

DISCLOSURE OF CAPITAL ADEQUACY INFORMATION

As at 30th June 2021

(Issued in accordance with Circular 41/2016/TT-NHNN dated 30 December 2016 of State Bank of Viet

Nam stipulated on Capital Adequacy Ratio)



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1. APPLICATION SCOPE

The disclosure of Capital adequacy ratio relates to CIMB Bank Vietnam Limited for the period ended at 30 June 2021. The disclosures complies with the Circular No. 41 /TT-NHNN dated 30 December 2016, regulating capital adequacy ratio for banks, foreign bank branches (Annex 5) and internal regulation on disclosure of capital adequacy information of CIMB Bank Vietnam Limited (*herein after called CIMBVN*).

As at 30 June 2021, CIMBVN does not have any subsidiaries or associates, hence the bank has prepared and calculated its capital adequacy ratio on separated equity format as stipulated.

2. OWNER EQUITY AND CAPITAL ADEQUACY RATIO

2.1. STRUCTURE OF CAPITAL

Information on Tier 1 Capital, Tier 2 Capital and Deductions value from Capital in CIMBVN's calculation of its capital as at 30 June 2021

Table 1- Structure of Capital

Unit: Million VND

Capital information		
1	Tier 1 Capital	3,082,460
2	Tier 2 Capital	7,696
3	Deductions value from Capital	-
Total Capital = (1) + (2) - (3)		3,090,156

2.2. CAPITAL ADEQUACY RATIO

2.2.1 Capital adequacy ratio calculation process.

CIMBVN has issued and implemented Capital Management Policy and Procedures as well as Procedure on Information Disclosure in accordance with Circular 41/2016/TT-NHNN, which detail the responsibilities of the parties involved in the entry, calculation, review, reporting and disclosure of capital adequacy ratio information. The Bank has also issued and implemented Capital Management Policy and Procedures which set out early warning thresholds for capital adequacy monitoring and management. CIMB performs the calculation of the capital adequacy ratio periodically every month and when necessary.

2.2.2. Capital adequacy planning.

CIMB Bank Vietnam has been taking proactive steps in controlling capital adequacy ratio, aiming



to ensure compliance with SBV's regulated limit, and to create advantages in business activities. In which, CIMB Bank Vietnam considers the methods to stabilize and increase Owners' Equity, such as retaining after-tax profits to supplement Capital Tier 1.

Besides, in order to maintain the capital adequacy ratio, CIMB Bank Vietnam has also built up and implemented plans and strategies to control risk-weighted assets. With such purpose, CIMB Bank Vietnam will perform multiple actions to direct the credit growth towards lower-risk segments, control/limit credit balance in high-risk segments, and reinforce risk-mitigating procedures.

2.2.3. Capital adequacy ratio.

As at 30 June 2021, the separated Capital adequacy ratio of CIMBVN was as following:

Table 2 - Capital adequacy ratio

Unit: Million VND

A	Total risk weighted assets (RWAs) A = A1 + A2 + A3 + A4	4,004,293.3
A1	Credit risk	2,879,233
A2	Counterparty credit risk	950,804
A3	Market risk	-
A4	Operational risk	174,256.3
B	Capital and deduction items	
B1	Tier 1 Capital after deductions.	3,082,460
B2	Tier 2 Capital after deductions.	7,696
B3	Total Capital (B3 = B1 + B2)	3,090,156
C	Minimum Capital requirement and Capital ratios	
C1	Minimum required Capital: $C1 = A * 8\%$	320,343.5
C2	Capital ratio	
(1)	Tier 1 capital ratio	76.98%
(2)	Capital adequacy ratio	77.17%

3. CREDIT RISK

3.1. Qualitative disclosures:

Credit risk is one of the Bank's material risks, which accounted for more than 90% capital requirement of CIMB Viet Nam. The Bank manages and monitors credit risk through Credit Risk Policy, Systems and Limits /thresholds.

Credit Risk Policy

- Credit risk is managed through quantitative & qualitative methodology
- Credit underwriting and approval process is performed centrally, branches have no credit delegation authority
- Credit approval is undertaken by delegated individual(s), Committee in according to the Products and credit limit
- Obligor's credit is assessed against their payment capacity and solvency based on credit criteria in Policy and Procedure, which improves the consistency and smoothness of the credit assessment process
- The portfolio quality is managed through regular reports, portfolio review and analysis against thresholds/ limits and Risk Appetite Statement. The portfolio quality is reported to management and relevant committees periodically.
- CIMB Bank Vietnam adopt Three Lines of Defence model in governing and managing Credit Risk.
 - o First Line of Defence: Business divisions, Support Functions
 - o Second Line of Defence: Risk and Compliance division
 - o Third Line of Defence: Corporate Assurance division

Systems

- Credit Applications for individual customers are submitted via Mobile App and partner's platform.
- Credit process is set on LOS module/ system to minimize human processing errors.

Limits

- Portfolio Limits/thresholds are applicable to each portfolio
- Limits are also set to manage the concentration of the portfolio such as concentration on one customer, one customer group.

Rating of Moody's, Standard & Poor, Fitch is used for Financial Institutions. In the event that a customer obtains more than two credit ratings from different independent credit rating companies, the credit ratings corresponding to the greatest credit risk factor is applied.

Credit Risk mitigation methodology is implemented to adjust to value of receivables such as credit risk mitigation by collateral, by on-balance sheet netting, third party guarantee. There is no credit risk mitigation by derivative products. Eligible collateral is only fixed deposit at CIMB Viet Nam.

