THE STATE BANK OF VIETNAM --------	SOCIALIST REPUBLIC OF VIETNAM Independence - Freedom - Happiness ---------------
No. 19/2017/TT-NHNN	*Hanoi, December 28, 2017*

CIRCULAR

AMENDING AND SUPPLEMENTING A NUMBER OF ARTICLES OF CIRCULAR NO. 36/2014/TT-NHNN DATED NOVEMBER 20, 2014 OF THE GOVERNOR OF THE STATE BANK OF VIETNAM PROVIDING FOR PRUDENTIAL RATIOS AND LIMITS FOR OPERATIONS OF CREDIT INSTITUTIONS AND BRANCHES OF FOREIGN BANKS

Pursuant to the Law on the State bank of Vietnam dated June 16, 2010;

Pursuant to the Law on credit institutions dated June 16, 2010;

Pursuant to the Law on amending and supplementing a number of articles of the Law on credit institutions dated November 20, 2017;

Pursuant to the Government's Decree No. 16/2017/ND-CP dated February 17, 2017 on defining the functions, tasks, entitlements and organizational structure of the State bank of Vietnam;

At the request of the Chief Inspector of Banks;

The Governor of the State bank of Vietnam promulgates the Circular on amending and supplementing a number of articles of Circular No. 36/2014/TT-NHNN dated November 20, 2014 of the Governor of the State bank providing for prudential ratios and limits for operations of credit institutions and branches of foreign banks (Circular No. 36/2014/TT-NHNN).

Article 1. Amending and supplementing a number of articles of the Circular No. 36/2014/TT-NHNN

1. Clause 1 Article 1 shall be amended as follows:

"1. This Circular provides for prudential ratios and limits for operations of credit institutions and branches of foreign banks that must be constantly maintained, including:

a) Minimum capital adequacy ratio, except for the minimum capital adequacy ratio applied to banks and branches of foreign banks under specific regulations of the State Bank;

b) Credit limit;

c) Solvency ratio;

d) Maximum ratio of short-term capital sources used as medium and long term loans;

dd) Rates of purchase of and investment in government bonds and government-backed bonds;

e) Limit on capital contribution and stock purchase;

g) Loan-to-deposit ratio."

2. Clause 3 Article 1 shall be amended as follows:

"3. Credit institutions under special control shall apply prudential ratios and limits for operations as prescribed in 146dd of the Law on credit institutions (amended and supplemented)."

3. Clause 4 and 5 shall be added to Article 1 as follows:

"4. Credit institutions shall provide support under approved recovery plans and apply rates of purchase of and investment in government bonds and government-backed bonds as prescribed in Clause 8 Article 148dd of the Law on credit institutions (amended and supplemented).

5. Credit institutions and branches of foreign banks participating in financing programs and projects under decisions of the Government or the Prime Minister shall consider the capital sources and outstanding debts of each program or project when determining prudential ratios and limits under the decisions of the Government or the Prime Minister."

4. Clause 12 and 13 Article 3 shall be amended as follows:

"12. "Credit extension" refers to an agreement signed by a credit institution or branch of foreign banks allowing an organization or individual to use a sum of money or a commitment allowing the use of a sum of money on the repayment principle by different transactions such as lending, discounting, financial leasing, factoring, purchase and investment in enterprise bonds, issuance of credit cards, bank guarantee and other transactions in accordance with regulations of the State Bank, including credit extension from a source of financing of other legal persons whose risks are taken by a credit institution or branch of foreign banks according to the provisions of law.

13. *"Total amount of outstanding debts incurred from the credit extension"* consists of total outstanding loans, discounts, re-discounts, financial leasing, factoring, total purchase of and investment in enterprise bonds and other transactions in accordance with regulations of the State Bank, including outstanding debts incurred from the credit extension from a source of financing of other legal persons whose risks are taken by a credit institution or foreign bank branch according to the provisions of law; guaranteed balance and trusted credits extended by other credit institutions or branches of foreign banks."

5. Point c Clause 15 Article 3 shall be amended as follows:

"c) Legal persons or other individuals who are potentially risky to the operation of the credit institution or foreign bank branch shall be determined in accordance with the internal rules of the credit institution or foreign bank branch or the written request of the State Bank through inspection and supervision on a case-by-case basis”.

6. Clause 18 shall be amended and Clause 18a shall be added to Clause 18 Article 3 as follows:

“18. “Credit extension used for stock investment and business” means a credit institution or branch of a foreign bank’s credit extension or entrusted credit extension in accordance with law provisions to customers so that customers or other legal persons and individuals may use such source of financing for stock investment, stock trading and stock holding.

18a. “Credit extension used for enterprise bonds” means a credit institution or branch of a foreign bank’s credit extension or entrusted credit extension in accordance with law provisions to customers so that customers or other legal persons and individuals may use such source of financing for enterprise bond investment, bond trading and bond holding.”

7. Clause 19, 20, 21, 22, 23 and 24 shall be added to Article 3 as follows:

“19. “*Credit institution, foreign bank branch”* refers to credit institutions or foreign bank branches established and operated within the territory of Vietnam in accordance with its laws and regulations.

20. *“Financial institution”* refers to institutions regulated in the anti-money laundering laws.

21. *“Financial institution abroad”* refers to financial institutions established abroad in accordance with laws of host countries.

22. *“Average liabilities of a month”* are calculated by total liabilities balance on the balance sheet at the end of each day in such month divided by total days in such month.

23. *“Forward purchase or sale”* refers to the transaction in which *a* credit institution or a foreign bank branch purchases or acquires ownership of valuable papers that have not reached maturity (the buyer) from another credit institution or foreign bank branch (the seller), at the same time the seller commits to buy back such valuable papers after a specified period.

24. *“Subordinated debt” refers to a debt that according to the agreement, the creditor shall only pay after other obligations are discharged, or a debt that gets or does not get other guarantees in case of the borrower’s bankruptcy or dissolution.”*

8. Point d and dd Clause 1 Article 4 shall be amended as follows:

"d) Approval of credit extension and debt rescheduling (including debt extension and debt payment adjustment) shall comply with the principle of transparency, not conflict of interest and not hiding the quality of credit, in which the person deciding the debt rescheduling is not the person extending such credit, except for the case in which the credit extension is approved by the Board of Directors, Board of Members or General Director/Director (branches of foreign banks). In case the credit extension and debt rescheduling are approved through council system, the chairperson of the Board approving the debt rescheduling is not the chairperson of the Board extending such credit and at least two-third (2/3) of the members of the Board approving the debt rescheduling are not members of the Board extending such credit;

dd) Regulations on risk management of credit extensions used for investment and trading of stock and enterprise bonds; credit extension used for real estate business; credit extension used for projects under build-operate-transfer (BOT) contracts and build-transfer (BT) contracts."

9. Point e shall be added to Clause 1 Article 4 as follows:

"e) Regulations on credit extension applied to Directors (Deputy Directors) of branches, affiliated entities and other equivalent titles of credit institutions and branches of foreign banks shall comply with regulations specified in Point a, b, c, d and dd of this Clause. The identification of equivalent titles shall comply with internal regulations of such credit institutions and foreign bank branches."

10. Clause 3 Article 6 shall be amended as follows:

"3. Method for calculating the actual value of charter capital and allocated fund:

The actual value of charter capital and allocated fund is calculated by addition (subtraction) of undistributed profit (loss) recognized on accounting books to charter capital, allocated fund and capital surplus."

11. Clause 3 and 4 Article 10 shall be amended as follows:

"3. Credit institutions and branches of foreign banks shall prepare a report to the General meeting of shareholders and General meeting of members on their credits extended to entities regulated in Clause 1 Article 127 of the Law on credit institutions (amended and supplemented) which incurred at the time of collecting data for the General meeting of shareholders and General meeting of members; report any credit extended to entities regulated in Clause 1 Article 127 of the Law on credit institutions (amended and supplemented) to owners, capital contributors, managers, executives and the State Bank (Bank Supervision and Inspection Agency).

4. Credits extended to subsidiaries, associate companies (except for the credit limit regulated in Article 126 of the Law on credit institutions (amended and supplemented)) and entities specified in the list regulated in Clause 2 this Article shall be approved by the Board of Directors, the Board of Members and General Director/Director (Regarding branches of foreign banks), apart from credit extensions under the authority of the General meeting of shareholders. The Control Board shall supervise the approval of credits extended to such entities."

12. Article 11 shall be amended as follows:

"Article 11. Credit limit

Credit institutions and branches of foreign banks shall comply with regulations and law on cases on exclusion from credit extension, restrictions on credit extension and credit limit specified in Article 126, 127 and 128 of the Law on credit institutions (amended and supplemented).”

13. Article 13 shall be amended as follows:

“Article 13. Conditions and limits of credit extensions used for enterprise bonds investment and trading

1. Credit institutions and branches of foreign banks shall only extend credits with a term of 01 year or shorter to clients to serve the purpose of investment and trading in enterprise bonds if they satisfy the following regulations:

a) Credit extensions shall comply with prudential ratios and limits in accordance with law provisions;

b) Bad debt ratio remains below 3%;

c) Regulations on risk management under law provisions on credit extensions, internal control system shall be strictly observed and risk provisions shall be set up adequately in accordance with law provisions.

2. Credit institutions and branches of foreign banks shall not extend credits to clients to serve the purpose of investment and trading in enterprise bonds in the following cases:

a) Assets put up as collaterals are bonds issued by credit institutions or subsidiaries of the credit institution or foreign bank branch;

b) Assets put up as collaterals are bonds issued by the enterprise that the client borrows credit to purchase bonds of such enterprise;

c) The client is one of the entities regulated in Clause 1 Article 126 of the Law on credit institutions;

d) The client is related to the entities regulated in Clause 1 and 4 of Article 126 of the Law on credit institutions;

dd) The client is one of the entities regulated in Clause 1 Article 127 of the Law on credit institutions (amended and supplemented) or is related to such entities;

e) The client borrows credit to invest in bonds that have not been listed in the stock market or registered in the trading market of unlisted public companies (Upcom).

3. Credit institutions and branches of foreign banks shall not extend credits used for investment and trading in enterprise bonds to clients who are subsidiaries or associate companies of such credit institutions.

