The Shanghai Commercial & Savings Bank, Ltd. – Dong Nai Branch

INFORMATION DISCLOSURE

Capital Adequacy Ratio and Risk Management Related Information

Jun-2021

(Issued in conjunction with Circular No. 41/2016/TT-NHNN dated 30/12/2016 of the Governor of the State Bank on prudential ratios applicable to credit institutions, foreign bank branches)

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1. SCOPE OF CALCULATING CAPITAL ADEQUACY RATIO

a) Qualitative contents

The Shanghai Commercial & Savings Bank, Ltd – Dong Nai branch (the Branch) implement the information disclosure periodically every 06 months according to Circular 41/2016/TT-NHNN of the Governor of State Bank of Vietnam dated 30/12/2016 providing for the capital adequacy ratio for activities of banks, foreign bank branches.

The Branch is a foreign bank branch and does not calculate the consolidated capital adequacy ratio but only calculate the capital adequacy ratio of the Branch based on the financial statement of the Branch.

The information disclosure content about the capital adequacy ratio until 30/Jun/2021 of the Branch is according to the instruction of Circular 41/2016/TT-NHNN at Appendix 05 – Information disclosure contents including:

(1) Scope of calculating capital adequacy ratio;

(2) Structure of equity;

(3) Capital adequacy ratio;

- Qualitative contents: information on the calculation of capital adequacy ratio and the capital plan for maintaining the capital adequacy ratio;
- Quantitative contents: details of calculation tables of capital adequacy ratio;

(4) Risk management structures of credit risk, operational risk and market risk.

b) Quantitative contents

The Branch must maintain the minimum capital adequacy ratio (CAR) of 8% as defined in financial statements of the Branch, determined according to the following formula:

$$CAR = \frac{C}{RWA + 12.5(K_{OR} + K_{MR})} \times 100\%$$

Where:

- **C:** Owners' capital;
- **RWA:** Risk-weighted asset;
- **K_{OR}:** Regulatory capital for operational risk;
- **K_{MR}:** Regulatory capital for market risk.

2. STRUCTURE OF EQUITY

a) Qualitative contents

The Branch's owner equity includes Tier 1 capital and Tier 2 capital minus deductibles stipulated in Appendix 01 of Circular 41/2016/TT-NHNN:

- Tier 1 capital: Basic owner equity represents for the equity ability of the Branch including allocated capital, reserve fund for charter capital supplement and undistributed profit. On 30/Jun/2021, the Branch did not have deductibles from Tier 1 capital.

- Tier 2 capital: supplementary equity includes financial reserve fund and 80% of general provision in accordance with regulations of the State Bank on classification of assets, level and method of making risk provision and use of risk provision applicable to the foreign bank branches. On 30/Jun/2021, the Branch didnot have deductibles from Tier 2 capital.

b) Quantitative contents

The structure of the Branch's equity on 30/Jun/2021 is shown in the following table:

Table 1: Structure of equity

Jun-30-2021

Unit: million VND

Analysis Items	Value
Tier 1 capital	
Component of Tier 1 capital	**1,519,553**
Allocated capital	1,381,804
Reserve fund for charter capital supplement	7,699
Undistributed profit	130,050
Items to be deducted from Tier 1 capital	**0**
Tier 2 capital	
Tier 2 capital	**24,758**
Financial reserve fund	15,397

80% of general provision in accordance with regulations of the State Bank on classification of assets, level and method of making risk provision and use of risk provision applicable to the foreign bank branches	9,361
Items to be deducted from Tier 2 capital	**0**
Additional Deductibles	**0**
Eligible Capital	**1,544,311**
Tier 1 capital (net of deductibles)	1,519,553
Tier 2 capital (net of deductibles)	24,758
Total Eligible Capital	**1,544,311**

3. CAPITAL ADEQUACY RATIO

a) Qualitative contents

Information about the process of calculation of capital adequacy ratio and the capital plan for maintaining the capital adequacy ratio in accordance with Circular 41/2016/TT-NHNN are regulated at *"The Capital Adequacy Management Guidelines"* of the Branch, which addresses: the roles, responsibilities and coordination structures of each unit, departments in capital adequacy management, owner equity and risk weighted assets; calculation steps, control and reports of capital adequacy management.

