

**REPORT ON 2018 PERFORMANCE REVIEW
AND BUSINESS PLAN FOR 2019**

ATTENTION: VPBANK'S SHAREHOLDERS

Board of Management would like to report to the AGM about business performance of 2018 and key business plan and directions for 2019.

SECTION 1: 2018 PERFORMANCE REVIEW

Despite the volatility of the world economy, Vietnam's economy progressed and stabilized with various highlights. The brightest spot was economic growth at more than 7%, hitting the highest record since 2008 global financial crisis given that the key drivers were the processing - manufacturing and service industries. More importantly, the inflation was 3.54% - less than target 4% by National Assembly - while business and investment environments were increasingly improved.

The banking system funding more than 60% of capital to the economy, played an important role in the overall success of national economy, actively contributing to curb inflation, maintain economic growth, promote investment, and develop business as well as import and export activities. According to the National Financial Supervision Commission's report, the industry's total assets was up by 11.5% yoy, in which total credit growth was estimated to increase by 14 – 15% (that of 2017 was 17.6%). Although it was the lowest in the past three years, it was consistent with the goal of inflation control and economic development.

Given that background, VPBank had a successful business year, contributing significantly to the overall development of the industry via higher growth, and efficient risk and cost management. It was also the first year in the second five-year strategy 2018 – 2022. With remarkable achievements in growth with Quality, Efficiency and Sustainability, this year created a stepping stone for VPBank to achieve challenging goals of the strategy as well as positive outcomes during each years to come.

I. BUSINESS PERFORMANCE 2018

1. Stable and quality volume growth

1.1. Asset structure shifted towards quality and efficiency

By the end of 2018, VPBank's total assets reached 323,291 billion, up 16.4% yoy. Assets continued to grow sustainably with significant contributions from core Business Units (BU). In particular, loans to customer were up 21.5% yoy, contributing the most to total assets at 69%.

The net increase of loan balance (including loans to customer and corporate bonds) was more than VND 34 trillion - 17.3% yoy. In 2018, given the target of macro-economic stability and credit safety, the State Bank of Vietnam remained conservative on credit growth control. In such context, credit growth limit was

approved at 17% for the Bank stand-alone and 20% for VPBank Finance Company Limited (FE Credit), lower than the initial targets.

VPBank continued to focus its growth drivers on four main business pillars including Consumer Credit (FE Credit), Retail Banking (RB), Household Banking (CommCredit), and Small and Medium Enterprise (SME) in 2018. These divisions maintained their steady growth, contributing nearly 68% to the Bank's credit balance, and reinforcing its strategic choice.

Lending structure remained stable in which unsecured loan balance accounted for 35% of the total, mainly from FE Credit with a net increase of VND 13 trillion, equivalent to 18% growth yoy.

The retail banking, which prioritizes to offer unsecured and consumer finance products, especially toward low-income segment, has enabled their access to legal lenders. Given this penetration, VPBank proactively controls credit risk to ensure growth in parallel with quality control. International advanced risk management models were applied in both the Bank and its FE Credit to help comprehensively control asset quality. By the end of 2018, VPBank's NPL ratio (single) was managed at 2.4%. Credit policies were regularly adjusted in timely and reasonable manner to comply with the State Bank of Vietnam's regulations as well as the Bank's management. In addition, debt collection was always promoted and considered as a business activity. Internal debt collection system was continuously improved to increase the internal coordination and optimize resources, thus significantly improving debt collection productivity.

1.2 Diversified funding sources that match funding needs

Fund mobilization volume is from both customer and interbank at the end of 2018 reached VND 277,851 billion, up 17.3% yoy. Customer deposits and valuable papers issued reached VND 219,509 billion, net increase by nearly VND 20 trillion, equivalent to 10% yoy, of which growth drivers mainly come from core segments.

Funding structure was continuously diversified toward more stable and sustainable approach. In particular, deposits from customers accounted for 61% (56% in 2017) of total deposits, increased by 28% yoy. Taking advantage of a top-tier retail bank, VPBank's Retail Banking kept introducing diverse deposit packages toward convenience and maximized benefits to customers. Especially in June 2018, VPBank launched VPBank Diamond with luxurious, convenient service and product packages tailored to thousands of affluent customers, contributing more than 70% to total deposits from retail customers.

