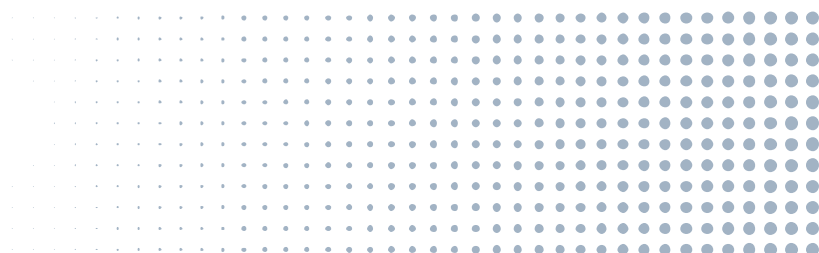


2020

# CAPITAL ADEQUACY RATIO DISCLOSURES

30 September 2020



**30**  
SEP



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# Introduction

## Regulatory Framework

The State Bank of Vietnam (SBV) requests all banks to adopt Basel standards on minimum capital requirements - Standardized Approach (Pillar 1 of Basel II) and Risk Governance (Pillar 2 of Basel II).

Regulatory framework for Basel II implementation in Vietnam consists of:

- [Circular 41/2016/TT-NHNN \(Circular 41\)](#) dated 31 December 2016, prescribes the capital adequacy requirements for banks as official guidelines on implementation of Pillar 1 and Pillar 3 - Basel II's standardized approach.
- [Circular 13/2018/TT-NHNN](#) dated 18 May 2018, stipulates Basel II – Pillar 2 requirements on the organization of risk management, assessment of particular types of risks as well as additional capital requirements for stress events and risks which are not covered in Pillar 1.

## Scope of Disclosures

Circular 41 requires banks to disclose capital adequacy information and risk management framework on semi-annual basis. However, with an aim to provide stakeholders with a continuous reflection on capital condition and risk exposures of the Bank, VPBank produces *quantitative disclosures on quarterly basis*. The comprehensive disclosures consisting of both quantitative and qualitative information shall be published on semi-annual basis in accordance with the SBV's requirement.

Capital Adequacy Ratio (CAR) Disclosures at 30 September 2020 comprises information on (1) Available capital and (2) Risk Weighted Assets of three main risk types and their movements. For qualitative information, please refer to [Capital adequacy ratio disclosures as of 30 June 2020](#).

In this report, the terms “capital requirement” and “required capital” represent the total minimum capital charge set at 8% of risk weighted assets (“RWA”) in accordance with Article 6 of Circular 41.

(1) Average credit risk weight is equal to Credit RWA (Separate: VND 314,754bln and Consolidated: 366,394bln) divided by Total Balance (Separate VND 374,069bln and Consolidated VND 436,321bln). The Total Balance includes (i) Credit exposures (including on-balance sheet and off-balance sheet): customers and other financial institutions and (ii) non-credit exposures: Vietnamese government, fixed assets, cash and other assets. If excluding the non-credit exposures, average credit risk weight on separate and consolidated basis are 92.49% and 91.25% respectively.

## Highlights

### Capital Adequacy Ratio



### Tier 1 Ratio



### Average Credit Risk Weight <sup>(1)</sup>



### Available Capital

Unit: VND billion



### Tier 1 Capital (after deduction) <sup>(2)</sup>



### Total RWA



■ 30 Sep 2020 ■ 30 Jun 2020

(2) Investment in and purchase of shares of other credit institutions are deducted from Total Capital rather than deducted from Tier 1 Capital in Available capital calculation. Hence, for separate basis, Tier 1 Capital is higher than Total Available Capital.

# Scope of CAR Calculation

## Separate and consolidated basis

According to the SBV's requirements, the group of entities that involve dominantly in banking activities are subjected to be in compliance with CAR calculation framework on both consolidated and separate basis.

On consolidated basis, insurance company subsidiary shall not be subjected to CAR calculation according to Point 3b – Article 6, Circular 41. Accordingly, when measuring regulatory capital for bank, in principle, bank can deduct bank' equity and other regulatory capital investments in insurance subsidiaries. Under this approach, the bank would remove the insurance entity's accounting exposures from its consolidated balance sheet assets and liabilities when calculating CAR.

Since VPBank has two wholly owned subsidiaries, namely VPBank Asset Management Company and VPBank Finance Company, and no insurance subsidiary, the regulatory consolidated balance sheet for CAR calculation is the same as accounting consolidated one.

## Mapping of Accounting Asset Categories with Regulatory Risk Categories

Regulatory risk exposures are classified based on criteria different from those for accounting asset type classification and therefore, they are not comparable on line by line basis.

Each item on asset side of the balance sheet belongs to a regulatory asset category which shall be mapped to 3 different types of risk, i.e. credit risk, counterparty credit risk and market risk in the RWA calculation framework.

Table 1 and Table 2 present how the Bank's accounting items are classified into required capital calculation framework for each risk. In addition, they also indicate the different treatments between accounting and regulatory balance sheets i.e. deduction of long-term investment on the regulatory balance sheet. The aggregated amount of items in Table 1 and Table 2 is not equal to the accounting total assets because the exposures in these 02 tables are face value - not taking into account the deduction from provisions.

Unit: VND billion  
Carrying Value

<b>Table 1: Mapping of Financial Statement Categories with Regulatory Risk Categories – Separate</b>		<b>As reported in published financial statements</b>	<b>Under scope of regulatory consolidation</b>	<b>Subject to the credit risk framework</b>	<b>Subject to the counterparty credit risk framework <sup>(1)</sup></b>	<b>Subject to the market risk framework</b>	<b>Subject to deduction from capital or not subject to Regulatory Capital Requirements</b>
<b>ASSETS</b>							
Cash, gold and gemstones	<i>a</i>	2,799	2,799	2,799	-	-	-
Balances with the SBV	<i>b</i>	4,705	4,705	4,705	-	-	-
Balances with and loans to other credit institutions	<i>c-1, c-2</i>	32,821	32,821	30,566	2,255	-	-
Securities held for trading	<i>d</i>	100	100	-	-	100	-
Derivatives and other financial assets <sup>(2)</sup>	<i>e</i>	(100)	(100)	-	(100)	(63) <sup>(3)</sup>	-
Loans and advances to customers	<i>f</i>	209,706	209,706	209,706	-	-	-
Debt purchased	<i>g</i>	3,826	3,826	3,826	-	-	-
Investment securities	<i>h-1, h-2</i>	77,730	77,730	77,730	-	-	-
Long-term investments	<i>i</i>	7,841	7,841	241	-	-	7,600
Other assets (including Fix Assets, Investment Properties, Other Assets)	<i>j, l</i>	22,935	22,935	22,935	-	-	-
<b>Total</b>		<b>362,363</b>	<b>362,363</b>	<b>352,508</b>	<b>2,155</b>	<b>37</b>	<b>7,600</b>

(1) Exposures subjected to CCR framework include derivatives and securities financing transactions, of which reverse repo transactions belong to asset side while repo transactions belong to liability one.