Accordingly, the calculation of the capital adequacy ratio includes the following steps:

- Collect and combine input data for calculation purpose
- Calculate the capital adequacy ratio based on the regulated method
- Check the results, report and file

In order to avoid non-compliance with the minimum capital adaquacy ratio requirements at Circular 41/2016/TT-NHNN, Head Office (the Bank) has set an internal ratio for the Branch. Accordingly, if the capital adequacy ratio of the Branch is lower than the internal ratio, the Risk Management Department of Head Office shall report to Assets and Liabilities Management Committee of Head Office for discussion and report to President to get suitable strategies to the risk appetites of the Bank and report Risk Management Committee simultaneously. In case allocated capital of the Branch is insufficient or there is a requirement for capital increase, the Branch shall report Assets and Liabilities Management Committee of Head Office to discuss the resolution and process the capital increase disbursement after the Board of Management approve.

Description of capital adequacy management

Items	Contents
A summary discussion of the Branch's approach to assessing the adequacy of its capital to support current and future activities.	1. Manage and mornitor according to the *"Capital Adequacy Management Guidelines"* of the Branch 2. Standardize specific business, such as business type, commitment amount, rating, ect. Before proceeding, the Risk Management Department of Head Office and of the Branch should be informed of the capital adequacy assessment. 3. Under the premise of assessing capital adequacy, set the business objectives of the medium and long-term strategic planning. The capital adequacy assessment process and stress testing are performed annually. 4. The forecast of capital adequacy and the use of capital analysis by various business units are reported to the Assets and Liabilities Management Committee. 5. According to the *"Market Risk Management Policy"* of the Bank, market risk-weighted assets are capped at no more than 15% of the Bank's weighted risk assets and are reported to Assets and Liabilities Management Committee for periodic review. 6. The calculation of minimum capital adequacy ratio of the Branch is reported to the Risk Management Department and Channel Management Department of Head Office on a monthly basis.

b) Quantitative contents

The capital adequacy ratio of the Branch on 30/Jun/2021 is shown in the following table:

Table 2: Capital adequacy ratio

Jun-30-2021

Unit: million VND, %

Analysis Items	Value
Eligible Capital	
Tier 1 capital (net of deductibles)	1,519,553
Tier 2 capital (net of deductibles)	24,758
Total Eligible Capital	**1,544,311**
Risk weighted assets	
Credit risk weighted assets	4,174,924
Counterparties credit risk weighted assets	0
Required capital for market risk	0
Required capital for operational risk	3,107
Total value of risk weighted assets	**4,213,762**
Minimum capital adequacy and Capital ratios	
Minimum Capital Adequacy	**337,101**
Capital ratios	
Tier 1 capital ratio	**36.06%**
Prudential ratio	**36.65%**

4. CREDIT RISK

a) Qualitative contents

According to Circular 41/2016/TT-NHNN, Article 2, item 24a *"Credit default risk is the risk that may arise due to a customer's failure or incapability to pay debt obligations* *in part or in full under a contract or arrangement with a foreign bank branch, unless otherwise stipulated about Counterparty credit risk".*

According to Circular 41/2016/TT-NHNN, Article 2, item 24b *"Counterparty credit risk means the risk that may arise due to a business partner's failure or incapability to make prior or due payment for part or whole of debt obligations to proprietary trading transaction, repo and reverse repo transactions, derivative product transactions aimed at hedging risks and foreign exchange or financial asset trading transactions aimed at serving the demand of customers or partners...".*

On 30/Jun/2021, the Branch did not have counterparty credit risk weighted assets, thus, the required capital for counterparty credit risk was not calculated.

According to Circular 13/2018/TT-NHNN, Article 24, item 1 *"... The power to issue, amend and supplement risk management policies of a foreign bank branch shall be subject to the regulations of its parent bank."* Thus, the credit risk management policy of the Branch shall subject to the credit risk management policy of Head Office and is summarized in the following table:

