



VIETNAM – RUSSIA JOINT
VENTURE BANK

SOCIALIST REPUBLIC OF VIETNAM
Independence - Freedom - Happiness

No. 01111 /2020/QLRR

Hanoi, date 10.09.2020

REPORT ON CAR DISCLOSURE AS OF 30/06/2020
(Pursuant to Circular 41/2016/TT-NHNN dated 30/12/2016)

I. Name of organization: VIETNAM – RUSSIA JOINT VENTURE BANK
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Telephone: (84-4) 942 6666
Company Registration: 0102100878

II. Type of information disclosure

This is the disclosure of information in accordance with Article 20 - Circular 41/2016/TT-NHNN dated June 30, 2016 of the Governor of the State Bank of Vietnam regulating capital safety adequacy for banks and foreign banks' branches.

III. Content of information disclosure

1. Scope of capital adequacy ratio calculation

Information disclosure is about the Capital adequacy ratio of Vietnam Russia Joint Venture Bank (hereinafter referred to as "VRB") as of the date of 30th June, 2020. The published items are compiled in accordance with Circular 41/2016/TT-NHNN dated 30/12/2016 regulating the capital adequacy ratio for banks, foreign banks' branches and internal regulations of VRB on CAR disclosure.

This is a separate report on capital adequacy ratio, VRB currently has not had any public or private subsidiary or affiliate.

2. Capital structure

a, Brief description of terms and conditions of equity instruments

VRB is a joint venture bank between Bank for Investment and Development of Vietnam (BIDV) and VTB Bank with equal charter capital contribution. VRB has not generated any other equity instruments in compliance with the requirements of Circular 41/2016/TT-NHNN.

b, Table of capital structure and deductions when calculating capital

Table 1 – Capital structure

Unit: million VND

STT	Information on capital	30/06/2020
1	Tier 1 Capital	3.170.269
2	Tier 2 Capital	58.897
3	Items deducted when calculating capital	58.897
	TOTAL CAPITAL = (1) + (2) – (3)	3.170.269

3. Capital adequacy ratio

a, Process of CAR calculation and capital plan to ensure CAR maintenance

VRB has established a procedure and a program for calculating and managing capital adequacy ratio, in compliance with Circular 41/2016/TT-NHNN, with the main steps including: collecting, checking and reporting input data; calculating capital adequacy ratio, checking and fixing calculation results, reporting capital adequacy ratio; at the same time, the procedure also clearly separates the responsibilities of the units involved in the calculation and management of capital adequacy ratio, ensuring proactive management of capital adequacy ratio, in compliance with SBV regulations and being suitable with VRB's target. The capital adequacy ratio program is specifically designed to automate most calculation steps, with checkpoints to ensure accuracy, speed, convenience, and objectivity in calculation process, and to minimize operating errors.

VRB has developed capital plans in accordance with the business strategy in each period to ensure compliance with the capital adequacy ratio prescribed by the State Bank and in accordance with the risk appetite of VRB.

b, Capital adequacy ratio

Table 2 – Capital adequacy ratio

Unit: million VND

	Indicator	30/06/2020
A	Total risk-weighted assets (RWA)	
A1	Credit risk	12.548.901,6
A2	Counterparty credit risk	2.602,7
A3	Market risk	447.607,2
A4	Operational risk	1.004.608,7
	Total risk-weighted assets (RWA)	14.003.720,3
B	Capital and deductions	

B1	Total deductions from capital	58.897
B2	Tier 1 Capital (after deductions)	3.170.269
B3	Total capital (after deductions)	3.170.269
C	Minimum capital requirements and capital ratios	
C1	Minimum capital requirements: $C1 = (A1+A2+A3+A4)*8\%$	1.120.297,6
C2	Capital ratios	
(1)	Ratio of Tier 1 Capital: $(1) = [B2 / [A1+A2+A3+A4]]*100\%$	22,64%
(2)	Capital adequacy ratio: $(2) = [B3 / A1+A2+A3+A4]]*100\%$	22,64%

