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Vietnam Prosperity Joint Stock Commercial Bank

(incorporated as a joint stock commercial bank in Vietnam)

US\$1,000,000,000

EURO MEDIUM TERM NOTE PROGRAMME

Under this US\$1,000,000,000 Euro Medium Term Note Programme (the "Programme"), Vietnam Prosperity Joint Stock Commercial Bank (the "Issuer") may from time to time issue notes (the "Notes") denominated in any currency agreed between the Issuer and the relevant Arranger or Dealer under the Programme Agreement (as defined in "Subscription and Sale"). Notes may be issued in bearer or registered form (respectively, "Bearer Notes" and "Registered Notes"). The maximum aggregate nominal amount of all Notes from time to time outstanding under the Programme will not exceed US\$1,000,000,000 (or its equivalent in other currencies calculated as described in the Programme Agreement described herein), subject to increase as described herein.

The Notes may be issued on a continuing basis to one or more of the Dealers specified under "Overview of the Programme" and any additional Dealer appointed under the Programme from time to time by the Issuer (each a "Dealer" and together the "Dealers"), which appointment may be for a specific issue or on an ongoing basis. References in this Offering Circular to the "relevant Dealer" shall, in the case of an issue of Notes being (or intended to be) subscribed by more than one Dealer, be to all Dealers agreeing to subscribe such Notes.

An investment in Notes issued under the Programme involves certain risks. For a discussion of these risks, see "Risk Factors" on page 17.

Application has been made to the Singapore Exchange Securities Trading Limited (the "SGX-ST") for permission to deal in, and for the listing and quotation of, Notes that may be issued pursuant to the Programme and which are agreed at or prior to the time of issue thereof to be so listed and quoted on the Official List of SGX-ST. Permission to list such Notes will be granted when the Notes have been admitted to the Official List of the SGX-ST. The SGX-ST assumes no responsibility for the correctness of any of the statements made or opinions expressed or reports contained herein. Admission to the Official List of the SGX-ST and quotation of any Notes on the SGX-ST should not be taken as an indication of the merits of the Issuer, the Programme or Notes. There is no assurance that the application to the Official List of the SGX-ST for the listing of the Notes of any Series will be approved.

The Programme provides that Notes may be listed or admitted to trading, as the case may be, on such other or further stock exchanges or markets as may be agreed between the Issuer and the relevant Dealer. The Issuer may also issue unlisted Notes and/or Notes not admitted to trading on any market. The relevant Pricing Supplement (as defined below) in respect of any Series (as defined in "Terms and Conditions of the Notes" (the "Conditions")) will specify whether or not such Notes will be listed and, if so, on which exchange(s) the Notes are to be listed.

The listing or admission to trading, as the case may be, of any Notes is subject to the receipt of the relevant listing approval from the State Securities Commission of Vietnam (the "SSC").

Details of the aggregate nominal amount of Notes, interest (if any) payable in respect of such Notes, the issue price of such Notes and any other terms and conditions not contained herein which are applicable to each Tranche (as defined in the Conditions) of Notes will be set out in a pricing supplement (the "Pricing Supplement") which, with respect to Notes to be listed on the SGX-ST, will be delivered to the SGX-ST on or before the date of issue of the Notes of such Tranche.

Each Tranche of Notes of each Series (as defined in "Form of the Notes") in bearer form will be represented on issue by a temporary global note in bearer form (each a "Temporary Bearer Global Note") or a permanent global note in bearer form (each a "Permanent Bearer Global Note"). Notes in registered form will initially be represented by a global note in registered form (each a "Registered Global Note" and together with any Temporary Bearer Global Notes and Permanent Bearer Global Notes, the "Global Notes" and each a "Global Note"). Registered Global Notes will be registered in the name of, or in the name of a nominee for, one or more clearing systems. Global Notes may be deposited on the issue date with a common depository for Euroclear Bank SA/NV ("Euroclear") and Clearstream Banking S.A. ("Clearstream, Luxembourg"). The provisions governing the exchange of interests in Global Notes for other Global Notes and definitive Notes are described in "Form of the Notes".

The Notes have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the "Securities Act") or any U.S. State securities laws and may not be offered or sold in the United States unless an exemption from the registration requirements of the Securities Act is available and in accordance with all applicable securities laws of any state of the United States and any other jurisdiction. See "Form of the Notes" for a description of the manner in which Notes will be issued. Registered Notes are subject to certain restrictions on transfer, see "Subscription and Sale".

The Programme provides that Notes may be listed and/or admitted to trading, as the case may be, on or by such other or further stock exchanges, markets and/or competent listing authorities as may be agreed between the Issuer and the relevant Dealer. The Issuer may also issue unlisted Notes and/or Notes which are not admitted to trading on any market.

The Issuer may agree with any Dealer and the Trustee (as defined herein) that Notes may be issued in a form not contemplated by the Conditions, in which event a supplemental Offering Circular, if appropriate, will be made available which will describe the effect of such agreement reached in relation to such Notes.

Notes issued under the Programme may be rated or unrated. When a tranche of Notes is rated, such rating will be specified in the applicable Pricing Supplement and will not necessarily be the same as the rating applicable to the Programme. The Programme has been rated "BI" by Moody's Investors Service ("Moody's"). A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, revision, downgrade or withdrawal at any time by the assigning rating agency.

Arrangers and Dealers



BNP PARIBAS

J.P.Morgan



The date of this Offering Circular is 1 July 2019

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This Offering Circular does not constitute an offer to sell, or a solicitation of an offer to buy, any Notes offered hereby by any person in any jurisdiction in which it is unlawful for such person to make an offer or solicitation.

The Bank confirms that, after having made all reasonable inquiries, this Offering Circular contains all information with regard to the Bank, the Programme and the Notes which is material in the context of the Programme and the issue and offering of Notes, that the information contained in this Offering Circular is true and accurate in all material respects and is not misleading in any material respect and that there are no omissions of any other facts from this Offering Circular which, by their absence herefrom, make this Offering Circular misleading in any material respect. The Bank accepts responsibility accordingly. The information

presented in the sections entitled “*Overview of the Vietnam Banking Industry*”, “*Overview of the Vietnam Economy*”, and “*Supervision and Regulation*” have been accurately extracted from publicly available documents from various sources, including officially prepared materials from the Government of Vietnam and its various ministries and the State Bank of Vietnam (the “SBV”), and have not been independently verified by the Bank.

Subject as provided in the applicable Pricing Supplement, the only persons authorised to use this Offering Circular in connection with an offer of Notes are the persons named in the applicable Pricing Supplement as the relevant Dealer or the Managers, as the case may be. Copies of Pricing Supplement in relation to the Notes will be available at the Bank’s registered office and the specified office set out below of each of the Paying Agents (as defined in the Conditions).

This Offering Circular is to be read in conjunction with all documents which are deemed to be incorporated in it by reference (see “*Documents Incorporated by Reference*”). This Offering Circular shall be read and construed on the basis that those documents are incorporated and form part of this Offering Circular.

BNP Paribas, J.P. Morgan Securities plc and Standard Chartered Bank (the “Arrangers” and the “Dealers”), The Bank of New York Mellon, London Branch (the “Trustee”) and the Agents (as defined in the Conditions) have not independently verified the information contained herein. Accordingly, none of the Arrangers, the Dealers, the Trustee or the Agents makes any representation or warranty, express or implied, as to the accuracy or completeness of such information, nothing contained or incorporated by reference in this Offering Circular is, or shall be relied upon as, a promise or representation by the Arrangers, the Dealers, the Trustee or the Agents, and no responsibility or liability is accepted by the Arrangers, the Dealers, the Trustee or the Agents as to the accuracy or completeness of the information contained or incorporated by reference in this Offering Circular of any other information in connection with the Programme or the distribution or offering of any Notes. None of the Arrangers, the Dealers or the Trustee accepts any responsibility for the contents of this Offering Circular or for any other statement made or purported to be made by the Arrangers, the Dealers or the Trustee or on their respective behalf in connection with the Bank, the Programme or the issue and offering of the Notes. Each of the Arrangers, the Dealers and the Trustee accordingly disclaims all and any liability whether arising in tort or contract or otherwise (save as referred to above) which it might otherwise have in respect of this Offering Circular or any such statement. Neither the delivery of this Offering Circular nor the offering, sale or delivery of any Notes shall in any circumstances imply that the information contained herein concerning the Bank is correct at any time subsequent to the date hereof or that any other information supplied in connection with the Programme or any issue and offering of Notes is correct as at any time subsequent to the date indicated in the document containing the same. Investors may not reproduce or distribute this Offering Circular in whole or in part, and investors may not disclose any of the contents of this Offering Circular or use any information herein for any purpose other than considering an investment in the Notes. Investors agree to the foregoing by accepting delivery of this Offering Circular.

IMPORTANT INFORMATION RELATING TO THE USE OF THIS OFFERING CIRCULAR AND OFFERS OF NOTES GENERALLY

This Offering Circular does not constitute an offer to sell or the solicitation of an offer to subscribe for or purchase any Notes in any jurisdiction in which it is unlawful to make an offer or solicitation to subscribe for or purchase any Notes. The distribution of this Offering Circular and the offer or sale of Notes may be restricted by law in certain jurisdictions. None of the Bank, the Arrangers, the Dealers, the Trustee or the Agents represents that this Offering Circular may be lawfully distributed, or that any Notes may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assumes any responsibility for facilitating any such distribution or offering. In particular, no action has been taken by the Bank, the Arrangers, the Dealers, the Trustee or the Agents which would permit a public offering of any Notes or the distribution of this Offering

Circular in any jurisdiction where action for that purpose is required. Accordingly, no Notes may be offered or sold, directly or indirectly, and neither this Offering Circular nor any advertisement or other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations. Persons into whose possession this Offering Circular or any Notes may come must inform themselves about, and observe, any such restrictions on the distribution of this Offering Circular and the offering and sale of Notes.

Prospective investors in the Notes should rely only on the information contained in this Offering Circular. None of the Bank, the Arrangers, the Dealers, the Trustee or the Agents has authorised the provision of information different from that contained in this Offering Circular. The information contained in this Offering Circular is accurate in all material respects only as at the date of this Offering Circular, regardless of the time of delivery of this Offering Circular or of any sale of the Notes.

There are restrictions on the offer and sale of the Notes, and the circulation of documents relating thereto, in certain jurisdictions, including the United States, the European Economic Area (including the United Kingdom), Japan, Singapore, Hong Kong, Switzerland and Vietnam, and to persons connected therewith. See “*Subscription and Sale*”.

None of the Bank, the Arrangers, the Dealers, the Trustee or the Agents, or any of their respective affiliates or representatives, is making any representation to any potential investor regarding the legality of any investment by such potential investor under applicable legal investment or similar laws. Each prospective investor should consult with its own advisors as to the legal, tax, business, financial and related aspects of a purchase of the Notes.

In particular, there are restrictions on the distribution of this Offering Circular and the offer or sale of Notes. Purchasers of the Notes may not transfer or resell the Notes except as permitted under the Securities Act and applicable state securities laws. Prospective investors should thus be aware that they may be required to bear the financial risks of this investment for an indefinite period of time.

If a jurisdiction requires that the offering be made by a licensed broker or dealer and the Dealers or any affiliate of the Dealers is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by that Dealer or its affiliate on behalf of the Bank in such jurisdiction.

IMPORTANT – EEA RETAIL INVESTORS

If the Pricing Supplement in respect of any Notes includes a legend entitled “Prohibition of Sales to EEA Retail Investors”, the Notes are not intended to be offered, sold or otherwise made available to and, with effect from such date, should not be offered, sold or otherwise made available to any retail investor in the European Economic Area (“EEA”). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, “MiFID II”); (ii) a customer within the meaning of Directive 2002/92/EC (as amended or superseded, the “Insurance Mediation Directive”), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in Directive 2003/71/EC (as amended or superseded, the “Prospectus Directive”). Consequently, no key information document required by Regulation (EU) No 1286/2014 (as amended, the “PRIIPs Regulation”) for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

MIFID II PRODUCT GOVERNANCE/TARGET MARKET

The Pricing Supplement in respect of any Notes may include a legend entitled “MiFID II Product Governance” which will outline the target market assessment in respect of the Notes and which channels for distribution of the Notes are appropriate. Any person subsequently offering, selling or recommending the Notes (a “distributor”) should take into consideration the target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the target market assessment) and determining appropriate distribution channels.

A determination will be made in relation to each issue about whether, for the purpose of the MiFID Product Governance rules under EU Delegated Directive 2017/593 (the “MiFID Product Governance Rules”), any Dealer subscribing for any Notes is a manufacturer in respect of such Notes, but otherwise neither the Arrangers nor the Dealers nor any of their respective affiliates will be a manufacturer for the purpose of the MiFID Product Governance Rules.

NOTIFICATION UNDER SECTION 309B(1)(C) OF THE SECURITIES AND FUTURES ACT (CHAPTER 289) OF SINGAPORE

Unless otherwise stated in the Pricing Supplement in respect of any Notes, all Notes issued or to be issued under the Programme shall be prescribed capital markets products (as defined in the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

STABILISATION

IN CONNECTION WITH THE ISSUE OF ANY TRANCHE OF NOTES, THE DEALER(S) NAMED AS THE STABILISATION MANAGER(S) (THE “STABILISATION MANAGER(S)”) OR ANY PERSON ACTING ON BEHALF OF ANY STABILISATION MANAGER(S) MAY OVER-ALLOT NOTES OR EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE MARKET PRICE OF THE NOTES AT A LEVEL HIGHER THAN THAT WHICH MIGHT OTHERWISE PREVAIL. HOWEVER, STABILISATION MAY NOT NECESSARILY OCCUR. ANY STABILISATION ACTION MAY BEGIN ON OR AFTER THE DATE ON WHICH ADEQUATE PUBLIC DISCLOSURE OF THE TERMS OF THE OFFER OF THE NOTES IS MADE AND, IF BEGUN, MAY BE ENDED AT ANY TIME, BUT IT MUST END NO LATER THAN THE EARLIER OF 30 DAYS AFTER THE ISSUE DATE OF THE RELEVANT TRANCHE OF NOTES AND 60 DAYS AFTER THE DATE OF THE ALLOTMENT OF THE RELEVANT TRANCHE OF NOTES. ANY STABILISATION ACTION OR OVER-ALLOTMENT SHALL BE CONDUCTED BY THE STABILISATION MANAGER(S) (OR PERSONS ACTING ON BEHALF OF ANY STABILISATION MANAGER(S)) IN ACCORDANCE WITH ALL APPLICABLE LAWS AND RULES.

ENFORCEABILITY OF CIVIL LIABILITIES

The Bank is incorporated in Vietnam. Vietnam has different securities laws from those in the United States and protections for investors may differ. Substantially all of the Bank’s assets are located in Vietnam. In addition, substantially all of the Bank’s directors, supervisors, officers and managers are nationals or residents of Vietnam, and all or a substantial portion of such persons’ assets are located in Vietnam. As a result, it may be difficult for investors to effect service of process outside Vietnam upon the Bank or its directors, supervisors and officers or to enforce against the Bank or such directors, supervisors and officers judgments obtained in courts outside Vietnam, including judgments predicated upon the civil liability provisions of the securities laws of any foreign jurisdiction. In addition, it may be difficult for investors to enforce a foreign

arbitral award against any of them or to enforce against any of them, in Vietnam courts, judgments obtained in jurisdictions other than Vietnam, including judgments obtained in connection with the Notes in the courts of England and Wales.

The Bank has been advised by Mayer Brown (Vietnam) LLC, its Vietnamese legal advisor, that any arbitral award of a foreign arbitral tribunal (such as the Singapore International Arbitration Centre) may be recognised and enforced in Vietnam provided that such arbitral award is not considered by a Vietnamese court as being ineffective, and the enforcement of such arbitral award would not be deemed contradictory to the fundamental principles of Vietnamese laws pursuant to Article 459 of the 2015 Code on Civil Proceedings. With respect to arbitral awards delivered in a country which is not a signatory to the 1958 New York Convention on Recognition and Enforcement of Foreign Arbitral Awards (the “New York Convention”), such an arbitral award may be recognised by a Vietnamese court for enforcement on a reciprocal basis.

PRESENTATION OF FINANCIAL AND OTHER DATA

Financial Data

The Bank’s financial statements included in this Offering Circular have been prepared in accordance with Vietnamese Accounting Standards and the Vietnamese Accounting System applicable to credit institutions and other statutory requirements relevant to the preparation and presentation of financial statements (referred to in this Offering Circular as “VAS”). VAS differs in significant respects from International Financial Reporting Standards (“IFRS”). For a discussion of these differences, see “*Summary of Certain Differences Between VAS and IFRS*”.

In making an investment decision, investors must rely on their own examination of the Bank and the financial information contained or incorporated by reference in this Offering Circular. Potential investors should consult their own professional advisors for an understanding of the differences between VAS and IFRS, and how these differences might affect their understanding of the financial information contained herein. In addition, the Bank’s interim financial information has not been audited by the Bank’s independent auditors, is subject to change, and might differ from results for such periods and as at such dates if such results were audited by the Bank’s independent auditors. The unaudited consolidated interim financial information for the three months ended 31 March 2019 and the ratios or amounts calculated on an annualised basis presented in this Offering Circular may not be indicative of the Bank’s full year results for 2019. Accordingly, prospective investors are cautioned not to place undue reliance on this unaudited financial information.

Other data

All interest rate percentages, unless otherwise noted, have been calculated on a per annum basis. Certain amounts and percentages included in this Offering Circular have been rounded. Accordingly, in certain instances, the sum of the numbers in a column may not equal the total figure for that column.

CERTAIN DEFINITIONS

In this Offering Circular, references to the “Bank” are to the Vietnam Prosperity Joint Stock Commercial Bank and its consolidated subsidiaries and other consolidated entities. References to “Vietnam” and the “State” are to the Socialist Republic of Vietnam and references to the “Government” are to the Government of the Socialist Republic of Vietnam. References to the “U.S.” or the “United States” are to the United States of America, its territories and its possessions. All references in this document to “U.S. dollars”, “US\$” and “\$” refer to the lawful currency of the United States of America and to “VND” and “Vietnamese dong” refer to the lawful currency of Vietnam.

EXCHANGE RATE INFORMATION

This Offering Circular contains conversions of certain Vietnamese dong amounts into U.S. dollars solely for the convenience of the reader. The conversions of Vietnamese dong amounts into U.S. dollar amounts have been made at the rate of VND22,980 to US\$1.00, which was the official central rate of exchange of the SBV as at 30 March 2019. No representation is made that the Vietnamese dong amounts referred to herein could have been or could be converted into U.S. dollars at the rate indicated, at any particular rate, or at all. As at 1 July 2019, the official central rate of exchange of the SBV was VND23,054 to US\$1.00.

FORWARD-LOOKING STATEMENTS AND ASSOCIATED RISKS

This Offering Circular includes statements which contain words or phrases such as “will”, “would”, “aim”, “aimed”, “will likely result”, “is likely”, “are likely”, “believe”, “expect”, “expected to”, “will continue”, “will achieve”, “anticipate”, “estimate”, “estimating”, “intend”, “plan”, “contemplate”, “seek to”, “seeking to”, “trying to”, “target”, “propose to”, “future”, “objective”, “goal”, “project”, “should”, “can”, “could”, “may”, “will pursue”, “in management’s judgment” and similar expressions or variations of such expressions, that are “forward-looking statements”. Actual results may differ materially from those suggested by the forward-looking statements due to certain risks or uncertainties associated with management’s expectations with respect to, but not limited to:

- the actual growth in demand for banking and other financial products and services in Vietnam;
- management’s ability to successfully implement its strategy;
- future levels of impaired loans and any regulatory changes related to the classification of impaired loans and restricted loans;
- the Bank’s growth and expansion;
- the adequacy of the Bank’s allowance for credit and investment losses;
- technological changes;
- the Bank’s ability to market new products and services;
- the outcome of any legal or regulatory proceedings to which the Bank is or may become party;
- the future impact of new accounting standards;
- the impact of Vietnamese banking regulations on the Bank;
- the availability, liquidity levels and cost of the interbank lending market in Vietnam;
- the Bank’s ability to roll over its short-term funds and to obtain short-term and long-term funding on acceptable terms, or at all; and
- the Bank’s exposure to, and ability to manage successfully, market risks.

By their nature, certain of the market risk disclosures are only estimates and could be materially different from what actually occurs in the future. As a result, actual future gains, losses or impacts on net interest and similar income and net income could materially differ from those that have been estimated.

In addition, other factors that could cause actual results to differ materially from those estimated by the forward-looking statements contained in this document include, but are not limited to: general economic and political conditions in Vietnam and the other countries which have an impact on the Bank's business activities or investments; the monetary and interest rate policies of the Government; inflation, deflation, unanticipated volatility in interest rates, foreign exchange rates, equity prices or other rates or prices; the performance of the financial markets in Vietnam and globally; changes in Vietnamese and foreign laws and regulations, including tax, accounting and banking regulations; changes in competition and the pricing environment for banking and financial services in Vietnam; and regional or general changes in asset valuations. For a further discussion of the factors that could cause actual results to differ, see "*Risk Factors*".

DOCUMENTS INCORPORATED BY REFERENCE

The following documents which have previously been published or issued from time to time after the date hereof shall be incorporated in, and form part of, this Offering Circular:

1. the most recently published audited consolidated and unconsolidated annual financial statements of the Bank prepared in accordance with VAS and, if published later, the most recently published audited or reviewed consolidated and unconsolidated interim financial statements (if any) of the Bank prepared in accordance with VAS, in each case together with any audit or review reports prepared in connection therewith (where relevant); and
2. all supplements (other than the Pricing Supplement) or amendments to this Offering Circular circulated by the Bank from time to time,

save that any statement contained herein or in a document which is deemed to be incorporated by reference herein shall be deemed to be modified or superseded for the purpose of this Offering Circular to the extent that a statement contained in any such subsequent document which is deemed to be incorporated by reference herein modifies or supersedes such earlier statement (whether expressly, by implication or otherwise). Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Offering Circular.

Any published unaudited interim financial statements of the Bank which are, from time to time, deemed to be incorporated by reference in this Offering Circular will not have been audited by the auditors of the Bank. Accordingly, there can be no assurance that, had an audit been conducted in respect of such financial statements, the information presented therein would not have been materially different, and investors should not place undue reliance upon them.

The Bank publishes financial statements which are prepared in accordance with, or substantively in accordance with, IFRS, from time to time. For the avoidance of doubt, any such financial statements are not incorporated by reference in, and do not form part of, this Offering Circular.

The Bank will provide, without charge, to each person to whom a copy of this Offering Circular has been delivered, upon the request of such person, a copy of any or all of the documents deemed to be incorporated herein by reference unless such documents have been modified or superseded as specified above. Requests for such documents should be directed to the Bank at its registered office set out at the end of this Offering Circular.

The Bank will, in the event of any significant new factor, material mistake or inaccuracy relating to information included in this Offering Circular which is capable of affecting the assessment of any Notes, prepare a supplement to this Offering Circular or publish a new Offering Circular for use in connection with any subsequent issue of Notes.

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SUMMARY

This overview highlights certain information contained in this Offering Circular. This overview does not contain all information prospective investors should consider before investing in the Notes. Prospective investors should read this entire Offering Circular carefully, including the sections entitled “Risk Factors” and “Description of the Bank” included elsewhere in this Offering Circular and the financial information and the notes thereto set forth herein.

Overview

The Bank is one of the largest commercial banks in Vietnam and offers a wide range of diversified domestic banking services, including lending, deposit-taking, trade finance, remittance, cash management, treasury, foreign exchange, trading and investment banking services for consumer finance, retail, small and medium-sized enterprise (“SME”) and corporate customers in Vietnam. The Bank continues to consolidate a leading position in the consumer finance, retail and SME segments in Vietnam with rapidly expanding and diverse customer bases in these business segments and significant loans to customers as compared to its peer institutions. In particular, in the consumer finance segment, FE Credit, is the largest consumer finance company in Vietnam based on market share, as at 31 December 2017. FE Credit is operated through VPBank Finance Company Limited, a wholly-owned subsidiary of the Issuer. As at 31 March 2019, the Bank ranked as the largest joint stock commercial bank in Vietnam as measured by total operating income, the third most profitable as measured by profit before tax and the sixth largest as measured by total assets (excluding, in each case, State-Backed Commercial Banks (“SBCBs”)), according to the financial statements of such joint stock commercial banks as published on their official websites.

The Bank has achieved rapid and prudent organic growth. From 31 December 2016 to 31 December 2018, the Bank’s total number of active customers expanded by 75.0% and total deposits from customers, including valuable papers issued, increased with a compound annual growth rate (“CAGR”) of 12.8%. The Bank’s total loans to customers (on a consolidated basis) grew from VND144,673,213 million as at 31 December 2016 to VND182,666,213 million, VND221,961,996 million (US\$9,658.9 million) and VND231,458,178 million (US\$10,072.2 million) as at 31 December 2017 and 2018 and 31 March 2019, respectively. When taking into account the Bank’s standalone figures, the total loans to customers, including debts purchased, grew from VND112,568,314 million as at 31 December 2016 to VND137,869,199 million, VND168,691,770 million (US\$7,340.8 million) and VND176,823,396 million (US\$7,694.7 million) as at 31 December 2017 and 2018 and 31 March 2019, respectively.

The Bank’s recent growth is attributable to the expansion of its branch network and diversified distribution channels across Vietnam, as well as a strong focus on consumer finance and retail banking. The Bank has developed a leading consumer finance, retail and SME footprint through an extensive branch network. The number of the Bank’s retail branches grew from 215 as at 31 December 2016 to 217, 222 and 225 as at 31 December 2017 and 2018 and 31 March 2019, respectively, while the number of the Bank’s SME centres and hubs grew from 72 as at 31 December 2016 to 77, 83 and 84 as at 31 December 2017 and 2018 and 31 March 2019, respectively. The Bank had 129, 236, 171 and 157 household centres as at 31 December 2016, 2017 and 2018 and 31 March 2019, respectively, and has maintained four corporate banking branches since 2016. As at 31 March 2019, the Bank had 482 branded ATM machines across Vietnam increasing from 439, 474 and 480 as at 31 December 2016, 2017 and 2018, respectively. The number of the Bank’s cash deposit machines (“CDM”) across Vietnam increased from 44 as at 31 December 2016 to 105 as at 31 December 2017 and 154 as at 31 December 2018, and remained the same as at 31 March 2019. The Bank has a strong distribution network, with its retail branches spread across Vietnam. As at 31 March 2019, the Bank had 64 branches in Hanoi, 46 in Ho Chi Minh City, 39 in the north central coast region, 23 in the northern region, 22 in Red River

Delta region, 15 in the Mekong River delta region, nine in the southeast region, four in the south central coast region and three in the central highlands region.

The Bank has received numerous awards in multiple categories, including the “Vietnam Outstanding Banking Awards 2018” from The International Data Group in 2018; the “Best Commercial Bank Award” and “Best Bank for Small and Medium Enterprises (SME) Award” from International Banker magazine (UK) in 2016; “Best Customer Service Bank”, “Best Banking Application on Smartphone” and “Best Financial Solution in Vietnam for Individual Business Household” from Global Banking & Finance Review magazine in 2016; and “Top E-Bank 2016” and “SME Bank 2016” from The International Data Group in 2016. The Bank’s VPBiz card for small and medium enterprises was voted by Asian Banking & Finance magazine to be “The Breakthrough Product of the Year” in 2016; and Forbes and Brand Finance magazine also evaluated the Bank as one of the top seven banks and top 26 enterprise which have the biggest brands in Vietnam in 2016, with a total brand value of up to US\$57 million.

The Bank’s consolidated total assets amounted to VND228.8 trillion, VND277.8 trillion and VND323.3 trillion (US\$14,068.4 million) as at 31 December 2016, 31 December 2017 and 31 December 2018, respectively, reflecting a CAGR of 18.9% during the period from 2016 to 2018. As at 31 March 2019, the Bank’s consolidated total assets amounted to VND322.1 trillion (US\$14,015.7 million). The Bank had net loans to customers of VND142.6 trillion, VND179.5 trillion, VND218.4 trillion (US\$9,503.7 million) and VND227.4 trillion (US\$9,896.1 million) as at 31 December 2016, 31 December 2017, 31 December 2018 and 31 March 2019, respectively. The Bank’s net profit after tax was VND3.9 trillion, VND6.4 trillion, VND7.4 trillion (US\$320.1 million) and VND1.4 trillion (US\$61.9 million) for 2016, 2017, 2018 and the three months ended 31 March 2019, respectively.

Competitive Strengths

The Bank possesses a number of competitive strengths that it believes can be leveraged to enhance its position as a leading financial and banking group in Vietnam:

Vietnam is one of the fastest-growing economies in Southeast Asia, with a fast growing banking sector that has significant growth potential

The Bank has and will continue to benefit from the attractive macroeconomic and sector fundamentals. Vietnam’s economy has experienced significant growth in recent years. In 2018, Vietnam recorded a real gross domestic products (“GDP”) growth of 7.1%, being the highest pace of expansion in the past 11 years, propelled by growth in exports, domestic demand, foreign investment and the manufacturing sector. Vietnam’s real GDP growth rate was higher than that of other countries in Southeast Asia such as the Philippines, Indonesia, Malaysia, Thailand and Singapore, which recorded 6.2%, 5.2%, 4.7%, 4.1% and 3.2%, respectively, during the same period. In terms of performance of currencies, the Vietnamese dong is one of the most stable currencies in Southeast Asia, demonstrating investor confidence surrounding the Vietnamese economy. One of the factors contributing to Vietnam’s growth is its large working population, with 70.0% of the population within the golden age of 15 to 64 years old, compared to 24.0% of the population within the age of 0 to 14 years old and 6.0% of the population over 65 years old, demonstrating a strong potential for future economic growth. Vietnam’s unemployment rate, at 2.2%, ranks as one of the lowest in Southeast Asia, compared to 3.4%, 5.2%, 5.3%, 1.3% and 2.1% in Malaysia, the Philippines, Indonesia, Thailand and Singapore, respectively, and continues to spur consumer demand and household credit growth.

With the improving economic performance supported by ongoing improvements in infrastructure, favourable demographics and the Government’s efforts to support foreign direct investments, Vietnam’s banking sector continues to experience steady growth with significant potential. Given that close to 50.0% of the Vietnamese

population are “unbanked”, there is very strong potential for growth in Vietnam’s retail banking sector. Households in Vietnam are underleveraged compared to other economies, providing ample headroom for expansion of the retail banking sector. Vietnam has an average household debt of US\$1,300, compared to US\$5,400, US\$8,900, US\$32,000, US\$43,000 and US\$47,000 in Thailand, Malaysia, Hong Kong, Singapore and the United States, respectively. There is also a large and addressable target market for consumer finance in Vietnam, particular in the top ten cities, which accounts for more than 50.0% of urban adults.

As the banking sector continues to experience significant growth, the SBV continues to promote policies to instill discipline and strengthen the financial system of Vietnam. SBV has also been playing an active role in restructuring the financial and banking system, including applying more stringent prudential ratio standards and stricter risk management standards. In late 2016, the SBV enacted Circular 41/2016/TT-NHNN dated 30 December 2016 (“Circular 41”), stipulating the 8.0% minimum consolidated CAR for banks (from the previous 9.0%). Such initiatives of the SBV will further strengthen the banking sector in Vietnam.

Strong focus on consumer finance and retail banking, well positioned to benefit from Vietnam consumer story

The Bank’s leading position has been built through a strong emphasis on the retail banking and consumer finance segments. The Bank’s strong retail base and extensive branch network makes the Bank ideally positioned to capture the growth in consumer demand in Vietnam. By the end of 2018, the Bank’s customer base has grown significantly to more than 3,000,000 retail customers, 150,000 household businesses and 80,000 enterprises, while that of FE Credit reached more than 10 million.

With an established retail banking platform, the Bank is able to target retail demand through a diverse mix of financing products. As at 31 March 2019, the outstanding loans granted in the retail banking segment accounted for 32.1% out of the total loan book of the Bank. The Bank caters to the entire Vietnamese population, ranging from the lower mass population, which seeks simple and convenient products, to the upper mass and mass affluent population, which prefers more varied banking products to meet their increasing savings, borrowing and investment needs. Over the years, the Bank has expanded its wide range of product offerings, with increased focus on affluent banking and credit cards along with lending and deposit products. For example, the VPBank Diamond brand is an established brand name of the Bank, offering exclusive products such as fast track services, tailor-made solutions and lounge access. Between 2016 and 2018, the outstanding loans granted in the retail banking segment of the Bank achieved a CAGR of 15.8%. As the Vietnamese economy continues to expand, the Bank believes that the retail banking segment in Vietnam continues to be underpenetrated and underserved, and that personal income and consumer credit demand will continue to increase, especially among the growing middle class as their purchasing power increases.

In order to further attract customers to its services, the Bank initiated a fast and easy credit programme in early 2011, namely FE Credit, to provide expedient financial solutions to the Bank’s consumer finance customers. Nearly half of FE Credit’s customer base is below 30 years old and is mostly made up of employed, economically-active individuals whose credit profiles may not qualify for traditional bank loans. FE Credit’s target customers account for 70.0% of the working population in Vietnam, indicating an attractive and largely untouched market for consumer finance products. FE Credit has experienced robust growth since its establishment, and is the largest consumer finance company in Vietnam, with approximately 55.0% of market share nationwide, based on the market share (by loan book) of the seven active consumer finance companies in Vietnam as at 31 December 2017. As at 31 March 2019, the outstanding loans granted by FE Credit in the consumer finance segment accounts for 23.6% of the total loan book of the Bank. FE Credit maintained a distribution network of over 12,000 points of sale (“POS”) and over 35,000 points of cash (“POC”) as at 31 March 2019. FE Credit also maintained a sales force of over 13,000 agents across 63 provinces and key cities in Vietnam as at 31 March 2019.

In addition to the traditional distribution network, the Bank has expanded its digitisation initiative. The number of financial transactions conducted online was estimated to have risen by 110.0% from 2017 to 2019.

Access to stable and diverse funding sources has helped the Bank maintain low funding costs

The Bank enjoys a diversified funding base across various funding instruments, including the funding from the Government and the SBV, deposits and borrowings from other credit institutions, customer deposit, valuable papers issued and other borrowings and entrusted funds. As at 31 March 2019, the proportion of the various sources of the Bank's funding was: 79.7% from customer deposits (i.e. deposits and certificates of deposit), 5.7% from domestic bonds, 4.60% from medium and long-term borrowings from financial institutions and other credit institutions, and 10.0% from other interbank and other sources. See "*Description of the Bank's Assets and Liabilities – Funding*" for a detailed discussion of the diversified funding sources of the Bank.

