OCB

Ngân Hàng Phương Đông

PUBLIC DISCLOSURE ON CAPITAL ADEQUACY RATIO

June 30, 2024

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JUNE 30, 2024

(Issued together with Decision No. 656.01/2024/QD-TGD, dated October 22, 2024 by the CEO of Orient Commercial Joint Stock Bank)

Content

List of Tables

List of Charts

List of Abbreviations

The following abbreviations are used in the document:

CAR	: Capital Adequacy Ratio
BOD	: Board of Directors
RC	: Risk coefficient
SBV	: State Bank of Vietnam
OCB	: Orient Commercial Joint Stock Bank
RM	: Risk Management
ORM	: Operational Risk Management
RM	: Risk Management
MRM	: Market Risk Management
OR	: Operational Risk
CR	: Credit Risk
MR	: Market Risk
RWA	: Risk-Weighted Asset
FI	: Financial Institution
CI	: Credit Institution
RMC	: Risk Management Committee

OVERVIEW

Regulations on Capital Adequacy Ratio

Applying Basel II standards is an urgent requirement for Vietnamese commercial banks to ensure the safety of banking operations.

The legal framework for implementing Basel II in Vietnam includes:

- Circular 41/2016/TT-NHNN (referred to as Circular 41) effective from January 1, 2020, regulates the capital adequacy ratio for banks and guides the implementation of Pillars 1 and 3 according to the Basel II standard approach.
- Circular 13/2018/TT-NHNN (Circular 13), effective from January 1, 2019, regulates Pillar 2—Basel II—on the risk management organizational structure, assessing specific types of risks, and requiring additional capital for crisis events and types of risks not mentioned in Pillar 1.

Orient Commercial Joint Stock Bank (abbreviated as "OCB") was recognized by the State Bank of Vietnam as one of the first three banks to complete risk management items according to Basel II international standards by the end of 2018.

Scope of Application

The Public Disclosure on Capital Adequacy Ratio as of June 30, 2024 was prepared and published by OCB to comply with the provisions of Circular 41. The information in the Public Disclosure is collected and calculated by OCB in accordance with the provisions of Circular 41 and OCB's Internal Regulations on the collection and publication of capital adequacy information.

The Public Disclosure on Capital Adequacy Ratio includes the following information: (1) Core capital, (2) Capital adequacy ratio and (3) 03 main types of risks.

As of June 30, 2024, OCB has one subsidiary, Orient Commercial Bank International Money Transfer Limited Company, and has no investments in its subsidiary that is an insurance business.

Table 1: List of Subsidiaries

Unit: billion VND

No.	ID	Subsidiary	Charter capital of the subsidiary	Investment value of OCB
1	OIMT	Orient Commercial Bank International Money Transfer Limited Company	25	25

1 - CORE CAPITAL

Components of Core Capital

According to the law, OCB's core capital is divided into two main components according to Circular 41: Tier 1 capital and Tier 2 capital, based on the holding period and the ability to absorb capital losses. The main characteristics of capital instruments issued by OCB are as follows:

Tier 1 capital: includes equity and disclosed reserves. There is no obligation to pay periodic interest or dividends to shareholders contributing this capital.

Tier 2 capital: includes

(i) Other reserve funds extracted from profit after corporate income tax;
(ii) 50% of the increase due to revaluation of fixed assets;
(iii) 45% of the increase due to revaluation of long-term investment capital contributions;
(iv) 80% of general reserves according to the regulations of the State Bank of Vietnam on asset classification, level of provisions, method of risk provisions and use of risk provisions;
(v) Equity instruments with debt nature issued by OCB;
(vi) Subordinated debt issued and signed by OCB that fully meets the conditions of the State Bank of Vietnam in Circular 41.

Some deductions specified in Appendix 1 of Circular 41 are applied to determine the bank's core capital.

OCB has developed different capital increase plans to match the ability to grow assets, ensuring minimum capital safety ratios according to the law and international standards through the following solutions:

- Capital increase from the issuance of bonus shares from retained earnings and funds;
- Capital increase from the issuance of new shares to existing and new shareholders;
- Tier 2 capital increase from the issuance of bonds.

Fluctuation of Core Capital

Compared to December 31, 2023, total single and consolidated core capital as of June 30, 2024, increased by VND 1,662 billion and VND 1,636 billion, respectively, equivalent to an increase of 5.7% and 5.6%. In particular, the capital increase mainly comes from the growth of Tier 1 capital.

