asset for the foreseeable future or until maturity; or
  - Other categories only under rare circumstances when justified and provided that the reclassified assets meet the conditions applicable to the host portfolio.
- Out of "Available-for-sale financial assets" and into:
  - "Loans and receivables" with the same conditions as set out above for "Financial assets at fair value through profit or loss";
  - "Held-to-maturity financial assets," for assets that have a maturity, or "Financial assets at cost," for unlisted variable-income assets.



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**B FINANCIAL ASSETS AND LIABILITIES (CONT'D)**

**(f) Reclassification of financial assets (cont'd)**

Financial assets are reclassified at fair value, or at the value calculated by a model, on the reclassification date. Any derivatives embedded in the reclassified financial assets are recognised separately and changes in fair value are recognised through profit or loss.

After reclassification, assets are recognised according to the provisions applied to the host portfolio. The transfer price on the reclassification date is deemed to be the initial cost of the asset for the purpose of determining any impairment.

In the event of reclassification from "available-for-sale financial assets" to another category, gains or losses previously recognised through equity are amortised to profit or loss over the residual life of the instrument using the effective interest rate method.

Any upward revisions to the estimated recoverable amounts are recognised through an adjustment to the effective interest rate as of the date on which the estimate is revised. Downward revisions are recognised through an adjustment to the financial asset's carrying amount.

**(g) Derivative instruments and hedge accounting**

All derivative instruments are recognised in the statement of financial position on the trade date at the transaction price, and are remeasured to fair value on the reporting date.

- **Derivatives held for trading purposes**

Derivatives held for trading purposes are recognised in the statement of financial position in "Derivative financial asset" when their fair value is positive, and in "Derivative financial liability" when their fair value is negative. Realised and unrealised gains and losses are recognised in the profit and loss account on the line "Other operating income".

- **Derivatives and hedge accounting**

Derivatives contracted as part of a hedging relationship are designated according to the purpose of the hedge.

Fair value hedges are particularly used to hedge interest rate risk on fixed rate assets and liabilities, both for identified financial instruments (securities, debt issues, loans, borrowings) and for portfolios of financial instruments (in particular, demand deposits and fixed rate loans).

Cash flow hedges are particularly used to hedge interest rate risk on floating-rate assets and liabilities, including rollovers, and foreign exchange risks on highly probable forecast foreign currency revenues.

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**B FINANCIAL ASSETS AND LIABILITIES (CONT'D)**

(g) Derivative instruments and hedge accounting (cont'd)

- Derivatives and hedge accounting (cont'd)

At the inception of the hedge, the Bank prepares formal documentation which details the hedging relationship, identifying the instrument, or portion of the instrument, or portion of risk that is being hedged, the hedging strategy and the type of risk hedged, the hedging instrument, and the methods used to assess the effectiveness of the hedging relationship. On inception and at least quarterly, the Bank assesses, in consistency with the original documentation, the actual (retrospective) and expected (prospective) effectiveness of the hedging relationship. Retrospective effectiveness tests are designed to assess whether actual changes in the fair value or cash flows of the hedging instrument and the hedged item are within a range of 80% to 125%. Prospective effectiveness tests are designed to ensure that expected changes in the fair value or cash flows of the derivative over the residual life of the hedge adequately offset those of the hedged item. For highly probable forecast transactions, effectiveness is assessed largely on the basis of historical data for similar transactions.

The accounting treatment of derivatives and hedged items depends on the hedging strategy.

In a fair value hedging relationship, the derivative instrument is remeasured at fair value in the balance sheet, with changes in fair value recognise in profit or loss in "Net gain/loss on financial instruments at fair value through profit or loss", symmetrically with the remeasurement of the hedged item to reflect the hedged risk. In the statement of financial position, the fair value remeasurement of the hedged component is recognised in accordance with the classification of the hedged item in the case of a hedge of identified assets and liabilities, or under "Remeasurement adjustment on interest rate risk hedged portfolios" in the case of a portfolio hedging relationship.

If a hedging relationship ceases or no longer fulfils the effectiveness criteria, the hedging instrument is transferred to the trading book and accounted for using the treatment applied to this category. In the case of identified fixed-income instruments, the remeasurement adjustment recognised in the statement of financial position is amortised at the effective interest rate over the remaining life of the instrument. In the case of interest rate risk hedged fixed-income portfolios, the adjustment is amortised on a straight-line basis over the remainder of the original term of the hedge. If the hedged item no longer appears in the statement of financial position, in particular due to prepayments, the adjustment is taken to the profit and loss account immediately.

In a cash flow hedging relationship, the derivative is measured at fair value in the statement of financial position, with changes in fair value taken to shareholder's equity on a separate line, "Cash flow hedge reserve". The amounts taken to shareholder's equity over the life of the hedge are transferred to the profit and loss account under "Net interest income" as and when the cash flows from the hedged item impact profit or loss. The hedged items continue to be accounted for using the treatment specific to the category to which they belong.

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**B FINANCIAL ASSETS AND LIABILITIES (CONT'D)**

**(g) Derivative instruments and hedge accounting (cont'd)**

- Derivatives and hedge accounting (cont'd)

If the hedging relationship ceases or no longer fulfils the effectiveness criteria, the cumulative amounts recognised in shareholder's equity as a result of the remeasurement of the hedging instrument remain in equity until the hedged transaction itself impacts profit or loss, or until it becomes clear that the transaction will not occur, at which point they are transferred to the profit and loss account. If the hedged item ceases to exist, the cumulative amounts recognised in shareholder's equity are immediately taken to the profit and loss account.

Whatever the hedging strategy used, any ineffective portion of the hedge is recognised in the profit and loss account under "Other operating income".

- Embedded derivatives

Derivatives embedded in hybrid financial instruments are separated from the value of the host contract and accounted for separately as a derivative if the hybrid instrument is not recorded as a financial asset or liability at fair value through profit or loss, and if the economic characteristics and risks of the embedded derivative are not closely related to those of the host contract.