As the Bank's primary source of the funding is derived from the current and term deposit accounts of its corporate and retail customers, the Bank's emphasis on boosting customer deposits has helped establish a sustainable low-cost funding structure for future asset growth. As at 31 March 2019, the Bank's deposits from consumer finance, retail, household banking and SME customers totalled VND27,530,801 million (US\$1,198.0 million), VND128,041,647 million (US\$5,571.9 million), VND49,649 million (US\$2.2 million) and VND12,789,423 million (US\$556.5 million), respectively, representing 11.7%, 54.5%, 0.02%, 5.4% of the Bank's total deposits, respectively. This demonstrates the diversification of the Bank's portfolio, which generates steady sources of funding, and in particular its stable portion of retail deposits commonly referred to as "sticky deposits". Focusing on attracting term deposits, the Bank is able to minimise the liquidity risks and efficiently utilise such low-cost funding sources for its operations. In addition, the Bank's diversified deposit products have contributed to a liquid balance sheet by advancing the Bank's ability to grow and retain diversified customer deposits. From 2017 to 2018 and from 2016 to 2017, the Bank expanded its deposit base, including customer deposits and valuable papers, by 9.9% and 15.8%, respectively. The Bank has maintained a prudent loan to deposit ratio ("LDR") and short-term funding ratio. The LDR of the Bank on a standalone basis (as measured by total credit to customers to customer deposits and valuable papers issued) was maintained at 84.0%, 89.2%, 92.3% and 92.4% as at 31 December 2016, 2017 and 2018 and as at 31 March 2019, respectively, while the Bank maintained its short-term funding for mid and long-term loans on a standalone basis at 38.6%, 30.3%, 33.6% and 32.4% for the corresponding periods, respectively. These increased deposits have provided sufficient capacity for the Bank to continue increasing its total loans to customers.

Robust growth in profitability, driven by high margin business and strong cost efficiencies

The Bank has consistently sustained its profitability, driven by diversified and high margin revenue sources combined with cost efficiencies. The Bank has benefitted from its high margin business, particularly FE Credit, retail banking and household banking. FE Credit has the highest net interest margin ("NIM") among the Bank's business segments as all of its loan products are unsecured products, which offer the highest yield to offset the high risk profile of lower mass customers. Similarly, a majority of household banking loan products are unsecured with short tenor, and target household businesses that are more willing to pay a high interest for immediate disbursement of funds. For retail banking, its high margins are largely derived from its unsecured products such as unsecured personal loans ("UPLs"), credit cards and overdrafts. The Bank has been able to further reduce its operating costs through measures to enhance cost efficiencies, including its digitisation strategy, which has been scaled up to improve customers loyalty and cost optimisation, in addition to improving productivity through digital marketing and transforming the banking ecosystem.

The Bank has maintained high NIM at 7.9%, 9.0%, 9.0% and 9.6% in 2016, 2017, 2018 and for the three months ended 31 March 2019, respectively. In 2018, the Bank commanded the highest NIM among the Vietnamese banks. Based on this higher NIM, the Bank has been able to improve its asset utilisation which,

as measured by the Bank's total operating income over its assets, grew from 7.4% in 2016 to 9.0%, 9.6% and 9.9% in 2017, 2018 and annualised for the three months ended 31 March 2019, respectively.

The Bank's cost-to-income ratio ("CIR") has shown an overall declining trend over the years, with the consolidated CIR declining from 39.3% in 2016 to 35.2% in 2017 and 34.2% in 2018 but picked up slightly to 37.4% for the three months ended 31 March 2019, and the CIR for the Bank on a standalone basis (which excludes income from the Bank's subsidiaries) only recorded 44.1%, 44.6%, 40.9% and 42.2% in 2016, 2017, 2018 and for the three months ended 31 March 2019, respectively. The Bank has also managed to keep the cost of funds at a stable level, at 5.5%, 6.1%, 6.0% and 6.3% in 2016, 2017, 2018 and annualised for the three months ended 31 March 2019, respectively, while its net yield has improved from 13.4% in 2016 to 14.9%, 14.7% and 15.5% in 2017, 2018 and for the three months ended 31 March 2019, respectively.

As a result of the high margin and high return, coupled with successful cost efficiency management, the Bank's overall return on equity ("ROE") was 25.7%, 27.5%, 22.8% and 16.0% in 2016, 2017, 2018 and annualised for the three months ended 31 March 2019, respectively, while the Bank's return on assets ("ROA") was 1.9%, 2.5%, 2.4% and 1.8% in 2016, 2017, 2018 and annualised for the three months ended 31 March 2019, respectively.

The Bank has strongly positioned itself as one of the main non-state owned banks in Vietnam, leading the industry through its profitability and efficiency. Based on the audited consolidated financial statements of the Bank as at 31 December 2018, the Bank has recorded the second highest ROA among all Vietnamese banks and the third highest ROEs in the country, and is one of the top three Vietnamese banks and the top non-state owned Vietnamese bank in terms of total operating profit.

Well capitalised and prudently managed asset quality

The Bank has adopted a prudent approach to managing the quality of its assets, and in particular, its non-performing loans ("NPL"), through an efficient, thorough and effective recovery programme. The disciplined approach of the Bank towards NPL encompasses various measures, including starting NPL prevention activities long before the loan overdue date, having teams and models monitoring signs of potential default and designing tailored responses based on customer profiles, and using an auto-dialling system for communication during the prevention period. More significantly, the Bank is among the few banks in Vietnam which strictly adhere to the IFRS classification standard. The Bank has managed its NPLs in accordance with Circular No.02/2013/TT-NHNN dated 21 January 2013 ("Circular 02"), and maintained stable NPL ratios of 2.9%, 2.9% and 3.2% in 2016, 2017 and 2018, respectively and 3.2% as at 31 March 2019. Recovery from bad debts written off has also been increasing from VND716.6 billion in 2016 to VND1,098.1 billion in 2017 and to VND2,092.7 billion (US\$91.1 million) in 2018. As at 31 March 2019, the recovery from bad debts written off was VND225.4 billion (US\$9.8 million).

Moreover, the Bank has kept NPL coverage ratio for loans to customer (adding written off) stable at 76.7%, 76.1%, 77.2% and 60.9% for 2016, 2017, 2018 and the three months ended 31 March 2019, respectively.

The Bank is also well-capitalised and has sufficient capital buffers relative to the regulatory requirements. The Bank recorded chartered capital of VND25,299,680 million as at 31 December 2018. With respect to the capital adequacy ratios ("CARs") under Circular 36/2014/TT-NHNN dated 20 November 2014 ("Circular 36") of the SBV, as amended and supplemented from time to time, including Circular No.: 16/2018/TT-NHNN dated 31 July 2018 ("Circular 16"), Circular No.: 06/2016/TT-NHNN dated 27 May 2016 ("Circular 06"), Circular No. 19/2017/TT-NHNN dated 28 December 2017 ("Circular 19") and Circular 41, the Bank maintained CARs pursuant to Circular 36 at 13.2%, 14.6%, 12.3% and 13.1% as at 31 December 2016, 2017 and 2018 and 31 March 2019, respectively, well beyond the SBV regulatory requirement of 9.0%. The Bank

also maintained CARs calculated pursuant to Circular 41 at 9.5%, 12.6%, 11.2% and 11.1% as at 31 December 2016, 2017 and 2018 and 31 March 2019, respectively, beyond the SBV regulatory requirement of 8.0%. It is worth highlighting that the Bank is among the few banks in Vietnam which was ready to officially apply Circular 41 from 1 May 2019.

After just six months of being listed on the Ho Chi Minh Stock Exchange, the Bank's stock was selected for the "VN30" basket, which comprises the most powerful stocks in Vietnam. To be listed on the VN30, the stocks went through a three-step screening process for market capitalisation and liquidity. Being present on this list demonstrates the quality of the Bank's stocks in both liquidity and value.

Total assets over equity of the Bank has been maintained at 9.3 times as at 31 December 2018, much lower than the industry average and close to the best practices of other regional banks, reflecting the Bank's activeness in capital management and utilisation.

Comprehensive and modernised risk management policies

The Bank maintains sound asset quality through strict risk management, credit approval, and corporate governance policies, which have been and continue to be developed in line with international standards and with the periodic assistance of foreign consulting experts. With the goal of creating an infrastructure to support the loan growth strategies, the Bank continues to improve its internal risk management structure to better respond to business development initiatives. Actions have included establishing a risk improvement acceleration team to manage strategic risk initiatives, implementing a centralised credit approval structure and establishing an operational risk committee to develop an anti-fraud management scheme. The Bank follows a three-tier risk management system, including front office, risk management and internal audit functions, in an attempt to provide a comprehensive review of the Bank's operations. Scorecards indicating the risk profiles of different customer segments and risk-based pricing in businesses such as SME banking enable the Bank to identify various types of risk.

Data collected by the data analytics team of the Bank feeds the credit scoring model and analytical tools, and the scoring models are monitored monthly and, where required, updated with new parameters and assumptions to reflect the changing market landscape in Vietnam. The data analytics models guide post-disbursement monitoring activities and communication. The Bank believes that it is the only bank in Vietnam to make mainly statistically-driven decisions, and the first to invest in data acquisition. In addition, the Bank has invested heavily in its digital strategy to deepen distribution channels and streamline processes. The Bank has implemented an "end-to-end" transformation of its existing business model, besides launching a new digital bank, creating a tailored value proposition to serve digitally-savvy customers.

As a result of the continuing efforts of the Bank to maintain an efficient, thorough and effective recovery programme, the Bank had been recognised by Vietnam Asset Management Company ("VAMC"), the Vietnamese state agency established to buy up bad debts, as one of the two most efficient banks in recoveries in 2016. More significantly, the Bank was one of the first few banks selected by the SBV to pioneer the implementation and application of Basel II standards in Vietnam in late 2018.

Strategies

The Bank aims to become the most consumer-friendly bank through technology and one of the three most valuable banks in Vietnam by 2022. To realise its objectives, the Bank will focus on the following strategies:

Establishing programmes to enhance sales and network productivity to drive value from existing franchises in consumer finance, retail, household and SME

The Bank developed its business model focusing on four key business segments (consumer finance, retail, household and SME) and diverse products suitable for various customer groups, and the Bank has continued with its digitisation project in order to attain a solid performance in 2018. The Bank's customer base grew significantly in 2018, to include more than 3,000,000 retail customers, 150,000 household businesses and 80,000 enterprises, while that of FE Credit reached more than 10 million by the end of 2018. With its extensive branch and distribution network across the country, the Bank will continue to leverage its leading position and reputation in the market to increase product offering, improve service quality and capture sustainable financial results. The Bank has taken initiatives to achieve this objective, including driving balanced growth in unsecured lending and among affluent customers, with a particular focus on self-employed individuals, using analytics to drive non-linear growth in sales for cross-selling, reconfiguring micro-SME distribution model, introducing disciplined sales management in the front line, optimising branch network and standardising formats, building customer service as a differentiated proposition, and improving commercial and domestic cash management.

Conducting “end-to-end” redesign and digitisation of core banking journeys to substantially improve customer experience and lower costs

Digitisation is a driver for the Bank's growth, and the Bank believes 2018 was its breakthrough year in digital banking. In 2018, there was a robust growth in the number of online users, giving a tenfold increase since 2015. Several key digital-related targets, such as the number of lending customers (overdraft contracts) and savings accounts issued online, increased by around 75.5% and 74.6%, respectively from 2017 and 2018. The number of financial transactions was estimated to have risen steadily by 110.0% compared to 2017, enabling the Bank to save substantially on operating expenses and optimise branch resources. In 2018, the Digital Banking Service Division (“DBS”), the Bank's digitisation arm, developed five new internet-based banking products that helped the Bank sustain its leading position in relation to innovative digital products and improved customer experience and convenience. At the heart of the Bank's digitisation journey was Digital Factory. Founded in February 2017, Digital Factory was designated to roll out digital banking programmes, including prioritised customer journeys. Digital Factory also collaborated with its SME Division to establish a SME portal named SME Connect, which connects small and medium businesses by forming relevant forums for different company groups. As a result of such efforts, Digital Factory was named “Asia's Most Innovative Center” at the Asian Banker Awards held in Beijing in 2018. The Bank will continue to invest in technological innovation and digitisation to improve customer experience and lower operating costs.

Achieving excellence in risk management and IT to support the growth of the Bank while ensuring credit quality, including through investment in modern risk management tools

In 2018, the Bank improved its risk management framework by rolling out an internal process for assessing capital adequacy in compliance with regulatory and Basel II requirements. The Bank officially implemented the standardised approach and is moving towards an advanced approach under the Basel II framework. Since 2016, the Bank has periodically calculated its CAR in accordance with Circular 41, and the Bank's CAR has always exceeded the 8.0% minimum as prescribed by the SBV. The Bank has been fully compliant with the SBV's CAR calculation requirements under Circular 41 since May 2019. To this end, the Bank has restructured

its risk management and internal approval processes, issued risk management policies and developed models to strengthen its risk management framework. The Bank has also taken the initiative to improve its stress testing framework and has periodically carried out tests on capital and liquidity requirements by the SBV and concentration risk. The Bank is aiming to be one of the first banks in Vietnam to apply IFRS 9 standards for better prevention and preparation for unexpected crises, increased transparency on credit risk, and better alignment between risk measurement and management, accounting model and business activities.

Meanwhile, the Bank has also taken initiatives to continue to enhance its IT capability such as increasing the automation of underwriting (e.g. automated scorecards, integration with bureau and other external data). The Bank has invested in its IT system to support its scaling-up of business (e.g. wealth management system and e-banking), and will continue to develop a robust risk management system, with the help of advanced IT systems, to monitor and mitigate credit risk, market risk, liquidity risk and operational risk. In particular, the Bank has set up a data platform for its project titled “Advance Analytics”, the first phase of which was completed in 2015, and launched another project to enhance its data platform capacity in 2019.

Launching new growth engines (e.g., transaction banking, mobility and housing ecosystems) and scaling up strategic partnerships (e.g., bancassurance) to fuel future growth for VPBank

In 2018, the Bank successfully launched various projects, such as e-banking, YOLO, VPBank Diamond, SME Connect, and initiatives to promote and support women entrepreneurs. These initiatives have allowed the Bank to address the rapid changes in the banking and financial services industry while maintaining its leading positions. The Bank will continue to invest in new businesses and key projects, with efficient management of operating costs and the promotion of digitisation and automation. In doing so, the Bank will continue to focus on quality growth and expand customer base across segments.

Building next generation capabilities in data and analytics to drive non-linear growth and improve decision making

The Bank is increasing its investments in technology, with the following key objectives:

- upgrading to the latest data warehouse platform which integrates data from various and disparate sources, consolidates current and historical data in one single repository for the purpose of reporting and data analytics;
- improving our data governance capabilities to build end-to-end data lineage, automate data profiling and data quality monitoring, and enhance the efficiency of data issue remediation process; and
- expanding on our usage of analytics across business areas and through different stages of the customer life cycle, including customer acquisition, customer segmentation, marketing, up-selling, cross-selling and customer retention to convert and embed data into business insights and facilitate the business decision-making process. Analytics is also applied to assess the operational efficiency of the Bank.

The Bank expects the combination of the above-mentioned objectives to contribute to building next generation capabilities to drive non-linear growth of the Bank.

Strengthening governance to build a performance-driven organisation that attracts the best banking talent and defines a “VPBank culture” that promotes cross-functional collaboration

People are the most valuable asset of the Bank and the fundamental element in ensuring its success. Generating and maintaining a sustainable talent force is the foremost objective of talent acquisition, development and retention. In 2018, the Bank completed the bank-wide mapping of key positions using the human resources segmentation model. Updates have been made to the Bank’s core competency framework, an important platform of human resources to accurately reflect the competency requirements of employees and aligning with the successful implementation of its 2018-2022 strategy. The Bank intends to continue to strengthen its foundation to become a “Home of Talents”. In reinforcing the human resources platform, the Bank plans to make further investments in technological infrastructure with respect to human resources management, in addition to implementing an online performance management system.

OVERVIEW OF THE PROGRAMME

The following overview does not purport to be complete and is taken from, and is qualified in its entirety by, the remainder of this Offering Circular and, in relation to the terms and conditions of any particular Tranche of Notes, the applicable Pricing Supplement. The Issuer and any relevant Dealer may agree that Notes shall be issued in a form other than that contemplated in the Terms and Conditions, in which event, if appropriate, a new Offering Circular or a supplement to the Offering Circular, will be published.

Words and expressions defined in “Form of the Notes” and “Terms and Conditions of the Notes” shall have the same meanings in this Overview.

Issuer	Vietnam Prosperity Joint Stock Commercial Bank
Issuer Legal Entity Identifier (LEI).	254900A0PM1YPJVDW880
Risk Factors:	There are certain factors that may affect the Issuer’s ability to fulfil its obligations under Notes issued under the Programme. In addition, there are certain factors which are material for the purpose of assessing the market risks associated with Notes issued under the Programme and risks relating to the structure of a particular Series of Notes issued under the Programme. All of these are set out under “ <i>Risk Factors</i> ”.
Description	Euro Medium Term Note Programme.
Arranger	BNP Paribas, J.P. Morgan Securities plc and Standard Chartered Bank
Dealers	BNP Paribas, J.P. Morgan Securities plc and Standard Chartered Bank, and any other Dealers appointed in accordance with the Programme Agreement.
Certain Restrictions	Each issue of Notes denominated in a currency in respect of which particular laws, guidelines, regulations, restrictions or reporting requirements apply will only be issued in circumstances which comply with such laws, guidelines, regulations, restrictions or reporting requirements from time to time (see “ <i>Subscription and Sale</i> ”) including the following restrictions applicable at the date of this Offering Circular.
Trustee	The Bank of New York Mellon, London Branch
Principal Paying Agent.	The Bank of New York Mellon, London Branch
Registrar	The Bank of New York Mellon SA/NV, Luxembourg Branch
Transfer Agent.	The Bank of New York Mellon SA/NV, Luxembourg Branch

Programme Size	<p>Up to US\$1,000,000,000 (or its equivalent in other currencies calculated as described in the Programme Agreement) outstanding at any time. The Issuer may increase the amount of the Programme in accordance with the terms of the Programme Agreement.</p> <p>The issuance of Notes under the Programme is subject to approvals from the SBV and approval from the SSC for the offering of securities to overseas in accordance with Article 30 of the Decree 58/2012/ND-CP (as amended) of Vietnam. See “<i>General Information – Authorisation</i>”.</p>
Distribution	<p>Notes may be distributed by way of private or public placement and in each case on a syndicated or non-syndicated basis.</p> <p>The Notes will be issued in Series having one or more issue dates and on terms otherwise identical (or identical other than in respect of the first payment of interest), the Notes of each Series being intended to be interchangeable with all other Notes of the Series. Each Series may be issued in Tranches on the same or different issue date. The specific terms of each Tranche (which will be completed, where necessary, with the relevant terms and conditions and, save in respect of the issue date, issue price, first payment of interest and nominal amount of the Tranche, will be identical to the terms of other Tranches of the same Series) will be completed in the Pricing Supplement.</p>
Currencies	Subject to any applicable legal or regulatory restrictions, notes may be denominated in any currency agreed between the Issuer and the relevant Dealer.
Maturities	<p>The Notes will have such maturities as may be agreed between the Issuer and the relevant Dealer, subject to such minimum or maximum maturities as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the Issuer or the relevant Specified Currency.</p> <p>The Notes will have maturity of not less than one year.</p>
Issue Price	Notes may be issued on a fully-paid or a partly-paid basis and at an issue price which is at par or at a discount to, or premium over, par.

Form of Notes	The Notes will be issued in either bearer or registered form as described in “ <i>Form of the Notes</i> ”. Registered Notes will not be exchangeable for Bearer Notes and vice versa.
Clearing Systems	Clearstream, Luxembourg and Euroclear and, in relation to any Tranche of Notes, such other clearing system as may be agreed between the Issuer, the Trustee, the relevant Paying Agent and the relevant Dealer.
Initial Delivery of Notes	On or before the issue date for each Tranche, the Global Note representing Bearer Notes or Registered Notes may be deposited with a common depositary for Euroclear and Clearstream, Luxembourg. Global Notes may also be deposited with any other clearing system or may be delivered outside any clearing system provided that the Issuer, the Trustee, the relevant Paying Agent and the relevant Dealer have agreed the method of such delivery in advance. Registered Notes that are to be credited to one or more clearing systems on issue will be registered in the name of nominees or a common nominee for such clearing systems.
Fixed Rate Notes	Fixed interest will be payable on such date or dates as may be agreed between the Issuer and the relevant Dealer and on redemption and will be calculated on the basis of such Day Count Fraction as may be agreed between the Issuer and the relevant Dealer.
Floating Rate Notes	<p>Floating Rate Notes will bear interest at a rate determined:</p> <ul style="list-style-type: none"> (a) on the same basis as the floating rate under a notional interest rate swap transaction in the relevant Specified Currency governed by an agreement incorporating the 2006 ISDA Definitions (as published by the International Swaps and Derivatives Association, Inc., and as amended and updated as at the Issue Date of the first Tranche of the Notes of the relevant Series); or (b) on the basis of the reference rate set out in the applicable Pricing Supplement.

Interest on Floating Rate Notes in respect of each Interest Period, as agreed prior to issue by the Issuer and the relevant Dealer, will be payable on such Interest Payment Dates, and will be calculated on the basis of such Day Count Fraction, as may be agreed between the Issuer and the relevant Dealer.

The margin (if any) relating to such floating rate will be agreed between the Issuer and the relevant Dealer for each Series of Floating Rate Notes.

Floating Rate Notes may also have a maximum interest rate, a minimum interest rate or both.

Zero Coupon Notes Zero Coupon Notes will be offered and sold at a discount to their nominal amount and will not bear interest.

Index Linked Notes Payments of principal in respect of Index Linked Redemption Notes or of interest in respect of Index Linked Interest Notes will be calculated by reference to such index and/or formula or to changes in the prices of securities or commodities or to such other factors as the Issuer and the relevant Dealer may agree.

Dual Currency Notes Payments (whether in respect of principal or interest and whether at maturity or otherwise) in respect of Dual Currency Notes will be made in such currencies, and based on such rates of exchange, as the Issuer and the relevant Dealer may agree.

Partly Paid Notes. The Issuer may issue Notes in respect of which the issue price is paid in separate instalments in such amounts and on such dates as the Issuer and the relevant Dealer may agree.

Notes Redeemable in Instalments The Issuer may issue Notes which may be redeemed in separate instalments in such amounts and on such dates as the Issuer and the relevant Dealer may agree.

Redemption. The applicable Pricing Supplement will indicate either that the relevant Notes cannot be redeemed prior to their stated maturity (other than for taxation reasons or following an Event of Default) or that such Notes will be redeemable at the option of the Issuer and/or the Noteholders upon giving notice to the Noteholders or the Issuer, as the case may be, on a date or dates specified prior to such stated maturity and at a price or prices and on such other terms as may be agreed between the Issuer and the relevant Dealer.

Denomination of Notes	The Notes will be issued in such denominations as may be agreed between the Issuer and the relevant Dealer save that the minimum denomination of each Note will be such amount as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the relevant Specified Currency, and save that the minimum denomination of each Note admitted to trading on a regulated market within the EEA or offered to the public in a Member State of the EEA in circumstances which would have required the publication of a prospectus under the Prospectus Directive will be €100,000 (or, if the Notes are denominated in a currency other than euro, the equivalent amount in such currency).
Taxation	All payments in respect of the Notes will be made without deduction for or on account of withholding taxes imposed by any Tax Jurisdiction as provided in Condition 8. In the event that any such deduction is made, the Issuer will, save in certain limited circumstances provided in Condition 8, be required to pay additional amounts to cover the amounts so deducted.
Negative Pledge.	The terms of the Notes will contain a negative pledge provision as further described in Condition 4.
Cross Default	The terms of the Notes will contain a cross default provision as further described in Condition 10.1.
Status of the Notes	The Notes will constitute direct, unconditional, unsubordinated and (subject to the provisions of Condition 4) unsecured obligations of the Issuer and will rank <i>pari passu</i> among themselves and (save for certain obligations required to be preferred by law) equally with all other unsecured obligations (other than subordinated obligations, if any) of the Issuer, from time to time outstanding.
Rating.	<p>The Programme has been rated “BI” by Moody’s.</p> <p>Series of Notes issued under the Programme may be rated or unrated. Where a Series of Notes is rated, such rating will be disclosed in the applicable Pricing Supplement and will not necessarily be the same as the rating(s) assigned to the Programme. A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.</p>

Listing	<p>Application has been made to the SGX-ST for permission to deal in, and for the listing and quotations, of any Notes to be issued pursuant to the Programme and which are agreed at or prior to the time of issue thereof to be so listed on the SGX-ST. Such permission will be granted when such Notes have been admitted to the Official List of the SGX-ST. The SGX-ST assumes no responsibility for the correctness of any of the statements made or opinions expressed or reports contained herein. Admission to the Official List of the SGX-ST and quotation of any Notes on the SGX-ST is not to be taken as an indication of the merits of the Issuer, the Programme or the Notes. There is no assurance that the application to the Official List of the SGX-ST for the listing of the Notes of any Series will be approved. For so long as any Notes are listed on the SGX-ST and the rules of the SGX-ST so require, such Notes listed on the SGX-ST will be traded on the SGX-ST in a minimum board lot size of at least S\$200,000 (or its equivalent in other currencies).</p> <p>For so long as any Notes are listed on the SGX-ST and the rules of the SGX-ST so require, the Issuer shall appoint and maintain a paying agent in Singapore, where such Notes may be presented or surrendered for payment or redemption, in the event that the Global Note is exchanged for definitive Notes. In addition, in the event that the Global Note is exchanged for definitive Notes, an announcement of such exchange will be made by or on behalf of the Issuer through the SGX-ST and such announcement will include all material information with respect to the delivery of the definitive Notes, including details of the paying agent in Singapore.</p> <p>Notes may be listed or admitted to trading, as the case may be, on other or further stock exchanges or markets agreed between the Issuer and the relevant Dealer in relation to the Series. Notes which are neither listed nor admitted to trading on any market may also be issued.</p> <p>The applicable Pricing Supplement will state whether or not the relevant Notes are to be listed and/or admitted to trading and, if so, on which stock exchanges and/or markets.</p>
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The listing or admission to trading, as the case may be, of any Notes is subject to the receipt of the relevant listing approval from the SSC, which may only be received after the relevant Issue Date of the relevant Notes. There is no assurance that such approval will be obtained in a timely manner, or at all. See “*Risk Factors – Risks related to Notes generally – The listing of any Notes is subject to Vietnamese regulatory approvals*”.

Governing Law	The Notes and any non-contractual obligations arising out of or in connection with the Notes will be governed by, and shall be construed in accordance with, English law.
Selling Restrictions	There are restrictions on the offer, sale and transfer of the Notes in the United States, the EEA (including the United Kingdom), Japan, Singapore, Hong Kong, Switzerland and Vietnam, and such other restrictions as may be required in connection with the offering and sale of a particular Tranche of Notes, see “ <i>Subscription and Sale</i> ”.
United States Selling Restrictions	Regulation S, Category 1. TEFRA C or D/TEFRA not applicable, as specified in the applicable Pricing Supplement.

RISK FACTORS

An investment in Notes issued under the Programme involves certain risks. Prospective investors should carefully consider all of the information in this Offering Circular and, in particular, the risks described below, prior to making an investment decision with respect to the Notes. The Bank's business, prospects, financial condition and results of operations could be materially and adversely affected by any of these risks. There are a number of factors, including those described below, that may adversely affect the Bank's ability to make payment on the Notes. The risks described below are not the only risks that may affect the Bank or the Notes. Additional risks not presently known to the Bank or that the Bank currently deems immaterial may also impair its business, prospects, financial condition and results of operations. Prospective investors should also note that certain of the statements set forth below constitute forward-looking statements. In general, investing in the securities of issuers in emerging market countries, such as Vietnam, involves risks not typically associated with investing in the securities of issuers in countries with more developed economies and regulatory regimes.

Prospective investors should consult their own financial and legal advisers about risks associated with an investment in such Notes and the suitability of investing in such Notes in light of their particular circumstances. In particular, Notes where the amount payable in respect thereof is determined by reference to one or more indices or bases of reference may not be appropriate investment for investors who are unsophisticated with respect to such transactions.

Risks Relating to the Bank's Business

The performance of any of the industries to which the Bank has significant exposure may deteriorate.

As at 31 March 2019, the Bank's total loans to customers (calculated by outstanding principals only and excluding provisions and accrued interest) amounted to VND231,458,178 million (US\$10,072.2 million), representing 71.9% of the Bank's total assets. In comparison, the Bank's total loans to customers as at 31 December 2016, 2017 and 2018 represented 63.2%, 65.8% and 68.7%, respectively. Credit losses on these individual borrower and/or group exposures could materially and adversely affect the Bank's business, prospects, financial condition and results of operations.

The Bank's loans to customers are concentrated in five sectors in Vietnam, namely, the household services sector, the real estate sector, the wholesale and retail trade sector, the construction sector and the processing and manufacturing sector. The following table sets out the Bank's five largest exposures by industry sector as at 31 March 2019.

Industry	Exposure ⁽¹⁾ (VND million)	Percentage (%)
Household services, production of material products and services used by households	98,719,119	42.7
Real estate	46,323,702	20.0
Wholesale and retail trade, repair of motor vehicles, motor cycles and personal goods	25,250,409	10.9
Construction	18,174,008	7.9
Processing and manufacturing	12,772,533	5.5
Total	<u>201,239,771</u>	<u>87.0</u>

(1) The exposure only includes loans to customers.

These industry specific exposures, totalling VND201,239,771 million (US\$8,757.2 million), constituted 86.9% of the Bank's total loans to customers as at 31 March 2019. In comparison, the same industry specific exposures totalled VND122,580,588 million, VND156,600,109 million and VND192,992,547 million (US\$8,398.3 million) as at 31 December 2016, 2017 and 2018, respectively, constituting 84.7%, 85.7% and 86.9% of the Bank's total loans to customers as at 31 December 2016, 2017 and 2018, respectively. The global and domestic trends in these industries directly impact the Bank's financial position. Any significant deterioration in the performance of a particular industry, driven by events outside the Bank's control, such as economic conditions or regulatory action or policy announcements by Government authorities, would adversely impact the ability of borrowers in that industry to satisfy their debt obligations to the Bank. Financial difficulties in these industry sectors may increase the level of NPLs and restructured loans in the Bank's loans to customers, and materially and adversely affect the Bank's business, prospects, financial condition and results of operations.

The Bank may not be successful in implementing its growth strategies or sustaining or managing growth effectively.

One of the Bank's strategies is to expand into new business and financial services product offerings as opportunities arise. For example, recognising that digitisation is a growth driver for the Bank's growth, the Bank developed five new internet-based banking products such as YOLO in 2018. The Bank also launched the VPBank Diamond brand under its retail banking to better penetrate into the growing population of affluent banking customers. This strategy exposes the Bank to a number of risks and challenges, including the possible failure to identify appropriate opportunities and offer attractive new products, failure to comply with new market and regulatory standards, possible incurrence of greater marketing and compliance costs for the new business and financial services products, lower-than-expected profit and growth, macroeconomic conditions (including rising interest rates and availability of funds), and the need to hire and train skilled personnel, among others, each of which could have a potential material and adverse impact on the Bank's business, prospects, financial condition and results of operations. In addition, the Bank may face increased costs in connection with its expansion strategy.

In the past, the Bank has experienced rapid growth. The Bank's total assets grew from VND228,770,918 million as at 31 December 2016 to VND322,080,321 million (US\$14,015.7 million) as at 31 March 2019. One of the Bank's key strategies is to continue pursuing quality growth of its operations. Such growth puts pressure on the Bank's ability to effectively manage and control risks and exposes the Bank to new risks. The Bank's ability to sustain growth depends upon its ability to manage issues such as selecting and retaining skilled employees, maintaining an effective technology platform that is continually upgraded, implementing proper credit assessment and control procedures and providing a high standard of customer service. The inability of the Bank to effectively manage any of these issues may materially and adversely affect the Bank's growth prospects and future financial performance.

The Bank's unsecured lending portfolio entails higher credit risk.

As at 31 March 2019, 35.1% of the Bank's lending portfolio was unsecured, compared to 35.1% as at 31 December 2018. The unsecured loan amounts increased from VND46,819,825 million as at 31 December 2016 to VND77,994,791 million (US\$3,394.0 million) as at 31 December 2018, and further increased to VND81,258,981 million (US\$3,536.1 million) as at 31 March 2019. Such unsecured loans entail a higher degree of credit risk than loans secured by collateral. For example, a downturn in the Vietnamese or global economies may result in a higher level of NPLs with unsecured obligations which would, in turn, negatively impact the Bank's asset quality and increase provisions and write-offs without the possibility of mitigation through enforcement on collateral assets. Any increase in the level of NPLs with unsecured obligations could materially and adversely affect the Bank's business, prospects, financial condition and results of operations. In addition, the Bank has to rely to a greater degree on credit assessments of customers in granting such unsecured loans, and the Bank cannot assure the investors that its credit assessments of such customers are

or will be accurate, or that such customers will repay their loans in full and on time. The Bank is exposed to a relatively high risk of losing the entire amounts outstanding under such unsecured loans, which may materially and adversely affect its business, financial condition and results of operations.

The level of the Bank's NPLs in its portfolio may increase significantly in unexpected circumstances.

As at 31 March 2019, the Bank's NPLs in relation to loans to customers were VND8,375,986 million (US\$364.5 million), representing 3.6% of its total loans to customers, compared to VND4,207,053 million, VND6,200,022 million and VND7,766,265 million (US\$338.0 million) as at 31 December 2016, 2017 and 2018, respectively, which represented 2.9%, 3.4% and 3.5% of its total loans to customers as at 31 December 2016, 2017 and 2018, respectively. The Bank has experienced significant growth in its loans to customers in recent years and it may encounter non-payments arising from these loans in the future. A number of external factors affect the Bank's ability to control and reduce non-performing and restructured loans, such as developments in the Vietnamese economy, movements in global commodity markets, global competition, and fluctuations of interest rates and exchange rates. Since 2018, the Bank has been pursuing quality growth, which centers on credit quality rather than aggressive credit growth, and has increased its efforts to improve collections, to work with borrowers to restructure loans and to foreclose existing NPLs. However, there is no assurance that it will be successful in its efforts or that the overall quality of its loans to customers will not deteriorate in the future. If the Bank is not able to control its NPLs, or if there is a further significant increase in its restructured loans, its business, prospects, financial condition and results of operations could be materially and adversely affected. There is no assurance that provisions for loan losses as a percentage of NPLs will not deteriorate or that the Bank's NPL recovery levels will be similar to the Bank's historical recovery levels.

Furthermore, the recent global economic volatility and the impact of the global and Vietnamese economic conditions on equity and debt markets may also lead to an increase in the level of NPLs in the Bank's loans to customers. The volatility in the financial markets may lead to a deterioration of the credit quality of the Bank's loans in a number of industries, including the household services, real estates and retail trade industries, which could increase the Bank's NPLs. An increase in the level of NPLs may materially and adversely affect the Bank's growth prospects and future financial performance.

The Bank's allowances for impaired loans may prove inadequate.

Although the Bank has complied with the minimum allowance requirements promulgated by the SBV and, as a matter of its internal policy, has maintained strict reserve requirements, there can be no assurance that it will not be required to make significant additional allowances for doubtful accounts in future periods if it experiences higher than anticipated loan defaults and delinquencies due to increased credit losses resulting from, among other things, ineffective collection management, discrete events adversely affecting specific customers or businesses or adverse changes in the economy, which could in turn materially and adversely affect the Bank's business, financial condition and results of operations.

In accordance with the relevant regulatory requirements, the Bank made general provision of 0.75% of total outstanding loans classified from Group One (Current) to Group Four (Doubtful), irrespective of the collateral value. As at 31 March 2019, specific provision is made based on the principal balance less discounted value of collateral, which is then multiplied by provision rates determined based on the debt classifications as at 28 February 2019. Specific provision was VND2,041,583 million (US\$88.8 million) as at 31 December 2018 and VND2,364,451 million (US\$102.9 million) as at 31 March 2019.

