

# DISCLOSURE OF CAPITAL ADEQUACY INFORMATION June.2020

*(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 30 Jun 2020. 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 2020, CIMBVN has not any subsidiaries and associates, hence the bank has prepared and calculated separated capital adequacy ratio 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 2020

Table 1- Structure of Capital

*Unit: Million VND*

Capital information		
1	Tier 1 Capital	3,295,112
2	Tier 2 Capital	13,175
3	Deductions value from Capital	-
Total Capital = (1) + (2) - (3)		3,308,287

### 2.2 CAPITAL ADEQUACY RATIO

#### 2.2.1 Capital adequacy ratio calculation process.

CIMBVN has stipulated Standard operational procedure to compute Capital Adequacy Ratio as following:

- Collect data, validate and process input data and assure that data was given accurately and timely;
- Compute Capital Adequacy Ratio;
- Validate a result of Capital Adequacy Ratio's computing, assure that it was computed correctly based on given input data and stipulated method.
- Utilize the validated Capital Adequacy Ratio for reporting and analyst.



## 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 2020, the separated Capital adequacy ratio of CIMBVN was as following:  
Table 2 - Capital adequacy ratio

*Unit: Million VND*

<b>A</b>	<b>Total risk weighted assets (RWAs)</b> <b>A = A1 + A2 + A3</b>	<b>4,169,563</b>
A1	Credit risk	3,236,372
A2	Counterparty credit risk	765,596
A3	Market risk	-
A4	Operational risk	167,595
<b>B</b>	<b>Capital and deduction items</b>	
B1	Tier 1 Capital after deductions.	3,295,112
B2	Tier 2 Capital after deductions.	13,175
B3	Total Capital	<b>3,308,287</b>
<b>C</b>	<b>Minimum Capital requirement and Capital ratios</b>	
C1	Minimum required Capital: $C1 = A * 8\%$	333,565
C2	Capital ratio	
(1)	Tier 1 capital ratio	<b>79,03 %</b>
(2)	Capital adequacy ratio	<b>79,34 %</b>



### 3. CREDIT RISK

#### 3.1 QUALITATIVE DISCLOSURES:

Credit risk is one of the Bank's material risks, which accounted for more than 95 % 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 customer type and credit limit
- Obligor's credit is assessed against their payment capacity and solvency based on credit criteria in Policy and Procedure, which improved the consistency and smoothness of the credit assessment process
- The portfolio quality is managed though 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**

- Internal credit rating is developed to evaluate wholesale customers (ORR). This credit rating is for internal use only on credit facility assessment, not for calculating the risk weighted asset yet
- Credit process for individual customers is set on LOS module/ system to minimize human processing errors.

##### **Limits**

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

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
Moody's	10%	22,000
Moody's	20%	523,834
Moody's	50%	386,156
Standard & Poor	20%	10,004
Fitch	40%	100,000
<b>Total</b>		<b>1,041,994</b>

- 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
<b>Total RWA for credit risk (RWAcr)</b>	<b>3,236,373</b>
Financial Institution claims	1,180,781
Corporate claims	1,648,684
Retail credit claims	115,711
Non- performing claims	7,601
Other on- balance sheet assets	283,596
<b>RWA for counter parties risk (RWAacr)</b>	<b>765,596</b>
<b>Total</b>	<b>4,001,969</b>



#### 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, monitoring, controlling and operational risk reporting mechanisms 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 the critical systems in the Bank have proper DR systems. Annually, the bank also perform BCP and DR exercises in compliance with SBV requirements. CIMBVN has maintained risk assessment and control tool called "Risk self- assessment and control (RCSA) to help business units identify themselves, assess potential risks at their units, and categorize risks accordingly from high to low levels, then therefore propose actions, and additional controls to prevent risk.

Control Issue Management (CIM) and Loss Event Database (LED) are used to track operational risk profiles and alert CIMBVN in a timely manner. Facilitating future risk management based on early warning signals.

Table 5: Business indicator values

Unit: Million VND

No.	Business Indicator Approach (BIA) Components	Details	3 years average	Capital requirement (*)	RWA
1	IC	Interest income	30,941	4,641	58,013
2		Interest expenses			
3	SC	Service free income	55,406	8,311	103,887
4		Service free expenses			
5		Other operating income			
6		Other operating expenses			
7	FC	Net gain/ loss from trading securities	3,037	456	5,695
8		Net gain/ loss from trading of investment securities			
9		Net gain/ loss from gold and foreign exchange activities			
10		Net gain/ loss from interest/ commodity/ derivative business			
<b>TOTAL FOR OPERATION RISK</b>			<b>89,384</b>	<b>13,408</b>	<b>167,595</b>

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



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	221,364
Processing industry	351,682
Production and distribution of electricity, fuel gas, hot water, steam, and air conditional	460,379
Commerce and retail; repairing motor vehicle, motor-cycle, motor-bike, family and individual belongings.	48,023
Communication	34,306
Financial, banking, insurance activities	1,180,781
Real estate business	405,679
Healthcare service and social relief activities	92,713
The Others service activities	318,134
Service activities at households	123,312
<b>Total</b>	<b>3,236,373</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 this Circular.

Unit: Million VND

RWA before credit risk mitigation	RWA after credit risk mitigation
3,997,535	3,236,373





## 5. MARKET RISK

### 5.1 Qualitative comments

Market risk encompasses the risk of financial loss resulting from movements in market risk factors, primarily Interest / Profit 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), Vietnam Risk Management Committee (VRC), Risk Management Committee (RMC), and Board of Members (BOM) on a monthly basis.

#### Trading Strategy

- CIMB Vietnam focuses on banking book to prevent accounts or entries on the asset balance sheet (including off-balance-sheet accounts or entries) from being exposed to risks, also performs financial asset trading transactions to create liquidity reserves. To the activity of 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**

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
<b>TOTAL FOR MARKET RISK</b>		<b>0</b>	

*Hanoi, 15 Aug 2020*

**Preparers**

**Carol Chee Soo Sian**  
Head of Finance

**Do Loc**  
Head of Risk

**Approver**

**Thomson Fam Siew Kat**  
CEO