



KASIKORNBANK PCL – HO CHI MINH CITY BRANCH

CAPITAL ADEQUACY RATIO DISCLOSURE

June 2022



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1. Scope of measurement of capital adequacy ratio

The disclosure of capital adequacy ratio for KASIKORNBANK Public company limited - Ho Chi Minh City Branch (KBank HCMC) is the period ended 30 June 2022 and this disclosure complies with regulation, for capital adequacy ratios of foreign bank branches.

As of 30 June 2022, KBank HCMC has no any subsidiaries and associates; therefore, the branch has calculated capital adequacy ratio as foreign bank branch only.

2. Equity capital structure

As of 30 June 2022, KBank HCMC's own capital consists mainly of contributed capital from KBank as the parent bank and has no any financial instruments such as subordinated debt. The following table presents the capital components.

Table 1 -Structure of Capital

Unit: Million VND

| Capital Information | | Amount 30 June 2022 |
|---------------------|--|------------------------|
| 1 | Tier 1 capital | 1,811,600 |
| 2 | Tier 2 capital | 5,870 |
| 3 | Deductions from capital | 105,080 |
| | Total Capital = (1) + (2) - (3) | 1,712,390 |



3. Capital adequacy ratio

3.1. Capital adequacy ratio assessment

KBank HCMC has the standard operational process to calculate capital adequacy ratio ranging from data collection, calculation, result validation to reporting with the support of KBank as the parent bank. This standard procedure ensures that data is calculated correctly.

3.2. Capital planning

KBank HCMC manages capital adequacy ratio dynamically through capital and RWA management and control both capital and RWA to be in line with business growth and strategies in order to maintain the capital adequacy ratio above SBV requirement. In addition, the branch assesses capital projection in the future to ensure sufficient capital for business operation as usual.

As of 30 June 2022, the capital adequacy ratio of KBank HCMC was shown as follows:

Table 2 -CAR, Risk-weighted assets and required capital by type of risks

Unit : Million VND

| Items | 30 June 2022 | |
|--------------------------|---------------------|---------------------|
| | Capital requirement | Risk Weighted Asset |
| Credit risk | | 2,757,757 |
| Counterparty credit risk | | 22,416 |
| Market risk | 1,158 | 14,476 |
| Operational risk | 17,202 | 215,030 |
| Total risk | | 3,009,679 |



| Capital Ratios | |
|------------------------|--------|
| Tier 1 Capital ratio | 56.70% |
| Capital adequacy ratio | 56.90% |

4. Credit risk

4.1. Qualitative disclosures

Credit risk refers to risk whereby a counterparty or borrower may default on contractual obligations or agreements, or have an intention to not abide by an agreement, resulting in losses. Therefore, the branch places significance on credit risk management compatible with international standards and regulatory requirements to ensure sustainable growth and reasonable returns to shareholders and investors.

KBank HCMC has established credit policies and related credit procedures that comply with SBV's requirements. The branch carries out credit risk management throughout the credit review, appraisal, approval and management processes. The branch's strategies focus on proactive risk management related to the latest situation from macroeconomic factors to each customer in order to manage credit risk timely and effectively. The branch also develops appropriate credit risk rating tools, which are used to monitor and assess creditworthiness of customers as well as to ensure the effectiveness of credit risk management. The credit risk rating is also applied across credit processes, including approval process, risk based pricing, and provisioning.

Besides, KBank HCMC shall control risk positions, transactions and activities according to our risk limits and timely handling of risk to ensure compliance to the risk limits.

For capital adequacy ratio calculation, the branch has used the credit rating from Moody's, S&P and Fitch rating agencies for financial institutions and sovereign to assign credit risk



weight. As of 30 June 2022, the branch has not recognized any type of credit risk mitigation for risk weighted asset calculation.

4.2. Quantitative disclosures

- Risk-weighted assets for credit risk exposure and counterparty credit exposure, broken down by subjects having credit weights as prescribed by Article 9 of Circular 41;

Table 3 – RWA for credit risk and counterparty credit risk

Unit: Million VND

| Asset Classes | Fitch 20% | Fitch 50% | Moody's 40% | Moody's 80% | Moody's 50% | Moody's 100% | Not Apply Rating | RWA |
|-----------------------|---------------|------------------|---------------|---------------|-------------|--------------|------------------|------------------|
| Total RWA | 20,000 | 1,161,842 | 66,551 | 14,775 | 313 | 3,581 | 1,513,111 | 2,780,173 |
| Financial Institution | 20,000 | 1,161,842 | 66,551 | 14,775 | 313 | 3,581 | | 1,267,062 |
| Corporate | | | | | | | 1,289,788 | 1,289,789 |
| Retail credit | | | | | | | 37,952 | 37,952 |
| Bad debt | | | | | | | 257 | 257 |
| Other assets | | | | | | | 185,114 | 185,114 |

