BASEL II CAPITAL ADEQUACY RATIO DISCLOSURE PURSUANT TO THE CIRCULAR NO. 41/2016/TT-NHNN

For the period ending 30/06/2024

Disclosure of information

This report is guided by the policy on information disclosure on VIB's capital adequacy ratio, and will be published at least once every 6 months (as required) or earlier on the main website.

The disclosure of information is published on our electronic website at the following link:

https://vib.com.vn/wps/portal/about/shareholder/shareholder-info

Leadership commitment

We hereby certify that the information provided herein is accurate and that we take full responsibility for the information disclosed.

CONTENTS

OVERVIEW

Overview of Circular 41 and Basel II

Disclosure of information

CAPITAL ADEQUACY RATIO

Capital Adequacy Ratio

Calculation and management methodology

OWNERS' EQUITY

Owners' equity structure

Owners' equity status

Calculation and management methodology

CREDIT RISK

Credit risk management policy

Credit risk-weighted assets

External credit rating agencies used for CAR calculation

Credit risk-weighted assets by industry

Credit risk mitigation

OPERATIONAL RISK

Operational risk management policy

Business Continuity Plan

Operational risk capital requirement

MARKET RISK

Market risk management policy

Market risk capital requirement

GENERAL

About VIB

Risk management and Basel II implementation roadmap at VIB

OVERVIEW

1. Overview of Circular 41 and Basel II

'The implementation of Basel II standard is crucial for Vietnamese commercial banks to ensure stability in banking operations and sufficient cushion against material risks such as credit risk, market risk, and operational risk. On Dec 2016, The State Bank of Vietnam (SBV) published the Circular 41/2016/TT-NHNN, which bridges the gap between Vietnam's banking system and international standards.

Circular 41 prescribes two out of three Basel II pillars, introducing the Capital Adequacy Ratio (CAR) and Disclosure of information. The circular provides transparent and detailed instruction on CAR calculation, taking into account credit, operational, and market risk. In addition, Circular 41 also plays a role in promoting risk-weighted business strategies and objectives, as well as prioritizing loans eligible for credit risk mitigation.

To complete the legal framework for implementing Basel II standard in Vietnam, on May 2018, SBV published Circular 13/2018/TT-NHNN, which stipulates the internal control system of commercial banks, foreign banks branches, and the internal capital adequacy assessment (ICAAP) – a 2nd pillar component of Basel II.

August 2022, the State Bank of Vietnam issued Decision 1382/QD-NHNN on promulgating the action plan of the sector to implement the project ""Restructuring the system of credit institutions associated with bad debt settlement in the period period 2021 - 2025", including many contents on continuing to implement Basel II according to advanced methods, with the goal of completing before 2025.

Thus, after issuing Circular 41 in 2016 and Circular 13 in 2018 to complete the legal framework for the implementation of Basel II according to the standard method with all 3 pillars, the State Bank is continuing to orient Credit institutions continue to improve their data analysis, model building and risk management capabilities through the Basel implementation roadmap in an advanced approach. With the publication of Circular No. 41/2016 & Circular No.13/2018, SBV has completed the legal framework and roadmap for implementing the three pillars of Basel II standard, abiding by the international practices proposed by the Government and Parliament of Vietnam.

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Disclosure of information

Pursuant to Article 20 of Circular No. 41, VIB issues a detailed disclosure on CAR at least every 6 months in a fiscal year based on the requirements of Appendix 5-Circular 41, as well as other non-regulatory information published by VIB.

Scope of CAR calculation

The consolidated CAR is calculated based on the consolidated financial statements of the bank and its subsidiary. As at 30/06/2024, VIB directly owns one subsidiary company, VIB Asset Management Company (VIB AMC for short), and does not incur investments in any insurance subsisdiaries.

CAPITAL ADEQUACY RATIO

2 Capital adequacy ratio

Capital Adequacy Ratio (**CAR**) calculated in percent (%) is determined according to the following formula:

$$CAR = \frac{C}{RWA + 12{,}5(K_{OR} + K_{MR})} \times 100\%$$

Where:

- **C**: Owners' capital;
- **RWA**: Credit risk weighted assets (including counterparty credit risk weighted assets);
- **K_{OR}**: Capital requirement for operational risk;
- **K_{MR}**: Capital requirement for market risk.