4. The total outstanding loan balance for credit extensions used for investment and trading in enterprise bonds of a credit institution or foreign bank branch shall not exceed 5% of the charter capital and allocated fund of such credit institution or foreign bank branch.

14. Article 14 shall be amended as follows:

"Article 14. Conditions and limits of credit extensions used for stock investment and trading

1. Credit institutions and branches of foreign banks shall only extend credits with a term of 01 year or shorter to clients to serve the purpose of investment and trading in stock if they satisfy the following regulations:

a) Credit extensions shall comply with prudential ratios and limits in accordance with law provisions;

b) Bad debt ratio remains below 3%;

c) Regulations on risk management under law provisions on credit extensions, internal control system shall be strictly observed and risk provisions shall be set up adequately in accordance with law provisions.

2. Credit institutions and branches of foreign banks shall not extend credits to clients to serve the purpose of stock investment and trading in the following cases:

a) Assets put up as collaterals are stocks issued by credit institutions or subsidiaries of the credit institution;

b) Assets put up as collaterals are stocks issued by the enterprise that the client borrows credit to purchase stocks of such enterprise;

c) The client borrows credit to invest in stocks issued by the credit institution;

d) The client is one of the entities regulated in Clause 1 Article 126 of the Law on credit institutions;

dd) The client is related to the entities regulated in Clause 1 and 4 of Article 126 of the Law on credit institutions;

e) The client is one of the entities regulated in Clause 1 Article 127 of the Law on credit institutions (amended and supplemented) or is related to such entities;

3. Credit institutions shall not extend credits used for stock investment and trading to clients who are subsidiaries or associate companies of such credit institutions.

4. The total outstanding loan balance for credit extensions used for stock investment and trading of a credit institution or foreign bank branch shall not exceed 5% of the charter capital and allocated fund of such credit institution or foreign bank branch."

15. Point b and c Clause 2 Article 15 shall be amended as follows:

"b) The calculation of liquid reserve ratio is based on the following formula:

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

Where:

- Highly liquid assets are determined according to the Appendix 3 hereof;

- Total liability denotes the total liability entry on a balance sheet minus:

+ Refinanced loans made by the State Bank through discount on valuable papers, loans pledged by valuable papers (minus the refinanced loans made by the State Bank according to bonds issued by Vietnam asset management company); overnight loans in the interbank electronic payment system; forward sale of valuable papers through open market operations of the State Bank.

+ Credit extensions of other credit institutions and branches of foreign banks through forward sale, discount, re-discount and pledged loans: (i) valuable papers used in the State Bank's trading transactions; (ii) bonds or bills issued or secured under payment guarantees by the Governments and Central Banks of countries rated at least AA by international credit rating organizations (Standard & Poor's, Fitch Rating) or other corresponding rank of other independent credit rating organizations.

c) Highly liquid assets and total liability are calculated in Vietnamese dong, including Vietnamese dong and other foreign currencies freely converted into Vietnamese dong (According to the exchange rate or cross exchange rate between VND and other foreign currencies quoted by the State Bank daily or the exchange rate calculated by the credit institution or foreign bank branch in the event that there are no exchange rate or cross exchange rate between VND and other foreign currencies)."

16. Point a Clause 3 Article 15 shall be amended as follows:

"a) Credit institutions and branches of foreign banks must calculate and maintain the solvency ratio within 30 days regarding Vietnam dong and the solvency ratio within 30 days regarding foreign currencies (including USD and other foreign currencies converted into USD according to the exchange rate or cross exchange rate between USD and other foreign currencies or the exchange rate calculated by the credit institution or foreign bank branch in the event that there are no exchange rate or cross exchange rate between VND and other foreign currencies)."

17. Article 17 shall be amended as follows:

"Article 17. Maximum ratio of short-term capital sources used as medium and long term loans

1. Credit institutions and branches of foreign banks shall calculate the maximum ratio of short-term capital sources used as medium and long term loans in Vietnamese dong, including Vietnamese dong and other foreign currencies converted into Vietnamese dong (According to the exchange rate or cross exchange rate between VND and other foreign currencies quoted by the State Bank daily or the exchange rate calculated by the credit institution or foreign bank branch in the event that there are no exchange rate or cross exchange rate between VND and other foreign currencies) according to the following formula:

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

Where:

- A: Maximum ratio of short-term capital sources used as medium and long term loans.

- B: Total outstanding medium and long term loans regulated in Clause 2 of this Article minus the total amount of medium and long term capital sources regulated in Clause 3 of this Article.

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

2. Total outstanding medium and long term loans include:

a) The following outstanding debts for which the remaining repayment period is more than 01 (one) year:

(i) Loans and financial leases (including those granted to other credit institutions and foreign bank branches in Vietnam), except for:

- Loans and financial leases made by the entrusted fund of the Government, other individuals and organizations (including other credit institutions and foreign bank branches in Vietnam; parent banks, parent banks' overseas branches) with which risks associated shall be incurred by such Government, individuals and organizations;

- Loans for programs and projects made by the refinancing fund of the State Bank under decisions of the Government or the Prime Minister.

(ii) Entrustments used as loans or financial leases of other credit institutions or foreign bank branches whereby the risk associated therewith shall be incurred by the entrusting credit institutions or foreign bank branches;

(iii) Purchases of or investments in valuable papers (including bonds issued by the Vietnam asset management company), except for those used in the State Bank's transactions;

(iv) If the loans, financial leases or entrustments specified in (i) and (ii) this Point has many debts corresponding to different repayment periods, the remaining repayment period for calculation of medium and long term loans shall be determined for each debt corresponding to the repayment term of such debt.

b) Overdue principal of loans, entrustments, financial leases, the excess amount of purchases of and investments in medium and long-term valuable papers.

3. Medium and long-term fund comprises the excess amount of the followings of which the maturity period is more than 01 (one) year:

a) Deposit made by individuals;

b) Deposits made by foreign and domestic entities, except all types of the State Treasury's deposits;

c) Borrowings obtained from domestic and foreign financial institutions (exclusive of borrowings obtained from other credit institutions or foreign bank branches in Vietnam);

d) Borrowings from investment trust whereby the risk associated therewith shall be incurred by the entrusting credit institutions or foreign bank branches;

dd) Borrowings made by central credit institutions and branches of foreign banks in case the credit institution or foreign bank branch participates in on-lending of projects from investment entrustments and risks associated with such loans incurred by the entrusting credit institutions or foreign bank branches;

e) Funds raised from the issuance of promissory notes, treasury bills, certificates of deposit and bonds;

g) Charter capital, allocated fund, reserve fund for charter capital complementation, investment fund and the remaining amount of financial reserve fund from which the original value of the amount purchased or investments in fixed assets, or equity participations or share acquisitions have been taken away in accordance with laws and regulations;

h) Share premiums and undistributed profits remaining after purchase of treasury stocks;

i) Borrowings obtained from other credit institutions or foreign bank branches in Vietnam with respect to non-bank credit institutions;

k) Deposits of people's credit funds with respect to cooperative banks.

4. Short-term source of finance includes the excess amount of the followings of which the maturity period is up to 01 (one) year (including demand deposits):

a) Personal deposits other than margin and special deposits;

b) Deposits made by foreign and domestic entities, except the followings:

(i) All types of the State Treasury's deposits;

(ii) Margin and special deposits of customers;

(iii) Deposits of other credit institutions or foreign bank branches in Vietnam.

c) Borrowings obtained from domestic and foreign financial institutions (exclusive of borrowings obtained from other credit institutions or foreign bank branches in Vietnam);

d) Borrowings from investment trust whereby the risk associated therewith shall be incurred by the entrusting credit institutions or foreign bank branches;

dd) Borrowings made by central credit institutions and branches of foreign banks in case the credit institution or foreign bank branch participates in on-lending of projects from investment entrustments and risks associated with such loans incurred by the entrusting credit institutions or foreign bank branches;

e) Funds raised from the issuance of promissory notes, treasury bills, certificates of deposit and bonds;

g) Borrowings or deposits obtained from other credit institutions or foreign bank branches in Vietnam with respect to non-bank credit institutions;

h) Deposits of people's credit funds with respect to cooperative banks.

5. Credit institutions and branches of foreign banks shall comply with the maximum ratio of short-term capital sources used as medium and long term loans under the following roadmap:

a) From January 01, 2018 to the end of December 31, 2018:

(i) Banks, branches of foreign banks: 45%;

(ii) Non-bank credit institutions: 90%.

b) From January 01, 2019:

(i) Banks, branches of foreign banks: 40%;

(ii) Non-bank credit institutions: 90%.".

18. Section 5a shall be added to Section 5 and Article 17a shall be added to Article 17 as follows:

“Section 5a. RATES OF PURCHASE OF AND INVESTMENT IN GOVERNMENT BONDS AND GOVERNMENT-BACKED BONDS

Article 17a. Rates of purchase of and investment in government bonds and government-backed bonds

1. Credit institutions and branches of foreign banks are entitled to purchase and invest in government bonds and government-backed bonds against total average liabilities of the preceding month under the following maximum rate schedule:

a) Banks, branches of foreign banks: 30%;

b) Non-bank credit institutions: 10%.

2. Government bond comprises of:

a) Treasury bills;

b) Treasury bonds;

c) State bonds.

3. Government-backed bond comprises of:

a) Government-backed enterprise bonds;

b) Bonds issued by policy banks and backed by the Government;

c) Bonds issued by financial institutions or credit institutions and backed by the Government.

4. The excess amount of purchases of or investments in Government bonds and Government-backed bonds for determination of the maximum ratios referred to in Clause 1 of this Article means the book value of Government bonds and Government-backed bonds owned by credit institutions or foreign bank branches and entrustments to other organizations to purchase and invest in Government bonds and Government-backed bonds, but excludes purchases of or investments in Government bonds and Government-backed bonds financed by entrusted funds of other individuals or organizations to which any risk is not incurred by such credit institutions or foreign bank branches.

5. Newly established credit institutions and branches of foreign banks (Exclude credit institutions re-organized under the Law on credit institutions) whose operation period is under two (02) years from the beginning day of operation and total liabilities are smaller than charter capital or allocated fund are entitled to purchase and invest in government bonds and government-backed bonds under the maximum rate of 30% to their charter capital or allocated fund.”