4. Credit risk

a, Qualitative content

- **Credit risk management policy**

On 12/04/2019, the BOM issued the policy Credit Risk Management Strategy No.0039/2019/QD-HDTV on credit risk management with the following main contents:

- Tasks and subjects of the policy Credit Risk Management for the period 2018 – 2020.
- Scope of application
- Main types of credit risks
- Credit risk management system and credit risk mitigation measures include:
 - ✓ Credit processes
 - ✓ Authority decentralization system in credit risk management
 - ✓ Debt classification and risk provisions
 - ✓ Credit risk reporting system
 - ✓ Problem debt management and bad debt management
 - ✓ Collateral
 - ✓ Credit derivatives
 - ✓ Insurance

- Define the role of The Compliance Control Department and The Independent Audit Department in credit risk management.
- Requirements for customer risks.
- Recommendations on developing credit portfolio.
- Loan pricing policy in the credit portfolio.

- **List of independent credit rating agencies used when calculating CAR**

VRB uses the independent credit rating results of 03 major credit rating agencies in the world, Moody's, Fitch and S&P based on some main principles as follows:

- Only use the agreed credit rating results which are valid and most recently updated to the time of the reporting period;
- Use the most conservative rating results of credit institutions which have more than 01 independent credit rating result;

Other principles comply with Article 5 of Circular 41/2016/TT-NHNN.

- **List of collaterals, guarantees of third parties, nettings, credit derivative products, to be assessed as credit risk mitigation**

Table 3 - List of collaterals, guarantees of third parties, nettings, credit derivative products, to be assessed as credit risk mitigation

Unit: million VND

	List of items eligible for risk mitigation	Value as at 30/06/2020
1	Financial collaterals	974.491,4
2	Third-party guarantee	0
3	On-balance sheet Netting	737.285,8
4	Credit derivatives	0

b, Quantitative content

Table 4 - Values of total exposure, risk weights, and value of RWA corresponding to each credit rating level of each selected independent credit rating agency:

Unit: million VND

Item	External credit rating		Risk weight (%)	Exposure	Credit Risk-Weighted Assets
Foreign Sovereign & Central Banks	AAA to AA-		0%	0	0
	A+ to BBB-		20%	0	0
	BB+ to BB-		50%	0	0
	B+ to B-		100%	0	0
	Below B-		150%	0	0
Foreign Non-central Government Public Sector Entities	AAA to AA-		0%	0	0
	A+ to BBB-		20%	0	0
	BB+ to BB-		50%	0	0
	B+ to B-		100%	0	0
	Below B-		150%	0	0
Overseas Financial Institutions and Foreign Bank Branches operating in Vietnam	AAA to AA-		20%	0	0
	A+ to BBB-		50%	2.052.920,9	1.026.460,4
	BB+ to BB-		100%	0	0
	B+ to B-		100%	0	0
	Below B-		150%	149.966,8	224.950,2
Domestic Credit Institutions	Remaining Maturity of equal or longer than 3 months	AAA to AA-	20%	0	0
		A+ to BBB-	50%	0	0
		BB+ to BB-	80%	641.381,8	513.105,4
		B+ to B-	100%	116.590,8	116.590,8
		Below B-	150%	0	0
	Remaining Maturity of less	AAA to AA-	10%	0	0
		A+ to BBB-	20%	0	0
		BB+ to BB-	40%	155.394,2	62.157,7

	than 3 months	B+ to B-	50%	1.682.977,3	841.488,7
		Below B-	70%	116.044,6	81.231,2
Total				4.915.276,3	2.865.984,4

Table 5 - Credit-risk-weighted assets which divided by subjects with risk weight as prescribed in Article 9 Circular 41/2016/TT-NHNN dated 31/12/2016:

Unit: million VND

No.	Credit-risk-weighted assets	Value
1	Claims from Vietnam Government	0
2	Claims from FIs	2.865.984,4
3	Claims from corporates	6.732.071,2
4	Loan secured by real estate	308.355,4
5	Mortgage loan	1.069.628,0
6	Retail claims	755.506,5
7	Non-performing loans	273.299,2
8	Other assets	544.057,0