VIB has issued a regulation on CAR management in compliance with Circular 41, which provides for detailed rules, CAR management model, system requirement and responsibility of related parties in measuring, monitoring and reporting CAR.

VIB has developed an automated program for CAR calculation using its core banking and other database sources. The auto-generated calculation will be reviewed and reconciled regularly to ensure data accuracy. CAR will be periodically monitored, forecasted, and reported to the BOD and BOM to oversight the business activities and ensure the compliance with the approved risk appetite and risk limits.

Capital adequacy ratio	30/06/2024 billion VND, %	31/12/2023 billion VND, %
Consolidated		
Available capital	41,980	41,506
Tier-1 capital	38,351	37,940
Tier-2 capital	3,649	3,585
Deductions	19	19
Total risk-weighted assets	355,561	353,224
Credit risk weighted assets	307,062	309,312
Counterparty credit risk weighted assets	2,353.08	915
Capital requirement for market risk	121.65	139
Capital requirement for operational risk	3,570	3,301
Tier-1 CAR	10.79%	10.74%
CAR	11.81%	11.75%
Single	-	-

Capital adequacy ratio	30/06/2024 billion VND, %	31/12/2023 billion VND, %
Available capital	41,871	41,412
Tier-1 capital	38,242	37,846
Tier-2 capital	3,649	3,585
Deductions	19	19
Total risk-weighted assets	355,583	353,652
Credit risk weighted assets	307,775	310,031
Counterparty credit risk weighted assets	2,353	915
Capital requirement for market risk	122	139
Capital requirement for operational risk	3,515	3,277
Tier-1 CAR	10.75%	10.70%
CAR	11.78%	11.71%

CAPITAL

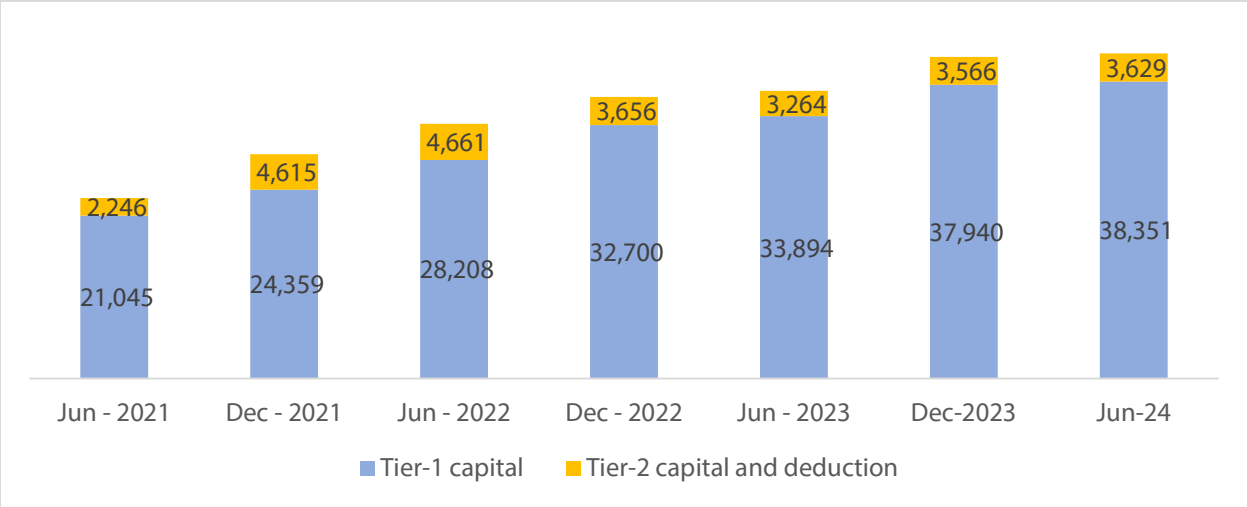
3 Capital structure

3.1. Capital structure

As of Jun 30, 2024, VIB's equity instruments only includes common shares. VIB has not issued debt equity instruments such as dividend preference shares, and other equity instruments that meet the requirements of Circular 41.