19. Article 18 shall be amended as follows:

“Article 18. Limit on capital contribution and stock purchase

Commercial banks and financial companies shall comply with the limit on capital contribution and stock purchase as specified in Article 103, 110, 129 and 135 of the Law on credit institutions (amended and supplemented).”

20. Point c Clause 3 Article 20 shall be amended as follows:

“c) Commercial banks shall not delegate their staff to participate in the Board of Directors of credit institutions whose stocks have been purchased and held by commercial banks, except for the case in which such credit institutions are subsidiaries of commercial banks or commercial banks are assisting credit institutions designated to participate in the management, control, administration and support of the organization and operation of credit institutions under special control;”

21. Point dd shall be added to Clause 3 Article 20 as follows:

“dd) If commercial banks sell stocks of other credit institutions in the form of deferred payments, commercial banks may only transfer their ownership rights of the amount of shares corresponding to the amount already paid by the receivers.”

22. Clause 1 Article 21 shall be amended as follows:

“1. Commercial banks, cooperative banks and branches of foreign banks shall conform to the maximum outstanding loan-to-deposit ratio in Vietnamese dong, including Vietnamese dong and foreign currencies converted into Vietnamese dong (According to the exchange rate or cross exchange rate between VND and other foreign currencies quoted by the State Bank daily or the exchange rate calculated by the credit institution or foreign bank branch in the event that there are no exchange rate or cross exchange rate between VND and other foreign currencies) at the percentage calculated according to the following formula:

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

Where:

- LDR: Loan-to-deposit ratio.

- L: Total amount of outstanding loans regulated in Clause 2 and 3 of this Article.

- D: Total amount of deposits regulated in Clause 4of this Article.”

23. Point b Clause 1 Article 29 shall be amended as follows:

"b) Preside over and cooperate with relevant Departments and Services to request the State Bank's Governor to consider determining specific limits and ratios in accordance with regulations specified in Clause 2, 3, 4 and 5 Article 1 hereof".

24. Substitute annexure to Annex 1, Annex 2 and Annex 3 of the Circular No. 36/2014/TT-NHNN by Annex 1, Annex 2 and Annex 3 hereto.

Article 2. Repealing some articles

Repeal Article 12 and 19 of Circular No. 36/2014/TT-NHNN.

Article 3. Transition provisions

1. Transition provisions applied to the minimum capital adequacy ratio

As at the entry into force of this Circular, credit institutions and foreign bank branches whose minimum capital adequacy ratios have not yet complied with regulations and law specified in Article 9 of Circular No. 36/2014/TT-NHNN which is amended by this Circular must develop treatment plans, in which the following contents must be included:

a) Minimum capital adequacy ratio which are in breach of regulations;

b) Treatment measures and plans that ensure compliance within six (06) months from the day on which this Circular comes into effect.

2. Transition provisions applied to credit extension

a) As at the entry into force of this Circular, credit institutions and foreign bank branches whose credit source extended to a customer for investments or trades in enterprise bonds fails to comply with regulations specified in Article 13 of the Circular No. 36/2014/TT-NHNN which is amended by this Circular shall, from the day on which this Circular comes into effect, not extend any additional credit source for investments or trades in enterprise bonds until they meet all conditions;

b) As at the entry into force of this Circular, credit institutions and foreign bank branches whose credit source extended to a customer to serve the purpose of stock investment and trading fails to comply with regulations specified in Article 14 of the Circular No. 36/2014/TT-NHNN which is amended by this Circular shall, from the day on which this Circular comes into effect, not extend any additional credit source for investments or trades in stocks until they meet all conditions;

3. Transition provisions applied to rates of purchase of and investment in government bonds and government-backed bonds

As at the entry into force of this Circular, credit institutions and foreign bank branches whose rates of purchase and invest in government bonds and government-backed bonds against total average liabilities of the preceding month fails to comply with regulations specified in Article

17a of the Circular No. 36/2014/TT-NHNN which is amended by this Circular shall, from the day on which this Circular comes into effect, not purchase or invest in more government bonds or government-backed bonds until they meet all conditions.

Article 4. Effect

1. This Circular takes effect from February 12, 2018.

2. Regulations specified in Article 17 of Circular No. 36/2014/TT-NHNN amended and supplemented by this Circular shall be applied to determine and comply with the maximum ratio of short-term capital sources used as medium and long term loans from January 01, 2018.

3. Clause 2, 3, 4, 5, 6, 7, 8, 9, 10, 14, 15, 16, 17 and 18 of Article 1 and Article 3 of Circular No. 06/2016/TT-NHNN dated May 27, 2016 of the Governor of the State Bank on amending and supplementing certain articles of the Circular No. 36/2014/TT-NHNN.

Article 5. Implementation

The Chief of the Office, Chief Inspector and Supervisor of banks, 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 credit institutions and foreign bank branches, shall be responsible for implementing this Circular./.

THE GOVERNOR
DEPUTY GOVERNOR

Nguyen Dong Tien

ANNEX 1

COMPONENTS AND METHODS FOR DETERMINATION OF THE EQUITY CAPITAL
(Issued together with Circular No. 19/2017/TT-NHNN dated December 28, 2017 of the Governor of the State bank of Vietnam on amending and supplementing a number of articles of Circular No. 36/2014/TT-NHNN dated November 20, 2014 of the Governor of the State bank providing for prudential ratios and limits for operations of credit institutions and branches of foreign banks)

A. Components and methods for determination of the equity capital of a credit institution:

I. Private capital

Section	Components	Determination method
	PRIVATE TIER-1 CAPITAL (A) = A1 - A2 - A3	
	Components of private tier-1 capital (A1) = ∑1÷8	
(1)	Charter capital (allocated or contributed capital)	Import data from the **Charter capital** section in the balance sheet If the credit institution uses a foreign currency as monetary unit in accounting, the charter capital shall be converted into Vietnam dong in accordance with accounting regulations applied to credit institutions specified by the State bank.
(2)	Reserve fund for charter capital complementation	Import data from the reserve fund for charter capital complementation in the funds of **credit institution section** in the balance sheet.
(3)	Investment fund	Import data from the investment fund in the funds of credit institution section in the balance sheet.
(4)	Financial reserve fund	Import data from the financial reserve fund in the funds of credit institution section in the balance sheet.
(5)	Fund for construction works and fixed assets	Import data from the fund for construction works and fixed assets in the balance sheet.
(6)	Accumulated retained earnings	Conform to guidelines specified in Clause 6 Article 3 this Circular. If the credit institution's postponement or extension of risk provision establishment is approved, the accumulated retained earnings must minus the positive difference between the amount of risk provisions need to be set up according to law provisions of the State bank on classification of asset, ratio and method of setting up of risk provisions, use of risk provisions applied to credit institutions and branches of foreign banks and the amount of risk

		provisions have been set up
(7)	Share premium	Import data from the share premium item in the balance sheet
(8)	Exchange difference	Import the balance of the exchange difference due to re-assessment of equity denominated in foreign currency in the Owner's equity section recognized on the balance sheet when converting financial statements into VND.
	Items subtracted from private tier-1 capital (A2) = ∑ 9÷15	
(9)	Goodwill	Import the positive difference between the purchase price of a main asset and the book value of such asset payable by the bank which arises from acquisition-related transactions of that bank.
(10)	Accrued losses	Import data from the accrued losses item at the time of calculation of equity capital.
(11)	Treasury stocks	Import data from the treasury stocks section in the balance sheet
(12)	Credit extensions for capital contribution or share acquisition in other credit institutions	Import balance of credit extensions for capital contribution or share acquisition in other credit institutions
(13)	Participation in capital contribution or share acquisition of other credit institutions	Import data from the purchases of listed stocks of other credit institutions in accordance with law provisions from the trading securities section and data from the long-term capital contribution in other credit institutions in the long-term capital contribution section of the balance sheet.
(14)	Capital contributions or share acquisitions of subsidiaries other than those referred to in Section (13)	Import data from the long-term capital contributions in other credit institutions (other than those referred to in Section (13)) listed in the long-term capital contribution section of the balance sheet.
(15)	Investments made in the form of contributing capital to acquire shares for takeover of enterprises operating in the field of insurance, securities, remittances, trades in foreign exchange, gold, factoring, credit card	Import data from investments made in the form of contributing capital to acquire shares for takeover of enterprises operating in the field of insurance, securities, remittances, trades in foreign exchange, gold, factoring, credit card

	issuance, consumer credit, payment intermediary services, credit information which are other than those referred to in Section (13) and (14)	issuance, consumer credit, payment intermediary services, credit information in accordance with law provisions (not including those referred to in Section (13) and (14)) recognized in the trading securities section and the long-term capital contribution section of the balance sheet.
	Other additional deductions (A3) = ∑16÷17	
(16)	Capital contributions or share acquisitions in a(n) enterprise, associate company or investment fund (other than those referred to in Section (13) through Section (15)), exceeding 10% of (A1 - A2)	The total of positive differences between: (i) the balance of long-term capital investment in each enterprise, associate company or investment fund in accordance with law provisions (other than those referred to in Section (13) through Section (15)) recorded in trading securities section and other long-term investment section of the balance sheet; and (ii) 10% of (A1-A2).
(17)	Total of remaining capital contributions or share acquisitions (other than those referred to in Section (13) through Section (16)), exceeding 40% of (A1 - A2)	The positive differences between: (i) the total of remaining long-term capital investments in accordance with law provisions (other than those referred to in Section (13) through Section (16)) recorded in trading securities section and long-term capital contribution section of the balance sheet; and (ii) 40% of (A1-A2).
	PRIVATE TIER-2 CAPITAL (B) = B1 - B2 – (25)	The maximum value of private tier-2 capital equals to that of private tier-1 capital
	Components of private tier-2 capital (B1) = ∑18÷21	
(18)	50% of the increasing difference resulting from revaluation of fixed assets in accordance with law provisions	50% of total credit balance of the difference in fixed asset revaluation.
(19)	40% of the increasing difference resulting from revaluation of long-term capital investments in accordance with law provisions	40% of total credit balance of the difference in fixed asset revaluation with respect to long-term capital investments.

