THE STATE BANK OF VIETNAM **--------**	**SOCIALIST REPUBLIC OF VIETNAM** **Independence - Freedom - Happiness** **---------------**
No. 22/2019/TT-NHNN	*Hanoi, November 15, 2019*

CIRCULAR

LIMITS AND PRUDENTIAL RATIOS OF BANKS AND FOREIGN BANK BRANCHES

Pursuant to the Law on the State bank of Vietnam No. 46/2010/QH12 dated June 16, 2010;

Pursuant to the Law on credit institutions No. 47/2010/QH12 dated June 19, 2010;

Pursuant to the Law dated November 20, 2017 on amendments to the Law on credit institutions;

Pursuant to the Government's Decree No.16/2017/ND-CP defining functions, tasks, entitlements and organizational structure of the State bank of Vietnam;

At the request of Chief Bank Inspector;

The Governor of the State bank of Vietnam promulgates a Circular on limits and prudential ratios of banks and foreign bank branches (FBBs)

Chapter I

GENERAL PROVISIONS

Article 1. Scope

1. This Circular provides for limits and prudential ratios that have to be maintained by banks and foreign bank branches, including:

a) Capital adequacy ratio This ratio does not apply to banks and FBBs that apply the capital adequacy ratio in Circular No. 41/2016/TT-NHNN and its amending or superseding documents (if any);

b) Limits on credit extension;

c) Solvency ratio;

d) Maximum ratio of short-term capital used for granting medium-term and long-term loans;

dd) Ratio of investment in Government bonds and government-guaranteed bonds;

e) Limits on capital contribution and purchase of shares;

g) Loan-to-deposit ratio.

2. On the basis of results of supervision and inspection by the State bank of Vietnam (SBV), SBV may request a bank or FBB to apply one or some stricter limits or prudential ratios that those specified in this Circular.

3. Banks under strict control shall apply the limits and prudential ratios specified in Article 146dd of the Law on credit institutions (amended).

4. Banks shall provide assistance under approved recovery plans; apply the ratio of purchase of Government bonds and government-guaranteed bonds in accordance with Clause 8 Article 148dd of the Law on credit institutions (amended).

5. Banks and FBBs that are sponsors of programs and projects decided by the Government or the Prime Minister shall consider the source of financing and debt balance of each program/project when determining limits and prudential ratios.

Article 2. Regulated entities

1. Banks: state-owned commercial banks, cooperative banks, joint-stock commercial banks, joint venture banks, wholly foreign-invested banks;

2. FBBs.

3. Organizations and individuals relevant to limits and prudential ratios of banks and FBBs.

Article 3. Definitions

For the purpose of this Circular, the terms below are construed as follows:

1. “receivables” include deposits at other credit institutions, FBBs, foreign credit institutions; investments in financial instruments; loans, finance lease, factoring, discounting of negotiable instruments, valuable papers, credit extension by issuance of credit cards and other forms defined by the State bank; fiduciary loans and purchases of corporate bonds; off-balance-sheet (OBS) payments

on behalf of other parties.

2. “client” can be an organization (including credit institutions and FBBs), individual or other entities defined by civil law.

3. “real estate business” means investment in creation, repair, purchase, lease or lease purchase of real estate for sale, transfer, lease, sublease or lease purchase for profitable purposes.

4. “Derivatives” include:

a) Derivatives specified in Clause 23 Article 4 of the Law on credit institutions, including:

(i) Credit derivatives, including credit insurance contracts, credit default swaps (CDS); credit-linked notes, other credit derivative contracts prescribed by law;

(ii) Interest-rate derivatives, including forward rate agreements, single-currency basis swaps; two-currency basis swaps or cross-currency basis swaps, interest rate options, other interest-rate derivative agreements prescribed by law;

(iii) Foreign exchange derivatives, including foreign exchange forwards, currency swaps, foreign-exchange options, other foreign currency derivatives prescribed by law;

(iv) *Commodity derivatives* including commodity swaps, futures, options and other commodity derivative contracts as prescribed by laws;

b) Derivative securities, including future contracts, option contracts, forward contract and other derivative securities prescribed by regulations of law on derivative securities and the market thereof;

c) Other derivatives prescribed by law.

5. “secondary debt” means a debt which is only paid after all other liabilities, secured and unsecured debts are paid by the debtor upon the debtor’s bankruptcy or dissolution.

6. “goodwill” means the positive difference between the amount paid for a financial asset and its book value payable by a credit institution when it acquires another enterprise or credit institution as prescribed by law. This financial asset shall be fully recorded in the acquirer’s balance sheet.

7. *OECD* stands for Organization for Economic Cooperation and Development.

8. *International financial institutions include:*

a) International Bank for Reconstruction and Development (IBRD), International Financial Company (IFC), International Development Association (IDA), Multilateral Investment Guarantee Agency (MIGA);

b) Asian Development Bank (ADB);

c) African Development Bank (AfDB);

d) European Bank for Reconstruction and Development (EBRD);

dd) Inter-American Development Bank (IADB);

e) European Investment Bank (EIB);

g) European Investment Fund (EIF);

h) Nordic Investment Bank (NIB);

i) Caribbean Development Bank (CDB);

k) Islamic Development Bank (IDB);

l) Council of Europe Development Bank (CEDB);

m) Other international financial institutions whose charter capital is contributed by governments.

9.”controlling company” means:

a) A company that directly or indirectly owns more than 20% of charter capital or voting shares of a commercial bank or has the control over a commercial bank;

b) A commercial bank that has subsidiaries or associate companies.

10. *“financial instrument” means evidence of the issuer’s debt repayment obligation to the holder which arises for a definite period of time, and contains interest payment and other terms and conditions. Financial instruments include bonds, treasury bills, sovereign bonds, deposit certificates, promissory notes and other types of financial instruments.*

11. *“Credit extension”* means an agreement between a credit institution or FBB with another organization or individual in which the latter may use a repayable amount of money in the form of a loan, discounting, finance lease, factoring, purchase of corporate bonds, credit card issuance, bank guarantee, L/C or other forms of credit extension prescribed by the State bank, including credit

extension by another juridical person the risk of which is assumed by the credit institution or FBB.

12. “total credit extensions” includes the total balance of loans, discounting, finance lease, factoring, total investment in corporate bonds, other credit extensions defined by the State bank (including credit extensions derived from capital sources of other juridical persons the risks of which are taken by the credit institution or FBB); undisbursed loan limits, credit limits, bank guarantee balance, letters of credit (minus LC deposits) and other trust funds for credit extension other credit institutions and FBBs.

13. “investment in corporate bonds” means the purchase of corporate bonds or fiduciary purchase of corporate bonds by trustees that also include other credit institutions and FBBs.

14. “related person” of an organization or individual means a person who is directly or indirectly related to such organization or individual.

a) A related person of an organization (including credit institutions) can be:

(i) The parent company or a credit institution that is the parent company (hereinafter referred to as parent credit institution) of the said organization;

(ii) A subsidiary of the said organization;

(iii) A company that has the same parent company or parent credit institution as that of the said organization;

(iv) An executive or controller of the parent company or parent credit institution of the said organization;

(v) An individual or organization that has the power to designate executives or controllers of the parent company or parent credit institution of the said organization

(iv) An executive or controller of said organization;

(vii) A company or organization that has the power to designate executives or controllers of the said organization;

(viii) A spouse, parent, child (including adoptive parent, adopted child, father in law, mother in law, son in law, daughter in law, step parent, step child), sibling, (including half siblings), brother in law, sister in law of an executive, controller, capital contributor or shareholder who holds at least 5% of charter capital or voting shares of the said organization;

(ix) An organization or individual that holds at least 5% of charter capital or voting shares of modern drugs said organization;

(x) An individual authorized to represent the said organization’s stakes or shares;

(xi) A company or credit institution at least 5% of charter capital or voting shares of which is held by the said organization;

(xii) A company or credit institution whose executives or controllers are designated by the said organization;

(xiii) A company or credit institution that has a parent company whose executives or controllers are designated by the said organization.

b) A related person of an individual can be:

(i) A spouse, parent, child (including adoptive parent, adopted child, father in law, mother in law, son in law, daughter in law, step parent, step child), sibling, (including half siblings), brother in law, sister in law of the said individual;

(ii) A company or credit institution at least 5% of charter capital or voting shares of which is held by the said individual;

(iii) A company that has a parent company or parent credit institution executive or controller is the said individual;

(iv) A company that has a parent company or parent credit institution whose executives or controllers are designated by the said individual;

(v) A company or credit institution whose executive or controller is the said individual;

(vi) A company or credit institution whose executive, controller, capital contributor or shareholder holding at least 5% of its charter capital or voting shares is the said individual’s spouse, parent, child (including adoptive parent, adopted child, father in law, mother in law, son in law, daughter in law, step parent, step child), sibling, (including half siblings), brother in law, sister in law;

(vii) An organization or individual that authorizes the said individual to represent their stakes or shares;

(viii) Another individual who is, together with the said individual, authorized by an organization to represent its stakes or shares in another organization;

(ix) An individual who is authorized by the said individual to represent his/her stakes or shares.

c) Other juridical persons or natural persons in a relationship that poses risks to the operation of a bank or FBB shall be determined in accordance with the bank's or FBB's rules and regulations, or under SBV's written request through inspection or supervision on a case-by-case basis.

15. “capital contribution" and “purchase of shares” means a commercial bank contributes charter capital, purchases shares or otherwise becomes a shareholder or capital contributor of another enterprise or credit institution, including provision of charter capital, contribution of capital to a subsidiary or associate company of a commercial bank; contributes capital to an investment fund or provides trust funds for another organization to contribute or purchase shares in any of these manners.

16. An “irrevocable” agreement means an agreement that cannot be revoked or changed in any manner, unless otherwise prescribed by law.

17. “credit extension for investment in shares” means a bank or FBB grants or entrusts extension of credit which will be used by a juridical person or natural person to purchase shares.

18. *“credit extension for investment in shares” means a bank or FBB grants or entrusts extension of credit which will be used by a juridical person or natural person to purchase shares.*

19. *“credit institutions” and “FBBs" are credit institutions and FBBs established and operating in Vietnam in accordance with Vietnam's law.*

20. *“financial organization” means an organization established in accordance with anti money laundering (AML) laws.*

21. “state-owned financial institution” means a financial institution whose charter capital is wholly held by the State.

22. “state-owned commercial bank” means a commercial bank whose charter capital is wholly held by the State.

23. *“overseas financial organization” means a financial institution established overseas in accordance with its home country's law.*

24. “average daily payable” of a month equals (=) the sum of the daily payables on the balance sheet divided by (:) the number of days of the month.

25. “forward” means a transaction in which a credit institution or FBB (the buyer) purchases undue financial instruments from another credit institution or FBB (the seller) while the seller promises to re-purchase the financial instruments after a specific period of time.

26. “exchange rates" include:

a) The rates of exchange of foreign currencies into VND:

(i) On working days other than the last days of months, quarters or years: apply regulations of the State bank on exchange rates on account systems of credit institutions;

(ii) On last days of months, quarters or years: apply regulations of the State bank on exchange rates on the balance sheet for credit institutions and FBBs using VND, or exchange rates the account systems or financial statements for credit institutions and FBBs using foreign currencies.

b) Exchange rate of other foreign currencies into USD shall be quoted by the credit institutions and FBBs.