**(h) Determination of fair value**

Financial assets and liabilities classified as fair value through profit or loss, and financial assets classified as available-for-sale, are measured and accounted for at fair value upon initial recognition and at subsequent dates. Fair value is defined as the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. On initial recognition, the value of a financial instrument is generally the transaction price (i.e. the value of the consideration paid or received).

Fair value is determined:

- based on quoted prices in an active market; or
- using valuation techniques involving:
  - mathematical calculation methods based on accepted financial theories; and
  - parameters derived in some cases from the prices of instruments traded in active markets, and in others from statistical estimates or other quantitative methods resulting from the absence of an active market.

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**B FINANCIAL ASSETS AND LIABILITIES (CONT'D)**

(h) Determination of fair value (cont'd)

Whether or not a market is active is determined on the basis of a variety of factors. Characteristics of an inactive market include a significant decline in the volume and level of trading activity in identical or similar instruments, the available prices vary significantly over time or among market participants or observed transaction prices are not current.

- Use of quoted prices in an active market

If quoted prices in an active market are available, they are used to determine fair value. These represent directly quoted prices for identical instruments.

- Use of models to value unquoted financial instruments

The majority of over-the-counter derivatives are traded in active markets. Valuations are determined using generally accepted models (discounted cash flows, Black & Scholes model, interpolation techniques) based on quoted market prices for similar instruments or underlyings.

Some financial instruments, although not traded in an active market, are valued using methods based on observable market data.

These models use market parameters calibrated on the basis of observable data such as yield curves, implicit volatility layers of options, default rates, and loss assumptions.

The valuation derived from models is adjusted for liquidity and credit risk. Starting from valuations derived from median market prices, price adjustments are used to value the net position in each financial instrument at bid price in the case of short positions, or at asking price in the case of long positions. Bid price is the price at which a counterparty would buy the instrument, and asking price is the price at which a seller would sell the same instrument.

Similarly, a counterparty risk adjustment is included in the valuation derived from the model in order to reflect the credit quality of the derivative instrument.

The margin generated when these financial instruments are traded is taken to the profit and loss account immediately.

Other illiquid complex financial instruments are valued using internally-developed techniques that are entirely based on data or on partially non observable active markets.

In the absence of observable inputs, these instruments are measured on initial recognition in a way that reflects the transaction price, regarded as the best indication of fair value. Valuations derived from these models are adjusted for liquidity risk and credit risk.

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**B FINANCIAL ASSETS AND LIABILITIES (CONT'D)**

(h) Determination of fair value (cont'd)

The margin generated when these complex financial instruments are traded (day one profit) is deferred and taken to the profit and loss account over the period during which the valuation parameters are expected to remain non-observable. When parameters that were originally non-observable become observable, or when the valuation can be substantiated in comparison with recent similar transactions in an active market, the unrecognised portion of the day one profit is released to the profit and loss account.

Lastly, the fair value of unlisted equity securities is measured in comparison with recent transactions in the equity of the company in question carried out with an independent third party on an arm's length basis. If no such points of reference are available, the valuation is determined either on the basis of generally accepted practices (EBIT or EBITDA multiples) or of the Bank's share of net assets calculated using the most recent information available.

(i) Income and expenses arising from financial assets and financial liabilities

Income and expenses arising from financial instruments measured at amortised cost and from fixed income securities classified in "Available-for-sale financial assets" are recognised in the profit and loss account using the effective interest method.

The effective interest rate is the rate that exactly discounts estimated future cash flows through the expected life of the financial instrument or, when appropriate, a shorter period, to the net carrying amount of the asset or liability in the balance sheet. The effective interest rate calculation takes account of all fees received or paid that are an integral part of the effective interest rate of the contract, transaction costs, and premiums and discounts.

The method used by the Bank to recognise service-related commission income and expenses depends on the nature of the service. Commission treated as an additional component of interest is included in the effective interest rate, and is recognised in the profit and loss account in "Net interest income". Commission payable or receivable on execution of a significant transaction is recognised in the profit and loss account in full on execution of the transaction, under "Commission income and expense". Commission payable or receivable for recurring services is recognised over the term of the service, also under "Commission income and expense".

Commission received in respect of financial guarantee commitments is regarded as representing the fair value of the commitment. The resulting liability is subsequently amortised over the term of the commitment, under commission income in "Other operating income".

External costs that are directly attributable to an issue of new shares are deducted from equity net of all related taxes.

(j) Allowance for losses on loans, advances and financing

Allowance for losses on loans, advances and financing includes movements in provisions for impairment of and loans and receivables due from customers and credit institutions, movements in financing and guarantee commitments given, losses on irrecoverable loans and amounts recovered on loans written off.

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**B FINANCIAL ASSETS AND LIABILITIES (CONT'D)**

(k) Derecognition of financial assets and financial liabilities

The Bank derecognises all or part of a financial asset either when the contractual rights to the cashflows from the asset expire or when the Bank transfers the contractual rights to the cash flows from the asset and substantially all the risks and rewards of ownership of the asset. Unless these conditions are fulfilled, the Bank retains the asset in its statement of financial position and recognises a liability for the obligation created as a result of the transfer of the asset.

The Bank derecognises all or part of a financial liability when the liability is extinguished in full or in part.

(l) Offsetting financial assets and financial liabilities

A financial asset and a financial liability are offset and the net amount presented in the statement of financial position if, and only if, the Bank has a legally enforceable right to set off the recognised amounts, and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Repurchase agreements and derivatives traded with clearing houses that meet the two criteria set out in the accounting standard are offset in the balance sheet.

**C PROPERTY, PLANT, EQUIPMENT AND INTANGIBLE ASSETS**

Property, plant and equipment and intangible assets shown on the balance sheet comprise assets used in operations. Assets used in operations are those used in the provision of services or for administrative purposes, and include non-property assets leased by the Bank as lessor under operating leases.

Software developed internally by the Bank that fulfils the criteria for capitalisation is capitalised at direct development cost, which includes external costs and the labour costs of employees directly attributable to the project.

Subsequent to initial recognition, property, plant and equipment and intangible assets are measured at cost less accumulated depreciation or amortisation and any impairment losses.