(2) Derivatives and other financial assets belong to Asset if net value is positive, belong to Liability if net value is negative.

(3) Total amount of derivatives in trading book, subjected to market risk framework.

Unit: VND billion  
Carrying Value**Table 2: Mapping of  
Financial Statement  
Categories with  
Regulatory Risk  
Categories – Consolidated**

		As reported in published financial statements	Under scope of regulatory consolidation	Subject to the credit risk framework	Subject to the counterparty credit risk framework <sup>(1)</sup>	Subject to the market risk framework	Subject to deduction from capital or not subject to Regulatory Capital Requirements
<b>ASSETS</b>							
Cash, gold and gemstones	<i>a</i>	2,799	2,799	2,799	-	-	-
Balances with the SBV	<i>b</i>	5,121	5,121	5,121	-	-	-
Balances with and loans to other credit institutions	<i>c-1, c-2</i>	26,918	26,918	24,663	2,255	-	-
Securities held for trading	<i>d</i>	100	100	-	-	100	-
Derivatives and other financial assets <sup>(2)</sup>	<i>e</i>	(124)	(124)	-	(124)	(63) <sup>(3)</sup>	-
Loans and advances to customers	<i>f</i>	278,025	278,025	278,025	-	-	-
Debt purchased	<i>g</i>	-	-	-	-	-	-
Investment securities	<i>h-1, h-2</i>	78,693	78,693	78,693	-	-	-
Long-term investments	<i>i</i>	174	174	174	-	-	-
Other assets (including Fix Assets, Investment Properties, Other Assets)	<i>j, l</i>	27,266	27,266	27,266	-	-	-
<b>Total</b>		<b>418,972</b>	<b>418,972</b>	<b>416,741</b>	<b>2,131</b>	<b>37</b>	<b>-</b>

(1) Exposures subjected to CCR framework include derivatives and securities financing transactions, of which reverse repo transactions belong to asset side while repo transactions belong to liability one.

(2) Derivatives and other financial assets belong to Asset if net value is positive, belong to Liability if net value is negative.

(3) Total amount of derivatives in trading book, subjected to market risk framework.

# Capital Adequacy Ratio (CAR)

VPBank's capital plan is developed from both regulatory and economic capital viewpoints, aiming to ensure that capital resources:

- Remain sufficient to meet the Bank's risk profile and outstanding commitments;
- Exceed minimum regulatory requirements of CAR by targeting minimum CAR at 9%, hence above minimum levels, to guarantee sustainable execution of the Bank's business plans;
- Allow the Bank to sustain in economic downturn or adverse market events;
- Stay in line with the Bank's strategic and operational goals and shareholders' and investors' expectations.

In Q3/2020, VPBank's CAR on both separate and consolidated basis were higher than the Bank's targeted minimum level of 9% and considerably higher than the regulatory minimum requirement at 8%. In comparison with 30 June 2020, separate and consolidated CAR decreased by 19 bps and 11 bps, to 9.71% and 10.21% respectively. This downward movement in CAR was due to the outperformance of RWA over regulatory capital, which mainly came from the growth of credit balance and derivatives exposures.

Detailed movements of available capital and RWA of each risk type are demonstrated in Regulatory Capital Base (pages 5 - 7) and respective sections for Credit risk, Market risk and Operational risk (pages 8 - 15).

Unit: VND billion

**Table 3: Capital Adequacy Ratio & RWA**

		30 Sep 2020		30 Jun 2020	
		Separate	Consolidated	Separate	Consolidated
<b>A</b>	<b>Total Risk Weighted Assets</b>	<b>368,565</b>	<b>458,301</b>	<b>344,967</b>	<b>434,045</b>
	Credit risk weighted assets	314,754	366,394	298,036	349,306
	Counterparty risk weighted assets	4,090	4,125	3,003	3,031
	Operational risk weighted assets	33,546	72,099	31,837	69,488
	Market risk weighted assets	16,175	15,683	12,091	12,220
<b>B</b>	<b>Total Capital Requirement</b>	<b>29,485</b>	<b>36,664</b>	<b>27,597</b>	<b>34,724</b>
	Capital requirement for Credit risk	25,180	29,312	23,843	27,944
	Capital requirement for Counterparty risk	327	330	240	243
	Capital requirement for Operational risk	2,684	5,768	2,547	5,559
	Capital requirement for Market risk	1,294	1,254	967	978
<b>C</b>	<b>Available Capital</b>	<b>35,781</b>	<b>51,387</b>	<b>34,161</b>	<b>49,131</b>
	Tier 1 capital (after deduction)	42,078	49,726	40,463	47,475
	Tier 2 capital (after deduction)	1,303	1,661	1,298	1,656
	Deductions from capital	7,600	-	7,600	-
<b>D</b>	<b>Capital Adequacy Ratios</b>				
	Tier 1 ratio	11.42%	10.85%	11.73%	10.94%
	<b>Capital Adequacy Ratio (CAR)</b>	<b>9.71%</b>	<b>11.21%</b>	<b>9.90%</b>	<b>11.32%</b>



# Regulatory Capital Base

Under regulatory requirements, VPBank's capital base is divided into two main categories, namely Tier 1 and Tier 2, depending on the degree of permanence and loss absorbency exhibited.

**Tier 1 capital** – core capital comprises equity capital and disclosed reserves.

**Tier 2 capital** – supplementary capital comprises (1) Other reserves allocated from after-tax income, (2) 50% of the increase due to re-valuation of fixed assets, (3) 45% of the increase due to re-valuation of long-term investment, (4) 80% of general provisions under the SBV's regulations on classification of owned assets, levels and methods for making provision for credit losses and use of such provision applied for the Bank (5) Hybrid instruments issued by Bank and (6) Subordinated debts.

## Available capital movement

Compared to 30 June 2020, separate and consolidated available capital increased by 4.7% and 4.6% (equivalent to VND 1,620bln and VND 2,256bln) on separate and consolidated basis respectively, contributed primarily by the growth of undistributed profit under Tier 1 capital in the quarter. Meanwhile, there is no significant movement in Tier 2 capital.