Strengthening balance sheet and ensuring prudential ratios were integrated in balance sheet management. Thanks to the effort to obtain long-term funding from customers and international organizations, the ratio of short-term funding used for medium and long-term loans at the end of 2018 was 33.6%, lower than the market average and the limit approved by the State Bank of Vietnam (2018: <45% and from January 1, 2019: <40%). Furthermore, the LDR of the Bank stand-alone was 73.7%, remaining effective and aligned to the limit of 80% by the State Bank of Vietnam.

1.3 Equity

By the end of 2018, VPBank's total charter capital reached VND 25,300 billion, ranking second among joint stock commercial banks in Vietnam. According to the resolution in the 2018 Annual General Meeting of Shareholders, VPBank increased the charter capital two times via: Issuing shares to pay dividends and bonus shares, and issuing shares under the Employee Stock Ownership Plan (ESOP). Through a number of capital raises together with the retained funds, at the end of 2018, VPBank recorded total equity of VND 34,750 billion, up 17% yoy. Total assets over equity remained at good level, reaching 9.3 (2017: 9.4), much lower than the industry average and close to the best practices of other regional banks, reflecting VPBank's activeness in capital management and utilization.

With stable funding and an effective and prudential asset structure, VPBank always ensured capital adequacy ratios in compliance with the State Bank of Vietnam's and Basel II. CAR in 2018 was 12.3% under the State Bank of Vietnam's regulations and 11.2% under Basel II standard, much higher than the minimum level of 9% regulated by the State Bank of Vietnam and 8% by Basel II.

In 2018, VPBank submitted the proposal to the State Bank of Vietnam to apply Cir41/TT-NHNN Basel II standard in 2019, and became one of the first banks in Vietnam to complete the preparation process and ready to comply with Basel II.

2. High quality business growth reflected by positive results

2.1 Total operating income increased significantly, ranking the highest among joint stock commercial banks

VPBank's total operating income (TOI) in 2018 reached VND 31,086 billion, increasing by 25% yoy, and leading among commercial joint stock banks, hitting the record of the bank so far. The achievement was such impressive thanks to right decisions of the Board of Directors in selecting business models as well as the aggressive deployment by the Board of Management. Furthermore, improvement of balance sheet structure, efficient mobilization and diversification of product and customer mix made a great contribution. This is the solid foundation for VPBank to grow stronger in the next stage.

In 2018, the core divisions contributed 80% of total operating income, while FE Credit continued a greatly successful year in both volume and operational efficiency. Given the advantage of a market leader in consumer finance in Vietnam with 55% market shares and branch network across the country, FE Credit introduced diverse and outstanding consumer finance products based on the advanced technology and efficient risk management. FE Credit contributed over VND 16 trillion, equivalent to 52% of total operating income of bank consolidated.

Retail Banking had another successful year with revenue growth of 22%, accounted for 18% of the consolidated total operating income. During the year, it actively implemented various key projects gaining positive results right from the beginning such as Affluent Banking, AIA distribution or other key digitization projects. Key products with diverse product mix, tailored to each specific customer segment and highly competitive in the market helped remain the rapid growth at the division in both quantity and quality.

Although Household Banking only contributed 4% to total operating income, it recorded an effective year with TOI growth of 59%, ranking the highest among core divisions, thanks to optimizing operational network as well as shifting towards higher income and quality customers.

2018 also marked a successful year for the Small and Medium Enterprises Banking (SME) when all targets were met and action plans were implemented in accordance with the strategy. SME launched more key projects such as services to women entrepreneurs, banking transactions to SMEs via VPBiz cards, or SME Connect. These projects and revised business models for micro-SME segment have enabled SME's TOI to grow 34% yoy.

Commercial Banking Division (CMB), Financial Market Division (FM), and Financial Institutions and Transaction Banking (FITB)... also had a good financial year, contributing significantly to the bank-wide business performance thanks to taking advantage of a specialized and flexible operating model with many supply chain financing and cross-selling programs to maximize profitability.