The Bank is exposed to exchange rate risks.

As at 31 March 2019, the Bank's foreign currency borrowings from financial institutions and other credit institutions were VND17,641,578 million (US\$767.7 million). Historically, the Vietnamese dong has depreciated consistently against the U.S. dollar. The Vietnamese dong has depreciated at a CAGR of 1.2% from VND21,034 per U.S. dollar on 1 January 2012 to VND22,825 per U.S. dollar on 31 December 2018. Since January 2016, the official rate of exchange for Vietnamese dong to the U.S. dollar has been announced by the SBV each day and is pegged to the following benchmarks: fluctuations in average exchange rates in the interbank foreign exchange market, fluctuations in exchange rates for foreign currencies of certain countries with significant trading/lending and borrowing/investment relationships with Vietnam, and the balancing of macroeconomic and monetary needs as well as monetary policy targets. There are certain restrictions and conditions imposed by the SBV on the conversion and transfer of Vietnamese dong, which mean that its convertibility and transferability may be more limited than freely-convertible currencies. For instance, in order to monitor and track foreign exchange flows, the SBV requires each foreign investor to use an indirect investment capital account to invest in Vietnam and subsequently to remit capital, profit and other lawful income overseas gained from indirect investment activities. Such investors are entitled to use VND in their indirect investment capital accounts in order to purchase foreign currency at an authorised credit institution and subsequently remit the same overseas. There can be no assurance that the current managed-floating exchange rate policy of the SBV will not be modified, that additional depreciation of the Vietnamese dong against other currencies, including the U.S. dollar, will not occur, or that the Government will take additional action to stabilise, maintain or increase the value of the Vietnamese dong, or that any of these actions, if taken, will be successful.

The value of the Bank's collateral may be overstated and may decline in the future.

The Bank uses collateral obligations to protect its loans and advances to customers. Mortgages secured by land and real estate need to be registered with the state agencies and are the Bank's preferred form of collateral. As at 31 March 2019, 28.8% of the Bank's total loans to customers were secured by real property. As at 31 March 2019, 30.9% of the Bank's loans to corporate and SME customers were secured by real property. The Bank's loans to corporate and SME customers are typically secured by a first lien on inventory, receivables and other current assets. In some cases, the Bank may have taken further security of a first or second lien on fixed assets, a pledge of financial assets such as marketable securities, and guarantees from individuals, parent companies or the Government as collateral. As at 31 March 2019, 80.5% of the Bank's loans to retail customers were also secured by assets such as property and vehicles. For collateralised loans, the Bank lends a maximum of 75.0% of the value of real estate collateral and a maximum of 55.0% of the value of machinery and equipment collateral. The real estate collateral value of land as calculated by the Bank represents the price at which such land can be sold in the shortest term in an auction and the Bank believes such valuation to be discounted to the market price of such collateral. However, an economic downturn could result in a significant decrease in relevant collateral values.

Although in general, the Bank's loans (excluding its syndicated loans) are over-collateralised, the Bank cannot assure prospective purchasers that the realised value of the collateral would be adequate to cover the Bank's loans. An economic downturn or an increase in inflation could result in a fall in relevant collateral values for the Bank. In particular, a downturn in the real estate market may result in the principal amount of certain loans exceeding the value of the underlying real estate collateral. The Bank's collateral may be over-valued and not accurately reflect its liquidation value, which is the maximum amount the Bank is likely to recover from a sale of collateral, less expenses of such sale. In addition, some of the valuations in respect of the collateral may be outdated or may not accurately reflect the value of the collateral. In certain instances, where there are no purchasers for a particular type of collateral, such collateral may be worthless. While the Bank assesses the value of its real estate collateral on a yearly basis, any decline in the value of the collateral securing the Bank's loans, including with respect to any future collateral taken by the Bank, would mean that its loan loss

provisions may be inadequate and require an increase in such provisions. The Bank cannot assure prospective purchasers that the collateral securing any particular loan will protect the Bank from suffering a partial or complete loss if the loan becomes non-performing. Any increase in the Bank's provisions would adversely affect its capital adequacy ratio and otherwise adversely affect its business, financial condition and results of operations.

The Bank may experience delays and difficulties in enforcing its collateral when borrowers default on their obligations to the Bank, which may result in the Bank's failure to recover the expected value of its collateral security.

The Bank's ability to recover the value of any collateral or enforce any guarantee due generally depends upon the cooperation of its customers. However, if the Bank must enforce such obligations in the Vietnamese legal system, there may be additional difficulties and delays. To foreclose on collateral or enforce a guarantee, banks in Vietnam are required to follow certain procedures specified by Vietnamese law. These procedures are subject to administrative, civil procedures and bankruptcy law requirements that may be more burdensome than in certain other jurisdictions. The resulting delays can last months or, in difficult cases, years and lead to deterioration in the physical condition and market value of the collateral, particularly where the collateral is in the form of inventory or receivables. In addition, such collateral may not be insured and vulnerable to unrecoverable damage or loss. Furthermore, it may be difficult for the Bank to enforce its collateral when the collateral is being used by the customer to generate the necessary cash flow to service its debt obligations. These difficulties may significantly reduce the Bank's ability to realise the value of its collateral and therefore the effectiveness of taking security for the loans it makes. Although the Bank's provisioning policies are more stringent than SBV requirements, the Bank's inability to enforce collateral obligations in a reasonable amount of time or at all, could materially and adversely affect the Bank's business, prospects, financial condition and results of operations.

The Bank's loans with a longer tenor may expose the Bank to risks associated with economic cycles.

As at 31 March 2019, loans with a remaining tenor exceeding one year but less than five years constituted 34.7% of the Bank's gross loans, while loans with a tenor exceeding five years constituted 10.8% of the Bank's gross loans. The long tenor of these loans may expose the Bank to risks arising out of economic cycles. Recipients of these loans may not be able to generate cash-flows to service commitments for the entire tenor of the loans, as the underlying economic circumstances change. For example, the Bank is exposed to infrastructure projects which experience long development periods, where the underlying assumptions for the economic performance of a borrower and the loan may change, which may adversely affect the borrower's projected cash-flows and ability to repay the loans. There can be no assurance that the Bank's borrowers will perform as anticipated over the entire course of the loan. Risks arising out of a recession in the economy or a delay in the anticipated return on the use of the funds could lead to rise in delinquency rates and in turn, materially and adversely affect the Bank's business, prospects, financial condition and results of operations.

A significant portion of the Bank's funding needs are satisfied from short-term sources, primarily in the form of deposits and short-term borrowing. Customer deposits with remaining terms up to 12 months accounted for 87.4%, 93.6%, 91.6% and 91.0% of the total customer deposits as at 31 December 2016, 2017 and 2018 and 31 March 2019, respectively. Although a substantial portion of short-term deposits are rolled over upon maturity and have been a stable source of long-term funding, there can be no assurance that this will continue to be the case. In the event a substantial number of depositors fail to roll over deposited funds upon maturity or the Bank is unable to attract or retain sufficient deposits, the Bank's liquidity position would be adversely affected. The Bank may be unable to fund its loan growth and may be required to seek alternative sources of short-term or long-term funding. There can be no assurance as to the availability or terms of such funding. To the extent the Bank is unable to obtain sufficient funding on acceptable terms or at all, the Bank's business, liquidity, financial condition and results of operations may be adversely affected. In addition, if the amount

of the Bank's loans were to increase in excess of the increase in its deposits, the loans to deposits ratio could rise and this could have an adverse effect on the Bank's liquidity position and hence its ability to make payments under the Notes.

The Bank is vulnerable to credit risk in its consumer finance, retail and SME loans to customers, which has experienced significant growth in recent years.

The Bank's SME loans to customers grew by 28.2% from 31 December 2016 to 31 March 2019, from VND25,036,384 million as at 31 December 2016 to VND27,355,880 million as at 31 December 2017, VND30,991,516 million (US\$1,348.6 million) as at 31 December 2018, and further to VND32,105,888 million (USD1,397.1 million) as at 31 March 2019. As at 31 March 2019, loans to SME customers accounted for 13.0% of the Bank's credit exposure (which includes loans to customers and investment in corporate bonds), and 13.9% of the Bank's total loans to customers. The outstanding loans granted in the retail segment of the Bank grew by 36.1% from 31 December 2016 to 31 March 2019, from VND54,530,155 million as at 31 December 2016 to VND68,942,277 million as at 31 December 2017, VND73,069,750 million (USD3,179.7 million) as at 31 December 2018, and further to VND74,189,531 million (USD3,228.4 million) as at 31 March 2019. As at 31 March 2019, loans to retail customers accounted for 30.1% of the Bank's total credit exposure, and 32.1% of the Bank's total loans to customers. FE Credit's loans to customers grew from VND32,104,899 million as at 31 December 2016 to VND44,797,014 million as at 31 December 2017, VND53,270,225 million (USD2,318.1 million) as at 31 December 2018, and further to VND54,662,240 million (USD2,317.8 million) as at 31 March 2019, representing an increase of 39.5%, 18.9% and 2.6%, respectively. As at 31 March 2019, loans to consumer finance customers accounted for 21.6% of the Bank's total credit exposure, and 23.6% of the Bank's total loans to customers. As part of the Bank's business and growth strategy, it expects to continue to focus on further growth in its consumer finance, retail and SME businesses. The Bank's loans and advances to consumer finance, retail and SME customers can be expected to be more sensitive to adverse developments in the Vietnamese economy than loans and advances to corporate customers, because the consumer finance, retail and SME borrowers do not have the resources to withstand such economic conditions. Even though the Bank reviews credit history reports that are available from the SBV's Credit Information Centre ("CIC") and the Vietnam Credit Information Joint Stock Company, the quality of the information provided by the CIC and the Vietnam Credit Information Joint Stock Company, particularly with respect to consumer finance, retail and SME customers, may not be of the same quality as that provided in the developed markets. Additionally, Vietnam's consumer finance, retail and SME banking segments largely conduct business on a cash basis, with no supporting documentation, making it more difficult for the Bank to monitor the credit of its customers. As a result, the Bank is exposed to higher credit risk in the consumer finance, retail and SME segments compared to banks in more developed markets. If the Bank's screening process proves to be inadequate, it may experience an increase in impaired loans and it may be required to increase its provision for defaulted loans. This may materially and adversely affect the Bank's business, prospects, financial condition and results of operations.

The Bank's continued ability to achieve loan growth will depend, to a large extent, on the economic performance of Vietnam and countries that are Vietnam's principal trading partners. Accordingly, any future application of enhanced credit risk management controls by the Bank may result in a reduction in loan originations. A slowdown in loan growth may result in decreased revenues and income and adversely affect the Bank's business, liquidity, financial condition and results of operations.

If the Bank fails to maintain desired levels of customer deposits, its business operations may be materially and adversely affected.

Customer deposits form the Bank's primary source of funding. As at 31 December 2016, 2017, 2018 and 31 March 2019, the Bank's deposits from customers were VND123,787,572 million, VND133,550,812 million, VND170,850,871 million (US\$7,434.8 million) and VND188,117,243 million (US\$8,186.1 million), respectively. However, many factors affect the growth of deposits, some of which are beyond the Bank's control, such as economic conditions, availability of investment alternatives and retail customers' changing perceptions toward savings. For example, retail customers may reduce their deposits and increase their investment in securities for a higher return, while SME customers may reduce their deposits to fund projects in a favourable economic environment. If the Bank fails to maintain its desired level of deposits, the Bank's liquidity position, financial condition and results of operations may be materially and adversely affected. In such event, the Bank may need to seek more costly sources of funding, and it is uncertain whether the Bank will be able to obtain additional funding on commercially reasonable terms as and when required, or at all. The Bank's ability to raise additional funds may be impaired by factors over which it has little or no control, such as deteriorating market conditions or severe disruptions in the financial markets.

Fraud or other misconduct committed by the Bank's employees or outsiders could adversely impact the Bank's business.

The Bank is exposed to the risk of potential fraud and other misconduct committed by employees or outsiders. Such incidences may adversely affect banks and financial institutions more significantly than companies in other industries due to the large amounts of cash that flow through their systems.

Any occurrence of fraudulent events may damage its reputation and may adversely affect its business, financial condition and results of operations. Any failure to prevent such fraudulent actions may result in administrative or other regulatory sanctions by the SBV or other Government agencies, which may be in the form of suspension or other limitations placed on its banking and other business activities. Under Vietnamese law, the Bank may be responsible for the misconduct committed by its employees to the extent that they are duly authorised to act on its behalf. Under certain circumstances, its internal procedures to prevent and detect fraudulent activities may be insufficient to prevent such misconduct from occurring. There can be no assurance that it will be able to avoid incidents of fraud and any such misconduct involving the Bank could materially and adversely affect its reputation, business, financial condition or results of operations.

The Bank may be adversely affected by liquidity risk, particularly if Vietnamese or international financial market conditions deteriorate.

Liquidity risk comprises uncertainties in relation to the Bank's ability, under adverse conditions, to access funding necessary to cover obligations to customers, to meet the maturity of liabilities and satisfy capital requirements. It includes the risk of unexpected increases in the cost of financing, the risk of not being able to structure the maturity dates of the Bank's liabilities reasonably in line with its assets, as well as the risk of not being able to meet payment obligations on time at a reasonable price due to liquidity pressures. The Bank's inability to meet its net funding requirements due to inadequate liquidity could have a material adverse effect on its business, financial condition, results of operations and prospects.

There can be no assurance that depositors will not withdraw their funds at a rate faster than the rate at which borrowers repay, or that there will not be periods of higher levels of withdrawals under adverse conditions, such as a crisis affecting the markets in which the Bank operates. In addition, if deposit growth does not keep pace with loan and asset growth, the Bank may need to access more expensive sources of financing to meet its funding requirements, including wholesale funding. The Bank's inability on its part to access funds or to access the markets from which it raises funds may put its positions in liquid assets at risk and lead to difficulty

in adequately accessing financing to fund its operations and growth plans. The Bank may be unable to secure funding in the international capital markets if conditions in these markets, or its credit ratings, were to deteriorate.

A rising interest rate environment may hinder the Bank's ability to access funds at favourable rates. These and other factors may lead creditors to downgrade their views regarding the Bank's liquidity condition, which could result in less favourable credit ratings, higher borrowing costs and less accessible funds. In addition, its ability to raise or access funds may be impaired by factors that are not specific to its operations, such as general market conditions, severe disruption of the financial markets or negative views about the prospects of the sectors to which it provides its loans. While the Bank aims to maintain an adequate level of liquidity reserves at any given time, strains on liquidity caused by any of these or other factors may adversely affect its business, financial condition, results of operations and prospects.

The Bank maintains a dedicated portfolio of liquidity buffer. The liquidity buffer consists of high liquid assets which are eligible for re-financing transactions with the SBV. The liquidity buffer is set at a certain percentage of the total liabilities of the Bank to meet the payment obligations of the Bank. The liquidity buffer has different levels of liquidity which address differences between assets' market value and the amount that can be used as collateral for a loan. Although historically, the Bank's liquidity portfolio remains stable due to its liquidity policies and the proper management of the Bank. Despite its liquidity policies, there can be no assurance that the Bank will not experience liquidity issues in the future. In the event that it experiences liquidity issues, market disruptions and credit downgrades may cause certain sources of funding to become unavailable. For example, in the case of a liquidity crisis, if the Bank are unable to secure sufficient funding, on commercially reasonable terms, or at all, this could result in its failure to service its debt, fulfil loan commitments or meet other on-or off-balance sheet payment obligations, which could have a material adverse effect on its business, financial condition, results of operations and prospects.

If the Bank is unable to adapt to rapid technological changes, its business could suffer.

The Bank's future success will depend in part on its ability to respond to technological advances and compliance with emerging banking industry standards and practices on a cost-effective and timely basis. The development and implementation of such technology entail significant technical and business risks. There can be no assurance that the Bank will successfully implement new technologies effectively or adapt its transaction processing systems to meet customer requirements or emerging industry standards. If the Bank is unable, for technical, legal, financial or other reasons, to adapt in a timely manner to changing market conditions, customer requirements or technological changes, such inability could materially and adversely affect the Bank's business, prospects, financial condition or results of operations.

Failure to upgrade or effectively operate the Bank's information technology system and significant security breaches or system failures could adversely affect the Bank's business.

The Bank's businesses depend heavily on the ability to timely and accurately collect and process a large amount of financial and other information across numerous and diverse markets and products at the Bank's various branches, at a time when transaction processes have become increasingly complex with increasing volume. The proper functioning of the Bank's financial control, risk management, accounting or other data collection and processing systems, together with the communication networks connecting the Bank's various branches and offices is critical to the Bank's businesses and the Bank's ability to compete effectively. The Bank has centralised the database in respect of its domestic business through the adoption of a core banking system ("CBS") that provides the capability of online real-time transaction processing. The power and communication infrastructure in Vietnam, similar to other emerging markets, is less developed than in developed markets, which can result in power outages and extended downtimes of technical and communication systems. It has experienced power outages, system failures and communication breaktime from time to time, including those caused by failures and breakdowns at the service providers that the Bank

relies upon. While it has built and implemented business security plans, there can be no assurance that the Bank will successfully avoid or remedy all damages or losses suffered from such events.

The Bank seeks to protect its computer systems and network infrastructure from physical break-ins as well as security breaches, system failures, data loss and other disruptive problems caused by the Bank's increased use of the Internet. Computer break-ins and power disruptions could affect the security of information stored in and transmitted through these computer systems and network infrastructure. The Bank employs security systems, including firewalls and password encryption, designed to minimise the risk of security breaches. Although the Bank intends to continue to implement security technology and establish operational procedures to prevent break-ins, damage and failures, there can be no assurance that these security measures will be adequate or successful. Failure in the Bank's systems or security measures could materially and adversely affect the Bank's business and future financial performance. Although the Bank takes adequate measures to safeguard against system-related and other fraud, there can be no assurance that it would be able to prevent fraud. The Bank's reputation could be adversely affected by significant fraud committed by employees, customers or outsiders.

The Bank maintains a disaster recovery site in Hanoi as an alternative back-up facility in the event that the Bank's primary data centre becomes no longer operational due to any system failures or occurrence of disasters. The site consists of equipment and infrastructure that can be activated to manage the business processes until the main site's functionality is fully restored. The Bank also has backup data, a well-documented business continuity and disaster recovery management policy that is constantly tested and reviewed. However, a partial or complete failure of any of these primary systems or communication networks could materially and adversely affect the Bank's decision-making process, risk management or internal controls as well as the Bank's timely response to market conditions. If the Bank cannot maintain an effective data collection, management and recovery system or the strategy of outsourcing information technology and systems management proves unsuccessful or unreliable, the Bank's business, prospects, financial condition and results of operations could be materially and adversely affected.

In addition, some of the Bank's operation procedures are conducted manually and are not fully automated. The Bank has consistently worked to implement enhanced policies and procedures and its IT improvement projects are designed to further this objective. However, certain financial transactions, such as adjustment transactions, and the computation of calculations, are still conducted manually outside of the Bank's automated financial systems. These manual processes create difficulties in accounting and managing the Bank's portfolio of assets and liabilities. Any failure to accurately record financial transactions may provide the Bank's management with inaccurate financial information, which may affect the Bank's management's ability to make fully-informed decisions and could materially and adversely affect the Bank's business, prospects, financial condition and results of operations.

Moreover, the Bank may be exposed to certain types of operational risks, given the high transaction volume and operational complexity inherent in a large banking business. In particular, these risks include the risk of inadequacy or failure of internal processes or systems, risk related to external events, fraud or corruption by employees, borrowers or customers, non-compliance with internal procedures such as undocumented process and manual processing, operational errors as well as natural disasters and incidents caused by external third parties. Future expansion of its business may require different knowledge and expertise which differ from those applied in the past, and place stress on its operational and technological systems and controls and raises the possibility of operational errors being committed.

Any weaknesses in internal controls may adversely impact the Bank's business.

The Bank has documented procedures and manuals incorporating procedures for financial reporting and internal controls. These internal control systems are designed to identify the principal risks to its business, to

evaluate the nature and extent of those risks and to manage them efficiently, effectively and economically. However, there can be no assurance that the Bank's internal control systems are comprehensive enough to tackle all risks that the Bank may be subject to or to perform their intended functions, or that they are or will be comparable to internal control systems deployed by banks of a similar size in developed economies. For example, its risk management practices, including "know your customer" practices, depend on the evaluation of information regarding the markets in which the Bank operates, its customers or other matters that are publicly available or information otherwise accessible to it. As such practices are less developed in emerging market economies such as Vietnam, this information may not be accurate, complete, up to date or properly evaluated in all cases. There can also be no assurance that the internal control systems in place will always be effectively and efficiently implemented.

There can be no assurance that the present system and procedures relating to the identification, recording and reporting of related party transactions will be fully adequate at all times, which may result in non-compliance with relevant regulatory standards and may expose the Bank to market or operational risk or other risks, which may in turn have a material adverse effect on its business, financial condition, results of operations and prospects.

In addition, from time to time, the Bank may experience breaches of standard operating procedures, prudential regulations and/or internal policies relating to customer operations on such issues as account openings, account closings, cash deposits, foreign remittances, inactive accounts and ATM operations. Such breaches, should they occur, may compromise the integrity of the Bank's internal control system if those breaches are not adequately checked and effectively monitored by the Bank. The Bank's internal controls, in particular as implemented by its IT systems, may not be able to prevent all errors or instances of fraud or dishonesty and the Bank may be unable to detect them within a timely period in the normal course of business, which could have an adverse effect on its business, financial condition and results of operations.

The Bank also has a diverse mix of distribution networks for its products such as credit cards and consumer finance loans, including allied channels, dealerships and partnerships with other agents and distributor companies. There is no assurance that distributors and other third parties will adopt and comply with the Bank's policies for conducting business operations, or that the Bank's internal control mechanisms will always be effective in preventing dishonest business practices by such parties in their dealings with the public. The performance or the reputation of these third parties, such as retailers, agents or partners, may have an adverse effect on the Bank's business. In addition, allegations of misconduct may perpetuate negative perceptions of the Bank's business due to negative press coverage. Any incidence or allegation of dishonest business practices by distributors of the Bank and other third parties may materially and adversely affect its business, financial condition and results of operations.

Any inability to attract and retain talented professionals may negatively affect the Bank.

Attracting and retaining talented professionals is a key element of the Bank's growth strategy. However, the Bank may face difficulties in attracting and/or retaining certain talented professionals, especially when there is fierce competition among employers for such professionals in the financial sector. An inability to attract and/or retain such talented professionals would have an adverse effect on the Bank's business and future financial performance. Similarly, the retirement of key executives in large numbers would also have an adverse effect on the Bank's business.

The Bank may not be able to detect money laundering and other illegal or improper activities fully or on a timely basis, which could expose it to additional liability and harm its business or reputation.

The Bank is required to comply with applicable anti-money laundering and anti-terrorism laws and other regulations in Vietnam and in other jurisdictions where it has operations, including Law No. 07/2012/QH13

on Anti-Money Laundering dated 18 June 2012 adopted by the National Assembly, Law on Credit Institutions, Government Decree No. 116/2013/ND-CP on anti-money laundering and Circular No. 35/2013/TT-NHNN as amended by Circular No. 31/2014/TT-NHNN. These laws and regulations require the Bank, among other things, to adopt and enforce “know your customer” policies, customer and transaction screening and customer and transaction monitoring and procedures and to report suspicious and large transactions to the SBV’s Anti-Money Laundering Department. This SBV unit functions as an information processing centre dedicated to prevention by warning individuals, organisations and state agencies of issues with reported transactions. While the Bank has adopted policies and procedures, as well as assigned officers and departments, and equipped IT solutions, aimed at detecting and preventing the use of its banking networks for money laundering activities and by terrorists and terrorist-related organisations, the Bank’s prevention and detection procedures may not completely eliminate instances where the Bank may be used by other parties to engage in money laundering and other illegal or improper activities due to, in part, the short history of these policies and procedures. To the extent the Bank fails to fully comply with applicable laws and regulations, the relevant government agencies to whom the Bank reports have the power and authority to impose fines and other penalties. In addition, the Bank’s business and reputation could suffer if customers use the Bank for money laundering or illegal or improper purposes. There can be no assurance that the Bank will be able to fully monitor any potential violation for all of its transactions and this could have a material adverse effect on its reputation, business financial condition and results of operation.

The Bank has contingent liabilities.

As at 31 March 2019, the Bank had contingent liabilities of VND31,195,117 million (US\$1,357.5 million) on account of letters of credit and financial guarantees. If the Bank’s contingent liabilities crystallise, this may have an adverse effect on the Bank’s future financial performance. See “*Description of the Bank – Contingent Liabilities and Commitments*”.

The Bank will require a significant amount of cash to meet its obligations under its indebtedness, including the Notes, and to sustain its operations which it may not be able to generate or raise.

The ability of the Bank to make scheduled principal or interest payments on the Notes and to fund its operations will depend on the Bank’s future performance and its ability to generate cash which, to a certain extent, is subject to general economic, financial, competitive, legislative, legal, regulatory and other factors, many of which are beyond the Bank’s control. If the Bank’s future cash flows from the operations and other capital resources are insufficient to pay its debt obligations, including the Notes, or to fund its other liquidity needs, it may be forced to sell assets or attempt to restructure or refinance its existing indebtedness. No assurance can be given that the Bank would be able to accomplish any of these measures on a timely basis or on satisfactory terms or at all.

Risks Relating to the Vietnam Banking Industry

The Bank faces greater credit risks than banks in more developed countries.

The Bank’s principal business is providing financing to its customers, most of whom are based in Vietnam, and the Bank’s revenue is principally generated in Vietnam. The Bank is subject to the credit risk of its borrowers, who may not repay their loans in a timely fashion or at all. The credit risk of the Bank’s borrowers is generally higher than that of borrowers in more developed countries due to the higher uncertainty in the Vietnamese regulatory, political, economic and industrial environment and difficulties that many of the Bank’s borrowers face in adapting to instability in world markets and technological advances. The SBV’s CIC, which provide consumer credit information, may not be able to provide the same quality of information to the Bank about the credit history of its borrowers, especially individuals and small businesses, as may be available in other countries. Several factors, including inflation and governmental regulations, may have reduced the

profitability of certain of the Bank's borrowers. Competition among Vietnamese businesses and with international corporations has increased due to economic liberalisation. Vietnamese companies took on high levels of debt to finance projects, during times of variable industrial growth and high interest rates. These and other factors unique to or more prevalent in developing countries may materially and adversely affect the Bank's business, prospects, financial condition and results of operations.

Banking is a heavily regulated industry and material changes in the regulations which govern the Bank could cause its business, prospects, financial condition and results of operations to suffer.

Banks in Vietnam are subject to detailed supervision and regulation by the SBV and operate within a framework that provides guidelines on the products and services that banks can provide. See "*Supervision and Regulation*". The SBV can alter the existing regulations and introduce new regulations to control any particular line of business. There can be no assurance that the guidelines issued by the SBV or any other regulatory authorities will not materially and adversely affect the Bank's business, prospects, financial condition and results of operations. The SBV's push for consolidation in the banking industry may also affect the competitive landscape and cause unexpected changes in the market that may negatively impact the financial performance of the Bank.

In June 2006, the Basel Committee on Banking Supervision (the "Basel Committee") published a report entitled "International Convergence of Capital Measurement and Capital Standards", which set out a new capital adequacy framework (commonly referred to as "Basel II"). The Bank was one of the first few banks selected by SBV to pioneer the implementation and application of Basel II standards in Vietnam in late 2018.

In comparison with the current requirements stated in Circular 36, Circular No. 19/2017/TT-NHNN dated 28 December 2017 ("Circular 19 of 2017") and Basel I, Basel II introduces a new level of risk management, which includes a range of risks such as market risk and operational risk, that are not taken into account in Basel I or the other circulars mentioned above. Although Basel II allows for a lower minimum CAR, when the Bank implements Basel II in 2019, its reported CAR may be lower, and its risk weighted assets may be higher, than the requirements mentioned above. While not required by regulation, the Bank internally calculates its Basel II CAR according to Circular 41, which stood at 11.1% as at 31 March 2019 (higher than the minimum requirement of 8.0% under Basel II). Pursuant to the SBV's Decision No. 779/QĐ-NHNN on implementation of Circular 41 issued on 17 April 2019 (the "Decision 779"), the Bank started implementing and calculating its Basel II CAR from 1 May 2019.

As a credit institution, the Bank is subject to the risk management regulations provided in the Law on Credit Institutions and its implementing regulations, including the SBV's regulations and guidance. For instance, on 28 December 2017, the SBV issued Circular 19 of 2017 to amend and supplement its earlier Circular 36 on prudential ratios of credit institutions and foreign bank branches. With effect from 12 February 2018, Vietnamese banks were required to maintain a CAR of 9.0% and a coverage ratio of 50.0% under Circular 19 of 2017, and Statutory Loan to Deposit Ratio of 80.0% under Circular 36, in each case based on revised calculation principles for these ratios. In addition, the Short-Term Fund for Medium-to-Long-Term Loans Ratio was decreased from 50.0% to 45.0% from 1 January 2018 to 31 December 2018, and was further decreased to 40.0% from 1 January 2019. Such tightening of the Short-Term Fund for Medium-to-Long Term Loans Ratio may affect the Bank's ability to provide medium-to-long term loans to its customers as a significant portion of the Bank's funding needs are satisfied from short-term sources, primarily in the form of short-term customer deposits. Circular No. 15/2018/TT-NHNN issued by the SBV on 18 June 2018 to amend Circular 22/2016/TT-NHNN dated 30 June 2016 ("Circular 22") imposes new restrictions with respect to investments in corporate bonds. In addition, consumer lending activities, which is a key business segment of the Bank, is currently regulated by Circular 43/2016/TT-NHNN ("Circular 43"). In 2019, the SBV has proposed certain amendments to Circular 43, which would increase the level of regulatory control in the consumer finance industry on issues such as credit checks, interest rate and collection procedures. The SBV

has invited industry participants to provide feedback on the draft amendments, but there is no clear timeline as to when the amendment will come into effect, if at all. There can be no assurance that future guidelines issued by the SBV or any other regulatory authority will not adversely impact the Bank's business, financial performance and the market price of the Notes.

As some of the new banking laws and regulations issued by regulatory institutions have only recently been adopted, the manner in which those laws and regulations are applied to the operations of financial institutions is still evolving. Further new laws or regulations might be adopted, enforced or interpreted in a manner that could have a material adverse effect on its business, financial condition, results of operations, properties and prospects. Any failure to adopt adequate responses to such changes in the regulatory framework may have a material adverse effect on the Bank's business, financial condition, results of operations and prospects. Finally, non-compliance with regulatory guidelines could expose it to potential liabilities and fines.

The SBV continuously conducts examinations of all banks operating in Vietnam. Even small credit deteriorations in creditworthiness are closely monitored by the SBV. Financial information, total capital ratio, open positions, liquidity, interest rate risk and credit portfolio are reviewed at frequent intervals. Although the Bank has implemented procedures to monitor these ratios and limits, there can be no guarantee that the Bank will not breach them, which could result in the imposition of significant penalties or the curtailment of its activities.

In addition, banks are subject generally to changes in Vietnamese law, as well as to changes in regulation and government policies and accounting principles. The laws and regulations governing the banking sector could change in the future and any such changes may materially and adversely affect the Bank's business, prospects, financial condition and results of operations, by requiring a restructuring of its activities, increasing costs or otherwise. See *"Overview of the Vietnam Banking Industry – Regulatory Framework"*.

The SBV may take measures to reduce the Bank's operating costs including, among others, the reduction of any interest payments deemed too high.

In the event that the Bank is placed under the SBV bank administration procedures pursuant to the Law on Credit Institutions, the amount of accrued and unpaid interest on any outstanding Notes may be reduced by the SBV's special control committee (the "Special Control Committee"). In certain circumstances, any interest and principal payments by the Bank may also be subject to the approval of the Special Control Committee. In particular under Circular 07/2013/TT-NHNN dated 14 March 2013, the Special Control Committee has wide-ranging powers where a bank has been placed under the special control administration of the SBV. Such powers include the power to exercise certain discretion over a bank's transactions which could for example include preventing any transactions (including payments under the Notes) that would, in the Special Control Committee's opinion, jeopardise a bank's rehabilitation plan.

Changes in interest rate levels may affect the value of the Bank's assets sensitive to interest rates and spread changes, as well as its NIMs and borrowing costs.

The Bank is highly dependent on the level of its net interest income, which is the difference between the interest and similar income it receives on its interest-earning assets and interest and similar expenses that it pays on its interest-bearing liabilities. Thus, the differential between the interest rates that the Bank charges on interest-earning assets and the interest rates that it pays on interest-bearing liabilities (i.e. its average spread), and the volume of such assets and liabilities, tend to have significant impact on the Bank's results of operations. Net interest income has increased from VND15,167,859 million in 2016 to VND20,614,426 million in 2017, VND24,701,575 million (US\$1,074.9 million) in 2018 and VND7,024,915 million (US\$305.7 million) for the three month period ended 31 March 2019. Net interest income represented 89.9%, 82.8%, 79.5% and 88.2% of its total operating income for the years ended 31 December 2016, 2017 and 2018 and for

the three months ended 31 March 2019, respectively. Its NIMs were 7.9%, 9.0%, 9.0% and 9.6% for the years ended 31 December 2016, 2017 and 2018 and for the three months ended 31 March 2019, respectively.

Changes in market interest rates could affect the spread between interest rates charged on interest-earning assets and interest rates paid on interest-bearing liabilities and thereby affect the Bank's results of operations. The effect on net interest and similar income on account of a change in interest rates depends upon its ability to re-price interest earning assets and interest-bearing liabilities. Its interest-bearing liabilities (principally customer deposits) generally re-price faster than its interest-earning assets (principally loans and advances to customers), and changes in the short-term interest rates in the economy are generally reflected in the rates of interest that the Bank bears on its financial liabilities before such interest rates are reflected in the rates of interest that the Bank earns on its financial assets. Therefore, if short-term interest rates fall, the Bank's interest margin may be positively affected as its cost of funds will decrease before the rates the Bank earn on its loans and advances to customers and other interest earning assets re-price to reflect this decrease. On the other hand, when short-term rates increase, its interest margin may be negatively affected as its cost of funds will increase before the Bank can modify the rates of its interest-earning assets. In addition, in the event of rising interest rates, its borrowers may not be willing to pay correspondingly higher interest rates on their borrowings and may choose to repay their loans if they are able to switch to more competitively priced loans afforded by other banks. Hence, any change in interest rates could adversely affect the Bank's business, financial condition, results of operations and prospects.

The Bank is exposed to systemic risk.

As a Vietnamese bank, the Bank may be subject to the risk of deterioration of the commercial soundness and/or perceived soundness of other financial institutions within and outside Vietnam. It routinely executes a high volume of transactions with numerous counterparties in the financial services industry, including brokers and dealers, commercial banks, investment banks and other institutional customers. Financial institutions that transact with each other are interrelated as a result of trading, investment, clearing, counterparty and other relationships. The Bank may be exposed to counterparty risks if financial institution counterparties fail or are otherwise unable to meet their obligations. This risk, commonly referred to as "systemic risk", may adversely affect financial intermediaries, such as clearing agencies, clearing houses, banks, securities firms and exchanges with whom the Bank interacts on a daily basis, which could have a material adverse effect on its business, financial condition, results of operations and prospects.

The Vietnam banking industry is very competitive and the Bank's growth strategy depends on its ability to compete effectively.

