



## **KASIKORNBANK PCL – HO CHI MINH CITY BRANCH**

### **CAPITAL ADEQUACY RATIO DISCLOSURE**

**Dec 2021**



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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 31 December 2021 and this disclosure complies with regulation, for capital adequacy ratios of foreign bank branches.

As of 31 December 2021, KBank HCMC operates the business as a foreign bank branch, and 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 31 December 2021, 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 31 December 2021
1	Tier 1 capital	1,811,599
2	Tier 2 capital	3,826
3	Deductions from capital	46,107
	<b>Total Capital = (1) + (2) – (3)</b>	<b>1,769,318</b>

## 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 31 December 2021, 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	31 December 2021	
	Capital requirement	Risk Weighted Asset
Credit risk		1,980,220
Counterparty credit risk		6,561
Market risk	506	6,328
Operational risk	19,530	244,126
Total risk		2,237,235
<b>Capital Ratios</b>		
Tier 1 Capital ratio	78.91%	
Capital adequacy ratio	79.09%	

## 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 agencies from Moody's, S&P and Fitch rating for financial institutions and sovereign to assign credit risk weight. As of 31 December 2021, 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	Moody 40%	Moody 80%	Fitch 50%	Not Apply Rating	RWA
<b>Total RWA</b>	<b>126,403</b>	<b>3,189</b>	<b>696,698</b>	<b>1,160,491</b>	<b>1,986,781</b>
Financial Institution claims	126,403	3,189	696,698		826,290
Corporate claims				911,130	911,130
Retail credit claims				2,173	2,173
Other assets				247,188	247,188

- 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	Automotive and Parts	75,928
2	Chemical and Chemical Products	7,302
2	Construction and real estate	352,798
3	Electronic & Appliances	276,026
4	Metal	57,792
6	Packaging and Printing	141,284
7	Finance and banking	826,290
8	Individual	2,173
9	Other assets	247,188
<b>Tổng cộng</b>		<b>1,986,781</b>



- 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 31 December 2021, 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 launch 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	380	57	712
2	SC	69	10	129
3	FC	129,752	19,463	243,285
<b>Total for operational risk</b>		<b>130,201</b>	<b>19,530</b>	<b>244,126</b>

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 2021 due to new branch opening in November 2021

(\*\*)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.

## 6.2. Quantitative disclosures

**Table 6 – Capital requirement for market risk**

*Unit :Million VND*

No.	Risk Types	Capital Requirement	Remark
1	Interest rate risk	506	
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		506	



Ho Chi Minh city, March 23<sup>rd</sup> 2022

GENERAL DIRECTOR

KASIKORNBANK PUBLIC COMPANY LIMITED –

HOCHIMINH CITY BRANCH



CHATUPORN BOOZAYA-ANGOOL