The depreciable amount of property, plant and equipment and intangible assets is calculated after deducting the residual value of the asset. Only assets leased by the Bank as lessor under operating leases are presumed to have a residual value, as the useful life of property, plant and equipment and intangible assets used in operations is generally the same as their economic life.

Property, plant and equipment and intangible assets are depreciated or amortised using the straightline method over the useful life of the asset. Depreciation and amortisation expense is recognised in the profit and loss account under "Depreciation, amortisation and impairment of property, plant and equipment and intangible assets".

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**C PROPERTY, PLANT, EQUIPMENT AND INTANGIBLE ASSETS (CONT'D)**

Where an asset consists of a number of components that may require replacement at regular intervals, or that have different uses or different patterns of consumption of economic benefits, each component is recognised separately and depreciated using a method appropriate to that component.

The depreciation is made at the following rates:

	<u>Years</u>
Leasehold improvements	10
Office equipment, furniture and fittings	5
Computer equipment and software	3
Computer hardware	5

Software maintenance costs are expensed as incurred. However, expenditure that is regarded as upgrading the software or extending its useful life is included in the initial acquisition or production cost.

Depreciable property, plant and equipment and intangible assets are tested for impairment if there is an indication of potential impairment at the reporting date. Non-depreciable assets are tested for impairment at least annually, using the same method as for goodwill allocated to cash-generating units.

If there is an indication of impairment, the new recoverable amount of the asset is compared with the carrying amount. If the asset is found to be impaired, an impairment loss is recognised in the profit and loss account. This loss is reversed in the event of a change in the estimated recoverable amount or if there is no longer an indication of impairment. Impairment losses are taken to the profit and loss account in "Depreciation, amortisation and impairment of property, plant and equipment and intangible assets".

Gains and losses on disposals of property, plant and equipment and intangible assets used in operations are recognised in the profit and loss account in "Net gain on non-current assets".

**D LESSEE ACCOUNTING**

Leases contracted by the Bank as lessee are categorised as either finance leases or operating leases.

- **Finance leases**

A finance lease is treated as an acquisition of an asset by the lessee, financed by a loan. The leased asset is recognised in the statement of financial position of the lessee at the lower of its fair value or the present value of the minimum lease payments calculated at the interest rate implicit in the lease. A matching liability, equal to the fair value of the leased asset or the present value of the minimum lease payments, is also recognised in the statement of financial position of the lessee. The asset is depreciated using the same method as that applied to owned assets, after deducting the residual value from the amount initially recognised, over the useful life of the asset. The lease obligation is accounted for at amortised cost.

The asset is not recognised in the statement of financial position of the lessee. Lease payments made under operating leases are taken to the profit and loss account of the lessee on a straight-line basis over the lease term.

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**E EMPLOYEE BENEFITS**

- Short term benefits

Wages, salaries, bonuses and social security contributions are recognised as an expense in the period 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, and short term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

- Defined contribution plans

Defined contribution plans are post-employment benefit plans under which the Bank pays fixed contributions into separate entities or funds and will have no legal or constructive obligation to pay further contributions if any of the funds do not hold sufficient assets to pay all employee benefits relating to employee services in the current and preceding financial years. Such contributions are recognised as an expense in the profit or loss as incurred. As required by law, companies in Malaysia make such contributions to the Employees Provident Fund ("EPF").

**F CURRENT AND DEFERRED TAX**

Current tax expense is determined according to the Malaysian tax laws and includes all taxes based upon the taxable profits.

Deferred tax is recognised in full, using the liability method, on temporary differences arising between the amount attributed to assets and liabilities for tax purposes and their carrying amounts in the financial statements. However, deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of transaction affects neither accounting nor taxable profit and loss.

Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences or unused tax losses can be utilised.

Deferred income tax related to fair value re-measurement of available-for-sale securities, which are charged or credited directly to equity via other comprehensive income, is also credited or charged directly to equity and is subsequently recognised in the profit or loss together with the deferred gain or loss.

Deferred tax is determined using tax rates (and tax laws) that have been enacted or substantially enacted by the reporting date and are expected to apply when the related deferred tax asset is realised or deferred tax liability is settled.



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**G STATEMENT OF CASH FLOWS**

The cash and cash equivalents balance comprised the net balance of cash accounts and accounts with central banks, the net balance of interbank demand loans and deposits and interbank lending with a remaining maturity of less than thirty days.

Changes in cash and cash equivalents related to operating activities reflect cash flows generated by the Bank's operations.

Changes in cash and cash equivalents related to investing activities reflect cash flows resulting from acquisitions and disposals of property and equipment, intangible assets and financial assets available-for-sale.

Changes in cash and cash equivalents related to financing activities reflect the cash inflows and outflows resulting from transactions with shareholder.

**H CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS**

Preparation of the financial statements requires the Directors to make assumptions and estimates that are reflected in the measurement of income and expense in the profit and loss and of assets and liabilities in the statement of financial position, and in the disclosure of information in the notes to the financial statements. This requires the Directors to exercise their judgement and to make use of information available at the date of the preparation of the financial statements when making their estimates. The actual future results from operations where Directors have made use of estimates may in reality differ significantly from those estimates, mainly due to market conditions and changes in credit risk. This may have a material effect on the financial statements.

**(a) Fair value of financial instruments**

The fair values of securities that are not traded in an active market are determined using valuation techniques based on assumptions of market conditions existing at the reporting date, including reference to quoted market prices and independent dealer quotes for similar securities 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 judgements include consideration of liquidity and model inputs such as correlation and volatility for longer dated derivatives.

**(b) Allowance for impairment losses on loans, advances and financing**

Allowance for losses on loans, advances and financing includes movements in provisions for impairment of and loans and receivables due from customers and credit institutions, movements in financing and guarantee commitments given, losses on irrecoverable loans and amounts recovered on loans written off.

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**1 GENERAL INFORMATION**

Mizuho Corporate Bank (Malaysia) Berhad is principally engaged in the provision of banking and related financial services.

The Bank received its banking licence and commenced its banking operations on 5 September 2011.