Qualitative disclosure related to credit risk management policy

	Items	Contents
1	How the business model translates into the components of the Bank's credit risk profile	Corporate banking remained the core business of the Bank. The Bank also made continuous effort to upgrade the rest of business units which are: foreign exchange business, Cross-Strait Banking, SME finance, Personal Banking and Wealth Management. Based on the risk strategy, risk appetite, and business profit targets approved by the Board of Directors, the Bank established appropriate credit risk management policies, formulated various business credit risk management regulations, such as risk pricing and limits, strengthened risk dispersion principles to effectively reduce concentration risks, and enhanced pre-transaction risk management and measurement, post-transaction regular review and assets quality monitoring, etc. to determine the management basis of each product.
2	Criteria and approach	The Bank has developed a credit risk management

	used for defining credit risk management policy and for setting credit risk limits	policy in accordance with the Banking Act of Taiwan (R.O.C.), applicable regulations, and the Bank's Risk Management Policy. Specifically, the Branch conducts business in credit, investment and financial derivatives in strict compliance with the Banking Act of Taiwan (R.O.C), applicable laws and regulations, and in alignment with government policies for economic and financial development, while balancing security, liquidity, profitability, growth and public benefits. Strategy for credit risk management seeks risk diversification, prudent evaluation based on the 5P principles, and a right balance between risk and return. The risk management process grants credit authorization to head of business units and regional centers.
3	Structure and organization of the credit risk management and control function	The Bank's risk management is led by the Board of Directors, with the Risk Management Committee overseeing risk management across the Bank. The Assets and Liabilities Management Committee reports to the President and is responsible for managing the Bank's assets and liabilities, while an independent Risk Management Department is responsible for establishing and implementing a Bank-wide risk management mechanism. Each unit has set up dedicated risk management teams, according to its size, importance and complexity, for implementing risk management. In addition, there are the Credit Review Committee and the Investment Review Committee under the President responsible for credit risk management and investment risk management respectively; and the operation centers that handle credit checks, estimations, credit reviews, drawdowns, settlements and check clearings. Foreign exchange is handled by the foreign exchange division of branches where each operation center is located.
4	Relationships between the credit risk	A comprehensive system of internal auditing and self-checking has been established, and compliance

	management, risk control, compliance and internal audit functions.	officers are appointed. Work guidelines are in place for routine operations, and all transactions are monitored by computer systems. - The Compliance Department and the compliance officers of all departments and operating units should be responsible for enhancing awareness of compliance. - The Internal Audit Department checks the compliance and implementation of the nuclear credit risk specification and is directly responsible to the Board of Directors. Regularly check and evaluate the integrity and actual implementation of various risk management mechanisms, and provide improvement suggestions in a timely manner to ensure the sustainable and effective implementation of various risk management mechanism.
5	Scope and main contents of the reporting on credit risk exposures and on the credit risk management function to the executive management and to the Board of Directors	The Bank has set up a Risk Management Department to monitor reports and integrate Bank-wide risk management. A Board-level Risk Management Committee is set up to oversee risk controls and the Risk Management Department seports Bank-wide risk status regularly to the Board of Directors. The report contains information on national, industry, group, single customer, liquidity and other business risks. A clear notification procedure is established, each transaction has a limit and stop loss provisions, if the transaction that reaches the stop loss limit should be executed immediately; if the stop loss is not implemented, the transaction unit should indicate the non-stop reason and response plan and report to the higher management level for approval and report to the Audit Committee on a regular basis.
6	Core features of policies and processes for, and an	When the following requirements are met, the Bank can reduce the credit risk by offsetting the in-table

	indication of the extent to which the Bank makes use of, on-and off-balance assets and liabilities	liabilities to the table: 1. Have a sound legal basis: ensure that the net settlement or write-off agreement is in the jurisdiction and mandatory whether counterparty or customer fails to maintain their solvency or not. 2. It can determine that all assets and liabilities of the same counterparty have been included in the Bank's net settlement contract. 3. There are appropriate control measures for significant risks on a net basis.
7	Core features of policies and processes for collateral evaluation and management	The Bank has adopted a number of policies and measures to reduce credit risk for credit business. One of the main methods is to require borrowers to provide collateral. The collateral provided by the borrowers shall be subject to compliance, independence, reliability, and realizable value to ensure the creditor rights of the Bank. The Bank shall determine the conditions of the collateral and the procedures for the valuation, management and disposal of the collateral to ensure the creditor right of the Bank. The collateral of other non-credit business is determined by the nature of the financial instruments. Only asset-based securities and other similar financial instruments are secured by a group of asset instruments.
8	Information about market or credit risk concentrations under the credit risk mitigation instruments used (i.e. by guarantor type, collateral and credit derivative providers)	1. In order to mitigate credit risk, checks on the client's credit, use of funds and ability for loan repayment are required before every credit transaction. Additionally, the use of collaterals or credit guarantee funds as risk reduction tools is set forth in the credit policies of Corporate and Personal Banking Departments. Document reviews or on-site inspections are conducted on a regular basis regarding client's use of funds, operations, finances, and repayment ability to ensure the receivables.