Although the Bank's income mainly came from Net interest income, Fee income was also an important part of business activities last year. In 2018, total fee income reached VND 3,819 billion, up 19% yoy. Net Interest Income (NFI) reached VND 1,612 billion, increasing by 10%. In particular, NII of the Bank stand-

alone reached VND 1,570 billion, increasing by 67% yoy. This achievement was made thanks to promoting business activities such as insurance, credit cards and other digital banking services. Fee income hikes implied that the Bank was less dependent on income from traditional lending products, and banking services became more and more diversified.

Other income also contributed significantly to total operating income, mainly from the recovery of written-off debts at more than VND 2 trillion, nearly double of that in 2017. Debt collection was radically implemented with significant improvement thanks to the effort of debt collectors, debt reminder and collection system as well as appropriate debt collection strategy.

2.2 Optimizing and enhancing cost efficiency

VPBank continued its investment in some new businesses and key projects, leading to cost of infrastructure investment was relatively high in 2018. However, thanks to good management of operating costs, promotion of digitization and automation, and efficient use of operating costs, operating costs only increased by 21% vs 25% growth in operating income. Thus, cost to income ratio (CIR) decreased to 34.2% from 35.2% in 2017.

2.3 Provision expense fully made according to regulations

Targeting at risk mitigation and bad debt management, VPBank recognized more than VND 11 trillion in provision expense, up 41% yoy and equivalent to 36% of the total operating income in 2018. Provision expense increased higher than last year mainly due to handling bad debts and other items in the balance sheet.

2.4 Profit before tax and other efficiency ratios

By the end of 2018, consolidated PBT reached VND 9,199 billion, up 13% yoy. This result helped VPBank continue its position as the most profitable banks in the market. Thanks to positive performance, the ROA and ROE ratio remained high among the top-tier joint stock commercial banks in terms of profitability, ROA was 2.4% and ROE was 22.8% in 2018.

3. Non-financial indicators

VPBank's successes in 2018 were not limited to financial aspects but including non-financial indicators.

Customer base: Customer base was continuously expanded. The number of active customers reached more than 5.8 million, up 18% yoy, creating an important basis for the Bank to pursue the retail strategy.

Card issuance: By the end of 2018, VPBank issued 3.8 million credit and debit cards, double of that in 2017. Card active rate increased from 64% to 68% in 2018. VPBank was one of a few banks in the market with top average spending via cards, at VND 11.5 million per month for each active card, up 79% yoy

Digitization journeys: The number of digital banking users as of December 31, 2018 reached 1.3 million accounts, increasing the online transaction rates to 55% from 41% in 2017, reflecting VPBank's success in digitization and automation journey. YOLO – digital bank app for new generation was only officially launched on September, 2018; however, there were nearly 300,000 users performing more than 471,000 transactions with total value of VND 3 trillion at the end of August 2018.

Branch network: VPBank opened five more branches, increasing total number to 222 branches and 83 SME centers which covered 42 cities and provinces nationwide.

4. General assessment of business performance in 2018

No.	Indicator	Actual 2018 (VND bil)	Planned 2018 (VND bil)	% completion of planned 2018	% YoY
1	Total assets	323.291	359.477	90%	16,4%
2	Customer deposits and valuable papers issued	219.509	241.675	91%	9,9%
3	Loan balance	230.790	243.320	95%	17,3%
	Including: customer loans	221.962	229.148	97%	21,5%
4	NPL ratio (bank single)	2,4%	<3%		
5	Profit before tax	9.199	10.800	85%	13,1%

(Source: 2018 audited consolidated financial statement)

In 2018, due to some external reasons such as strict credit policy from the SBV as well as some internal business difficulties, credit growth was lower than the target, partially impacting the Bank's profitability. However, financial indicators still hit 90% of the target. Given the performance in both volume and quality, VPBank reinforced its foundation to enable the growth in the future.

By the end of financial year 2018, VPBank strengthened its position as one of the top-notch performing banks in the market reflected by revenue growth and profitability, creating a robust momentum to develop faster in the next stages.