Article 4. Internal rules and regulations

1. Banks and FBBs shall issue their own rules and regulations on extend credit and loan management to ensure proper use of loans in accordance with this Circular and relevant documents. The rules and regulations shall include:

a) Criteria for identification of a client, a client and related persons defined in Clause 14 Article 3 of this Circular, credit policies for a client, a client and related persons, the power to approve credit extension, debt restructuring for a client, a client and related persons;

b) Regulations on dispersion of risks to credit extension; methods for monitoring and management of credit extension to a client, a client and related persons if the credit extended is worth at least 1% of the equity of the bank or FBB. The regulations shall be made public, especially those on appraisal, credit extension, debt restructuring, prevention of conflict of interest between the appraiser, the approver and the client if they are related;

c) Rules and criteria for assessment of risks posed by groups of clients and fields in which credit extension is favored or limited, as the basis for preparation of annual business plans and strategies;

d) Regulations that consideration of credit extension and debt restructuring (including deferral and adjustment of repayment terms) has to be transparent, free of conflict of interest and must not conceal information about credit quality. The decider of debt restructuring must be different from the decider of credit extension, unless the credit extension is approved by the Board of Directors, the Board of members, General Director (Director), parent bank (of the FBB). In case credit extension and debt restructuring are considered by a council, the chairperson of the credit extension council shall be different from the chairperson of the debt restructuring council, and at least two thirds of the members of one council shall be different from those of the other;

dd) Regulations on risk management in credit extension for investment in shares, corporate bonds, real estate; credit extension for PPP projects;

e) Regulations on credit extension by directors and deputy directors of branches, affiliated units and equivalent positions of banks and FBBs according to the rules specified in Point a, b, c, d, dd of this Clause. Equivalent positions shall be determined according to rules and regulations of the banks and FBBs.

2. Banks and FBBs shall issue their own rules and regulations on assessment of assets, compliance to capital adequacy ratios on the basis of management of asset-related risks, operational risks, with consideration to business cycles, adaptability to risks and business strategies of the banks and FBBs. The rules and regulations must be conformable with this Circular and relevant documents, and shall include the following contents:

a) Organizational structure, authorization system, functions and duties of each managerial department regarding capital adequacy ratio;

b) Rules, policies, procedures for identification, measurement, monitoring, control, reporting and exchange of risk-related information in order to maintain the capital adequacy ratio;

c) Regulations on management of equity and assets, including assessment of the level and tendency of the risks, their impacts on the need for equity to mitigate the risks; amount and quality of equity; the ability to face risks from macroeconomic elements, accessibility to sources of additional equity, including financial assistance from shareholders where necessary to maintain the capital adequacy ratio; the obligation to provide capital for subsidiaries and associate companies; short-term and long-term equity targets; estimated cost of addition of equity and solutions for achievement of equity targets. Regulations on management of structure of equity and assets include:

(i) Procedures and methods for monitoring and assessment of the magnitude, components and quality of equity and assets;

(ii) Capital adequacy management system;

(iii) Early warning system, which can detect signs of risks that lead to decrease in capital adequacy ratio; supervision and reporting thereof;

(iv) Plan for maintenance of individual and consolidated capital adequacy ratios, including:

- Measures for management and development of equity and assets in response to low capital adequacy ratio;

- Responsibilities, entitlements of and cooperation among relevant departments and individuals in development of the plan for response to low capital adequacy ratio.

3. Banks and FBBs shall issue internal rules and regulations on liquidity management in accordance with this Circular and relevant documents. Such rules and regulations shall include:

a) Regulations on decentralization, functions and duties of each department regarding management of assets, liabilities and maintenance of solvency and liquidity;

b) Procedures and limits for management of liquidity, limits of difference in terms of assets and liabilities on the basis of cash inflow and outflow in Appendix 3 hereof;

c) Rules, policies, procedures for identification, measurement, monitoring, control, reporting and exchange of information about solvency and liquidity; criteria for early warning of inadequate solvency and liquidity, and response plans;

d) Plans and measures for acquisition of financial instruments with high liquidity;

dd) Instructions, inspection and audit of the maintenance of solvency and liquidity ratios;

e) A model for assessment and experiment of solvency and liquidity scenarios. Scenario analysis shall ensure:

(i) Analysis of at least two cases:

- The cash flow from business operation in normal conditions;

- The cash flow from business operation in case of low solvency or liquidity.

(ii) Scenario analysis shall demonstrate:

- The ability to fulfill daily commitments and duties;

- Measures for maintenance of solvency.

4. The internal rules and regulations mentioned in Clause 1, Clause 2 and Clause 3 of this Article shall be periodically reviewed and revised at least once a year.

5. Within 10 days from the date of revision, the bank or FBB shall send the revised rules and regulations to the State bank, whether directly or by post, in accordance with Article 6 of this Article.

6. Banks and FBBs shall send reports to the receiving units specified in Clause 5 of this Article as follows:

a) Banks and FBBs shall send reports to SBV (Bank Supervision and Inspection Agency), except the case specified in Point b of this Clause;

b) The FBBs that are subjects of microprudential supervision by provincial branches of SBV (hereinafter referred to as "SBV branches") shall send reports to such SBV branches.

Article 5. IT system

Banks and FBBs shall have interconnected IT systems to implement regulations of this Circular. The IT systems shall be able to:

1. Store, assess, add data about clients, the market; manage risks in accordance with regulations of SBV and internal regulations.

2. Monitor and manage cash flows, capital, assets, liabilities; calculate, manage and supervise the limits and prudential ratios.

3. Prepare statistical reports as requested by SBV.

Chapter II

SPECIFIC PROVISIONS

Section 1. ACTUAL VALUE OF CHARTER CAPITAL/ASSIGNED CAPITAL; WHAT TO DO WHEN ACTUAL VALUE OF CHARTER CAPITAL/ASSIGNED CAPITAL FALLS BELOW LEGAL CAPITAL

Article 6. Actual value of charter capital/assigned capital

1. Actual value of charter capital/assigned capital of a bank or FBB is the remaining value of the charter capital/assigned capital determined according to Clause 2 and Clause 3 of this Article.

2. Determination of actual value of charter capital/assigned capital:

A bank or FBB shall determine the remaining value of charter capital/assigned capital when:

a) Provisions for losses are sufficient as prescribed by law;

b) Revenues and expenses are fully accounted for to determine business performance.

3. Calculation of actual value of charter capital/assigned capital:

Actual value of charter capital/assigned capital equals (=) the charter capital/assigned capital plus (+) share premium ± undistributed cumulative profit on accounting book.

4. A bank or FBB shall regularly monitor and assess the actual value of its charter capital/assigned capital and submit reports to SBV in accordance with Point a and Point b Clause 6 Article 4 of this Circular. To be specific:

a) If the fiscal year of the bank or FBB ends on December 31:

The report on actual value of charter capital/assigned capital at the end of June 30 and December 31 shall be submitted by July 15 and January 15 respectively;

b) If the fiscal year of the bank or FBB does not end on December 31:

The report on actual value of charter capital/assigned capital at the end of the last day of the previous quarter shall be submitted by the 15th of the first months of the first quarter and the third quarter;

c) In case the actual value of charter capital/assigned capital mentioned in Point a and Point b of this Clause does not include adjustments by independent auditors (if any), they may be added to the next financial statement.

Article 7. What to do when actual value of charter capital/assigned capital fall below legal capital

1. When the actual value of charter capital/assigned capital fall below legal capital, the bank or FBB shall:

a) Develop and implement a plan to make sure the actual value of charter capital/assigned capital is not smaller than legal capital;

b) Within 30 days after the actual value of charter capital/assigned capital falls below the legal capital, send a response plan to SBV in accordance with Point a and Point b Clause 6 Article 4 of this Circular. Such a plan shall specify:

(i) The actual value of charter capital/assigned capital according to Article 6 of this Circular;

(ii) The reason it falls below legal capital;

(iii) Measures for maintaining the actual value of charter capital/assigned capital equal to or above the legal capital and maintaining prudential ratios;

c) Organize implementation of the corrective measures at the request of SBV (if any).

2. Whenever the charter capital/assigned capital of a bank or FBB falls below the legal capital, SBV shall:

a) Carry out an assessment, inspection or request the bank or FBB to undergo independent audit for determination of actual value of charter capital/assigned capital in the response plan mentioned in Clause 1 of this Article.

b) Request changes or completion of the corrective measures to be implemented by the bank or FBB where necessary;

c) Supervise and inspect the implementation of the response plan, including the corrective measures requested by SBV;

d) SBV shall, in consideration of the decrease in actual value of charter capital/assigned capital, decide on the following corrective measures:

(i) The measures specified in Clause 2 Article 59 of the Law on the State bank when the actual value of charter capital/assigned capital is below 80% of legal capital;

(ii) Apply restructuring measures prescribed by law; revoke the license if the bank's or FBB's charter capital/assigned capital is below 50% of legal capital or is below legal capital for 6 consecutive months despite implementation of the measures mentioned in Clause 1 of this Article.

3. SBV branches may apply the measures mentioned in Clause 2 of this Article to FBBs that are subjects of microprudential supervision, including:

a) The measures mentioned in Points a, b, c Clause 2 of this Article;

a) The measures mentioned in Point d(i) of this Article if assigned by the Governor of SBV;

c) The measures mentioned in Clause 2 of this Article beyond the power of SBV branches if authorized by the Governor of SBV.

Section 2. OWNER'S EQUITY AND CAPITAL ADEQUACY RATIO

Article 8. Owners' equity

The owners' equity equals (=) Tier 1 capital plus (+) and Tier 2 capital minus (-) the deductions stipulated in Appendix 1 hereto attached.

Article 9. Capital adequacy ratio

1. The capital adequacy ratio (CAR) reflects the capital adequacy of the bank or FBB based on the value of its equity and operational risks. Every bank and FBB shall maintain their CARs in accordance with Clause 2 and Clause 3 of this Article.

2. CAR of a bank:

a) CAR of a bank consists of individual CAR and consolidated CAR.

b) Individual CAR of a bank: 9%.

Individual CAR is calculated as follows:

$$\text{Individual CAR (\%)} = \frac{\text{Individual equity}}{\text{Total individual risk-weighted assets}} \times 100\%$$

Where:

- Individual equity is determined according to Appendix 1 hereof.

- Total individual risk-weighted assets is the sum of on-balance assets, determined according to the level of risks and corresponding value of on-balance assets of OBS commitments according to the level of risk specified in Appendix 2 hereof.

c) Consolidated CAR: If a bank that has a subsidiary, it shall maintain a consolidated CAR of 9% in addition to the individual CAR specified in Point b of this Clause.

Consolidated CAR is calculated as follows:

$$\text{Consolidated CAR (\%)} = \frac{\text{Consolidated equity}}{\text{Total consolidated risk-weighted assets}} \times 100\%$$

Where:

- Consolidated equity shall be determined according to Appendix 1 hereof.

- Total consolidated risk-weighted assets shall be determined according to Appendix 2 hereof.

3. CAR of an FBB: 9%.

CAR is calculated as follows:

$$\text{CAR (\%)} = \frac{\text{Equity}}{\text{Total risk-weighted assets}} \times 100\%$$

Where:

- Equity shall be determined according to Appendix 1 hereof.

- Total risk-weighted assets is the sum of on-balance assets, determined according to their level of risks and on-balance values of OBS commitments according to the level of risk specified in Appendix 2 hereof.

Section 3. CREDIT EXTENSION LIMITS

Article 10. CREDIT EXTENSION LIMITS

1. Banks and FBBs shall comply with regulations on the cases in which credit extension is banned or limited and the credit extension limits specified in Articles 126, 127 and 128 of the Law on credit institutions (amended).

2. A bank or FBB shall determine its credit extension limits mentioned in Clause 1 of this Article on the basis of its equity specified in Clause 3 of this Article at the end of the last working day.

3. Equity is determined as follows:

a) For banks and FBBs applying the CARs specified in this Circular: Banks shall apply their individual equity; FBBs shall apply their equity specified in Article 9 of this Circular.

b) Banks and FBBs that apply the CARs specified in this Circular No. 41/2016/TT-NHNN shall apply the equity determined according to Circular No. 41/2016/TT-NHNN.

Article 11. Conditions and limits for credit extension for investment in corporate bonds

1. A bank or FBB may extend credit with terms of up to 01 year for clients to invest in corporate bonds if the following conditions are met:

a) The credit extension comply with the limits and prudential ratios prescribed by law;

b) Bad debts ratio is under 3%;

c) Risks are properly managed in accordance with regulations of SBV on internal control systems of commercial banks and FBBs, regulations on classification of assets, making of and use of provisions for losses for risk management by credit institutions and FBBs.