(20)	General reserves in accordance with provisions of the State bank on classification of assets, ratio and method of setting up of provisions and use of provisions applied to credit institutions and branches of foreign banks	Import total of the general reserve sections in the balance sheet
(21)	Convertible bonds or subordinated debts issued by credit institutions that satisfy the following conditions: (i) The first maturity period is at least 5 years; (ii) They are not secured by their own assets; (iii) These credit institutions may only repurchase or pay debts prior to the maturity date on conditions that they meet stipulated prudential ratios or limits and report to the State Bank (Bank Inspection and Supervision Agency) for monitoring purposes; (iv) These credit institutions may cease their interest payment and transfer accrued interest forward to the next year if total losses reported in the income statement within this year are attributable to such interest payment; (v) In the event of liquidation of a credit institution, holders of bonds and subordinated debts shall be entitled to debt repayments only after all debt obligations owed to other creditors have been discharged; (vi) Credit institutions may decide on only interest rates of subordinated debts which are determined by their specific values or formulas as clearly defined in issuance contracts or	- At the date of value determination, if the maturity period of such subordinated debts is above 5 years, the whole value thereof shall be included in the tier-2 capital. - From the beginning of the fifth year prior to the payment due date, value of these convertible bonds or subordinated debts included in calculation of the tier-2 capital on the issuance or contract conclusion date in accordance with law provisions must be subject to a deduction of 20% for their value so as to ensure that their value included in the tier-2 capital equals 0 by the first day of the final year before the payment due date.

	materials. - In case of applying the interest rate determined by a specific value, any change made to such interest rate shall be implemented only after 5 years from the date of issuance and signing of contract and such change is made only once during the maturity period thereof. - In case of applying the interest rate determined by a specified formula, any change made to such formula shall not be allowed and, wherever necessary, a change to the interest rate fluctuation amplitude in such formula shall be made only once after 5 years from the date of issuance and contract conclusion.	
	Items subtracted from private tier-2 capital (B2) = (22) + (23) + (24)	
(22)	Convertible bonds issued by other credit institutions and subordinated debts issued by other credit institutions and branches of foreign banks that satisfy all conditions for calculation of the tier-2 capital of the issuing credit institution or branch of the foreign bank which the credit institution purchases or invests in according to law provisions.	- If such convertible bonds or subordinated debts are purchased or invested in from February 12, 2018, the credit institution shall subtract them from tier-2 capital from the date of purchase/invest. - If such convertible bonds or subordinated debts are purchased or invested in before February 12, 2018, the credit institution shall subtract them from tier-2 capital under the following roadmap: + From February 12, 2018 to December 31, 2018: subtract 25% of the value of such purchase of/investment in convertible bonds or subordinated debts; + From January 01, 2019 to December 31, 2018: subtract 50% of the value of such purchase of/investment in

		convertible bonds or subordinated debts; + From January 01, 2020 to December 31, 2020: subtract 75% of the value of such purchase of/investment in convertible bonds or subordinated debts; + From January 01, 2021: subtract the whole value of such purchase of/investment in convertible bonds or subordinated debts.
(23)	The positive difference in value between section (20) and 1.25% of "Total risk assets" referred to in Annex 2	
(24)	The positive difference in value between section (21) and 50% of A	
	Additional deductions	
(25)	The positive difference in value between section (B1-B2) and A	
	Items deducted upon calculation of equity capital	
(26)	100% of the decreasing difference resulting from revaluation of fixed assets in accordance with law provisions	100% of total debit balance of the difference in fixed asset revaluation.
(27)	100% of the decreasing difference resulting from revaluation of long-term capital investments in accordance with law provisions	100% of total debit balance of the difference in fixed asset revaluation with respect to long-term capital investments.
(C)	**PRIVATE EQUITY CAPITAL (C) = (A) + (B) - (26) - (27)**	

II. Consolidated equity capital

1. General principles:

a. Consolidated equity capital is determined by components stated in Point 2 hereunder, imported from the consolidated balance sheet in which subsidiary companies that are enterprises operating under the Law on Insurance Business shall not be consolidated.

b. If the consolidated financial statement stated in Point a does not have specific items to calculate the consolidated tier-1 and tier-2 capital, credit institutions are required to establish statistical data collected from the separate balance sheets of consolidated entities to ensure a full and accurate calculation of tier-1 and tier-2 capital items.

2. A. Components and methods for determination of the consolidated equity capital:

Section	Components	Determination method
	CONSOLIDATED TIER-1 CAPITAL (A) = A1 - A2- A3	
	Components of consolidated tier-1 capital (A1) = ∑1÷8	
(1)	Charter capital (allocated or contributed capital)	Import data from the Charter capital section in the consolidated balance sheet If the credit institution uses a foreign currency as monetary unit in accounting, the charter capital shall be converted into Vietnam dong in accordance with accounting regulations applied to credit institutions specified by the State bank.
(2)	Reserve fund for charter capital complementation	Import data from the reserve fund for charter capital in the funds of credit institution section in the consolidated balance sheet.
(3)	Investment fund	Import data from the investment fund in the funds of credit institution section in the consolidated balance sheet.
(4)	Financial reserve fund	Import data from the financial reserve fund in the funds of credit institution section in the balance sheet.
(5)	Fund for construction works and fixed assets	Import data from the fund for construction works and fixed assets in the balance sheet.
(6)	Accumulated retained earnings	Conform to guidelines specified in Clause 6 Article 3 this Circular. If the credit institution's postponement or extension of risk provision establishment is approved, the accumulated retained earnings must minus the positive difference between the amount of risk provisions need to be set up according to law provisions of the State bank on classification of asset, ratio and method of setting up of risk

		provisions, use of risk provisions applied to credit institutions and branches of foreign banks and the amount of risk provisions have been set up
(7)	Accumulated share premium	Import data from the share premium item in the consolidated balance sheet
(8)	Exchange rate differences arising from consolidation of financial statements	Import data from the exchange rate section in the consolidated balance sheet If the credit institution uses a foreign currency as monetary unit in accounting, exchange rate difference also includes the exchange rate difference due to re-assessment of equity denominated in foreign currency in the Owner's equity section recognized on the balance sheet when converting financial statements into VND.
	Items subtracted from consolidated tier-1 capital (A2) = ∑ ∑9÷14	
(9)	Goodwill	Import the positive difference between the purchase price of a main asset and the book value of such asset payable by the bank which arises from acquisition-related transactions of that bank.
(10)	Accrued losses	Import data from the accrued losses item at the time of calculation of equity capital.
(11)	Treasury stocks	Import data from the treasury stocks section in the consolidated balance sheet
(12)	Credit extensions for capital contribution or share acquisition in other credit institutions	Import data from credit extensions for capital contribution or share acquisition in other credit institutions, including the credit extensions of consolidated subsidiaries.
(13)	Participation in capital contribution or share acquisition of other credit institutions	Import data from the purchases of listed stocks of other credit institutions in accordance with law provisions from the trading securities section and data from the long-term capital contribution in other credit institutions in the long-term capital contribution section of the consolidated balance sheet.

(14)	Capital contributions or share acquisitions in subsidiaries which are not subject to consolidation and those which are enterprises operating under the Law on Insurance Business, other than those referred to in Item (13)	Import data from the long-term capital investments in subsidiaries which are not subject to consolidation and capital contributions or share acquisitions in insurance companies (other than those referred to in Item (13)) recorded as the Long-term capital investments account of the consolidated balance sheet.
	Other additional deductions (A3) = ∑15÷16	
(15)	Capital contributions or share acquisitions in a(n) enterprise, associate company or investment fund (other than those referred to in Section (13) through Section (14)), exceeding 10% of (A1 - A2)	The total of positive differences between: (i) the balance of long-term capital investment in each enterprise, associate company or investment fund in accordance with law provisions (other than those referred to in Section (13) through Section (14)) recorded in trading securities section and other long-term investment section of the consolidated balance sheet; and (ii) 10% of (A1 - A2).
(16)	Total of remaining capital contributions or share acquisitions (other than those referred to in Section (13) through Section (15)), exceeding 40% of (A1 - A2)	The positive differences between: (i) the total of remaining long-term capital investments in accordance with law provisions (other than those referred to in Section (13) through Section (15)) recorded in trading securities section and long-term capital contribution section of the consolidated balance sheet; and (ii) 40% of (A1-A2).
	CONSOLIDATED TIER-2 CAPITAL (B) = B1 - B2 - (25)	The maximum value of consolidated tier-2 capital equals to that of consolidated tier-1 capital
	Components of consolidated tier-2 capital (B1) = ∑17÷21	
(17)	50% of the increasing difference resulting from revaluation of fixed assets in accordance with law provisions	50% of total credit balance of the difference in fixed asset revaluation recorded in the consolidated balance sheet.
(18)	40% of the increasing difference resulting from revaluation of long-term capital investments in accordance with law provisions	40% of total credit balance of the difference in fixed asset revaluation with respect to long-term capital investments item recorded in the consolidated balance

		sheet.
(19)	General reserves in accordance with provisions of the State bank on classification of assets, ratio and method of setting up of provisions and use of provisions applied to credit institutions and branches of foreign banks	Import total of the general reserve sections in the balance sheet
(20)	Convertible bonds or subordinated debts issued by credit institutions that satisfy the following conditions: (i) The first maturity period is at least 5 years; (ii) They are not secured by their own assets; (iii) These credit institutions may only repurchase or pay debts prior to the maturity date on conditions that they meet stipulated prudential ratios or limits and report to the State Bank (Bank Inspection and Supervision Agency) for monitoring purposes; (iv) These credit institutions may cease their interest payment and transfer accrued interest forward to the next year if total losses reported in the income statement within this year are attributable to such interest payment; (v) In the event of liquidation of a credit institution, holders of convertible bonds and subordinated debts shall be entitled to debt repayments only after all debt obligations owed to other creditors have been discharged; (vi) Credit institutions may decide on only interest rates of convertible bonds or subordinated debts which are determined by their specific values or formulas as clearly defined in issuance	- At the date of determination of their value, if the maturity period of the subordinated debts is above 5 years, the whole value of convertible bonds and other debt instruments shall be included in the tier-2 capital. - From the beginning of the fifth year prior to the payment due date, value of these convertible bonds or subordinated debts included in calculation of the tier-2 capital on the issuance or contract conclusion date in accordance with law provisions must be subject to a deduction of 20% for their value so as to ensure that their value included in the tier-2 capital equals 0 by the first day of the final year before the payment due date. Note: Convertible bonds or other debt instruments issued by subsidiary companies other than credit institutions shall not be included in this account.