		2. In order to strengthen the Bank's credit risk control, the Corporate and Personal Banking Departments use a credit rating system to support their credit decision-making and loan interest rate setting. This helps increase credit quality and makes credit pricing more objective and reasonable. 3. Pursuant to the Banking Act of Taiwan (R.O.C) and the Bank's credit risk management policies, individual customers, groups, industries, and countries (regions) are subject to credit limits to avoid excessive concentration risk to the Bank.
9	Credit risk mangement at the Branch	1. The Branch has issued policies, guidelines and internal regulations on the credit granting activities of the Branch including *"Corporate Finance Credit Policy"*, *"Individual Mortgage Loan Guideline"*, *"Loan Provision Policy"*, *"Non-performing Loan Management Operation Manual"* and other internal regulations. This enables the Branch to control well the credit granting activities from the credit investigation, credit approval to loan disbursement, debt classification and loan provision according to regulations of State Bank of Vietnam. 2. Approach method based on internal credit rating system: the Branch has built the internal credit rating system according to the nature and scope of the Branch's businsess. 3. Independent credit rating companies used to calculate the capital adequacy ratio: the Branch has used the rating results of 3 independent credit rating companies: Moody's, Standard & Poor, and Fitch Rating to apply the credit risk weights to receivables from financial institutions. 4. Credit risk mitigations: on 30/Jun/2021, the Branch mainly applies the credit risk migations by collaterals which is cash/deposits and by the third-party guarantee which is Overseas Credit Guarantee Fund.

b) Quantitative contents

Table 3: Assets on the audited financial statement

Jun-30-2021

Unit: million VND

Items	Balance on financial statement	Off-balance sheet balance		Total balance before risk mitigation
		Off-balance sheet Commitments	Off-balance sheet balance post Credit conversion factor (CCF)	
Cash	22,222			22,222
Balance with State Bank of Vietnam	195,015			195,015
Due from and loans to other credit institutions	2,612,515			2,612,515
Loans to customers	1,566,044			1,566,044
Other assets	18,278			18,278
Off-balance sheet commitments		1,647,738	669,739	669,739
Total	**4,414,074**	**1,647,738**	**669,739**	**5,083,813**

Table 4: Receivables, respective risk weights according to each rating and total credit risk weighted assets according to each selected credit rating agency

Jun-30-2021

Unit: million VND

Type	Ratings	Risk weights	Exposures	Risk weighted
Receivables from international financial institutions	From AAA to AA-	20%	93,558	18,712
	From A+ to BBB-	50%	1,108,030	554,015
	From BB+ to B-	100%		
	Under B- or unrated	150%		
Receivables from local financial institutions	From AAA to AA-	10%		
	From A+ to BBB-	20%		
	From BB+ to BB-	40%	505,327	202,131
	From B+ to B-	50%	670,450	335,225
	From B+ to B- (Receivables of which original maturity is at least 3 months)	100%	115,150	115,150
	Under B- and unrated (Receivables of which original maturity is at least 3 months)	150%	120,000	180,000
Total			**2,612,515**	**1,405,233**

Table 5: Credit quality of assets

Jun-30-2021

Unit: million VND

	Items	Defaulted exposures	Non-defaulted exposures
1	Term deposits and loans to other credit institutions		2,612,515
2	Loans to customers	45,503	1,520,541
3	Off-balance sheet		1,647,738
	Total	**45,503**	**5,780,794**

Table 6: Credit risk mitigation

Jun-30-2021

Unit: million VND

	Items	Exposures	Exposures secured by collaterals	Collaterals Value
1	Loans to customers	1,566,044	670,738	1,762,383
	Total	**1,566,044**	**670,738**	**1,762,383**

Table 7: Credit risk assets, Credit conversion factor (CCF) and Credit risk mitigation (CRM)