2. A bank or FBB must not extend credit with for a client to invest in corporate bonds in the following cases:

a) The collateral is bonds issued by a credit institution, subsidiary of a credit institution or FBB;

b) The collateral is the bonds to be purchased by the client with the extended credit;

c) The client is one of the organizations and individuals mentioned in Clause 1 Article 126 of the Law on credit institutions (amended);

d) The client is a related person of any of the organizations or individuals mentioned in Clause 1 and Clause 4 Article 126 of the Law on credit institutions (amended);

dd) The client is or is related to one of the organizations or individuals mentioned in Clause 1 Article 127 of the Law on credit institutions (amended);

e) The bonds are not listed or registered on the Unlisted Public Company Market (UPCOM);

g) The bonds are issued by a subsidiary of the bank;

h) The client is a subsidiary or associate company of the credit institution.

3. The total credit extended for investment in corporate bonds (including bonds of credit institutions and FBBs) must not exceed 5% of the charter capital/assigned capital of a bank or FBB.

Article 12. Conditions and limits for credit extension for investment in shares

1. A bank or FBB may extend credit with terms of up to 01 year for clients to invest in shares if the following conditions are met:

a) The credit extension comply with the limits and prudential ratios prescribed by law;

b) Bad debts ratio is under 3%;

c) Risks are properly managed in accordance with regulations of SBV on internal control systems of commercial banks and FBBs, regulations on classification of assets, making of and use of provisions for losses for risk management by credit institutions and FBBs.

2. A bank or FBB must not extend credit with for a client to invest in shares in the following cases:

a) The collateral is shares of a credit institution or its subsidiary;

b) The collateral is the shares to be purchased by the client with the extended credit;

c) The shares are issued by a credit institution;

d) The client is one of the organizations and individuals mentioned in Clause 1 Article 126 of the Law on credit institutions (amended);

dd) The client is a related person of the organizations or individuals mentioned in Clause 1 and Clause 4 Article 126 of the Law on credit institutions (amended);

e) The client is or is related to one of the organizations or individuals mentioned in Clause 1 Article 127 of the Law on credit institutions (amended);

g) The client is a subsidiary or associate company of the credit institution.

3. The total credit extended for investment in shares of a bank or FBB must not exceed 5% of its charter capital/assigned capital.

Article 13. Credit extension management

1. Banks and FBBs shall manage credit extension in accordance with law their internal rules and regulations on credit extension and loan management to ensure proper use of loans according to Clause 1 Article 4 of this Circular.

2. Banks and FBBs shall keep updating the list of founding shareholders, major shareholders, capital contributors, members of the Board of Directors, the Board of members, the Board of Controllers, executives, holders of other managerial positions, and their related persons. This list must be made publicly available in the system of banks and FBBs, and be sent directly or by post to SBV in accordance with Point a and Point b Clause 6 Article 4 of this Circular.

3. A bank or FBB shall submit reports to:

d) To the General Meeting of Shareholders or members: reports on credit extended to the entities specified in Clause 1 Article 127 of the Law on credit institutions (amended) by the time the general meeting is held;

b) To the owner, capital contributors, executives: reports on credit extended to the entities specified in Clause 1 Article 127 of the Law on credit institutions (amended);

c) To SBV: reports on credit extended to the entities specified in Clause 1 Article 127 of the Law on credit institutions (amended);

4. Extension of credit to subsidiaries, associate companies and the entities mentioned in Clause 2 of this Article (except for the cases in which credit extension is not allowed according to Article 126 of the Law on credit institutions (amended)) is subject to approval by the Board of members (for banks), General Director or Director (for FBBs), except for credit extension decided by the General Meeting of Shareholders. The Board of Controllers shall monitor the approval of credit extension for the aforementioned entities.

Section 4. SOLVENCY RATIOS

Article 14. Solvency ratios

1. Banks and FBBs shall, in accordance with the regulations in Appendix 3 hereof, prepare cash inflow and outflow worksheets at the end of each working day for monitoring solvency ratios specified in Clause 2 and Clause 3 of this Article.

2. Liquidity ratio:

a) Every bank and FBB shall hold liquid assets in order to be prepared for payment of debts when they are due and unexpected expenses.

b) Every bank and FBB shall maintain a minimum liquidity ratio of 10%.

c) The liquidity ratio shall be calculated as follows:

$$\text{Liquidity ratio (\%)} = \frac{\text{Liquid assets}}{\text{Total liability}} \times 100\%$$

Where:

- Liquid assets are specified in Appendix 3 hereof;

- Total liability is the total liability on the balance sheet minus (-):

+ Refinancing by SBV in the form of discounting, loans backed by financial instruments (minus the refinancing by SBV on the basis of special bonds and bonds directly issued to the debt seller at market prices of VAMC); overnight loan in electronic interbank payment; forward of financial instruments (minus the revenue from sale of bonds directly issued to the debt seller at market prices of VAMC) through open market operation of SBV.

+ Credit extension by other credit institutions and FBBS in the form of forwards, discounting and secured loans: (i) financial instruments used in transactions of SBV; (ii) bonds, treasury bills issued or guaranteed by governments and SBV of other countries and rated by international credit rating agencies (Standard & Poor's, Fitch Rating) as AA or above, or equivalently rated by another independent credit rating agency.

d) Liquid assets and total liability shall be expressed as VND and other convertible foreign currencies at the rates specified in Point a Clause 26 Article 3 of this Circular).

3. 30-day solvency ratio:

a) A bank or FBB shall calculate and maintain its 30-day solvency for VND, USD and other foreign currencies that can be exchanged into USD a the rates specified in Point b Clause 26 Article 3 of this Circular.

b) 30-day solvency ratio is calculated as follows:

$$\text{30-day solvency ratio (\%)} = \frac{\text{Liquid assets}}{\text{Net cash outflow in the next 30 days}} \times 100\%$$

Where:

(i) Liquid assets are specified in Appendix 3 hereof;

(ii) Net cash outflow in the next 30 days is the difference between the cash outflow and cash inflow of 30 consecutive days from the next day according to Appendix 3 hereof.

c) In case a bank or FBB finds that the net cash outflow in VND in the next 30 days is a positive number, it shall maintain a minimum 30-day solvency ratio for VND of 50%.

d) In case a bank or FBB finds that the net cash outflow for a foreign currency in the next 30 days is a positive number, it shall maintain a minimum 30-day solvency ratio as follows:

(i) For commercial banks: 10%;

(ii) For FBBs: 5%;

(iii) For cooperative banks: 5%.

Article 15. Management and handling of failure to maintain solvency ratios

1. Every bank and FBB shall establish a department at the headquarters for management of liabilities and assets. Such a department shall be managed by General Director/Director or Deputy General Director/Deputy director.

2. In case the 30-day solvency ratio of a bank or FBB is below the rate specified in with Point c and Point d Clause 3 Article 14 of this Circular, SBV shall consider imposing administrative penalties and carry out solvency ratio supervision. The bank or FBB shall promptly implement the corrective measure, including: taking a loan from another credit institution or FBB; taking a loan from an overseas financial institutions; concluding an irrevocable term deposit agreement, irrevocable loan agreement and other irrevocable agreement with other credit institutions, FBBs or overseas financial institutions in other to maintain the minimum solvency ratio. If any of the corrective measures mentioned above involves at least 20% of the liquid assets, SBV shall implement additional supervision measures and take actions as prescribed by law.

3. Banks and FBBs shall submit solvency ratio reports to SBV in accordance with regulations on statistical reporting by credit institutions and FBBs. Before 10 am of the next day, the bank or FBB shall submit a written report on the inadequate solvency ratio (if any) and implemented measures, send it to SBV directly or by post in accordance with Point a and Point b Clause 6 Article 4 of this

Circular.

4. A bank or FBB may only grant loans and enter into such irrevocable term deposit agreements, irrevocable loan agreements with other credit institutions and FBBs if its 30-day solvency ratio is still conformable with Article 14 of this Circular.

5. After taking the corrective measures mentioned in Clause 2 of this Article, if the bank's or FBB's solvency is still inadequate, it shall promptly notify SBV (Bank Supervision and Inspection Agency) and the SBV branch in the province in which the bank's or FBB's headquarters are located.

Section 5. MAXIMUM RATIO OF SHORT-TERM CAPITAL FOR PROVISION OF MEDIUM-TERM AND LONG-TERM LOANS

Article 16. Maximum ratio of short-term capital for provision of medium-term and long-term loans

1. Banks and FBBs shall apply the following formula to calculate maximum ratio of short-term capital for provision of medium-term and long-term loans in VND and other foreign currencies that can be exchanged into VND at the rates specified in Point a Clause 26 Article 3 of this Circular:

$$A(\%) = \frac{B}{C} \times 100\%$$

Where:

- A: Ratio of short-term capital for provision of medium-term and long-term loans.

- B: Total medium-term and long-term loans balance specified in Clause 2 of this Article minus (-) total medium-term and long-term capital specified in Clause 3 of this Article.

- C: Short-term capital specified in Clause 4 of this Article.

2. Total medium-term and long-term loans include:

a) Balance of the following amounts with remaining term of over 01 year:

(i) Loans (including loans taken by other credit institutions and FBBs in Vietnam), except:

- Loans from trust funds of the Government, individuals and other organizations (including other credit institutions and FBBs in Vietnam; parent banks, foreign branches of parent banks) the risks of which are taken by the trustors;

- Loans granted to programs and projects refinanced by SBV under decisions of the Government or the Prime Minister.

(ii) Trust funds granted by other credit institutions and FBBs under a trust agreement the risks of which are taken by the trustors;

(iii) Purchases of and investments in financial instruments; trust funds for purchases of and investments in financial instruments the risks of which are taken by the trustors; except financial instruments used in transactions of SBV (not including bonds issued by VAMC);

(iv) If the loans and or fiduciary loans mentioned in (i) and (ii) have various repayment terms, the remaining term to be included in the medium-term and long-term loan balance shall be determined according to the original term of each loan.

b) Overdue principal of loans, or fiduciary loans; total purchase or fiduciary purchase of financial instruments.

3. Medium-term and long-term capital with remaining term of over 01 year includes:

a) Deposits of individuals;

b) Deposits of domestic and overseas organizations, except deposits in State Treasury;

c) Loans from domestic and overseas financial institutions;

d) Trust funds from the Government the risks of which are taken by the bank or FBB (the trustee);

dd) Loans from another credit institution or FBB (the lender) that are subsequently on-lent by the bank or FBB (the borrower), the risks of which are taken by the borrower;

e) Revenue from issuance of promissory notes, treasury bills, certificates of deposit, bonds;

g) Deposits of people's credit funds if the bank is a cooperative bank;

h) Charter capital, assigned capital, fund for charter capital increase, development investment funds and financial reserve funds that remain after deduction of cumulative loss (according to the balance sheet when calculating the maximum ratio of short-term capital for provision of medium-term and long-term loans), costs of fixed assets, capital contributions, purchases of shares prescribed by law;

i) Share premium, undistributed profit (according to the balance sheet when calculating the maximum ratio of short-term capital for provision of medium-term and long-term loans) that remains after purchase of treasury stocks;

k) Exchange differences due to reassessment of foreign currency equity on the balance sheet when converting the foreign currency in the financial statement into VND.

4. Short-term capital with remaining term of up to 01 year (including demand deposits) includes:

a) Deposits of individuals, except escrows and dedicated capital deposits;

b) Deposits of domestic and overseas organizations, except:

(i) Deposits of State Treasury;

(ii) Escrows and dedicated capital deposits of clients;

(iii) Deposits of other credit institutions and FBBs in Vietnam.

c) Loans from domestic and overseas financial institutions (except loans from other credit institutions and FBBs in Vietnam);

d) Trust funds from the Government (the trustor) the risks of which are taken by the bank or FBB (the trustee);

dd) Loans from another credit institution or FBB (the lender) that are subsequently on-lent by the bank or FBB (the borrower), the risks of which are taken by the borrower;

e) Revenue from issuance of promissory notes, treasury bills, certificates of deposit, bonds;

g) Deposits of people's credit funds if the bank is a cooperative bank.

