



KASIKORNBANK PCL – HO CHI MINH CITY BRANCH

CAPITAL ADEQUACY RATIO DISCLOSURE

June 2023





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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 2023 and this disclosure complies with regulation, for capital adequacy ratios of foreign bank branches.

As of 30 June 2023, 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

On 24th April 2023, State bank of Vietnam has issued the letter to approve the new capital injection. Therefore, as of 30 June 2023, 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 2023
1	Tier 1 capital	6,620,900
2	Tier 2 capital	27,593
3	Deductions from capital	176,911
	Total Capital = (1) + (2) – (3)	6,471,582



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 2023, 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 2023	
	Capital requirement	Risk Weighted Asset
Credit risk		10,014,128
Counterparty credit risk		30,455
Market risk	158	1,973
Operational risk	45,614	570,175
Total risk		10,616,731
Capital Ratios		
Tier 1 Capital ratio	60.70%	
Capital adequacy ratio	60.96%	



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 2023, the branch uses term deposit at the bank as credit risk mitigation for risk weighted asset calculation.

4.2. Quantitative disclosures

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



**Table 3 RWA for Credit risk corresponding to credit ratings by
External Credit Rating Agencies**

Unit : Million VND

Type of Claim	External rating	Credit risk weight (%)	RWA
Overseas Financial Institutions	AAA to AA-	20%	94,343
	A+ to A-	50%	113,414
	BBB+ to BBB-	50%	4,301,589
	BB+ to BB-	100%	-
	B+ to B-	100%	-
	Below B-	150%	-
Domestic Financial Institutions (<3M)	AAA to AA-	10%	-
	A+ to A-	20%	-
	BBB+ to BBB-	20%	-
	BB+ to BB-	40%	15,711
	B+ to B-	50%	-
	Below B-	70%	-
Domestic Financial Institutions (>=3M)	AAA to AA-	20%	-
	A+ to A-	50%	-
	BBB+ to BBB-	50%	-
	BB+ to BB-	80%	-
	B+ to B-	100%	-
	Below B-	150%	-
Total			4,525,057

**Table 4 RWA for Counterparty credit risk corresponding to credit ratings by
External Credit Rating Agencies**

Unit : Million VND

Type of Claim	External rating	Credit risk weight (%)	RWA
Overseas Financial Institutions	AAA to AA-	20%	-
	A+ to A-	50%	-
	BBB+ to BBB-	50%	3
	BB+ to BB-	100%	-
	B+ to B-	100%	-
	Below B-	150%	-
Domestic Financial Institutions (<3M)	AAA to AA-	10%	-
	A+ to A-	20%	-
	BBB+ to BBB-	20%	-
	BB+ to BB-	40%	6,631
	B+ to B-	50%	1,403
	Below B-	70%	-



Type of Claim	External rating	Credit risk weight (%)	RWA
Domestic Financial Institutions (>=3M)	AAA to AA-	20%	-
	A+ to A-	50%	-
	BBB+ to BBB-	50%	-
	BB+ to BB-	80%	18,111
	B+ to B-	100%	233
	Below B-	150%	-
Corporate (Not apply rating)			4,074
Total			30,455

Table 5 RWA for Credit risk and Counterparty credit risk by asset classes

Unit : Million VND

Seq.	Type of Claim	RWA Credit	RWA CCR	Total
1	Receivable from the government	-	-	-
2	Receivable from the financial institutions	4,525,057	26,380	4,551,437
3	Receivable from the enterprise	4,915,882	4,075	4,919,957
4	Loans secured by real estates	-	-	-
5	Mortgage loans	-	-	-
6	Retail receivable	231,957	-	231,957
7	Non-performing loans	12,567	-	12,567
8	Other assets	328,665	-	328,665
Total		10,014,128	30,455	10,044,583



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

Table 6 RWA for Credit risk by Industry

Unit : Million VND

Seq.	Industry	RWA
1	Manufacturing	2,921,099
2	Water Supply; Waste and Wastewater Management and Treatment Activities	169,119
3	Wholesale and Retail Trade; Repair of Motor Vehicles, Motorcycles and Other Motor Vehicles	1,442,995
4	Transportation and Storage	4,419
5	Real Estate Activities	325,692
6	Professional, Scientific and Technical Activities	52,558
7	Retails	244,525
8	Finance and banking	4,525,057
9	Others	328,664
Total		10,014,128

Table 7 RWA for Counterparty Credit Risk by Industry

Unit : Million VND

Seq.	Industry	RWA
1	Finance and banking	26,380
2	Real Estate Activities	3,386
3	Wholesale and Retail Trade; Repair of Motor Vehicles, Motorcycles and Other Motor Vehicles	689
Total		30,455

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

As of 30 June 2023, the branch uses term deposit as credit risk mitigation for risk weighted asset calculation, the amount of On-balance sheet netting off is as below:



Table 8 Credit Risk Assets Before and After Applying Risk Mitigation

Unit : Million VND

	Risk weighted assets before risk mitigation	Total CRM*	Risk weighted assets after risk mitigation
Collateral	-	-	-
On Balance Sheet Netting off	5,527,581	550,145	4,860,976
Third-party guarantee	-	-	-
Credit derivatives	-	-	-
Total	5,527,581	550,145	4,860,976

*CRM: Credit Risk Mitigation

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
 - o 1st Line of Defense: The business units identify, control of risk limit on day to day under the authority's body approval, and mitigate risks.
 - o 2nd Line of Defense: The risk controlling unit designs and deploys the overall risk management framework, provides interpretation of regulation, and monitor the adherence to risk strategy, and advise on regulatory issues



to ensure the compliance with relevant laws, regulations and internal risk policies.

- 3rd Line of Defense: Internal audit independently assesses the effectiveness of internal control and provides recommendations for improvements.
- BCM will mitigate possible impacts from a disaster on KBank HCMC's product and service processes. Apart from specifying the IT recovery methods, the BCM plan is aimed to ensure that all critical business functions / mission critical activities will be rapidly restored for fulfillment of KBank HCMC's obligations. The purpose of BCM can be summarized as follows:
 - Minimizing any period of service disruption.
 - Restoring critical business functions / mission critical activities within an acceptable period after a service disruption.
 - Limiting damages to the Branch's operations and capital that may be caused by a disruptive event.
 - Protecting KBank HCMC's reputation and image.

Operational risk management framework: to ensure the product or service launched to market within acceptable level and appropriate with market practice.

Table 9 Capital requirement and RWA for operational risk

Unit : Million VND

No.	Business Indicator	Annualized (*)	Capital Requirement (**)	RWA (***)
1	IC	141,325	21,199	264,985
2	SC	149,718	22,458	280,721
3	FC	13,050	1,957	24,469
Total for operational risk		304,093	45,614	570,175



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 and 2023

(**) 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 10 Capital requirement for market risk

Unit : Million VND

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

Ho Chi Minh city, September 1st 2023

GENERAL DIRECTOR

KASIKORNBANK PUBLIC COMPANY LIMITED –

HOCHIMINH CITY BRANCH



CHATUPORN BOOZAYA-ANGOOL