Chart 1: Fluctuation of Core Capital

Unit: billion VND

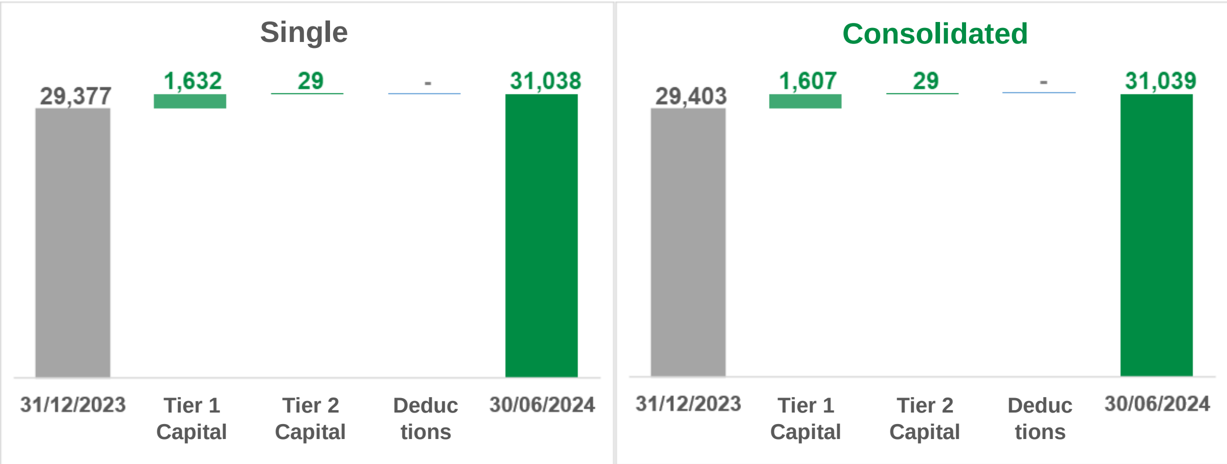


Chart 2: Components of Core Capital

Unit: billion VND

	SINGLE	31/12/2023 (DD/MM/YYYY)	30/6/2024 (DD/MM/YYYY)	Changes
1	Tier 1 Capital	**28,534**	30,167	↑ 1,632
2	Tier 2 Capital	**867**	897	↑ 29
3	Deductions from Core Capital	**25**	25	-
	Core Capital (C) = (1) + (2) - (3)	**29,377**	**31,038**	**↑ 1,662**
	CONSOLIDATED			
1	Tier 1 Capital	**28,535**	30,142	↑ 1,607
2	Tier 2 Capital	**867**	897	↑ 29
3	Deductions from Core Capital	**-**	-	-
	Core Capital (C) = (1) + (2) - (3)	**29,403**	**31,039**	**↑ 1,636**

2 - CAPITAL ADEQUACY RATIO

CAR Calculation Process

OCB has issued the CAR Calculation Process and the Procedure for disclosing information on capital adequacy ratio. According to regulations, the calculation and disclosure of information are carried out as follows:

(i) Information collection: information is taken directly from OCB's data warehouse to minimize the risk of data errors;

(ii) Capital adequacy ratio calculation: OCB has developed a capital adequacy ratio calculation tool that allows capital calculation to be performed quickly and accurately;

(iii) Control of calculation results: The Risk Management Division is the focal point for coordinating with internal units to confirm the accuracy of the calculation results;

(iv) Approval of results and information disclosure content: calculation results and disclosure content are approved by the OCB Risk Committee (RCO) before being disclosed externally.

Capital Plan to Ensure Maintenance of Capital Adequacy Ratio

OCB actively manages the capital adequacy ratio, ensuring compliance with the regulations of the SBV and the established risk appetite limit. In addition to the annual capital increase plan from retained earnings and new issuance to supplement core capital, OCB has been implementing measures to minimize risk coefficients and increase asset quality to stabilize and maintain the capital adequacy ratio according to OCB's target plan.

To ensure effective and safe capital management, OCB has implemented the Internal Capital Adequacy Assessment Process (ICAAP) for 4 years. This process is carried out annually to ensure adequate capital to maintain the minimum capital adequacy ratio in both normal and adverse scenarios, serving as a basis for developing and adjusting OCB's business plan. Accordingly, required capital and target capital are determined based on business strategy, risk profile and stress test results:

OCB’s risk appetite statement sets the target CAR at 11%, which is 3% higher than the SBV’s mandatory CAR of 8%.

Economic capital is calculated for credit risk (including counterparty credit risk), concentration risk, market risk, operational risk, interest rate risk in the banking book and includes a capital buffer for adverse scenarios identified through stress test results.

Capital Adequacy Ratio Fluctuation

By mid-2024, the CAR ratio reached 13.72%. As of June 30, 2024, single and consolidated RWA increased by approximately 2.3% compared to December 31, 2023. This increase corresponds to a rise in single and consolidated capital by 5.7% and 5.6%, respectively. Throughout the first six months of 2024, OCB consistently maintained a CAR above 13%.