5. Banks and FBBs shall maintain the maximum ratio of short-term capital for provision of medium-term and long-term loans as follows:

a) From January 01, 2020 to September 30, 2020 inclusive: 40%

b) From October 01, 2020 to September 30, 2021 inclusive: 37%

c) From October 01, 2021 to September 30, 2022 inclusive: 34%

d) From October 01, 2022 onwards: 30%

Section 6. RATIOS OF INVESTMENT IN GOVERNMENT BONDS AND GOVERNMENT-BACKED BONDS

Article 17. Ratios of investment in government bonds and government-backed bonds

1. The maximum ratio of a bank’s or FBB’s investment in government bonds and government-backed bonds to its previous month’s total liability is 30%.

2. Government bonds include:

a) Treasury bills;

c) Treasury bonds;

c) National development bonds.

3. Government-backed bonds include:

a) Government-backed corporate bonds;

b) Government-backed bonds issued by policy banks;

c) Government-backed bonds issued financial institutions and credit institutions.

4. Total purchases of Government bonds and government-backed bonds for determination of the maximum ratio mentioned in Clause 1 of this Article is the buying prices for Government bonds and government-backed bonds under the ownership of the bank or FBB, fiduciary purchases of Government bonds and government-backed bonds, exclusive of purchases of Government bonds and government-backed bonds from trust funds the risks of which are not taken by the bank or FBB.

5. A newly established bank or FBB (excluding credit institutions that are reorganized under the Law on credit institutions) that has been operating for less than 02 years and has a total liability smaller than its charter capital/assigned capital may invest in Government bonds and government-backed bonds with a ratio of up to 30% of its charter capital/assigned capital.

Section 7. LIMITS ON CAPITAL CONTRIBUTION AND SHARES PURCHASE

Article 18. Limits on capital contribution and shares purchase

Commercial banks, their subsidiaries and associate companies shall comply with the ratios of capital contribution and share purchase specified in Article 103, Article 129 and Article 135 of the Law on credit institutions (amended).

Article 19. Commercial banks holding shares of other credit institutions

1. A commercial bank that holds of another credit institution shares (including the shares held by the bank's shareholders, other organizations, individuals under a trust agreement with the bank) shall satisfy the conditions specified in Clause 2 and the limits specified in Clause 3 of this Article.

2. At the time of purchase of shares of another credit institution, the purchasing bank shall satisfy the following conditions:

a) The actual value of charter capital is not smaller than the registered charter capital;

b) The limits and prudential ratios specified in this Circular are complied with;

c) Bad debts ratio is under 3%;

d) There are procedures for assessment of risks of the purchase and holding of shares of other credit institutions;

dd) Every purchase of shares of the other credit institution is approved by Board of Directors, the Board of members;

e) The bank has not incurred any administrative penalties for violations against regulations on banking over 01 year before the date of purchase;

g) The chairperson and other members of the Board of Directors, the chairperson and other members of the Board of members, General Director (Director), the chief and other members of the Board of Controllers, major shareholders of the commercial bank, its subsidiaries and their related persons must not purchase voting shares of the said credit institution;

h) The chairperson and other members of the Board of Directors, the chairperson and other members of the Board of members, General Director (Director), the chief and other members of the Board of Controllers, major shareholders of the commercial bank, its subsidiaries and their related persons must not entrust any other organization to purchase voting shares of the said credit institution.

3. Limits:

a) A commercial bank may hold shares of up to 02 other credit institutions, except for the credit institutions that are subsidiaries of the bank;

b) A commercial bank may hold an amount of shares of another credit institution that is worth less than 5% of its voting shares;

c) A commercial bank must not nominate members of Board of Directors of the credit institutions whose shares are being held by the bank, except for the credit institutions that are subsidiaries of the bank or commercial banks that are supporting credit institutions appointed to participate in management of the credit institution under strict control;

d) In the following cases, the limits specified in Point a and Point b of this Clause and the conditions specified in Clause 2 of this Article may be ignored:

(i) The shares are purchased under the plan for restructuring of a credit institution put under strict control according to the Law on credit institutions (amended);

(ii) The shares purchase is requested by SBV as prescribed by law.

dd) In case a commercial bank sells another credit institution's shares under a deferred payment plan, the bank may only transfer the ownership of the shares paid for.

Section 8. LOAN-TO-DEPOSIT RATIO

Article 20. Loan-to-deposit ratio

1. Banks and FBBs shall apply the following formula to calculate the maximum loan-to-deposit ratio LDR in VND and other foreign currencies that can be exchanged into VND at the rates specified in Point a Clause 26 Article 3 of this Circular:

$$LDR(\%) = \frac{L}{D} \times 100\%$$

Where:

- LDR: Loan-to-deposit ratio

- L: Total loans specified in Clause 2 and Clause 3 of this Article.

- D: Total deposits specified in Clause 4 of this Article.

2. Total loans include:

a) Loans provided for individuals and organizations (except credit institutions and FBBs in Vietnam);

b) Fiduciary loans granted by other credit institutions and FBBs.

3. Total loans do not include:

a) Loans from trust funds of the Government, individuals and other organizations (including other credit institutions and FBBs in Vietnam; parent banks, foreign branches of parent banks) the risks of which are taken by the trustors;

b) Overseas loans of by the bank or FBB. Overseas loans of an FBB include loans of the parent bank and its overseas branches;

c) Refinancing by SBV, excluding refinancing for temporary solvency recovery.

4. Total deposits include:

a) Deposits of domestic and foreign organizations (including deposits of other credit institutions and FBBs), except:

(i) Deposits of State Treasury;

(ii) Escrows and dedicated capital deposits of clients;

b) Deposits of individuals, except escrows and capital deposits;

c) Revenue from issuance of promissory notes, treasury bills, certificates of deposit, bonds.

5. Every bank and FBB shall maintain a maximum LDR of 85%.

The Governor of SBV shall impose specific ratios applicable to banks and FBBs over their first 03 years of operation on a case-by-case basis.

6. A bank or FBB is not required to apply the LDR specified in Clause 5 of this Article if its charter capital/assigned capital minus (-) cumulative loss (according to the balance sheet when LDR), costs of fixed assets, capital contributions, purchases of shares is greater than total loans.

Chapter III

ORGANIZATION OF IMPLEMENTATION

Article 21. Transition clauses

1. The contracts that are concluded before the effective date of this Circular and conformable with applicable laws when they are concluded may be executed until their expiration. These contracts may be revised or extension if the revision or extension is conformable with regulations of this Circular and relevant laws.

2. When this Circular comes into force, every bank and FBB whose capital adequacy ratios are not conformable with Article 9 of this Circular shall prepare a remedial plan that has the following contents:

a) The unconformable ratios;

b) Measures for ensuring that the ratios are conformable within 6 months from the effective date of this Circular.

3. When this Circular comes into force, every bank and FBB whose LDR is not conformable with Article 20 of this Circular shall prepare a remedial plan with the following contents:

a) The unconformable LDR;

b) Measures for ensuring the LDR does not increase;

c) Measures for reducing the LDR to the conformable level by January 01, 2022.

Article 22. Post-transition actions

After the transition period mentioned in Clause 2 and Clause 3 Article 21 of this Circular or a time limit imposed by SBV, SBV shall consider implementing necessary measures, including restructuring and revocation of the licenses of the banks and FBBs that fail to maintain the conformable capital adequacy ratios or LDR specified in this Circular.

Article 23. Responsibilities of banks and FBBs

1. The Banks and FBBs that fail to comply with the limits and prudential ratios specified in this Circular shall prepare remedial plans and implement remedial measures.

2. Within 30 days from the date of effective of this Circular, they shall submit the remedial plan mentioned in Clause 2 and Clause 3 Article 21 of this Circular to SBV in accordance with Point a and Point b Clause 6 Article 4 of this Circular.

IN case SBV or an SBV's branch requests revisions to a remedial plan, the bank or FBB shall make the revisions accordingly.

3. Banks and FBBs shall add the revisions the remedial plans mentioned in Clause 1 and Clause 2 of this Article and the implementation schedule to the approved restructuring plan according to the Prime Minister's Decision No. 1058/QD-TTg dated July 19, 2017.

Article 24. Effect

1. This Circular shall enter into force from January 01, 2020.

2. Article 23 of Circular No. 41/2016/TT-NHNN is amended as follows:

"Article 23. Effect

1. This Circular shall enter into force from January 1, 2020, except for the cases specified in Clause 2 and Clause 3 of this Article.

2. Banks and FBBs that are able to apply the capital adequacy ratios referred to herein prior to the date referred to in Clause 1 of this Article and shall submit an application for implementation of this Circular to SBV (Bank Supervision and Inspection Agency) in which capability to implement these ratios and implementation schedule date must be clearly defined. The date of official implementation of this Circular by the banks and FBBs that submit the aforementioned application shall be specified in writing by SBV.

3. The banks and FBBs that are not able to apply the capital adequacy ratios specified in this Circular shall send written requests for permission to apply the minimum capital adequacy ratios to SBV (Bank Supervision and Inspection Agency) and SBV's branches where their headquarters are located by January 01, 2020.

The request shall specify the reasons for application of the minimum capital adequacy ratios from January 01, 2020, the plan (solutions and road map) for ensuring compliance to this Circular by January 01, 2023, except for banks that follow the road map under the Prime Minister's Decision No. 1058/QD-TTg dated July 19, 2017. The date of application of this Circular shall be the date written in the request or the approved restructuring plan under Decision No. 1058/QD-TTg."

3. The following documents are no longer applicable to banks and FBBs:

- Circular No. 36/2014/TT-NHNN dated 20/11/2014 of the Governor of SBV on limits and prudential ratios applicable to credit institutions and FBBs;

- Circular No. 06/2016/TT-NHNN dated 27/5/2016 of the Governor of SBV on amendments to Circular No. 36/2014/TT-NHNN;

- Circular No. 19/2017/TT-NHNN dated 28/12/2017 of the Governor of SBV on amendments to Circular No. 36/2014/TT-NHNN;

- Circular No. 16/2018/TT-NHNN dated 31/7/2018 of the Governor of SBV on amendments to Circular No. 36/2014/TT-NHNN;

- Article 4 of Circular No. 13/2019/TT-NHNN dated 21/8/2019 of the Governor of SBV on amendments to some Circulars on licensing, organization and operation of credit institutions and FBBs.

Article 25. Implementation organization

The Chief of the Office, Chief of the Banking Inspection and Supervision Agency, Heads of affiliated entities of the State Bank, Directors of the State Bank branches located at centrally-affiliated cities and provinces, Chairpersons of the Board of Directors, Chairpersons of the Board of Members, and General Director (Director) of banks and/or foreign bank branches, shall be responsible for implementing this Circular./.

