



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

For the period ending 31/12/2024



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.



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OVERVIEW

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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, Circular 41/2016/TT-NHNN was amended and supplemented by Circular 22/2023/TT-NHNN, dated December 29, 2023 (hereinafter referred to as Circular 41).

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.

After issuing Circular 41/2016/TT-NHNN in 2016 and Circular 13 in 2018, the SBV continued to issue Circular 22/2023/TT-NHNN amending and supplementing a number of articles of Circular 41/2016/TT-NHNN to complete the legal framework for implementing Basel II according to the standard method with all 3 pillars. In 2024, the State Bank of Vietnam issued a draft circular regulating capital adequacy ratio, expected to be issued in the second quarter of 2025, effective from 2027.

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 31/12/2024, VIB directly owns one subsidiary company, VIB Asset Management Company (VIB AMC for short), and does not incur investments in any insurance subsidiaries.



CAPITAL ADEQUACY RATIO

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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.

	31/12/2024	30/06/2024
Capital adequacy ratio	billion VND, %	billion VND, %
Consolidated		
Available capital		
Tier-1 capital	47,749	41,980
Tier-2 capital	41,862	38,351
Deductions	5,907	3,649
Total risk-weighted assets	19	19
Credit risk weighted assets	398,936	355,561
Counterparty credit risk weighted assets	346,361	307,062
Capital requirement for market risk	3,425	2,353
Capital requirement for operational risk	213	122
Tier-1 CAR	3,719	3,570
CAR	10.49%	10.79%
Single	11.97%	11.81%
Available capital		



	31/12/2024	30/06/2024
Capital adequacy ratio	billion VND, %	billion VND, %
Tier-1 capital	47,608	41,871
Tier-2 capital	41,720	38,242
Deductions	5,907	3,649
Total risk-weighted assets	19	19
Credit risk weighted assets	399,088	355,583
Counterparty credit risk weighted assets	346,905	307,775
Capital requirement for market risk	3,425	2353
Capital requirement for operational risk	213	122
Tier-1 CAR	3,687	3,515
CAR	10.45%	10.75%

CAPITAL

3 Capital structure

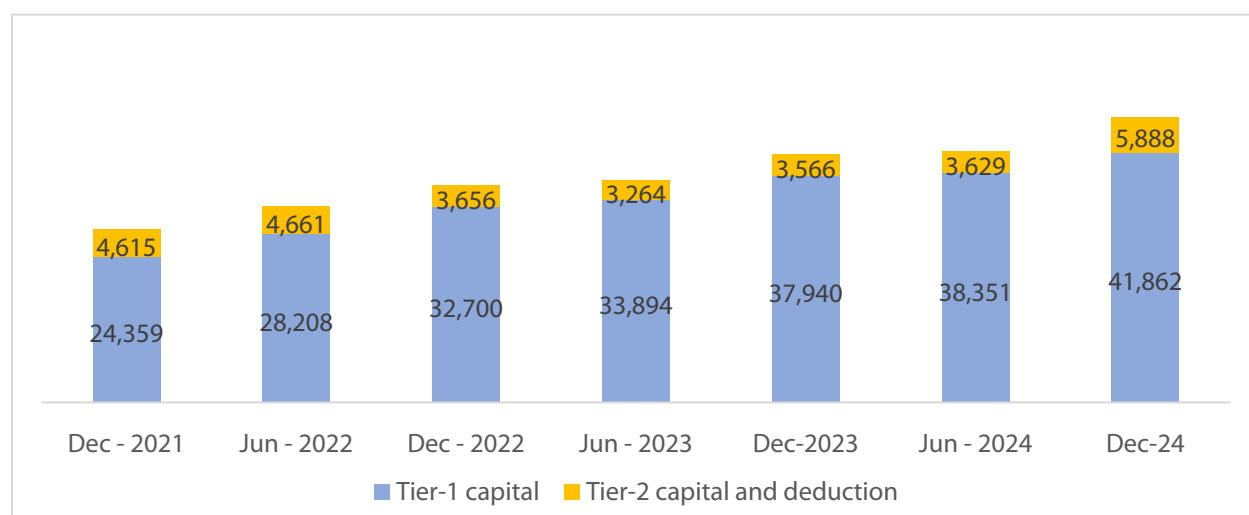
3.1. Capital structure

As of December 31, 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

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

For Retail Banking Business Network division, Retail Banking Credit Management Center (RB) and Card division: Credit approval authority limit is delegated to individual 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 SME Division (SME): The approval authority is assigned to individuals with appropriate limits based on specific evaluations and proposals from the Division and/or based on the credit approval authority scoring criteria issued periodically. This approval authority level will be regularly monitored, at least every 3 months. For approval authority with higher limits, VIB assigns the

approval authority to the SME Credit Committee (CC) level or above.

For Corporate Banking Division: VIB primarily assigns centralized approval limits to the Business Credit Committee (CC) level or above. For individual approval levels, VIB mainly assigns approval authority limits to a select number of individuals for certain specialized products, based on collateral that is 100% cash or securities issued by VIB.