The Bank faces competition from Vietnamese and foreign commercial banks in all its products and services. Over the last few years, several Vietnam banks have increased their focus on retail loans. The Bank will face competition from Vietnamese and foreign commercial banks and non-bank finance companies in its retail products and services. In addition, since the Bank raises funds from market sources and individual depositors, it will face increasing competition for such funds. The ongoing equitisation process for state-owned banks is increasing the competitiveness of these banks. Additionally, the Vietnam banking industry may experience further consolidation as the SBV continues to restructure smaller Vietnam banks that are having difficulty complying with SBV regulations. This will result in fewer banks and financial institutions, which may also strengthen the position of the Bank's competitors in the market. The Government has also permitted foreign banks to establish wholly owned subsidiaries in Vietnam, which has increased the number and financial sophistication of competitors in the market. In addition, foreign banks have increasingly formed strategic partnerships with local banks, which increases the competitiveness of local banks.

Due to competitive pressures, the Bank may encounter difficulties in successfully executing its growth strategy and offer products and services at reasonable returns and this may materially and adversely affect its business, prospects, financial condition and results of operations. See “*Description of the Bank – Competition*”.

Requirements for the Bank to maintain its CAR at the minimum level required by the SBV for domestic banks could affect its ability to growth.

Under Circular 36, the SBV required Vietnam banks to maintain a minimum CAR of 9.0%, and the Bank has followed the SBV guidelines promulgated by Circular 36 for calculating and maintaining its minimum CAR. On 31 December 2016, the SBV adopted Circular 41 which adopts the Basel II standards and allows commercial banks to apply a lower minimum CAR at 8.0%. See “– *Banking is a heavily regulated industry and material changes in the regulations which govern the Bank could cause its business, prospects, financial condition and results of operations to suffer*”. The Bank’s CAR as at 31 March 2019 calculated according to Circular 36 and Circular 41 were 13.1% and 11.1%, respectively, which were both higher than the minimum requirement of 9.0% and 8.0% set forth under the respective Circular. The Bank is exposed to the risk of the SBV increasing the applicable risk weight for different asset classes from time to time. Any incremental capital requirement may adversely affect the Bank’s ability to grow its business and may even require the Bank to withdraw from or curtail some of its current business operations. The Bank may be unable to raise adequate additional capital in the future or raise capital on terms favourable to it.

The under-developed derivatives market in Vietnam may expose the Bank to unidentified or unanticipated risks, which could negatively affect its business or result in losses.

The Bank’s hedging strategies and other risk management techniques may not be fully effective in mitigating its risk exposure in all market environments or against all types of risk, including risks that are unidentified or unanticipated. The derivatives market in Vietnam is not well developed, with a limited range of derivative instruments and counterparties available. In more developed markets, risk management is based upon observed historical market behaviour, which is very limited in Vietnam. As a result, these methods may not predict future risk exposures, which could be greater than the historical measures indicated. Management of operational, legal or regulatory risk requires, among other things, policies and procedures to properly record and verify a large number of transactions and events. Although the Bank has established these policies and procedures, they may not be all encompassing.

The Vietnam banking industry is subject to “dollarisation” risk.

A significant amount of economic activities in Vietnam has been conducted in U.S. dollars, and a significant amount of unofficial foreign exchange transactions occur and unofficial exchange rates may differ from the official rates. Dollarisation is partly attributable to the steady depreciation of Vietnamese dong. As at 31 December 2018, approximately 9.9% of total domestic bank deposits consisted of U.S. dollars. Vietnam has sought to limit dollarisation by encouraging remittances in Vietnamese dong while restricting outflows of foreign exchanges, and the SBV has adopted a foreign exchange regime with managed floating exchange rate to reduce dollarisation.

Dollarisation limits the SBV’s ability to influence macroeconomic trends in the economy through monetary and exchange rate policies. The Vietnamese economy’s ability to switch between the Vietnamese dong and U.S. dollars makes it difficult to control Vietnam’s monetary supply. The instability of domestic demand for Vietnamese dong caused by dollarisation renders the potential effects of monetary policies less predictable. Therefore, dollarisation may result in increased volatility in the economy and extended periods of adjustments to external financial crisis, which could have a material and adverse impact on the Bank’s business, prospects, financial condition and results of operations.

Risks Relating to Vietnam

There are risks associated with investments in Vietnam, including in relation to political, economic and legal conditions.

The Bank is incorporated in Vietnam and most of its assets and operations are located in Vietnam. Investments in emerging market economies such as Vietnam are exposed to greater risk than investments in developed markets. Emerging economies such as Vietnam are subject to rapid change and the information set out in these risk factors may become outdated relatively quickly. These changes may adversely affect the value of the Bank's assets. Although the current foreign investment laws of Vietnam prohibit the nationalisation of foreign-owned assets without full compensation and allow for repatriation of investment profits, there is no assurance that nationalisation or administrative confiscation of property or restrictions on foreign currency repatriation will not occur in the future, whether due to changes in economic or political agendas or whether motivated by national interest.

Accordingly, prospective investors should exercise particular care in evaluating the risks involved and must decide for themselves whether, in light of those risks, their investment is appropriate. When compared to many developed markets, the legal system in emerging market economies such as Vietnam may not be as well constructed or provide as sufficient protections to private businesses. As a result, potential future adverse political, economic, legal and social conditions in Vietnam, as well as certain actions and policies that the Government may or may not take or adopt, could adversely affect the Bank's business, prospects, financial condition and results of operations.

The performance and growth of the Bank's business is highly dependent on the health of the overall economy of Vietnam. Vietnam's economy has been subject to fluctuations over the past 20 years. Although there are estimates of strong GDP growth in Vietnam for the next several years, this growth is subject to potential risks and may slow down. Potential failure to adopt a clear macroeconomic policy that gives sufficient attention to economic stability could force the authorities to adopt measures that would disrupt this growth. Although many economies around the world, including Vietnam, have adopted various policies and measures to prevent economic recession and to stimulate domestic or regional economies, the Bank cannot assure holders of the Notes that the global and regional economies will sustain the current level or meet expectations for growth. In addition, the quantitative easing measures adopted by many developed economies have resulted in surplus liquidity which indirectly causes inflation in many emerging market economies and weakens the buying power of local currencies. The Vietnamese economy may also be adversely affected by external factors including but not limited to the United States Federal Reserve's decision to taper quantitative easing going forward. In this regard, to the extent that there is a material reduction in quantitative easing, interest rates in the United States are likely to increase which may adversely affect the exchange rates adopted in Vietnam in particular, and the Vietnamese economy in general. The Bank cannot predict whether the current economic policies and measures will lead to more fluctuations or another downturn in the future, each of which could have a material adverse effect on its business, prospects, financial condition and results of operations.

The laws and regulatory apparatus affecting emerging market economies such as Vietnam are in a relatively early stage of development and not as well established as the laws and regulatory apparatus of regions such as Western Europe and the United States. Policy changes and interpretations of applicable laws may produce unexpected consequences, which could have an adverse effect on domestic business operators. Although in recent years the legal system in Vietnam has been moving towards increasingly sophisticated, transparent access for investors, uncertainties and limitations still exist in relation to the interpretation and enforcement of laws like the Civil Code No. 91/2015/QH13 dated 24 November 2015 (the "Civil Code"), the Commercial Law No. 36/2005/QH11 dated 14 June 2005 (the "Commercial Law"), the Law on Investment No. 67/2014/QH13 dated 26 November 2014 (the "Law on Investment"), and the Enterprise Law No. 68/2014/QH13 adopted by National Assembly dated 26 November 2014 (the "Enterprise Law"), which impact

related regulations and accordingly business activities, corporate, Government and shareholders' rights. For example, laws and regulations relating to board committees, non-executive members of the board of management, conflicts of interest, conduct of shareholders' meetings, corporate takeovers and insider trading are generally limited and vague and their application and enforcement is uncertain.

As Vietnam's legal system develops, inconsistencies and uncertainties in its laws and regulations are likely to be addressed as new laws are interpreted and refined and older laws are repealed or updated. It is difficult to predict when Vietnam's legal system will obtain the level of certainty and predictability of other jurisdictions with more developed legal systems. In particular, anti-bribery and corruption laws and regulations in emerging markets such as Vietnam may not be as stringent as in other jurisdictions with more developed legal systems, and instances of bribery, fraud, accounting irregularities and other improper, illegal or corrupt practices can be difficult to detect. Potential corruption by third parties and a lack of transparency in judicial processes may interfere with its ability to protect its legal rights in Vietnam. Moreover, the inability of the Bank to legally enforce its rights over its real estate assets in Vietnam could have a material adverse effect on the Bank's ability to satisfy its obligations under and in connection with the Notes, which in turn could have a material adverse effect on the Bank's ability to meet its obligations under and in connection with the Notes.

Tax laws in Vietnam may be changed.

All major tax laws and regulations in Vietnam (including but not limited to value added tax, corporate income tax and personal income tax) have undergone significant changes in the past decade and may continue to be supplemented or clarified as issues arise over interpretation or implementation. Any change in its tax status or the taxation legislation or different interpretations of tax laws and policies in Vietnam generally could adversely affect its business, prospects, financial condition and results of operations. The MOF and its General Department of Taxation in practice have the final say on a company's tax obligations based on prevailing tax laws and regulations. Any change could have a material adverse effect on the Bank's business, prospects, financial condition and results of operations.

Changes in accounting policy or related regulations may impact the Bank's financial condition and results of operations.

Certain accounting policies of the Bank are regulated by SBV and the MOF. For example, Circular No. 02/2013/TT-NHNN dated 21 January 2013 as amended by Circular No. 34/2011/TT-BTC dated 4 March 2011 and Circular No. 09/2014/TT-NHNN dated 18 March 2014 ("Circular 02") relates to the classification of assets, percentage and method of setting up risk provisions, and use of these provisions in operation of credit institutions; Circular No. 19/2013/TT-NHNN dated 6 September 2013 and its amendments ("Circular 19") relate to the purchase, sale, and settlement of bad debts of VAMC; and Circular No. 228/2009/TT-BTC dated 7 December 2009 as subsequently amended by Circular No. 34/2011/TT-BTC dated 14 March 2011 and Circular No. 89/2013/TT-BTC dated 28 June 2013 relates to provisioning for overdue receivables. With respect to VAMC provisioning, VAMC purchases NPLs from Vietnam banks, removing such NPLs from Vietnam banks' balance sheets in exchange for zero-coupon bonds issued by VAMC. Banks then have up to five years to provision for these VAMC bonds and, upon maturity, the bonds and NPLs are swapped back with any accompanying recovered asset values returned to the relevant bank. Any changes in these regulations regarding specific accounting policies may adversely affect the Bank's financial condition and results of operations.

The Bank's financial statements are currently prepared in accordance with VAS, which are, in certain material respects, significantly different from IFRS, such as in relation to classification and impairment of financial instruments which leads to variances in NPL and capitalisation ratios. For a discussion of these differences, see "*Summary of Certain Differences Between VAS and IFRS*". The Bank also publishes financial statements which are prepared in accordance with, or substantively in accordance with, IFRS, from time to time.

Going forward, the Bank may elect or be required to revise its accounting policies and estimates according to the amendment of domestic and international accounting standards, the interpretation and guidance of promulgations and other regulatory changes. For example, the Bank is aiming to be one of the first banks in Vietnam to implement IFRS 9 – Financial Instruments and will publish financial statements as at for the year ended 31 December 2018 (and for the subsequent periods thereafter) prepared in full compliance and in accordance with IFRS, in addition to its financial statements currently prepared in accordance with VAS. This may require the Bank to apply IFRS 9 retroactively which could result in restating its published prior period financial statements which have previously been prepared in accordance with IFRS prior to 1 January 2018 and, depending on its interpretation and implementation of IFRS 9, could lead to a substantial negative impact on the financial position as recorded and reported by the Bank in such financial statements prepared in accordance with IFRS. If the Bank implements significant changes to the handling of certain financial items or the alteration of accounting estimates, it may have adverse effects on its business, financial condition and results of operations. Such developments may also adversely affect the Bank's ability to perform its obligations under the Notes.

The occurrence of natural or other catastrophes, severe weather conditions or other acts of God may materially disrupt the Bank's operations.

The occurrence of any extraordinary events, such as natural disasters in Asia (including Vietnam) and elsewhere, intentional or unintentional mass casualty incidents or similar events may materially impact the Bank's operations. Vietnam is located in a region of Asia that experiences many strong typhoons and flooding. For example, in 2017, Vietnam's biggest storm, typhoon Damrey, killed 106 people when it struck as a Category-2 typhoon, which was the worst on record since 2001. Any future typhoons or similar natural disasters could result in social and economic disruptions, which may materially and adversely affect the Bank's business, prospects, financial condition and results of operations. The occurrence of future natural disasters or other unforeseen events of a similar nature cannot be predicted, and their occurrence may negatively affect the Vietnamese economy, which could have a material adverse effect on the Bank's business, prospects, financial condition and results of operations.

The Vietnamese government may take over its business in the event of war, insurrection, domestic trouble, public calamity or national emergency.

The Vietnamese Constitution, adopted by the National Assembly on 28 November 2013, and Law on Compulsory Purchase and Requisition of Property No. 15/2008/QH12 adopted by the National Assembly on 3 June 2008, provide that the Government may purchase or expropriate assets where there is extreme necessity to use the assets (in the absence of other forms of mobilisation) in the event of war or national defence emergency; where national security is threatened or where national security needs to be strengthened and protected in accordance with the laws on national defence and security; when dealing with risk of or overcoming natural disasters or large-scale epidemic diseases; or where there is serious threat to the life, health and assets of the people of Vietnam, if such risk is not prevented in time. Although the Government has not taken over its business or assets in the past nor do the Bank expect it to do so in the foreseeable future, the Bank cannot assure potential investors that its operations may not be disrupted or other assets or property may not be temporarily taken over in the future or that the Bank would be adequately compensated for the use of its assets in the event of the Government's takeover upon the occurrence of any of the events mentioned above.

Asset realisation in bankruptcy proceedings may be time-consuming and expensive.

Vietnamese bankruptcy law may not be easily implemented in respect of commercial banks. Article 146 of the Law on Credit Institutions allows the SBV to put commercial banks in difficulty, according to the criteria set out in the legislation, under its special control regime which may delay bankruptcy proceedings for a

significant period of time before a creditor may recover from a Vietnamese debtor. Indeed, the SBV has the authority (in certain cases subject to the approval of the Prime Minister or the Government) to impose on the credit institution under special control one of the following restructuring plans: recovery, merger, consolidation, transfer (including forced transfer) of the entire capital; dissolution; or bankruptcy. A bankruptcy plan by the SBV for a commercial bank must be approved by the Government. After the approval is given, the competent court will be able to declare bankruptcy of the bank and proceed immediately to the liquidation of the assets of the credit institution in accordance with the Law on Bankruptcy.

The Law on Bankruptcy No. 51/2014/QH13 (the “Law on Bankruptcy”) took effect on 1 January 2015. Although it is a significant improvement from the old law, there is significant uncertainty in its implementation and interpretation due to lack of regulatory guidance and the political sensitivities with respect to pre-sale public buyers. The bankruptcy process for a residential project owner may therefore be complex, uncertain and time-consuming. After bankruptcy is declared, the general meeting of creditors may decide to apply either business rehabilitation or an asset liquidation on the enterprise. However, in the event that any creditor objects to the resolution of the general meeting of creditors, it can request the judge to review resolution. The decision to apply either business rehabilitation or an asset liquidation on the enterprise must be confirmed by the judge. Bankruptcy proceedings may therefore be pending for a significant length of time before a creditor may recover from a Vietnamese debtor.

Downgrades of credit ratings of the Government and other Vietnamese companies could adversely affect the Bank’s credit ratings and business.

On 10 August 2018, Moody’s raised Vietnam’s sovereign credit rating from “B1 (positive)” to “Ba3 (stable)” noting increasingly efficient use of labour and capital in the Vietnamese economy. On 18 May 2018, Fitch upgraded Vietnam’s sovereign credit rating from “BB-(positive)” to “BB (stable)” and revised the outlook from “stable” to “positive” on 9 May 2019. On 5 April 2019, S&P raised Vietnam’s sovereign credit rating from “BB-” to “BB” while maintaining its outlook at “stable.” These ratings reflect an assessment by these organisations of the Government’s overall financial capacity to pay its obligations and its ability or willingness to meet its financial commitments as they become due.

There can be no assurance that Moody’s, S&P’s, Fitch or any other credit rating organisation will not downgrade the credit ratings of Vietnam or the ratings of Vietnamese companies, including the Bank. There can be no assurance that Moody’s, S&P’s or Fitch may not make further adjustments to their methodologies that may result in downgrades of the credit ratings of Vietnam or Vietnamese companies, which could have an adverse impact on the Bank’s ratings, liquidity in the Vietnamese financial markets, the ability of Vietnamese companies, including the Bank, to raise additional financing or to retire existing debt obligations and the interest rates and other commercial terms at which such financing is available.

There is uncertainty under Vietnamese law as to the validity and enforceability of English language documents such as the terms and conditions of the Notes, the Trust Deed and Agency Agreement.

In proceedings before Vietnamese courts, foreign language documents may be used as admissible evidence only when they are translated into Vietnamese language. The Trust Deed, the Agency Agreement and certain other documents entered into in connection with the transaction will need to be translated into Vietnamese in order to be admitted as evidence in Vietnamese courts (as per Article 96.3 of the 2015 Civil Proceeding Code). The Bank cannot be certain that a Vietnamese court would permit the English version to prevail or even consider the English version.

If agreements related to the Bank’s business or to the Notes, including the Trust Deed and the Agency Agreement, are governed by their translations into Vietnamese, even if there is an English version available, the interpretation of those documents may differ from the interpretation that would normally be expected

based on the English version. There can be no assurance that the English version will accurately reflect the meaning of the Vietnamese translation or that the Vietnamese translation will accurately reflect the meaning of the English version.

Certain statistical data may be inaccurate or may conflict with similar statistical data obtained from other sources.

Certain statistical data in this Offering Circular were prepared by a range of Government agencies, some of which is published on the website of the General Statistics Office of Vietnam, or other third parties. There can be no assurance that these statistics are accurate, reliable or as current as those compiled in more developed countries. Furthermore, standards of accuracy of statistical data may vary from agency to agency and from period to period due to the application of different methodologies. In addition, certain information may not be available from time to time, including, for example, data from the World Bank or Euromonitor International. Any discussion of matters relating to Vietnam in this Offering Circular is, therefore, subject to uncertainty regarding the completeness or reliability of such information. Potential investors should be aware that none of these statistics have been independently verified by the Bank or the Dealers.

There are risks associated with investments in emerging markets.

Investors in emerging markets such as Vietnam should be aware that these markets are exposed to greater risk than developed markets, including significant political, economic and legal risks. See “– *There are risks associated with investments in Vietnam, including in relation to political, economic and legal conditions*” and “– *The Vietnamese legal system is in a state of continued development*”. Emerging economies such as Vietnam are subject to rapid change and the information set out in these risk factors may become outdated relatively quickly. The legal and regulatory framework in Vietnam is not as developed as in other more mature economies. Policy changes and interpretations of applicable laws can produce unexpected consequences which could have an adverse effect on domestic business operators. Accordingly, potential investors should exercise particular care in evaluating the risks involved and must decide for themselves whether, in light of those risks, their investment is appropriate. Generally, investment in emerging markets is only suitable for sophisticated investors who fully appreciate the significance of the risks involved and who are prepared to lose some or all of their investment, and potential investors are urged to consult with their own legal and financial advisers before making an investment.

Corporate disclosure and accounting standards, corporate governance standards, as well as the securities law requirements and legal framework, in Vietnam do not require the level or frequency of disclosure applicable in other non-emerging market jurisdictions.

The quantity and quality of publicly available information in respect of the Bank may be of a lower standard from that which is regularly made available by companies in other non-emerging market jurisdictions. Such differences in publicly available information include the timing and extent of disclosure of beneficial ownership of equity securities of officers, directors and significant shareholders, the extent of disclosure of conflicts of interest and related party transactions and the timing of notices of shareholders’ meetings and off-balance sheet arrangements in management’s discussion of results of operations in periodic public reports. Accordingly, the quantity and quality of information about the Bank which is available to investors may not be on par with, and may offer less protection to the holders of the Notes than, that of a company in a non-emerging markets jurisdiction.

In addition, the obligation under the Vietnamese law of majority shareholders and directors with respect to minority shareholders may be more limited than developed market jurisdictions. Consequently, minority shareholders may not be able to protect their interests under current Vietnamese law to the same extent as in certain other countries. The Law on Enterprises provides limited protection for minority shareholders who own

at least 1.0% of the number of ordinary shares for six consecutive months, those shareholders have the right, on their own behalf or on behalf of the company, to initiate legal action for civil liability against a member of the board of directors or the general director. In addition, shareholders who own (individually or as a group of shareholders) at least 10.0% of the number of ordinary shares for six consecutive months shall have the right to, among others, request the convening of a general meeting of shareholders (“GMS”) in certain cases, to request the supervisory board to inspect each particular issue relating to the management and administration of the operations in cases where it is considered necessary or to challenge a resolution passed by the GMS before a court or arbitral tribunal in pursuant with Article 147 of the Law on Enterprises. In practice, derivative actions are rarely brought on behalf of companies in Vietnam. Accordingly, there can be no assurance that legal rights or remedies of minority shareholders will be the same, or as extensive, as those available in other jurisdictions or sufficient to protect the interests of minority shareholders.

The corporate governance standards in Vietnam generally differ from those in other non-emerging market jurisdictions. For example, there may be differences in the level of board oversight, the existence and extent of internal monitoring mechanisms, the lack of requirements for mandatory board committees such as audit committees, the extent of requirements relating to the independence of members of the board of management and the inability of shareholders to sue members of the board of management. Furthermore, the securities law regime and legal framework in Vietnam vary significantly from those in other non-emerging market jurisdictions, including among other things, the lack of comprehensive laws governing takeover transactions and other aspects of investor protection, infrequent and weak enforcement of investor protection rules, the lack of an effective legal framework relating to bankruptcy, debt collection and the enforcement of creditors’ rights, and the unavailability of class action and derivative actions under the law in these jurisdictions. Accordingly, investors in Vietnamese companies may not be offered the same level of protection as investors in companies from other non-emerging market jurisdictions.

Arbitration awards of foreign arbitration institutions may not be recognised or effectively enforced in Vietnam.

The Notes are governed by English law and any disputes that may arise out of or in connection with any Note shall be resolved by arbitration in Singapore. The laws of Vietnam permit the recognition and enforcement of foreign arbitral awards in Vietnam in accordance with the New York Convention, but such recognition and enforcement is applicable only to foreign arbitral awards made in countries that are signatories to the New York Convention (or where reciprocal treatment has been granted by a non-signatory). Even when a foreign arbitral award is made in a country that is a signatory to the New York Convention, including Singapore, or to the extent that a foreign arbitral award is recognised, enforcing foreign arbitral awards in Vietnam can still be very difficult as a practical matter.

For a foreign arbitral award to be recognised and enforceable in Vietnam, an applicant must establish that the foreign arbitral award arises from a dispute relating to “commercial legal relations” and is not “contrary to the fundamental principles of the laws of Vietnam”. No official guidance has been issued to clarify what constitutes “commercial legal relations” or matters “contrary to the fundamental principles of the laws of Vietnam”. A Vietnamese court may refuse to recognise and enforce a foreign arbitral award under various factual situations which are assessed on a case by case basis. Accordingly, it is difficult to predict how courts in Vietnam will interpret these concepts.

Risks Relating to the Structure of a Particular Issue of Notes

A range of Notes may be issued under the Programme. A number of these Notes may have features which contain particular risks for potential investors. Set out below is a description of the most common such features, distinguishing between factors which may occur in relation to any Notes and those which might occur in relation to certain types of Notes:

If the Issuer has the right to redeem any Notes at its option, this may limit the market value of the Notes concerned and an investor may not be able to reinvest the redemption proceeds in a manner which achieves a similar effective return.

An optional redemption feature is likely to limit the market value of Notes. During any period when the Issuer may elect to redeem Notes, the market value of those Notes generally will not rise substantially above the price at which they can be redeemed. This also may be true prior to any redemption period.

The Issuer may be expected to redeem Notes when its cost of borrowing is lower than the interest rate on the Notes. At those times, an investor generally would not be able to reinvest the redemption proceeds at an effective interest rate as high as the interest rate on the Notes being redeemed and may only be able to do so at a significantly lower rate. Potential investors should consider reinvestment risk in light of other investments available at that time.

If the Notes include a feature to convert the interest basis from a fixed rate to a floating rate, or vice versa, this may affect the secondary market and the market value of the Notes concerned.

Fixed/Floating Rate Notes are Notes which bear interest at a rate that converts from a fixed rate to a floating rate, or from a floating rate to a fixed rate. Such a feature to convert the interest basis, and any conversion of the interest basis, may affect the secondary market in, and the market value of, such Notes as the change of interest basis may result in a lower interest return for Noteholders. Where the Notes convert from a fixed rate to a floating rate, the spread on the Fixed/Floating Rate Notes may be less favourable than then prevailing spreads on comparable Floating Rate Notes tied to the same reference rate. In addition, the new floating rate at any time may be lower than the rates on other Notes. Where the Notes convert from a floating rate to a fixed rate, the fixed rate may be lower than then prevailing rates on those Notes and could affect the market value of an investment in the relevant Notes.

Notes which are issued at a substantial discount or premium may experience price volatility in response to changes in market interest rates.

The market values of securities issued at a substantial discount (such as Zero Coupon Notes) or premium to their principal amount tend to fluctuate more in relation to general changes in interest rates than do prices for more conventional interest-bearing securities. Generally, the longer the remaining term of such securities, the greater the price volatility as compared to more conventional interest-bearing securities with comparable maturities.

The regulation and reform of “benchmarks” may adversely affect the value of Notes linked to or referencing such “benchmarks”.

Interest rates and indices which are deemed to be “benchmarks” (including the London interbank offered rate (“LIBOR”) and the euro interbank offered rate (“EURIBOR”)) are the subject of recent national and international regulatory guidance and proposals for reform. Some of these reforms are already effective whilst others are still to be implemented. These reforms may cause such benchmarks to perform differently than in the past, to disappear entirely, or have other consequences which cannot be predicted. Any such consequence could have a material adverse effect on any Notes referencing such a benchmark.

Regulation (EU) 2016/1011 (the “Benchmarks Regulation”) was published in the Official Journal of the EU on 29 June 2016 and mostly applies, subject to certain transitional provisions, from 1 January 2018. The Benchmarks Regulation applies to the provision of benchmarks, the contribution of input data to a benchmark and the use of a benchmark within the EU. Among other things, it (i) requires benchmark administrators to be authorised or registered (or, if non-EU-based, to be subject to an equivalent regime or otherwise recognised

or endorsed) and (ii) prevents certain uses by EU supervised entities of benchmarks of administrators that are not authorised or registered (or, if non-EU based, not deemed equivalent or recognised or endorsed).

The Benchmarks Regulation could have a material impact on any Notes linked to or referencing a benchmark in particular, if the methodology or other terms of the benchmark are changed in order to comply with the requirements of the Benchmarks Regulation. Such changes could, among other things, have the effect of reducing, increasing or otherwise affecting the volatility of the published rate or level of the relevant benchmark.

More broadly, any of the international or national reforms, or the general increased regulatory scrutiny of benchmarks, could increase the costs and risks of administering or otherwise participating in the setting of a benchmark and complying with any such regulations or requirements.

Specifically, the sustainability of LIBOR has been questioned as a result of the absence of relevant active underlying markets and possible disincentives (including possibly as a result of benchmark reforms) for market participants to continue contributing to such benchmarks. On 27 July 2017, and in a subsequent speech by its Chief Executive on 12 July 2018, the UK Financial Conduct Authority (“FCA”) confirmed that it will no longer persuade or compel banks to submit rates for the calculation of the LIBOR benchmark after 2021 (the “FCA Announcements”). The FCA Announcements indicated that the continuation of LIBOR on the current basis cannot and will not be guaranteed after 2021.

In addition, on 29 November 2017, the Bank of England and the FCA announced that, from January 2018, its Working Group on Sterling Risk-Free Rates has been mandated with implementing a broad-based transition to the Sterling Overnight Index Average (“SONIA”) over the next four years across sterling bond, loan and derivative markets, so that SONIA is established as the primary sterling interest rate benchmark by the end of 2021.

Separate workstreams are also underway in Europe to reform EURIBOR using a hybrid methodology and to provide a fallback by reference to a euro risk-free rate (based on a euro overnight risk-free rate as adjusted by a methodology to create a term rate). On 13 September 2018, the working group on euro risk-free rates recommended Euro Short-term Rate (“ESTR”) as the new risk free rate. ESTR is expected to be published by the ECB by October 2019. In addition, on 21 January 2019, the euro risk free-rate working group published a set of guiding principles for fallback provisions in new euro denominated cash products (including bonds). The guiding principles indicate, among other things, that continuing to reference EURIBOR in relevant contracts may increase the risk to the euro area financial system.

It is not possible to predict with certainty whether, and to what extent, LIBOR and EURIBOR will continue to be supported going forwards. This may cause LIBOR and EURIBOR to perform differently than they have done in the past, and may have other consequences which cannot be predicted. Such factors may have (without limitation) the following effects on certain benchmarks: (i) discouraging market participants from continuing to administer or contribute to a benchmark; (ii) triggering changes in the rules or methodologies used in the benchmark and/or (iii) leading to the disappearance of the benchmark. Any of the above changes or any other consequential changes as a result of international or national reforms or other initiatives or investigations, could have a material adverse effect on the value of and return on any Notes linked to, referencing, or otherwise dependent (in whole or in part) upon, a benchmark.

The Conditions provide for certain fallback arrangements in the event that a Benchmark Event (as defined in the Conditions) occurs, including if a Reference Rate (as defined in the Conditions) ceases to be published for a period of at least five Business Days (as defined in the Conditions) or ceases to exist, or it has become unlawful for any Paying Agent, Calculation Agent, the Issuer or other party to calculate any payments due to be made to any Noteholder using such Reference Rate. Such fallback arrangements include the possibility that

the Rate of Interest (as defined in the Conditions) could be set by reference to a Successor Rate or an Alternative Rate (both as defined in the Conditions), with or without the application of an adjustment spread and may include amendments to the Conditions to ensure the proper operation of the successor or replacement benchmark, the Independent Adviser or the Issuer (as applicable), may also specify changes to the Conditions in order to follow market practice in relation to the Successor Rate or the Alternative Reference Rate (as applicable). An adjustment spread, if applied could be positive or negative and would be applied with a view to reducing or eliminating, to the fullest extent reasonably practicable in the circumstances, any economic prejudice or benefit (as applicable) to investors arising out of the replacement of an Original Reference Rate. However, it may not be possible to determine or apply an adjustment spread and even if an adjustment is applied, such adjustment spread may not be effective to reduce or eliminate economic prejudice to investors. If no adjustment spread can be determined, a Successor Rate or Alternative Rate may nonetheless be used to determine the Rate of Interest. The use of a Successor Rate or Alternative Rate (including with the application of an adjustment spread) will still result in any Notes linked to or referencing an Original Reference Rate performing differently (which may include payment of a lower Rate of Interest) than they would if the Original Reference Rate were to continue to apply in its current form.

If, following the occurrence of a Benchmark Event, no Successor Rate or Alternative Rate is determined, the ultimate fallback for the purposes of calculation of the Rate of Interest for a particular Interest Period may result in the Rate of Interest for the last preceding Interest Period being used. This may result in the effective application of a fixed rate for Floating Rate Notes based on the rate which was last observed on the Relevant Screen Page. Due to the uncertainty concerning the availability of Successor Rates and Alternative Rates, the involvement of an Independent Adviser (as defined in the Conditions) and the potential for further regulatory developments, there is a risk that the relevant fallback provisions may not operate as intended at the relevant time.

Investors should consult their own independent advisers and make their own assessment about the potential risks imposed by the Benchmarks Regulation or any of the international or national reforms in making any investment decision with respect to any Notes referencing a benchmark.

There are particular risks associated with an investment in certain types of Notes, such as Index Linked Notes and Dual Currency Notes. In particular, an investor might receive less interest than expected or no interest in respect of such Notes and may lose some or all of the principal amount invested by it.

The Issuer may issue Notes with principal or interest determined by reference to an index or formula, to changes in the prices of securities or commodities, to movements in currency exchange rates or other factors (each, a “Relevant Factor”). In addition, the Issuer may issue Notes with principal or interest payable in one or more currencies which may be different from the currency in which the Notes are denominated. Potential investors should be aware that:

- the market price of such Notes may be volatile;
- they may receive no interest;
- payment of principal or interest may occur at a different time or in a different currency than expected;
- they may lose all or a substantial portion of their principal;
- a Relevant Factor may be subject to significant fluctuations that may not correlate with changes in interest rates, currencies or other indices;

- if a Relevant Factor is applied to Notes in conjunction with a multiplier greater than one or contains some other leverage factor, the effect of changes in the Relevant Factor on principal or interest payable likely will be magnified; and
- the timing of changes in a Relevant Factor may affect the actual yield to investors, even if the average level is consistent with their expectations. In general, the earlier the change in the Relevant Factor, the greater the effect on yield.

The historical experience of an index or other Relevant Factor should not be viewed as an indication of the future performance of such Relevant Factor during the term of any Notes. Accordingly, each potential investor should consult its own financial and legal advisers about the risk entailed by an investment in any Notes linked to a Relevant Factor and the suitability of such Notes in light of its particular circumstances.

Where Notes are issued on a partly paid basis, an investor who fails to pay any subsequent instalment of the issue price could lose all of his investment.

The Issuer may issue Notes where the issue price is payable in more than one instalment. Any failure by an investor to pay any subsequent instalment of the issue price in respect of his Notes could result in such investor losing all of his investment.

Notes which are issued with variable interest rates or which are structured to include a multiplier or other leverage factor are likely to have more volatile market values than more standard securities.

Notes with variable interest rates can be volatile investments. If they are structured to include multipliers or other leverage factors, or caps or floors, or any combination of those features or other similar related features, their market values may be even more volatile than those for securities that do not include those features.

Inverse Floating Rate Notes will have more volatile market values than conventional Floating Rate Notes.

Inverse Floating Rate Notes have an interest rate equal to a fixed rate minus a rate based upon a reference rate such as LIBOR. The market values of those Notes typically are more volatile than market values of other conventional floating rate debt securities based on the same reference rate (and with otherwise comparable terms). Inverse Floating Rate Notes are more volatile because an increase in the reference rate not only decreases the interest rate of the Notes, but may also reflect an increase in prevailing interest rates, which further adversely affects the market value of these Notes.

Risks Relating to Notes Generally

Set out below is a description of material risks relating to the Notes generally:

The Notes may not be a suitable investment for all investors.

Each potential investor in any Notes must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

- have sufficient knowledge and experience to make a meaningful evaluation of the relevant Notes, the merits and risks of investing in the relevant Notes and the information contained or incorporated by reference in this Offering Circular, any applicable supplement to this Offering Circular or any Final Terms;

- have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the relevant Notes and the impact such investment will have on its overall investment portfolio;
- have sufficient financial resources and liquidity to bear all of the risks of an investment in the relevant Notes, including where principal or interest is payable in one or more currencies, or where the currency for principal or interest payments is different from the potential investor's currency;
- understand thoroughly the terms of the relevant Notes and be familiar with the behaviour of any relevant indices and financial markets; and
- be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

Some Notes may be complex financial instruments and such instruments may be purchased as a way to reduce risk or enhance yield with an understood, measured, appropriate addition of risk to the purchaser's overall portfolios. A potential investor should not invest in Notes which are complex financial instruments unless it has the expertise (either alone or with the help of a financial adviser) to evaluate how the Notes will perform under changing conditions, the resulting effects on the value of such Notes and the impact this investment will have on the potential investor's overall investment portfolio.