PP GOVERNOR
DEPUTY GOVERNOR

Nguyen Thi Hong

APPENDIX 1

Components AND DETERMINATION OF EQUITY
(Promulgated together with Circular No. 22/2019/TT-NHNN dated November 15, 2019)

A. Components and determination of isolated equity of a bank:

I. Isolated equity:

No.	Component	Determination method
	ISOLATED TIER 1 CAPITAL (A) = A1 - A2 - A3	
	Components of isolated Tier 1 capital (A1) = Σ1÷8	
(1)	Charter capital (provided and contributed capital)	Use the figures in “Charter capital” section on the balance sheet. If a foreign currency is used in the balance sheet, charter capital will be converted into VND according to SBV's guidance on financial statements of credit institutions.
(2)	Fund for charter capital increase	Use the amount of “Fund for charter capital increase” in “Funds of the credit institution” section on the balance sheet.
(3)	Development investment fund	Use the amount of “Development investment fund” in “Funds of the credit institution” section on the balance sheet.
(4)	Financial reserve fund	Use the amount of “Financial reserve fund” in “Funds of the credit institution” section on the balance sheet.
(5)	Investments in capital construction and purchase of fixed assets	Use the amounts of “Investments in capital construction and purchase of fixed assets” on the balance sheet.
(6)	Undistributed profit	Use the amount of “Undistributed profit” on the balance sheet at the time of calculation of isolated capital adequacy ratio. If the bank is permitted to delay making provision for losses, the positive difference between the mandatory provision for losses mandated by SBV and the existing provision shall be deducted from the undistributed profit.
(7)	Share premium	Use the amount of “Share premium” on the balance sheet.
(8)	Exchange difference	Use the exchange difference due to revaluation of foreign currency equity on the balance sheet when converting the foreign currency in the financial statement into VND.
	Deductions from isolated Tier 1 capital (A2) = Σ 9÷15	
(9)	Goodwill	Use the positive difference between the amount paid for a financial asset and its book value payable by the bank upon its acquisition.
(10)	Cumulative loss	Use the amount of “cumulative loss” when calculating isolated equity.
(11)	Treasury stocks	Use the figures in “Treasury stocks” section on the balance sheet.
(12)	Credit extensions for contributing capital in and purchasing shares of other credit institutions	Use the amounts of credit extensions for contributing capital to and purchasing shares of other credit institutions.
(13)	Capital contributions and purchases of shares of other credit institutions	Use the purchases of listed shares of other credit institutions in “*Marketable securities*” section and capital contributions for long-term investment in other credit institutions in “Capital contributions for long-term investment” section on the balance sheet.
(14)	Capital contributions to and purchase of shares of subsidiary companies, excepts the items in	Use the capital contributions for long-term investment in subsidiary companies other than

	(13)	those in (13) in “Capital contributions for long-term investment” section on the balance sheet.
(15)	Investments in the form of purchase of shares in order to have control over enterprises operating in the fields of insurance, securities, foreign exchange, gold, factoring, credit card issuance, consumer credit, payment services, credit information, except those mentioned in (13) and (14).	Use the figures of investments in the form of purchase of shares in order to have control over enterprises operating in the fields of insurance, securities, foreign exchange, gold, factoring, credit card issuance, consumer credit, payment services, credit information, except those mentioned in (13) and (14) in “Marketable securities” and “Capital contributions for long-term investment” sections of the balance sheet.
	Additional deductions (A3) = Σ16÷17	
(16)	Capital contribution to and purchase of shares of an enterprise, a associate company, a fund (except those mentioned in (13) to (15)) exceeding 10% of (A1 – A2)	Total positive difference between: (i) capital contribution for long-term investment in each enterprise, an associate company, a fund (except those mentioned in (13) to (15)) in “Marketable securities” and “Other long-term investments” sections of the balance sheet; and (ii) 10% of (A1 - A2).
(17)	Other capital contributions and purchases of shares (except those mentioned in (13) to (16)) exceeding 40% of (A1 – A2)	Total positive difference between: (i) total other capital contributions and purchases of shares (except those mentioned in (13) to (16)) in “Marketable securities” and “Capital contributions for long-term investments” sections of the balance sheet; and (ii) 40% of (A1 - A2).
	ISOLATED TIER 2 CAPITAL (B) = B1 - B2 - (25)	Value of isolated Tier 2 capital must not exceed isolated Tier 1 capital
	Components of isolated Tier 2 capital (B1) = Σ18÷21	
(18)	50% of the positive difference due to revaluation of fixed assets as prescribed by law	50% of the credit balance of the fixed asset revaluation difference account
(19)	40% of the positive difference due to revaluation of capital contributions for long-term investment as prescribed by law	40% of the credit balance of the asset revaluation difference account for long-term capital contributions.
(20)	General provisions prescribed by SBV’s regulations on classification of assets, making of and use of provisions for losses for risk management by credit institutions and FBBs	The sum of “General provisions" on the balance sheet.
(21)	Convertible bonds, subordinated debts that are issued by the bank and satisfy the following conditions: (i) The initial term is not shorter than 5 years; (ii) They are not secured with assets of the bank itself; (iii) The bank is only permitted to repurchase or prematurely repay the debt if the safety ratios and limits are still complied with after doing so and reports are sent to SBV in accordance with Point a and Point b Clause 6 Article 4 of this Circular for supervision; (iv) The bank may stop paying interest and carry forward the cumulative interest to the next year if interest payment causes a loss in the year; (v) In case of bank liquidation, holders of bonds and subordinated debts will only be paid after the bank has fully paid other creditors; (vi) The bank may only impose a specific value of	- If the subordinated debt duration is over 5 years when value is being determined, the entire subordinated debt value will be included in Tier 2 capital. - On the issuance date or contract conclusion date every year from the fifth year to before the payment deadline, the value of convertible bonds or subordinated debt which is included in Tier 2 capital shall be reduced by 20% so that such value will be 0 on the first day of the last year before the payment deadline.

	interest rate of subordinated debts or use a formula which is specified in the contract or issuance documents. - In case the interest rate is expressed as a specific value, it may only be changed after 5 years from the issuance date or contract conclusion date and may be changed only once throughout its duration. - In case the interest rate is expressed as a formula, it must not be changed except for the amplitude in the formula (if any), which may be changed once after 5 years from the issuance date or contract conclusion date.	
	Deductions from isolated Tier 2 capital (B2) = (22) + (23) + (24)	
(22)	Convertible bonds issued by other credit institutions, subordinated debts issued by other credit institutions/FBBs which fully satisfy the conditions for inclusion in Tier 2 capital of the credit institutions/FBBs and are purchased/invested in by the bank as prescribed by law	- Convertible bonds and subordinated debts that are purchased from 12/02/2018 must be removed from Tier 2 capital from the date of purchase. - Convertible bonds and subordinated debts that are purchased before 12/02/2018 must be deducted from Tier 2 capital as follows: + From 12/02/2018 to 31/12/2018: deduct 25% of the value of purchased convertible bonds and subordinated debts; + From 01/01/2019 to 31/12/2019: deduct 50% of the value of purchased convertible bonds and subordinated debts; + From 01/01/2020 to 31/12/2020: deduct 75% of the value of purchased convertible bonds and subordinated debts; + From 01/01/2021: deduct 100% of the value of purchased convertible bonds and subordinated debts;
(23)	Positive difference between item (20) and 1,25% of “Total risk-weighted assets” in Appendix 2	
(24)	Positive difference between item (21) and 50% of A	
	Additional deductions	
(25)	Positive difference between (B1-B2) and A	
	Deductions when calculating isolated equity	
(26)	100% of the negative difference due to fixed asset revaluation as prescribed by law	100% of the debit balance of the fixed asset revaluation difference account.
(27)	100% of the negative difference due to revaluation of capital contributions for long-term investment as prescribed by law	100% of the debit balance of the asset revaluation difference account for long-term capital contributions.
(C)	**ISOLATED EQUITY (C) = (A) + (B) - (26) - (27)**	

II. Consolidated equity

1. General rules:

a. Consolidated equity has the components specified in Point 2 below, extracted from the consolidated balance sheet, excluding subsidiary companies that are enterprises operating under the Law on Insurance Business.

b. In case the consolidated financial statement mentioned in (a) does not contain specific items for calculating consolidated Tier 1 and Tier 2 capital, the bank shall obtain information from isolated balance sheets.

2. Components and determination of consolidated equity:

No.	Component	Determination method
	CONSOLIDATED TIER 1 CAPITAL (A) = A1 - A2 - A3	
	Components of consolidated Tier 1 capital (A1) = Σ1÷8	
(1)	Charter capital (provided and contributed capital)	Use the figures in “Charter capital” section on the consolidated balance sheet. If a foreign currency is used in the balance sheet, charter capital will be converted into VND according to SBV's guidance on financial statements of credit institutions.
(2)	Fund for charter capital increase	Use the amount of “Fund for charter capital increase” in “Funds of the credit institution” section on the consolidated balance sheet.
(3)	Development investment fund	Use the amount of “Development investment fund” in “Funds of the credit institution” section on the consolidated balance sheet.
(4)	Financial reserve fund	Use the amount of “Financial reserve fund” in “Funds of the credit institution” section on the balance sheet.
(5)	Investments in capital construction and purchase of fixed assets	Use the amounts of “Investments in capital construction and purchase of fixed assets” on the balance sheet.
(6)	Undistributed profit	Use the amount of “Undistributed profit” on the consolidated balance sheet at the time of calculation of consolidated capital adequacy ratio. If the bank is permitted to delay making provision for losses, the positive difference between the mandatory provision for losses mandated by SBV and the existing provision shall be deducted from the undistributed profit.
(7)	Cumulative share premium	Use the amount of “Share premium” on the consolidated balance sheet.
(8)	Exchange differences upon consolidation of financial statements	Use the figures in “Exchange differences” section on the consolidated balance sheet. If the bank uses a foreign currency for accounting, the exchange differences also include those due to revaluation of foreign currency equity in “Equity” section on the balance sheet when converting the foreign currency in the financial statement into VND.
	Deductions from consolidated Tier 1 capital (A2) = Σ Σ9÷14	
(9)	Goodwill	Use the positive difference between the amount paid for a financial asset and its book value payable by the bank upon its acquisition.
(10)	Cumulative loss	Use the amount of “cumulative loss” when calculating consolidated equity.
(11)	Treasury stocks	Use the figures in “Treasury stocks” section on the consolidated balance sheet.
(12)	Credit extensions for contributing capital to and purchasing shares of other credit institutions	Use the balance of credit extensions for capital contribution to or purchase of shares of other credit institutions, including those of consolidated subsidiary companies.

(13)	Capital contributions and purchases of shares of other credit institutions	Use the purchases of listed shares of other credit institutions in "Marketable securities" section and capital contributions for long-term investment in other credit institutions in "Capital contributions for long-term investment" section on the consolidated balance sheet.
(14)	Capital contributions and purchases of shares of subsidiary companies that are not included in the consolidated financial statement and enterprises operating under the Law on Insurance Business, excluding those accounted for in (13)	Use the capital contributions for long-term investment in subsidiary companies that are not included in the consolidated financial statement and insurers other than those accounted for in (13) in "Capital contributions for long-term investment" section on the consolidated balance sheet.
	Additional deductions (A3) = Σ15÷16	
(15)	Capital contribution to and purchase of shares of an enterprise, a associate company, a fund (except those mentioned in (13) to (14)) exceeding 10% of (A1 – A2)	Total positive difference between: (i) capital contribution for long-term investment in each enterprise, a associate company, a fund (except those mentioned in (13) to (14)) in "Marketable securities" and "Other long-term investments" sections of the consolidated balance sheet; and (ii) 10% of (A1 - A2).
(16)	Other capital contributions and purchases of shares (except those mentioned in (13) to (15)) exceeding 40% of (A1 – A2)	Total positive difference between: (i) total other capital contributions and purchases of shares (except those mentioned in (13) to (15)) in "Marketable securities" and "Capital contributions for long-term investments" sections of the consolidated balance sheet; and (ii) 40% of (A1 - A2).
	CONSOLIDATED TIER 2 CAPITAL (B) = B1 - B2 - (25)	Value of consolidated Tier 2 capital must not exceed consolidated Tier 1 capital
	Components of consolidated Tier 2 capital (B1) = Σ17÷21	
(17)	50% of the positive difference due to revaluation of fixed assets as prescribed by law	50% of the credit balance of the fixed asset revaluation difference account on the consolidated balance sheet.
(18)	40% of the positive difference due to revaluation of capital contributions for long-term investment as prescribed by law	40% of the credit balance of the asset revaluation difference account for long-term capital contributions on the consolidated balance sheet.
(19)	General provisions prescribed by SBV's regulations on classification of assets, making of and use of provisions for losses for risk management by credit institutions and FBBs	The sum of "General provisions" on the balance sheet.
(20)	Convertible bonds, subordinated debts that are issued by the bank and satisfy the following conditions: (i) The initial term is not shorter than 5 years; (ii) They are not secured with assets of the credit institution itself; (iii) The bank is only permitted to repurchase or prematurely repay the debt if the safety ratios and limits are still complied with after doing so and reports are sent to SBV in accordance with Point a and Point b Clause 6 Article 4 of this Circular for supervision; (iv) The bank may stop paying interest and carry forward the cumulative interest to the next year if	- If the duration of the subordinated debt is over 5 years upon valuation, the entire value of convertible bonds and other debt instruments will be included in Tier 2 capital. - On the issuance date or contract conclusion date every year from the fifth year to before the payment deadline, the value of convertible bonds or subordinated debt which is included in Tier 2 capital shall be reduced by 20% so that such value will be 0 on the first day of the last year before the payment deadline. Note: Convertible bond and subordinated debts issued by subsidiary companies that