The Bank is a company limited by shares, a licenced bank, incorporated and domiciled in Malaysia. The principal place of business of the Bank is located at Level 27, Menara Maxis, Kuala Lumpur City Centre, 50088 Kuala Lumpur.

The Bank is a wholly-owned subsidiary of its holding company, Mizuho Corporate Bank Ltd, a bank incorporated in Japan.

**2 CASH AND SHORT-TERM FUNDS**

	<b>2012</b> <b>RM'000</b>
Cash and balances with banks and other financial institutions*	12,709
Money at call and deposit placements maturing within one month	314,958
	327,667

*\*included in cash and short-term funds are balances with related companies of approximately RM47,824,000.*

**3 LOANS, ADVANCES AND FINANCING**

	<b>2012</b> <b>RM'000</b>
(a) By Type:	
At amortised cost	
Term Loan	9,451
Revolving credits	81,556
Gross loans, advances and financing	91,007
Impairment allowance	
Collective assessment	(1,365)
Net loans, advances and financing	89,642
(b) By Geographical Distribution:	
Malaysia	91,007
(c) By Type of Customer:	
Domestic business enterprise	58,354
Domestic non-bank financial institutions	32,653
	91,007

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**3 LOANS, ADVANCES AND FINANCING (CONT'D)**

	<b>2012</b> <b>RM'000</b>
(d) By Interest/Profit Rate Sensitivity:	
Variable rate	
Cost plus	91,007
(e) By Economic Purpose:	
Purchase of non-residential property	8,271
Working capital	82,736
	91,007
(f) By Sector:	
Manufacturing	37,061
Wholesale, retail, trade, restaurant and hotels	3,005
Transport, storage and communication	18,288
Finance, insurance and business services	32,653
	91,007
(g) By Residual Contractual Maturity:	
Maturity within	
- one year	81,556
- one to five years	9,451
- over five years	-
	91,007
(h) Movements in collective assessment for impairment of loans, advances and financing:	
At the beginning of financial period	-
Allowance made during the financial period	1,365
At the end of the financial period	1,365
(as % of gross loans, advances and financing (net of individual asseesment))	1.5%

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**4 FINANCIAL ASSETS AVAILABLE-FOR-SALE**

**2012**  
**RM'000**

At fair value:

Malaysia Government Securities	10,402
Malaysia Treasury Bills	29,622
	40,024

**5 DERIVATIVE FINANCIAL INSTRUMENTS**

Derivative financial instruments are off-balance sheet financial instruments whose values change in response to changes in prices or rates (such as foreign exchange rates, interest rates and security prices) 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 Bank's derivative trading activities relate to deals with customers which are normally laid off with counterparties. The Bank may also take positions with the expectation of profiting from favourable movements in prices, rates or indices. This also includes under heading are any derivatives which do not meet hedging requirements

	<i>Fair values</i>		
	<u>Notional amount</u>	<u>Assets</u>	<u>Liabilities</u>
At 31 March 2012	RM'000	RM'000	RM'000
<u>Foreign exchange derivatives/Interest rate derivatives</u>			
Foreign exchange forward contracts	234,744	1,086	982
Cross-currency interest rate swaps	533,731	9,548	5,446
Total derivative assets/(liabilities)	768,475	10,634	6,428

**6 OTHER ASSETS**

**2012**  
**RM'000**

Accrued interest receivable	509
Other receivables, deposits and prepayments	548
Due from holding company*	39
	1,096

\*The amount due from holding company is unsecured, interest-free and repayable on demand.

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**7 PROPERTY AND EQUIPMENT**

	Office equipment, furniture and fittings RM'000	Leasehold improvements RM'000	Computer equipment RM'000	Computer hardware RM'000	Total RM'000
<b>2012</b>					
<b>Cost</b>					
At incorporation	-	-	-	-	-
Additions	4,658	6,498	355	2,048	13,559
At 31 March	<u>4,658</u>	<u>6,498</u>	<u>355</u>	<u>2,048</u>	<u>13,559</u>
<b>Accumulated depreciation</b>					
At incorporation	-	-	-	-	-
Charge for the financial period	543	379	69	233	1,224
At 31 March	<u>543</u>	<u>379</u>	<u>69</u>	<u>233</u>	<u>1,224</u>
<b>Net book value</b>					
At 31 March	<u>4,115</u>	<u>6,119</u>	<u>286</u>	<u>1,815</u>	<u>12,335</u>

**8 INTANGIBLE ASSET - SOFTWARE**

	Software RM'000
<b>2012</b>	
<b>Cost</b>	
At incorporation	-
Additions	1,747
At 31 March	<u>1,747</u>
<b>Accumulated depreciation</b>	
At incorporation	-
Charge for the financial period	114
At 31 March	<u>114</u>
<b>Net book value</b>	
At 31 March	<u>1,633</u>

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**9 DEPOSITS FROM CUSTOMERS**

		<b>2012</b>
		<b>RM'000</b>
(a)	By Type of Deposit:	
	Demand deposits	19,672
	Fixed deposits	43,100
	Short-term deposits	36,400
		<u>99,172</u>
(b)	By Type of Customer:	
	Domestic non-bank financial institutions	16,150
	Domestic business enterprises	83,022
		<u>99,172</u>
(c)	Maturity Structure:	
	On demand	19,672
	Due within six months	59,500
	Due within six months to one year	20,000
		<u>99,172</u>

**10 DEPOSITS AND PLACEMENTS OF BANKS**

	<b>2012</b>
	<b>RM'000</b>
Licensed banks*	<u>54,030</u>

*\*Included in deposits and placements of banks are balances with related companies of approximately RM51,138,000.*

**11 OTHER LIABILITIES**

	<b>2012</b>
	<b>RM'000</b>
Accrued interest payable	67
Other accruals	136
Other payables	978
	<u>1,181</u>

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**12 DEFERRED TAX ASSETS/(LIABILITIES)**

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

	<b>2012</b> <b>RM'000</b>
Unutilised tax losses	429
Excess of depreciation over capital allowances	(1,881)
Provisions	341
Financial assets available-for-sale	(6)
Deferred tax assets/(liabilities)	<u>(1,117)</u>