3.2. Capital statement

VIB's own capital has grown strongly over the years from sustainable growth from Tier 1 capital.



3.3. Calculation and management methodology

The capital shall be expressed as the total of Tier 1 and Tier 2 capital minus deductions stipulated in Appendix 1 Circular 41. The Capital committee shall monitor and manage capital frequently to ensure the equity growth strategies suitable for asset growth and the prudential ratios in banking operations.

The owners' equity shall be expressed as the total of Tier 1 and Tier 2 capital minus deductions stipulated in Appendix 1 Circular 41. The Capital committee shall monitor and manage owners' equity frequently to ensure the equity growth strategies suitable for asset growth and the prudential ratios in banking operations:

- Issuing share premiums generated from retained earnings and funds.
- Increasing Tier 2 with bonds issuance.

To sustain an effective capital management process, VIB conducts its own Internal Capital Adequacy Assessment (ICAAP) for the next 3 years. The Bank conducts this process semi-annually to assess the adequacy of capital resources for maintaining the targeted CAR in both the business-as-usual and stress scenarios, building blocks for any changes in its business strategy.

CREDIT RISK

4 Credit risk management policy

4.1. Credit risk management policy

VIB has built up the comprehensive credit risk management policy and periodic reviewed on yearly basic. In which, Risk management framework and regulations are reviewed and approved by BOD. Risk Appetites for Business Units are approved by CEO which is aligned with Business direction and segments such as industry, product lines and client profile. CEO is also approver of internal procedures and process guidance. These above procedures, policies and regulations are prudent assessed and endorsed by related departments (legal, risk, business divisions..)

In term of approval authoriry, VIB has set up the credit approval policy, to instruct proper delegation to individual approver and credit committee, with details:

For Retail Banking division (RB): Credit approval authority limit is delegated to indvidual approver upon the set of VIB's internal scorecard. The approver's authority limit will be reviewed/assessed every 3 months as minimum frequency. In particular, for high limit exposure which exceed the single approval limit authority, it is escalated to higher authority as Credit Committee unit.

For Corporate Banking Division: The approval process is centralized at Credit Committee in Head Office. The credit approval authority of individuals is granted very limited in specific products with low risk rank.

In fact, in the context that the economy has not recovered and is facing many unpredictable fluctuations, consumer demand is still limited, and the business environment has many potential risks, VIB reviewed and adjusted Risk Appetites/related credit acquisition policies in line with VIB's business orientation in this period.

VIB continues to complies with SBV regulation and direction to support clients who got impacts from Covid-19 by publishing and processing debt restructuring, reduce/waive interest/fee for qualified clients.

Regarding collateral:

To ensure the quality of collateral valuation, the valuation authority is mainly conducted to AMC, and 3rd valuation units. Business Unit (BU) in charges of low-ticket size with low-risk rank collateral types and limit. BU's Valuation authority limit is delegated to indvidual approver upon the set of VIB's internal scorecard. The bank is improving AMC's valuation volume and releasing 3rd party's units in next coming months.

Credit risk monitoring and loan management:

Credit risk monitoring is carried out through early risk identification process and supervising based on data analytics. The identified risks will be followed up by responsible departments to measure, evaluate, and take early actions to mitigate and prevent arising risks from the systems, procedures and policies.

In addition, VIB is developing and implementing credit risk models as of Basel Advance Internal Rating model to support RB business growth. The portfolio analytics using modeling techniques are strongly improving over time. Therefore, VIB can acquire low risk customers segments to achieve sustainable growth of Retail Banking. The deep and dive implementation of scorecards in credit process is under the Basel's AIRB roadmap, which

is announced by VIB in 2020. VIB is consistently following up that roadmap to apply the internal best practice into business.

4.2. Credit risk-weighted assets

Credit risk-weighted assets are classified corresponding to risk weights as stipulated in Article 9 Circular 41.