	contracts or materials. - In case of applying the interest rate determined by a specific value, any change made to such interest rate shall be implemented only after 5 years from the date of issuance and signing of contract and such change is made only once during the maturity period of the convertible bonds and other debt instruments. - In case of applying the interest rate determined by a specified formula, any change made to such formula shall not be allowed and, wherever necessary, a change to the interest rate fluctuation amplitude in such formula shall be made only once after 5 years from the date of issuance and contract conclusion.	
(21)	Minority interest	Import data from the minority interest section in the consolidated balance sheet
	Items subtracted from consolidated tier-2 capital (B2) = (22) + (23) + (24)	
(22)	Convertible bonds issued by other credit institutions; subordinated debts issued by other credit institutions and branches of foreign banks that satisfy all conditions for calculation of the tier-2 capital of the issuing credit institution or branch of the foreign bank which the credit institution purchases or invests in according to law provisions.	- If such convertible bonds or subordinated debts are purchased or invested in from February 12, 2018, the credit institution shall subtract them from tier-2 capital from the date of purchase/invest. - If such convertible bonds or subordinated debts are purchased or invested in before February 12, 2018, the credit institution shall subtract them from tier-2 capital under the following roadmap: + From February 12, 2018 to December 31, 2018: subtract 25% of the value of such purchase of/investment in convertible bonds or subordinated debts; + From January 01, 2019 to December 31, 2019: subtract 50% of the value of

		such purchase of/investment in convertible bonds or subordinated debts; + From January 01, 2020 to December 31, 2020: subtract 75% of the value of such purchase of/investment in convertible bonds or subordinated debts; + From January 01, 2021: subtract the whole value of such purchase of/investment in convertible bonds or subordinated debts.
(23)	The positive difference in value between section (19) and 1.25% of “Total risk assets” referred to in Annex 2	
(24)	The positive difference in value between section (20) and 50% of A	
	Additional deductions	
(25)	The positive difference in value between section (B1 - B2) and A	
	Items deducted upon calculation of equity capital	
(26)	100% of the decreasing difference resulting from revaluation of fixed assets in accordance with law provisions	100% of total debit balance of the difference in fixed asset revaluation recorded in the consolidated balance sheet.
(27)	100% of the decreasing difference resulting from revaluation of long-term capital investments in accordance with law provisions	100% of total debit balance of the difference in fixed asset revaluation with respect to long-term capital investments item recorded in the consolidated balance sheet.
(C)	**CONSOLIDATED EQUITY CAPITAL (C) = (A) + (B) - (26) - (27)**	

B. Components and methods for determination of the equity capital of a foreign bank branch:

Foreign bank branches shall refer to components stipulated hereunder or in the laws on financial regime of foreign bank branches and their own asset accounts or items to determine their equity capital in a proper manner.

Section	Components	Determination method

	TIER-1 CAPITAL (A) = (A1) - (A2)	
	Components of tier-1 capital (A1) = ∑1÷7	
(1)	Allocated capital	Import data from the Charter capital section in the balance sheet If the foreign bank branch uses a foreign currency as monetary unit in accounting, the charter capital shall be converted into Vietnam dong in accordance with accounting regulations applied to credit institutions specified by the State bank.
(2)	Reserve fund for charter capital complementation	Import data from the reserve fund for charter capital in the funds of credit institution section in the balance sheet.
(3)	Investment fund	Import data from the investment fund in the funds of credit institution section in the balance sheet.
(4)	Financial reserve fund	Import data from the financial reserve fund in the funds of credit institution section in the balance sheet.
(5)	Fund for construction works and fixed assets	Import data from the fund for construction works and fixed assets in the balance sheet.
(6)	Accumulated retained earnings	Conform to guidelines specified in Clause 6 Article 3 this Circular. If the foreign bank branch's postponement or extension of risk provision establishment is approved, the accumulated retained earnings must minus the positive difference between the amount of risk provisions need to be set up according to law provisions of the State bank on classification of asset, ratio and method of setting up of risk provisions, use of risk provisions applied to credit institutions and branches of foreign banks and the amount of risk provisions have been set up
(7)	Exchange difference	Import the data of the exchange difference due to re-assessment of equity denominated in foreign currency in the

		Owner's equity section recognized on the balance sheet when converting financial statements into VND.
	Items subtracted from tier-1 capital (A2) = (8) + (9)	
(8)	Accrued losses	Import data from the accrued losses item at the time of calculation of equity capital.
(9)	Credit extensions for capital contribution or share acquisition in other credit institutions	Import the balance of loans for capital contribution or share acquisition in other credit institutions
	TIER-2 CAPITAL (B) = B1 - B2 - (15)	The maximum value of tier-2 capital equals to that of tier-1 capital
	Components of tier-2 capital (B1) = ∑10÷11	
(10)	General reserves in accordance with provisions of the State bank on classification of assets, ratio and method of setting up of provisions and use of provisions applied to credit institutions and branches of foreign banks	Import total of the general reserve sections in the balance sheet
(11)	Loans or subordinated debts that satisfy the following conditions: (i) The maturity period is at least 5 years; (ii) They are not secured by their own assets; (iii) These branches of foreign banks may only pay debts prior to the maturity date on conditions that they meet stipulated prudential ratios or limits and report to the State Bank (Bank Inspection and Supervision Agency) for monitoring purposes; (iv) These branches of foreign banks may cease their interest payment and transfer accrued interest forward to the next year if total losses reported in the income statement within this year are	- At the date of value determination, if the maturity period of such loans is above 5 years, the whole value of such loans and subordinated debts shall be included in the tier-2 capital. From the beginning of the fifth year prior to the payment due date, value of these loans or subordinated debts included in calculation of the tier-2 capital on the issuance or contract conclusion date in accordance with law provisions must be subject to a deduction of 20% for their value so as to ensure that their value included in the tier-2 capital equals 0 by the first day of the final year before the payment due date.

	attributable to such interest payment; (v) In case of termination of operation of the branches of foreign banks, lenders shall be entitled to debt repayments only after these branches of foreign banks have paid to all of other creditors; (vi) Branches of foreign banks may decide on only interest rates of loans or subordinated debts which are determined by their specific values or formulas as clearly defined in issuance contracts or materials. - In case of applying the interest rate determined by a specific value, any change made to such interest rate shall be implemented only after 5 years from the date of issuance and signing of contract and such change is made only once during the maturity period of the loans. - In case of applying the interest rate determined by a specified formula, any change made to such formula shall not be allowed and, wherever necessary, a change to the interest rate fluctuation amplitude in such formula shall be made only once after 5 years from the date of contract conclusion.	
	Items subtracted from tier-2 capital (B2) = (12) + (13) + (14)	
(12)	Convertible bonds issued by other credit institutions; subordinated debts issued by other credit institutions and branches of foreign banks that satisfy all conditions for calculation of the tier-2 capital of the issuing credit institution or branch of the foreign bank which the foreign bank branch purchases or invests in according to law provisions.	- If such convertible bonds or subordinated debts are purchased or invested in from February 12, 2018, the foreign bank branch shall subtract them from tier-2 capital from the date of purchase/invest. - If such convertible bonds or subordinated debts are purchased or invested in before February 12, 2018, the foreign bank branch shall subtract them

		from tier-2 capital under the following roadmap: + From February 12, 2018 to December 31, 2018: subtract 25% of the value of such purchase of/investment in convertible bonds or subordinated debts; + From January 01, 2019 to December 31, 2019: subtract 50% of the value of such purchase of/investment in convertible bonds or subordinated debts; + From January 01, 2020 to December 31, 2020: subtract 75% of the value of such purchase of/investment in convertible bonds or subordinated debts; + From January 01, 2021: subtract the whole value of such purchase of/investment in convertible bonds or subordinated debts.
(13)	The positive difference in value between section (10) and 1.25% of "Total risk assets" referred to in Annex 2	
(14)	The positive difference in value between section (11) and 50% of A	
	Additional deductions	
(15)	The positive difference in value between section (B1-B2) and A	
(C)	**EQUITY CAPITAL (C) = (A) + (B)**	

ANNEX 2

GUIDANCE ON CLASSIFICATION AND METHOD FOR CALCULATION OF TOTAL RISK ASSET
(Inclusive of on-balance sheet credited asset and off-balance sheet commitments)
(Issued together with Circular No. 19/2017/TT-NHNN dated December 28, 2017 of the Governor of the State bank of Vietnam on amending and supplementing a number of articles of Circular No. 36/2014/TT-NHNN dated November 20, 2014 of the Governor of the State bank providing for prudential ratios and limits for operations of credit institutions and branches of foreign banks)

Part I. Guidance on calculation of on-balance sheet credited assets and their respective value under off-balance sheet commitments which is determined by risk levels

A. General guidance:

1. Credit institutions, foreign bank branches shall, subject to related balance sheets, databases and documents of their own and their subsidiaries, and regulations prescribed in this Circular, determine on-balance sheet credited assets and their respective value under off-balance sheet commitments which is determined by risk levels as provided for in Part II hereof.

Databases must provide depository and stocktaking of accounts receivable arranged by the following criteria: subjects of accounts receivable, currency type, security measures, and assets put up as collateral and purposes of credit extensions.

2. Credited asset refers to the purchase of or investment in convertible bonds issued by other credit institutions; subordinated debts issued by other credit institutions and branches of foreign banks. When the credited assets have not yet been subtracted from tier-2 capital as specified in Annex 1 of this Circular, the risk coefficient shall be calculated similarly to the accounts receivable from other credit institutions and foreign banks branches in the country

3. Principles for determining risk coefficient of credited assets:

- 1st principle: Each on-balance sheet credited asset must be classified into a risk coefficient group. If a credited asset concurrently meets criteria to be classified in multiple risk coefficients, the highest risk coefficient shall prevail.