II. STRENGTHENING FOUNDATIONAL SYSTEM

Underlying the impressive business performance were the fundamental transformation and significant improvement of the foundational systems. In order to adapt to market trends and customer spending behaviors and increase corporate governance capability, VPBank implemented many bank-wide, critical projects. Most of them focused on the transformation of business model, centralization of operations, and specialization and segregation of businesses with a clearer view of finance, risk management, operations and products, etc. driven by automation with support from IT. Metrics with a direct impact on quality and efficiency have been closely monitored to identify and tackle challenges in a timely manner, and to continually improve productivity and quality.

1. Risk management and debt collection

In 2018, VPBank developed and has actively improved its risk management framework to roll out an internal process for assessing capital adequacy in compliance with regulatory and Basel II requirements.

The bank has officially implemented the standardized approach and is moving to advanced approach under Basel II framework. Since 2016, the bank has fully complied with the SBV's capital adequacy ratio (CAR). Its CAR has always been higher than the 8% minimum stipulated under Circular 41. One of the priorities was get ready for compliance with Circular 13 on Internal Control Systems when it takes effect in 2019. To achieve this objective, the bank restructured risk management and internal approval processes, issued some risk management policies, and developed models to strengthen its risk management framework.

Besides, VPBank also took the initiative in improving its stress-testing framework and has periodically carried out many such tests, including those on capital and liquidity as required by the SBV and on concentration risk, which is optional. Therefore, the bank can clearly understand the business impacts of

such factors and get best prepared for adverse circumstances. Expected losses identified under stress tests were then offset by capital.

VPBank has set the target of being the first bank to apply IFRS9 standards for better prevention and preparation for financial crises thanks to expected loss provisioning, increased transparency on credit risk, and better alignment between risk measurement and management model and accounting model and business activities.

In 2018, Tethys and Mediatel were launched and have been steadily improved, which have helped increase the number of successful calls and make the best of collection resources. Therefore, Collection Centre significantly improved its collection performance and was able to increase its collection portfolio in response to the growth targets of business units. Collection performance was up 85% year over year thanks to the efforts of collection staff, debt reminding and collection systems, and suitable collection strategies.

In 2019, debt management and collection will be further strengthened with the implementation of existing and new technology projects, i.e. (i) GPS tracking for monitoring and maximizing field collection productivity, (ii) development of a new, Zalo-based channel for debt reminding, (iii) implementation of IVM debt reminding system for higher productivity.

2. Business analytics and Technological Platform

Use of Big Data

As people increasingly rely on the Internet and mobile devices, big data from them is treated as gold resource because it helps enterprises clearly understand their customers, make appropriate offerings, and devise viable strategies. As a result, VPBank has been working round the clock to improve data management and analytics capabilities to meet business requirements faster and better. More than 50 big analyses and 150 in-depth analyses on customer behaviour were made, which improved business decision-making processes on customer acquisition, customer segmentation, marketing, cross-selling, and customer retention have been conducted. The bank raised data quality by 25% and customer data quality by 46% yoy.

Next year, VPBank will continue improving the quality and efficiency of data analytics thanks to many initiatives such as upgrading data warehouse, strengthening data management and advanced business analytics capabilities. Cross-functional analytics will also be strengthened towards more effective decisions.

Technology Platform

The strategy of becoming a leading digital bank requires VPBank to relentlessly improve and launch convenient, user-friendly, and modern digital banking apps, which requires a robust technology platform. In fact, the bank has launched outstanding digital banking apps such as VPBank Dream, YOLO, SME Connect and FE Credit launched \$NAP as part of its digitization journey. Other projects and initiatives also help build a robust technological foundation for the bank. Specifically, Open API and Microservice projects in particular have made VPBank more accessible to fintech and telco ecosystems. The electronic banking system and Smartnet are connected using 11 open programming interfaces, enabling external systems to connect to the bank via the same user account and password, including the application VPBank Dream application.

New applications has also shortened the turnaround time for the creation of loans for credit cards and finance consumer products, from a 24-hour manual process (3 days) to an automatic approval process of only 60 minutes, and increase from 30% to 90% of approved credit card and consumer credit loan products through the automated approval process. It can be affirmed that, with a strong technological foundation, along with the continuous application of new technology initiatives, VPBank's automation and digitalization journey has been further advanced, creating new growth motivation for banks.