Chart 2: Capital Adequacy Ratio

Unit: %, billion VND

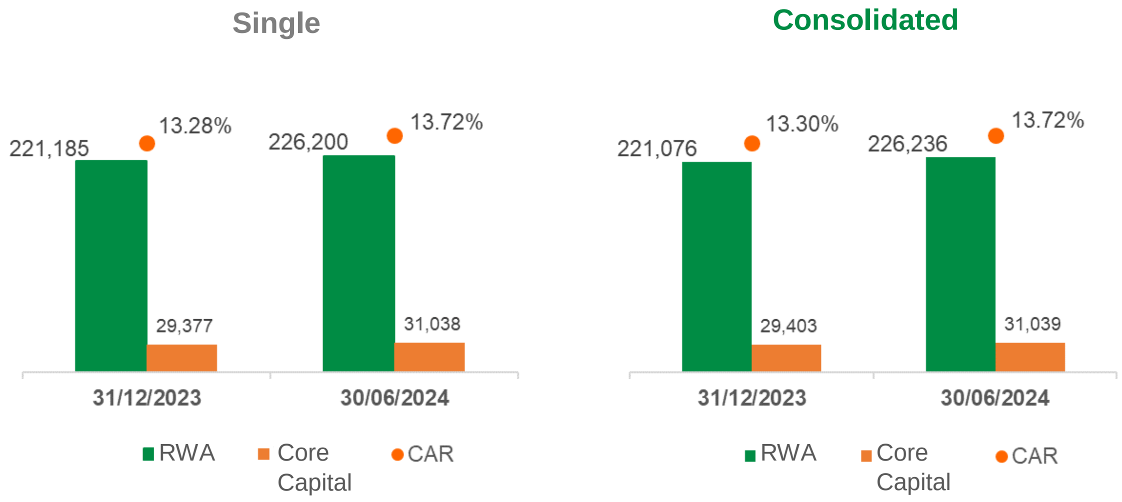


Table 3: Capital Adequacy Ratio and Risk-Weighted Assets

Unit: %, billion VND

No.	Items	31/12/2023 (DD/MM/YYYY)	30/6/2024 (DD/MM/YYYY)	Changes
	SINGLE			
1	**Credit risk weighted assets (RWA)**	**196,067**	**203,753**	**7,686**
	Credit risk weighted assets (RWA_{CR})	195,075	202,471	7,396
	Counterparty credit risk weighted assets (RWA_{CCR})	992	1,282	290
2	**Regulatory capital for Operational risk (K_{OR})**	**1,527**	**1,638**	**111**

No.	Items	31/12/2023 (DD/MM/YYYY)	30/6/2024 (DD/MM/YYYY)	Changes
3	**Regulatory capital for Market risk (K_{MR})**	**482**	**157**	**(325)**
4	**Tier 1 Capital Adequacy Ratio**	**12.90%**	**13.34%**	**0.44%**
5	**Capital Adequacy Ratio**	**13.28%**	**13.72%**	**0.44%**
	CONSOLIDATED			
1	**Credit risk weighted assets (RWA)**	**195,959**	**203,716**	**7,758**
	Credit risk weighted assets (RWA_{CR})	194,967	202,435	7,468
	Counterparty credit risk weighted assets (RWA_{CCR})	992	1,282	290
2	**Regulatory capital for Operational risk (K_{OR})**	**1,527**	**1,644**	**117**
3	**Regulatory capital for Market risk (K_{MR})**	**482**	**157**	**(325)**
4	**Tier 1 Capital Adequacy Ratio**	**12.91%**	**13.32%**	**0.42%**
5	**Capital Adequacy Ratio**	**13.30%**	**13.72%**	**0.42%**

3 - RISK MANAGEMENT

Operating in the financial sector, OCB is well aware of its important responsibility in risk management. Therefore, the risk management system applied at OCB is organized comprehensively, from the Head Office to each business unit. Accordingly, the duty of risk management is incumbent upon all staff at OCB, encompassing both those directly and indirectly involved in the bank's operations.

Risk Management Principles

Risk management for each specific type of risk is stipulated in OCB's General Risk Management Policy and the corresponding Risk Management Regulations issued by the Board of Directors (BOD), which are applied consistently throughout OCB's operations. OCB's risk management principles include the following key elements:

(i) Compliance with laws;

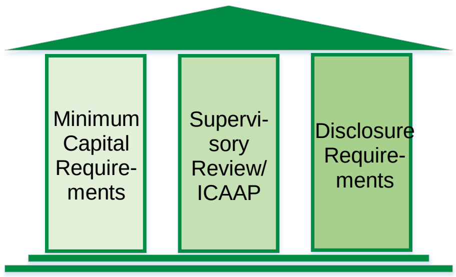
(ii) Transparency;

(iii) Alignment with business objectives, strategies and risk management policies;

(iv) Continuous improvement of risk control.

All regulations, rules, and procedures in OCB's operations fully comply with the provisions of law and OCB's general risk policy. OCB employees comply with the law and internal regulations in their work. All business regulations are periodically reviewed upon request by the Board of Management, to ensure compliance with regulations and actual business situations.

Application of Basel standards



OCB's risk management activities are continually upgraded in alignment with the business development strategy, as well as the orientation of the SBV and Basel practices.

OCB has applied Basel II standards, implemented Circular 41 ahead of schedule since the end of 2018, and completed the Capital Adequacy Assessment Process as required by Circular 13. In 2022, OCB finalized the implementation and application of more comprehensive risk management standards for Market Risk (Basel II IMA) and Liquidity Risk (Basel III). In April 2023, OCB announced the completion of the advanced Basel II cloud computing capital calculation platform (internal ratings-based (IRB) approach) for Credit Risk.

Full compliance with the three Basel pillars enables OCB to identify, measure, and evaluate material risks effectively. This compliance also facilitates the development of a complete database and internal review process, allowing the bank to assess potential impacts under both normal and crisis conditions. Consequently, the bank can formulate contingency plans, allocate capital for key risks appropriately, and enhance the effectiveness of risk control and management.

