



No. 01005 /2021/QLRR

Hanoi, dated..02nd. August, 2021

REPORT ON CAR DISCLOSURE AS OF 30/06/2021
(Pursuant to Circular 41/2016/TT-NHNN dated 30/12/2016)

I. Name of organization: VIETNAM – RUSSIA JOINT VENTURE BANK
Address: No. 1, Yet Kieu Street, Hoan Kiem District, Hanoi,
Vietnam
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, 2021. 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 | 30/06/2021 |
|-----|---|------------------|
| 1 | Tier 1 Capital | 3.261.259 |
| 2 | Tier 2 Capital | 60.319 |
| 3 | Items deducted when calculating capital | 60.319 |
| | TOTAL CAPITAL = (1) + (2) – (3) | 3.261.259 |

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 | 30/06/2021 |
|----|---|-------------------|
| A | Total risk-weighted assets (RWA) | |
| A1 | Credit risk | 12.584.183 |
| A2 | Counterparty credit risk | 4.593 |
| A3 | Market risk | 521.399 |
| A4 | Operational risk | 1.151.794 |
| | Total risk-weighted assets (RWA) | 14.261.969 |

| | | |
|----------|---|-----------|
| B | Capital and deductions | |
| B1 | Total deductions from capital | 60.319 |
| B2 | Tier 1 Capital (after deductions) | 3.261.259 |
| B3 | Total capital (after deductions) | 3.261.259 |
| C | Minimum capital requirements and capital ratios | |
| C1 | Minimum capital requirements: C1 = (A1+A2+A3+A4)*8% | 1.140.957 |
| C2 | Capital ratios | |
| (1) | Ratio of Tier 1 Capital: (1) = [B2 / [A1+A2+A3+A4]]*100% | 22,87% |
| (2) | Capital adequacy ratio: (2) = [B3 / A1+A2+A3+A4]]*100% | 22,87% |

4. Credit risk

a) Qualitative content

• Credit risk management policy

On 08/02/2021, the BOM issued the policy Credit Risk Management Policy No. 028/2019/QD-HDTV on credit risk management with the following main contents:

- Tasks and subjects of the Credit Risk Management Policy.
- Scope of application
- Main types of credit risks
- Credit risk management system and credit risk mitigation measures include:
 - ✓ Credit processes
 - ✓ System of power authorization in credit risk management
 - ✓ Internal credit rating system
 - ✓ Credit risk limit system and credit concentration risk management
 - ✓ Debt classification and risk provisions
 - ✓ Credit risk reporting system
 - ✓ Doubtful and non-performing debts management
 - ✓ Collateral

✓ Derivatives

✓ Insurance

- Defining the role of The Compliance Control Department and The Internal Audit Department in credit risk management.
 - Target customer risk profile.
 - Recommendations on Credit portfolio development.
 - Pricing policy in credit activities.
- **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 30/06/2021 |
|---|---|-------------------------------|
| 1 | Financial collaterals | 2.589.433 |
| 2 | Third-party guarantee | 0 |
| 3 | On-balance sheet Netting | 425.493 |
| 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% | 2.005.731 | 1.002.866 | |
| | BB+ to BB- | 100% | 0 | 0 | |
| | B+ to B- | 100% | 0 | 0 | |
| | Below B- | 150% | 150.167 | 225.250 | |
| 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% | 308.266 | 246.613 |
| | | B+ to B- | 100% | 150.235 | 150.235 |
| | | Below B- | 150% | 0 | 0 |

| | | | | |
|---|---------------|-----|-----------|---------|
| Remaining Maturity of less than 3 months | AAA to AA- | 10% | 0 | 0 |
| | A+ to BBB- | 20% | 0 | 0 |
| | BB+ to BB- | 40% | 409.596 | 163.838 |
| | B+ to B- | 50% | 1.162.361 | 581.181 |
| | Below B- | 70% | 17 | 12 |

- **Table 5: Credit-risk-weighted assets which divided by subjects with risk weight as prescribed in Article 9 Circular 41/2016/TT-NHNN dated 31/12/2019:**

Unit: million VND

| No. | Credit-risk-weighted assets | Value |
|-----|--------------------------------|-----------|
| 1 | Claims from Vietnam Government | 0 |
| 2 | Claims from FIs | 2.369.995 |
| 3 | Claims from corporates | 6.879.726 |
| 4 | Loan secured by real estate | 188.120 |
| 5 | Mortgage loan | 1.079.553 |
| 6 | Retail claims | 1.117.425 |
| 7 | Non-performing loans | 359.210 |
| 8 | Other assets | 590.154 |