Jun-30-2021

Unit: million VND, %

Items		**Exposures pre-CCF and CRM**		**Exposures post-CCF and CRM**		**RWA and RWA density** *(%)*	
Assets classes		On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	RWA	RWA density (%)
1	Receivables from Financial Institutions	2,612,515		2,612,515		1,405,233	53.79%
2	Receivables from Enterprises	1,283,495		1,283,495		1,799,111	140.17%
3	Loan secured by real estates	244,790		244,790		245,771	100.40%
4	House mortgage loan	28,776		28,776		28,776	100%
5	Bad debts (*)	8,983		8,983		8,016	89.23%
6	Cash and Deposit at State Bank of Vietnam	217,237		217,237		0	0%
7	Other assets	18,278	1,647,738	18,278	669,739	688,017	41.30%
	Total	**4,414,074**	**1,647,738**	**4,414,074**	**669,739**	**4,174,924**	**68.87%**

(*) Bad debts include Bad debts and Home loans which are secured by the very house

Table 8: Exposures by assets classes and risk weights

Jun-30-2021

Unit: million VND

	Risk weights / Assets classes	0%	10%	20%	40%	50%	90%	100%	120%	150%	160%	200%	Total credit risk exposures (post-CCF and post-CRM)
1	Receivables from Financial Institutions			93,558	505,327	1,778,480		115,150		120,000			2,612,515
2	Receivables from Enterprises						377,720				880,967	24,808	1,283,495
3	Loan secured by real estates							239,877	4,913				244,790
4	House mortgage loan							28,776					28,776
5	Bad debts (*)					5,460				3,523			8,983
6	Cash and Deposits at State Bank of Vietnam	217,237											217,237
7	Other assets							18,278					18,278
8	Off-balance sheet Commitments		1,082,426			8,353		556,959					669,739
	Total	**217,237**	**1,082,426**	**93,558**	**505,327**	**1,792,293**	**377,720**	**959,040**	**4,913**	**123,523**	**880,967**	**24,808**	**5,083,813**

(*) Bad debts include Bad debts and Home loans which are secured by the very house

Table 9: Exposures by economic sectors

Jun-30-2021

Unit: million VND

Economic Sectors		Credit risk exposures	Total credit risk weighted assets
1	Manufacturing and Production	1,323,707	1,733,268
2	Real Estates	44,035	56,785
3	Activities and services prioritization of household	57,108	83,677
4	Electricity Production and Delivery	106,656	170,650
5	Wholesales and Retails	19,538	23,794
6	Warehouse and Transportation	15,000	13,500
7	Construction	0	0
8	Banking and Finance	2,612,515	1,405,233
9	Others (**)	235,515 (**)	688,017 (***)
	Total	**4,414,074**	**4,174,924**

(**) Included Cash, Deposits at State Bank of Vietnam and other Assets

(***) Included risk weighted off-balance sheet commitments

5. OPERATIONAL RISK

a) Qualitative contents

According to Circular 41/2016/TT-NHNN, Article 2, item 27 *"Operational risk refers to the risk arising due to inadequate or failed internal processes, people, system errors, failures or external events that cause financial losses or non-financial negative impacts on foreign bank branches (including legal risks)."*

According to Circular 13/2018/TT-NHNN, Article 24, item 1 *"... The power to issue, amend and supplement risk management policies of a foreign bank branch shall be subject to the regulations of its parent bank."* Thus, the operational risk management policy of the Branch shall subject to the risk management policy of Head office and is summarized in the following table:

Qualitative disclosure related to operational risk management policy

	Items	Contents
1	Strategies and Procedures for Operational Risk Management	For the management of operational risks, the Bank makes a division of duties to strengthen internal control and carry out training programs for business and regulatory awareness. A comprehensive system of internal auditing and self-checking has been established, and compliance officers are appointed. Work guidelines are in place for routine operations, and all transactions are monitored by computer systems. The Risk Management Department is also developing tools for operational risk management to enable more efficient and effective identification, assessment, monitoring and reporting of major risks.
2	Organization and structure of Operational Risk Management	Operational Risk Management is applied to all units of the Bank, including the business units, operational management units, and supporting logistical units. - Board of Directors: the highest managing and supervisory body. - Risk Management Committee: reviewing issues and activities related to risk management. - President: establishing risk management procedures approved by the Board of Directors. - Auditing Department: responsible for regular