OCB's risk management policy is designed for a three-year period and is reviewed annually or as necessary. The Board of Directors prescribes general risk management policies for the entire system, while the CEO sets specific limits according to business blocks, industries, products, customers, etc. These limits are strictly controlled by relevant departments. The bank develops a risk management policy for all key risks, including credit risk, market risk, liquidity risk, operational risk, concentration risk, and interest rate risk in the bank book. The risk management policy details the target capital adequacy ratio, income targets, and management strategies for each type of risk.

4 - CREDIT RISK

Disclosure of Information on Credit Risk Management Policy

The credit risk management policy (CRM) is issued by the BOD with a 3-year target adjustment, is reviewed annually, and is also announced in the Risk Appetite. The CRM policy is effectively communicated from the highest level to each employee of OCB.

Credit risk limits are monitored periodically (daily, weekly, monthly, depending on the type), with warnings and actions taken when thresholds are reached. Limits are also regularly reviewed and proposed for changes if they do not comply with legal regulations and actual business situations.

To improve service quality, OCB continuously improves and perfects the credit granting process, collateral management process, loan guarantee, etc. by automating and digitizing some steps to shorten the time to grant credit to customers, improve credit records, enhance service quality, and minimize errors, risks, and human impacts.

OCB has also applied credit rating models in credit granting activities for various customer types, such as retail banking, community banking, and financial institutions. The models are regularly upgraded and developed using technology and digitization to improve rating efficiency and meet market development trends. Since 2022, OCB has built and fully tested models for the retail and corporate segments as required, including Probability of Default (PD), Loss Given Default (LGD), and Exposure at Default (EAD) for each segment and product. The evaluation results show that the models fully meet Basel requirements and international practices, contributing to improving credit risk management capacity and ensuring accurate risk measurement and capital adequacy ratio. This forms the basis for OCB to implement proactive portfolio management methods and apply flexible lending interest rates according to the risk level for each loan. In addition, OCB has been developing and perfecting a set of credit scoring criteria for each specific product/customer to support the loan appraisal and approval process, moving towards an automated appraisal model.

CRM activities are always prioritized through the supervision of senior management, including the BOD, the CRM, the CEO, and the Risk Council. The CRM and the Risk Council hold regular and ad hoc meetings to closely monitor the risk management situation at OCB and provide timely instructions for risk management activities at OCB.

Disclosure of Information on Credit Risk-Weighted Assets

Compared to December 31, 2023, consolidated credit risk-weighted assets increased by VND 7,468 billion (equivalent to approximately 3.8%). Notably, RWA on enterprises accounted for more than 60.7% of this.

Table 4: Asset Structure Calculated by Credit Risk by Merged Entity

Unit: billion VND

No.	Items	31/12/2023 (DD/MM/YYYY)	30/6/2024 (DD/MM/YYYY)	Changes
1	Claims on the State-run Vietnam Asset Management Company (VAMC), Debts and Assets Trading Company (DATC)	-	-	-
2	Claims on Credit Institutions, Financial Institutions	23,277	21,845	(1,432)
3	Claims on Enterprises other than Credit Institutions, Foreign Bank Branches	114,208	122,926	8,718
4	Claims secured by real estate	6,786	5,782	(1,004)
5	Home mortgage loans	1,833	902	(930)
6	Retail credit facilities	31,403	35,042	3,639
7	Non-performing loans	4,418	5,384	965
8	Other types of on-balance sheet assets	13,041	10,554	(2,488)
	Total	**194,967**	**194,967**	**202,435**

Disclosure of Information on The Use of Independent Credit Ratings

The list of independent credit rating agencies used when calculating the capital adequacy ratio includes Moody's, Standard & Poor's, Fitch Rating.

Standard & Poor's/ Fitch Rating	**Moody's**
AAA, AA+, AA, AA-	Aaa, Aa1, Aa2, Aa3
A+, A, A-	A1, A2, A3
BBB+, BBB, BBB-	Baa1, Baa2, Baa3
BB+, BB, BB-	Ba1, Ba2, Ba3
B+, B, B-	B1, B2, B3
Rating CCC+ or below	Rating Caa1 or below

Circular 41 requires the following types of assets to use the ratings of independent credit rating agencies to determine the risk coefficient:

- Claims on governments and central banks of various countries;
- Claims on non-central government public sector entities (PSEs), local governments of various countries;
- Claims on financial institutions;

As of June 30, 2024, OCB has no Claims on foreign governments and central banks, nor Claims on non-central government public sector entities (PSEs) and local governments of various countries. Therefore, only Claims on financial institutions are assigned risk coefficients based on assessments by independent credit rating agencies.