The movements in deferred tax assets and liabilities during the financial period comprise the following:

	<b>Unutilised tax losses allowances RM'000</b>	<b>Excess of depreciation over capital allowances RM'000</b>	<b>Financial assets available- for-sale RM'000</b>	<b>Provisions RM'000</b>	<b>Total RM'000</b>
<b>2012</b>					
At incorporation	-	-	-	-	-
Charged to income statement	429	(1,881)	-	341	(1,111)
Charged to reserve	-	-	(6)	-	(6)
At 31 March	<u>429</u>	<u>(1,881)</u>	<u>(6)</u>	<u>341</u>	<u>(1,117)</u>

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**13 SHARE CAPITAL**

	<b>RM</b>
Authorised:	
1,000,000,000 ordinary shares of RM1.00 each	
At incorporation on 29 November 2010 and as at 31 March 2012	<u>1,000,000,000</u>
	<b>RM</b>
Issued and fully paid:	
350,000,000 ordinary shares of RM1.00 each	
At incorporation on 29 November 2010	3
Issued during the period	349,999,997
As at 31 March 2012	<u>350,000,000</u>

The Bank was incorporated on 29 November 2010. At the date of incorporation, the Bank issued 3 ordinary shares of RM1.00 each.

On 10 February 2010, the Bank increased its issued and paid-up share capital from RM3.00 to RM350,000,000 through the issuance of 349,999,997 ordinary shares of RM1.00 each at par for cash.

The new ordinary shares rank pari passu in all respect with the existing ordinary shares.

**14 RESERVES**

Movement of the available-for-sale reserve is as follows:

	<b>2012</b> <b>RM'000</b>
At incorporation	-
Unrealised gain on financial assets available-for-sale	<span style="border: 1px solid black; padding: 2px;">24</span>
Deferred taxation	<span style="border: 1px solid black; padding: 2px;">(6)</span>
Net change in revaluation reserve of financial assets available-for-sale	18
At 31 March	<u>18</u>



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**15 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.

	← 31 March 2012 →		
	Principal amount	Credit equivalent amount*	Risk weighted amount
	RM'000	RM'000	RM'000
Foreign exchange related contracts			
- less than one year	234,744	10,539	4,745
- one year to less than five years	533,731	72,415	47,664
- five years and above	-	-	-
Other commitments, such as formal standby facilities and credit lines, with original maturity			
- more than one year	20,000	10,000	10,000
- less than one year	-	-	-
Any commitment that are unconditionally cancelled at any time without prior notice	61,620	-	-
<b>Total</b>	<b>850,095</b>	<b>92,954</b>	<b>62,409</b>

\*The credit equivalent amount is arrived at using the credit conversion factors as stated in the Bank Negara Malaysia guidelines.

**16 SEGMENT INFORMATION**

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

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**17 INTEREST INCOME**

	<b>2012</b>
	<b>RM'000</b>
Loans, advances and financing	
- Interest income other than from impaired loans	667
Money at call and deposit placements with banks and other financial institutions	14,237
Others	392
	<u>15,296</u>

**18 INTEREST EXPENSE**

	<b>2012</b>
	<b>RM'000</b>
Money at call and deposit placements of banks and other financial institutions	3
Deposits from customers	321
	<u>324</u>

**19 OTHER OPERATING INCOME**

	<b>2012</b>
	<b>RM'000</b>
Fee income	1,714
Net unrealised gain on revaluation of derivatives	4,120
Realised foreign exchange gain	1,889
Realised gain on disposal of financial assets available-for-sale	151
	<u>2,040</u>
Unrealised foreign exchange gain	86
	<u>7,960</u>

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**20 OTHER OPERATING EXPENSES**

	<b>2012</b> <b>RM'000</b>
Personnel costs	
Salaries, allowances and bonuses	5,116
Contribution to Employees Provident Fund	432
Other staff related costs	1,948
Establishment costs	
Repair and maintenance	1,116
Depreciation of property and equipment and intangible asset	1,338
Rental of premises	1,849
Information technology expenses	3,043
Others	239
Marketing expenses	
Advertisement and publicity	300
Others	320
Administration and general expenses	
Communication expenses	808
Legal and professional fees	3,902
Others	1,585
	<b>21,996</b>

The above expenditure includes the following statutory disclosures:

Directors' remuneration (Note 22)	797
Auditors' remuneration:	
- Statutory audit	100
- Other audit	16
- Other services	20
	<b>20</b>

**21 ALLOWANCE FOR IMPAIRMENT ON LOANS, ADVANCES AND FINANCING**

	<b>2012</b> <b>RM'000</b>
Collective assessment allowance for impairment made during the financial period	<b>1,365</b>

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**22 DIRECTORS' REMUNERATION**

	<b>Salary and other remuneration RM'000</b>	<b>Benefits- in-kind RM'000</b>	<b>Bonus RM'000</b>	<b>Total RM'000</b>
Managing Director/Executive Director	519	84	91	694
	<b>Fees remuneration RM'000</b>	<b>Benefits- in-kind RM'000</b>	<b>Bonus RM'000</b>	<b>Total RM'000</b>
Non-executive Directors	103	-	-	103

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

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

	<b>2012</b>
<i>Executive Directors</i>	
Above RM500,000	1
<i>Non-Executive Directors</i>	
RM50,000 - RM100,000	1
RM1 - RM49,999	1

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**23 INCOME TAX EXPENSE**

(a) Tax expense for the financial period	<b>2012</b> <b>RM'000</b>
Deferred tax	
Origination and reversal of temporary differences (Note 12)	(1,111)
	(1,111)

(b) Numerical reconciliation of income tax expense

The explanation on the relationship between tax expense and loss before tax is as follows:

	<b>2012</b> <b>RM'000</b>
Loss before taxation	(2,804)
Tax calculated at a tax rate of 25%	(701)
Expenses not deductible for tax purposes	1,812
Tax expense	1,111

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**24 SIGNIFICANT RELATED PARTY BALANCES AND TRANSACTIONS**

**(i) Related party transactions**

	<b>2012</b> <b>RM'000</b>
<u>Interest Income</u>	
Cash and short-term funds placed with holding bank and its branches	<u>21</u>
<u>Amount due from</u>	
Cash and short-term funds placed with holding bank and its branches	<u>47,824</u>
<u>Interest Expense</u>	
Deposits and placements from holding bank and its branches	<u>2</u>
<u>Amount due to</u>	
Deposits and placements from holding bank and its branches	<u>51,138</u>

The directors are of the opinion that all the transactions above have been entered into in the normal course of business and have been established on terms and conditions that are not materially different from that obtainable in transactions with unrelated parties.