- **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 | 4.593 |
|---|---|-------|

- **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 | 2.673.092 |
| 2 | Construction and real estate | 1.598.762 |
| 3 | Electric power | 635.701 |
| 4 | Transportation, warehousing & logistic | 709.612 |
| 5 | Mining | 92.238 |
| 7 | Wholesale & Retail trade | 838.504 |
| 8 | Agriculture, forestry and aquaculture | 28.593 |
| 9 | Financial services | 530.520 |
| 10 | HORECA and tourism | 84.147 |
| 11 | Others economic sectors | 123.910 |

- **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 | 14.702.601 |
| Total Off-balance sheet Credit Risk-Weighted Assets before CRM | 743.385 |
| Credit Risk Mitigation | 2.861.803 |
| Total Credit Risk-Weighted Assets after CRM | 12.584.183 |

Credit Risk Mitigation breakdown

Unit: million VND

| Item | Amount |
|--------------------------|------------------|
| Financial collaterals | 2.441.725 |
| On-balance sheet Netting | 420.078 |
| Third-party guarantee | 0 |
| Credit derivatives | 0 |
| Total | 2.861.803 |

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/QĐ-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.

- + 15 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 23/03/2021, General Director of VRB issued the Regulation No.00265/2021/QĐ-QLRR on the business continuity plan at VRB to replace Regulation No. 0785/2014/QĐ-QLRR on the business continuity plan at VRB and its amendment, supplement. The main contents are as following:

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

+ To identify rights and responsibilities of the relative units and individuals in the process of business continuity plan and overcome consequence of loss events.

+ General principles in the business continuity plan

+ 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.

+ 03 levels of responding and handling loss event (light level, medium and high level)

+ The main contents of management maintain continuous operation includes 02 contents: (i) The phase of building and rehearsal of the continuous operation plan is formulated and reviewed annually; and (ii) The responding and handling phase is implemented when a loss event occurs

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

+ Building business continuity plan on loss events of information technology system and loss of important documents, database under information technology system

+ Building solutions and plans for handling and recovering consequence of fire/explosion

+ Building solutions and plan for preventing, handling and recovering consequence of calamity

+ Building plan for handling and recovering liquidity shortage

+ Building solutions and plan for preventing, handling and recovering consequence of losing the important documents

+ Building solutions and plan for preventing, handling and recovering consequence of liquidity shortage

+ The phase of response and handling loss events occurred

+ Reporting system.

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b, Quantitative content

Table 9 – Required capital for operational risk

Unit: million VND

| No. | Required capital for operational risk | Value of the last 3 years |
|-----|---|---------------------------|
| 1 | IC index | 1.472.113 |
| 2 | SC index | 293.995 |
| 3 | FC index | 76.762 |
| | BI (Business Index) = IC + SC + FC | 1.842.870 |
| | Total required capital for operational risk = (BI*15%/3) | 92.144 |

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 trading includes trading transactions, exchanges in accordance with the law an the goal of buying, selling, exchanging within a period of less than one year to benefit from the market price difference for VRB with the financial instruments.

The goal of proprietary trading: Using VRB's resources effectively to perform proprietary trading with foreign exchange and bond dealing, optimize business opportunities within the risk appetite approved by the competent authority.

Financial instruments for proprietary trading include: bonds, swaps and foreign currency futures trading.

Risk management for proprietary trading: develop an annual business strategy, thereby proposing and approving limits, controlling market risks and decentralizing respective limits down to levels to ensure the suitability of market conditions. The limits are assessed annually by proprietary trading units and independent control departments. VRB applies early warning and risk prevention measures suitable to the nature and characteristics of each transaction/product.

(iii) List of assets in trading book

The portfolio containing interest rate risk on trading books includes: (i) trading bonds, (ii) trading foreign exchange, (iii) currency exchange to serve customers at BIDV.

The portfolio containing exchange rate risk on business books includes: Foreign exchange position due to spot foreign currency trading, commitment to be long and short position in foreign exchange forward contracts.

VRB does not trade in stocks and options.

b, Quantitative content

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Table 10 – Required capital for market risk

Unit: million VND

| No. | Required capital for market risk | Value |
|-----|---|--------|
| 1 | Required capital for interest rate risk | 15.944 |
| 2 | Required capital for equity risk | 0 |
| 3 | Required capital for currency risk | 25.768 |
| 4 | Required capital for commodity risk | 0 |
| 5 | Required capital for options | 0 |

**ON BEHALF OF REPRESENTATIVE OF
INFORMATION DISCLOSURE
THE FIRST DEPUTY GENERAL DIRECTOR**



Leonid Trifonov