This principle shall not be applied to accounts receivable that concurrently meet the following conditions: (i) they are fully secured in terms of payment due date and value by cash, financial instruments issued or secured under payment guarantees by the Government, State Bank of Vietnam or People's Committees of central-affiliated cities and provinces; time deposits, savings cards, financial instruments issued by credit institutions or foreign bank branches themselves; financial instruments issued or secured under payment guarantees by the Central Governments, Central Banks of OECD member states; financial instruments issued or secured under payment guarantees by international financial organizations; (ii) accounts receivable which are not used for real estate business, investments or trades in securities; (iii) accounts receivable which are not allocated to subsidiaries or associate companies of credit institutions; securities corporations; fund management companies.

- 2nd principle: Credit institutions or foreign bank branches must compile a list of accounts receivable itemized by security measures, collateralized assets and prudential ratios of respective security measures, types of collateralized assets in relation to such accounts receivable as specified in guarantee agreements. On such basis, credit institutions or foreign bank branches shall determine value of risk assets credited to accounts receivable by taking into consideration risk coefficients referred to in this Annex with respect to respective securities measures or collateralized assets.

Situation 1: As for credited assets (receivables), whether absolutely secured by one type of collateralized asset or not secured, the 1st principles shall be applied.

Example 1: A loan granted to Bank A is worth VND 100 billion which is absolutely secured by VND 150 billion Government bonds. Based on the abovementioned 1st principle, this loan shall be classified into the group that has 0% risk coefficient (the receivables are absolutely secured by financial instruments issued by the Government of Vietnam).

Example 2: A loan granted to customer A is worth VND 100 billion with a 2-month term for real estate business (200% risk coefficient) which is absolutely secured by financial instruments issued by other banks (20% risk coefficient). Based on the abovementioned 1st principle, this loan shall be classified into the group that has 200% risk coefficient.

Example 3: Bank A agrees to grant a loan worth VND 100 billion to a customer for his/her investments or trades in stocks which is absolutely secured by VND 150 billion Government bonds. Pursuant to the abovementioned 1st principle, this loan shall be classified into the group that has 150% risk coefficient (receivables for investments or trades in securities).

Situation 2: As for credited assets (receivables) partially secured by collateralized assets, the 2nd principle shall be applied.

Example: A loan granted to Bank A is worth VND 100 billion with a 2-month term of which VND 50 billion is secured by Government bonds.

Based on the abovementioned 2nd principle, this loan shall be classified into groups that have the following risk coefficients: (i) Receivables worth VND 50 billion secured by financial instruments issued by the Government of Vietnam are classified into the group that has 0% risk coefficient; (ii) the remaining VND 50 billion shall be classified into the group that has 50% risk coefficient (receivables denominated in VND with respect to other domestic credit institutions).

Situation 3: As for credited assets (receivables) secured by different collateralized assets, the 2nd principle shall be applied.

Example: A loan granted for commercial purposes to Enterprise A is worth VND 100 billion of which VND 50 billion is secured by Government bonds and the remaining VND 50 billion is secured by land use rights.

Based on the abovementioned 2nd principle, this loan shall be classified into groups that have the following risk coefficients: (i) Receivables worth VND 50 billion secured by financial instruments issued by the Government of Vietnam are classified into the group that has 0% risk coefficient; (ii) the remaining VND 50 billion secured by land use rights shall be classified into the group that has 50% risk coefficient.

Situation 4: As for credited assets (receivables) secured by gold; or used for one of the following purposes: real estate business, investment or trade in securities; or allocated to

the following entities: subsidiaries, associate companies of the said banks, securities or fund management companies, both 1st and 2nd principles shall be applied.

Example: A loan granted to Securities Company A is worth VND 100 billion of which VND 50 billion is secured by Government bonds and the remaining VND 50 billion is secured by land use rights.

As provided for in this Annex, the VND-50-billion loan secured by Government bonds shall be categorized into the group that has 0% risk coefficient, VND 50 billion secured by land use rights shall be included in the group that has 50% risk coefficient and receivables from such securities company shall be classified into the group that has 150% risk coefficient.

By applying both principles stated above, this loan shall be classified into the group that has the maximum risk coefficient of 150% (receivables of securities and fund management companies).

4. Method for determining the risk coefficient of off-balance sheet commitments:

4.1. Value of respective on-balance sheet credited assets of off-balance sheet commitments which is determined by levels of risk shall be calculated according to two following steps:

(i) Step 1: Determining value of respective on-balance sheet credited assets of off-balance sheet commitments.

Determination method: Multiplying value of off-balance sheet commitments by respective conversion coefficient referred to in this Annex.

(ii) Step 2: Determining value of respective on-balance sheet credited risk assets of off-balance sheet commitments.

Determination method: Multiplying respective on-balance sheet credited risk assets of each off-balance sheet commitment referred to in Step 1 by the respective risk coefficient stipulated in this Annex.

4.2. Off-balance sheet commitments shall, after conversion undertaken under the abovementioned instructions, be deemed as on-balance sheet credited assets and be classified into the group that has the similar risk coefficients to those referred to in regulations on on-balance sheet credited assets in order to determine value of respective on-balance sheet credited assets of off-balance sheet commitments as follows:

(i) Off-balance sheet commitments secured under payment guarantees by the Government or the State Bank of Vietnam, or absolutely secured in terms of both their maturity period and value by financial instruments issued by the Government or State Bank, shall be classified into the group that has 0% risk coefficient.

(ii) Off-balance sheet commitments arising in VND or foreign currency absolutely secured by financial instruments issued by state-owned financial institutions shall be classified into the group that has 20% risk coefficient.

(iii) Off-balance sheet commitments arising in VND or foreign currency absolutely secured by financial instruments issued by other credit institutions or branches of foreign banks shall be classified into the group that has 50% risk coefficient.

(iv) Off-balance sheet commitments secured by housing construction (including off-the-plan), land use rights or buildings attached to land use rights of the borrower shall be classified into the group that has 50% risk coefficient.

4.3. Contracts arising and other off-balance sheet commitments which are not elsewhere classified shall be included in the group that has 100% risk coefficient.

5. Principle for determining conversion coefficient applied to off-balance sheet commitments which are commitments to provide an off-balance sheet commitment (e.g. commitments on issuance of guarantees, commitments on issuance of letters of credit, etc.), the credit conversion coefficient is the lower one in a comparison between the credit conversion coefficient applied to commitments to provide off-balance sheet commitments and the credit conversion coefficient applied to off-balance sheet commitments to be provided by commitments.

Example:

Bank A issues a payment commitment worth USD 100,000 to Company B for its loan granted by Bank C. Such payment commitment of Bank A is absolutely secured by financial instruments issued by Bank A itself and currently held by Company B. In this case:

- Value of respective on-balance sheet credited assets shall be determined as follows: USD 100,000 (value of the off-balance sheet commitment) x 100% (the conversion coefficient referred to in Section 45 Point 2 Part II this Annex) = USD 100,000;

- Value of respective on-balance sheet credited risk assets shall be determined as follows: USD 100,000 (value of the respective off-balance sheet commitment) x 0% (the risk coefficient referred to in Section 7 Point 1 Part II this Annex) = USD 0.

B. Guidance on calculation of consolidated risk asset:

Calculation principles:

1. This calculation is based on the data obtained from the consolidated balance sheet in which subsidiary companies that are enterprises operating under the Law on Insurance Business shall not be consolidated in accordance with law provisions.

2. Value of credited risk assets subject to consolidation (including on-balance sheet credited assets subject to consolidation and value of respective on-balance sheet credited assets subject to

consolidation of off-balance sheet commitments subject to consolidation) shall be determined as provided for in Section A Part I of this Annex.

Part II. Classification and calculation of credited risk asset

1. On-balance sheet credited assets determined by levels of risk:

Section	Credited assets	Value		Risk coefficient	Value of credited assets determined by levels of risk	
		Private	Consolidated		Private	Consolidated
		[1]	[2]	[3]	[4] = [1] x [3]	[5] = [2] x [3]
	On-balance sheet credited assets					
(A1)	**Credited asset group that has 0% risk coefficient**				**= ∑1÷11**	**= ∑1÷11**
(1)	Cash			0%		
(2)	Gold			0%		
(3)	Cash and gold deposited in the State bank			0%		
(4)	Receivables from policy banks			0%		
(5)	Receivables from the Government of Vietnam, State bank or receivables under payment guarantees by the Government of Vietnam, State bank or those guaranteed by financial instruments issued or secured under payment guarantees by the Government of Vietnam or State bank.			0%		
(6)	Receivables from the People's Committees of centrally-affiliated cities and provinces or receivables under payment guarantees by the People's Committees of centrally-affiliated cities and provinces			0%		
(7)	VND receivables absolutely secured by cash, or absolutely secured in terms of their maturity period and value by (i) time deposits, (ii) savings cards, (iii) financial			0%		

	instruments issued by credit institutions or foreign bank branches themselves					
(8)	Receivables by the Central Governments, the Central Banks of OECD members, or those secured under payment guarantees by the Central Governments or Central Banks within the territories of these countries			0%		
(9)	Receivables absolutely secured by financial instruments issued or secured under payment guarantees by the Central Governments, the Central Banks of OECD members			0%		
(10)	Receivables by international financial institutions or those secured by their payment guarantees			0%		
(11)	Receivables absolutely secured by financial instruments issued or secured under payment guarantees by international financial institutions			0%		
(A2)	**Credited asset group that has 20% risk coefficient**				**= ∑12÷20**	**= ∑12÷20**
(12)	Precious metals (except for gold), gemstones			20%		
(13)	Receivables by state-owned financial institutions			20%		
(14)	Receivables absolutely secured by financial instruments issued by state-owned financial institutions			20%		
(15)	Bonds issued by Vietnam asset management companies and those issued by Vietnam debt and asset trading limited liability companies			20%		