Chart 3: Credit Risk-Weighted Assets According To The Independent Credit Rating of The Consolidated Financial Institution

Unit: billion VND

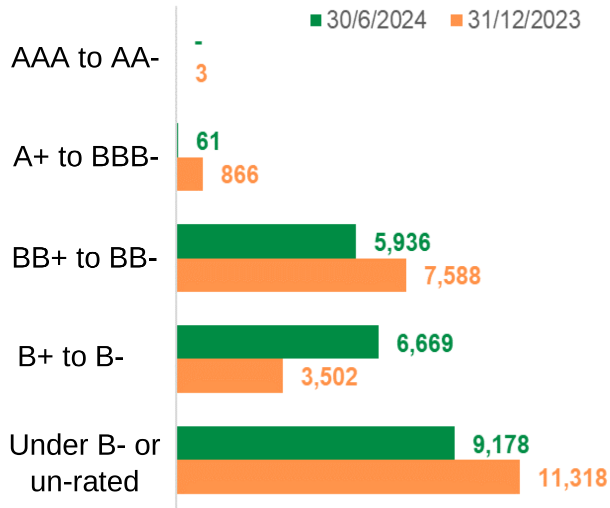


Table 5: Credit Risk-Weighted Assets Based On Independent Credit Ratings for Consolidated Financial Institutions as at June 30, 2024

Unit: billion VND

Credit rating	Risk weight	31/12/2023 (DD/MM/YYYY)	30/6/2024 (DD/MM/YYYY)	Changes
Claims on foreign financial institutions, branches of foreign banks in Vietnam				
AAA to AA-	20%	2.6	-	(2.6)
A+ to BBB-	50%	586	-	(586)
BB+ to B-	100%	-	-	-
Under B- or un-rated	150%	370	2,755	2,385
Claims on domestic credit institutions which original maturity is at least 3 months				
AAA to AA-	20%	-	-	-
A+ to BBB-	50%	101	-	(101)
BB+ to BB-	80%	6,307	3,295	(3,012)
B+ to B-	100%	3,058	6,148	3,090
Under B- or un-rated	150%	9,363	4,483	(4,880)
Claims on domestic credit institutions which original maturity is fewer than 3 months				
AAA to AA-	10%	-	-	-
A+ to BBB-	20%	179	61	(117)
BB+ to BB-	40%	1,281	2,641	1,360
B+ to B-	50%	444	521	76
Under B- or un-rated	70%	1,586	1,940	355
Total		**23,277**	**21,845**	**(1,432)**

Disclosure of Information on Credit Risk Weighted Assets by Industry

Outstanding credit balance at OCB is divided into 21 sectors.

Professional, scientific and technological activities and *real estate business activities* are the 02 sectors with the highest proportion of outstanding loans to corporate customers, specifically accounting for approximately 21% and 16% as of June 30, 2024. These are also the 02 sectors with the highest proportion of credit risk-weighted assets for corporate customers, equivalent to 19% and 17%, respectively.

Chart 4: Proportion of Outstanding Debt and Credit RWA by Consolidated Industry in Market 1 as of June 30, 2024