		inspections of the effectiveness of operational risk management. - Compliance Department and Compliance Officers of all departments and operating units: responsible for strengthening awareness of regulatory compliance. - Risk Management Department: increasing awareness of the framework of operational risk management.
3	Scope and Features of Operational Risk Report and Evaluation System	Any major risk exposures identified that can jeopardize the Bank's finances or normal operation, or the financial market in general must be reported to the audit units promptly, and to the regulators if deemed necessary, so that actions may be taken in response. Violations of the law have to be reported by the Compliance Officer to Compliance Department. The Risk Management Department makes regular disclosures on the Bank's operational risks, risks information and other major issues, and reports to the senior management, the Assets and Liabilities Management Committee, the Strategic Planing Committee, the Risk Management Committee, and the Board of Directors. The Bank is developing a control and self-evaluation system for major operational risks and setting up compliance office and self-audit/self-check procedures as required by law to manage and mitigate operational risks.
4	Hedging of Mitigation Policies for Operational Risk; Strategies and Procedures for Assessing the Effectiveness of Hedging or Mitigation	Based on the severity and frequency of operational risk events, countermeasures such as risk avoidance, risk transfer, risk control and absorption are taken. The Bank reduces level of risk exposure or forgo the business altogether for risks with extremly high frequency and severity (significant contingencies), such risks can be transferred with insurance. For risks with very high frequency and low severity, regular internal self-checks, knowing the client, and staff training can facilitate real-time detection of potential risks, so that proper measures can be taken in response.

		For risk of very low frequency and low security, losses from such risk can be absorbed by operational costs. For operational risks arising from business activities, potential losses are reduced by strengthening internal controls, risk monitoring and employee training, and transferring risks through insurance or outsourcing.
5	Approach for Legal Capital Requirement	Basic indicator approach

- According to Circular 13/2018/TT-NHNN, Article 26 on the business continuity plan and policies of the Bank, the Branch set up the *"Business continuity plan"* (BCP) to assure the continuity for delivering critical services or products to critical customers during operational disruptions so as to fulfill business obligations of the Branch. Thus, the BCP are summarized as follows:

Business Continuity Plan

	Items	Contents
1	Structure and Responsibility	The responsibility of the business continuity preparedness of the Branch lies with the Business Continuity Management (BCM) Team (the Team) comprising of the Chief Executive and Head of Departments, with reporting to the Channel Management Department of Head Office. The Team should convene twice a year for discussion and decision on BCM related matters and is responsible for risk assessment and preparing an attestation on the readiness of the Branch with repsect to business continuity together with the residual risk. An over-arching framework included policies, standards and procedures provides for continuous functioning of the Branch during operational discruptions.
2	Approach and Methodology	The life-cycle of the BCM adopted by the Branch includes the following steps: Business impact analysis, Risk assessment, BCM strategy, BCM planning and

		implementation, Training and awareness and Testing.
3	Planning for impact	The BCP foresees the following scenarios: loss of premises, loss of IT data/services, loss of staff, loss of external supplier and other emergency disasters. - Loss of Premises is when the Branch's main place of operation is no longer accessible. In this case, the plan calls for a back-up site where there are some certain factors to be considered and the Branch has a contract with some of the Taiwanese banks in Vietnam to lease their premises for back-up site purpose. In addition, some of the staff members can work from home using internet connections to link to the core system, should the circumstances require this. - Loss of IT data/services includes 4 possibilities of different levels of seriousness and the impact plan: (1) power outage: There is uninteruptible power supply (UPS) installation in the office which is regularly serviced. (2) loss of connection of main leased line connection: The Branch can access the core applications at the data center and the contigent datacenter via main leased line and second leased line. Should the main line be down, the Branch may switch to the back-up line or relocate certain critical staff members to the back-up center according to the seriousness of the discrupted connection. (3) loss of connection of the main and back-up leased line connection: In case all the service providers are destroyed, the Branch will consider seeking the assistance from Head Office to process critical transactions or assemble a small team to Taiper to process the identified transactions. (4) total loss of connection in the region and loss of the main IT system and back-up IT system: The Branch shall move to the back-up site to ensure

		continuous operation as a substitute for the working office if crisis back-up system arises. - Loss of staff will have a big impact with respect to the continuing business due to the relatively small size of the Branch. The current back-up plan in case of staff's absence caters for 02 back-ups. The Branch may hire temporary or contracted staff locally to fulfil the shortfalls in resources or seek the assistance from Head Office and branches in sending some suitable staff to assume the certain functions or in processing certain critical transactions. - Loss of external supplier (services or products) will have a devasting impact on the Branch due to the increasing trend in outsourcing. In this event, the Branch should appoint another supplier immediately. - Other emergency disasters may cause the Branch unable to maintain the normal operation of the business. The Branch may handle different procedures when facing certain disasters.
4	BCP Activation measures	The activation of the BCP is decided by the Chief Executive of the Branch as to the seriousness of the crisis. Not all crisis requires a full activation of the BCP. The scenarios that require the activation of the BCP can be broadly divided into these categories: - When the main office premise/infrastructure is accessible. - When the main office premise/infrastructure is not accessible. - When the main office premise/infrastructure is partially accessible. In each category, the Branch shall have detail measures to activate the BCP.
5	Recovery Procedure	As the Branch is relatively small, the recovery procedure depends on its main office's damage condition and is