Unit: VND billion

**Table 4: Separate Available Capital Composition**

		Ref	30 Sep 2020	30 Jun 2020
	<b>SEPARATE TIER 1 CAPITAL (A) = A1 - A2</b>		<b>42,078</b>	<b>40,463</b>
	<b>Separate Tier 1 capital components (A1) = <math>\sum 1\div 7</math></b>		<b>44,849</b>	<b>43,235</b>
1	Charter capital (financed and contributed capital)	<i>m</i>	25,300	25,300
2	Reserves supplementing charter capital	<i>s-1</i>	436	436
3	Reserves for operations development	<i>s-3</i>	1,223	1,223
4	Financial reserve	<i>s-2</i>	1,963	1,963
5	Capital for investment in fundamental construction and fixed asset purchase		-	-
6	Undistributed profits	<i>t</i>	15,234	13,620
7	Share premium	<i>o</i>	693	693
	<b>Deductions from Separate Tier 1 capital (A2) = <math>\sum 8\div 10</math></b>		<b>2,771</b>	<b>2,771</b>
8	Goodwill		75	75
9	Accumulated loss		-	-
10	Treasury shares	<i>p</i>	2,696	2,696
	<b>SEPARATE TIER 2 CAPITAL (B) = B1 - B2 -19</b>		<b>1,303</b>	<b>1,298</b>
	<b>Separate Tier 2 capital components (B1) = <math>\sum 11\div 16</math></b>		<b>1,303</b>	<b>1,298</b>
11	Other reserves allocated from after-tax income as regulated by laws (not including commendation fund, welfare fund and fund for steering committee rewards)		-	-
12	50% of the increase due to re-valuation of fixed assets as regulated by laws		-	-
13	45% of the increase due to re-valuation of long-term investment as regulated by laws		-	-
14	80% of general provisions under the State Bank's regulations on classification of owned assets, levels and methods for making provision for credit losses and use of such provision applied for credit institutions and foreign branch banks (FBBs)		1,251	1,246

Unit: VND billion

**Table 4: Separate Available Capital Composition (Continued)**

	Ref	30 Sep 2020	30 Jun 2020
15		-	-
16		52	52
<b>Deductions from Stand-alone Tier 2 capital (B2) = (17) + (18)</b>		-	-
17		-	-
18		-	-
19		-	-
<b>Supplementing deductions</b>		-	-
20		-	-
<b>Subject to deduction from Capital</b>		<b>7,600</b>	<b>7,600</b>
21		-	-
22		7,552	7,552
23		48	48
24		-	-
25		-	-
<b>Single Available Capital (C) = (A) + (B) - (21) - (22) - (23) - (24) - (25)</b>		<b>35,781</b>	<b>34,161</b>

Unit: VND billion

**Table 5: Consolidated Available Capital Composition**

	Ref	30 Sep 2020	30 Jun 2020
<b>CONSOLIDATED TIER 1 CAPITAL (A) = A1 - A2</b>		<b>49,726</b>	<b>47,475</b>
<b>Consolidated Tier 1 capital components (A1) = <math>\sum 1-8</math></b>		<b>52,422</b>	<b>50,171</b>
1	m	25,300	25,300
2	s-1	1,117	1,117
3	s-3	4,303	4,303
4	s-2	3,290	3,290
5		-	-
6	t	17,719	15,468
7	o	693	693
8		-	-



Unit: VND billion

**Table 5: Consolidated Available Capital Composition (Continued)**

	Ref	30 Sep 2020	30 Jun 2020
<b>Deductions from Stand-alone Tier 1 capital (A2) = <math>\sum 9 \div 11</math></b>		<b>2,696</b>	<b>2,696</b>
9 Goodwill		-	-
10 Accumulated loss		-	-
11 Treasury shares	p	2,696	2,696
<b>CONSOLIDATED TIER 2 CAPITAL (B) = B1 - B2 -19</b>		<b>1,661</b>	<b>1,656</b>
<b>Consolidated Tier 2 capital components (B1) = <math>\sum 12 \div 18</math></b>		<b>1,661</b>	<b>1,656</b>
12 Other reserves allocated from after-tax income as regulated by laws (not including commendation fund, welfare fund and fund for steering committee rewards)		-	-
13 50% of the increase due to re-valuation of fixed assets as regulated by laws		-	-
14 45% of the increase due to re-valuation of contributions for long-term investment as regulated by laws		-	-
15 80% of general provisions under the State Bank's regulations on classification of owned assets, levels and methods for making provision for credit losses and use of such provision applied for credit institutions and foreign branch banks (FBBs)		1,609	1,604
16 Hybrid instruments issued by banks/FBBs		-	-
17 Subordinated debts issued or accepted under loan agreements by a bank that satisfy SBV's conditions prescribed in Appendix 1, Circular 41		52	52
18 Minority Interest		-	-
<b>Deductions from Consolidated Tier 2 capital (B2) = (19) + (20) + (21)</b>		<b>-</b>	<b>-</b>
19 Positive difference between item (14) and 1.25% of "Total credit risk weighted assets" as regulated in the Circular.		-	-
20 Positive difference between item (17) and 50% of A		-	-
21 Purchases of and investments in subordinated debts issued by other credit institutions and FBBs which are eligible to count towards to Tier 2 capital of such credit institutions and FBBs (not including its clients' subordinated debts used as collateral, discounted or re-discounted)		-	-
<b>Supplementing deductions</b>		<b>-</b>	<b>-</b>
22 Positive difference between (B1 - B2) and A		-	-
<b>Subject to deduction from Available Capital</b>		<b>-</b>	<b>-</b>
23 Credit extensions used for capital contribution or purchase of shares of other credit institutions		-	-
24 Investment in, purchase of share of other credit institutions		-	-
25 Investment in, purchase of share of subsidiaries that are not consolidated and subsidiaries that are not operating according to insurance business law		-	-
26 Investment in, purchase of share of an entity (including affiliates), investment fund that exceeding 10% of charter capital and reserves supplementing charter capital of banks/FBBs after deductions stipulated in items (24) and (25)		-	-
27 Total of investment in, share purchases all entities (including affiliates), investment funds that exceeding 40% of charter capital and reserves supplementing charter capital of banks/FBBs after deductions of items from item (24) to (26)		-	-
<b>Consolidated Available Capital (C)= (A) + (B) - (23) - (24) - (25) - (26) - (27)</b>		<b>51,387</b>	<b>49,131</b>

# Credit Risk

Credit risk is the risk of financial loss arising from a customer or a counterparty's failure to meet the obligations in accordance with agreed terms under a contract. It arises principally from direct lending, trade finance and leasing business, or from other products such as guarantees and credit derivatives as well as from holding assets in the form of debt securities.

## Disclosures on Credit Risk Weighted Assets

According to Circular 41, credit risk weighted assets are calculated under Standardized Approach.