**(ii) Key management personnel**

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

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

	<b>2012</b> <b>RM'000</b>
Salary and emoluments	3,279
Defined contribution plan	117
Benefits-in-kind	<u>516</u>
	<u>3,912</u>

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**25 CAPITAL ADEQUACY**

The capital adequacy ratios of Mizuho Corporate Bank (M) Berhad are computed in accordance with Bank Negara Malaysia's revised Risk-Weighted Capital Adequacy Framework: Standardised Approach for Credit and Market Risk, and Basic Indicator Approach for Operational Risk (Basel II).

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

	<b>2012</b> <b>RM'000</b>
<b>Tier-I Capital</b>	
Paid-up share capital	350,000
Accumulated loss	(3,915)
Total Tier-I Capital	346,085
<b>Tier-II Capital</b>	
Collective assessment allowance	1,365
Total Capital Base	347,450
<u>Capital Ratio</u>	
Core Capital Ratio	141.87%
Risk-weighted capital adequacy ratio	142.43%

The breakdown of risk-weighted assets by each major risk category is as follows:

	<b>2012</b> <b>RM'000</b>
Credit risk	193,601
Market risk	11,795
Operational risk	38,544
Total risk-weighted assets	243,940

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**25 CAPITAL ADEQUACY (CONT'D)**

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

	<b>Principal 2012 RM'000</b>	<b>Risk Weighted Assets 2012 RM'000</b>
0%	290,989	-
20%	140,392	28,078
100%	165,523	165,523
Total risk-weighted assets for credit risk	<u>596,904</u>	<u>193,601</u>
Total risk-weighted assets for market risk	-	11,795
Total risk-weighted assets for operational risk	-	38,544
Total risk-weighted assets	<u><u>596,904</u></u>	<u><u>243,940</u></u>



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**25 CAPITAL ADEQUACY (CONT'D)**

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

<b>Exposure Class</b>	<b>Gross Exposures RM'000</b>	<b>Net Exposures RM'000</b>	<b>Risk-Weighted Assets RM'000</b>	<b>Minimum Capital Requirements at 8% RM'000</b>
<b>2012</b>				
<b><u>Credit Risk</u></b>				
<b>On-Balance Sheet Exposures:</b>				
Sovereigns/Central Banks	290,988	290,988	-	-
Banks, Development Financial Institutions and MDBs	102,211	102,211	20,441	1,635
Corporates	91,007	91,007	91,007	7,281
Other Assets	19,744	19,744	19,744	1,579
<b>Total On-Balance Sheet Exposures</b>	<b>503,950</b>	<b>503,950</b>	<b>131,192</b>	<b>10,495</b>
<b>Off-Balance Sheet Exposures:</b>				
Credit-related exposures	10,000	10,000	10,000	800
Derivatives financial instruments	82,954	82,954	52,409	4,193
<b>Total Off-Balance Sheet Exposures</b>	<b>92,954</b>	<b>92,954</b>	<b>62,409</b>	<b>4,993</b>
<b>Total On and Off-Balance Sheet Exposures</b>	<b>596,904</b>	<b>596,904</b>	<b>193,601</b>	<b>15,488</b>
<b><u>Market Risk</u></b>				
	<b>Long Position RM'000</b>	<b>Short Position RM'000</b>		
Interest Rate Risk	545,145	541,044	11,735	939
Foreign Currency Risk	33	60	60	5
Operational Risk			38,544	3,083
<b>Total RWA and Capital Requirements</b>			<b>243,940</b>	<b>19,515</b>

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**25 CAPITAL ADEQUACY (CONT'D)**

(iv) Credit Risk Disclosures on Risk Weights

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

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

Risk Weights	Sovereigns/ Central Banks RM'000	Banks, Development Financial Institutions & MDBs RM'000	Corporates RM'000	Other Assets RM'000	Total Exposures after Netting and Credit Risk Mitigation RM'000	Total Risk-Weighted Assets RM'000
<b>As at 31 March 2012</b>						
0%	290,988	-	-	1	290,989	-
20%	-	140,392	-	-	140,392	28,078
100%	-	-	145,780	19,743	165,523	165,523
	<b>290,988</b>	<b>140,392</b>	<b>145,780</b>	<b>19,744</b>	<b>596,904</b>	<b>193,601</b>

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**25 CAPITAL ADEQUACY (CONT'D)**

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

The Bank used external credit assessments from these External Credit Assessment Institutions ("ECAI") for exposures as disclosed below:

**2012**

Exposure Class	Ratings of Corporate by Approved ECAIs					
	<b>Moody's</b>	Aaa to Aa3	A1 to A3	Baa1 to Ba3	B1 to C	Unrated
	<b>S&amp;P</b>	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
	<b>Fitch</b>	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
	<b>R&amp;I</b>	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
	<b>RAM</b>	AAA to AA3	A1 to A3	BBB1 to BB3	B1 to D	Unrated
	<b>MARC</b>	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated

On & Off Balance Sheet Exposures Credit Exposure (using Corporate Risk Weight)

	RM'000	RM'000	RM'000	RM'000	RM'000
Corporates	-	-	-	-	165,524
Total	-	-	-	-	165,524

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

On & Off Balance Sheet Exposures

	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Sovereigns and Central Banks	290,988	-	-	-	-	-
Total	290,988	-	-	-	-	-

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**25 CAPITAL ADEQUACY (CONT'D)**

(v) Rated Exposures by External Credit Assessment Institutions ("ECAI") (cont'd)