(16)	Receivables by banks established within the territory of OECD members and those secured under payment guarantees by these banks			20%		
(17)	Receivables by securities companies established within the territory of OECD members that comply with capital-related management and supervision agreements based on risks and receivables secured under payment guarantees by these companies			20%		
(18)	Receivables collected within a maximum period of 1 year by banks established within non-OECD members and secured under payment guarantees by these banks			20%		
(19)	Receivables collected within a maximum of 1 year by securities companies established within the territory of non-OECD members that comply with capital-related management and supervision agreements based on risks and receivables secured under payment guarantees by these companies			20%		
(20)	Foreign-currency receivables absolutely secured by cash, or absolutely secured in terms of their maturity period and value by (i) time deposits, (ii) savings cards, (iii) financial instruments issued by credit institutions or foreign bank branches themselves			20%		
(A3)	**Credited asset group that has 50% risk**				**= ∑21÷23**	**= ∑21÷23**

	coefficient					
(21)	Receivables by other credit institutions and branches of foreign banks within Vietnam, excluding receivables which are loans or deposits specified in Clause 9 Article 148đ of the Law on credit institutions (amended and supplemented)			20% - From February 12, 2018 to the end of December 31, 2018		
				50% - From January 01, 2019		
(22)	Receivables absolutely secured by financial instruments issued by other credit institutions or foreign bank branches			20% - From February 12, 2018 to the end of December 31, 2018		
				50% - From January 01, 2019		
(23)	Receivables absolutely secured by housing construction (including off-the-plan), land use rights or construction works attached to land use rights of the borrower			50%		
(A4)	**Credited asset group that has 100% risk coefficient**				**= ∑24÷26**	**= ∑24÷26**
(24)	Capital contributions or share acquisitions excluding those taken away from the tier-1 capital for calculation of equity capital			100%		
(25)	Historical costs of investments in machinery, equipment, fixed assets and other real estates			100%		
(26)	The rest of credited assets existing on the balance sheet, other than receivables already classified in groups that have risk coefficients 0%, 20%, 50%, 100%, 150% or 200% respectively.			100%		
(A5)	**Credited asset group that has 150% risk coefficient**				**= ∑27÷30**	**= ∑27÷30**

(27)	Receivables by subsidiary companies and associate companies of credit institutions			150%		
(28)	Receivables used for investments and trades in securities			150%		
(29)	Receivables by securities companies or fund management companies			150%		
(30)	Loans secured by gold			150%		
(A6)	**Credited asset group that has 200% risk coefficient**				**= 31**	**= 31**
(31)	Receivables used for real estate business or receivables which are authorized by the customer to be used by other organizations and individuals for the purpose of real estate business			200%		
(A)	**Total on-balance sheet credited assets determined by levels of risk**				**= ∑A1÷A6**	**= ∑A1÷A6**

2. Off-balance sheet commitments

Section	**Item**	**Value**		**Conversion coefficient**	**Risk coefficient**	**Value of respective on-balance sheet credited risk assets of off-balance sheet commitments determined by levels of risk**	
		Private	**Consolidated**			**Private**	**Consolidated**
		[1]	**[2]**	**[3]**	**[5]**	**[6] = [1] x [3] x [5]**	**[7]= [2] x [3] x [5]**
	Off-balance sheet commitments						
(32)	Interest rate contracts that have the initial maturity period of less than 1 year			0,5%			
(33)	Interest rate contracts that have the initial maturity period varying from 1 year to below 2			1%			

	years							
(34)	Interest rate contracts that have the initial maturity period of at least 2 years (plus 1% each year succeeding the third year)			1%				
(35)	Foreign currency contracts or contracts on good price that have the initial maturity period of less than 1 year			2%				
(36)	Foreign currency contracts or contracts on good price that have the initial maturity period varying from 1 year to below 2 years			5%				
(37)	Foreign currency contracts or contracts on good price that have the initial maturity period of at least 2 years (plus 3.0% per each year succeeding the third year)			5%				
(38)	Off-balance sheet commitments (including unused credit lines) that credit institutions and/or foreign bank branches reserve their rights to revoke or automatically revoke due to customer's default on "revocable" terms or customer's reduced capacity to discharge his/her			10%				

	obligations						
(39)	Undrawn amounts in credit cards			10%			
(40)	Issuance and confirmation of commercial letters of credit based upon bills of lading which have the maximum original maturity of 1 year			20%			
(41)	Issuance and confirmation of commercial letters of credit based upon bills of lading which have the original maturity of more than 1 year			50%			
(42)	Potential debts arising from specific activities (e.g. performance bonds, bid bonds, standby letters of credit for specific activities)			50%			
(43)	Guarantees for issuance of stocks or financial instruments			50%			
(44)	Loan-equivalent off-balance sheet commitments (e.g. the irrevocable lending commitment defined as the lending commitment that cannot be waived or changed under any form with respect to established commitments, unless otherwise prescribed by laws; guarantees			100%			

	or standby letters of credit securing debt obligations or bonds; undisbursed irrevocable lines of credit, loan guarantees, payment guarantees, etc.)						
(45)	Payment acceptances (e.g. endorsements of documents against acceptance, etc.)			100%			
(46)	Payment obligations of credit institutions and/or foreign bank branches arising from selling financial instruments for which they are entitled to make a claim due to the issuer's default on commitments			100%			
(47)	Forward contracts regarding assets, deposits and securities partially paid in advance on which credit institutions and/or foreign bank branches make commitments			100%			
(48)	The rest of off-balance sheet commitments, other than those already classified in groups that have conversion coefficients 0.5%, 1%, 2%, 5%, 10%, 20%, 50% or 100% respectively			100%			
(B)	**Total value of**					**= ∑32÷48**	**= ∑32÷48**

	respective on-balance sheet of off-balance sheet commitments determined by levels of risk						

ANNEX 3

GUIDANCE ON CALCULATION OF SOLVENCY RATIO
(Issued together with Circular No. 19/2017/TT-NHNN dated December 28, 2017 of the Governor of the State bank of Vietnam on amending and supplementing a number of articles of Circular No. 36/2014/TT-NHNN dated November 20, 2014 of the Governor of the State bank providing for prudential ratios and limits for operations of credit institutions and branches of foreign banks)

Part I. Highly liquid assets:

1. Forms used for calculating "highly liquid assets":

Section	**Item**	**Numerical data**
1	Cash, gold	
2	Demand deposit (including statutory reserves), overnight deposit and margin deposit accounts opened at the State bank	
3	Financial instruments used in the State Bank's transactions	
4	Balances of demand deposit accounts, balances of overnight deposit accounts at bank agents, except for those already committed for a particular payment purpose	
5	Non-term deposit accounts and overnight deposit accounts opened at other credit institutions or foreign bank branches within Vietnam and abroad, except for those already committed for a particular payment purpose	
6	Bonds or bills issued or secured under payment guarantees by the Governments or Central Banks of countries rated at least AA	
7	**Total amount (A) = (1÷ 6)**	

2. Guidance on getting data:

Section 1: Balances of cash or value of gold recorded on the balance sheet at the end of a day.

Section 2: Balances of demand deposits, overnight deposits and margin deposits in the State Bank recorded on the balance sheet at the end of a day

Section 3: Book value of financial instruments used in the State Bank's transactions in accordance with its regulations at the end of a day.

Within the period of forward purchase of financial instruments agreed upon in repurchase contracts, credit institutions or foreign bank branches may include forward-purchased financial instruments in highly liquid assets.

Within the period of forward sale of financial instruments, credit institutions or foreign bank branches shall not include forward-sold financial instruments in highly liquid assets.

Section 4: Balances of demand deposits, overnight deposits in bank agents recorded on the Balance Sheet at the end of each day minus accounts committed for a particular payment purpose.

Section 5: Balances of non-term deposits, overnight deposits in other credit institutions or foreign bank branches within or outside of Vietnam recorded on the Balance Sheet at the end of each day.

Section 6: Book value of bonds or bills issued or secured under payment guarantees by the Governments or Central Banks of countries which are rated at least AA or equivalent by international credit rating organizations (Standard & Poor's, Moody's, Fitch Group, etc.) or other corresponding rank of other independent credit rating organizations at the end of a day.

Overnight deposit refers to the deposits beginning at the end of the previous business day to the next business day.

3. Principle of calculation of "highly liquid assets":

(i) Section 3 and Section 6 must meet the following requirements:

- Ensure that they may be immediately used for payment purposes or have high liquidity with low transactional expenses;

- Do not use them to secure other financial obligations;

- Do not include outstanding financial instruments being discounted, re-discounted, pledged or forward sold;

- Do not include financial instruments from which outstanding principal or interest obligations arising have been breached by issuing entities;

- Do not include bonds (inclusive of special bonds) issued by Vietnam Asset Management Company (VAMC);

(ii) Highly liquid assets refer to financial instruments used in the State Bank's transactions (except bonds issued by VAMC), bonds or bills issued or secured under payment guarantees of the Governments, Central Banks of countries rated at least AA by credit rating organizations (Standard & Poor’s; Moody’s; Fitch Group, etc.) or other corresponding rank of other independent credit rating organizations with their face value denominated in VND and freely-convertible currencies.

Part II. Cash inflow:

1. Forms used for calculation of “cash inflow”:

Section	**Item**	**Value of cash flow determined by maturity term**					
		Following day	**From 2^{nd} to 7^{th} day**	**From 8^{th} to 30^{th} day**	**From 31^{st} to 180^{th} day**	**From 181^{st} to 360^{th} day**	**More than 360 days**
		(1)	**(2)**	**(3)**	**(4)**	**(5)**	**(6)**
1	Deposits in credit institutions, foreign bank branches or foreign credit institutions under the provisions of laws. Loans granted to credit institutions, foreign bank branches or foreign credit institutions:						
1.1	Demand deposit						
1.2	Time deposit						
1.3	Loans granted to credit institutions, foreign bank branches and foreign credit institutions						
2	Loans granted to customers						
3	Trading securities						
4	Investment securities						
5	Derivatives and other financial assets						
6	Interest or expenses receivable						

7	Other credited assets						
8	**Cash inflow (B = 1 ÷ 7)**						

2. Guiding on getting data of "Cash inflow":

Section 1.1: Demand deposits: Import balances of demand deposits from the Balance Sheet in the column "Following day" and keep other day columns blank.