Payments under the Notes may be subject to SBV guidelines regarding remittances of funds outside Vietnam.

The Issuer has submitted a registration application with the SBV with respect to payments to be made according to the payment schedule of the Notes. Although no further approval will be required from the SBV in relation to the payments to be made under the Notes, there can be no assurance that the foreign exchange control regulations regarding foreign currency remittances will not change. If such changes occur, the Issuer may not be able to make payment under the Notes outside of Vietnam according to the payment schedule and any investment in the Notes may be adversely affected.

The listing of any Notes is subject to Vietnamese regulatory approvals.

Pursuant to Articles 64 and 65 of Decree 58/2012/ND-CP of the Government of Vietnam (as amended), the listing or admission to trading, as the case may be, of any Notes which are intended at or prior to the time of issue thereof to be listed is subject to the receipt of the relevant listing approval from the SSC. It is expected that the SSC listing approvals may only be received after the issuance of the relevant Notes. There is no assurance that such approval will be obtained in a timely manner, or at all. There may be a significant amount of time between the issuance of the Notes and the listing or admission to trading, as the case may be, of such Notes, if at all.

Until the relevant SSC listing approval is received, the Notes may not be listed or admitted for trading, as the case may be, on any foreign stock exchange or market.

The Conditions contain provisions which may permit their modification without the consent of all investors and confer significant discretions on the Trustee which may be exercised without the consent of the Noteholders and without regard to the individual interests of particular Noteholders.

The Conditions contain provisions for calling meetings of Noteholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Noteholders including Noteholders who did not attend and vote at the relevant meeting and Noteholders who voted in a manner contrary to the majority.

The Conditions also provide that the Trustee may, without the consent of Noteholders and without regard to the interests of particular Noteholders, agree to (i) any modification of, or to the waiver or authorisation of any breach or proposed breach of, any of the provisions of the Notes or (ii) determine without the consent of the Noteholders that any Event of Default or potential Event of Default shall not be treated as such or (iii) the substitution of another company as principal debtor under any Notes in place of the Issuer, in the circumstances described in Condition 15.

The value of the Notes could be adversely affected by a change in English law or administrative practice.

The Conditions are based on English law in effect as at the date of this Offering Circular. No assurance can be given as to the impact of any possible judicial decision or change to English law or administrative practice after the date of this Offering Circular and any such change could materially adversely impact the value of any Notes affected by it.

Investors who hold less than the minimum Specified Denomination may be unable to sell their Notes and may be adversely affected if definitive Notes are subsequently required to be issued.

In relation to any issue of Notes which have denominations consisting of a minimum Specified Denomination plus one or more higher integral multiples of another smaller amount, it is possible that such Notes may be traded in amounts in excess of the minimum Specified Denomination that are not integral multiples of such minimum Specified Denomination. In such a case a holder who, as a result of trading such amounts, holds an amount which is less than the minimum Specified Denomination in his account with the relevant clearing system would not be able to sell the remainder of such holding without first purchasing a principal amount of Notes at or in excess of the minimum Specified Denomination such that its holding amounts to a Specified Denomination. Further, a holder who, as a result of trading such amounts, holds an amount which is less than the minimum Specified Denomination in his account with the relevant clearing system at the relevant time may not receive a definitive Note in respect of such holding (should definitive Notes be printed or issued) and would need to purchase a principal amount of Notes at or in excess of the minimum Specified Denomination such that its holding amounts to a Specified Denomination.

If such Notes in definitive form are issued, holders should be aware that definitive Notes which have a denomination that is not an integral multiple of the minimum Specified Denomination may be illiquid and difficult to trade.

Holders of Notes held through Euroclear and Clearstream, Luxembourg must rely on procedures of those clearing systems to effect transfers of Notes, receive payments in respect of Notes and vote at meetings of Noteholders.

Notes issued under the Programme will be represented on issue by one or more Global Notes that may be deposited with a common depositary for Euroclear and Clearstream, Luxembourg (each as defined under “Form of the Notes”). Except in the circumstances described in each Global Note, investors will not be entitled to receive Notes in definitive form. Each of Euroclear and Clearstream, Luxembourg and their respective direct and indirect participants will maintain records of the beneficial interests in each Global Note held through it. While the Notes are represented by a Global Note, investors will be able to trade their beneficial interests only through the relevant clearing systems and their respective participants.

While the Notes are represented by Global Notes, the Issuer will discharge its payment obligation under the Notes by making payments through the relevant clearing systems. A holder of a beneficial interest in a Global Note must rely on the procedures of the relevant clearing system and its participants to receive payments under the Notes. The Issuer has no responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in any Global Note.

Holders of beneficial interests in a Global Note will not have a direct right to vote in respect of the Notes so represented. Instead, such holders will be permitted to act only to the extent that they are enabled by the relevant clearing system and its participants to appoint appropriate proxies.

The Trustee may request that the Noteholders provide an indemnity and/or security and/or prefunding to its satisfaction.

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility, including provisions relieving it from taking action unless indemnified and/or secured and/or pre-funded to its satisfaction. Negotiating and agreeing to any indemnity and/or security and/or prefunding can be a lengthy process and may impact on when such actions can be taken. The Trustee may not be able to take actions notwithstanding the provision of an indemnity or security or prefunding to it, in breach of the terms of the Trust Deed constituting the Notes and in circumstances where there is uncertainty or dispute as to the applicable laws or regulations and, to the extent permitted by the agreements and the applicable law, it will be for the Noteholders to take such actions directly.

Risks Relating to the Market Generally

Set out below is a description of material market risks, including liquidity risk, exchange rate risk, interest rate risk and credit risk:

An active secondary market in respect of the Notes may never be established or may be illiquid and this would adversely affect the value at which an investor could sell his Notes.

Notes may have no established trading market when issued, and one may never develop. If a market for the Notes does develop, it may not be very liquid. Therefore, investors may not be able to sell their Notes easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market. This is particularly the case should the Issuer be in financial distress, which may result in any sale of the Notes having to be at a substantial discount to their principal amount or for Notes that are especially sensitive to interest rate, currency or market risks, are designed for specific investment objectives or strategies or have been structured to meet the investment requirements of limited categories of investors. These types of Notes generally would have a more limited secondary market and more price volatility than conventional debt securities.

If an investor holds Notes which are not denominated in the investor's home currency, he will be exposed to movements in exchange rates adversely affecting the value of his holding. In addition, the imposition of exchange controls in relation to any Notes could result in an investor not receiving payments on those Notes.

The Issuer will pay principal and interest on the Notes in the Specified Currency. This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the Investor's Currency) other than the Specified Currency. These include the risk that exchange rates may significantly change (including changes due to devaluation of the Specified Currency or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to the Specified Currency would decrease (1) the Investor's Currency-equivalent yield on the Notes, (2) the Investor's Currency equivalent value of the principal payable on the Notes and (3) the Investor's Currency equivalent market value of the Notes.

Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate or the ability of the Issuer to make payments in respect of the Notes. As a result, investors may receive less interest or principal than expected, or no interest or principal.

The value of Fixed Rate Notes may be adversely affected by movements in market interest rates.

Investment in Fixed Rate Notes involves the risk that if market interest rates subsequently increase above the rate paid on the Fixed Rate Notes, this will adversely affect the value of the Fixed Rate Notes.

Credit ratings assigned to the Issuer or any Notes may not reflect all the risks associated with an investment in those Notes.

One or more independent credit rating agencies may assign credit ratings to the Issuer or the Notes. The ratings may not reflect the potential impact of all risks related to structure, market, additional factors discussed above, and other factors that may affect the value of the Notes. A credit rating is not a recommendation to buy, sell or hold securities and may be revised, suspended or withdrawn by the rating agency at any time.

The Issuer will follow the applicable corporate disclosure standards for debt securities listed on the SGX-ST, and such standards may be different from those applicable to debt securities listed in certain other countries.

The Issuer will be subject to reporting obligations in respect of Notes to be listed on the SGX-ST. The disclosure standards imposed by the SGX-ST are different from those imposed by securities exchanges in other countries or regions, such as the United States or Vietnam. As a result, the level of information that is available may not correspond to what investors in the Notes are accustomed to.

The transfer of the Notes is restricted, which may adversely affect their liquidity and the price at which they may be sold.

The Notes have not been registered under, and the Issuer is not obliged to register the Notes under, the Securities Act or the securities laws of any other jurisdiction and, unless so registered, they may not be offered or sold except pursuant to an exemption from, or a transaction not subject to, the registration requirements of the Securities Act and any other applicable laws. See “*Subscription and Sale*”. The Issuer has not agreed to or otherwise undertaken to register the Notes (including by way of an exchange offer) with the United States Securities and Exchange Commission or the securities regulatory authority of any other jurisdiction, and it has no intention of doing so.

The Issuer may not be able to convert Vietnamese dong into U.S. dollars or other foreign currencies (or vice versa) and to remit funds offshore in a timely manner.

The Notes are denominated and payable in U.S. dollars or other foreign currencies. The Issuer generates a significant portion of its revenue in Vietnamese dong, which is not a freely convertible currency. Due to currently applicable Vietnamese currency, tax and export restrictions, there is no assurance that the Issuer will be able to convert Vietnamese dong from its cashflows in order to service its obligations under the Notes. In recent years, Vietnam banks have experienced periodic shortfalls in foreign currencies, in particular with U.S. dollars. Therefore, even if the Issuer is legally able to remit funds from Vietnam, its ability to promptly do so may be delayed as a result of insufficient availability of foreign currency.

Any delay in conversion may increase its exposure to depreciation of the Vietnamese dong against the U.S. dollar or the relevant foreign currency. In the event that the Issuer is unable to convert Vietnamese dong into U.S. dollars or other foreign currencies (or other currencies that can be converted into U.S. dollars or other foreign currencies) and remit the funds outside of Vietnam, the Issuer may be unable to meet its foreign currency payment obligations.

TERMS AND CONDITIONS OF THE NOTES

The following are the Terms and Conditions of the Notes which will be incorporated by reference into each Global Note (as defined below) and each definitive Note, in the latter case only if permitted by the relevant stock exchange or other relevant authority (if any) and agreed by the Issuer and the relevant Dealer at the time of issue but, if not so permitted and agreed, such definitive Note will have endorsed thereon or attached thereto such Terms and Conditions. The applicable Pricing Supplement in relation to any Tranche of Notes may specify other terms and conditions which shall, to the extent so specified or to the extent inconsistent with the following Terms and Conditions, replace or modify the following Terms and Conditions for the purpose of such Notes. The applicable Pricing Supplement (or the relevant provisions thereof) will be endorsed upon, or attached to, each Global Note and definitive Note. Reference should be made to “Applicable Pricing Supplement” for a description of the content of the Pricing Supplement which will specify which of such terms are to apply in relation to the relevant Notes.

This Note is one of a Series (as defined below) of Notes issued by Vietnam Prosperity Joint Stock Commercial Bank (the **Issuer**) constituted by a Trust Deed (such Trust Deed as modified and/or supplemented and/or restated from time to time, the **Trust Deed**) dated 1 July 2019 made between the Issuer and The Bank of New York Mellon, London Branch (the **Trustee**, which expression shall include any successor as Trustee).

References herein to the **Notes** shall, unless the context otherwise requires, be references to the Notes of this Series and shall mean:

- (a) in relation to any Notes represented by a global Note (a **Global Note**), units of each Specified Denomination in the Specified Currency;
- (b) any Global Note;
- (c) any definitive Notes in bearer form (**Bearer Notes**) issued in exchange for a Global Note (or any interest therein) in bearer form; and
- (d) any definitive Notes in registered form (**Registered Notes**) (whether or not issued in exchange for a Global Note (or any interest therein) in registered form).

The Notes, the Receipts (as defined below) and the Coupons (as defined below) have the benefit of an Agency Agreement (such Agency Agreement as amended and/or supplemented and/or restated from time to time, the **Agency Agreement**) dated 1 July 2019 and made between the Issuer, the Trustee, The Bank of New York Mellon, London Branch as issuing and principal paying agent and agent bank (the **Principal Paying Agent**, which expression shall include any successor principal paying agent) and the other paying agents named therein (together with the Principal Paying Agent, the **Paying Agents**, which expression shall include any additional or successor paying agents), The Bank of New York Mellon SA/NV, Luxembourg Branch as registrar (the **Registrar**, which expression shall include any successor registrar) and a transfer agent and the other transfer agents named therein (together with the Registrar, the **Transfer Agents**, which expression shall include any additional or successor transfer agents). The Principal Paying Agent, the Calculation Agent (if any is specified in the applicable Pricing Supplement), the Registrar, the Paying Agents, and other Transfer Agents are together referred to as the **Agents**.

The final terms for this Note (or the relevant provisions thereof) are set out in the Pricing Supplement attached to or endorsed on this Note which supplement these Terms and Conditions (the **Conditions**) and may specify other terms and conditions which shall, to the extent so specified or to the extent inconsistent with the Conditions, replace or modify the Conditions for the purposes of this Note. References to the **applicable Pricing Supplement** are, unless otherwise stated, to the Pricing Supplement (or the relevant provisions thereof) attached to or endorsed on this Note.

Interest bearing definitive Bearer Notes have interest coupons (**Coupons**) and, in the case of Bearer Notes which, when issued in definitive form, have more than 27 interest payments remaining, talons for further Coupons (**Talons**) attached on issue. Any reference herein to Coupons shall, unless the context otherwise requires, be deemed to include a reference to Talons. Notes in definitive bearer form which are repayable in instalments have receipts (**Receipts**) for the payment of the instalments of principal (other than the final instalment) attached on issue. Registered Notes and Global Notes do not have Receipts, Coupons or Talons attached on issue.

Any reference to **Noteholders** or **holders** in relation to any Notes shall mean (in the case of Bearer Notes) the holders of the Notes and (in the case of Registered Notes) the persons in whose name the Notes are registered and shall, in relation to any Notes represented by a Global Note, be construed as provided below. Any reference herein to **Receiptholders** shall mean the holders of the Receipts and any reference herein to **Couponholders** shall mean the holders of the Coupons and shall, unless the context otherwise requires, include the holders of the Talons. The Trustee acts for the benefit of the Noteholders (which expression shall mean (in the case of Bearer Notes) the holders of the Notes and (in the case of Registered Notes) the persons in whose name the Notes are registered and shall, in relation to any Notes represented by a Global Note, be construed as provided below), the holders of the Receipts (the **Receiptholders**) and the holders of the Coupons (the **Couponholders**, which expression shall, unless the context otherwise requires, include the holders of the Talons), in accordance with the provisions of the Trust Deed.

As used herein, **Tranche** means Notes which are identical in all respects (including as to listing and admission to trading) and **Series** means a Tranche of Notes together with any further Tranche or Tranches of Notes which (a) are expressed in the applicable Pricing Supplement to be consolidated and form a single series and (b) have terms and conditions which are the same in all respects save for their respective principal amounts, Issue Dates, Interest Commencement Dates (if any), Issue Prices and/or the date of the first payment of interest thereon.

Copies of the Trust Deed and the Agency Agreement are available for inspection by the Noteholders upon written request and with satisfactory proof of holding during normal business hours at the principal office for the time being of the Trustee being at One Canada Square, London, E14 5AL, United Kingdom and at the specified office of each of the Paying Agents. The Noteholders, the Receiptholders and the Couponholders are deemed to have notice of, and are entitled to the benefit of, all the provisions of the Trust Deed, the Agency Agreement and the applicable Pricing Supplement which are applicable to them. The statements in the Conditions include summaries of, and are subject to, the detailed provisions of the Trust Deed and the Agency Agreement.

Words and expressions defined in the Trust Deed, the Agency Agreement or used in the applicable Pricing Supplement shall have the same meanings where used in the Conditions unless the context otherwise requires or unless otherwise stated and provided that, in the event of inconsistency between the Trust Deed and the Agency Agreement, the Trust Deed will prevail and, in the event of inconsistency between the Trust Deed or the Agency Agreement and the applicable Pricing Supplement, the applicable Pricing Supplement will prevail.

In the Conditions, **euro** means the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty on the Functioning of the European Union, as amended.

1. FORM, DENOMINATION AND TITLE

The Notes are in bearer form or in registered form as specified in the applicable Pricing Supplement and, in the case of definitive Notes, serially numbered, in the currency (the **Specified Currency**) and the denominations (the **Specified Denomination(s)**) specified in the applicable Pricing Supplement. Notes of one Specified Denomination may not be exchanged for Notes of another Specified Denomination and Bearer Notes may not be exchanged for Registered Notes and *vice versa*.

This Note may be a Fixed Rate Note, a Floating Rate Note, a Zero Coupon Note, an Index Linked Interest Note, a Dual Currency Interest Note or a combination of any of the foregoing, depending upon the Interest Basis shown in the applicable Pricing Supplement.

This Note may also be an Index Linked Redemption Note, an Instalment Note, a Dual Currency Redemption Note, a Partly Paid Note or a combination of any of the foregoing, depending upon the Redemption/Payment Basis shown in the applicable Pricing Supplement.

Definitive Bearer Notes are issued with Coupons attached, unless they are Zero Coupon Notes in which case references to Coupons and Couponholders in the Conditions are not applicable.

Subject as set out below, title to the Bearer Notes, Receipts and Coupons will pass by delivery and title to the Registered Notes will pass upon registration of transfer in accordance with the provisions of the Agency Agreement. The Issuer, the Trustee and each Agent will (except as otherwise required by law) deem and treat the bearer of any Bearer Note, Receipt or Coupon and the registered holder of any Registered Note as the absolute owner thereof (whether or not overdue and notwithstanding any notice of ownership or writing thereon or notice of any previous loss or theft thereof) for all purposes but, in the case of any Global Note, without prejudice to the provisions set out in the next succeeding paragraph.

For so long as any of the Notes is represented by a Global Note deposited with and, in the case of Registered Notes represented by a Global Note, registered in the name of a nominee for a common depositary for Euroclear Bank SA/NV (**Euroclear**) and/or Clearstream Banking S.A. (**Clearstream, Luxembourg**), each person (other than Euroclear or Clearstream, Luxembourg) who is for the time being shown in the records of Euroclear or of Clearstream, Luxembourg as the holder of a particular nominal amount of such Notes (in which regard any certificate or other document issued by Euroclear or Clearstream, Luxembourg as to the nominal amount of such Notes standing to the account of any person shall be conclusive and binding for all purposes save in the case of manifest error) shall be treated by the Issuer, the Trustee and the Agents as the holder of such nominal amount of such Notes for all purposes other than with respect to the payment of principal or interest on such nominal amount of such Notes, for which purpose the bearer of the relevant Bearer Global Note or the registered holder of the relevant Registered Global Note shall be treated by the Issuer, the Trustee and any Agent as the holder of such nominal amount of such Notes in accordance with and subject to the terms of the relevant Global Note and the expressions **Noteholder** and **holder of Notes** and related expressions shall be construed accordingly.

In determining whether a particular person is entitled to a particular nominal amount of Notes as aforesaid, the Trustee may rely on such evidence and/or information and/or certification as it shall, in its absolute discretion, think fit and, if it does so rely, such evidence and/or information and/or certification shall, in the absence of manifest error, be conclusive and binding on all concerned.

Notes which are represented by a Global Note will be transferable only in accordance with the rules and procedures for the time being of Euroclear and Clearstream, Luxembourg, as the case may be. References to Euroclear and/or Clearstream, Luxembourg shall, whenever the context so permits, be deemed to include a reference to any additional or alternative clearing system specified in the applicable Pricing Supplement.

2. TRANSFERS OF REGISTERED NOTES

2.1 Transfers of interests in Registered Global Notes

Transfers of beneficial interests in Registered Global Notes will be effected by Euroclear or Clearstream, Luxembourg, as the case may be, and, in turn, by other participants and, if appropriate, indirect participants in such clearing systems acting on behalf of transferors and transferees of such interests. A beneficial interest in a Registered Global Note will, subject to compliance with all applicable legal and regulatory restrictions, be transferable for Notes of the same series in definitive form or for a beneficial interest in another Registered Global Note of the same series, in each case only in the authorised denominations set out in the applicable Pricing Supplement and only in accordance with the rules and operating procedures for the time being of Euroclear or Clearstream, Luxembourg, as the case may be, and in accordance with the terms and conditions specified in the Trust Deed and the Agency Agreement.

2.2 Transfers of Registered Notes in definitive form

Subject as provided in Condition 2.3 upon the terms and subject to the conditions set forth in the Trust Deed and the Agency Agreement, a Registered Note in definitive form may be transferred in whole or in part (in the authorised denominations set out in the applicable Pricing Supplement). In order to effect any such transfer (a) the holder or holders must (i) surrender the Registered Note for registration of the transfer of the Registered Note (or the relevant part of the Registered Note) at the specified office of any Transfer Agent, with the form of transfer thereon duly executed by the holder or holders thereof or his or their attorney or attorneys duly authorised in writing and (ii) complete and deposit such other certifications as may be required by the relevant Transfer Agent and (b) the relevant Transfer Agent must, after due and careful enquiry, be satisfied with the documents of title and the identity of the person making the request. Any such transfer will be subject to such reasonable regulations as the Issuer, the Trustee and the Registrar may from time to time prescribe (the initial such regulations being set out in Schedule 3 to the Agency Agreement).

Subject as provided above, the relevant Transfer Agent will, within five business days (being for this purpose a day on which banks are open for business in the city where the specified office of the relevant Transfer Agent is located) of the request (or such longer period as may be required to comply with any applicable fiscal or other laws or regulations), authenticate and deliver, or procure the authentication and delivery of, at its specified office to the transferee or (at the risk of the transferee) send by uninsured mail, to such address as the transferee may request, a new Registered Note in definitive form of a like aggregate nominal amount to the Registered Note (or the relevant part of the Registered Note) transferred. In the case of the transfer of part only of a Registered Note in definitive form, a new Registered Note in definitive form in respect of the balance of the Registered Note not transferred will be so authenticated and delivered or (at the request and risk of the transferor) sent to the transferor. No transfer of a Registered Note will be valid unless and until entered in the Register.

2.3 Registration of transfer upon partial redemption

In the event of a partial redemption of Notes under Condition 7, the Issuer shall not be required to register the transfer of any Registered Note, or part of a Registered Note, called for partial redemption.

2.4 Costs of registration

Noteholders will not be required to bear the costs and expenses of effecting any registration of transfer as provided above, except for any costs or expenses of delivery other than by regular uninsured mail and except that the Issuer may require the payment of a sum sufficient to cover any stamp duty, tax or other governmental charge that may be imposed in relation to the registration and/or transfer.

3. STATUS OF THE NOTES

The Notes and any relative Receipts and Coupons are direct, unconditional, unsubordinated and (subject to the provisions of Condition 4) unsecured obligations of the Issuer and rank *pari passu* among themselves and (save for certain obligations required to be preferred by law) equally with all other unsecured obligations (other than subordinated obligations, if any) of the Issuer, from time to time outstanding.

4. NEGATIVE PLEDGE

So long as any Note remains outstanding (as defined in the Trust Deed), the Issuer will not, and will ensure that none of the Subsidiaries will, create or have outstanding any Encumbrance upon the whole or any part of its present or future undertaking, assets or revenues (including any uncalled capital) to secure any Relevant Indebtedness, or any guarantee of, or indemnity in respect of, any Relevant Indebtedness, without at the same time or prior thereto taking any and all action necessary to ensure that the Issuer's obligations under the Notes and the Trust Deed (a) are secured equally and rateably, or (b) have the benefit of such other guarantee, indemnity or arrangement as shall be approved by an Extraordinary Resolution (as defined in the Trust Deed) of the Noteholders.

In these Conditions:

- (a) any reference to an **Encumbrance** is to a mortgage, charge, pledge, lien or other encumbrance or security interest securing any obligation of any person;
- (b) any reference to **Relevant Indebtedness** is to any present or future indebtedness for or in respect of any notes, bonds, debentures, debenture stock, loan stock or other securities which (i) are by their terms payable, or confer a right to receive payment, in any currency other than Vietnamese dong and (ii) are, for the time being, or are intended to be, or are capable of being, quoted, listed, ordinarily dealt in or traded on any stock exchange or over the counter or on any other securities market; and
- (c) any reference to a **subsidiary** or **Subsidiary** of any person is to any company or other business entity in respect of which that person owns or controls (either directly or through one or more other Subsidiaries) more than 50% of the issued share capital or other ownership interest having ordinary voting power to elect directors, managers or trustees of such company or other business entity or any company or other business entity which at any time has its accounts consolidated with those of that person or which, under Vietnamese law, regulations or generally accepted accounting principles from time to time, should have its accounts consolidated with those of that person.

5. INTEREST

The applicable Pricing Supplement will indicate whether the Notes are Fixed Rate Notes, Floating Rate Notes or Zero Coupon Notes or whether a different interest basis applies.

5.1 Interest on Fixed Rate Notes

This Condition 5.1 applies to Fixed Rate Notes only. The applicable Pricing Supplement contains provisions applicable to the determination of fixed rate interest and must be read in conjunction with this Condition 5.1 for full information on the manner in which interest is calculated on Fixed Rate Notes. In particular, the applicable Pricing Supplement will specify the Interest Commencement Date, the Rate(s)

of Interest, the Interest Payment Date(s), the Maturity Date, the Fixed Coupon Amount, any applicable Broken Amount, the Calculation Amount, the Day Count Fraction and any applicable Determination Date.

Each Fixed Rate Note bears interest from (and including) the Interest Commencement Date at the rate(s) per annum equal to the Rate(s) of Interest. Interest will be payable in arrear on the Interest Payment Date(s) in each year up to (and including) the Maturity Date.

If the Notes are in definitive form, and a Fixed Coupon Amount (and if applicable, a Broken Amount) is specified in the applicable Pricing Supplement, the amount of interest payable on each Interest Payment Date in respect of the Fixed Interest Period ending on (but excluding) such date will amount to the Fixed Coupon Amount (and if applicable, the Broken Amount) so specified.

As used in the Conditions, **Fixed Interest Period** means the period from (and including) an Interest Payment Date (or the Interest Commencement Date) to (but excluding) the next (or first) Interest Payment Date.

Except in the case of Notes in definitive form where an applicable Fixed Coupon Amount (and, if applicable, Broken Amount) is specified in the applicable Pricing Supplement, interest shall be calculated in respect of any period by applying the Rate of Interest to:

- (a) in the case of Fixed Rate Notes which are (i) represented by a Global Note or (ii) Registered Notes in definitive form, the aggregate outstanding nominal amount of (A) the Fixed Rate Notes represented by such Global Note or (B) such Registered Notes (or, in each case, if they are Partly Paid Notes, the aggregate amount paid up); or
- (b) in the case of Fixed Rate Notes which are Bearer Notes in definitive form, the Calculation Amount;

and, in each case, multiplying such sum by the applicable Day Count Fraction.

The resultant figure (including after application of any Fixed Coupon Amount or Broken Amount, as applicable, to the aggregate outstanding nominal amount of Fixed Rates Notes which are Registered Notes in definitive form or the Calculation Amount in the case of Fixed Rate Notes which are Bearer Notes in definitive form) shall be rounded to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention.

Where the Specified Denomination of a Fixed Rate Note which is a Bearer Note in definitive form is a multiple of the Calculation Amount, the amount of interest payable in respect of such Fixed Rate Note shall be the product of the amount (determined in the manner provided above) for the Calculation Amount and the amount by which the Calculation Amount is multiplied to reach the Specified Denomination, without any further rounding.

Day Count Fraction means, in respect of the calculation of an amount of interest, in accordance with this Condition 5.1:

- (i) if “Actual/Actual (ICMA)” is specified in the applicable Pricing Supplement:
 - (A) in the case of Notes where the number of days in the relevant period from (and including) the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the relevant payment date (the **Accrual Period**) is equal to or shorter than the

Determination Period during which the Accrual Period ends, the number of days in such Accrual Period divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Dates (as specified in the applicable Pricing Supplement) that would occur in one calendar year; or

(B) in the case of Notes where the Accrual Period is longer than the Determination Period during which the Accrual Period ends, the sum of:

(1) the number of days in such Accrual Period falling in the Determination Period in which the Accrual Period begins divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates that would occur in one calendar year; and

(2) the number of days in such Accrual Period falling in the next Determination Period divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates that would occur in one calendar year;

(ii) if “30/360” is specified in the applicable Pricing Supplement, the number of days in the period from (and including) the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the relevant payment date (such number of days being calculated on the basis of a year of 360 days with 12 30-day months) divided by 360; and

(iii) if “Actual/365 (Fixed)” is specified in the applicable Pricing Supplement, the actual number of days in the Accrual Period divided by 365.

In the Conditions:

Determination Period means each period from (and including) a Determination Date to (but excluding) the next Determination Date (including, where either the Interest Commencement Date or the final Interest Payment Date is not a Determination Date, the period commencing on the first Determination Date prior to, and ending on the first Determination Date falling after, such date); and

sub-unit means, with respect to any currency other than euro, the lowest amount of such currency that is available as legal tender in the country of such currency and, with respect to euro, one cent.

5.2 Interest on Floating Rate Notes

(a) Interest Payment Dates

This Condition 5.2 applies to Floating Rate Notes only. The applicable Pricing Supplement contains provisions applicable to the determination of floating rate interest and must be read in conjunction with this Condition 5.2 for full information on the manner in which interest is calculated on Floating Rate Notes. In particular, the applicable Pricing Supplement will identify any Specified Interest Payment Dates, any Specified Period, the Interest Commencement Date, the Business Day Convention, any Additional Business Centres, whether ISDA Determination or Screen Rate Determination applies to the calculation of interest, the party who will calculate the amount of interest due if it is not the Principal Paying Agent, the Margin, any maximum or minimum interest rates and the Day Count Fraction. Where ISDA Determination applies to the calculation of interest, the applicable Pricing Supplement will also specify the applicable Floating Rate Option, Designated Maturity and Reset Date. Where Screen Rate Determination applies to the calculation of interest, the applicable Pricing Supplement will also specify the applicable Reference Rate, Interest Determination Date(s) and Relevant Screen Page.

Each Floating Rate Note bears interest from (and including) the Interest Commencement Date and such interest will be payable in arrear on either:

- (i) the Specified Interest Payment Date(s) in each year specified in the applicable Pricing Supplement; or
- (ii) if no Specified Interest Payment Date(s) is/are specified in the applicable Pricing Supplement, each date (each such date, together with each Specified Interest Payment Date, an **Interest Payment Date**) which falls the number of months or other period specified as the Specified Period in the applicable Pricing Supplement after the preceding Interest Payment Date or, in the case of the first Interest Payment Date, after the Interest Commencement Date.

Such interest will be payable in respect of each Interest Period. In the Conditions, **Interest Period** means the period from (and including) an Interest Payment Date (or the Interest Commencement Date) to (but excluding) the next (or first) Interest Payment Date or the relevant payment date if the Notes become payable on a date other than an Interest Payment Date.

If a Business Day Convention is specified in the applicable Pricing Supplement and (x) if there is no numerically corresponding day in the calendar month in which an Interest Payment Date should occur or (y) if any Interest Payment Date would otherwise fall on a day which is not a Business Day, then, if the Business Day Convention specified is:

- (A) in any case where Specified Periods are specified in accordance with Condition 5.2(a)(ii) above, the Floating Rate Convention, such Interest Payment Date (a) in the case of (x) above, shall be the last day that is a Business Day in the relevant month and the provisions of (ii) below shall apply *mutatis mutandis* or (b) in the case of (y) above, shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event (i) such Interest Payment Date shall be brought forward to the immediately preceding Business Day and (ii) each subsequent Interest Payment Date shall be the last Business Day in the month which falls in the Specified Period after the preceding applicable Interest Payment Date occurred; or
- (B) the Following Business Day Convention, such Interest Payment Date shall be postponed to the next day which is a Business Day; or
- (C) the Modified Following Business Day Convention, such Interest Payment Date shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event such Interest Payment Date shall be brought forward to the immediately preceding Business Day; or
- (D) the Preceding Business Day Convention, such Interest Payment Date shall be brought forward to the immediately preceding Business Day.

In the Conditions, **Business Day** means:

- (a) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in London, Vietnam and each Additional Business Centre specified in the applicable Pricing Supplement (other than a TARGET2 Business Day (as defined below));

- (b) if TARGET2 System is specified as an Additional Business Centre in the applicable Pricing Supplement, a day on which the Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET2) System (the **TARGET2 System**) is open (**TARGET2 Business Day**); and
- (c) either (1) in relation to any sum payable in a Specified Currency other than euro, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the principal financial centre of the country of the relevant Specified Currency (which if the Specified Currency is Australian dollars or New Zealand dollars shall be Sydney and Auckland, respectively) or (2) in relation to any sum payable in euro, a TARGET2 Business Day.

(b) Rate of Interest

The Rate of Interest payable from time to time in respect of Floating Rate Notes will be determined in the manner specified in the applicable Pricing Supplement.

(i) ISDA Determination for Floating Rate Notes

Where ISDA Determination is specified in the applicable Pricing Supplement as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Period will be the relevant ISDA Rate plus or minus (as indicated in the applicable Pricing Supplement) the Margin (if any). For the purposes of this subparagraph (i), **ISDA Rate** for an Interest Period means a rate equal to the Floating Rate that would be determined by the Principal Paying Agent or the Calculation Agent, as applicable, under an interest rate swap transaction if the Principal Paying Agent or the Calculation Agent, as applicable, were acting as Calculation Agent (as defined in the ISDA Definitions (as defined below)) for that swap transaction under the terms of an agreement incorporating the 2006 ISDA Definitions, as published by the International Swaps and Derivatives Association, Inc. and as amended and updated as at the Issue Date of the first Tranche of the Notes (the **ISDA Definitions**) and under which:

- (A) the Floating Rate Option is as specified in the applicable Pricing Supplement;
- (B) the Designated Maturity is a period specified in the applicable Pricing Supplement; and
- (C) the relevant Reset Date is the day specified in the applicable Pricing Supplement.

For the purposes of this subparagraph (i), **Floating Rate**, **Floating Rate Option**, **Designated Maturity** and **Reset Date** have the meanings given to those terms in the ISDA Definitions.

Unless otherwise stated in the applicable Pricing Supplement, the Minimum Rate of Interest shall be deemed to be zero.

(ii) Screen Rate Determination for Floating Rate Notes

Where Screen Rate Determination is specified in the applicable Pricing Supplement as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Period will, subject as provided below, be either:

- (A) the offered quotation (if there is only one quotation on the Relevant Screen Page); or

(B) the arithmetic mean (rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards) of the offered quotations,

(expressed as a percentage rate per annum) for the Reference Rate (being either LIBOR or EURIBOR, as specified in the applicable Pricing Supplement) which appears or appear, as the case may be, on the Relevant Screen Page (or such replacement page on that service which displays the information) as at 11.00 a.m. (London time, in the case of LIBOR, or Brussels time, in the case of EURIBOR) on the Interest Determination Date in question plus or minus (as indicated in the applicable Pricing Supplement) the Margin (if any), all as determined by the Principal Paying Agent or the Calculation Agent, as applicable. If five or more of such offered quotations are available on the Relevant Screen Page, the highest (or, if there is more than one such highest quotation, one only of such quotations) and the lowest (or, if there is more than one such lowest quotation, one only of such quotations) shall be disregarded by the Principal Paying Agent or the Calculation Agent, as applicable, for the purpose of determining the arithmetic mean (rounded as provided above) of such offered quotations.