- Risk-weighted assets for credit risk and counterparty credit risk, broken down by industry sector;

Table 4 – RWA for credit risk and counterparty credit risk (by industry)

Unit: Million VND

| No. | Industry | Risk weighted asset |
|-----|-------------------------|---------------------|
| 1 | Processing industry | 850,114 |
| 2 | Distribution of water | 50,493 |
| 3 | Commerce; motor vehicle | 60,789 |



| | | |
|--------------|----------------------|------------------|
| 4 | Real estate business | 328,393 |
| 5 | Finance and banking | 1,267,062 |
| 6 | Individual | 38,208 |
| 7 | Other assets | 185,114 |
| Total | | 2,780,173 |

- Risk-weighted assets for credit risk exposure, including on-balance and off-balance sheet, before and after the effect of credit risk mitigations referred to Article 11 of Circular 41.

As of 30 June 2022, the branch has not recognized any type of credit risk mitigation for risk weighted asset calculation, risk-weighted assets for credit risk exposure before and after the effect of risk mitigations are the same.

5. Operational risk

Operational risk is defined as the risk of direct or indirect losses to a bank's revenue or capital resulting from incorrect or inadequate processes, personal, operating and/or IT systems or external events. KBank HCMC has established operational risk management policies in compliance with SBV's requirements, which consist of two main parts as follows:

- Policy on administration of operational risk management
- Policy to tackle cases of emergency (BCM).

KBank HCMC implements comprehensive risk management framework that the operational risk is controlled under risk appetite and all employees are aware and accountable for operational risk management as per KBank-wide organization culture. KBank HCMC adopts the KBank-wide concept of transparent and efficient operational risk management framework as follows:



- The three lines of defense :to clarify and specialization of duties clearly defined according to the internal control principles among organization
- Operational risk management framework :to ensure the product or service launched to market within acceptable level and appropriate with market practice.

Table 5 - Capital requirement and RWA for operational risk

Unit: Million VND

| No. | Business Indicator | Annualized (*) | Capital Requirement (**) | RWA (***) |
|-----------------------------------|--------------------|----------------|--------------------------|----------------|
| 1 | IC | 50,305 | 7,546 | 94,323 |
| 2 | SC | 37,927 | 5,689 | 71,112 |
| 3 | FC | 26,450 | 3,967 | 49,595 |
| Total for operational risk | | 114,682 | 17,202 | 215,030 |

IC: Absolute value of interest income and its equivalents minus interest cost and its equivalents.

SC: Total value of income earned from service activities, costs incurred from service activities, other operating income and costs.

FC: Total absolute value of Net Profit/Loss from foreign exchange, trading securities and investment securities trading activities.

(*)The annualized value of Year 2022 due to new branch opening in November 2021 (only 8 operating months)

(**)Regulatory capital using coefficient 15%

(***)Risk weighted asset using coefficient 12.5



6. Market risk

6.1 Qualitative disclosures

Market risk may arise from changes in interest rate, foreign exchange, equity and commodity prices, as well as credit spreads. These changes may impact present and future income, capital, the value of financial assets and liabilities as well as off-balance sheet items. According to the current business structure, KBank HCMC is emerging only interest rate risk and exchange rate risk.

KBank HCMC market risk policy is formulated with regulations of State Bank of Vietnam (SBV) and must be reviewed at least once a year. Main objective of the policy is an operational guideline for all stakeholders under the risk framework of the branch. Also, it is to identify and differentiate the transactions of the bank into trading book or banking book. The main strategy of the trading book is to support customers' need and not for proprietary trading.

KBank HCMC ensures that proper risk management process, which comprises risk identification, risk measurement, risk monitoring & control, and risk reporting, is in place, considering both external and internal factors, qualitatively and quantitatively. The process is done by risk units, which are independent from business units to ensure segregation of duties.

The bank only performs FX buying and selling with tenor less than 1 year, including FX today, tomorrow, spot, forward and swap.¹



6.2. Quantitative disclosures

Table 6 – Capital requirement for market risk

Unit: Million VND

| No. | Risk Types | Capital Requirement | Remark |
|-----------------------|-----------------------|---------------------|--|
| 1 | Interest rate risk | 1,158 | |
| 2 | Equity risk | 0 | The bank does not have position related to equity risk |
| 3 | Foreign exchange risk | 0 | NOP is smaller than 2% of bank's equity, hence this is not applied |
| 4 | Commodities risk | 0 | The bank does not have position related to commodities risk |
| 5 | Option risk | 0 | The bank does not have position related to option risk |
| Total for market risk | | 1,158 | |

Ho Chi Minh city, September 23rd 2022

GENERAL DIRECTOR

**KASIKORNBANK PUBLIC COMPANY LIMITED –
HOCHIMINH CITY BRANCH**



CHATUPORN BOOZAYA-ANGOOL