<b>Exposure Class</b>	<b>Ratings of Banking Institutions by Approved ECAIs</b>						
	<b>Moody's</b>	Aaa to Aa3	A1 to A3	Baa1 to Ba3	B1 to C	Caa1 to C	Unrated
	<b>S&amp;P</b>	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated
	<b>Fitch</b>	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated
	<b>RAM</b>	AAA to AA3	A1 to A3	BBB1 to BBB3	BB1 to B3	C1 to D	Unrated
<b>MARC</b>	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	C+ to D	Unrated	

On & Off Balance Sheet Exposures

	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Banks, MDBs & FDIs	140,392	-	-	-	-	-
<b>Total</b>	<b>140,392</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

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**25 CAPITAL ADEQUACY (CONT'D)**

(vi) Disclosure on Credit Risk Mitigation

The Bank does not have exposures covered by guarantees, credit derivatives or other eligible collateral.

**2012**

<b>Exposure Class</b>	<b>Total Exposures before CRM RM'000</b>	<b>Total Exposures covered by Guarantees RM'000</b>	<b>Total Exposures covered by Financial Collaterals RM'000</b>	<b>Total Exposures covered by Other Eligible Collaterals RM'000</b>
<b>Credit Risk</b>				
<i>On-Balance Sheet Exposures:</i>				
Sovereigns/Central Banks	290,988	-	-	-
Banks, Development Financial Institutions and MDBs	102,211	-	-	-
Corporates	91,007	-	-	-
Other Assets	19,744			
<b>Total On-Balance Sheet Exposures</b>	<b>503,950</b>	<b>-</b>	<b>-</b>	<b>-</b>
<i>Off-Balance Sheet Exposures:</i>				
Credit-related exposures	10,000	-	-	-
Derivatives financial instruments	82,954	-	-	-
<b>Total Off-Balance Sheet Exposures</b>	<b>92,954</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total On and Off balance sheet exposures</b>	<b>596,904</b>	<b>-</b>	<b>-</b>	<b>-</b>

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**26 CAPITAL MANAGEMENT**

The objective of the Bank's capital management policy is to maintain an adequate level of capital to support business growth strategies under an acceptable risk framework, and to meet its regulatory requirements and market expectations.

The Bank's capital management process involves a careful analysis of the capital requirement to support business growth. The Bank regularly assesses their capital adequacy under various scenarios on a forward looking perspective for the purpose of capital planning and management to ensure that the capital is at the level suitable for the prevailing business conditions.

The Bank's capital requirements and capital adequacy ratios, in accordance with BNM's revised Risk Weighted Capital Adequacy Framework (RWCAF): Standardised Approach for Credit Risk and Market Risk, and Basic Indicator Approach for Operational Risk (Basel II) are disclosed in Note 24.

**27 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES**

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 Risk Management Department 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 Mizuho Corporate Bank (Malaysia) Berhad Risk Management activities are to:

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

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

Establishment of the three (3) lines of Defence Concept – risk taking units, risk control units and internal audit. The risk taking units manage the day-to-day management of risks inherent in their business activities while the risk control units are responsible for setting the risk management framework and developing tools and methodologies. Complementing this is internal audit, which provides independent assurance of the effectiveness of the risk management approach.

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**27 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)**

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.

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

**(a) Credit Risk Management**

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 Customer Credit Limit" (SCCL), "Large Exposure Limit" and "Transaction with Connected Parties".

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

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

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

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

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.

This credit rating models are developed and implemented to standardise and enhance the credit decision-making process for the Mizuho Corporate 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.

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**27 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)**

**(a) Credit Risk Management (cont'd)**

*Loans and advances*

Loans and advances are summarised as follows:

	<b>2012</b> <b>RM'000</b>
Neither past due nor impaired	91,007
Gross	91,007
Less: Allowance for impaired loans and advances	
- Collective assessment allowance	(1,365)
Net	89,642

(i) Loans and advances neither past due nor impaired

The credit quality of the portfolio of loans and advances that were neither past due nor impaired can be assessed as follows:

	<b>RM'000</b>
<u>2012 Mizuho Corporate Bank Ratings</u>	
Ordinary customers	91,007



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**Incorporated in Malaysia**

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL PERIOD FROM**  
**29 NOVEMBER 2010 (DATE OF INCORPORATION) TO 31 MARCH 2012**

**27 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)**

**(b) Market Risk Management**

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

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

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

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.

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**27 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)**

**(b) Market Risk Management (cont'd)**

**Interest Rate Risk**

The Bank is exposed to various risks associated with the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. The following tables indicate the periods in which the financial instruments reprice or mature.

	←----- Non-trading book -----→							
	Up to 1 Month RM '000	1 to 3 Months RM '000	3 to 12 Months RM '000	1 to 5 Years RM '000	Over 5 Years RM '000	Non-Interest Sensitive RM '000	Trading Book RM '000	Total RM '000
<b>As at 31 March 2012</b>								
<b>Assets</b>								
Cash and short-term funds	314,958	-	-	-	-	12,709	-	327,667
Deposits and placements with banks	-	25,000	-	-	-	-	-	25,000
Securities available-for-sale	-	19,859	9,762	10,403	-	-	-	40,024
Loans and advances	65,533	-	16,023	9,451	-	(1,365)	-	89,642
Derivative financial assets	-	-	-	-	-	-	10,634	10,634
Other Assets	-	-	-	-	-	15,064	-	15,064
<b>Total assets</b>	<b>380,491</b>	<b>44,859</b>	<b>25,785</b>	<b>19,854</b>	<b>-</b>	<b>26,408</b>	<b>10,634</b>	<b>508,031</b>

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**27 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)**