The Agency Agreement contains provisions for determining the Rate of Interest in the event that the Relevant Screen Page is not available or if, in the case of (A) above, no such offered quotation appears or, in the case of (B) above, fewer than three such offered quotations appear, in each case as at the time specified in the preceding paragraph.

Unless otherwise stated in the applicable Pricing Supplement, the Minimum Rate of Interest shall be deemed to be zero.

(c) Minimum Rate of Interest and/or Maximum Rate of Interest

If the applicable Pricing Supplement specifies a Minimum Rate of Interest for any Interest Period, then, in the event that the Rate of Interest in respect of such Interest Period determined in accordance with the provisions of paragraph (b) above is less than such Minimum Rate of Interest, the Rate of Interest for such Interest Period shall be such Minimum Rate of Interest.

If the applicable Pricing Supplement specifies a Maximum Rate of Interest for any Interest Period, then, in the event that the Rate of Interest in respect of such Interest Period determined in accordance with the provisions of paragraph (b) above is greater than such Maximum Rate of Interest, the Rate of Interest for such Interest Period shall be such Maximum Rate of Interest.

(d) Determination of Rate of Interest and calculation of Interest Amounts

The Principal Paying Agent or the Calculation Agent, as applicable, will at or as soon as practicable after each time at which the Rate of Interest is to be determined, determine the Rate of Interest for the relevant Interest Period.

The Principal Paying Agent or the Calculation Agent, as applicable, will calculate the amount of interest (the **Interest Amount**) payable on the Floating Rate Notes for the relevant Interest Period by applying the Rate of Interest to:

- (i) in the case of Floating Rate Notes which are represented by a Global Note, the aggregate outstanding nominal amount of the Notes represented by such Global Note (or, if they are Partly Paid Notes, the aggregate amount paid up); or
- (ii) in the case of Floating Rate Notes in definitive form, the Calculation Amount,

and, in each case, multiplying such sum by the applicable Day Count Fraction, and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention. Where the Specified Denomination of a Floating Rate Note in definitive form is a multiple of the Calculation Amount, the Interest Amount payable in respect of such Note shall be the product of the amount (determined in the manner provided above) for the Calculation Amount and the amount by which the Calculation Amount is multiplied to reach the Specified Denomination without any further rounding.

Day Count Fraction means, in respect of the calculation of an amount of interest in accordance with this Condition 5.2:

- (i) if “Actual/Actual (ISDA)” or “Actual/Actual” is specified in the applicable Pricing Supplement, the actual number of days in the Interest Period divided by 365 (or, if any portion of that Interest Period falls in a leap year, the sum of (I) the actual number of days in that portion of the Interest Period falling in a leap year divided by 366 and (II) the actual number of days in that portion of the Interest Period falling in a non-leap year divided by 365);
- (ii) if “Actual/365 (Fixed)” is specified in the applicable Pricing Supplement, the actual number of days in the Interest Period divided by 365;
- (iii) if “Actual/365 (Sterling)” is specified in the applicable Pricing Supplement, the actual number of days in the Interest Period divided by 365 or, in the case of an Interest Payment Date falling in a leap year, 366;
- (iv) if “Actual/360” is specified in the applicable Pricing Supplement, the actual number of days in the Interest Period divided by 360;
- (v) if “30/360”, “360/360” or “Bond Basis” is specified in the applicable Pricing Supplement, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

Y₁ is the year, expressed as a number, in which the first day of the Interest Period falls;

Y₂ is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

M₁ is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

M₂ is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

D₁ is the first calendar day, expressed as a number, of the Interest Period, unless such number is 31, in which case D1 will be 30; and

D₂ is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless such number would be 31 and D1 is greater than 29, in which case D2 will be 30;

- (vi) if “30E/360” or “Eurobond Basis” is specified in the applicable Pricing Supplement, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

Y₁ is the year, expressed as a number, in which the first day of the Interest Period falls;

Y₂ is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

M₁ is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

M₂ is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

D₁ is the first calendar day, expressed as a number, of the Interest Period, unless such number would be 31, in which case D1 will be 30; and

D₂ is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless such number would be 31, in which case D2 will be 30;

- (vii) if “30E/360 (ISDA)” is specified in the applicable Pricing Supplement, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

Y₁ is the year, expressed as a number, in which the first day of the Interest Period falls;

Y₂ is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

M₁ is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

M₂ is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

D₁ is the first calendar day, expressed as a number, of the Interest Period, unless (i) that day is the last day of February or (ii) such number would be 31, in which case D1 will be 30; and

D₂ is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless (i) that day is the last day of February but not the Maturity Date or (ii) such number would be 31, in which case D2 will be 30.

(e) Linear Interpolation

Where Linear Interpolation is specified as applicable in respect of an Interest Period in the applicable Pricing Supplement, the Rate of Interest for such Interest Period shall be calculated by the Principal Paying Agent or the Calculation Agent, as applicable, by straight line linear interpolation by reference to two rates based on the relevant Reference Rate (where Screen Rate Determination is specified as applicable in the applicable Pricing Supplement) or the relevant Floating Rate Option (where ISDA Determination is specified as applicable in the applicable Pricing Supplement), one of which shall be determined as if the Designated Maturity were the period of time for which rates are available next shorter than the length of the relevant Interest Period and the other of which shall be determined as if the Designated Maturity were the period of time for which rates are available next longer than the length of the relevant Interest Period provided however that if there is no rate available for a period of time next shorter or, as the case may be, next longer, then the Principal Paying Agent or the Calculation Agent, as applicable, shall determine such rate at such time and by reference to such sources as it determines appropriate.

Designated Maturity means, in relation to Screen Rate Determination, the period of time designated in the Reference Rate.

(f) Notification of Rate of Interest and Interest Amounts

The Principal Paying Agent or the Calculation Agent, as applicable, will cause the Rate of Interest and each Interest Amount for each Interest Period and the relevant Interest Payment Date to be notified to the Issuer and the Trustee, and notice thereof to be published in accordance with Condition 14 as soon as possible after their determination but in no event later than the fourth London Business Day thereafter. In respect of any Series of Floating Rate Notes listed on any stock exchange, if so required by the rules of such stock exchange, the Issuer shall cause the relevant stock exchange to be notified of the Rate of Interest and each Interest Amount for each Interest Period and the relevant Interest Payment Date. Each Interest Amount and Interest Payment Date so notified may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without prior notice in the event of an extension or shortening of the Interest Period. Any such amendment will promptly be notified to each stock exchange (if any) on which the relevant Floating Rate Notes are for the time being listed and to the Noteholders in accordance with Condition 14. For the purposes of this paragraph, the expression **London Business Day** means a day (other than a Saturday or a Sunday) on which banks and foreign exchange markets are open for general business in London.

(g) Certificates to be final

All certificates, communications, opinions, determinations, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this Condition 5.2 by the Principal Paying Agent or the Calculation Agent, as applicable, shall (in the absence of manifest error) be binding on the Issuer, the Principal Paying Agent, the other Agents and all Noteholders, Receiptholders and Couponholders and (in the absence of wilful default, negligence or fraud) no liability to the Issuer, the Noteholders, the Receiptholders or the Couponholders shall attach to the Principal Paying Agent or the Calculation Agent, as applicable, or the Trustee in connection with the exercise or non-exercise by it of its powers, duties and discretions pursuant to such provisions.

(h) Benchmark discontinuation

In addition, notwithstanding the provisions above in this Condition 5.2, if a Benchmark Event occurs in relation to a Reference Rate when any Rate of Interest (or the relevant component part thereof) remains to be determined by such Reference Rate, then the following provisions shall apply:

- (i) the Issuer shall use reasonable endeavours to appoint, as soon as reasonably practicable, an Independent Adviser to determine (acting in good faith and in a commercially reasonable manner), no later than five Business Days prior to the relevant Interest Determination Date relating to the next succeeding Interest Period (the **IA Determination Cut-off Date**), a Successor Rate (as defined below) or, alternatively, if there is no Successor Rate, an Alternative Reference Rate (as defined below) for purposes of determining the Rate of Interest (or the relevant component part thereof) applicable to the Notes;
- (ii) if the Issuer is unable to appoint an Independent Adviser, or the Independent Adviser appointed by it fails to determine a Successor Rate or an Alternative Reference Rate prior to the IA Determination Cut-off Date, the Issuer (acting in good faith and in a commercially reasonable manner) may determine a Successor Rate or, if there is no Successor Rate, an Alternative Reference Rate;
- (iii) if a Successor Rate or, failing which, an Alternative Reference Rate (as applicable) is determined in accordance with the preceding provisions, such Successor Rate or, failing which, such Alternative Reference Rate (as applicable) shall be the Reference Rate for each of the future Interest Periods (subject to the subsequent operation of, and to adjustment as provided in, this Condition 5.2(h); *provided*, however, that if sub-paragraph (ii) applies and the Issuer is unable to or does not determine a Successor Rate or an Alternative Reference Rate prior to the relevant Interest Determination Date, the Rate of Interest applicable to the next succeeding Interest Period shall be equal to the Rate of Interest last determined in relation to the Notes in respect of the preceding Interest Period (or alternatively, if there has not been a first Interest Payment Date, the Rate of Interest shall be the initial Rate of Interest (if any)) (subject, where applicable, to substituting the Margin that applied to such preceding Interest Period for the Margin that is to be applied to the relevant Interest Period); for the avoidance of doubt, the proviso in this sub-paragraph (iii) shall apply to the relevant Interest Period only and any subsequent Interest Periods are subject to the subsequent operation of, and to adjustment as provided in, this Condition 5.2(h);
- (iv) if the Independent Adviser or the Issuer determines a Successor Rate or, failing which, an Alternative Reference Rate (as applicable) in accordance with the above provisions, the Independent Adviser or the Issuer (as applicable), may also specify changes to these Conditions, including but not limited to the Day Count Fraction, Relevant Screen Page, Business Day Convention, Business Days, Interest Determination Date and/or the definition of Reference Rate applicable to the Notes, and the method for determining the fallback rate in relation to the Notes, in order to follow market practice in relation to the Successor Rate or the Alternative Reference Rate (as applicable). If the Independent Adviser (in consultation with the Issuer) or the Issuer (as applicable) determines that an Adjustment Spread is required to be applied to the Successor Rate or the Alternative Reference Rate (as applicable) and determines the quantum of, or a formula or methodology for determining, such Adjustment Spread, then such Adjustment Spread shall be applied to the Successor Rate or the Alternative Reference Rate (as applicable). If the Independent Adviser or the Issuer (as applicable) is unable to determine the quantum of, or a formula or methodology for determining, such Adjustment Spread, then such Successor Rate or Alternative Reference Rate (as applicable) will apply without an Adjustment Spread. For the avoidance of

doubt, the Trustee and Issuing and Paying Agent shall, at the direction and expense of the Issuer, effect such consequential amendments to the Trust Deed, the Agency Agreement and these Conditions as may be required in order to give effect to this Condition 5.2(h). Noteholder consent shall not be required in connection with effecting the Successor Rate or Alternative Reference Rate (as applicable) or such other changes, including for the execution of any documents or other steps by the Trustee or Principal Paying Agent (if required); and

- (v) the Issuer shall promptly, following the determination of any Successor Rate or Alternative Reference Rate (as applicable) and any related Adjustment Spread, give notice thereof to the Trustee, the Principal Paying Agent and the Noteholders, which shall specify the effective date(s) for such Successor Rate or Alternative Reference Rate (as applicable) and any related Adjustment Spread and any consequential changes made to these Conditions.

For the purposes of this Condition 5.2(h):

Adjustment Spread means a spread (which may be positive or negative) or formula or methodology for calculating a spread, which the Independent Adviser (in consultation with the Issuer) or the Issuer (as applicable), determines is required to be applied to the Successor Rate or the Alternative Reference Rate (as applicable) in order to reduce or eliminate, to the extent reasonably practicable in the circumstances, any economic prejudice or benefit (as applicable) to Noteholders, Receiptholders and Couponholders as a result of the replacement of the Reference Rate with the Successor Rate or the Alternative Reference Rate (as applicable) and is the spread, formula or methodology which:

- (i) in the case of a Successor Rate, is formally recommended in relation to the replacement of the Reference Rate with the Successor Rate by any Relevant Nominating Body;
- (ii) in the case of a Successor Rate for which no such recommendation has been made or in the case of an Alternative Reference Rate, the Independent Adviser (in consultation with the Issuer) or the Issuer (as applicable) determines is recognised or acknowledged as being in customary market usage in international debt capital markets transactions which reference the Reference Rate, where such rate has been replaced by the Successor Rate or the Alternative Reference Rate (as applicable); or
- (iii) if no such customary market usage is recognised or acknowledged, the Independent Adviser (in consultation with the Issuer) or the Issuer in its discretion (as applicable), determines (acting in good faith and in a commercially reasonable manner) to be appropriate.

Alternative Reference Rate means the rate that the Independent Adviser or the Issuer (as applicable) determines has replaced the relevant Reference Rate in customary market usage in the international debt capital markets for the purposes of determining rates of interest in respect of bonds denominated in the Specified Currency and of a comparable duration to the relevant Interest Period, or, if the Independent Adviser or the Issuer (as applicable) determines that there is no such rate, such other rate as the Independent Adviser or the Issuer (as applicable) determines in its discretion (acting in good faith and in a commercially reasonable manner) is most comparable to the relevant Reference Rate.

Benchmark Event means:

- (i) the relevant Reference Rate ceasing to be published for a period of at least five Business Days or ceasing to exist;

- (ii) a public statement by the administrator of the relevant Reference Rate that it will, by a specified date within the following six months, cease publishing the Original Reference Rate permanently or indefinitely (in circumstances where no successor administrator has been appointed that will continue publication of the relevant Reference Rate);
- (iii) a public statement by the supervisor of the administrator of the relevant Reference Rate, that the relevant Reference Rate has been or will, by a specified date within the following six months, be permanently or indefinitely discontinued;
- (iv) a public statement by the supervisor of the administrator of the relevant Reference Rate as a consequence of which the relevant Reference Rate will be prohibited from being used either generally, or in respect of the Notes, in each case within the following six months; or
- (v) it has become unlawful for any Paying Agent, Calculation Agent, the Issuer or other party to calculate any payments due to be made to any Noteholder using the relevant Reference Rate.

Independent Adviser means an independent financial institution of international repute or other independent financial adviser experienced in the international debt capital markets, in each case appointed by the Issuer at its own expense.

Relevant Nominating Body means, in respect of a Reference Rate:

- (i) the central bank for the currency to which the Reference Rate relates, or any central bank or other supervisory authority which is responsible for supervising the administrator of the Reference Rate; or
- (ii) any working group or committee sponsored by, chaired or co-chaired by or constituted at the request of (A) the central bank for the currency to which the Reference Rate relates, (B) any central bank or other supervisory authority which is responsible for supervising the administrator of the Reference Rate, (C) a group of the aforementioned central banks or other supervisory authorities, or (D) the Financial Stability Board or any part thereof.

Successor Rate means the rate that the Independent Adviser or the Issuer (as applicable) determines is a successor to or replacement of the Reference Rate which is formally recommended by any Relevant Nominating Body.

5.3 Accrual of interest

Each Note (or in the case of the redemption of part only of a Note, that part only of such Note) will cease to bear interest (if any) from and including the date for its redemption unless payment of principal in respect of such Note is improperly withheld or refused. In such event, interest will continue to accrue until whichever is the earlier of:

- (a) the date on which all amounts due in respect of such Note (or part thereof) have been paid; and
- (b) five days after the date on which the full amount of the moneys payable in respect of such Note has been received by the Principal Paying Agent or the Registrar, as the case may be, and notice to that effect has been given to the Noteholders in accordance with Condition 14.

6. PAYMENTS

6.1 Method of payment

Subject as provided below:

- (a) payments in a Specified Currency other than euro will be made by credit or transfer to an account in the relevant Specified Currency (or any account to which the relevant Specified Currency may be credited or transferred) specified by the payee; and
- (b) payments will be made in euro by credit or transfer to a euro account (or any other account to which euro may be credited or transferred) specified by the payee.

Payments will be subject in all cases to (i) any fiscal or other laws and regulations applicable thereto in the place of payment, but without prejudice to the provisions of Condition 8 and (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986 (the **Code**) or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, any official interpretations thereof, or any law implementing an intergovernmental approach thereto.

6.2 Presentation of definitive Bearer Notes, Receipts and Coupons

Payments of principal in respect of definitive Bearer Notes will (subject as provided below) be made in the manner provided in Condition 6.1 above only against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of definitive Bearer Notes, and payments of interest in respect of definitive Bearer Notes will (subject as provided below) be made as aforesaid only against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of Coupons, in each case at the specified office of any Paying Agent outside the United States (which expression, as used herein, means the United States of America (including the States and the District of Columbia and its possessions)).

Fixed Rate Notes in definitive bearer form (other than Long Maturity Notes (as defined below)) should be presented for payment together with all unmatured Coupons appertaining thereto (which expression shall for this purpose include Coupons falling to be issued on exchange of matured Talons), failing which the amount of any missing unmatured Coupon (or, in the case of payment not being made in full, the same proportion of the amount of such missing unmatured Coupon as the sum so paid bears to the sum due) will be deducted from the sum due for payment. Each amount of principal so deducted will be paid in the manner mentioned above against surrender of the relative missing Coupon at any time before the expiry of 10 years after the Relevant Date (as defined in Condition 8) in respect of such principal (whether or not such Coupon would otherwise have become void under Condition 9) or, if later, five years from the date on which such Coupon would otherwise have become due, but in no event thereafter.

Upon any Fixed Rate Note in definitive bearer form becoming due and repayable prior to its Maturity Date, all unmatured Talons (if any) appertaining thereto will become void and no further Coupons will be issued in respect thereof.

Upon the date on which any Floating Rate Note or Long Maturity Note in definitive bearer form becomes due and repayable, unmatured Coupons and Talons (if any) relating thereto (whether or not attached) shall become void and no payment or, as the case may be, exchange for further Coupons shall be made in respect thereof. A **Long Maturity Note** is a Fixed Rate Note (other than a Fixed Rate Note which on issue had a Talon attached) whose nominal amount on issue is less than the aggregate interest payable

thereon provided that such Note shall cease to be a Long Maturity Note on the Interest Payment Date on which the aggregate amount of interest remaining to be paid after that date is less than the nominal amount of such Note.

If the due date for redemption of any definitive Bearer Note is not an Interest Payment Date, interest (if any) accrued in respect of such Bearer Note from (and including) the preceding Interest Payment Date or, as the case may be, the Interest Commencement Date shall be payable only against surrender of the relevant definitive Bearer Note.

6.3 Payments in respect of Bearer Global Notes

Payments of principal and interest (if any) in respect of Bearer Notes represented by any Global Note in bearer form will (subject as provided below) be made in the manner specified above in relation to definitive Bearer Notes or otherwise in the manner specified in the relevant Global Note against presentation or surrender, as the case may be, of such Global Note at the specified office of any Paying Agent outside the United States. A record of each payment made, distinguishing between any payment of principal and any payment of interest, will be made either on such Global Note by the Paying Agent to which it was presented or in the records of Euroclear and Clearstream, Luxembourg, as applicable.

6.4 Specific provisions in relation to payments in respect of certain types of Notes

Payments of instalments of principal (if any) in respect of definitive Bearer Notes, other than the final instalment, will (subject as provided below) be made in the manner provided in Condition 6.1 above only against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of the relevant Receipt in accordance with the preceding paragraph. Payment of the final instalment will be made in the manner provided in Condition 6.1 above only against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of the relevant Bearer Note in accordance with the preceding paragraph. Each Receipt must be presented for payment of the relevant instalment together with the definitive Bearer Note to which it appertains. Receipts presented without the definitive Bearer Note to which they appertain do not constitute valid obligations of the Issuer. Upon the date on which any definitive Bearer Note becomes due and repayable, unmatured Receipts (if any) relating thereto (whether or not attached) shall become void and no payment shall be made in respect thereof.

Upon the date on which any Dual Currency Note or Index Linked Note in definitive bearer form becomes due and repayable, unmatured Coupons and Talons (if any) relating thereto (whether or not attached) shall become void and no payment or, as the case may be, exchange for further Coupons shall be made in respect thereof.

6.5 Payments in respect of Registered Notes

Payments of principal (other than instalments of principal prior to the final instalment) in respect of each Registered Note (whether or not in global form) will be made against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of the Registered Note at the specified office of the Registrar or any of the Paying Agents. Such payments will be made by transfer to the Designated Account (as defined below) of the holder (or the first named of joint holders) of the Registered Note appearing in the register of holders of the Registered Notes maintained by the Registrar outside the United Kingdom (the **Register**) (i) where in global form, at the close of the business day (being for this purpose a day on which Euroclear and Clearstream, Luxembourg are open for business) before the relevant due date, and (ii) where in definitive form, at the close of business on the third business day (being for this purpose a day on which banks are open for business in the city where the specified office of the Registrar is located) before the relevant due date. For these purposes, **Designated Account** means

the account (which, in the case of a payment in Japanese yen to a non resident of Japan, shall be a non resident account) maintained by a holder with a Designated Bank and identified as such in the Register and **Designated Bank** means (in the case of payment in a Specified Currency other than euro) any bank which processes payments in the applicable Specified Currency.

Payments of interest and payments of instalments of principal (other than the final instalment) in respect of each Registered Note (whether or not in global form) will be made by transfer on the due date to the Designated Account of the holder (or the first named of joint holders) of the Registered Note appearing in the Register (i) where in global form, at the close of the business day (being for this purpose a day on which Euroclear and Clearstream, Luxembourg are open for business) before the relevant due date, and (ii) where in definitive form, at the close of business on the fifteenth day (whether or not such fifteenth day is a business day) before the relevant due date (the **Record Date**). Payment of the interest due in respect of each Registered Note on redemption and the final instalment of principal will be made in the same manner as payment of the principal amount of such Registered Note.

No commissions or expenses shall be charged to the holders by the Registrar in respect of any payments of principal or interest in respect of Registered Notes.

None of the Issuer, the Trustee or the Agents will have any responsibility or liability for any aspect of the records relating to, or payments made on account of, beneficial ownership interests in the Registered Global Notes or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

6.6 General provisions applicable to payments

The holder of a Global Note shall be the only person entitled to receive payments in respect of Notes represented by such Global Note and the Issuer will be discharged by payment to, or to the order of, the holder of such Global Note in respect of each amount so paid. Each of the persons shown in the records of Euroclear or Clearstream, Luxembourg as the beneficial holder of a particular nominal amount of Notes represented by such Global Note must look solely to Euroclear or Clearstream, Luxembourg, as the case may be, for his share of each payment so made by the Issuer to, or to the order of, the holder of such Global Note.

Notwithstanding the foregoing provisions of this Condition, if any amount of principal and/or interest in respect of Bearer Notes is payable in U.S. dollars, such U.S. dollar payments of principal and/or interest in respect of such Notes will be made at the specified office of a Paying Agent in the United States if:

- (a) the Issuer has appointed Paying Agents with specified offices outside the United States with the reasonable expectation that such Paying Agents would be able to make payment in U.S. dollars at such specified offices outside the United States of the full amount of principal and interest on the Bearer Notes in the manner provided above when due;
- (b) payment of the full amount of such principal and interest at all such specified offices outside the United States is illegal or effectively precluded by exchange controls or other similar restrictions on the full payment or receipt of principal and interest in U.S. dollars; and
- (c) such payment is then permitted under United States law without involving, in the opinion of the Issuer, adverse tax consequences to the Issuer.

6.7 Payment Day

If the date for payment of any amount in respect of any Note, Receipt or Coupon is not a Payment Day, the holder thereof shall not be entitled to payment until the next following Payment Day in the relevant place and shall not be entitled to further interest or other payment in respect of such delay. For these purposes, **Payment Day** means any day which (subject to Condition 9) is:

- (a) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits):
 - (i) in the case of Notes in definitive form only, in the relevant place of presentation; and
 - (ii) in each Additional Financial Centre (other than the TARGET2 System) specified in the applicable Pricing Supplement;
- (b) if TARGET2 System is specified as an Additional Financial Centre in the applicable Pricing Supplement, a TARGET2 Business Day; and
- (c) either (1) in relation to any sum payable in a Specified Currency other than euro, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the principal financial centre of the country of the relevant Specified Currency (which if the Specified Currency is Australian dollars or New Zealand dollars shall be Sydney and Auckland, respectively) or (2) in relation to any sum payable in euro, a TARGET2 Business Day.

6.8 Interpretation of principal and interest

Any reference in the Conditions to principal in respect of the Notes shall be deemed to include, as applicable:

- (a) any additional amounts which may be payable with respect to principal under Condition 8 or under any undertaking or covenant given in addition thereto, or in substitution therefor, pursuant to the Trust Deed;
- (b) the Final Redemption Amount of the Notes;
- (c) the Early Redemption Amount of the Notes;
- (d) the Optional Redemption Amount(s) (if any) of the Notes;
- (e) in relation to Notes redeemable in instalments, the Instalment Amounts; and
- (f) any premium and any other amounts (other than interest) which may be payable by the Issuer under or in respect of the Notes.

Any reference in the Conditions to interest in respect of the Notes shall be deemed to include, as applicable, any additional amounts which may be payable with respect to interest under Condition 8 or under any undertaking or covenant given in addition thereto, or in substitution therefor, pursuant to the Trust Deed.

7. REDEMPTION AND PURCHASE

7.1 Redemption at maturity

Unless previously redeemed or purchased and cancelled as specified below, each Note will be redeemed by the Issuer at its Final Redemption Amount specified in the applicable Pricing Supplement in the relevant Specified Currency on the Maturity Date specified in the applicable Pricing Supplement.

7.2 Redemption for tax reasons

Subject to Condition 7.5, the Notes may be redeemed at the option of the Issuer in whole, but not in part, at any time (if this Note is not a Floating Rate Note) or on any Interest Payment Date (if this Note is a Floating Rate Note), on giving not less than the minimum period nor more than the maximum period of notice specified in the applicable Pricing Supplement to the Trustee and the Principal Paying Agent and, in accordance with Condition 14, the Noteholders (which notice shall be irrevocable), if the Issuer satisfies the Trustee immediately before the giving of such notice that:

- (a) on the occasion of the next payment due under the Notes, the Issuer has or will become obliged to pay additional amounts as provided or referred to in Condition 8 as a result of any change in, or amendment to, the laws or regulations of a Tax Jurisdiction (as defined in Condition 8) or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the date on which agreement is reached to issue the first Tranche of the Notes; and
- (b) such obligation cannot be avoided by the Issuer taking reasonable measures available to it,

provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer would be obliged to pay such additional amounts were a payment in respect of the Notes then due.

Prior to the publication of any notice of redemption pursuant to this Condition, the Issuer shall deliver to the Trustee to make available at its specified office to the Noteholders (i) a certificate signed by two Directors of the Issuer stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred and (ii) an opinion of independent legal advisers of recognised standing to the effect that the Issuer has or will become obliged to pay such additional amounts as a result of such change or amendment and the Trustee shall be entitled to accept such certificate and opinion as sufficient evidence of the satisfaction of the conditions precedent set out above, in which event the certificate and opinion shall be conclusive and binding on the Noteholders, the Receiptholders and the Couponholders.

Notes redeemed pursuant to this Condition 7.2 will be redeemed at their Early Redemption Amount referred to in Condition 7.5 below together (if appropriate) with interest accrued to (but excluding) the date of redemption.

7.3 Redemption at the option of the Issuer (Issuer Call)

If Issuer Call is specified as being applicable in the applicable Pricing Supplement, the Issuer may, having given not less than the minimum period nor more than the maximum period of notice specified in the applicable Pricing Supplement to the Trustee, the Principal Paying Agent, the Registrar (in the case of Registered Notes) and, in accordance with Condition 14, the Noteholders (which notice shall be irrevocable and shall specify the date fixed for redemption), redeem all or some only of the Notes then

outstanding on any Optional Redemption Date and at the Optional Redemption Amount(s) specified in the applicable Pricing Supplement together, if appropriate, with interest accrued to (but excluding) the relevant Optional Redemption Date. Any such redemption must be of a nominal amount not less than the Minimum Redemption Amount and not more than the Maximum Redemption Amount, in each case as may be specified in the applicable Pricing Supplement.

In the case of a partial redemption of Notes, the Notes to be redeemed (**Redeemed Notes**) will (i) in the case of Redeemed Notes represented by definitive Notes, be selected individually by lot, not more than 30 days prior to the date fixed for redemption and (ii) in the case of Redeemed Notes represented by a Global Note, be selected in accordance with the rules of Euroclear and/or Clearstream, Luxembourg. In the case of Redeemed Notes represented by definitive Notes, a list of the serial numbers of such Redeemed Notes will be published in accordance with Condition 14 not less than 15 days prior to the date fixed for redemption.

7.4 Redemption at the option of the Noteholders (Investor Put)

If Investor Put is specified as being applicable in the applicable Pricing Supplement, upon the holder of any Note giving to the Issuer in accordance with Condition 14 not less than the minimum period nor more than the maximum period of notice specified in the applicable Pricing Supplement, the Issuer will, upon the expiry of such notice, redeem such Note (or, in the case of Global Notes, the indicated part thereof) on the relevant Optional Redemption Date and at the Optional Redemption Amount together, if appropriate, with interest accrued to (but excluding) the Optional Redemption Date.

To exercise the right to require redemption of this Note (or a part hereof), the holder of this Note must:

- (a) if this Note is in definitive form and held outside Euroclear and Clearstream, Luxembourg, deliver, at the specified office of any Paying Agent (in the case of Bearer Notes) or the Registrar (in the case of Registered Notes) at any time during normal business hours of such Paying Agent or, as the case may be, the Registrar falling within the notice period, a duly completed and signed notice of exercise in the form (for the time being current) obtainable from any specified office of any Paying Agent or, as the case may be, the Registrar (a **Put Notice**) and in which the holder must specify a bank account to which payment is to be made under this Condition and, in the case of Registered Notes, the nominal amount thereof to be redeemed and, if less than the full nominal amount of the Registered Notes so surrendered is to be redeemed, an address to which a new Registered Note in respect of the balance of such Registered Notes is to be sent subject to and in accordance with the provisions of Condition 2.2. If this Note is in definitive bearer form, the Put Notice must be accompanied by this Note or evidence satisfactory to the Paying Agent concerned that this Note will, following delivery of the Put Notice, be held to its order or under its control.
- (b) if this Note is represented by a Global Note or is in definitive form and held through Euroclear or Clearstream, Luxembourg, within the notice period, give notice to the Principal Paying Agent of such exercise in accordance with the standard procedures of Euroclear and Clearstream, Luxembourg (which may include notice being given on his instruction by Euroclear, Clearstream, Luxembourg or any common depositary for them to the Principal Paying Agent by electronic means) in a form acceptable to Euroclear and Clearstream, Luxembourg from time to time.

Any Put Notice or other notice given in accordance with the standard procedures of Euroclear and Clearstream, Luxembourg given by a holder of any Note pursuant to this Condition 7.4 shall be irrevocable except where, prior to the due date of redemption, an Event of Default has occurred and the

Trustee has declared the Notes to be due and payable pursuant to Condition 10, in which event such holder, at its option, may elect by notice to the Issuer to withdraw the notice given pursuant to this Condition 7.4.

7.5 Early Redemption Amounts

For the purpose of Condition 7.2 above and Condition 10:

- (a) each Note (other than a Zero Coupon Note) will be redeemed at its Early Redemption Amount; and
- (b) each Zero Coupon Note will be redeemed at its Early Redemption Amount calculated in accordance with the following formula:

$$\text{Early Redemption Amount} = \text{RP} \times (1 + \text{AY})^y$$

where:

RP means the Reference Price;

AY means the Accrual Yield expressed as a decimal; and

y is the Day Count Fraction specified in the applicable Pricing Supplement which will be either (i) 30/360 (in which case the numerator will be equal to the number of days (calculated on the basis of a 360-day year consisting of 12 months of 30 days each) from (and including) the Issue Date of the first Tranche of the Notes to (but excluding) the date fixed for redemption or (as the case may be) the date upon which such Note becomes due and repayable and the denominator will be 360) or (ii) Actual/360 (in which case the numerator will be equal to the actual number of days from (and including) the Issue Date of the first Tranche of the Notes to (but excluding) the date fixed for redemption or (as the case may be) the date upon which such Note becomes due and repayable and the denominator will be 360) or (iii) Actual/365 (in which case the numerator will be equal to the actual number of days from (and including) the Issue Date of the first Tranche of the Notes to (but excluding) the date fixed for redemption or (as the case may be) the date upon which such Note becomes due and repayable and the denominator will be 365).

7.6 Specific redemption provisions applicable to certain types of Notes

The Final Redemption Amount, any Optional Redemption Amount and the Early Redemption Amount in respect of Index Linked Redemption Notes and Dual Currency Redemption Notes may be specified in, or determined in the manner specified in, the applicable Pricing Supplement. For the purposes of Condition 7.2, Index Linked Interest Notes and Dual Currency Interest Notes may be redeemed only on an Interest Payment Date.

Instalment Notes will be redeemed in the Instalment Amounts and on the Instalment Dates specified in the applicable Pricing Supplement. In the case of early redemption, the Early Redemption Amount of Instalment Notes will be determined in the manner specified in the applicable Pricing Supplement.

Partly Paid Notes will be redeemed, whether at maturity, early redemption or otherwise, in accordance with the provisions of this Condition and the applicable Pricing Supplement.

7.7 Purchases

The Issuer or any Subsidiary of the Issuer may at any time purchase Notes (provided that, in the case of definitive Bearer Notes, all unmatured Receipts, Coupons and Talons appertaining thereto are purchased therewith) at any price in the open market or otherwise. Such Notes may be held, reissued, resold or, at the option of the Issuer, surrendered to any Paying Agent and/or the Registrar for cancellation.

7.8 Cancellation

All Notes which are redeemed will forthwith be cancelled (together, in the case of definitive Bearer Notes, with all unmatured Receipts, Coupons and Talons attached thereto or surrendered therewith at the time of redemption or cancellation). All Notes so cancelled and the Notes purchased and cancelled pursuant to Condition 7.7 above (together, in the case of definitive Bearer Notes, with all unmatured Receipts, Coupons and Talons cancelled therewith) shall be forwarded to the Principal Paying Agent or, as the case may be, the Registrar, and cannot be reissued or resold.

7.9 Late payment on Zero Coupon Notes

If the amount payable in respect of any Zero Coupon Note upon redemption of such Zero Coupon Note pursuant to Condition 7.1, 7.2, 7.3 or 7.4 above or upon its becoming due and repayable as provided in Condition 10 is improperly withheld or refused, the amount due and repayable in respect of such Zero Coupon Note shall be the amount calculated as provided in Condition 7.5(b) above as though the references therein to the date fixed for the redemption or the date upon which such Zero Coupon Note becomes due and payable were replaced by references to the date which is the earlier of:

- (a) the date on which all amounts due in respect of such Zero Coupon Note have been paid; and
- (b) five days after the date on which the full amount of the moneys payable in respect of such Zero Coupon Notes has been received by the Principal Paying Agent or the Registrar or the Trustee and notice to that effect has been given to the Noteholders in accordance with Condition 14.