	30/06/2024 billion VND	31/12/2023 billion VND	Change %
Consolidated			
Credit risk weighted assets	307,062	309,312	-1%
Claims on governments	16	16	0%
Claims on financial institutions	66,075	80,661	-18%
Claims on enterprises	54,934	45,712	20%
Loans secured by real estate	14,063	13,116	7%
Mortgage loans	9,608	13,087	-27%
Retail credit portfolio	125,723	128,357	-2%
Bad debts	11,017	10,079	9%
Other assets	25,627	18,282	40%
Single			
Credit risk weighted assets	307,775	310,031	-1%
Claims on governments	16	16	0%
Claims on financial institutions	66,075	80,661	-18%
Claims on enterprises	54,934	45,712	20%
Loans secured by real estate	14,063	13,116	7%
Mortgage loans	9,608	13,087	-27%
Retail credit portfolio	125,723	128,357	-2%
Bad debts	11,017	10,079	9%
Other assets	26,340	19,002	39%

4.3. List of external credit rating agencies used for CAR calculation

The list of external credit rating agencies used for CAR calculation includes Moody's, Standard & Poor, and Fitch Rating as stipulated in Article 5 Circular No.41.

Standard & Poor's	Moody's	Fitch Rating
AAA, AA+, AA, AA-	Aaa, Aa1, Aa2, Aa3	AAA, AA+, AA, AA-
A+, A, A-	A1, A2, A3	A+, A, A-
BBB+, BBB, BBB-	Baa1, Baa2, Baa3	BBB+, BBB, BBB-
BB+, BB, BB-	Ba1, Ba2, Ba3	BB+, BB, BB-
B+, B, B-	B1, B2, B3	B+, B, B-
CCC+ and below	Caa1 and below	CCC+ and below

As at 30/06/2024, claims, risk weights corresponding to credit ratings and RWA by each selected credit rating agency as followed:

Claims	Credit rating	RW	30/06/2024 billion VND	31/12/2023 billion VND
Claims on governments and central banks, PSE, municipal governments				
	AAA, AA+, AA, AA-	0%	-	-
	A+, A, A-	20%	-	-
	BBB+, BBB, BBB-	50%	-	-
	BB+, BB, BB-, B+, B, B-	100%	-	-
	Under B- or un-rated	150%	-	-
Claims on foreign financial institutions, foreign bank branches in Vietnam				
	AAA, AA+, AA, AA-	20%	39	31
	A+, A, A-	50%	19	47
	BBB+, BBB, BBB-	50%	-	-
	BB+, BB,BB-, B+, B, B-	100%	-	-
	Under B- or un-rated	150%	-	-
Claims on local credit institution (original tenor of 3 months or more)				
	AAA, AA+, AA, AA-	20%	-	-
	A+, A, A-	50%	-	-

Claims	Credit rating	RW	30/06/2024 billion VND	31/12/2023 billion VND
	BBB+, BBB, BBB-	50%	-	-
	BB+, BB,BB-	80%	15,269	20,856
	B+, B, B-	100%	16,558	31,185
	Under B- or un-rated	150%	5,327	3,221
Claims on local credit institutions (original tenor of under 3 months)				
	AAA, AA+, AA, AA-	10%	-	80
	A+, A, A-	20%	120	470
	BBB+, BBB, BBB-	20%	-	200
	BB+, BB,BB-	40%	15,568	9,186
	B+, B, B-	50%	10,984	12,814
	Under B- or un-rated	70%	2,175	2,581

4.4. Credit risk-weighted assets by industry

Credit risk-weighted assets by Industry	30/06/2024 billion VND	31/12/2023 billion VND	Change %
Total, in which:	307,062	309,312	-1%
Employment activities in households, production of material products and services for household self-consumption	176,669	173,950	2%
Real estate business	5,734	2,218	159%
Administrative activities and support services	230	295	-22%
Financial, banking and insurance activities	81,108	96,287	-16%
Other service activities	207	373	-45%
Agriculture, forestry and fisheries	513	516	-1%
Wholesale and retail; repair of cars, motorcycles, motorbikes and other motor vehicles	11,402	9,862	16%
Manufacturing and processing industry	16,822	13,606	24%

Credit risk-weighted assets by Industry	30/06/2024 billion VND	31/12/2023 billion VND	Change %
Construction	3,278	2,844	15%
Accommodation and food services	648	1,019	-36%
Water supply; waste management and treatment activities.	98	101	-3%
Activities of the Communist Party, socio-political organizations, state management, security and defense; compulsory social security	0.2	0.3	-31%
Art, play and entertainment	11	27	-59%
Professional, scientific and technological activities	487	631	-22.8%
Production and distribution of electricity, gas, hot water, steam and air conditioning	4,544	3,375	35%
Health and social assistance activities	-	-	0%
Mining industry	1,151	1,349	-15%
Warehousing transportation	2,605	2,041	28%
Education and training	1,037	413	151%
Information and communication	517	405	28%

4.5. Credit risk mitigation

Credit risk-weighted assets (on-balance sheet & off-balance sheet) are eligible for credit risk mitigation as stipulated in Article 11 Circular No.41.