**(b) Market Risk Management (cont'd)**

**Interest Rate Risk (cont'd)**

	←----- Non-trading book ----->						Trading Book RM '000	Total RM '000
	Up to 1 Month RM '000	1 to 3 Months RM '000	3 to 12 Months RM '000	1 to 5 Years RM '000	Over 5 Years RM '000	Non-Interest Sensitive RM '000		
<b>As at 31 March 2012</b>								
<b>Liabilities</b>								
Deposits from customers	29,500	20,000	30,000	-	-	19,672	-	99,172
Deposits and placements of banks	-	8,266	-	-	-	45,764	-	54,030
Derivatives financial liabilities	-	-	-	-	-	-	6,428	6,428
Other non-interest sensitive balances	-	-	-	-	-	2,298	-	2,298
<b>Total liabilities</b>	<b>29,500</b>	<b>28,266</b>	<b>30,000</b>	<b>-</b>	<b>-</b>	<b>67,734</b>	<b>6,428</b>	<b>161,928</b>
<b>Shareholder's equity</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>346,103</b>	<b>-</b>	<b>346,103</b>
<b>Total liabilities and shareholder's equity</b>	<b>29,500</b>	<b>28,266</b>	<b>30,000</b>	<b>-</b>	<b>-</b>	<b>413,837</b>	<b>6,428</b>	<b>508,031</b>
<b>On-balance sheet interest sensitivity gap representing total interest sensitivity gap</b>								
	350,991	16,593	(4,215)	19,854	-	(387,429)	4,206	-

**MIZUHO CORPORATE BANK (MALAYSIA) BERHAD (923693 - H)**  
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**27 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)**

**(b) Market Risk Management (cont'd)**

**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 the Bank's non-derivative financial liabilities into relevant maturity groupings based on the remaining period from the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	<b>Up to 1 Month RM'000</b>	<b>1 to 3 Months RM'000</b>	<b>3 to 12 Months RM'000</b>	<b>1 to 5 Years RM'000</b>	<b>Over 5 Years RM'000</b>	<b>Total RM'000</b>
<b>2012</b>						
Deposits from customers	49,172	20,000	30,000	-	-	99,172
Deposits and placements of banks	45,764	8,266	-	-	-	54,030
Other liabilities	2,298	-	-	-	-	2,298
	<u>97,234</u>	<u>28,266</u>	<u>30,000</u>	<u>-</u>	<u>-</u>	<u>155,500</u>
<i>Assets held to mitigate liquidity risk</i>						
Cash and short-term funds	327,667	-	-	-	-	327,667
Deposits and placements with banks	-	25,000	-	-	-	25,000
Financial assets available- for-sale	10,634	-	-	-	-	10,634
Net liquidity gap	<u>241,067</u>	<u>(3,266)</u>	<u>(30,000)</u>	<u>-</u>	<u>-</u>	<u>207,801</u>
<u>Items not recognised in the statement of financial position</u>						
Credit related commitments and contingencies	20,000	-	-	-	-	20,000
	<u>20,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>20,000</u>

**MIZUHO CORPORATE BANK (MALAYSIA) BERHAD (923693 - H)**  
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**27 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)**

**(c) Operational Risk Management**

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

(i) *Information Technology Risk*

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

(ii) *Operations Risk*

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

(iii) *Legal Risk*

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

(iv) *Human Resources Risk*

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

(v) *Tangible Asset Risk*

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

(vi) *Regulatory Change Risk*

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

(vii) *Reputational Risk*

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

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

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

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL PERIOD FROM**  
**29 NOVEMBER 2010 (DATE OF INCORPORATION) TO 31 MARCH 2012**

**27 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)**

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

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

We, Hiroyuki Yoshinari and Dato' Seri Talaat Bin Husain, being two of the Directors of Mizuho Corporate Bank (Malaysia) Berhad, state that, in the opinion of the Directors, the financial statements set out on pages 18 to 67 are drawn up so as to give a true and fair view of the state of affairs of the Bank as at 31 March 2012 and of the results and cash flows of the Bank for the financial period ended on that date in accordance with Financial Reporting Standards modified by Bank Negara Malaysia Guidelines and the provisions of the Companies Act, 1965.

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

HIROYUKI YOSHINARI  
DIRECTOR

DATO' SERI TALAAT BIN HUSAIN  
DIRECTOR

Kuala Lumpur

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

I, Hiroyuki Yoshinari, being the Director primarily responsible for the financial management of Mizuho Corporate Bank (Malaysia) Berhad, do solemnly, and sincerely declare that the financial statements set out on pages 18 to 67 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.

HIROYUKI YOSHINARI

Subscribed and solemnly declared by the abovenamed  
Hiroyuki Yoshinari at Kuala Lumpur in Malaysia  
on \_\_\_\_\_, before me.

COMMISSIONER FOR OATHS

**INDEPENDENT AUDITORS' REPORT TO THE MEMBER  
OF MIZUHO CORPORATE BANK (MALAYSIA) BERHAD**  
(Incorporated in Malaysia)  
(Company No. 923693-H)

**REPORT ON THE FINANCIAL STATEMENTS**

We have audited the financial statements of Mizuho Corporate Bank (Malaysia) Berhad, which comprise the statement of financial position as at 31 March 2012 of the Bank, and the statements of comprehensive income, statements of changes in equity and statements of cash flows of the Bank for the period then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 18 to 67.

*Directors' Responsibility for the Financial Statements*

The Directors of the Bank are responsible for the preparation of the financial statements that give a true and fair view in accordance with Financial Reporting Standards as modified by Bank Negara Malaysia ("BNM") Guidelines and Companies Act, 1965 in Malaysia, and for such internal control as the Directors determine are 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 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 Bank'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 Bank's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial

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

*Opinion*

In our opinion, the financial statements have been properly drawn up in accordance with Financial Reporting Standards as modified by BNM Guidelines, and 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 2012 and of its financial performance and cash flows for the period then ended.



**INDEPENDENT AUDITORS' REPORT TO THE MEMBER  
OF MIZUHO CORPORATE BANK (MALAYSIA) BERHAD**  
(Incorporated in Malaysia)  
(Company No. 923693-H)

**REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS**

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

**OTHER MATTERS**

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

ENRST & YOUNG  
(No. AF: 0039)  
Chartered Accountants

GLORIA GOH EWE GIM  
(No. 2682/103 (J))  
Chartered Accountant

Kuala Lumpur, Malaysia