At Q3/2020, credit risk represents the largest regulatory capital requirement, accounting for 85.40% and 79.95% of separate and consolidated total risk weighted assets of the Bank.

In Q3/2020, separate and consolidated credit RWA of the Bank grew by 5.61% (equivalent to VND 16.7tn) and 4.89% (equivalent to VND 17tn) respectively, driven mainly by VND 15.7tn and 13.4tn increase in credit exposures on separate and consolidated basis respectively.

In comparison with Q2/2020, average credit RW increased slightly by 0.97% for separate and 1.38% for consolidated due to the considerable growth in corporate exposures.

Unit: VND billion

**Table 6: Credit RWA and Capital Requirement – Separate**

	30 Sep 2020		30 Jun 2020	
	RWA	Capital required	RWA	Capital required
Sovereign	106	8	135	11
Financial Institutions	30,638	2,451	25,738	2,059
Corporate	195,684	15,655	185,570	14,846
Secured by real-estate	17,059	1,365	16,742	1,339
Residential mortgage	2,776	222	2,493	199
Regulatory retail	51,069	4,086	50,981	4,078
NPL	8,063	645	6,743	539
Other	9,359	748	9,634	772
<b>Total</b>	<b>314,754</b>	<b>25,180</b>	<b>298,036</b>	<b>23,843</b>

Unit: VND billion

**Table 7: Credit RWA and Capital Requirement – Consolidated**

	30 Sep 2020		30 Jun 2020	
	RWA	Capital required	RWA	Capital required
Sovereign	106	9	135	11
Financial Institutions	26,364	2,109	25,382	2,031
Corporate	201,706	16,136	185,570	14,846
Secured by real-estate	17,059	1,365	16,742	1,339
Residential mortgage	2,776	222	2,493	199
Regulatory retail	94,940	7,595	95,208	7,617
NPL	11,866	949	11,185	895
Other	11,577	927	12,591	1,006
<b>Total</b>	<b>366,394</b>	<b>29,312</b>	<b>349,306</b>	<b>27,944</b>

## Disclosures on the Bank's Use of External Credit Ratings

VPBank uses credit assessment of two External Credit Assessment Institutions (ECAIs) – Moody's Investors Service (Moody's) and Standard & Poor's Rating Agency (S&P) to determine risk weights applied to rated counterparties as required by Circular 41. These ECAIs are accepted by the SBV as regulated in Article 5, Circular 41.

As of 30 September 2020, VPBank had no exposures to foreign governments and other central banks as well as public sector entities, regional governments and local authorities of other sovereigns. Only financial institutions' exposures in the Bank's portfolio are subjected to RW assignment based on ECAIs' credit assessment.

At 30 September 2020, approximately 86% of exposures to financial institutions originated from local banks and were dominated by those with external ratings from BB+ to BB- (31.7%) and B+ to B- (37.4%).

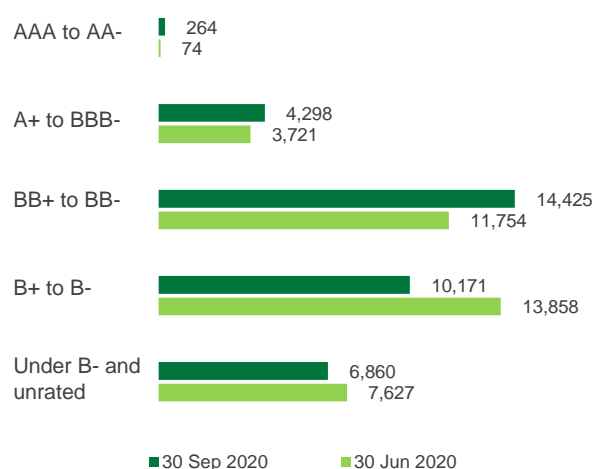
Compared to Q2/2020, there was a movement of exposures with rating B+ to B- to ones with rating BB+ to BB- and A+ to BBB-, resulting in RWA for financial institutions asset class increased slightly by VND 816bln on consolidated basis.

### Table 8: Rating Agency

Standard & Poor's	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
CCC+ and below	Caa1 and below

### Exposures by external rating – Consolidated

Unit: VND billion



### Table 9: CR RWA by External Credit Rating for Local Financial Institutions – Separate

			Unit: VND billion				
Table 9: CR RWA by External Credit Rating for Local Financial Institutions – Separate			RW	30 Sep 2020		30 Jun 2020	
				RWA	Capital required	RWA	Capital required
Original term under 3 months	AAA to AA-	10%	-	-	-	-	
	A+ to BBB-	20%	-	-	426	34	
	BB+ to BB-	40%	4,168	333	2,316	185	
	B+ to B-	50%	590	47	1,388	111	
	Under B- and unrated	70%	7,047	564	5,549	444	
Total			11,805	944	9,679	774	
Original term above 3 months	AAA to AA-	20%	-	-	-	-	
	A+ to BBB-	50%	-	-	-	-	
	BB+ to BB-	80%	3,173	254	4,916	393	
	B+ to B-	100%	8,913	713	9,742	780	
	Under B- and unrated	150%	4,018	321	1,015	81	
Total			16,104	1,288	15,673	1,254	

Unit: VND billion

Table 10: CR RWA by External Credit Rating for Foreign Financial Institutions – Separate		30 Sep 2020		30 Jun 2020	
		RW	RWA	Capital required	RWA
AAA to AA-	20%	53	4	7	1
A+ to BBB-	50%	2,009	161	377	30
BB+ to BB-	100%	-	-	-	-
B+ to B-	100%	-	-	-	-
Under B- and unrated	150%	667	53	2	0
Total		2,729	218	386	31

Unit: VND billion

Table 11: CR RWA by External Credit Rating for Local Financial Institutions – Consolidated			30 Sep 2020		30 Jun 2020	
			RWA	Capital required	RWA	Capital required
Original term under 3 months	AAA to AA-	10%	-	-	-	-
	A+ to BBB-	20%	-	-	476	38
	BB+ to BB-	40%	4,237	339	2,366	189
	B+ to B-	50%	648	52	1,562	125
	Under B- and unrated	70%	2,506	200	4,617	370
Total			7,391	591	9,021	722
Original term above 3 months	AAA to AA-	20%	-	-	-	-
	A+ to BBB-	50%	-	-	-	-
	BB+ to BB-	80%	3,173	254	4,916	393
	B+ to B-	100%	8,913	713	9,742	780
	Under B- and unrated	150%	4,018	321	1,015	81
Total			16,104	1,288	15,673	1,254

Unit: VND billion

Table 12: CR RWA by External Credit Rating for Foreign Financial Institutions – Consolidated		30 Sep 2020		30 Jun 2020	
		RW	RWA	Capital required	RWA
AAA to AA-	20%	53	4	8	1
A+ to BBB-	50%	2,149	172	678	54
BB+ to BB-	100%	-	-	-	-
B+ to B-	100%	-	-	-	-
Under B- and unrated	150%	667	53	2	0
Total		2,869	229	688	55

## Disclosures on Credit RWA by Industry

Credit exposures to customers are contributed by 6 main industries, including:

- Manufacturing;
- Construction;
- Commercial distribution (Wholesale and Retail); Repair of Auto, motorbike and other motor vehicles;
- Real estates;
- Individual loan for accommodation purpose and purchasing land right (referred as *Indi. loan for purchasing houses and land use rights* below);
- Households services, production of material products and services used by households (referred as "*Household production/services*").