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 control the quality of assets used as collateral at VIB, the Bank implements:

- Regulations on the conditions for accepting and types of assets that are not accepted as collateral at VIB; regulations on the maximum loan-to-value ratio (LTV) for each type of collateral.
- Restrictions on accepting collateral with low liquidity, limiting the acceptance of real estate collateral in areas with incomplete infrastructure, located away from existing residential areas, with low liquidity and low utility value.
- A focus on delegating the authority for asset valuation to VIB AMC, gradually reducing the proportion of collateral appraised by other valuation companies and business units. Specifically, for business units, the authority for



asset valuation is only delegated for low-risk assets, with low limits, and is assigned to specific individuals with appropriate limits based on the scoring criteria.

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 reviewing and completing credit risk models for the retail lending segment according to the Basel Advance Internal Rating Model in the spirit of closely following the requirements of Basel III and the draft of the State Bank. It is expected that VIB will complete all capital calculation models according to Basel III

AIRB in 2025, completing the goal of pioneering compliance with Basel III in accordance with the instructions of the State Bank. In addition, VIB also applies analysis techniques, model building and portfolio management reporting to risk analysis and periodic policy adjustments at VIB. VIB will select good customer segments with low risk to better serve the growing and expanding needs of the Banking Sector. The extensive application of models in VIB's credit activities is also part of the roadmap for implementing Basel according to the advanced method that has been agreed upon and announced by the bank since 2020 in accordance with the spirit and requirements for banks. The bank has implemented Basel III compliance with the advanced approach. VIB is still consistently and resolutely implementing this roadmap with the goal of applying international practices, especially risk management practices, to business operations.

4.2. Credit risk-weighted assets

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

	31/12/2024 billion VND	30/06/2024 billion VND	Change %
Consolidated			
Credit risk weighted assets	346,361	307,062	13%
Claims on governments	16	16	0%
Claims on financial institutions	64,913	66,075	-2%
Claims on enterprises	75,567	54,934	38%
Loans secured by real estate	11,878	14,063	-16%
Mortgage loans	7,068	9,608	-26%
Retail credit portfolio	135,715	125,723	8%
Bad debts	10,653	11,017	-3%



Other assets	40,552	25,627	58%
Single			
Credit risk weighted assets	346,905	307,775	13%
Claims on governments	16	16	0%
Claims on financial institutions	64,913	66,075	-2%
Claims on enterprises	75,567	54,934	38%
Loans secured by real estate	11,878	14,063	-16%
Mortgage loans	7,068	9,608	-26%
Retail credit portfolio	135,715	125,723	8%
Bad debts	10,653	11,017	-3%
Other assets	41,096	26,340	56%

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 31/12/2024, claims, risk weights corresponding to credit ratings and RWA by each selected credit rating agency as followed:

Claims	Credit rating	RW	31/12/2024	30/06/2024
			billion VND	billion VND

Claims on governments and central banks, PSE, municipal governments

AAA, AA+, AA, AA-	0%	-	-
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Claims	Credit rating	RW	31/12/2024 billion VND	30/06/2024 billion VND
	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%	37	22
	A+, A, A-	50%	43	52
	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%	-	-
	BBB+, BBB, BBB-	50%	-	-
	BB+, BB, BB-	80%	15,022	15,269
	B+, B, B-	100%	22,416	16,558
	Under B- or un-rated	150%	4,639	5,327
Claims on local credit institutions (original tenor of under 3 months)				
	AAA, AA+, AA, AA-	10%	-	-
	A+, A, A-	20%	130	120
	BBB+, BBB, BBB-	20%	100	-
	BB+, BB, BB-	40%	11,752	15,568
	B+, B, B-	50%	6,430	10,984
	Under B- or un-rated	70%	4,343	2,175

4.4. Credit risk-weighted assets by industry



	31/12/2024	30/06/2024	Change
Credit risk-weighted assets by Industry	billion VND	billion VND	%
Total, in which:	346,361	307,062	13%
Employment activities in households, production of material products and services for household self-consumption	198,945	176,669	13%
Real estate business	5,214	5,734	-9%
Administrative activities and support services	428	230	87%
Financial, banking and insurance activities	89,195	81,108	10%
Other service activities	86	207	-59%
Agriculture, forestry and fisheries	584	513	14%
Wholesale and retail; repair of cars, motorcycles, motorbikes and other motor vehicles	13,477	11,402	18%
Manufacturing and processing industry	20,381	16,822	21%
Construction	3,864	3,278	18%
Accommodation and food services	742	648	15%
Water supply; waste management and treatment activities.	100	98	2%
Activities of the Communist Party, socio-political organizations, state management, security and defense; compulsory social security	-	0.21	-100%
Art, play and entertainment	-	11	-100%
Professional, scientific and technological activities	2,212	487	354%
Production and distribution of electricity, gas, hot water, steam and air conditioning	4,299	4,544	-5%
Health and social assistance activities	38	-	100%
Mining industry	2,095	1,151	82%
Warehousing transportation	3,060	2,605	17%
Education and training	1,022	1,037	-1%



	31/12/2024	30/06/2024	Change
Credit risk-weighted assets by Industry	billion VND	billion VND	%
Information and communication	622	517	20%

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.