3. Operations

In 2018, the bank made profound changes to the operating model, focusing on process automation to optimize operating expenses, improve service quality, and effectively control operational risks.

Process Digitization and Automation

In the centralised credit underwriting and approval model, there has been shifted from manual to automatic approvals, which now accounts for 80% of all unsecured product approvals. FVS application has replaced traditional tools to assist on-site activities. After applying automatic credit processing tools, the average credit processing time has decreased by 40% year over year. Instead of being issued in small numbers and manually, cards and PIN's are now packaged by machines and issued in bulk by external partners. Tracking codes are assigned to cards /PIN's shipped out to customers so that relevant functions can track the parcels and view their status

VPBank received “The 2018 Elite Quality Recognition Award for Outstanding Achievement of Best-in-class – USD Dollar Clearing” award from JP Morgan Chase for the highest automatic clearing achievement (99.95%) among banks and “Straight Through Processing” award from Bank of New York Mellon for its international straight-through processing achievement (97%). The awards substantiate the quality, reputation, and advancement of VPBank’s internal payment services.

Service Quality

Since 2015, customer service function has been centralized, leading to a smaller headcount and a more optimal structure. As a result, both customer service productivity and quality at branches improved. A online training and examination system has user-friendly, easy-to-use interface and has been frequently updated. A centralized knowledge base system assists users in getting up-to-date information, therefore lowering the risk of using outdated documents. Corporate customer service function was restructured towards further specialization, especially in the processing of customer transactions, to improve service quality, optimize resources, and improve productivity by 25%.

A new 24/7 call centre system was officially launched in the middle of the year; therefore customers can contact the bank via many means and in real time. The number of unsuccessful calls has been down 60% since the new system was put into operation.

Operational Risk Control

Risk control functions have been changed in the direction of flexibility, comprehensive and digitalization. Risk data collection, risk analysis and risk assessment methods constantly applied to provide highly reliable risk reports and early warnings. Since then, the built and improved operational processes are associated with each risk, making the efficiency of the process is controlled when assessing the remaining risks.

The three-level operational risk framework in Operation's first line of defense has been developed and implemented to raise the sense of staff's self-awareness for self-testing, early detection and prevention daily risks from the unit level. On the basis of the initial risk control results, the units have collaborated to develop a plan to overcome and prevent risks effectively to avoid widespread damage.

4. Human Resources

People are eternally the most valuable asset of an enterprise and the fundamental element ensuring its success. Thus, generating a sustainable talent force is the foremost objective of talent acquisition, development, and retention. In 2018, with the human resource segmentation model, VPBank completed the bank-wide mapping of key positions. In addition, the succession plan was executed at all divisions. Updates have been made to the bank's core competency framework, an important platform of human resources, to faithfully reflect the competency requirements of employees, aiming at the successful implementation of 2018-2022 strategy. With the scope of comprehensive and synchronous human resource policy, VPBank is steadily strengthening its foundation for 2019 plan and the upcoming years of the strategy to become a "Home of Talents".

In reinforcing the human resources platform, VPBank plans to make further investment in HRM technological infrastructure, such as HR MIS and LMS, apart from an online performance management system. This showed the bank's pioneering step in digitalizing human resource processes for operational human resource optimization and database provision for making HR-related decision.

In parallel with the focus of 2018, the HR operational initiatives were developed and launched on the basis of career cycle methodology, aiming at enhancing employee experience. The bank has issued an employee supporting process and executed a new integration procedure with the "Welcome – Familiarize – Adapt – Integrate" roadmap for new employees, starting from the very beginning of their careers at VPBank. This program was launched from July 15, 2018 for the Head Office and neighboring areas in Hanoi and Ho Chi Minh City. As at the end of October 2018, 63% of total new employees enrolled in the first-day orientation program.

According to the survey started from August 2018, the program gained full satisfaction from all participants. Working at VPBank, people shall receive comprehensive remuneration and benefits, namely competitive salary and incentives against the market average coupled with superb "Preferential staff loans" program and Saturday off-work for improving welfare.