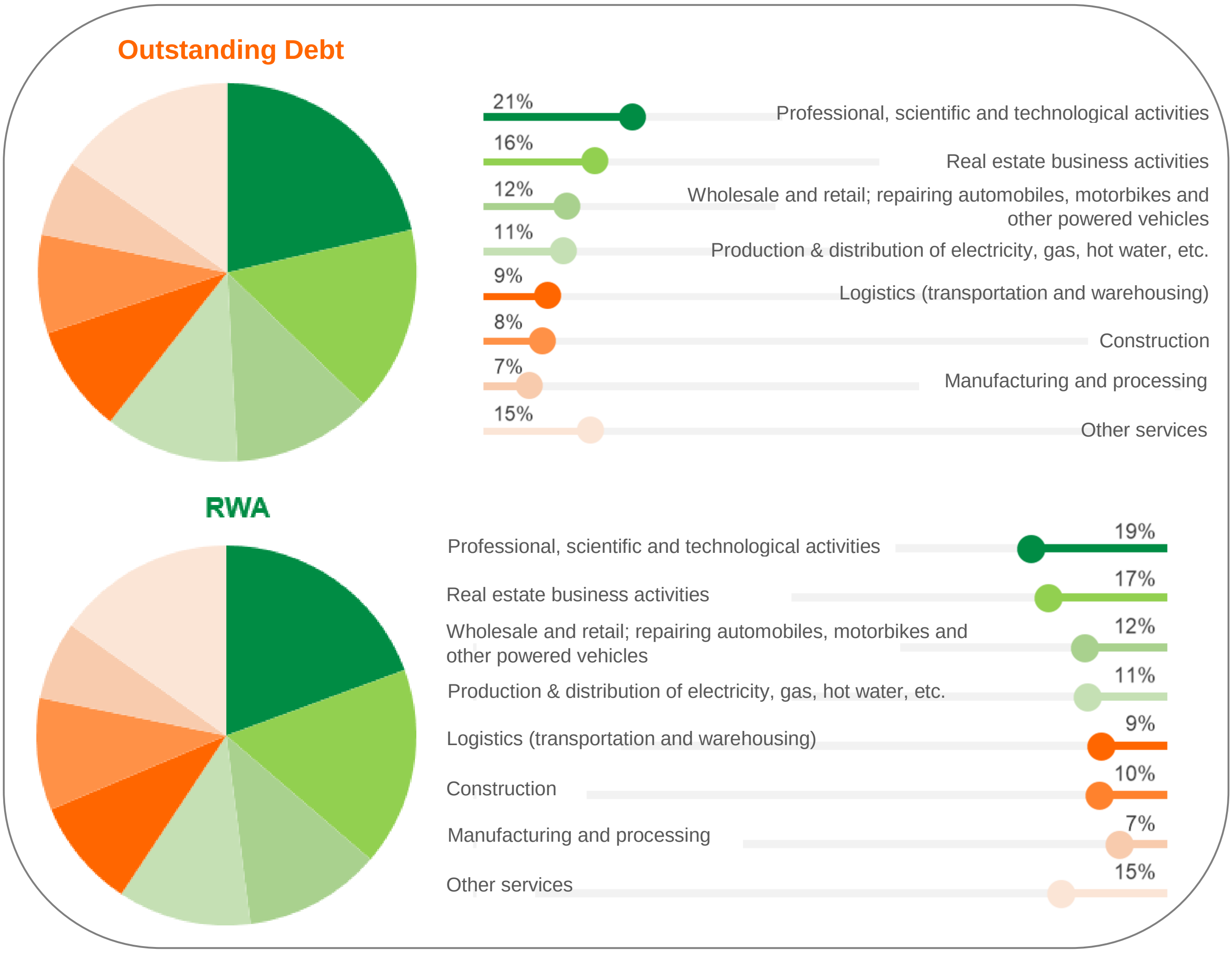


Table 6: Consolidated Credit Risk-Weighted Assets by Industry

Unit: billion VND

No.	Industry	31/12/2023 (DD/MM/YYYY)	30/6/2024 (DD/MM/YYYY)	Changes
I	**Individuals and household businesses**	**39,201**	**42,357**	**3,157**
II	**Economic entities**	**142,421**	**149,228**	**6,807**
1	Agriculture, forestry and fishery	782	683	(99)
2	Mining	2,760	4,096	1,336
3	Manufacturing and processing	6,275	8,488	2,212
4	Production and distribution of electricity, gas, hot water, steam and air conditioners	15,733	14,443	(1,290)
5	Water supply; management and treatment of waste water and solid waste	2,343	3,284	942
6	Construction	11,738	12,159	421
7	Wholesale and retail; repairing automobiles, motorbikes and other powered vehicles	14,302	14,876	574
8	Logistics (transportation and warehousing)	12,025	11,896	(129)
9	Accommodation and restaurants	2,331	4,279	1,947
10	Information and communication	133	127	(6)
11	Finance, business and insurance	24,546	22,671	(1,875)
12	Real estate activities	15,388	21,512	6,124
13	Professional, scientific and technological activities	28,781	24,709	(4,072)
14	Financial services and support services	249	260	11
15	Activities of the Communist Party, civil society, regulators, public security and national defense, compulsory social assurance	0	0	(0)
16	Education and training	375	430	55
17	Healthcare and social safety net	256	165	(91)
18	Art and entertainment	4,377	5,117	740

No.	Industry	31/12/2023 (DD/MM/YYYY)	30/6/2024 (DD/MM/YYYY)	Changes
19	Other services	9	20	11
20	Activities of hiring out work in households, producing material products and services for household self-consumption	18	13	(5)
21	Activities of international organizations	-	-	-
III	**Other assets**	**13,346**	**10,850**	**(2,496)**
	Total	**194,967**	**202,435**	**7,468**

Disclosure of Information on Credit Risk Mitigation

According to Circular 41, credit risk mitigation is carried out through the following measures: using collateral, balance sheet offsetting, third-party guarantees, and credit derivatives.

The list of collateral assets eligible for recognition of credit risk mitigation, as prescribed in Article 12, Circular 41 includes:

(i) Valuable papers and savings cards issued by credit institutions and foreign bank branches;

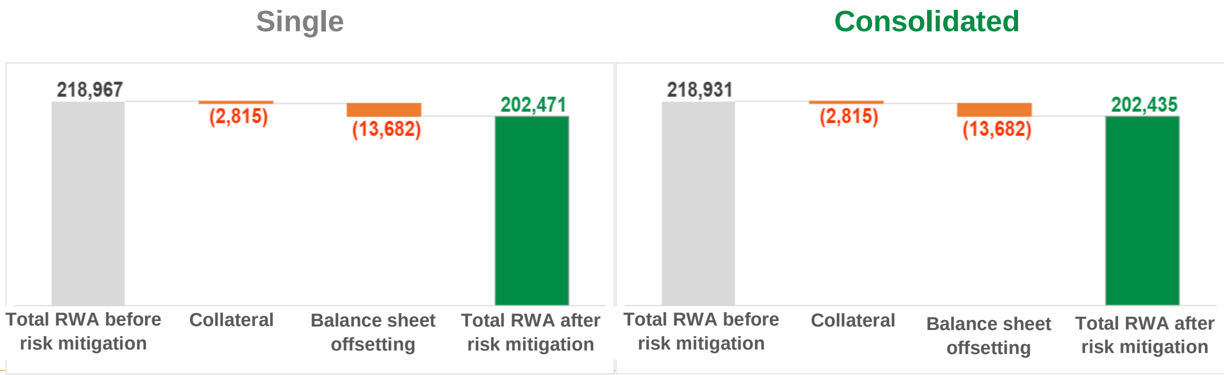
(ii) Valuable papers issued or guaranteed for payment by the Vietnamese Government and the State Bank of Vietnam;

(iii) Shares listed on the Ho Chi Minh and Hanoi Stock Exchanges.