	interest payment causes a loss in the year; (v) In case of bank liquidation, holders of convertible bonds and subordinated debts will only be paid after the bank has fully paid other creditors; (vi) The bank may only impose specific values of interest rates of convertible bonds and subordinated debts or use a formula which is specified in the contract or issuance documents. - In case the interest rate is expressed as a specific value, it may only be changed after 5 years from the issuance date or contract conclusion date and may be changed only once throughout the duration of the convertible bonds and other debt instruments. - In case the interest rate is expressed as a formula, it must not be changed except for the amplitude in the formula (if any), which may be changed once after 5 years from the issuance date or contract conclusion date.	are not credit institutions must not be included in this item.
(21)	Interests of minority shareholders	Use the figures in “Interests of minority shareholders” section on the consolidated balance sheet.
	Deductions from consolidated Tier 2 capital (B2) = (22) + (23) + (24)	
(22)	Convertible bonds issued by credit institutions, subordinated debts issued by other credit institutions/FBBs which fully satisfy the conditions for inclusion in Tier 2 capital of the credit institutions/FBBs and are purchased/invested in by the credit institution as prescribed by law	- Convertible bonds and subordinated debts that are purchased from 12/02/2018 must be removed from Tier 2 capital from the date of purchase. - Convertible bonds and subordinated debts that are purchased before 12/02/2018 must be deducted from Tier 2 capital as follows: + From 12/02/2018 to 31/12/2018: deduct 25% of the value of purchased convertible bonds and subordinated debts; + From 01/01/2019 to 31/12/2019: deduct 50% of the value of purchased convertible bonds and subordinated debts; + From 01/01/2020 to 31/12/2020: deduct 75% of the value of purchased convertible bonds and subordinated debts; + From 01/01/2021: deduct 100% of the value of purchased convertible bonds and subordinated debts;
(23)	Positive difference between item (19) and 1,25% of “Total risk-weighted assets” in Appendix 2	
(24)	Positive difference between item (20) and 50% of A	
	Additional deductions	
(25)	Positive difference between (B1 - B2) and A	
	Deductions when calculating consolidated equity	
(26)	100% of the negative difference due to fixed asset revaluation as prescribed by law	100% of the debit balance of the fixed asset revaluation difference account on the balance sheet.
(27)	100% of the negative difference due to revaluation of capital contributions for long-term investment as prescribed by law	100% of the debit balance of the asset revaluation difference account for long-term capital contributions on the balance sheet.
(C)	**CONSOLIDATED EQUITY (C) = (A) + (B) - (26) - (27)**	

B. Components and determination of equity of an FBB:

The FBB shall determine its equity with the following components according to regulations of law on finance of FBBs and its assets.

No.	Component	Determination method
	TIER 1 CAPITAL (A) = (A1) - (A2)	
	Components of Tier 1 capital (A1) = Σ1÷7	
(1)	Provided capital	Use the figures in "Charter capital" section on the balance sheet. If the FBB uses a foreign currency for accounting, charter capital will be converted into VND according to SBV's guidance on financial statements of credit institutions.
(2)	Fund for charter capital increase	Use the amount of "Fund for charter capital increase" in "Funds of the credit institution" section on the balance sheet.
(3)	Development investment fund	Use the amount of "Development investment fund" in "Funds of the credit institution" section on the balance sheet.
(4)	Financial reserve fund	Use the amount of "Financial reserve fund" in "Funds of the credit institution" section on the balance sheet.
(5)	Investments in capital construction and purchase of fixed assets	Use the amounts of "Investments in capital construction and purchase of fixed assets" on the balance sheet.
(6)	Undistributed profit	Use the amount of "Undistributed profit" on the balance sheet at the time of calculation of capital adequacy ratio. If the bank is permitted to delay making provision for losses, the positive difference between the mandatory provision for losses mandated by SBV and the existing provision shall be deducted from the undistributed profit.
(7)	Exchange difference	Use the exchange difference due to revaluation of foreign currency equity on the balance sheet when converting the foreign currency in the financial statement into VND.
	Deductions from Tier 1 capital (A2) = (8) + (9)	
(8)	Cumulative loss	Use the amount of "cumulative loss" when calculating equity.
(9)	Credit extensions for contributing capital to and purchasing shares of other credit institutions	Use the amounts of loans granted for contributing capital to and purchasing shares of other credit institutions.
	TIER 2 CAPITAL (B) = B1 - B2 - (15)	Value of Tier 2 capital must not exceed Tier 1 capital
	Components of Tier 2 capital (B1) = Σ10÷11	
(10)	General provisions prescribed by SBV's regulations on classification of assets, making of and use of provisions for losses for risk management by credit institutions and FBBs	Use the sum of "General provisions" on the balance sheet.
(11)	Convertible bonds, subordinated debts that satisfy the following conditions: (i) The loan term is not shorter than 5 years; (ii) They are not secured with assets of the FBB itself;	- If the loan term is over 5 years when value is being determined, the entire value of the loan or subordinated debt will be included in Tier 2 capital. On the contract conclusion date every year from the fifth year to before the repayment

	(iii) The FBB is only permitted to prematurely repay the debt if the safety ratios and limits are still complied with after doing so and reports are sent to SBV in accordance with Point a and Point b Clause 6 Article 4 of this Circular for supervision; (iv) The FBB may stop paying interest and carry forward the cumulative interest to the next year if interest payment causes a loss in the year; (v) In case the FBB is shut down, the lender will only be paid after the FBB has paid other creditors; (vi) The FBB may only impose a specific value of interest rate of the loans or subordinated debts or use a formula which is specified in the loan contract. - In case the interest rate is expressed as a specific value, it may only be changed after 5 years from the contract conclusion date and may be changed only once throughout the loan term. - In case the interest rate is expressed as a formula, it must not be changed except for the amplitude in the formula (if any), which may be changed once after 5 years from the contract conclusion date.	deadline, the value of the loan or subordinated debt which is included in Tier 2 capital shall be reduced by 20% so that such value will be 0 on the first day of the last year before the repayment deadline.
	Deductions from Tier 2 capital (B2) = (12) + (13) + (14)	
(12)	Convertible bonds issued by credit institutions; subordinated debts issued by other credit institutions/FBBs which fully satisfy the conditions for inclusion in Tier 2 capital of the credit institutions/FBBs and are purchased/invested in by the FBB as prescribed by law	- Convertible bonds and subordinated debts that are purchased from 12/02/2018 must be removed from Tier 2 capital from the date of purchase. - Convertible bonds and subordinated debts that are purchased before 12/02/2018 must be deducted from Tier 2 capital as follows: + From 12/02/2018 to 31/12/2018: deduct 25% of the value of purchased convertible bonds and subordinated debts; + From 01/01/2019 to 31/12/2019: deduct 50% of the value of purchased convertible bonds and subordinated debts; + From 01/01/2020 to 31/12/2020: deduct 75% of the value of purchased convertible bonds and subordinated debts; + From 01/01/2021: deduct 100% of the value of purchased convertible bonds and subordinated debts;
(13)	Positive difference between item (10) and 1,25% of "Total risk-weighted assets" in Appendix 2	
(14)	Positive difference between item (11) and 50% of A	
	Additional deductions	
(15)	Positive difference between (B1-B2) and A	
(C)	**EQUITY (C) = (A) + (B)**	

APPENDIX 2

CATEGORIZATION AND DETERMINATION OF TOTAL RISK-WEIGHTED ASSETS (RWA)

(Including on-balance sheet assets and OBS commitments)

(Promulgated together with Circular No. 22/2019/TT-NHNN dated November 15, 2019)

Part I. Calculation of on-balance sheet assets and on-balance value of OBS commitments

according to level of risk.

A. General instructions:

1. On the basis of the balance sheets, relevant documents and database of banks and FBBs, they shall determine on-balance sheet assets and on-balance value of OBS commitments according to level of risk in accordance with Part II of this Appendix.

The database must contain all receivables sorted by debtor, type of money, security method; collateral and purpose of credit extension.

2. Assets are purchases, investment in convertible bonds of other credit institutions, subordinated debts of other credit institutions and FBBs. Before they are deducted from Tier 2 capital according to Appendix 1 of this Circular, their risk weightings shall be determined similarly to those of receivables owed by other credit institutions and FBBs in the country.

3. Value of receivables for calculation of risk-weighted assets (RWA) includes the principal, interest and fees (if any).

4. Rules for determining risk weightings of assets:

- Rule 1: Each on-balance sheet asset must he classified into a group of risk weightings. If the asset can apply multiple risk weightings, the highest one shall apply. This rule does not apply to:

(i) Receivables that fully satisfy the following conditions:

+ The receivables are secured in terms of duration and value by cash, valuable papers issued or backed by Vietnam's Government, SBV, the People's Committees of provinces; term deposits, saving cards, valuable papers issued by the bank or FBB itself; valuable papers issued or backed by the central governments or central banks of OECD countries; valuable papers issued or backed by international financial institutions;

+ The receivables are not used for real estate business; securities investment or trade;

+ The receivables are not provided for: subsidiary companies, associate companies of the credit institutions; securities companies, fund management companies.

(ii) Loans granted for individuals for purchase of social housing and housing under assistance programs/projects of the Government, the house purchase loan that is under 1,5 billion and secured by the borrower's house (including off-the-plan housing), land use right (LUR), property on land.

- Rule 2: The bank/FBB shall enumerate the receivables by security method, collateral and security ratio of each security method and collateral type in the security contract, which will be the basis for the bank/FBB to valuate the RWAs of the receivables according to the risk weightings provided for in this Appendix.

Scenario 1: The asset (receivable) is wholly secured by a type of collateral/or not secured: Apply Rule 1.

Example 1: Bank A takes a loan of 100 billion VND which is secured by 150 billion VND of government bonds. According to Rule 1, this loan will apply the risk weighting of 0% (receivable wholly secured with valuable papers issued by the Government of Vietnam).

Example: Client A takes a loan of 100 billion VND with a duration of 2 months for real estate business (risk weighting = 200%). The loan is wholly secured by valuable papers that are worth 120 billion VND for the remaining time of 1 year and issued by another bank (risk weighting = 50%). According to Rule 1, this loan will apply the risk weighting of 200%).

Example 3: Bank A grants a loan of 100 billion VND to a client with a duration of 06 months for investment in shares. The loan is secured by 150 billion VND of government bonds for the remaining time of 02 years. According to Rule 1, this loan will apply the risk weighting of 150% (receivables for investment in securities).

Scenario 2: Assets (receivables) partially secured with collateral: Apply Rule 2.

Example: Bank A is granted loan of 100 billion VND with a duration of 2 months, 50 billion VND of which is secured with government bonds for the remaining time of 02 years.

According to Rule 2: (2) the 50 billion VND secured with valuable papers issued by the Government of Vietnam will apply the risk weighting of 0%; (ii) The remaining 50 billion VND will apply the risk weighting of 50% (receivables in VND from other domestic banks).

Scenario 3: Assets (receivables) partially secured with different types of collateral: Apply Rule 2.

Example: Enterprise A is granted a loan of 100 billion VND with a duration of 6 months for commercial purposes, 50 billion VND of which is secured with government bonds for the remaining time of 02 years, the remaining 50 billion is secured with LUR.

According to Rule 2: (2) the 50 billion VND secured with valuable papers issued by the Government of

Vietnam will apply the risk weighting of 0%; (ii) The remaining 50 billion VND, which is secured with LUR, will apply the risk weighting of 50%.

Scenario 4: Assets (receivables) are secured with gold; or used for either real estate business, securities investment; or issued to subsidiary companies, associate companies of credit institutions; securities companies, fund management companies: Apply both Rule 1 and Rule 2.

Example: Securities company A is granted a loan of 100 billion VND; 50 billion VND of which is secured with government bonds; the remaining 50 billion is secured with LUR.

According to regulations in this Appendix, the 50 billion VND which is secured with government bonds will have the risk weighting of 0%, the remaining 50 billion, which is secured with LUR, will have the risk weighting of 50%. The receivables owed by the securities company have the risk weighting of 150%.

According to Rule 1 and Rule 2, the highest risk weighting (150%) will apply.