Section 1.2: Time deposits: Fill balances of time deposits of which payment is due as specified in deposit agreements in the relevant columns corresponding to their maturity dates.

Section 1.3: Loans granted to credit institutions, foreign bank branches or foreign credit institutions: Fill the amount of outstanding debts incurred from such loans of which repayment is due as specified in loan agreements in the relevant columns corresponding to their maturity dates.

Section 2: Loans granted to customers: Fill the amount of outstanding debts incurred from such loans of which repayment is due on the date specified in loan agreements in the relevant columns corresponding to their maturity dates. If the loan has many repayment terms, the cash inflow shall be recognized in accordance with its respective repayment term.

Section 3: Trading securities:

- *Listed trading securities:* Fill the book value minus provisions for devaluation in securities required by laws in the column "Following day" and keep other day columns blank.

- *Unlisted trading securities:* Fill the book value of trading securities in the relevant columns corresponding to their maturity dates.

Section 4: Investment securities:

- *Listed available-for-sale investment securities:* Fill the book value minus provisions for devaluation in securities required by laws in the column "Following day" and keep other day columns blank.

- *Listed held-to-maturity investment securities:* Fill the book value of held-to-maturity investment securities minus provisions for devaluation in securities required by laws in the relevant columns corresponding to their maturity dates.

- *Unlisted available-for-sale investment securities:* Fill the book value of available-for-sale investment securities in the relevant columns corresponding to their maturity dates.

- *Unlisted held-to-maturity investment securities:* Fill the book value of held-to-maturity investment securities in the relevant columns corresponding to their maturity dates.

Section 5: Derivatives and other financial assets: Fill the amount certainly collected from implementation of derivative instruments and other financial assets in relevant columns corresponding to the dates of cash flows arising.

Section 6: Interest or expenses receivable: Fill the amount of interest, expenses receivable at maturity or certainly collected arising from loans, deposits, investment securities, derivative instruments and other financial assets that meet conditions for being included as a "cash inflow" entry at abovementioned *Section* 1, 2, 3, 4 and 5 in the relevant columns corresponding to their maturity dates.

Section 7: Other credited assets: Fill the sum certainly collected arising from implementation of "other credited assets" under instructions specified in Decision No. 16/2007/QD-NHNN of the State Bank dated April 18, 2007 on adoption of financial reporting regime in credit institutions and other relevant documents (excluding cash flows arising as referred to in Section 1 through Section 6 in the cash inflow table) in the relevant columns corresponding to the dates of cash flows arising.

3. Principle of calculation of "cash inflow":

"Cash inflow" must adhere to the following principles:

- Accounts or items already included in highly liquid assets shall not be recorded in the "cash inflow".

- If banks or foreign bank branches have not established determination of amounts likely to be collected as planned, such amounts shall not be included in the "cash inflow".

- *Loans granted to other credit institutions, foreign bank branches, foreign credit institutions and those granted to individual economic entities shall, if exceeding their maturity and/or classified into the 2nd debt group or further (based on the latest result of debt classification), be excluded from the "cash inflow".*

- *Listed trading securities and available-for-sale investment securities:* Value included in the "cash inflow" is the book value minus provisions for devaluation in securities required by laws and is included in the "cash inflow" of the column "Following day" and is not filled in the rest of day columns.

- *Listed available-for-sale investment securities:* Value included in the "cash inflow" is the book value minus provisions for devaluation in securities required by laws and is included in the "cash inflow" at maturity.

- *Unlisted securities (unlisted trading securities, unlisted available-for-sale investment securities and unlisted held-to-maturity investment securities):* Fill the book value of unlisted securities classified into the 1st debt group in the relevant columns corresponding to their maturity dates.

- Credit institutions or foreign bank branches shall not recognize the following value in the "cash inflow":

(i) Value from the forward purchase, receipt of discount, re-discount and grant of loans with pledge of financial instruments used in the State Bank's trading transactions; bonds or bills issued or secured under payment guarantees by the Governments and Central Banks of countries rated at least AA by international credit rating organizations (Standard & Poor's, Fitch Rating) or other corresponding rank of other independent credit rating organizations of other credit institutions and branches of foreign banks.

(ii) Value from the purchases combined with re-sale of Government bonds to Government bond trading members at the Hanoi Stock Exchange in accordance with the regulations of the Ministry of Finance on management of transactions in Government bonds, Government-backed bonds and municipal bonds.

Part III. Cash outflow:

1. Forms used for calculation of "cash outflow":

Section	Item	Value of cash flow determined by maturity term					
		Following day	From 2nd to 7th day	From 8th to 30th day	From 31st to 180th day	From 181st to 360th day	More than 360 days
		(1)	(2)	(3)	(4)	(5)	(6)
1	Debts owed to the Government and the State Bank						
2	Deposits in credit institutions, foreign bank branches or foreign credit institutions under the provisions of laws. Loans granted by credit institutions, foreign bank branches or foreign credit institutions:						
2.1	Demand deposit						
2.2	Time deposit						
2.3	Loans granted by credit institutions, foreign bank branches and foreign credit institutions						
3	Customer's deposits						
3.1	Demand deposit						
3.2	Time deposits and saving deposits						
4	Derivatives and other financial liabilities						

5	Fund derived from financing, investment entrustments, lending entrustments from which any risk arising is incurred by credit institutions or foreign bank branches in accordance with laws						
6	Issuances of financial instruments						
7	Interest or expenses payable						
8	Other liabilities						
9	Irrevocable commitments to customers						
10	Overdue payment obligations						
11	**Cash outflow (C = 1 ÷ 10)**						

2. Guiding on getting data of "Cash outflow":

Section 1: Debts owed to the Government and the State Bank: Fill the amount of outstanding debts owed to the Government and the State Bank in relevant columns corresponding to their payment due dates.

Section 2.1: Demand deposits: Import balances of demand deposits from the Balance Sheet in the column "Following day" and keep other day columns blank.

Section 2.2: Time deposits: Fill balances of time deposits made by credit institutions, foreign bank branches and foreign credit institutions of which payment is due in the relevant columns corresponding to their maturity dates.

Section 2.3: Loans granted by credit institutions, foreign bank branches or foreign credit institutions: Fill the amount of outstanding debts incurred from loans of which repayment is due in the relevant columns corresponding to their maturity dates specified in loan agreements.

Section 3.1: Demand deposits: Credit institutions, foreign bank branches shall list and calculate balances of demand deposits of which the average amounts are withdrawn within 30 days immediately preceding the date of calculation in order to determine the amount of demand deposits likely to be withdrawn and fill these amounts in the column "Following day". If it is impossible to determine the said average amounts, demand deposits likely to be withdrawn in the column "following day" are not less than 15% of the average balance of demand deposits of customs made within 30 days immediately preceding the calculation date.

Section 3.2: Time deposits and saving deposits: Fill balances of time deposits and saving deposits of which repayment is due in the relevant columns corresponding to their maturity dates.

Section 4: Derivatives and other financial liabilities: Fill the sum proposed to arise from implementation of derivative instruments and other financial liabilities in the relevant columns corresponding to the date of cash flow arising.

Section 5: Fund derived from financing, investment entrustments, lending entrustments from which any risk arising is incurred by credit institutions or foreign bank branches in accordance with laws: Fill the amount arising from implementation of financing, investment entrustments and lending entrustments by risk-taking credit institutions or foreign bank branches as defined in financing, investment entrustment and lending entrustment agreements in the relevant columns corresponding to the agreed period of such implementation.

Section 6: Issues of financial instruments: Fill the amount payable arising from implementation of obligations to pay issued financial instruments in the relevant columns corresponding to their maturity dates.

Section 7: Interest, expenses payable: Fill the amount of interest and expenses payable in the relevant columns corresponding to their payment due dates.

Section 8: Other liabilities: Fill the sum arising from implementation of “other liabilities” under instructions specified in the Decision No. 16/2007/QD-NHNN of the State Bank dated April 18, 2007 on adoption of financial reporting regime in credit institutions and other relevant instruments (excluding cash flows arising as referred to in Section 1 through Section 7 in the cash outflow table) in the relevant columns corresponding to their maturity dates.

Section 9: Irrevocable commitments to customers: Fill balances of irrevocable commitments in the relevant columns corresponding to the time limits for implementation of such commitments as specified in credit granting agreements, contracts, payment documents and other related documents.

Section 10: Overdue payment obligations: Fill all of the overdue obligatory payments in the column “Following day” and keep other day columns blank.

3. Principle of calculation of “cash outflow”:

“Cash outflow” refers to the amount of cash arising from obligations to make due payments, fulfill commitments, and proposed obligations arising as well as adhere to the following principles:

- If it is unlikely to determine time limits for payments of obligations, the sum used for paying obligations must be included in the column "cash outflow" of the "following day";

- Obligations of which payments are overdue must be included in the column “cash outflow” of the “following day”.

- Irrevocable commitments must be fully obeyed in terms of maturity and value by (i) VND or foreign-currency cash or deposits, (ii) bonds of Governments, credit institutions or foreign bank branches of which value of commitments are not entered in the “cash outflow”.

- Credit institutions or foreign bank branches shall not recognize the following loans in the “cash outflow”:

(i) Loans obtained from the State bank (including forward sale of financial instruments through open market operations; discount, pledge of financial instruments and overnight loans in the interbank electronic payment system);

(ii) Loans obtained from other credit institutions and branches of foreign banks through forward sale, discount, re-discount and pledged loans of: (i) financial instruments used in the State Bank's trading transactions; (ii) bonds or bills issued or secured under payment guarantees by the Governments and Central Banks of countries rated at least AA by international credit rating organizations (Standard & Poor’s, Fitch Rating) or other corresponding rank of other independent credit rating organizations.

(iii) The purchases combined with re-sale of Government bonds to Government bond trading members at the Hanoi Stock Exchange in accordance with the regulations of the Ministry of Finance on management of transactions in Government bonds, Government-backed bonds and municipal bonds.

- Regarding refinanced loans on the basis of bonds issued by the Vietnam asset management company, the credit institution must record such loans to the “cash outflow” corresponding to their maturity dates.