OCB currently has no assets that are mitigated against credit risks through credit derivatives and third-party guarantees.

Chart 5: Credit Risk Mitigation

Unit: billion VND



Disclosure of Information on Counterparty Credit Risk

Counterparty credit risk arises from derivative financial products and forward trading of valuable papers. This risk occurs when a counterparty fails or is unable to perform its contractual obligations. It is calculated for both the trading book and the banking book.

As of June 30, 2024, counterparty credit risk accounted for approximately 0.6% of total RWA.

Compared to the end of 2023, counterparty credit risk-weighted assets increased by VND 290 billion, mainly due to foreign exchange derivative transactions.

Table 7: Counterparty Credit Risk-Weighted Assets

Unit: billion VND

No.	Items	31/12/2023 (DD/MM/YYYY)	30/6/2024 (DD/MM/YYYY)	Changes
	By product			
1	Proprietary transactions	830	1,281	451
2	Repo and reverse repo transactions	161	-	(161)
3	Foreign exchange, main assets for the purpose of serving the needs of customers and partners specified in Item d, Clause 32, Article 2 of Circular 41	1	1	(0)
	By transaction			
1	Claims on Credit Institutions, Financial Institutions	991	1,281	290
2	Claims on Enterprises that are not Credit Institutions, Foreign Bank Branches	1	1	(0)

5 - MARKET RISK

Market risk (MR) is the risk caused by adverse fluctuations in interest rates, exchange rates, gold prices, stock prices and commodity prices in the market. Market risk is one of the major risks for banks. According to Circular 41, to determine the required capital for market risk, banks must establish:

- Written policies that specify the conditions and criteria for determining items in the trading book for calculating the risk exposure in the trading book, ensuring separation from the banking book;
- Policies and procedures for determining the risk exposure for calculating the Capital Requirement for Market Risk. These policies and procedures include at least: (i) Proprietary trading strategies; (ii) Market risk limits; and (iii) Market risk management procedures.

Market Risk Management Policy

Market risk management (MRM) at OCB is consistent with its business objectives, strategies, and risk appetite, while ensuring compliance with the policies and regulations of the SBV and other relevant laws.

To enhance the effectiveness of market risk management, process reviews are conducted periodically, or on an ad hoc basis depending on market fluctuations, at least annually. These reviews ensure compliance with relevant regulations and closely align with the actual business situation.

Market risk limits are monitored and reported to the Board of Management on a regular basis (daily, monthly, quarterly, depending on the type) to ensure timely and effective warnings and interventions when thresholds are reached. In the first six months of 2024, OCB did not experience any limit violation events

Market Risk Management Tools

OCB employs the following tools to measure, control and report on market risks, based on the principle that market risks must be measured to assess the short-term and long-term impact on OCB's current and future earnings and capital. Market risk management tools include:

(i) Mark to market/ Mark to Model;
(ii) Value at Risk (VaR);
(iii) PV01 – Price Value of a Basis Point;
(iv) MD – Modified Duration;
(v) Stress Testing;
(vi) A system of limits on market risk management: stop loss order, profit realization limit, maximum holding time.

Proprietary Strategy

OCB's proprietary strategy is built on forecasts of the macro and micro economic situation, cash flow, fluctuations in market factors and financial situation and assigned trading limits. Based on these assessments, OCB's proprietary department will build a trading portfolio focusing on highly liquid maturities in the market and consider factors affecting market supply and demand to structure an appropriate investment portfolio. This aims to maximize profit for OCB while controlling risks within the allowed limits.

List of OCB Business Books

The list of assets in OCB's business book as of June 30, 2024 includes:

(i) Government bonds;
(ii) Foreign currency positions (including spot, forward and foreign currency swap transactions);
(iii) Gold positions.

Capital Requirements for Consolidated Market Risk

As of June 30, 2024, market risk has a low proportion in total RWA, accounting for approximately 0.9%. Market RWA only includes Interest Rate Risk (IRR). OCB does not calculate the capital requirements for stock prices, commodity risks and options as these activities are not included in investment portfolio. Compared to the end of 2023, the capital requirements for RWA decreased by VND 325 billion, driven by a reduction in the size of the government bond trading portfolio.

Table 8: Capital Requirements for Market Risk

Unit: billion VND

No.	Item	31/12/2023 (DD/MM/YYYY)	30/6/2024 (DD/MM/YYYY)	Changes
1	Capital requirements for IRR (K_{IRR})	482	74	(408)
2	Capital requirements for equity price risk (K_{ER})			
3	Capital requirements for foreign exchange risk (K_{FXR})	-	83	83
4	Capital requirements for commodity price risk (K_{CMR})			
5	Capital requirements for options trading (K_{OPT})			
	Capital requirements for market risk (K_{MR})	**482**	**157**	**(325)**

6 - OPERATIONAL RISK

Operational Risk Management Policy

OCB's operational risk management (ORM) is carried out through the establishment and implementation of an operational risk management framework applied consistently throughout the system to ensure compliance with the regulations of the State Bank of Vietnam and the Law.