	30/06/2024		31/12/2023	
Credit risk-weighted assets by CRM	RWA Pre - CRM billion VND	RWA Post - CRM billion VND	RWA Pre - CRM billion VND	RWA Post - CRM billion VND
Total, in which:	315,182	307,062	256,402	246,405
By collateral mitigation	8,440	1,573	3,950	741
By On-balance sheet netting	1,882	495	1,484	126
By Third-party guarantee	-	-	-	-

By credit derivatives	-	-	-	-
Ineligible for credit risk mitigation	304,860	304,994	250,968	245,538

4.6. Counterparty credit risk-weighted assets

	30/06/2024	31/12/2023	Change
Counterparty risk-weighted assets	billion VND	billion VND	billion VND
Total, in which:	2,353	915	1,438
Propriety trading transactions	998	289	709
Repo and reverse repo transactions	32	-	32
Derivatives transactions for risk hedging	1,319	623	696
Derivatives and other financial instruments for serving customer	4	2	2

OPERATIONAL RISK

5 Operational risk management policy

5.1. Operational risk management policy

Operational risks must be fully identified and effectively controlled across all products, business activities, operational processes, information technology systems, and other related systems. This includes a zero-tolerance approach to internal fraud. Strengthen the culture and awareness of operational risk management by: (i) organizing training programs; (ii) internal communication efforts; (iii) timely management and reporting of operational risks; and (iv) implementing a fair Compensation & Benefits mechanism along with strict disciplinary measures.

Establish and monitor operational risk limits, including at a minimum, financial loss limits for six business activity groups: (i) interest income-generating activities and similar income; (ii) interest expense and similar cost-generating activities; (iii) service activities; (iv) foreign exchange trading activities; (v) trading and investment securities activities; and (vi) other activities. Additionally, set limits for non-financial losses as stipulated in Circular No. 13/2018/TT-NHNN and its amendments or supplements (if any).

Develop operational risk management for outsourcing activities, covering at a minimum the following key aspects: (i) Define the scope of outsourcing activities; (ii) Delegate approval authority; (iii) Assess the capabilities of the outsourcing service providers; (iv) Establish principles for outsourcing contracts to ensure rigor, completeness, and protection of ownership rights, data security, customer information, termination rights, the level and scope of outsourced activities, and clearly define the responsibilities of the bank and the outsourcing service provider; (v) Develop a business continuity plan for outsourced activities.

Implement insurance purchases to mitigate losses arising from operational risks, ensuring that insurance is not used as a substitute for operational risk management. The effectiveness of insurance in reducing losses from operational risks must be evaluated, along with the capacity of the insurance provider to fulfill the terms of the insurance contract and any related operational risks that may arise.

Operational risk management in technology applications is conducted by identifying potential operational risk factors in internal network systems, external network connections, hardware, software, applications, transaction interfaces, operations, and human factors in technology-related activities. Technology application activities must be monitored and evaluated to ensure stable operations in the face of potential operational risks.

The business continuity plan for departments within the bank must be regularly updated and improved, and must include at a minimum the following elements: (i) Loss of important documents and databases; (ii) IT system failures; (iii) Force majeure events (e.g., pandemics, wars, natural disasters, fires, explosions, etc.).

5.2. Business Continuity Plan

Annually, VIB develops, tests, and reviews its Business Continuity Plan (BCP) for the entire system to ensure uninterrupted business operations in the face of disruptions and compliance with Circular No. 13/2018/TT-NHNN.

By continuously updating the content of the BCP to align with the operational realities of departments and divisions, and integrating new technological support applications, VIB has been ensuring stable and seamless business operations across the organization.