Household production/services contributes for the

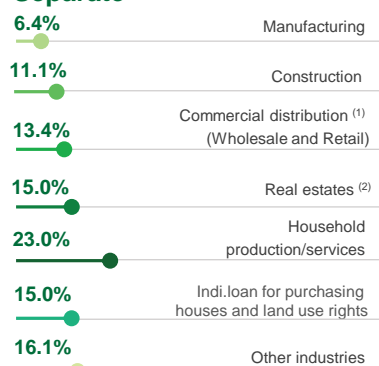
highest percentage of VPBank's separate and consolidated lending to customer portfolio, 23.0% and 39.4% respectively. However, RWA of this industry only accounts for 17.9% and 32.5% of total separate and consolidated credit RWA. The reason is that risk weight of retail banking - the Bank's strategic business line - is 75%, much lower than that of the other segments.

**Real estate, Manufacturing and Construction** are three highest risk weighted industries (with consolidated average RW of 136%, 107% and 106% respectively). The main driver is Corporate and SME segments, of which RW assignment is based on financial statements.

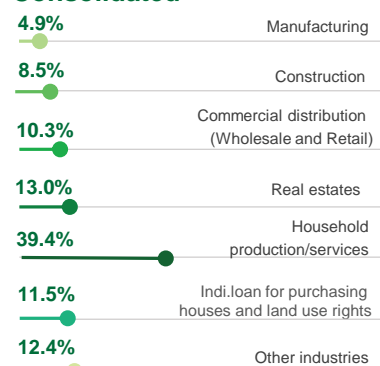
**Manufacturing industry** has an average RW of 107%, lower than that of corporate segment, since Retail and SME segments accounted for over 50% of total credit exposures to Manufacturing.

## Exposure distribution

### Separate



### Consolidated



## Credit RWA and Average RW by Industry

Industry	RWA		Risk weight				RWA		Risk weight			
	Separate		Retail	SME	Corporate	Total	Consolidated		Retail	SME	Corporate	Total
Indi. loan for purchasing houses and land use rights	21,124		66%	NA	NA	66%	21,124		66%	NA	NA	66%
Household production/services	37,256		75%	111%	94%	76%	84,931		77%	111%	94%	77%
Real estates	42,834		72%	110%	135%	134%	48,856		72%	110%	137%	136%
Manufacturing	14,580		81%	107%	112%	107%	14,580		81%	107%	112%	107%
Construction	25,029		79%	105%	106%	106%	25,029		79%	105%	106%	106%
Commercial distribution (Wholesale and Retail)	27,291		79%	109%	91%	95%	27,291		79%	109%	91%	95%
Other Industries	39,715		79%	111%	120%	115%	39,715		79%	111%	120%	115%

(1) Commercial distribution (Wholesale and Retail); Repair of Autos, Motorbikes and other motor vehicles

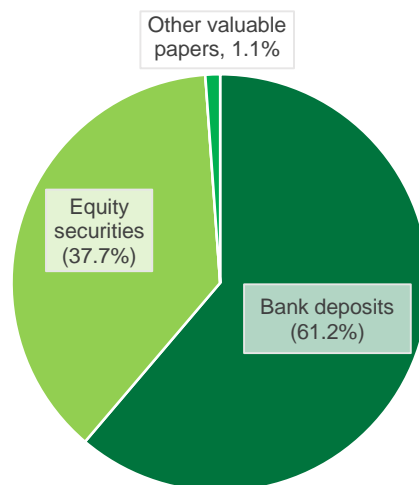
(2) Separate figure includes debt purchase

## Risk Mitigation under Standardized Approach

According to Circular 41, credit risk mitigation is available in the form of eligible guarantees, financial collaterals, credit derivatives and on-balance sheet netting.

VPBank does not have credit risk mitigation in the form of credit derivatives, on-balance sheet netting and guarantees.

As of 30 September 2020, CRM of VPBank exists mostly in the form of financial collaterals, comprising two main sub-types, namely bank deposits and eligible equity securities, in which bank deposits accounts for more than 61.2% of total CRM of the Bank.



Unit: VND billion

**Table 13: Credit Mitigation in form of Eligible Collateral – Separate**

30 Sep 2020

30 Jun 2020

On balance sheet	CRM	RWA Pre - CRM	RWA Post - CRM	CRM	RWA Pre - CRM	RWA Post - CRM
Sovereign	-	37	37	-	29	29
Financial Institutions	213	30,621	30,472	2,000	26,344	25,572
Corporate	14,886	191,687	180,956	10,846	180,891	170,174
Secured by real-estate	-	17,059	17,059	-	16,742	16,742
Residential mortgage	-	2,776	2,776	-	2,493	2,493
Regulatory retail	3,663	52,783	50,983	4,084	53,075	50,915
NPL	8	7,926	7,919	66	6,707	6,610
Other	885	10,151	9,369	1,249	10,766	9,633
<b>Total</b>	<b>19,655</b>	<b>313,040</b>	<b>299,561</b>	<b>18,245</b>	<b>297,047</b>	<b>282,168</b>

Off balance sheet	CRM	RWA Pre - CRM	RWA Post - CRM	CRM	RWA Pre - CRM	RWA Post - CRM
Sovereign	1	69	69	2	107	106
Financial Institutions	-	166	166	-	167	167
Corporate	2,132	16,391	14,728	2,114	16,876	15,396
Secured by real-estate	-	-	-	-	-	-
Residential mortgage	-	-	-	-	-	-
Regulatory retail	4	88	86	5	69	66
NPL	14	159	144	14	148	133
Other	398	169	-	386	169	-
<b>Total</b>	<b>2,549</b>	<b>17,042</b>	<b>15,193</b>	<b>2,521</b>	<b>17,536</b>	<b>15,868</b>