Training activities were widely executed at bank-wide level with diversified participants, meeting the varied training needs of all divisions. In 2018, VPBank Learning Academy leveraged its online learning system to beef up the training for 6,000 employees, equivalent to 56,000 training sessions, with nearly 100 courses, 25% of which were online.

Apart from devoting to internal resource development, VPBank pays great attention to generating resources and attracting university talents. At the beginning of November 2018, VPBank Scholarship Fund of nearly VND 1 billion was introduced with two programs namely "Shine Your Talent" and "Home of Talents". Opportunities to be specially recruited to work at VPBank are also opened for the top third and fourth-year university students. In addition, VPBank facilitates new graduates' access to career opportunities here by organizing the "BankVisit" tour for hundreds of students in Ho Chi Minh City. The brand of a recruiting agency with the message of "Home of Talents" has been promoted by dynamic communications. Being the first bank to be invited to "The Chosen One" game show on VTV6, VPBank has spread its image of the best work place and opened tremendous career development opportunities for potential candidates nationwide.

By continuous efforts to follow the selected human resource strategy, VPBank is gradually affirming its position to be the place for distinguished individuals in Vietnam banking sector.

5. Other foundational activities

Other foundational activities including finance, finance control, financial and business analysis, plan and strategy, legal and compliance, communication and branding are continued to be implemented as per the strategy of each activity, which follows the overall direction of improving productivity, quality and efficiency by automating, digitizing and simplifying to support rapid development of business activities and enhance service quality.

SECTION II: BUSINESS PLAN FOR 2019

Asia – Pacific region will sustain economic growth and low inflation and account for 60% of global economic growth. However, its growth will slow down in 2019 in the face of external challenges such as the trade war between the U.S. and China and other internal, medium-term issues. Banks are facing a very big challenge of decreasing ROA and the pressure to transform and digitize themselves for income growth and cost optimization.

Vietnam’s economy is forecasted to remain stable despite strong pressure from slower global economic growth. The growth rate is forecasted to reach between 6.6% and 6.8%, average consumer index 4%, and inflation under 4% as approved by the National Assembly and the government. The demands of retail and enterprise customers are forecasted to increase rapidly due to rising consumption as a result of higher income and the government’s consumption stimulation policy.

The SBV will maintain a reasonable credit growth rate to stimulate growth while curbing inflation. It is forecasted that the SBV will keep the credit growth rate at around 14 – 15%. It will also keep close tabs at credit institutions’ prudential ratios, thus raising their funding demands. Tightened monetary policies may lead to the increase of 70 – 100 points in lending rates in 2019.

2019 is the second year of the 2018 – 2022 strategy to realize the ambitious strategic goals of becoming the most consumer friendly bank through technology and one of top three most valuable banks in Vietnam by 2022.

In 2019, the bank will continue to solidify its market position, i.e. one of top five private joint-stock commercial banks in deposit and loan balance, and one of top three leading private retail joint-stock commercial banks in terms of retail deposit, loan balance and retail customer base. To realize the objectives, VPBank will focus on growth quality and volume growth in select market segments. Quality growth will be the overarching theme in all of the bank’s policies:

- Maintain higher-than-industry-average growth rates in volume and efficiency;
- Improve the productivity and performance of the sales force to achieve credit and deposit growth;
- Strengthen and upgrade business support systems and platforms for the purposes of centralization, automation, digitization, and simplification.

Despite many challenges, rapid changes in digital technology and consumer behaviours, and new players, VPBank will be willing to take both new opportunities and challenges to sustain growth and conquer new heights. The Board of Management is fully confident the bank will continue to succeed in 2019 and realize the vision for 2022.

Above is the audited report on business performance of 2018 and the plan of 2019, the Board of Directors and the Executive Board respectfully submit to the Annual General Meeting for consideration and approval.

Recipients:

- Shareholders
- Board of Directors, Supervisory Board
- Board of Management

**P.P. VPBANK BOARD OF
MANAGEMENT
CHIEF EXECUTIVE OFFICER**

(Signed)

Nguyen Duc Vinh