		divided into 2 categories: (1) If the place of business is damaged but it is not very serious of which the operation should be completely shot down, temporary simple business service should be set up at the original site to offer customers deposit, withdrawal, foreign currency exchange and other still functional services. (2) If the place of business is seriously damaged and the normal operation is unable to be continuously offered at the original site, the back-up system and back-up site should be activated to restore business operation and continue providing services to the customers. Chief Executive should, in addiotion to direct the execution of the services at the back-up site, dispatch personnel to restore or assist the restoration task at the original business site.
6	Communication procedure	During the crisis, there may be issues that the Chief Executive has to escalate to Head Office for decisions and assistance such as the necessity to inform the customers and/or public and the official communication to the customers and/or public. The Branch shall draft and announce the disastrous situation suffered by the Branch, business suspension period, normal operation restoration date or alternative operation program during the business suspension period to avoid triggering panic and affecting customer interests. The Chief Executive is the spokeperson in making the external announcement and news media interviews. During the crisis, the Branch shall assess the loss to the Branch and keep reporting to the Channel Management Department of Head Office.
7	Management of important records	Copy of the continuity operation plan documents and certain important documents or files which have duplicates should be stored in off site. All important records should be recorded in image technology system

		if possible and if important records are lost, damaged or destroyed, the back-up copy should be checked and copied as a replacement.
8	Training, Awareness and Testing	The Branch carries out training and awareness programs in one or more of the following forms: BCP walkthroughs, briefings, access to shared BCM documents and participation in BCM tests. BCP should test once a year in view of new developments such as new regulations, products, systems and all personel in the Branch should participate in the drill. The tests can be conducted as individual test or as a combination of each scenario with increasing challenge. After the test is completed, an attestation with test review report should be written and sent to the Channel Management Department and Risk Management Department in the Head Office.
9	Update Data Regularly	If the BCP is activated, then a post-modem review should be conducted right after the operation has been restored back to normal, and areas of improvement should be incorporated in the revised plan. All terms of this BCP are to be annually updated and review should be done after BCP test has been performed for areas to be improved and the plan is to be updated accordingly. Contact information of the employees, trading counterparties, customers and service providers should be updated as soon as possible after the receiving the notice for modification.
10	Approval of Business Continuity Management	This BCP and its subsequent amendments shall be effective upon the approval of the President of Head Office.

b) Quantitative contents

According to Circular 41/2016/TT-NHNN Article 16, Regulatory capital for operational risk (**K_{OR}**) shall be determined according to the following formula:

$$K_{OR} = \frac{(BI_{n\ year} + BI_{n-1\ year} + BI_{n-2\ year})}{3} \times 15\%$$

Where:

- **$BI_{n\ year}$**: Business index defined in the last quarter at the calculation date;

- **$BI_{n-1\ year}$, $BI_{n-2\ year}$**: Business index defined in the respective quarters of 2 years preceding the calculation year.

The business index shall be determined the following formula:

$$BI = IC + SC + FC$$

Where:

- **IC:** Absolute value of interest income and its equivalents minus interest cost and its equivalents;

- **SC:** Total value of income earned from service activities, costs incurred from service activities, other operating income and costs;

- **FC:** Total absolute value of Net Profit/Loss from foreign exchange, trading securities and investment securities trading activities.