Scenario 5: Determination of risk weightings and RWAs for consumer loans (Section 23 and 31 of this Appendix)

Example 1: The bank grants the following loans to individual A:

(i) The first loan is 1,2 billion VND for purchase of a house which is secured by that same house. When capital adequacy ratio is calculated, outstanding debt is 1 billion VND.

(ii) The second loan is 800 million VND for purchase of a car. When capital adequacy ratio is calculated, outstanding debt is 500 million VND.

(iii) The third loan is 2,5 billion VND for medical treatment overseas. When capital adequacy ratio is calculated, outstanding debt is 1 billion VND.

Risk weightings and total RWAs of these loans:

- When capital adequacy ratio is calculated, borrower A's first loan satisfies the conditions specified in (23) and may apply the risk weighting of 50%.

Sum of the second loan and third: 0,8 billion VND + 2,5 billion VND = 3,3 billion VND, which is smaller than 4 billion, thus risk weighting will be 100%.

- When capital adequacy ratio is calculated, RWAs of all 3 loans of borrower A: 1 billion VND (first loan) x 50% + 5 billion VND (second loan) x 100% + 1 billion VND (third loan) x 100% = 2 billion VND.

Example 2: The bank grants the following loans to individual B:

(i) The first loan is 4 billion VND for purchase of a house which is secured by that same house. When capital adequacy ratio is calculated, outstanding debt is 500 million VND.

(ii) The second loan is 1 billion VND for purchase of a car. When capital adequacy ratio is calculated, outstanding debt is 800 million VND.

Risk weightings and total RWAs of these loans:

- When calculating capital adequacy ratio, none of borrower B's loans satisfies the conditions in (23). Borrower B's total loan: 4 billion VND + 1 billion VND = 5 billion VND. Thus both of them apply the risk weighting of 150% (if capital adequacy ratio is calculated after 01/01/2021).

- Total RWAs of these loans when capital adequacy ratio is calculated: 0,5 billion VND (first loan) x 150% + 0,8 billion VND (second loan) x 150% = 1,95 billion VND.

Example 3: The bank grants the following loans to individual C:

(i) The first loan is 1,2 billion VND for purchase of a house which is secured by that same house. When capital adequacy ratio is calculated, outstanding debt is 500 million VND.

(ii) The second loan is 1,3 billion VND for purchase of a house which is secured by that same house. When capital adequacy ratio is calculated, outstanding debt is 700 million VND.

(iii) The third loan is a consumer loan of 3 billion VND. When capital adequacy ratio is calculated, outstanding debt is 2 billion VND.

Risk weightings and total RWAs of these loans:

- When capital adequacy ratio is calculated, borrower A's first and second loans satisfy the conditions specified in (23). The bank may choose one of them to apply the risk weighting of 50% throughout the loan term. If the bank chooses the first loan:

+ Risk weighting of the first loan is 50%.

+ Sum of the second loan and third loan: 1,3 billion VND + 3 billion VND = 4,3 billion VND. Thus both of them apply the risk weighting of 150% (if capital adequacy ratio is calculated after 01/01/2021).

- Total RWAs of the 3 loans when capital adequacy ratio is calculated: 0,5 billion VND (first loan) x 50% + 0,7 billion VND (second loan) x 150% = 2 billion VND (third loan) x 150% = 4,3 billion VND.

5. Determination of risk weightings of OBS commitments:

5.1. Values of corresponding on-balance sheet assets of OBS commitments shall be determined as follows:

(i) Step 1: Determine the values of corresponding on-balance sheet assets of OBS commitments by multiplying value of the OBS commitment by the conversion factor specified in this Appendix.

(ii) Step 2: Determine the values of corresponding on-balance sheet RWAs of OBS commitments by multiplying the value of on-balance sheet asset of each OBS commitment calculated in Step 1 by the risk weighting specified in this Appendix.

5.2. The OBS commitments that are converted as instructed above will be considered on-balance sheet assets and will apply the risk weightings similarly to those of on-balance sheet assets in order to determine the values of corresponding risk-weighted assets of OBS commitments. To be specific:

(i) For OBS commitments whose payment is guaranteed by the Government of Vietnam or SBV or whose duration and value are secured by valuable papers issued by the Government of Vietnam or SBV: Risk weighting = 0%.

(ii) For OBS commitments in VND or foreign currencies that are wholly secured by valuable papers issued by state-owned financial institutions: Risk weighting = 20%.

(ii) For OBS commitments in VND or foreign currencies that are wholly secured by valuable papers issued by state-owned financial organizations: Risk weighting = 50%.

(iv) For OBS commitments secured by housing (including off-the-plan housing), LUR, property on land: Risk weighting = 50%

5.3. Derivative contracts and uncategorized OBS commitments: Risk weighting = 100%.

6. The conversion factor of an OBS commitment e.g. to provide guarantee or letter of credit, etc. is the lower conversion factor between the conversion factor of a commitment to provide an OBS commitment and the conversion factor of that OBS commitment.

Example:

Bank A issues a commitment to accept a payment of 100.000 USD to Company B for Company B's loan at Bank C. Bank A's commitment is wholly secured by valuable papers issued by Bank A and owned by Company B. In this case:

- Value of corresponding on-balance sheet assets: 100.000 USD (value of the OBS commitments) x 100% (conversion factor in (45) of Part II of this Appendix) = 100.000 USD;

- Value of RWAs: 100.000 USD (value of corresponding on-balance sheet asset of the OBS commitment) x 20% (risk weighting in (20) of Part II of this Appendix) = 20.000 USD.

B. Calculation of consolidated RWAs:

General rules:

1. Use the data on the consolidated balance sheet without subsidiary companies that are enterprises operating under the Law on Insurance Business.

2. The value of consolidated RWAs (including values of consolidated on-balance sheet RWAs and values of corresponding consolidated on-balance sheet RWAs of consolidated OBS commitments) shall be determined according to Section A Part I of this Appendix.

Part II. Categorization and determination of total RWAs

1. Categorization of on-balance sheet assets by level of risks:

No.	Asset	Value		Risk weighting	Asset value according to level of risks	
		Isolated	Consolidated		Isolated	Consolidated
		[1]	[2]	[3]	[4] = [1] x [3]	[5] = [2] x [3]
	On-balance sheet assets					
(A1)	**Assets with risk weighting = 0%**				**= Σ1÷11**	**= Σ1÷11**
(1)	Cash			0%		
(2)	Gold			0%		

(3)	Money and gold deposited at SBV			0%		
(4)	Receivables from policy banks			0%		
(5)	Receivables owed by the Government of Vietnam and SBV, or receivables backed by the Government of Vietnam or SBV or secured by valuable papers issued or backed by the Government of Vietnam or SBV.			0%		
(6)	Receivables owed by the People's Committees of provinces or receivables whose payment is guaranteed by the People's Committees of provinces			0%		
(7)	Receivables in VND wholly secured by money, whose duration and value are secured by: (i) term deposits; (ii) saving cards; (iii) valuable papers issued by the bank or FBB itself			0%		
(8)	Receivables owed by the Government or central banks of OECD countries or receivables whose payment is guaranteed by the Government or central banks of these countries			0%		
(9)	Receivables wholly secured by valuable papers issued or backed by the Government or central banks of OECD countries			0%		
(10)	Receivables owed or backed by international financial institutions			0%		
(11)	Receivables wholly secured by valuable papers issued or backed by the Government or central banks of OECD countries			0%		
(A2)	**Assets with risk weighting = 20%**				**= Σ12÷20**	**= Σ12÷20**
(12)	Precious metals (except gold), jewels			20%		
(13)	Receivables owed by state-owned financial institutions			20%		
(14)	Receivables wholly secured by valuable papers issued by state-owned financial institutions			20%		
(15)	Bonds issued by VAMC, bonds issued by DATC			20%		
(16)	Receivables owed or backed by banks established in OECD countries			20%		
(17)	Receivables owed or backed by securities companies established in OECD countries applying agreements on risk-based capital management and supervision			20%		
(18)	Receivables with remaining duration of less than 1 year owed or backed by banks established in non-OECD countries			20%		

(19)	Receivables with remaining duration of less than 1 year owed or backed by securities companies established in non-OECD countries applying agreements on risk-based capital management and supervision			20%		
(20)	Receivables in foreign currencies wholly secured by money, whose duration and value are secured by: (i) term deposits; (ii) saving cards; (iii) valuable papers issued by the bank or FBB itself			20%		
(A3)	**Assets with risk weighting = 50%**				**= Σ21÷23**	**= Σ21÷23**
(21)	Receivables owed by other credit institutions and FBBs in the country, except those that are loans and deposits specified in Clause 9 Article 148dd of f the Law on credit institutions (amended)			50%		
(22)	Receivables whose duration and values are secured by valuable papers issued by other credit institutions and FBBs			50%		
(23)	Receivables that are wholly secured by borrowers' housing (including off-the-plan housing), LUR, property on land and satisfy one of the following conditions: a) Loans granted to serve business operation according to regulations of SBV on lending by credit institutions and FBBs; b) Loans granted to individuals for purchase of social housing or housing under assistance programs/projects of the Government; c) Loans granted to individuals for purchase of housing of under 1,5 billion VND. Each client may apply this risk weighting to 1 loan.			50%		
(A4)	**Assets with risk weighting = 100%**				**= Σ24÷26**	**= Σ24÷26**
(24)	Capital contributions to and purchases of shares, excluding the value of capital contributions and purchases of shares that has been deducted from Tier 1 capital when calculating equity			100%		
(25)	Costs of machinery, equipment, fixed assets and other real property			100%		
(26)	Other assets that remain on the balance sheet, except receivables classified into groups with risk weightings of 0%, 20%, 50%, 100%, 120%, 150% and 200%			100%		
(A5)	**Assets with risk weighting = 150%**				**= Σ27÷31**	**= Σ26÷31**

(27)	Receivables owed by subsidiary companies and associate companies of the credit institution			150%		
(28)	The receivables for securities trading and investment			150%		
(29)	Receivables owed by securities companies and fund management companies			150%		
(30)	Loans secured by gold			150%		
(31)	Receivables that are consumer loans of 4 billion VND or over (except those that apply the risk weighting of 50% in (23) of this Part)			120% - effective from 01/01/2020 to 31/12/2020 inclusive		
				150% - effective from 01/01/2021		
(A6)	**Assets with risk weighting = 200%**				**= 32**	**= 32**
(32)	Receivables for real estate business			200%		
(A)	**Total on-balance sheet assets by level of risks**				**= ΣA1÷A6**	**= ΣA1÷A6**

2. OBS commitments

No.	**Item**	**Value**		**Conversion factor**	**Risk weighting**	**Value of on-balance sheet assets by level of risks**	
		Isolated	**Consolidated**			**Isolated**	**Consolidated**
		[1]	**[2]**	**[3]**	**[5]**	**[6] = [1] x [3] x [5]**	**[7]= [2] x [3] x [5]**
	OBS commitments						
(33)	Interest rate futures and interest rate derivatives with initial term of less than 1 year			0,5%			
(34)	Interest rate futures and interest rate derivatives with initial term of from 1 year to less than 2 years			1%			
(35)	Interest rate futures and interest rate derivatives with initial term of 2 years or longer (+1,0% for each year from the third year)			1%			
(36)	Foreign exchange futures and commodity futures with initial term of less than 1 year			2%			
(37)	Foreign exchange futures and commodity futures with initial term of from 1 year to less than 2 years			5%			
(38)	Foreign exchange futures and commodity futures with initial term of 2 years or longer (+3,0% for each year from the third year)			5%			