3.2. Quantitative disclosures:

- Receivables, rating-specific risk weights and total risk-weighted asset for credit exposure for which rating agencies are used.

Unit: Million VND

Rating agency	Credit Risk Weight	Risk Weighted Asset
Fitch, Moody's	40%	184,161
Fitch	50%	455,719
Moody's	50%	402,897
S&P	50%	258,311
S&P, Moody's	50%	115,153
Total		1,416,241

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

Table 3: RWA for Credit risk & counter parties risk

Unit: Million VND

RWA type	Subjects as prescribed by Article 9 circular 41	Risk weighted asset
Total RWAcrr		2,879,233
RWAcrr	Financial Institution	1,688,780
	Corporate	745,534
	Retail credit	105,953
	Non- performing	8,150
	Other assets	330,816
RWAccr	Financial Institution	950,804
Total		3,830,037

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

Table 4: RWA broken down by industry sector

Unit: Million VND

Sector	Risk weighted asset
Agriculture, forestry and aquaculture	319,168
Processing industry	1,688,780
Production and distribution of electricity, fuel gas, hot water, steam, and air conditional	53,268
Commerce and retail; repairing motor vehicle, motor-cycle, motor-bike, family and individual belongings.	373,098
Communication	330,816
Financial, banking, insurance activities	114,103
Total	2,879,233

- 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 this Circular.

Unit: Million VND

RWA before credit risk mitigation	RWA after credit risk mitigation
3,413,547	2,879,233

4. OPERATION RISK

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events.

The operational risk management policy includes the principles and methods for identifying, measuring, evaluating, and managing operational risk to ensure full compliance with the current regulations of the State Bank of Vietnam and other regulators, and in accordance with the rules and business strategies of CIMBVN.

In addition, CIMBVN has issued Business Continuity Plan for all divisions to ensure the Bank can maintain business continuity in the event of incidents or disasters. CIMBVN has also invested in Information Technology to ensure all critical systems in the Bank have proper DR systems. Annually, the Bank also performs BCP and DR exercises in compliance with SBV requirements.

CIMBVN implements a risk assessment and control tool called “Risk self- assessment and control (RCSA)” to help business units to identify and assess potential risks at their units, in order to propose necessary solutions to minimise risk.

Control Issue Management (CIM) and Loss Event Database (LED) are used to track operational risk control issues and loss events in order for management to enhance risk control to minimize future operational losses.

Table 5: Business indicator values

Unit: Million VND

No.	Business Indicator Approach (BIA) Components	Details	Quarter I of 3 years average	Capital requirement (*)	RWAor
1	IC	Interest income Interest expenses	31.720	4.758	59.475
2	SC	Service free income Service free expenses Other operating income Other operating expenses	56.997	8.550	106.870
3	FC	Net gain/ loss from trading securities Net gain/ loss from trading of investment securities Net gain/ loss from gold and foreign exchange activities Net gain/ loss from interest/ commodity/ derivative business	4.219	633	7.911,3
Total			92.936	13.941	174.256,3

(*) The average value of Quarter I of 3 years multiplied by the alpha coefficient 15%

5. MARKET RISK

5.1 Qualitative comments

Market risk encompasses the risk of financial loss resulting from movements in market risk factors, primarily Interest Rate Risk, Foreign Exchange Risk, Commodity Risk, Equity Risk, Option Risk.

Market Risk policy

- The CIMB Bank Vietnam Market Risk Policy was developed in compliance with regulations of State Bank of Vietnam (SBV).

- The policy is created for between 3 and 5 years of application but must be reviewed as and when required or according to the frequency required by the CIMB Vietnam Risk Policy Governance and Approval Standard.
- Objectives of Market Risk Policies are as follows:
 - Manage volatility in the CIMB Bank Vietnam earnings and value due to market risk
 - Establish a sound operating environment for market risk activities that are consistent with the governance and control standards of the CIMB Vietnam RAS
- CIMB Bank Vietnam adopt the strategic implementation of Three - Tiered model, i.e. Three Lines of Risk Defence, in governing and managing market risk.
 - First Line of Defence: Treasury Division
 - Second Line of Defence: Market Risk Management Department
 - Third Line of Defence: Corporate Assurance Division
- Market Risk Limits (DV01, NOP) were set up and monitored on a daily basis by Risk Management Department. The positions are reported to Vietnam Asset Liability Committee (VALCO), Viet Nam Board Risk and Compliance Committee (VBRCC), Vietnam Risk and Compliance Committee (VRCC), Board of Members (BOM) on a monthly basis

Trading Strategy

- CIMB Vietnam focuses on the banking book to prevent accounts or entries on the asset balance sheet (including off-balance-sheet accounts or entries) from being exposed to risks. CIMB also perform financial asset trading transactions to create liquidity reserves. In regards to proprietary trading, the Bank only performs FX buying and selling in compliance with regulations with tenor less than 1 year to earn profit generated from market price differences, including FX spot, forward and swap.

Trading book portfolio

The trading book currently only captures FX aimed at serving the demands of customers, partners and transactions that serve the purpose of corresponding to these ones, including:

- Retail clients: FX spot
- Corporate clients: FX spot and FX forward.

5.2 Quantitative comments

Please find below Regulatory capital for market risk

Table 6: Regulatory capital requirements for Market risk

Unit: Vietnam dong

Number	Detail	Capital requirement	Remark
1	Interest rate risk	0	
2	Equity risk	0	The Bank does not have this related activity
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 this related activity
5	Option risk	0	The Bank does not have this related activity
Total for Market Risk		0	

Hanoi, August 2021

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