Table 6 - Counterparty-credit-risk-weighted assets

Unit: million VND

No.	Counterparty-credit-risk-weighted assets	Value
1	Proprietary trading transactions	0
2	Repo and reverse repo transactions	0
3	Derivative product transactions aimed at hedging risks	0
4	Foreign exchange or financial asset trading transactions aimed at serving the demands of customers, counterparties specified in point d clause 32 Article 2 Circular 41	2.602,7

Table 7 - Credit-risk-weighted assets classified by industries for claims of corporate customers

Unit: million VND

No.	Credit-risk-weighted assets	Value
1	Manufacturing and Processing	2.544.248,3
2	Construction and real estate	2.132.532,2
3	Electric power	693.660,6
4	Transportation, warehousing & logistic	911.203,6
5	Mining	131.269,4
7	Wholesale & Retail trade	416.059,5
8	Agriculture, forestry and aquaculture	109.108,1
9	Financial services	30.076,3
10	HORECA and tourism	7.860,5
11	Others economic sectors	130.275,6

Table 8 - Credit-risk-weighted assets (including on-balance sheet and off-balance sheet) subject to credit risk mitigation (value before and after mitigation) according to credit risk mitigation measures prescribed in Article 11 Circular 41

Unit: million VND

Item	Amount
Total On-balance sheet Credit Risk-Weighted Assets before CRM	13.596.129,1
Total Off-balance sheet Credit Risk-Weighted Assets before CRM	664.549,7
Credit Risk Mitigation	1.711.777,2
Total Credit Risk-Weighted Assets after CRM	12.548.901,6

Credit Risk Mitigation breakdown

Unit: million VND

Item	Amount
Financial collaterals	974.491,4
On-balance sheet Netting	737.285,8
Third-party guarantee	0
Credit derivatives	0
Total	1.711.777,2

5. Operational risk

a, Qualitative content

(i) Summary of operational risk management policy

On 29/12/2018, the BOM of VRB issued the policy No. 190/2018/QD-HDTV on operational risk management (ORM), the main contents of Policy are as following:

- + Purposes of ORM policy are specifying the objectives, principles, basis, and methods for the operational risk identification, measurement, management, supervision and mitigation.

- + 11 principles of ORM

- + The organizational structure of ORM under the three lines of defense

- + The responsibilities of units and employees: from BOM to each unit, employees.

- + The ORM procedure: risk identification, risk assessment, measurement, risk prevention, mitigation, risk monitoring and reporting.

- + The tools of ORM: RCSA, KRIs, wrong/ errors report, loss event report, matrix, control self- assessment.

- + Regulation on ORM for new products/ operations in new markets, outsourcing and technology application.

- + BCP, insurance, training, disclosing information.

- + Limits for operational risk: the financial loss limits and non- financial loss limits.

(ii) Summary of Regulations on the business continuity plan at VRB

- On 11/09/2014, General Director of VRB issued the Regulation No. 0785/2014/QD-QLRR on the business continuity plan at VRB, the main contents are as following:

- + The purpose and general principles in BCP: to ensure VRB's business activities safe, effective, smooth and consecutive.

- + Steering Committee in handling and recovering disaster included: General Director, Deputy General Directors, Directors of Departments/ Centre at HO and Branches.

- + Developing and implementing the BCP: to execute as the plan; train staffs on BCP and disaster recovery; develop the backup office system; adjust BCP to overcome the weakness, unreasonableness, inappropriateness discovered during rehearsal.

- + Regulated the priority activities shall be maintained the business continuity, such as: vault, deposit, payment, trade finance, treasury, credit.

- + The contents of BCP, such as: requirements of safe conditions, requirements of H.R, facilities, information technology and working environment, requirements of backup office.

- + Regulated the building solutions and plans for handling and recovering consequence of fire/ explosion, handling consequence of calamity, epidemic diseases, liquidity shortage

- + Regulated the information announcement in case of disaster occurrence.

- On 19/12/2018, General Director of VRB issued Decision 01441/2018/QD-QLRR on amending, supplementing the regulation on BCP at VRB, the main contents are as following:

- + Supplement the breakdown of IT system (including loss of important database) and loss of important documents in the disaster classification.