Unit: VND billion

**Table 14: Credit Mitigation in form of Eligible Collateral – Consolidated**

	30 Sep 2020			30 Jun 2020		
	CRM	RWA Pre - CRM	RWA Post - CRM	CRM	RWA Pre - CRM	RWA Post - CRM
<b>On balance sheet</b>						
Sovereign	-	37	37	-	29	29
Financial Institutions	213	26,347	26,198	2,000	25,988	25,216
Corporate	14,886	197,708	186,978	10,846	180,891	170,174
Secured by real-estate	-	17,059	17,059	-	16,742	16,742
Residential mortgage	-	2,776	2,776	-	2,493	2,493
Regulatory retail	3,663	96,654	94,855	4,084	97,302	95,142
NPL	8	11,730	11,722	66	11,149	11,052
Other	885	32,255	11,576	1,249	13,723	12,590
<b>Total</b>	<b>19,655</b>	<b>384,566</b>	<b>351,201</b>	<b>18,245</b>	<b>348,317</b>	<b>333,438</b>
<b>Off balance sheet</b>						
Sovereign	1	69	69	2	107	106
Financial Institutions	-	166	166	-	167	167
Corporate	2,133	16,391	14,728	2,114	16,876	15,396
Secured by real-estate	-	-	-	-	-	-
Residential mortgage	-	-	-	-	-	-
Regulatory retail	4	88	86	5	69	66
NPL	14	159	144	14	148	133
Other	397	169	-	386	169	-
<b>Total</b>	<b>2,549</b>	<b>17,042</b>	<b>15,193</b>	<b>2,521</b>	<b>17,536</b>	<b>15,868</b>

## Disclosures on Counterparty Credit Risk

Counterparty credit risk ('CCR') arises from derivatives and securities financing transactions, incurring when a counterparty defaults before settlement of the transaction. It is calculated in both trading and non-trading books.

Under Circular 41, RWA for CCR is calculated using standardized approach.

As of 30 September 2020, counterparty credit risk accounted for only 1.11% and 0.90% of total RWA on separate and consolidated basis respectively.

Compared to 30 June 2020, both separate and consolidated RWA of CCR increased considerably, by VND 1,087bln and VND 1,094bln, owing to the growth of exposures to derivatives transactions with corporate counterparties.

**Table 15: CCR RWA and Capital Requirement**

Unit: VND billion

	30 Sep 2020		30 Jun 2020	
	RWA	Capital required	RWA	Capital required
<b>Separate</b>				
Financial Institutions	635	51	908	72
Corporate	3,455	276	2,095	168
<b>Total</b>	<b>4,090</b>	<b>327</b>	<b>3,003</b>	<b>240</b>
<b>Consolidated</b>				
Financial Institutions	670	54	936	75
Corporate	3,455	276	2,095	168
<b>Total</b>	<b>4,125</b>	<b>330</b>	<b>3,031</b>	<b>243</b>

## Market Risk

Market risk is one of the material risks of the Bank. It is the risk of losses due to unexpected and adverse fluctuations in market factors (such as exchange rates, interest rates, equity prices, commodity prices, etc.). Market risk arises from direct investments in financial instruments and products whose price movements are explained by such risk factors.

### Capital Charge for Market Risk

Under Circular 41, Capital requirement for market risk is calculated by using standardized measurement method, in which fair value is used to determine market risk exposures. Capital charge for market risk includes:

- Capital charge for interest rate risk, except options;
- Capital charge for equity risk, except options;

- Capital charge for foreign exchange risk (including gold), except options;
- Capital charge for commodities risk, except options;
- Capital charge for option.

Market risk made up an insignificant proportion of total RWA, accounting for only 4.39% and 3.42% on separate and consolidated basis respectively.

As of 30 September 2020, VPBank does not have capital charge for equity risk, commodities risk and options risk since VPBank does not have these respective activities in the business.

Compared to 30 June 2020, capital charge for market risk grew on both separate and consolidated basis, by 34% and 28% respectively. The main driver was the growth in volume of cross currency swaps and interest rate swaps in trading book, which resulted in the increase of general interest rate risk.

**Table 16: Market risk – RWA and Capital Requirement**

Unit: VND billion

	30 Sep 2020		30 Jun 2020	
	RWA	Capital required	RWA	Capital required
<b>Separate</b>				
Interest rate risk	13,932	1,115	11,102	888
Equity position risk	-	-	-	-
Foreign exchange rate risk	2,243	179	989	79
Commodities risk	-	-	-	-
Options risk	-	-	-	-
<b>Total</b>	<b>16,175</b>	<b>1,294</b>	<b>12,091</b>	<b>967</b>
<b>Consolidated</b>				
Interest rate risk	13,932	1,115	11,102	888
Equity position risk	-	-	-	-
Foreign exchange rate risk	1,751	140	1,118	90
Commodities risk	-	-	-	-
Options risk	-	-	-	-
<b>Total</b>	<b>15,683</b>	<b>1,255</b>	<b>12,220</b>	<b>978</b>

# Operational Risk

Operational risk is defined as the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. Operational risk is relevant to every aspect of business. It covers a wide spectrum of issues, in particular legality, compliance, security and fraud. Losses arising from breaches of regulations and law, unauthorized activities, errors, omission, inefficiency, frauds, system failures or external events all fall into the definition of operational risk.

The business indicator (BI) comprises three macro-components of the Bank's income statement, including interest, services and financial component. RWA for operational risk is equal to Capital charge multiplied by 12.5.

As of 30 September 2020, operational risk RWA accounted for 9.1% and 15.7% total RWA on separate and consolidated basis respectively.

Compared to 30 June 2020, capital charge for operational risk increased slightly by 5.4% and 3.8% on separate & consolidated basis respectively, deriving from the growth of total operating income.

## Capital Charge for Operational Risk

Capital charge for operational risk under Circular 41 is calculated using standardized approach, equal to a fixed percentage (15%) of the average of business indicators over the previous three years.

Unit: VND billion

**Table 17: Operational Risk – RWA and Capital Requirement**

	30 Sep 2020			30 Jun 2020		
	RWA	Capital Required	BI	RWA	Capital Required	BI
<b>Separate</b>						
BI – Latest quarter	13,158	1,053	21,053	12,624	1,010	20,198
BI – Quarter last year	10,613	849	16,981	9,682	775	15,491
BI – Quarter two years ago	9,775	782	15,639	9,531	762	15,250
<b>Total</b>	<b>33,546</b>	<b>2,684</b>	<b>53,673</b>	<b>31,837</b>	<b>2,547</b>	<b>50,939</b>
<b>Consolidated</b>						
BI – Latest quarter	27,361	2,189	43,778	27,132	2,170	43,410
BI – Quarter last year	24,085	1,927	38,536	21,824	1,746	34,919
BI – Quarter two years ago	20,653	1,652	33,044	20,532	1,643	32,851
<b>Total</b>	<b>72,099</b>	<b>5,768</b>	<b>115,358</b>	<b>69,488</b>	<b>5,559</b>	<b>111,180</b>

## Abbreviations

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The following abbreviations are used across this document.