5.3. Capital requirement for operational risk

The capital requirement for operational risk equals to 15% of the average over 3 quarters of business index (including the last quarter at the calculation date and the respective quarters of 2 years preceding the calculation year). The business index (BI) is determined as instructed in Appendix 3, Circular 41.

	30/06/2024	31/12/2023	Change
	billion VND	billion VND	%
Consolidated			
Capital requirement for operational risk	3,570	3,301	8%
Business Index (BI) - Lastest quater	26,491	25,216	5%
Business Index (BI) - Quarter last year	25,081	23,266	8%
Business Index (BI) - Quarter two years ago	19,830	17,530	13%
Single			
Capital requirement for operational risk	3,515	3,277	7%
Business Index (BI) - Lastest quater	25,169	24,968	1%
Business Index (BI) - Quarter last year	24,921	23,157	8%
Business Index (BI) - Quarter two years ago	20,203	17,419	16%

MARKET RISK

6 Market risk management policy

6.1. Market risk management policy

The market risk management policy is regularly revised and updated to meet regulatory and internal management requirements. In order to effectively implement market risk management, the CEO issues the market risk management regulation, limit management statement based on the advice of the Risk Council.

Market risk positions in VIB's trading book are re-evaluated daily at market prices to calculate the profit/loss and the exposure of market risk to provide early warning and report to take action, minimizing and preventing risks. Market data is collected from reliable sources and is regularly reviewed and evaluated to provide analysis and recommendations to the units. Market risk limits are prudentially monitored and Risk timely provides early warning to business units in order to mitigate financial losses from adverse market price movements.

VIB has applied Value-at-Risk (VaR), a statistical risk measure, to estimate the potential loss from market movements. This measure uses historical

simulation based on data for the previous 500 days. VIB also carries out the backtesting as Basel recommendations, comparing the actual profit/loss of the portfolio and the VaR value in the 1-year post-test period with the confidence interval of 99%.

To monitor VIB' vulnerability to unexpected but plausible extreme market risk-related events, we conduct multiple market risk stress tests regularly (Quarterly basis or in cases of adverse market movements). The VIB stress test method applied in accordance with Basel's recommendation is stress VaR, the scenario is based on 1-year historical market data at times of crisis, with additional adjustment of risk factors if necessary. Conducting a stress test helps VIB monitor and proactively take measures to avoid and minimize risks from significant market fluctuations.

VIB has applied the advanced model of internal models' approach (IMA) in daily market risk management activities, in order to improve the bank's risk management capacity and effectively support business decisions.

VIB is currently implementing a treasury system in collaboration with partners to optimize the transaction operations of the Treasury Division. The system supports centralized and automated management of risk limits down to the individual transaction level and the entire portfolio in a timely and accurate manner, minimizing operational risks from human error. Additionally, the system enhances flexible risk management and saves time through comprehensive and timely reporting to the appropriate levels.

Trading strategy

The Treasury Department develops and implements trading strategy based on the BOD's risk appetite and market movements in order to makes profit from the fluctuations in exchange rates, interest rates or prices in different markets and target segments. Implementing the trading strategy also plays a role in improving VIB's market share, reputation and cross-selling activities.

VIB tailors its trading strategy to meet SBV's regulations to mitigate risks effectively. As a result, VIB establishes versatile risk limits to adapt to the market volatility and its priority in different periods, while setting a more conservative internal limit than what SBV prescribes.

Trading book

The trading portfolio as at 30/06/2024 includes all FX portfolio of VIB such as FX spot, forward, and swap.

6.2. Capital requirement for market risk

The capital requirement for market risk includes capital requirements for interest rate risk and exchange rate risk. VIB does not participate in equity, commodity and options trading so as not to incur any capital requirements for such types of market risks.

The capital requirement for interest rate risk is determined based on the specific and generic capital requirements arising from interest rate fluctuations due to factors such as specific issuers and market interest rates, respectively. More details on the calculation are available in Appendix 4, Circular 41.

Regulatory capital for foreign exchange risk shall apply in the event that total value of net foreign exchange exposure (including gold) of banks and/or foreign bank branches is greater than 2% of the owners' equity thereof. As at 31/12/2023, the total value of net forein exchage exposure at VIB is about 4% of its owner's equity. Regulatory capital for foreign exchange risk shall be calculated under instructions given in the Appendix 4, Circular 41.