On 30/Jun/2021, Required capital for operational risk of the Branch is as follows:

Table 10: Required capital for operational risk

Jun-30-2021

Unit: million VND

Analysis Items	n year	n-1 year	n-2 year
Interest Cost (IC)	15,455	16,387	17,124
Service Cost (SC)	2,470	2,149	2,304
Foreign Exchange Cost (FC)	3,408	1,913	926
Business Index (BI)	**21,333**	**20,449**	**20,354**
Legal Capital Requirement (K_{OR})			**3,107**

6. MARKET RISK

a) Qualitative contents

According to Circular 41/2016/TT-NHNN, Article 2, item 25 "*Market risk refers to the risk that may arise due to an adverse fluctuation in interest rates, securities prices and commodity market prices.*"

According to Circular 13/2018/TT-NHNN, Article 24, item 1 "*... The power to issue, amend and supplement risk management policies of a foreign bank branch shall be subject to the regulations of its parent bank.*" Thus, the market risk management policy of the Branch shall subject to the market risk management policy of Head office and is summarized in the following table:

Qualitative disclosure related to the market risk management policy

	Items	Contents
1	Strategies and processes for market risk of the Bank	Strategy for market risk management seeks risk diversification and prudent evaluation, with a focus on balancing risk versus return. The Bank has put in place market risk management policies, guidelines for authorization, guidelines for risk management of financial derivatives and investments, internal controls and risk management measures. Management of market risks is monitored by the responsible units of first-line defense and second-line defense based on the approved transactions or investment limits and loss tolerance for financial instruments and trading units set by the Board of Directors. Underlying exposures and profits/losses are reported by the nature of the products on a regular basis. Any overrun, exception or major event has to be reported immediately to the heads of responsible units, who will decide on a response if needed.
2	Structure and organization of market risk management function	The Bank's risk management is led by the Board of Directors, under which the Audit Committee is responsible for reviewing major events and procedures for derivative transactions. The purpose of the Risk Management Committee is to oversee risk management policies and strategies, risk management assessment, and risk management mechanisms for novel businesses. The Assets and Liabilities Management Committee reports to the President and is responsible for reviewing Bank-wide market risk limits and procedures, while the Investment Review Committee reviews and approves the Bank's investment in securities. The

		independent Risk Management Department is responsible for establishing and implementing a Bank-wide risk management mechanism.
3	Scope and nature of risk reporting and/or measurement systems	Market-related risks are managed with securities systems, SAS system, KPMG financial products assessment system (including the Treasury Plus evaluation engine), KONDOR PLUS system, MGR system, and the Ulsteck ticket/bond trading system deployed on the mainframes. This analysis provides the necessary information to the Risk Management Department for real-time control of trading and investment positions, daily evaluations, and other necessary management.
4	Market risk mangement at the Branch	1. Besides complying the regulations of the Bank on the market risk management, the Branch has issued policies and operation manuals on the foreign exchange activities which regulate measuring methods and market risk control to foreign exchange activities like: - Total daily/overnight foreign exchange exposures - Montly stop loss limit - Limit to transactions/counterparties. This enables the Branch to control well the foreign exchange exposures, profit and loss assessment to prevent and mitigate loss. 2. The Branch reports the total foreign exchange exposures, monthly accumulated profit/loss and the transactions/counterparties limit to the Risk Management Department and Treasury Department Head Office on a daily basis for supervision. 3. On 30/Jun/2021, the Branch didnot have proprietary trading. 4. The Branch currently doesnot have list in the business book. However, the Bank has issued the guideline on determining and separating items of the trading book and the banking book in which management methods of the Bank's assets by categories are addressed.

b) Quantitative contents

According to Article 18, Circular 41/2016/TT-NHNN, Regulatory capital for market risk (K_{MR}) shall be determined according to the following formula:

$$K_{MR} = K_{IRR} + K_{ER} + K_{FXR} + K_{CMR} + K_{OPT}$$

Where:

- K_{IRR}: Regulatory capital for interest rate risk, except options;

- K_{ER}: Regulatory capital for equity risk, except options;

- K_{FXR}: Regulatory capital for foreign exchange risk (including gold), except options;

- K_{CMR}: Regulatory capital for commodities risk, except options;

- K_{OPT}: Regulatory capital for options.

On 30/Jun/2021, the Branch does not have market risk exposures by interest rate risk, stock price list, commodity price list and option transactions.

Regulatory capital for foreign exchange risk (K_{FXR}) shall apply in the event that total value of net foreign exchange exposure (including gold) of foreign bank branches is greater than 2% of the owners' equity thereof. On 30/Jun/2021, total value of net foreign exchange exposure of the Branch is less than 2% of the owners' equity. Thus, the Branch shall not calculate Regulatory capital for foreign exchange risk.

Approved by Legal Representative

General Manager

M.S.D.N: 3602414719 - NHNNg
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CHEN KUO CHUNG