8. TAXATION

All payments of principal and interest in respect of the Notes, Receipts and Coupons by or on behalf of the Issuer will be made without withholding or deduction for or on account of any present or future taxes or duties of whatever nature imposed or levied by or on behalf of any Tax Jurisdiction unless such withholding or deduction is required by law. In such event, the Issuer will pay such additional amounts as shall be necessary in order that the net amounts received by the holders of the Notes, Receipts or Coupons after such withholding or deduction shall equal the respective amounts of principal and interest which would otherwise have been receivable in respect of the Notes, Receipts or Coupons, as the case may be, in the absence of such withholding or deduction; except that no such additional amounts shall be payable with respect to any Note, Receipt or Coupon:

- (a) presented for payment in Socialist Republic of Vietnam (**Vietnam**); or
- (b) the holder of which is liable for such taxes or duties in respect of such Note, Receipt or Coupon by reason of his having some connection with a Tax Jurisdiction other than the mere holding of such Note, Receipt or Coupon; or

- (c) presented for payment more than 30 days after the Relevant Date (as defined below) except to the extent that the holder thereof would have been entitled to an additional amount on presenting the same for payment on such thirtieth day assuming that day to have been a Payment Day (as defined in Condition 6.7).

Notwithstanding any other provision of these Conditions, in no event will the Issuer be required to pay any additional amounts in respect of the Notes, Receipts and Coupons for, or on account of, any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the Code or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, or any official interpretations thereof, or any law implementing an intergovernmental approach thereto.

As used herein:

- (i) **Tax Jurisdiction** means Vietnam or any political subdivision or any authority thereof or therein having power to tax or any political subdivision or any authority thereof or therein having power to tax or any other jurisdiction or any political subdivision or any authority thereof or therein having power to tax to which payments made by the Issuer of principal and interest on the Notes become generally subject; and
- (ii) the **Relevant Date** means the date on which such payment first becomes due, except that, if the full amount of the moneys payable has not been duly received by the Trustee, the Principal Paying Agent or the Registrar, as the case may be, on or prior to such due date, it means the date on which, the full amount of such moneys having been so received, notice to that effect is duly given to the Noteholders in accordance with Condition 14.

9. PRESCRIPTION

The Notes (whether in bearer or registered form), Receipts and Coupons will become void unless claims in respect of principal and/or interest are made within a period of 10 years (in the case of principal) and five years (in the case of interest) from (but excluding) the Relevant Date (as defined in Condition 8) therefor.

There shall not be included in any Coupon sheet issued on exchange of a Talon any Coupon the claim for payment in respect of which would be void pursuant to this Condition 9 or Condition 6.2 or any Talon which would be void pursuant to Condition 6.2.

10. EVENTS OF DEFAULT

10.1 Events of Default

The Trustee at its discretion may, and if so requested in writing by the holders of at least one-fifth in nominal amount of the Notes then outstanding or if so directed by an Extraordinary Resolution shall (subject in each case to being indemnified and/or secured and/or pre-funded to its satisfaction), give notice in writing to the Issuer that each Note is, and each Note shall thereupon immediately become, due and repayable at its Early Redemption Amount together with accrued interest as provided in the Trust Deed if any of the following events (each an **Event of Default**) shall occur:

- (a) if default by the Issuer is made in the payment of any principal or interest due in respect of the Notes or any of them the default continues for a period of seven days (in the case of principal) or 14 days (in the case of interest); or

- (b) if the Issuer fails to perform or observe any of its other obligations under the Conditions or the Trust Deed and (except in any case where the failure is incapable of remedy when no such continuation as is hereinafter mentioned will be required) the failure continues for the period of 14 days following the service by the Trustee on the Issuer of notice requiring the same to be remedied; or
- (c) if (i) any Indebtedness for Borrowed Money (as defined below) of the Issuer or any of its Subsidiaries becomes, or becomes capable of being declared, due and repayable prematurely by reason of an event of default (however described); (ii) the Issuer or any of its Subsidiaries fails to make any payment in respect of any Indebtedness for Borrowed Money on the due date for payment, subject to any originally applicable grace period; (iii) any security given by the Issuer or any of its Subsidiaries for any Indebtedness for Borrowed Money becomes enforceable; or (iv) default is made by the Issuer or any of its Subsidiaries in making any payment due under any guarantee and/or indemnity given by it in relation to any Indebtedness for Borrowed Money of any other person, subject to any originally applicable grace period,

provided that no event described in this subparagraph (c) shall constitute an Event of Default unless the relevant amount of Indebtedness for Borrowed Money or other relative liability due and unpaid, either alone or when aggregated (without duplication) with other amounts of Indebtedness for Borrowed Money and/or other liabilities due and unpaid relative to all (if any) other events specified in (i) to (iv) above, amounts to at least US\$20,000,000 (or its equivalent in any other currency); or

- (d) if any order is made by any competent court or resolution passed for the winding up or dissolution of the Issuer or any of its Subsidiaries, save for the purposes of reorganisation on terms previously approved by an Extraordinary Resolution; or
- (e) if the Issuer or any of its Subsidiaries ceases or threatens to cease to carry on the whole or a substantial part of its business, save for the purposes of reorganisation on terms previously approved by an Extraordinary Resolution, or the Issuer or any of its Subsidiaries stops or threatens to stop payment of, or is unable to, or admits inability to, pay, all or a material part of its debts (or any class of its debts) as they fall due, or is deemed unable to pay all or a material part of its debts pursuant to or for the purposes of any applicable law, or is adjudicated or found by a competent authority to be bankrupt or insolvent; or
- (f) if (i) proceedings are initiated against the Issuer or any of its Subsidiaries under any applicable liquidation, insolvency, composition, reorganisation or other similar laws, or an application is made (or documents filed with a court) for the appointment of an administrative or other receiver, manager, administrator or other similar official, or an administrative or other receiver, manager, administrator or other similar official is appointed, in relation to the Issuer or any of its Subsidiaries or, as the case may be, in relation to the whole or a substantial part of the undertaking or assets of any of them, or an encumbrancer takes possession of the whole or a substantial part of the undertaking or assets of any of them, or a distress, execution, attachment, sequestration or other process is levied, enforced upon, sued out or put in force against the whole or a substantial part of the undertaking or assets of any of them and (ii) in any case (other than the appointment of an administrator) is not discharged within 30 days; or
- (g) if the Issuer or any of its Subsidiaries initiates or consents to judicial proceedings relating to itself under any applicable liquidation, insolvency, composition, reorganisation or other similar laws (including the obtaining of a moratorium) or makes a conveyance or assignment for the benefit of, or enters into any composition or other arrangement with, its creditors generally (or any class of

its creditors) or any meeting is convened to consider a proposal for an arrangement or composition with its creditors generally (or any class of its creditors) save, in each case, for the purposes of reorganisation on terms previously approved by an Extraordinary Resolution; or

- (h) if any event occurs which, under the laws of any relevant jurisdiction, has or may have an analogous effect to any of the events referred to in subparagraphs (d) to (g) of this Condition 10.1.

10.2 Enforcement

The Trustee may at any time, at its discretion and without notice, take such proceedings or other actions against or in relation to the Issuer as it may think fit to enforce the provisions of the Trust Deed, the Notes, the Receipts and the Coupons, but it shall not be bound to take any such proceedings or any other action in relation to the Trust Deed, the Notes, the Receipts or the Coupons unless (a) it shall have been so directed by an Extraordinary Resolution or so requested in writing by the holders of at least one-fifth in nominal amount of the Notes then outstanding and (b) it shall have been indemnified and/or secured and/or pre-funded to its satisfaction.

No Noteholder, Receiptholder or Couponholder shall be entitled to proceed directly against the Issuer unless the Trustee, having become bound so to proceed, (i) fails so to do within a reasonable period, or (ii) is unable for any reason so to do, and the failure or inability shall be continuing.

10.3 Definitions

For the purposes of the Conditions:

Indebtedness for Borrowed Money means any indebtedness (whether being principal, premium, interest or other amounts) for or in respect of any notes, bonds, debentures, debenture stock, loan stock or other securities or any borrowed money or any liability under or in respect of any acceptance or acceptance credit.

11. REPLACEMENT OF NOTES, RECEIPTS, COUPONS AND TALONS

Should any Note, Receipt, Coupon or Talon be lost, stolen, mutilated, defaced or destroyed, it may be replaced at the specified office of the Principal Paying Agent (in the case of Bearer Notes, Receipts or Coupons) or the Registrar (in the case of Registered Notes) upon payment by the claimant of such costs and expenses as may be incurred in connection therewith and on such terms as to evidence of loss, theft, mutilation, defacement or destruction and indemnity as the Issuer and the Principal Paying Agent or the Registrar (as the case may be) may reasonably require. Mutilated or defaced Notes, Receipts, Coupons or Talons must be surrendered before replacements will be issued.

12. AGENTS

The names of the initial Agents and their initial specified offices are set out in the Agency Agreement. If any additional Paying Agents are appointed in connection with any Series, the names of such Paying Agents will be specified in the applicable Pricing Supplement.

The Issuer is entitled, with the prior written approval of the Trustee, to vary or terminate the appointment of any Agent and/or appoint additional or other Agents and/or approve any change in the specified office through which any Agent acts, provided that:

- (a) there will at all times be a Principal Paying Agent and a Registrar;

- (b) so long as the Notes are listed on any stock exchange or admitted to listing by any other relevant authority, there will at all times be a Paying Agent (in the case of Bearer Notes) and a Transfer Agent (in the case of Registered Notes) with a specified office in such place as may be required by the rules and regulations of the relevant stock exchange or other relevant authority; and
- (c) so long as the Notes are listed on the SGX-ST and the rules of the SGX-ST so require, if the Notes are issued in definitive form, there will at all times be a Paying Agent in Singapore.

In addition, the Issuer shall forthwith appoint a Paying Agent having a specified office in New York City in the circumstances described in Condition 6.6. Notice of any variation, termination, appointment or change in Paying Agents will be given to the Noteholders promptly by the Issuer in accordance with Condition 14.

In acting under the Agency Agreement, the Agents act solely as agents of the Issuer and, in certain circumstances specified therein, of the Trustee and do not assume any obligation to, or relationship of agency or trust with, any Noteholder, Receiptholder or Couponholder. The Agency Agreement contains provisions permitting any entity into which any Agent is merged or converted or with which it is consolidated or to which it transfers all or substantially all of its assets to become the successor agent.

13. EXCHANGE OF TALONS

On and after the Interest Payment Date on which the final Coupon comprised in any Coupon sheet matures, the Talon (if any) forming part of such Coupon sheet may be surrendered at the specified office of any Paying Agent in exchange for a further Coupon sheet including (if such further Coupon sheet does not include Coupons to (and including) the final date for the payment of interest due in respect of the Note to which it appertains) a further Talon, subject to the provisions of Condition 9.

14. NOTICES

All notices to Noteholders regarding the Bearer Notes will be deemed to be validly given if published (a) in a leading English language daily newspaper of general circulation in Asia, which is expected (but not required) to be the *Asian Wall Street Journal* and (b) if and for so long as the Notes are listed on the SGX-ST and the rules of the SGX-ST so require, published on the website of the SGX-ST at <http://www.sgx.com>. The Issuer shall also ensure that notices are duly published in a manner which complies with the rules of any stock exchange or other relevant authority on which the Bearer Notes are for the time being listed or by which they have been admitted to trading including publication on the website of the relevant stock exchange or relevant authority if required by those rules. Any such notice will be deemed to have been given on the date of the first publication or, where required to be published in more than one newspaper, on the first date on which publication has occurred. If publication as provided above is not practicable, a notice will be given in such other manner, and will be deemed to have been given on such date, as the Trustee shall approve.

All notices regarding the Registered Notes will be deemed to be validly given if (a) sent by first class mail or (if posted to an address overseas) by airmail to the holders (or the first named of joint holders) at their respective addresses recorded in the Register and will be deemed to have been given on the fourth day after mailing, (b) for so long as the Notes are listed on the SGX-ST and the rules of the SGX-ST so require, published on the website of the SGX-ST at <http://www.sgx.com>, and (c) for so long as any Registered Notes are listed on another stock exchange or are admitted to trading by another relevant authority and the rules of that stock exchange or relevant authority so require, published on the website of the relevant stock exchange or relevant authority and/or in a daily newspaper of general circulation in the place or places required by those rules.

Notwithstanding the foregoing provisions of this Condition 14, so long as any Global Notes representing the Notes are held in their entirety on behalf of Euroclear and/or Clearstream, Luxembourg, there may be substituted for such publication in such newspaper(s) or such websites or such mailing, as the case may be, the delivery of the relevant notice to Euroclear and/or Clearstream, Luxembourg for communication by them to the holders of the Notes provided that, for so long as any Notes are listed on a stock exchange or are admitted to trading by another relevant authority and the rules of that stock exchange or relevant authority so require, such notice will, in addition, be published on the website of the relevant stock exchange or relevant authority and/or in a daily newspaper of general circulation in the place or places required by those rules. Any such notice shall be deemed to have been given to the holders of the Notes on the first day after the day on which the said notice was given to Euroclear and/or Clearstream, Luxembourg.

Notices to be given by any Noteholder shall be in writing and given by lodging the same, together (in the case of any Note in definitive form) with the relative Note or Notes, with the Principal Paying Agent (in the case of Bearer Notes) or the Registrar (in the case of Registered Notes). Whilst any of the Notes are represented by a Global Note, such notice may be given by any holder of a Note to the Principal Paying Agent or the Registrar through Euroclear and/or Clearstream, Luxembourg, as the case may be, in such manner as the Principal Paying Agent, the Registrar and Euroclear and/or Clearstream, Luxembourg, as the case may be, may approve for this purpose.

15. MEETINGS OF NOTEHOLDERS, MODIFICATION, WAIVER AND SUBSTITUTION

The Trust Deed contains provisions for convening meetings of the Noteholders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of the Notes, the Receipts, the Coupons or any of the provisions of the Trust Deed. Such a meeting may be convened by the Issuer or the Trustee and shall be convened by the Issuer if required in writing by Noteholders holding not less than ten per cent. in nominal amount of the Notes for the time being outstanding. The quorum at any such meeting for passing an Extraordinary Resolution is one or more persons holding or representing more than 50 per cent. in nominal amount of the Notes for the time being outstanding, or at any adjourned meeting one or more persons being or representing Noteholders whatever the nominal amount of the Notes so held or represented, except that at any meeting the business of which includes the modification of certain provisions of the Notes, the Receipts or the Coupons or the Trust Deed (including modifying the date of maturity of the Notes or any date for payment of interest thereon, reducing or cancelling the amount of principal or the rate of interest payable in respect of the Notes or altering the currency of payment of the Notes, the Receipts or the Coupons), the quorum shall be one or more persons holding or representing not less than two-thirds in nominal amount of the Notes for the time being outstanding, or at any adjourned such meeting one or more persons holding or representing not less than one-third in nominal amount of the Notes for the time being outstanding. The Trust Deed provides that (i) a resolution passed at a meeting duly convened and held in accordance with the Trust Deed by a majority consisting of not less than three-fourths of the votes cast on such resolution, (ii) a resolution in writing signed by or on behalf of the holders of not less than three-fourths in nominal amount of the Notes for the time being outstanding or (iii) consent given by way of electronic consents through the relevant clearing system(s) by or on behalf of the holders of not less than three-fourths in nominal amount of the Notes for the time being outstanding, shall, in each case, be effective as an Extraordinary Resolution of the Noteholders. An Extraordinary Resolution passed by the Noteholders will be binding on all the Noteholders, whether or not they are present at any meeting, and whether or not they voted on the resolution, and on all Receiptholders and Couponholders.

The Trustee may agree, without the consent of the Noteholders, Receiptholders or Couponholders, to any modification of, or to the waiver or authorisation of any breach or proposed breach of, any of the provisions of the Notes (including these Conditions), the Trust Deed or the Agency Agreement, or

determine, without any such consent as aforesaid, that any Event of Default or Potential Event of Default (as defined in the Trust Deed) shall not be treated as such, where, in any such case, it is not, in the opinion of the Trustee, materially prejudicial to the interests of the Noteholders so to do or may agree, without any such consent as aforesaid, to any modification of any of the provisions of the Notes (including these Conditions), the Trust Deed or the Agency Agreement which is of a formal, minor or technical nature or to correct a manifest error or an error which, in the opinion of the Trustee, is proven. Any such modification may be made on such terms and subject to such conditions (if any) as the Trustee may determine, and shall be binding on the Noteholders, the Receiptholders and the Couponholders and any such modification shall be notified by the Issuer to the Noteholders in accordance with Condition 14 as soon as practicable thereafter.

In connection with the exercise by it of any of its trusts, powers, authorities and discretions (including, without limitation, any modification, waiver, authorisation, determination or substitution), the Trustee shall have regard to the general interests of the Noteholders as a class (but shall not have regard to any interests arising from circumstances particular to individual Noteholders, Receiptholders or Couponholders whatever their number) and, in particular but without limitation, shall not have regard to the consequences of any such exercise for individual Noteholders, Receiptholders or Couponholders (whatever their number) resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory or any political sub-division thereof and the Trustee shall not be entitled to require, nor shall any Noteholder, Receiptholder or Couponholder be entitled to claim, from the Issuer, the Trustee or any other person any indemnification or payment in respect of any tax consequences of any such exercise upon individual Noteholders, Receiptholders or Couponholders except to the extent already provided for in Condition 8 and/or any undertaking or covenant given in addition to, or in substitution for, Condition 8 pursuant to the Trust Deed.

The Trustee may, without the consent of the Noteholders, Receiptholders or Couponholders, agree with the Issuer to the substitution in place of the Issuer (or of any previous substitute under this Condition) as the principal debtor under the Notes, the Receipts, the Coupons and the Trust Deed of another company, being a Subsidiary of the Issuer, subject to (i) the Notes being unconditionally and irrevocably guaranteed by the Issuer, (ii) the Trustee being satisfied that the interests of the Noteholders will not be materially prejudiced by the substitution and (iii) certain other conditions set out in the Trust Deed being complied with.

Notwithstanding any other provision of the Conditions or Trust Deed, the consent or approval of the Noteholders and, if applicable, Receiptholders and Couponholders shall not be required in the case of amendments to the Conditions pursuant to Condition 5.2(h) to vary the method or basis of calculating the rate or rates or amount of interest or the basis for calculating any amount of interest in respect of the Notes or for any other variation of these Conditions and/or the Trust Deed or Agency Agreement required to be made in the circumstances described in Condition 5.2(h), where the Issuer has delivered to the Trustee, the Principal Paying Agent and the Noteholders a notice pursuant to Condition 5.2(h)(v).

16. INDEMNIFICATION OF THE TRUSTEE AND TRUSTEE CONTRACTING WITH THE ISSUER

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility, including provisions relieving it from taking action unless indemnified and/or secured and/or pre-funded to its satisfaction.

The Trust Deed also contains provisions pursuant to which the Trustee is entitled, *inter alia*, (a) to enter into business transactions with the Issuer and/or any of its Subsidiaries and to act as trustee for the holders of any other securities issued or guaranteed by, or relating to, the Issuer and/or any of its

Subsidiaries, (b) to exercise and enforce its rights, comply with its obligations and perform its duties under or in relation to any such transactions or, as the case may be, any such trusteeship without regard to the interests of, or consequences for, the Noteholders, Receiptholders or Couponholders and (c) to retain and not be liable to account for any profit made or any other amount or benefit received thereby or in connection therewith.

17. FURTHER ISSUES

The Issuer may from time to time, without the consent of the Noteholders, the Receiptholders or the Couponholders, create and issue further notes having terms and conditions the same as the Notes or the same in all respects save for the principal amount, Issue Date, Interest Commencement Date (if any), Issue Price and/or date of the first payment of interest thereon and so that the same shall be consolidated and form a single Series with the outstanding Notes.

18. CONTRACTS (RIGHTS OF THIRD PARTIES) ACT 1999

No person shall have any right to enforce any term or condition of this Note under the Contracts (Rights of Third Parties) Act 1999, but this does not affect any right or remedy of any person which exists or is available apart from that Act.

19. GOVERNING LAW AND ARBITRATION

19.1 Governing law

The Trust Deed, the Agency Agreement, the Notes, the Receipts and the Coupons and any non-contractual obligations arising out of or in connection with the Trust Deed, the Agency Agreement, the Notes, the Receipts and the Coupons are governed by, and construed in accordance with, English law.

19.2 Arbitration

- (a) For the avoidance of any doubt, this Condition 19.2 and Condition 19.3 below are governed by, and shall be construed in accordance with, English law.
- (b) Any dispute, claim, difference or controversy arising out of, relating to or having any connection with the Trust Deed, the Agency Agreement, the Notes, the Receipts and the Coupons, including any dispute as to their existence, validity, interpretation, performance, breach or termination or the consequences of their nullity and any dispute relating to any non-contractual obligations arising out of or in connection with them (a **Dispute**), shall be referred to and finally resolved by arbitration administered by the Singapore International Arbitration Centre (**SIAC**) in accordance with the Arbitration Rules of SIAC as amended from time to time (the **Rules**).
- (c) The Rules are incorporated by reference into the Conditions and capitalised terms used in this Condition which are not otherwise defined in the Trust Deed, the Agency Agreement, the Notes, the Receipts and the Coupons have the meaning given to them in the Rules.
- (d) The number of arbitrators shall be three. The arbitrators shall be appointed in accordance with the Rules.
- (e) The seat, or legal place of arbitration, shall be Singapore.
- (f) The language used in the arbitral proceedings shall be English.

- (g) The arbitration and all information and documents provided for the purpose of the arbitration, and the award, shall be, and shall remain, private and confidential, unless agreed in writing by all of the parties, or required by law.
- (h) For the purposes of any arbitration pursuant to this Condition 19.2:
 - (i) any award rendered by the arbitrators shall be final and binding on the parties; and
 - (ii) each party hereto waives, to the fullest extent permitted by law, any right it may otherwise have under the laws of any jurisdiction to any form of appeal against such award.

19.3 Multiple parties and multiple contracts; joinder of parties; consolidation of Disputes

- (a) Each party agrees that for the purposes of the Rules, the arbitration agreement set out in this Condition 19 and the arbitration agreement contained in each Linked Agreement shall together be deemed to be an arbitration agreement that binds each party to each Linked Agreement.
- (b) Any party to any Linked Agreement may, in accordance with the Rules, be joined to any arbitration commenced under any Linked Agreement. Each party to any Linked Agreement hereby consents, for the purposes of the Rules, to such joinder.
- (c) Pursuant to Rules 6 and 8 of the Rules:
 - (i) Disputes may be resolved in a single arbitration together with Disputes (as defined in any Linked Agreement) arising out of any such Linked Agreement; and
 - (ii) the parties agree to the consolidation of any two or more arbitrations commenced pursuant to this Condition 19 and/or the arbitration agreement contained in any Linked Agreement into a single arbitration, as provided for in the Rules.
- (d) Each party waives any objection, on the basis that a Dispute has been resolved in a manner contemplated pursuant to Condition 19.3(b) or (c), to the validity and/or enforcement of any arbitral award made by an arbitral tribunal following the Dispute being resolved in that manner.
- (e) In this Condition 19.3, **Linked Agreement** means the Trust Deed, the Agency Agreement, the Notes, the Receipts and the Coupons.
- (f) The requirement in the Rules that the Court or a tribunal considering whether to consolidate disputes should consider the views of all parties or give the parties an opportunity to be heard shall extend to all parties to each of the arbitrations in respect of which consolidation is sought.
- (g) Save to the extent that the parties have consented to joinder and agreed to consolidation in this Condition 19.3, no joinder and/or consolidation shall be permitted under the Rules.

FORM OF THE NOTES

The Notes of each Series will be in either bearer form, with or without interest coupons attached, or registered form, without interest coupons attached. Bearer Notes will be issued outside the United States in reliance on Regulation S under the Securities Act (“Regulation S”) and Registered Notes will be issued outside the United States in reliance on the exemption from registration provided by Regulation S.

Bearer Notes

Each Tranche of Bearer Notes will be in bearer form and will initially be issued in the form of a temporary global note (a “Temporary Bearer Global Note”) or, if so specified in the applicable Pricing Supplement, a permanent global note (a “Permanent Bearer Global Note” and, together with a Temporary Bearer Global Note, each a “Bearer Global Note”) which, in either case, will be delivered on or prior to the original issue date of the Tranche to a common depository (the “Common Depository”) for Euroclear Bank SA/NV (“Euroclear”) and Clearstream Banking S.A. (“Clearstream, Luxembourg”).

Whilst any Bearer Note is represented by a Temporary Bearer Global Note, payments of principal, interest (if any) and any other amount payable in respect of the Notes due prior to the Exchange Date (as defined below) will be made (against presentation of the Temporary Bearer Global Note) only to the extent that certification (in a form to be provided) to the effect that the beneficial owners of interests in the Temporary Bearer Global Note are not U.S. persons or persons who have purchased for resale to any U.S. person, as required by U.S. Treasury regulations, has been received by Euroclear and/or Clearstream, Luxembourg and Euroclear and/or Clearstream, Luxembourg, as applicable, has given a like certification (based on the certifications it has received) to the Principal Paying Agent.

On and after the date (the “Exchange Date”) which is 40 days after a Temporary Bearer Global Note is issued, interests in such Temporary Bearer Global Note will be exchangeable (free of charge) upon a request as described therein either for (i) interests in a Permanent Bearer Global Note of the same Series or (ii) for definitive Bearer Notes of the same Series with, where applicable, receipts, interest coupons and talons attached (as indicated in the applicable Pricing Supplement), in each case against certification of beneficial ownership as described above unless such certification has already been given, provided that purchasers in the United States and certain U.S. persons will not be able to receive definitive Bearer Notes. The holder of a Temporary Bearer Global Note will not be entitled to collect any payment of interest, principal or other amount due on or after the Exchange Date unless, upon due certification, exchange of the Temporary Bearer Global Note for an interest in a Permanent Bearer Global Note or for definitive Bearer Notes is improperly withheld or refused.

Payments of principal, interest (if any) or any other amounts on a Permanent Bearer Global Note will be made through Euroclear and/or Clearstream, Luxembourg (against presentation or surrender (as the case may be) of the Permanent Bearer Global Note) without any requirement for certification.

The applicable Pricing Supplement will specify that a Permanent Bearer Global Note will be exchangeable (free of charge), in whole but not in part, for definitive Bearer Notes with, where applicable, receipts, interest coupons and talons attached upon the occurrence of an Exchange Event. For these purposes, “Exchange Event” means that (i) an Event of Default (as defined in Condition 10.1) has occurred and is continuing, (ii) the Issuer has been notified that both Euroclear and Clearstream, Luxembourg have been closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or have announced an intention permanently to cease business or have in fact done so and no successor clearing system satisfactory to the Trustee is available or (iii) the Issuer has or will become subject to adverse tax consequences which would not be suffered were the Notes represented by the Permanent Bearer Global Note in definitive form and a certificate to such effect signed by two Directors of the Issuer is given to the Trustee. The Issuer will

promptly give notice to Noteholders in accordance with Condition 14 if an Exchange Event occurs. In the event of the occurrence of an Exchange Event, Euroclear and/or Clearstream, Luxembourg (acting on the instructions of any holder of an interest in such Permanent Bearer Global Note) or the Trustee may give notice to the Principal Paying Agent requesting exchange and, in the event of the occurrence of an Exchange Event as described in (iii) above, the Issuer may also give notice to the Principal Paying Agent requesting exchange. Any such exchange shall occur not later than 45 days after the date of receipt of the first relevant notice by the Principal Paying Agent.

The following legend will appear on all Bearer Notes (other than Temporary Bearer Global Notes), receipts and interest coupons relating to such Notes where TEFRA D is specified in the applicable Pricing Supplement:

“ANY UNITED STATES PERSON WHO HOLDS THIS OBLIGATION WILL BE SUBJECT TO LIMITATIONS UNDER THE UNITED STATES INCOME TAX LAWS, INCLUDING THE LIMITATIONS PROVIDED IN SECTIONS 165(j) AND 1287(a) OF THE INTERNAL REVENUE CODE.”

The sections referred to provide that United States holders, with certain exceptions, will not be entitled to deduct any loss on Bearer Notes, receipts or interest coupons and will not be entitled to capital gains treatment in respect of any gain on any sale, disposition, redemption or payment of principal in respect of Bearer Notes, receipts or interest coupons.

Notes which are represented by a Bearer Global Note will only be transferable in accordance with the rules and procedures for the time being of Euroclear or Clearstream, Luxembourg, as the case may be.

Registered Notes

The Registered Notes of each Tranche will initially be represented by a global note in registered form (a “Registered Global Note”).

Registered Global Notes will be deposited with a common depositary for Euroclear and Clearstream, Luxembourg, and registered in the name of the nominee for the Common depositary of, Euroclear and Clearstream, Luxembourg, as specified in the applicable Pricing Supplement. Persons holding beneficial interests in Registered Global Notes will be entitled or required, as the case may be, under the circumstances described below, to receive physical delivery of definitive Notes in fully registered form.

Payments of principal, interest and any other amount in respect of the Registered Global Notes will, in the absence of provision to the contrary, be made to the person shown on the Register (as defined in Condition 6.5) as the registered holder of the Registered Global Notes. None of the Issuer, any Paying Agent, the Trustee or the Registrar will have any responsibility or liability for any aspect of the records relating to or payments or deliveries made on account of beneficial ownership interests in the Registered Global Notes or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

Payments of principal, interest or any other amount in respect of the Registered Notes in definitive form will, in the absence of provision to the contrary, be made to the persons shown on the Register on the relevant Record Date (as defined in Condition 6.5) immediately preceding the due date for payment in the manner provided in that Condition.

Interests in a Registered Global Note will be exchangeable (free of charge), in whole but not in part, for definitive Registered Notes without receipts, interest coupons or talons attached only upon the occurrence of an Exchange Event. For these purposes, “Exchange Event” means that (i) an Event of Default has occurred and is continuing, (ii) the Issuer has been notified that both Euroclear and Clearstream, Luxembourg have been closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise)

or have announced an intention permanently to cease business or have in fact done so and, in any such case, no successor clearing system satisfactory to the Trustee is available or (iii) the Issuer has or will become subject to adverse tax consequences which would not be suffered were the Notes represented by the Registered Global Note in definitive form and a certificate to that effect signed by two Directors of the Issuer is given to the Trustee. The Issuer will promptly give notice to Noteholders in accordance with Condition 14 if an Exchange Event occurs. In the event of the occurrence of an Exchange Event, Euroclear and/or Clearstream, Luxembourg or any person acting on their behalf (acting on the instructions of any holder of an interest in such Registered Global Note) or the Trustee may give notice to the Registrar requesting exchange and, in the event of the occurrence of an Exchange Event as described in (iii) above, the Issuer may also give notice to the Registrar requesting exchange. Any such exchange shall occur not later than 10 days after the date of receipt of the first relevant notice by the Registrar.

No beneficial owner of an interest in a Registered Global Note will be able to transfer such interest, except in accordance with the applicable procedures of Euroclear and Clearstream, Luxembourg, in each case to the extent applicable.

General

Pursuant to the Agency Agreement (as defined under “*Terms and Conditions of the Notes*”), the Principal Paying Agent shall arrange that, where a further Tranche of Notes is issued which is intended to form a single Series with an existing Tranche of Notes at a point after the Issue Date of the further Tranche, the Notes of such further Tranche shall be assigned a common code and ISIN which are different from the common code and ISIN assigned to Notes of any other Tranche of the same Series until such time as the Tranches are consolidated and form a single Series.

Any reference herein to Euroclear and/or Clearstream, Luxembourg shall, whenever the context so permits, be deemed to include a reference to any additional or alternative clearing system specified in the applicable Pricing Supplement.

No Noteholder, Receiptholder or Couponholder shall be entitled to proceed directly against the Issuer unless the Trustee, having become bound so to proceed, (i) fails so to do within a reasonable period, or (ii) is unable for any reason so to do, and the failure or inability shall be continuing.

The Issuer may agree with any Dealer that Notes may be issued in a form not contemplated by the Terms and Conditions of the Notes, in which event, a supplement to this Offering Circular or a new Offering Circular will be made available which will describe the effect of the agreement reached in relation to such Notes.

FORM OF PRICING SUPPLEMENT

Set out below is the form of Pricing Supplement which will be completed for each Tranche of Notes, whatever the denomination of those Notes, issued under the Programme.

[PROHIBITION OF SALES TO EEA RETAIL INVESTORS – The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area (“EEA”). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, “MiFID II”); (ii) or a customer within the meaning of Directive 2002/92/EC (as amended or superseded, the “Insurance Mediation Directive”), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in the Directive 2003/71/EC (as amended or superseded, the “Prospectus Directive”). Consequently no key information document required by Regulation (EU) No 1286/2014 (as amended, the “PRIIPs Regulation”) for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.]

[MIFID II product governance/target market – *[appropriate target market legend to be included]*]

[Notification under Section 309B(1)(c) of the Securities and Futures Act (Chapter 289) of Singapore (the “SFA”) – *[To insert notice if classification of the Notes is not prescribed capital markets products, pursuant to Section 309B of the SFA or Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products)].¹*

[Date]

Vietnam Prosperity Joint Stock Commercial Bank

Legal entity identifier (LEI): 549300ADQEEC5JNCE496

Issue of [Aggregate Nominal Amount of Tranche] [Title of Notes]

under the US\$1,000,000,000

Euro Medium Term Note Programme

PART A – CONTRACTUAL TERMS

This document constitutes the Pricing Supplement for the Notes described herein. This document must be read in conjunction with the Offering Circular dated 1 July 2019 [as supplemented by the supplement[s] dated [date[s]]] (the “Offering Circular”). Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of this Pricing Supplement and the Offering Circular.

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions (the “Conditions”) set forth in the Offering Circular [dated [original date] [and the supplement dated [date]] which are incorporated by reference in the Offering Circular].

[Include whichever of the following apply or specify as “Not Applicable”. Note that the numbering should remain as set out below, even if “Not Applicable” is indicated for individual paragraphs or subparagraphs. Italics denote directions for completing the Pricing Supplement.]

¹ Relevant Dealer(s) to consider whether it/they have received the necessary product classification from the Issuer prior to the launch of the offer, pursuant to Section 309B of the SFA.