- + Supplement the measures for minimizing loss because of disruption

- + Regulated the building solutions and plan for preventing, handling and recovering consequence of losing the important documents.

b, Quantitative content

Table 9 – Required capital for operational risk

Unit: million VND

No.	Required capital for operational risk	Average of the last 3 years
1	IC index	1.322.078,6
2	SC index	202.331,4
3	FC index	82.964,0
	BI (Business Index) = IC + SC + FC	1.607.374,0
	Total required capital for operational risk = (BI*15%/3)	80.368,7

6. Regulatory capital for market risk

a, Qualitative content

(i) Market risk management policy

VRB has developed its policy on market risk management, in line with VRB's business strategy and risk appetite, in full compliance with the SBV's regulations on market risk management. In more details:

- VRB has established a risk management framework including 03 lines of defense, separating business units, risk management unit, and internal audit unit, in accordance with Article 5 of Circular 13/2018/TT-NHNN, and ensuring it consistent with VRB's operations. Specifically, the roles and responsibilities of all levels in market risk management are clearly defined to ensure the supervisory role of senior management (Board of Members, Board of

Control, General Director) toward all aspects of market risk management; with the advice and active assistance of the Risk Management Committee (supporting the Board of Members), the Risk Council (supporting the General Director); Deputy General Directors and other related functional units such as Internal Audit Division, Risk Management Department, Compliance Control Division, Legal Division, Treasury Department, and other related units.

- VRB has fully issued a system of strategy, policy, regulations for market risk management as required by Circular 13/2018/TT-NHNN, including key contents such as market risk management principles, market risk appetite and limit control system; the procedure of market risk management from risk identification, measurement, monitoring, supervision and control; early warning tools; measures to prevent and mitigate risks arising from market factors.

- The system of market risk management tools of VRB includes: risk positions, actual and expected profit/loss, Value at risk (VaR), Back test, Stress test, Required capital for market risk. The determination of the required capital for market risks is in accordance with the Circular 41/2016/TT-NHNN dated 30/12/2016 of the SBV. As of June 30th, 2020, VRB has no required capital for equity risk, commodity risk, and option risk, as VRB has not included the above activities.

- The market risk limit control system which is decentralized suitably, includes limits of interest rate risk, foreign currency risk (position limit, cut-loss limit, VaR), limits for traders.

- The system of market risk management reports has implemented periodically and unexpectedly, meeting the requirements of SBV and the internal management requirements of VRB.

(ii) Proprietary trading policy

Proprietary transactions includes transactions of buying, selling, exchanging in accordance with laws, within one year term, in order to get profit from price difference of financial instruments.

Objectives of proprietary trading: To utilize VRB's resources to perform proprietary trading of foreign currencies and bonds, to optimize business opportunities within the risk appetite and limits approved by the competent authority.

Financial instruments in proprietary transactions includes: bonds, foreign currency swaps, foreign currency forward.

Risk management for proprietary trading: VRB to develop annual business strategies, and then base on those strategies to propose and approve limits to control market risks, also to authorize to suitable management levels to manage the limits, ensuring the suitability with the market conditions. The limits are revised annually by the units who directly conducts proprietary transactions and independent risk management units. VRB applies early warning

signals and risk prevention measures which are suitable to the nature and characteristics of each transaction/product.

(iii) List of assets in trading book

The trading portfolios bearing interest rate risk includes: (i) trading bonds, (ii) trading foreign currencies, (iii) currency swap to serve customers at VRB.

The trading portfolio bearing currency risk includes: Open currency positions which are resulted from foreign currency spot transactions, foreign currency forward transactions.

VRB has not traded stocks and options.

b, Quantitative content

Table 10 – Required capital for market risk

Unit: million VND

No.	Required capital for market risk	Value
1	Required capital for interest rate risk	2.498,4
2	Required capital for equity risk	0,0
3	Required capital for currency risk	33.310,2
4	Required capital for commodity risk	0,0
5	Required capital for options	0,0

**REPRESENTATIVE OF INFORMATION
DISCLOSURE
GENERAL DIRECTOR**



Đoàn Minh Tiên