Capital requirement for market risk	30/06/2024 billion VND	31/12/2023 billion VND	Change billion VND
Total, in which:	122	139	(18)
Capital requirement for interest rate risk	122	6	116
Capital requirement for equity risk	-	-	-
Capital requirement for foreign exchange risk	-	134	-
Capital requirement for commodities risk	-	-	-
Capital requirement for options	-	-	-

GENERAL

7 About VIB and roadmap to manage bank's exposure due to international standards

7.1. About VIB

Vietnam International Commercial Joint Stock Bank, abbreviated as Vietnam International Bank (VIB), was founded on 18 September 1996; currently headquartered at No. 111A Pasteur, Ben Nghe Ward, District 1, HCMC.

As of Jun 30, 2024, after nearly 28 years of operation, VIB has become one of the leading joint stock commercial banks in Vietnam with shareholders' equity of more than VND 38.3 trillion. VIB currently has more than 12.000 staff serving customers in 189 business units including Head Office, branches and transaction offices in key provinces/cities across the country.

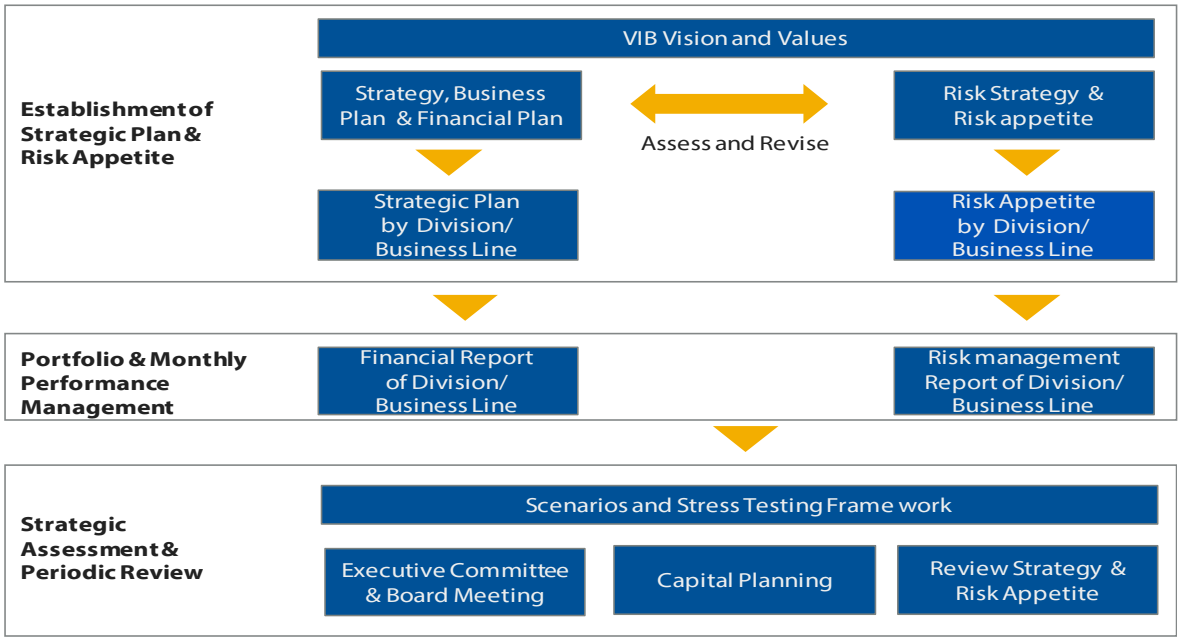
VIB has an effective operating structure and thoroughly applies risk management standards, focusing on governance to ensure safety and transparent coefficients. In recent years, VIB has continuously achieved many prestigious awards from international organizations. VIB is one of the private banks with a safe balance sheet with financial efficiency indicators among the best in the market. In addition, VIB is also one of the first banks to complete the 3 pillars of Basel II and will continue to pioneer in completing advanced Basel II standards, applying Basel III in risk management.

Based on a preeminent operating model, investment in digital transformation of all products and services, and effective risk management, VIB continues to maintain its position as one of the leading retail banks in Vietnam in terms of scale and quality. In which, VIB's retail lending portfolio accounts for nearly 90% of the total credit portfolio, twice the industry average.