**BI:** Business Indicator

**NPL:** Non-performing loan

**CAR:** Capital Adequacy Ratio

**CRM:** Credit Risk Mitigation

**CCR:** Credit Counterparty Risk

**ECAIs:** External Credit Assessment Institutions

**RW:** Risk Weight

**RWA:** Risk Weighted Assets

**SBV:** State Bank of Vietnam

**SME:** Small and Medium Enterprises

Unit: VND billion

			30 Sep 2020	30 Jun 2020
<b>Reconciliation of Balance Sheets Separate – Financial Accounting to Regulations</b>		<i>Ref</i>	<b>Regulatory Balance Sheet</b>	<b>Regulatory Balance Sheet</b>
<b>ASSETS</b>				
<b>A1</b>	<b>I. Cash, gold and gemstones</b>	<b>a</b>	<b>2,799</b>	<b>3,010</b>
<b>A2</b>	<b>II. Balances with the State Bank of Vietnam</b>	<b>b</b>	<b>4,705</b>	<b>2,632</b>
<b>A3</b>	<b>III. Placements with and credit granting to other credit institutions</b>		<b>32,821</b>	<b>26,023</b>
A3-1	1. Placements with other credit institutions	c-1	25,118	19,787
A3-2	2. Credit granting to other credit institutions	c-2	7,703	6,236
<b>A4</b>	<b>IV. Securities held for trading</b>		<b>100</b>	<b>291</b>
A4-1	1. Securities held for trading	d	100	292
A4-2	2. Provision for securities held for trading		-	(1)
<b>A5</b>	<b>V. Derivatives and other financial assets</b>	<b>e</b>	<b>-</b>	<b>-</b>
<b>A6</b>	<b>VI. Loans and advances to customers</b>		<b>206,808</b>	<b>203,357</b>
A6-1	1. Loans and advances to customers	f	209,706	206,098
A6-2	2. Provision for loans and advances to customers		(2,898)	(2,741)
<b>A7</b>	<b>VII. Debt purchase</b>		<b>3,797</b>	<b>3,805</b>
A7-1	1. Debt purchase	g	3,826	3,836
A7-2	2. Provision for debt purchasing		(29)	(31)
<b>A8</b>	<b>VIII. Investment securities</b>		<b>77,386</b>	<b>74,076</b>
A8-1	1. Available-for-sale securities	h-1	77,730	74,487
A8-2	2. Held-to-maturity securities	h-2	-	-
A8-3	3. Provision for investment securities		(344)	(411)
<b>A9</b>	<b>IX. Long-term investments</b>	<b>i</b>	<b>7,841</b>	<b>7,819</b>
A9-1	1. Investments in subsidiaries		7,667	7,667
A9-2	2. Other long-term investments		239	239
A9-3	3. Provision for long-term investments		(64)	(87)
<b>A10</b>	<b>X. Fixed assets</b>	<b>j</b>	<b>1,356</b>	<b>1,395</b>
A10-1	1. Tangible fixed assets		1,151	1,172
A10-1-1	a. Cost		1,999	2,004
A10-1-2	b. Accumulated depreciation		(848)	(832)
A10-3	3. Intangible fixed assets		205	223
A10-3-1	a. Cost		640	632
A10-3-2	b. Accumulated amortization		(435)	(409)

Unit: VND billion

30 Sep 2020

30 Jun 2020

## Reconciliation of Balance Sheets Separate – Financial Accounting to Regulations

		Ref	Regulatory Balance Sheet	Regulatory Balance Sheet
	<b>ASSETS</b>			
<b>A12</b>	<b>XI. Other assets</b>	<b>I</b>	<b>21,579</b>	<b>20,417</b>
A12-1	1. Receivables		16,255	15,716
A12-2	2. Accrued interest and fee receivables		4,330	3,598
A12-3	3. Deferred tax assets		-	-
A12-4	4. Other assets		1,024	1,129
A12-4-1	Other assets		1,024	1,129
A12-4-2	- In which: Good will		-	-
A12-5	5. Allowance for other assets		(30)	(26)
<b>Total Assets</b>			<b>359,192</b>	<b>342,825</b>
	<b>LIABILITIES AND OWNERS' EQUITY</b>			
<b>B1</b>	<b>TOTAL LIABILITIES</b>		<b>317,040</b>	<b>302,287</b>
<b>B11</b>	<b>I. Amounts due to the Government and the State Bank of Vietnam</b>		<b>16</b>	<b>17</b>
<b>B12</b>	<b>II. Deposits and borrowings from other credit institutions</b>		<b>35,193</b>	<b>28,492</b>
B2-1	1. Deposits from other credit institutions		6,497	856
B2-2	2. Borrowings from other credit institutions		28,696	27,636
<b>B13</b>	<b>III. Deposits from customers</b>		<b>237,658</b>	<b>233,285</b>
<b>B14</b>	<b>IV. Derivatives and other financial liabilities</b>	<b>e</b>	<b>100</b>	<b>142</b>
<b>B15</b>	<b>V. Other borrowed and entrusted funds</b>		<b>220</b>	<b>247</b>
<b>B16</b>	<b>VI. Valuable papers issued</b>		<b>34,246</b>	<b>30,819</b>
<b>B17</b>	<b>VII. Other liabilities</b>		<b>9,607</b>	<b>9,285</b>
B7-1	1. Accrued interest and fee payables		5,833	6,335
B7-2	2. Deferred tax liabilities		-	-
B7-3	3. Other liabilities		3,774	2,950
B7-4	4. Provision for contingent liabilities and off-balance sheet commitments		-	-



Unit: VND billion

			30 Sep 2020	30 Jun 2020
Reconciliation of Balance Sheets Separate – Financial Accounting to Regulations		Ref	Regulatory Balance Sheet	Regulatory Balance Sheet
	OWNERS' EQUITY		42,152	40,538
B21	VIII. Owners' Equity and Reserves		42,152	40,538
B8-1	1. Owners' Equity		23,297	23,296
B8-1-1	a. Charter capital	m	25,300	25,300
B8-1-2	b. Construction investment fund	n	-	-
B8-1-3	c. Share premium	o	693	693
B8-1-4	d. Treasury shares	p	(2,696)	(2,696)
B8-1-5	e. Preferred shares	q	-	-
B8-1-6	g. Others	r	-	-
B8-2	2. Reserves		3,622	3,622
B8-2-1	h. Capital supplementary reserve	s-1	436	436
B8-2-2	i. Financial reserves	s-2	1,963	1,963
B8-2-3	j. Investment and development fund	s-3	1,223	1,223
B8-3	3. Foreign exchange differences		-	-
B8-4	4. Difference on revaluation of assets		-	-
B8-5	5. Retained earnings	t	15,234	13,620
Total Liabilities And Owners' Equity			359,192	342,825