	31/12/2024		30/06/2024	
	RWA	RWA	RWA	RWA
	Pre - CRM	Post - CRM	Pre - CRM	Post - CRM
Credit risk-weighted assets by CRM	billion VND	billion VND	billion VND	billion VND
Total, in which:	356,121	346,361	315,182	307,062
By collateral mitigation	11,026	3,821	8,440	1573
By On-balance sheet netting	3,628	693	1,882	495
By Third-party guarantee	-	-	-	-
By credit derivatives	-	-	-	-
Ineligible for credit risk mitigation	341,467	341,847	304,860	304,994

4.6. Counterparty credit risk-weighted assets

	31/12/2024	30/06/2024	Change
Counterparty risk-weighted assets	billion VND	billion VND	billion VND
Total, in which:	3,425	2,353	1,072
Propriety trading transactions	1,421	998	423
Repo and reverse repo transactions	105	32	73
Derivatives transactions for risk hedging	1,858	1,319	539
Derivatives and other financial instruments for serving customer	40	4	36



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.

	31/12/2024	30/06/2024	Change
	billion VND	billion VND	%
Consolidated			
Capital requirement for operational risk	3,719	3,570	4%
Business Index (BI) - Lastest quater	23,880	26,491	-10%
Business Index (BI) - Quarter last year	27,225	25,081	9%
Business Index (BI) - Quarter two years ago	23,266	19,830	17%
Single			
Capital requirement for operational risk	3,687	3,515	5%
Business Index (BI) - Lastest quater	23,611	25,169	-6%
Business Index (BI) - Quarter last year	26,977	24,921	8%
Business Index (BI) - Quarter two years ago	23,157	20,203	15%

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 recommends, 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's 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 make 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 31/12/2024 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 31/12/2024, the total value of net foreign exchange 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.



	31/12/2024	30/06/2024	Change
	billion VND	billion VND	billion VND
Capital requirement for market risk			
Total, in which:	213	122	92
Capital requirement for interest rate risk	213	122	92
Capital requirement for equity risk	-	-	-
Capital requirement for foreign exchange risk	-	-	-
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 December 31, 2024, after 28 years of operation, VIB has become one of the leading joint stock commercial banks in Vietnam with shareholders' equity of more than VND 41,8 trillion. VIB currently has 11.824 staffs 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 80% of the total credit portfolio.

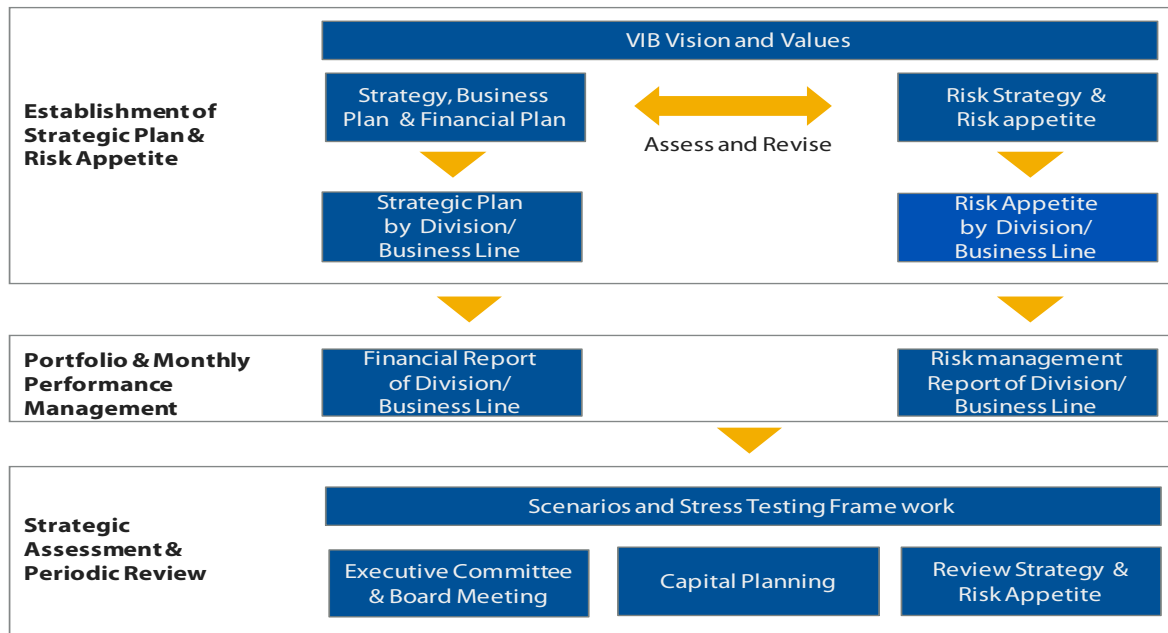
7.2. Roadmap to manage bank's exposure due to international standards

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 Tolerance 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 indicators 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 crosssell 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 response
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