7.2. Roadmap to manage bank's exposure due to international standards

Risk strategy and appetite

VIB issues a Risk Management Policy for 3 consecutive years, reviews periodically once a year or if necessary. Accordingly, BOD approves general risk management policy for all VIB, and CEO approves specific limits for Business Divisions on industries, products, customers... These limits will be strictly controlled by relevant departments.



VIB develops a Risk Management Policy for all material risks including credit risk, market risk, liquidity risk, operational risk, concentration risk, interest rate risk on bank books, Cultural risks and corporate governance, and compliance risk. In particular, the Policy focuses on giving principles of risk management and principles of applying measures to prevent and reduce risks. The risk management policy has an appetite for the target capital adequacy ratio, income targets, and management strategies for all material risks. Regarding credit risk, the most important risk of the bank, VIB prescribes strategies for all VIB and for each Business Division, detailing Target NPL Tollerance level, orientation of priority/restricted activities/sectors/credit products/customers or related groups/types of collateral.

Progress report on Basel II 3 pillars implementation

After the completion of Basel II all 3 pillars as of requirements of Circular 41/2016/TT-NHNN and Circular 13/2018/TT-NHNN in December 2019, VIB is increasingly improving risk management capacity to better fit with the bank's digitalization strategies.

VIB also prioritizes on regular reviewing and identifying the material risks. VIB identifies 7 material risks: credit risk, market risk, operational risk, concentration risk, interest rate risk on banking book, liquidity risk and compliance risk. The identification of material risks is based on the pre-defined financial criterias and the qualitative indicatiors to classify the impact of residual risks to VIB's business after accounting for the effectiveness of the risk management. The aim of this process is to enhance the internal policies and procedures and prevent the risks.

Based on the identification of material risks, the internal policies and procedures will be reviewed periodically or upon the business/ regulation's changes. VIB maintains consistently the internal regulations and the technology systems in order to ensure the compliance and optimize the operation.

After completion of 3 pillars of Basel II standardized approach, VIB has focused on the developement of the credit risk models - the risk accounts for 90% of the Bank's total risk weighted assets. VIB applied Application scorecard to support credit approval in loan origination process. The behavior scorecards are subsequently implementing, helps to improve the early risk identification, play as key decisive factor for upsell and crossell customers. VIB also develops the models to measure the credit risk expected loss according to Basel's Internal Rating Based approach for retail and corporate banking segments; then applies the model to credit approval, loan management, determination of the targeted customer segments and capital management.

In 2023, VIB was selected by the State Bank of Vietnam as one of the pilot banks to implement Basel II using the advanced method and Basel III using the basic method according to the State Bank's roadmap. In 2024, the State Bank of Vietnam issued a draft Circular guiding the implementation of Basel II/Basel III for the requirement to calculate the capital adequacy ratio for commercial banks and foreign bank branches, accordingly, VIB is expected to complete ahead of schedule as required by the State Bank of Vietnam.

To successfully implement the Basel advanced approach, VIB has deeply invested in technology systems. The systems supporting the whole credit life cycle are strictly and consistently designed in sense of digitalization, allowing the bank to gather and synchronize data. VIB invests in the Credit Solution System, which embeds the workflow process from the loan origination, credit rating, underwriting, credit approval, collateral management and limit management. The credit solution system will integrate with the Core banking system and the Debt collection system to gather the data in the credit life cycle and ensure data synchronization. Based on the data, VIB will analyze the risks and adjust the business strategies. The critical technology projects to support the sustainable business growth are continously created, speed up and go-live, to align with the transformation strategies.

Pillar	Item	SBV's requirement	VIB respone
Pillar 1	Time to completion	01.01.2020	01.01.2019
	Minimum CAR	8,0%	10,34%
	Revising and issuing related policy	Required	Completed
	Accurate and early CAR	Required	Completed
Pillar 2	Time to completion	01.01.2021	01.12.2019
	ICAAP	Required	Completed
Pillar 3	Time to completion	01.01.2020	01.01.2019
	Disclosing information in full and	Required	Completed

Chief Executive Officer

Han Ngoc Vu