Unit: VND billion

			30 Sep 2020	30 Jun 2020
<b>Reconciliation of Balance Sheets Consolidated – Financial Accounting to Regulations</b>		<i>Ref</i>	<b>Regulatory Balance Sheet</b>	<b>Regulatory Balance Sheet</b>
	<b>ASSETS</b>			
<b>A1</b>	<b>I. Cash, gold and gemstones</b>	a	<b>2,799</b>	<b>3,010</b>
<b>A2</b>	<b>II. Balances with the State Bank of Vietnam</b>	b	<b>5,121</b>	<b>3,056</b>
<b>A3</b>	<b>III. Placements with and credit granting to other credit institutions</b>		<b>26,918</b>	<b>26,034</b>
A3-1	1. Placements with other credit institutions	c-1	19,215	19,798
A3-2	2. Credit granting to other credit institutions	c-2	7,703	6,236
<b>A4</b>	<b>IV. Securities held for trading</b>		<b>100</b>	<b>291</b>
A4-1	1. Securities held for trading	d	<b>100</b>	292
A4-2	2. Provision for securities held for trading		-	(1)
<b>A5</b>	<b>V. Derivatives and other financial assets</b>	e	-	-
<b>A6</b>	<b>VI. Loans and advances to customers</b>		<b>273,164</b>	<b>265,908</b>
A6-1	1. Loans and advances to customers	f	278,025	270,139
A6-2	2. Provision for loans and advances to customers		(4,861)	(4,231)
<b>A7</b>	<b>VII. Debt purchase</b>		-	-
A7-1	1. Debt purchase	g	-	-
A7-2	2. Provision for debt purchasing		-	-
<b>A8</b>	<b>VIII. Investment securities</b>		<b>78,350</b>	<b>75,050</b>
A8-1	1. Available-for-sale securities	h-1	77,730	74,487
A8-2	2. Held-to-maturity securities	h-2	963	974
A8-3	3. Provision for investment securities		(343)	(411)
<b>A9</b>	<b>IX. Long-term investments</b>	i	<b>174</b>	<b>152</b>
A9-1	1. Investments in subsidiaries		-	-
A9-2	2. Other long-term investments		239	239
A9-3	3. Provision for long-term investments		(65)	(86)
<b>A10</b>	<b>X. Fixed assets</b>	j	<b>1,824</b>	<b>1,870</b>
A10-1	1. Tangible fixed assets		1,227	1,259
A10-1-1	a. Cost		2,382	2,397
A10-1-2	b. Accumulated depreciation		(1,155)	(1,138)
A10-3	3. Intangible fixed assets		597	611
A10-3-1	a. Cost		1,246	1,215
A10-3-2	b. Accumulated amortization		(649)	(604)

Unit: VND billion

# Reconciliation of Balance Sheets Consolidated – Financial Accounting to Regulations

			30 Sep 2020	30 Jun 2020
		Ref	Regulatory Balance Sheet	Regulatory Balance Sheet
<b>ASSETS</b>				
<b>A12</b>	<b>XI. Other assets</b>	<b>I</b>	<b>25,442</b>	<b>24,102</b>
A12-1	1. Receivables		17,530	16,753
A12-2	2. Accrued interest and fee receivables		5,661	4,908
A12-3	3. Deferred tax assets		-	-
A12-4	4. Other assets		2,288	2,473
A12-4-1	Other assets		2,288	2,473
A12-4-2	- In which: Good will		-	-
A12-5	5. Allowance for other assets		(36)	(32)
<b>Total Assets</b>			<b>413,892</b>	<b>399,473</b>
<b>LIABILITIES AND OWNERS' EQUITY</b>				
<b>B1</b>	<b>TOTAL LIABILITIES</b>		<b>364,166</b>	<b>351,999</b>
<b>B11</b>	<b>I. Amounts due to the Government and the State Bank of Vietnam</b>		<b>16</b>	<b>17</b>
<b>B12</b>	<b>II. Deposits and borrowings from other credit institutions</b>		<b>49,543</b>	<b>46,402</b>
B2-1	1. Deposits from other credit institutions		5,348	1,067
B2-2	2. Borrowings from other credit institutions		44,195	45,335
<b>B13</b>	<b>III. Deposits from customers</b>		<b>241,658</b>	<b>236,777</b>
<b>B14</b>	<b>IV. Derivatives and other financial liabilities</b>	<b>e</b>	<b>124</b>	<b>197</b>
<b>B15</b>	<b>V. Other borrowed and entrusted funds</b>		<b>220</b>	<b>247</b>
<b>B16</b>	<b>VI. Valuable papers issued</b>		<b>58,952</b>	<b>54,973</b>
<b>B17</b>	<b>VII. Other liabilities</b>		<b>13,653</b>	<b>13,386</b>
B7-1	1. Accrued interest and fee payables		6,942	7,604
B7-2	2. Deferred tax liabilities		-	-
B7-3	3. Other liabilities		6,711	5,782
B7-4	4. Provision for contingent liabilities and off-balance sheet commitments		-	-

Unit: VND billion

			30 Sep 2020	30 Jun 2020
Reconciliation of Balance Sheets Consolidated – Financial Accounting to Regulations		Ref	Regulatory Balance Sheet	Regulatory Balance Sheet
	OWNERS' EQUITY		49,726	47,475
B21	VIII. Owners' Equity and Reserves		49,726	47,475
B8-1	1. Owners' Equity		23,297	23,297
B8-1-1	a. Charter capital	m	25,300	25,300
B8-1-2	b. Construction investment fund	n	-	-
B8-1-3	c. Share premium	o	693	693
B8-1-4	d. Treasury shares	p	(2,696)	(2,696)
B8-1-5	e. Preferred share	q	-	-
B8-1-6	g. Others	r	-	-
B8-2	2. Reserves		8,710	8,710
B8-2-1	h. Capital supplementary reserve	s-1	1,117	1,117
B8-2-2	i. Financial reserves	s-2	4,303	3,290
B8-2-3	j. Investment and development fund	s-3	3,290	4,303
B8-3	3. Foreign exchange differences		-	-
B8-4	4. Difference on revaluation of assets		-	-
B8-5	5. Retained earnings	t	17,719	15,468
Total Liabilities And Owners' Equity			413,892	399,473

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