Operational Risk Management Tools

Along with reviewing, adjusting, and issuing policies and operational risk limits in accordance with business strategy and risk appetite, OCB continues to effectively apply operational risk management tools, including:

(i) Internal loss data collection and analysis;

(ii) Risk Control Self Assessment (RCSA);

(iii) Key Risk indicators;

(iv) Early risk identification for policies, regulations, products, services, application development, information technology systems, new business/operational deployment models;

(v) Business Process Mapping (BPM) to identify operational risks of business processes.

The effective application of risk management tools along with the implementation of ORM regulations in the fields of Outsourcing, Technology Application Development, Digital Banking, and Insurance has helped OCB to identify, measure, and evaluate the level of risk early. This has increased control points and action plans to avoid similar risks in the future and limit financial/non-financial losses (if any).

Additionally, OCB has successfully implemented fraud detection models and criteria, integrating them into transaction systems, file circulation, post-control, and operational risk reporting systems.

Business Continuity Plan (BCP)

The Business Continuity Plan (BCP) continues to be implemented at OCB, with priority given to reviewing, editing, and rehearsing scenarios of robberies, fires, natural disasters, etc., and deploying activation from the Data Center to the Disaster Recovery for a number of key IT systems according to the established plan. This ensures readiness to respond and maintain the continuity of business operations when disruptions occur.

Capital Requirements for Operational Risk

Capital requirements for operational risks under Circular 41 are calculated using the standard method, which applies a fixed percentage (15%) of the average business indicators over the last three consecutive years. The business indicator (BI) consists of 3 components from the bank's income statement, including interest, service and financial component. RWA for operational risk is equal to capital charge multiplied by 12.5.

As of June 30, 2024, operational RWA constituted 9% of total RWA, representing an increase of approximately 7.3% and 7.7% compared to the individual and consolidated figures as of December 31, 2023. This increase aligns with the bank's business expansion requirements.

Chart 6: Capital Requirements for Operational Risk Based On Business Metrics

Unit: billion VND

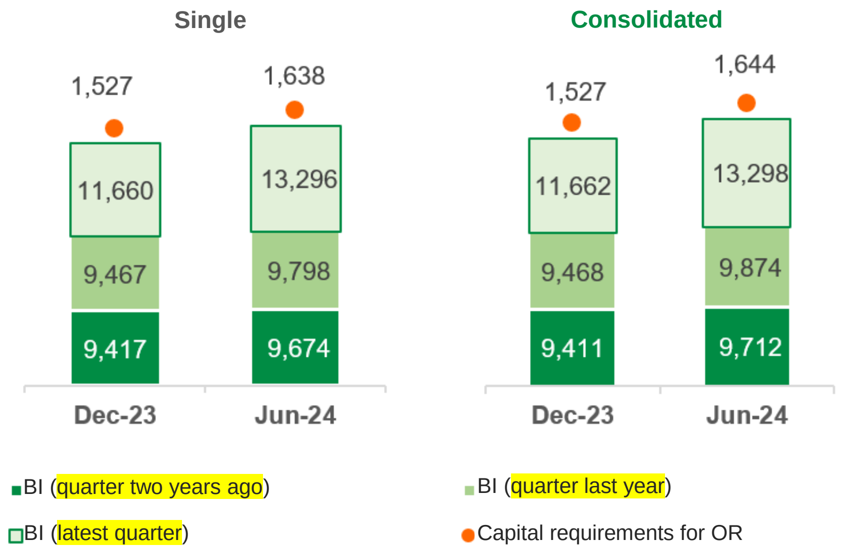


Table 9: Capital Requirements for Operational Risk as A Component of The Consolidated Business Indicators

Unit: billion VND

Item	Item on Income Statement	31/12/2023 (DD/MM/YYYY)			30/6/2024 (DD/MM/YYYY)		
		3 year average	Capital requirements	RWA	3 year average	Capital requirements	RWA
IC	Interest and similar income	14,638	2,196	27,447	15,559	2,334	29,173
	Interest and similar expenses	8,145	1,222	15,272	8,704	1,306	16,320
SC	Fees and commission income	997	149	1,869	976	146	1,830
	Fees and commission expenses	103	15	193	110	16	205
	Income from other activities	949	142	1,779	1,153	173	2,161
	Expense of other activities	516	77	968	706	106	1,324
FC	Net gain/loss from forex trading	68	10	127	74	11	138
	Net gain/loss from investment securities	844	127	1,582	815	122	1,528
	Net gain/loss from gold and foreign exchange trading activities	211	32	396	273	41	512
	Net gain/loss from trading of interest rates/commodities/derivatives	-	-	-	-	-	-
		10,180	**1,527**	**19,088**	**10,961**	**1,644**	**20,552**