(39)	OBS commitments (including unused credit and overdraft limits) that are revocable by banks/FBBs or automatically revoked when violated by clients or when clients are not likely to fulfill their obligations			10%			
(40)	Unused credit of credit cards			10%			
(41)	Issuance or certification of letters of credits according to transport documents with initial of 1 year or less			20%			
(42)	Issuance or certification of letters of credits according to transport documents with initial of more than 1 year			50%			
(43)	Potential debts on specific activities (e.g. contract performance guarantee, tender guarantee, letters of credit for specific activities)			50%			
(44)	Valuable papers, securities underwriting			50%			
(45)	OBS commitments that are equivalent to loans (e.g. irrevocable loan commitments, which are loans that cannot be revoked in any shape or form unless except in the cases specified by law; guarantees, letters of credit as guarantee for debts or bonds; undisbursed credit limits, loan guarantee, payment guarantee, etc.)			100%			
(46)	Payment acceptances (e.g. endorsement for acceptance of payment of dossier, etc.)			100%			
(47)	Liabilities of the bank/FBB when selling valuable papers with reserved rights of recourse when the issuers fail to fulfill their commitments			100%			
(48)	Forward contracts for assets, deposits and securities that are partially paid for in advance under guarantee by the bank/FBB			100%			
(49)	OBS commitments other than those with conversion factor of 0,5%, 1%, 2%, 5%, 10%, 20%, 50%, 100%			100%			
(B)	**Total on-balance sheet value of corresponding OBS commitments by level of risks**					**= Σ33÷49**	**= Σ33÷49**

APPENDIX 3

DETERMINATION OF SOLVENCY RATIO

(Promulgated together with Circular No. 22/2019/TT-NHNN dated November 15, 2019)

Part I. Liquid assets:

1. “Liquid assets” table:

No.	Item	Value
1	Cash, gold	
2	Demand deposits (including reserve requirement), overnight deposits and deposits at SBV	
3	Valuable papers used for transactions with SBV	

4	Demand deposits, overnight deposits in correspondent banks, except for those reserved for specific payments.	
5	Demand deposits, overnight deposits at other foreign bank branches (FBB) and credit institutions in Vietnam and other countries, except for those reserved for specific purposes.	
6	Bonds, treasury bills issued or secured by governments and central banks of the countries with credit rating of AA or better.	
7	Listed corporate bonds with credit rating of AA- or better	
8	**Total (A) = (1÷7)**	

2. Instructions:

1: Cash balance, gold value on the balance sheet at the end of each day.

2: Balances of demand deposits, overnight deposits and deposits at SBV on the balance sheet at the end of each day.

3: Book values of valuable papers used for transactions with SBV at the end of each day.

Valuable papers purchased under a forward contract may be included in liquid assets before the maturity date specified therein.

Valuable papers sold under a forward contract may be included in liquid assets before the maturity date specified therein.

4: Demand deposits, overnight deposits in correspondent banks, except for those reserved for specific payments, on the balance sheet at the end of each day.

5: Demand deposits, overnight deposits at other FBBs and credit institutions in Vietnam and other countries on the balance sheet at the end of each day

6: Book values at the end of each day of bonds, treasury bills issued or secured by governments and central banks of the countries with credit rating of AA or better provided by international credit rating agencies (Standard & Poor's, Fitch Rating) or an equivalent rating given by another independent credit rating agency.

7: 50% of book value at the end of each day of corporate bonds being held by the bank/FBB and satisfy the following conditions: (i) the bonds are not issued by a credit institution/FBB in Vietnam or its subsidiary companies or associate companies; (ii) the bonds are listed; (iii) the bonds are rated AA or better by international credit rating agencies (Standard & Poor's, Fitch Rating) or an equivalent rating given by another independent credit rating agency.

Overnight deposits are money deposited during the period from the end of a working day to the beginning of the next working day.

3. Rules for calculation of "Liquid assets":

(i) Assets in No. 3 and 7 must:

- Be immediately used for payment or converted into cash at low transaction costs;

- Not be used as collateral for other liabilities;

- Not include valuable papers that are discounted, rediscounted, pledged or sold under forward contract;

- Not include valuable papers that are not fully redeemed by issuers;

- Not include bonds (even special bonds) issued by VAMC;

(ii) Liquid assets that are valuable papers are used for transactions of SBV (except bonds issued by VAMC); bonds and treasury bills issued by governments and central banks of the countries rated AA or better by international credit rating agencies (Standard & Poor's, Fitch Rating) or an equivalent rating given by another independent credit rating agency, expressed as VND and convertible currencies.

Part II. Cash inflow:

1. "Cash inflow" table:

No.	**Item**	**Value by maturity date**					
		Next day	**Day 2 - 7**	**Day 8 - 30**	**Day 31 - 180**	**Day 181 – 1 year**	**More than 1 year**

		(1)	(2)	(3)	(4)	(5)	(6)
1	Deposits at credit institutions/FBBs/foreign credit institutions as prescribed by law. Loans granted to credit institutions/FBBs/foreign credit institutions:						
1.1	Demand deposits						
1.2	Term deposits						
1.3	Loans granted to credit institutions/FBBs/foreign credit institutions						
2	Loans granted to customers						
3	Trading securities						
4	Investment securities						
5	Derivatives and other financial assets						
6	Interests and fees receivable						
7	Other assets						
8	**Cash inflow (B = 1 ÷ 7)**						

2. Instructions:

1.1: Demand deposits: Enter the balance of demand deposit in "Next day" column; leave out other columns.

1.2: Term deposits: Enter the balance of demand deposit that is due written on the depositing contract in a column that matches its maturity date.

1.3: Loans granted to credit institutions/FBBs/foreign credit institutions: enter the loans that are due according to the lending contracts in the columns that match their maturity dates.

2: Loans granted to customers: enter the due amounts written on the lending contract in the columns that match their maturity dates. In case a loan has multiple maturity dates, the cash inflow will be recorded according to the corresponding maturity date.

3: Trading securities:

- Domestically listed or registered trading securities: Enter the book value minus provision for decrease in securities prices in "Next day" column and leave out other columns.

- Unlisted trading securities: Enter book value of securities in the columns that match their maturity dates.

4: Investment securities:

- Domestically listed or registered marketable securities: Enter the book value minus provision for decrease in securities prices in "Next day" column and leave out other columns.

- Domestically listed or registered investment securities held to maturity: Enter the book value minus provision for decrease in securities prices in a column that matches the maturity date.

- Unlisted marketable securities: Enter book value of marketable securities in the columns that match their maturity dates.

- Unlisted securities held to maturity: Enter book value of securities in the columns that match their maturity dates.

5: Derivatives and other financial assets: Enter the realizable revenue from the derivatives and other financial assets in the columns that match the collection dates.

6: Interests and fees receivable: Enter the due and realizable interest and fees on the loans, deposits, investment securities, derivatives and other financial assets in 1, 2, 3, 4, 5 to in the columns that match their maturity dates.

7: Other assets: Enter the amounts receivable from realization of "other assets" according to Decision No. 16/2007/QD-NHNN (except cash inflow from 1 to 6) in the columns that match their collection dates.

3. Rules for calculation of "Cash inflow":

"Cash inflow" shall be calculated as follows:

- The items that have been included in liquid assets must not be included in "cash inflow".

- Do not include realizable revenue in "cash inflow" if it cannot be estimated.

- In case a loan or fiduciary loan has various due dates, the bank shall calculate cash inflow according to each due date of the loan.

- Loans that are granted to other credit institutions/FBBs/*foreign credit institutions*/business organizations/individuals and have been overdue and/or classified as Group 2 debts or above (according to the latest classification) must not be included in "cash inflow".

- For domestically listed or registered trading securities and marketable investment securities: The value to be included in "cash inflow" is the book value minus provision for decrease in securities prices and shall be included in the cash inflow of the "next day" column instead of other days.

- For domestically listed or registered investment securities held to maturity: The value to be included in "cash inflow" is the book value minus provision for decrease in securities prices on their maturity date.

- For unlisted securities (unlisted trading securities, unlisted marketable investment securities, unlisted investment securities held to maturity: Enter book value of unlisted securities classified as Group 1 debts in the columns that match their maturity dates.

- The following amounts must not be included in "cash inflow":

(i) Forwards, discounting, rediscounting, pledging of valuable papers are used for transactions of SBV (except bonds issued by VAMC); bonds and treasury bills issued by governments and central banks of the countries rated of AA or better by international credit rating agencies (Standard & Poor's, Fitch Rating) or an equivalent rating given by another independent credit rating agency.

(ii) Purchase and resale of government bonds with government bonds traders at the Hanoi Stock Exchange (HNX) as prescribed by the Ministry of Finance.

Part III. Cash outflow:

1. "Cash outflow" table:

No.	**Item**	**Value by maturity date**					
		Next day	**Day 2 - 7**	**Day 8 - 30**	**Day 31 - 180**	**Day 181 – 1 year**	**More than 1 year**
		(1)	**(2)**	**(3)**	**(4)**	**(5)**	**(6)**
1	Debts to the Government and SBV						
2	Deposits of credit institutions/FBBs/foreign credit institutions as prescribed by law. Loans granted by credit institutions/FBBs/foreign credit institutions						
2.1	Demand deposits						
2.2	Term deposits						
2.3	Loans granted by credit institutions/FBBs/foreign credit institutions						
3	Deposits of customers						
3.1	Demand deposits						
3.2	Term deposits and saving deposits						
4	Derivatives and other financial liabilities						
5	Sponsorships, investment trusts, fiduciary loans the risk of which is taken by the bank/FBB as prescribed by law.						
6	Issuance of valuable papers						
7	Interests and fees payable						
8	Other debts						
9	Irrevocable commitments to customers						
10	Overdue liabilities						
11	**Cash outflow (C = 1 ÷ 10)**						

2. Instructions:

1: Enter the balance of debts to the Government and SBV in the columns that match their maturity dates.

2.1: Enter the balance of demand deposit of credit institutions/FBBs/foreign credit institutions in "Next day" column and leave out other columns.

2.2: Enter the balance of term deposits of credit institutions/FBBs/foreign credit institutions that have matured in the columns that match their maturity dates.

2.3: Enter the balance of loans granted to credit institutions/FBBs/foreign credit institutions in the columns that match their maturity dates written on the lending contracts.

3.1: Calculate the average demand deposit withdrawn over the last 30 days and enter the estimated withdrawn deposit in "Next day" column. In case the average demand deposit withdrawn cannot be determined, the value entered in "Next day" column must not fall below 15% of the average balance of demand deposit of customers over the last 30 days.

3.2: Enter the balance of term deposits and saving deposits that are due in the columns that match their maturity dates.

4: Enter the estimated amount incurred from realization of derivatives and other financial liabilities in a column that matches the collection date.

5: Enter the sponsorships, investment trusts, fiduciary loans the risk of which is taken by the bank/FBB in the columns that matches their execution dates according to the sponsorship, trust and fiduciary loan contracts.

6: Enter the payables incurred from redemption of the issued valuable papers in the columns that match their maturity dates.

7: Enter the interests and fees payable in the columns that match their due dates.

8: Enter the amounts payable derived from fulfillment of "other liabilities" according to Decision No. 16/2007/QD-NHNN (except cash outflow from 1 to 7) in the columns that match their payment dates.

9: Enter the balances of irrevocable commitments in the columns that match their execution dates according to relevant agreements, contracts and documents.

10: Enter all overdue payables to "Next day" column; leave out other columns.

3. Rules for calculation of "Cash outflow":

"Cash outflow" is the cash flow caused by liabilities that are due and have to be fulfilled and expected liabilities.

- If a liability does not have a specific due date, it must be written in the "Next day" column.

- Overdue liabilities must be written in the "Next day" column.

- For irrevocable commitments whose term and value are secured with: (i) cash or deposits in VND or foreign currencies; (ii) government bonds, their value must not be included in "Cash outflow".

- The following amounts must not be included in "cash outflow":

(i) Loans granted by SBV (including valuable papers sold under forward contracts through open market operation; discounting, pledging of valuable papers, overnight loans in interbank electronic payment);

(ii) Loans granted by other credit institutions/FBBs un the form of forwards, discounting, rediscounting, pledging of: (i) valuable papers used for transactions of SBV; (ii) bonds and treasury bills issued or secured by governments and central banks of the countries rated AA or better by international credit rating agencies (Standard & Poor's, Fitch Rating) or an equivalent rating given by another independent credit rating agency.

(iii) Purchase and resale of government bonds with government bond traders at the HNX as prescribed by the Ministry of Finance.

- Refinancing loans granted by SBV on the basis of bonds issued by VAMC shall be included in "Cash outflow" corresponding to their maturity dates.