1. Issuer: Vietnam Prosperity Joint Stock Commercial Bank
2. (a) Series Number: [●]
(b) Tranche Number: [●]
(c) Date on which the Notes will be consolidated and form a single Series: The Notes will be consolidated and form a single Series with *[identify earlier Tranches]* on [the Issue Date/the date that is 40 days after the Issue Date/exchange of the Temporary Global Note for interests in the Permanent Global Note, as referred to in paragraph [25] below, which is expected to occur on or about *[date]*][Not Applicable]
3. Specified Currency or Currencies: [●]
4. Aggregate Nominal Amount:
(a) Series: [●]
(b) Tranche: [●]
5. (a) Issue Price: [[●] per cent. of the Aggregate Nominal Amount [plus accrued interest from *[insert date]* (if applicable)]]
(b) Private banking rebate: [●] (*specify*)/Not Applicable]
6. (a) Specified Denominations: [●]
(b) Calculation Amount (in relation to calculation of interest in global form see Conditions): [●]
(If only one Specified Denomination, insert the Specified Denomination. If more than one Specified Denomination, insert the highest common factor. Note: There must be a common factor in the case of two or more Specified Denominations.)
7. (a) Issue Date: [●]
(b) Interest Commencement Date: [*specify*/Issue Date/Not Applicable]
(N.B. An Interest Commencement Date will not be relevant for certain Notes, for example Zero Coupon Notes.)
8. Maturity Date: [*Specify date or for Floating Rate Notes – Interest Payment Date falling in or nearest to [specify month and year]*]
(N.B. The maturity must be not less than one year.)
9. Interest Basis: [[●] per cent. Fixed Rate]

- [[specify Reference Rate] +/-[●] per cent. Floating Rate]
 [Zero Coupon]
 [Index Linked Interest]
 [Dual Currency Interest]
 [specify other]
 (further particulars specified below)
10. Redemption/Payment Basis: [Redemption at par]
 [Index Linked Redemption]
 [Dual Currency Redemption]
 [Partly Paid]
 [Instalment]
 [specify other]
11. Change of Interest Basis or Redemption/Payment Basis: [Specify details of any provision for change of Notes into another Interest Basis or Redemption/Payment Basis][Not Applicable]
12. Put/Call Options: [Investor Put]
 [Issuer Call]
 [(further particulars specified below)]
13. (a) Status of the Notes: Senior
- (b) [Date of [Board] approval for issuance of Notes obtained: [●] (N.B. Only relevant where Board (or similar) authorisation is required for the particular tranche of Notes)

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

14. Fixed Rate Note Provisions [Applicable/Not Applicable]
(If not applicable, delete the remaining subparagraphs of this paragraph)
- (a) Rate(s) of Interest: [●] per cent. per annum payable in arrears on each Interest Payment Date
- (b) Interest Payment Date(s): [●] in each year up to and including the Maturity Date
(Amend appropriately in the case of irregular coupons)
- (c) Fixed Coupon Amount(s) for Notes in definitive form (and in relation to Notes in global form see Conditions): [●] per Calculation Amount
- (d) Broken Amount(s) for Notes in definitive form (and in relation to Notes in global form see Conditions): [●] per Calculation Amount, payable on the Interest Payment Date falling [in/on] [●] [Not Applicable]

- (e) Day Count Fraction: [30/360/Actual/Actual (ICMA)/specify other]
- (f) [Determination Date(s): [[●] in each year][Not Applicable]
- (Only relevant where Day Count Fraction is Actual/Actual (ICMA)). In such a case, insert regular interest payment dates, ignoring issue date or maturity date in the case of a long or short first or last coupon)*
- (g) Other terms relating to the method of calculating interest for Fixed Rate Notes: [None/Give details]
15. Floating Rate Note Provisions [Applicable/Not Applicable]
- (If not applicable, delete the remaining subparagraphs of this paragraph)*
- (a) Specified Period(s)/Specified Interest Payment Dates: [●] [, subject to adjustment in accordance with the Business Day Convention set out in (b) below/, not subject to any adjustment, as the Business Day Convention in (b) below is specified to be Not Applicable]
- (b) Business Day Convention: [Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/[specify other]] [Not Applicable]
- (c) Additional Business Centre(s): [●]
- (d) Manner in which the Rate of Interest and Interest Amount is to be determined: [Screen Rate Determination/ISDA Determination/specify other]
- (e) Party responsible for calculating the Rate of Interest and Interest Amount (if not the Principal Paying Agent): [●] (the “Calculation Agent”)
- (f) Screen Rate Determination:
- Reference Rate: [●] month [LIBOR/EURIBOR/specify other Reference Rate] *(Either LIBOR, EURIBOR or other, although additional information is required if other, including fallback provisions in the Agency Agreement.)*
 - Reference Bank, where applicable [●]

- Interest Determination Date(s): [●] *(Second London business day prior to the start of each Interest Period if LIBOR (other than Sterling or euro LIBOR), first day of each Interest Period if Sterling LIBOR and the second day on which the TARGET2 System is open prior to the start of each Interest Period if EURIBOR or euro LIBOR)*
 - Relevant Screen Page: [●]

(In the case of EURIBOR, if not Reuters EURIBOR01 ensure it is a page which shows a composite rate or amend the fallback provisions appropriately)
- (g) ISDA Determination:
- Floating Rate Option: [●]
 - Designated Maturity: [●]
 - Reset Date: [●]
- (In the case of a LIBOR or EURIBOR based option, the first day of the Interest Period)*
- (N.B. The fall-back provisions applicable to ISDA Determination under the 2006 ISDA Definitions are reliant upon the provision by reference banks of offered quotations for LIBOR and/or EURIBOR which, depending on market circumstances, may not be available at the relevant time)*
- (h) Linear Interpolation: [Not Applicable/Applicable – the Rate of Interest for the [long/short] [first/last] Interest Period shall be calculated using Linear Interpolation (*specify for each short or long interest period*)]
- (i) Margin(s): [+/-][●] per cent. per annum
- (j) Minimum Rate of Interest: [●] per cent. per annum
- (k) Maximum Rate of Interest: [●] per cent. per annum

- (l) Day Count Fraction: [Actual/Actual (ISDA)][Actual/Actual]
Actual/365 (Fixed)
Actual/365 (Sterling)
Actual/360
[30/360][360/360][Bond Basis]
[30E/360][Eurobond Basis]
30E/360 (ISDA)
[Other]
- (m) Fallback provisions, rounding provisions and any other terms relating to the method of calculating interest on Floating Rate Notes, if different from those set out in the Conditions: [●]
16. Zero Coupon Note Provisions [Applicable/Not Applicable]
- (If not applicable, delete the remaining subparagraphs of this paragraph)*
- (a) Accrual Yield: [●] per cent. per annum
- (b) Reference Price: [●]
- (c) Any other formula/basis of determining amount payable for Zero Coupon Notes: [●]
- (d) Day Count Fraction in relation to Early Redemption Amounts: [30/360]
[Actual/360]
[Actual/365]
17. Index Linked Interest Note [Applicable/Not Applicable]
- (If not applicable, delete the remaining subparagraphs of this paragraph)*
- (a) Index/Formula: [give or annex details]
- (b) Calculation Agent [give name]
- (c) Party responsible for calculating the Rate of Interest (if not the Calculation Agent) and Interest Amount (if not the Agent): [●]
- (d) Provisions for determining Coupon where calculation by reference to Index and/or Formula is impossible or impracticable: [need to include a description of market disruption or settlement disruption events and adjustment provisions]

- (e) Specified Period(s)/Specified Interest Payment Dates: [●]
- (f) Business Day Convention: [Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/*specify other*]
- (g) Additional Business Centre(s): [●]
- (h) Minimum Rate of Interest: [●] per cent. per annum
- (i) Maximum Rate of Interest: [●] per cent. per annum
- (j) Day Count Fraction: [●]
18. Dual Currency Interest Note Provisions [Applicable/Not Applicable]
- (If not applicable, delete the remaining subparagraphs of this paragraph)*
- (a) Rate of Exchange/method of calculating Rate of Exchange: [*give or annex details*]
- (b) Party, if any, responsible for calculating the principal and/or interest due (if not the Principal Paying Agent): [●] (the “Calculation Agent”)
- (c) Provisions applicable where calculation by reference to Rate of Exchange impossible or impracticable: [*need to include a description of market disruption or settlement disruption events and adjustment provisions*]
- (d) Person at whose option Specified Currency(ies) is/are payable: [●]

PROVISIONS RELATING TO REDEMPTION

19. Notice periods for Condition [7.2]: Minimum period: [30] days
Maximum period: [60] days
20. Issuer Call: [Applicable/Not Applicable]
- (If not applicable, delete the remaining subparagraphs of this paragraph)*
- (a) Optional Redemption Date(s): [●]
- (b) Optional Redemption Amount and method, if any, of calculation of such amount(s): [[●] per Calculation Amount/[Spens Amount/Make-whole Amount/] *specify other*/see Appendix]

- (c) If redeemable in part:
- (i) Minimum Redemption Amount: [●]
- (ii) Maximum Redemption Amount: [●]
- (d) Notice periods: Minimum period: [15] days
Maximum period: [30] days
- (N.B. When setting notice periods, the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems (which require a minimum of 5 clearing system business days' notice for a call) and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and the Agent or Trustee.)*
21. Investor Put: [Applicable/Not Applicable]
- (If not applicable, delete the remaining subparagraphs of this paragraph)*
- (a) Optional Redemption Date(s): [●]
- (b) Optional Redemption Amount and method, if any, of calculation of such amount(s): [[●] per Calculation Amount/specify other/see Appendix]
- (c) Notice periods: Minimum period: [15] days
Maximum period: [30] days
- (N.B. When setting notice periods, the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems (which require a minimum of 15 clearing system business days' notice for a put) and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and the Agent or Trustee.)*
22. Final Redemption Amount: [[●] per Calculation Amount/specify other/see Appendix]

23. Early Redemption Amount payable on redemption for taxation reasons or on event of default and/or the method of calculating the same (if required):
- [[●] per Calculation Amount/specify other/see Appendix]
- (N.B. If the Final Redemption Amount is 100 per cent. of the nominal value (i.e. par), the Early Redemption Amount is likely to be par (but consider). If, however, the Final Redemption Amount is other than 100 per cent. of the nominal value, consideration should be given as to what the Early Redemption Amount should be.)*

GENERAL PROVISIONS APPLICABLE TO THE NOTES

24. Form of Notes:
- [Bearer Notes:
[Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for Definitive Notes upon an Exchange Event]
- [Temporary Global Note exchangeable for Definitive Notes on and after the Exchange Date]
- [Permanent Global Note exchangeable for Definitive Notes upon an Exchange Event]
- [Registered Notes:
[Global Note registered in the name of a nominee for a common depositary for Euroclear and Clearstream, Luxembourg]]
25. Additional Financial Centre(s):
- [Not Applicable/give details]
- (Note that this paragraph relates to the date of payment and not the end dates of Interest Periods for the purposes of calculating the amount of interest, to which sub-paragraphs 15(c) and 17(g) relate)*
26. Talons for future Coupons to be attached to Definitive Notes:
- [Not Applicable/give details. N.B. A new form of Temporary Global Note and/or Permanent Global Note may be required for Partly Paid issues]
- [Yes, as the Notes have more than 27 coupon payments, Talons may be required if, on exchange into definitive form, more than 27 coupon payments are still to be made/No]
27. Details relating to Partly Paid Notes: amount of each payment comprising the Issue Price and date on which each payment is to be made and consequences (if any) of failure to pay, including any right of the Issuer to forfeit the Notes and interest due on late payment
- [Not Applicable/give details. N.B. A new form of Temporary Global Note and/or Permanent Global Note may be required for Partly Paid issues]

28. Details relating to Instalment Notes: [Applicable/Not Applicable]
- (If not applicable, delete the remaining subparagraphs of this paragraph)
- (a) Instalment Amount(s): [give details]
- (b) Instalment Date(s): [give details]
29. Other terms or special conditions: [Not Applicable/give details]
30. Governing law: English law

[USE OF PROCEEDS]

[To include if the use of proceeds is different from that set out in the Offering Circular.]

PURPOSE OF PRICING SUPPLEMENT

This Pricing Supplement comprises the final terms required for issue and admission to trading of the Notes described herein pursuant to the US\$1,000,000,000 Euro Medium Term Note Programme of Vietnam Prosperity Joint Stock Commercial Bank.

RESPONSIBILITY

The Issuer accepts responsibility for the information contained in this Pricing Supplement.

Signed on behalf of **Vietnam Prosperity Joint Stock Commercial Bank**

By:

Duly authorised

PART B – OTHER INFORMATION

1. LISTING

[Application [has been made/is expected to be made] by the Issuer (or on its behalf) for the Notes to be listed on [*specify market – note this must not be a regulated market*] with effect from [●].] [Not Applicable]

2. RATINGS

Ratings:

[The Notes to be issued [[have been]/[are expected to be]] rated [*insert details*] by [*insert the legal name of the relevant credit rating agency entity(ies)*].

3. OPERATIONAL INFORMATION

(i) ISIN:

[●]

(ii) Common Code:

[●]

(iii) Any clearing system(s) other than Euroclear and Clearstream, Luxembourg and the relevant identification number(s):

[Not Applicable/give name(s) and number(s)]

(iv) Delivery:

Delivery [against/free of] payment

(v) Names and addresses of additional Paying Agent(s) (if any):

[●]

4. DISTRIBUTION

(i) Method of distribution:

[Syndicated/Non-syndicated]

(ii) If syndicated, names of Managers:

[Not Applicable/give names]

(iii) Stabilisation Manager(s) (if any):

[Not Applicable/give name]

(iv) If non-syndicated, name of relevant Dealer:

[Not Applicable/give name]

(v) U.S. Selling Restrictions:

Reg. S Compliance Category 1; [TEFRA D/TEFRA C/TEFRA not applicable]

(vi) Additional selling restrictions:

[Not Applicable/give details]

(vii) Prohibition of Sales to EEA Retail Investors:

[Applicable/Not Applicable]

(If Notes clearly do not constitute “packaged” products or the Notes do constitute “packaged” products and a key information document will be prepared, “Not Applicable” should be specified. If the Notes may constitute “packaged” products and no key information document will be prepared, “Applicable” should be specified.)

USE OF PROCEEDS

The net proceeds from each issue of Notes (after deducting fees and expenses associated with the issue of the Notes) will be applied by the Bank to improve its financial capacity, enhance operational safety, supplement operating capital to meet the funding demand for medium and long term loans or for such other purpose as set out in the applicable Pricing Supplement.

SELECTED FINANCIAL AND OTHER INFORMATION

The following tables present selected consolidated financial information for the Bank as at and for the years ended 31 December 2016, 2017 and 2018 and as at and for the three months ended 31 March 2019. The selected financial information as at and for the years ended 31 December 2016, 2017 and 2018 were derived from the audited consolidated financial statements of the Bank included elsewhere in this Offering Circular. The selected financial information for the three months ended 31 March 2019 and 2018 were derived from the unaudited consolidated interim financial statements of the Bank included elsewhere in this Offering Circular.

All of such financial statements have been prepared in accordance with VAS. VAS differs in significant respects from International Financial Reporting Standards (“IFRS”). For a discussion of these differences, see “Summary of Certain Differences Between VAS and IFRS”.

Selected Consolidated Income Statements

	For the year ended 31 December				For the three months ended 31 March		
	2016	2017	2018	2018	2018	2019	
	(VND million)			(US\$ million)	(VND million)		(US\$ million)
Interest and similar income	25,631,116	34,133,371	40,280,214	1,752.8	9,730,236	11,377,002	495.1
Interest and similar expenses	(10,463,257)	(13,518,945)	(15,578,639)	(677.9)	(3,712,379)	(4,352,087)	(189.4)
Net interest and similar income . .	15,167,859	20,614,426	24,701,575	1,074.9	6,017,857	7,024,915	305.7
Fee and commission income	2,114,834	3,210,071	3,818,797	166.2	869,636	1,130,352	49.2
Fee and commission expenses	(1,261,908)	(1,748,527)	(2,206,301)	(96)	(567,110)	(609,380)	(26.5)
Net fee and commission income . .	852,926	1,461,544	1,612,496	70.2	302,526	520,972	22.7
Net loss from trading of foreign currencies	(318,960)	(158,842)	(103,750)	(4.5)	(19,510)	(37,362)	(1.6)
Net gain/(loss) from securities held for trading	(149,384)	179,638	(56,821)	(2.5)	29,891	2,526	0.1
Net gain from investment securities	91,874	339,477	250,057	10.9	177,621	169,058	7.4
Other operating income	1,450,885	3,208,782	5,363,874	233.4	1,253,544	454,469	19.8
Other operating expenses	(232,315)	(809,217)	(682,613)	(29.7)	(129,664)	(171,786)	(7.5)
Net gain from other operating activities	1,218,570	2,399,565	4,681,261	203.7	1,123,880	282,683	12.3
Income from investments in other entities	872	53,568	845	0.04	–	–	–
TOTAL OPERATING INCOME . .	16,863,757	24,889,376	31,085,663	1,352.7	7,632,265	7,962,792	346.5
TOTAL OPERATING EXPENSES	(6,621,352)	(8,758,255)	(10,633,924)	(462.7)	(2,360,937)	(2,975,846)	(129.5)

	For the year ended 31 December				For the three months ended 31 March		
	2016	2017	2018	2018	2018	2019	
	(VND million)			(US\$ million)	(VND million)		(US\$ million)
Net profit before provision for credit losses	10,242,405	16,131,121	20,451,739	890	5,271,328	4,986,946	217.0
Provision expenses for credit losses	(5,313,094)	(8,001,058)	(11,253,231)	(489.7)	(2,652,317)	(3,204,410)	(139.4)
PROFIT BEFORE TAX	4,929,311	8,130,063	9,198,508	400.3	2,619,011	1,782,536	77.6
Current corporate income tax expense	(994,266)	(1,689,296)	(1,842,940)	(80.2)	(523,896)	(360,215)	(15.7)
Corporate income tax expense	(994,266)	(1,689,296)	(1,842,940)	(80.2)	(523,896)	(360,215)	(15.7)
PROFIT AFTER TAX	3,935,045	6,440,767	7,355,568	320.1	2,095,115	1,422,321	61.9
Basic earnings per share (VND/share)	1,757⁽¹⁾	2,820	3,025	0.1	865	579	–

(1) As a result of changes in the number of the Bank's shares for the period from 1 January 2017 to 31 March 2019, the basic earnings per share in 2016 were recalculated for the purpose of comparison.

Selected Consolidated Balance Sheets

	As at 31 December				As at 31 March	
	2016	2017	2018	2018	2019	2019
	(VND million)			(US\$ million)	(VND million)	(US\$ million)
ASSETS						
Cash, gold and gemstones	1,727,361	2,574,284	1,855,473	80.7	2,503,797	109.0
Balances with the state Bank of Vietnam	2,982,589	6,460,795	10,828,571	471.2	3,527,201	153.5
Placements with and credit granting to other credit institutions	9,388,905	17,520,025	16,571,491	721.1	8,637,912	375.9
Securities held for trading	2,952,206	1,424,854	4,202,413	182.9	4,243,645	184.7
Derivatives and other financial assets	–	–	–	–	22,884	1.0
Loans to customers	142,583,251	179,518,809	218,395,223	9,503.7	227,412,319	9,896.1
Investment securities	55,339,988	53,558,049	51,926,416	2,259.6	54,948,182	2,391.1
Long-term investments	222,930	152,506	190,654	8.3	171,990	7.5
Fixed assets	624,197	808,486	1,963,096	85.4	1,953,312	85.0
Investment properties	27,162	–	–	–	–	–
Other assets	12,922,329	15,734,506	17,357,782	755.3	18,659,079	812.0
TOTAL ASSETS	228,770,918	277,752,314	323,291,119	14,068.4	322,080,321	14,015.7

	As at 31 December				As at 31 March	
	2016	2017	2018	2018	2019	2019
				(US\$ million)	(VND million)	(US\$ million)
	(VND million)					
LIABILITIES						
Amounts due to the Government and the State Bank of Vietnam	1,103,686	26,015	3,781,343	164.5	21,651	0.9
Deposits and borrowings from financial institutions and other credit institutions	28,835,898	38,063,849	54,231,451	2,359.9	39,855,247	1,734.3
Customer deposits	123,787,572	133,550,812	170,850,871	7,434.8	188,117,243	8,186.1
Derivatives and other financial liabilities.	191,325	160,469	18,571	0.8	–	–
Other borrowed and entrusted funds . . .	1,389,786	328,777	329,649	14.3	325,177	14.2
Valuable papers issued	48,650,527	66,104,605	48,658,036	2,117.4	46,862,196	2,039.3
Other liabilities.	7,634,596	9,822,077	10,671,129	464.4	10,718,465	466.4
TOTAL LIABILITIES.	211,593,390	248,056,604	288,541,050	12,556.2	285,899,979	12,441.3
OWNERS' EQUITY						
Charter capital	9,181,000	15,706,230	25,299,680	1,100.9	25,299,680	1,100.9
Share premium	1,288,863	5,866,105	1,289,001	56.1	1,289,001	56.1
Treasury shares.	–	–	(2,491,721)	(108.4)	(2,491,721)	(108.4)
Reserves	2,950,192	3,558,265	5,465,879	237.9	7,200,080	313.3
Foreign exchange differences	–	–	–	–	7,952	0.3
Retained earnings	3,757,473	4,565,110	5,187,230	225.7	4,875,350	212.2
TOTAL OWNERS' EQUITY	17,177,528	29,695,710	34,750,069	1,512.2	36,180,342	1,574.4
TOTAL LIABILITIES AND OWNERS' EQUITY	228,770,918	277,752,314	323,291,119	14,068.4	322,080,321	14,015.7

Selected Consolidated Statements of Cash Flows

	For the year ended 31 December				Three months ended 31 March		
	2016	2017	2018	2018	2018	2019	
	(VND million)			(US\$ million)	(VND million)	(VND million)	(US\$ million)
CASH FLOWS FROM OPERATING ACTIVITIES							
Net cash flows from operating profit before changes in operating assets and liabilities	9,959,202	16,996,400	18,384,963	800	4,574,496	4,427,942	192.7
Net cash flows (used in)/from operating activities	(6,423,441)	9,215,782	8,686,319	378	1,124,611	(14,705,460)	(639.9)
CASH FLOWS FROM INVESTING ACTIVITIES							
Net cash flows (used in)/from investing activities	(131,623)	160,944	(117,237)	(5.1)	(26,261)	(15,936)	(0.7)
Cash flows from (used in)/financing activities	2,730,521	6,077,947	(4,801,209)	(208.9)	–	–	–
Net cash flows for the period/year .	(3,824,543)	15,454,673	3,767,873	164	1,098,350	(14,721,396)	(640.6)
Cash and cash equivalents at the beginning of the period/year	12,623,669	8,799,126	24,253,799	1,055.4	24,253,799	28,021,672	1,219.4
Cash and cash equivalents at the end of the period/year	8,799,126	24,253,799	28,021,672	1,219.4	25,352,149	13,300,276	578.8

Selected Financial Ratios⁽¹⁾

	As at and for the year ended 31 December			As at and for the three months ended 31 March
	2016	2017	2018	2019
Net interest margin (NIM) ⁽²⁾	7.9%	9.0%	9.0%	9.6%
Cost to income ratio (CIR) ⁽³⁾	39.3%	35.2%	34.2%	37.4%
Non-interest income to total operating income ratio ⁽⁴⁾	12.5%	12.9%	12.3%	14.2%
Return on average equity (ROE) ⁽⁵⁾	25.7%	27.5%	22.8%	16.0%
Return on average assets (ROA) ⁽⁶⁾	1.9%	2.5%	2.4%	1.8%
Loan to customer deposits ratio (LDR) ⁽⁷⁾	84.0%	89.2%	92.3%	92.4%
Tier I capital adequacy ratio ⁽⁸⁾	8.8%	11.3%	11.2%	12.1%
Tier II capital adequacy ratio ⁽⁹⁾	4.4%	3.3%	1.1%	1.0%
Total capital adequacy ratio ⁽¹⁰⁾	13.2%	14.6%	12.3%	13.1%
Non-performing loan ratio (NPL) ⁽¹¹⁾	2.9%	2.9%	3.2%	3.2%
Non-performing loan coverage ratio for loans to customer ⁽¹²⁾	76.7%	76.1%	77.2%	60.9%
NPL ratio for loans to customers ⁽¹⁶⁾	2.9%	3.4%	3.5%	3.6%
Ratio of short-term fund used for granting medium and long-term loans ⁽¹³⁾	38.6%	30.3%	33.6%	32.4%
CIR (standalone basis) ⁽¹⁴⁾	44.1%	44.6%	40.9%	42.2%
Cost of fund ⁽¹⁵⁾	5.5%	6.1%	6.0%	6.3%

(1) Ratios calculated based on the financial statements and the accounting records of the Bank.

(2) Calculated as the ratio of net interest and similar income to average interest earning assets (annualised for the three months ended 31 March 2019). The figure for average interest-earning assets is an average of the balance sheet interest earning assets (the sum of balance with SBV, balance with and loans to other credit institutions, securities held for trading, loans and advances to customers, available-for-sale securities and held-to-maturity securities minus loan to customers group three to five) for the beginning and the end of the relevant financial period. The calculation excluded NPLs and VAMC bonds.

(3) Calculated as the ratio of operating expenses to operating income for each period presented.

(4) Calculated as the ratio of fee income to total operating income.

(5) Calculated as the ratio of profit after tax to average equity (annualised for the three months ended 31 March 2019). The figure for average equity is an average of the balance sheet equity for the beginning and the end of the relevant financial period.

(6) Calculated as the ratio of profit after tax to average assets (annualised for the three months ended 31 March 2019). The figure of average asset is an average of the total asset for the beginning and the end of the relevant financial period.

(7) Calculated as the ratio of total credit (including loans to customers, corporate bonds and purchasing loans) to customer to customer deposits and valuable papers issued. Due to the nature of FE credit business (i.e. not allowed to obtain mobile fund from retail customers), the ratio is only applicable to the Bank itself only and is on standalone basis.

(8) Calculated as ratio of Tier I capital to total risk weighted asset under Circular 36.

(9) Calculated as the ratio of Tier II capital to total risk weighted asset under Circular 36.

(10) Calculated as ratio of Tier I and Tier II capital to total risk weighted asset under the Circular 36.

- (11) Calculated as ratio of total balance of non-performing loan (balance of Group 3, Group 4, Group 5 in accordance with Circular 02) divided by total loans balance of which loans consists of placements with and credit granting to other credit institutions, unlisted debt securities, loans to customers, debts purchased and credit-risk bearing assets.
- (12) Calculated as ratio of total balance of provisions for loans to customers (plus loans written off during the period) to total non-performing loan to customers (plus loans written off during the period).
- (13) Calculated as the short-term funds divided by medium and long-term loans (including loans to customers with remaining terms longer than one year) in accordance with Circular 36, Circular 09 and Circular 06.
- (14) Calculated as total operating expenses in the income statement on a standalone basis divided by total operating income in the income statement on a standalone basis (excluding income from investments in other entities in the income statement on a standalone basis).
- (15) Calculated as interest expenses divided by average balance of interest-bearing liabilities (including amounts due to the Government and the State Bank of Vietnam, deposits and borrowings from other credit institutions, customer deposits, other borrowed and entrusted funds, valuable papers issued)
- (16) Calculated as total balance of NPL of loans to customers only divided by balance of loans to customers only.

CAPITALISATION AND INDEBTEDNESS

As at 31 March 2019, the Bank had an authorised and issued share capital of VND25,229,680 million consisting of 2,456,748,366 ordinary shares and 73,219,600 repurchased shares as treasury shares with nominal value of VND10,000 for each ordinary share.

The following table sets forth the Bank's capitalisation and indebtedness as at 31 March 2019. The information set forth in the table has been derived from, and should be read in conjunction with, the unaudited consolidated financial statements of the Bank as at 31 March 2019, appearing elsewhere in this Offering Circular, and is qualified in its entirety by reference to such financial statements, including the notes thereto.

	As at 31 March 2019	
	(VND million)	(US\$ million) ⁽¹⁾
LIABILITIES		
Amounts due to the Government and the State Bank of Vietnam . . .	21,651	0.9
Deposits and borrowings from financial institutions and other credit institutions	39,855,247	1,734.3
Customer deposits	188,117,243	8,186.1
Other borrowed and entrusted funds	325,177	14.2
Valuable papers issued	46,862,196	2,039.3
Other liabilities ⁽²⁾	10,718,465	466.4
TOTAL LIABILITIES	285,899,979	12,441.3
OWNERS' EQUITY		
Charter capital	25,299,680	1,100.9
Share premium	1,289,001	56.1
Treasury shares	(2,491,721)	(108.4)
Reserves	7,200,080	313.3
Foreign exchange differences	7,952	0.3
Retained earnings	4,875,350	212.2
TOTAL OWNERS' EQUITY	36,180,342	1,574.4
TOTAL LIABILITIES AND OWNERS' EQUITY	322,080,321	14,015.7

(1) For the reader's convenience, U.S. dollar translations of Vietnamese dong amounts have been provided at a rate of US\$1.00 = VND22,980, which was the SBV average exchange rate for 30 March 2019.

(2) "Other liabilities" include payable to employees, taxes payable to the state budget (including value added tax, corporate income tax and certain taxes), transfer payments, advances from customers, payable in settlement operation, payable to suppliers and other liabilities.

Except as disclosed elsewhere in this Offering Circular, there has been no material change to the Bank's capitalisation or indebtedness since 31 March 2019.

OVERVIEW OF THE VIETNAM ECONOMY

Economic Overview

Vietnam is among the fastest-growing economies in Asia. GDP increased from VND5,006 trillion in 2017 to VND5,535 trillion in 2018. The economy posted a strong growth in 2018 with annual GDP growth rate of 7.1%, which is higher than the growth rate for the Philippines, Indonesia, Malaysia, Thailand and Singapore at 6.2%, 5.2%, 4.7%, 4.1% and 3.2%, respectively, according to the database of International Monetary Fund.

The following table sets forth certain key indicators for the years indicated:

	2014	2015	2016	2017	2018
GDP growth (<i>annual growth</i> ,%)	6.0%	6.7%	6.2%	6.8%	7.1%
GDP per capita (<i>current prices</i> – U.S. dollars)	2,012	2,065	2,171	2,342	2,551
Budget deficit (% of GDP)	5.7%	6.1%	5.6%	3.5%	–
Inflation (<i>Consumer prices; annual</i> %) . .	4.7%	0.9%	3.2%	3.5%	3.5%
Urban unemployment (% of total <i>labour force</i>).	3.4%	3.4%	3.2%	3.2%	3.1%
Exports (<i>millions of U.S. dollars</i>)	150,217	162,017	176,581	214,019 ^(P)	–
Export growth (<i>year-on-year growth</i> ,%) . .	13.8%	7.9%	9.0%	21.2% ^(P)	–

(P) Preliminary

Source: The World Bank and The International Monetary Fund.

The Government has prioritised long-term macroeconomic stability over growth, as demonstrated by the stable economic growth at an average of 6.6% over the past few years from 2014 to 2018.

Average annual inflation measured by CPI increased from 2.7% as at 31 December 2016 to 3.5% and 3.5% as at 31 December 2017 and 2018, respectively. Inflation for the three months ended 31 March 2019 was 0.7% over December 2018. Inflation is expected to be approximately 3.1% in 2019, which is better than the 4.0% target set at the beginning of the year.

Vietnam had a trade surplus of US\$2.7 billion in 2017, a trade surplus of US\$7.2 billion in 2018 and a trade surplus of US\$1.1 billion in the first three months of 2019. Exports of goods and services accounted for 90.0%, 94.0%, 100.0% and 113.0% of GDP in 2016, 2017, 2018 and for the three months ended 31 March 2019, respectively.

Gross Domestic Product

Gross domestic product, or GDP, measures the market value of all final goods and services produced within a country during a given period and is indicative of whether the country's productive output rises or falls over time. Economists show GDP in both current and constant market prices. GDP at current market prices values a country's output using the actual prices of each year, whereas GDP at constant market prices, here at 2010 prices, values output using this base year, thereby eliminating the distorting effects of inflation. Growth figures for GDP in this Offering Circular are period-on-period comparisons of GDP at constant 2010 prices, unless otherwise indicated. In Vietnam, sector gross value added data is equivalent to sector GDP data, and comparisons are also at constant 2010 prices.

The following table presents gross domestic product by sector and ownership at current prices for the periods indicated.

Gross Domestic Product by Sector and Ownership at Current Prices

	For the year ended 31 December					For the three months ended 31 March
	2014	2015 ^(E)	2016	2017 ^(E)	2018 ^(E)	2019 ^(P)
(VND billions, unless otherwise indicated)						
Gross domestic product	3,937,856	4,192,862	4,502,733	5,007,857	5,535,267	1,116,680
Growth (%)	6.0%	6.7%	6.2%	6.8%	7.1%	6.8%
Industry and construction	1,307,935	1,394,130	1,473,071	1,669,568	1,897,272	393,671
Mining and quarrying	426,184	402,869	365,522	373,931	408,228	88,873
Manufacturing	518,962	574,201	642,338	765,111	886,580	186,432
Electricity, gas, steam and air conditioning supply	142,060	167,402	188,876	217,443	250,806	57,922
Water supply, sewerage, waste management and remediation activities	19,526	21,556	23,541	25,946	28,193	6,577
Construction	201,203	228,102	252,794	287,137	323,466	53,867
Services	1,537,197	1,665,962	1,842,728	2,069,566	2,278,892	491,778
Wholesale and retail trade; repair of motor vehicles and motorcycles	387,749	425,543	472,942	536,259	602,584	133,458
Accommodation and food service activities	147,720	155,590	171,195	191,743	209,390	48,505
Transportation and storage	112,351	114,558	120,728	133,073	149,478	33,644
Information and communication	26,974	29,392	31,840	34,293	37,793	7,954
Financial, banking and insurance activities	207,083	230,149	248,598	273,809	295,444	40,278
Professional, scientific and technical activities	51,166	55,574	59,762	64,258	69,341	12,731
Real estate activities	202,103	212,882	228,684	243,946	253,870	64,020
Administrative activity and support service	14,761	15,829	17,263	18,729	20,411	5,342
State management – public administration, defence, and social security	106,127	114,186	125,399	137,635	150,004	31,587
Education and training	120,696	136,699	154,718	177,619	203,193	53,381
Human health and social work activities	66,204	72,206	96,949	132,507	151,542	31,128

	For the year ended 31 December					For the three months ended 31 March
	2014	2015 ^(E)	2016	2017 ^(E)	2018 ^(E)	2019 ^(P)
	(VND billions, unless otherwise indicated)					
Art, entertainment and recreation	23,047	24,969	27,128	29,990	32,418	7,046
Other services activities	65,463	71,946	80,286	87,620	94,301	20,538
Hired labour for households, household's production and self-consumption	5,753	6,439	7,236	8,082	9,124	2,166
Agriculture, forestry and fisheries	696,969	712,460	734,830	768,161	806,659	113,401
Agriculture and Forestry	548,038	564,549	582,093	596,690	616,536	83,523
Fisheries	148,931	147,911	152,737	171,471	190,123	29,878
Products taxes less subsidies on production	395,755	420,310	452,104	500,562	552,444	117,830
GDP (US\$ millions)	186,205	193,241	205,276	223,780	241,272	–
Per capita GDP at current prices (US\$) ⁽¹⁾	2,012	2,065	2,171	2,342	2,551	–

(E) Estimate.

(P) Preliminary.

(1) Per capita GDP displayed in actual numbers, not millions. Source: General Statistics Office.

The following table presents gross domestic product by sector and ownership at constant 2010 prices for the periods indicated.

Gross Domestic Product by Sector and Ownership at Constant 2010 Prices

	For the year ended 31 December					For the three months ended 31 March
	2014	2015	2016	2017 ^(E)	2018 ^(P)	2019 ^(P)
(VND billions, unless otherwise indicated)						
Gross domestic product	2,695,796	2,875,856	3,054,470	3,262,548	3,493,399	681,010
Growth (%)	6.0%	6.7%	6.2%	6.8%	7.1%	6.8%
Industry and Construction	896,042	982,411	1,056,808	1,141,369	1,242,421	247,733
Mining and quarrying	225,785	240,462	230,843	214,453	207,784	38,180
Manufacturing	400,192	442,612	495,283	566,604	640,172	138,396
Electricity, gas, steam and air conditioning supply	99,516	110,861	123,721	135,351	149,427	32,436
Water supply, sewerage, waste management and remediation activities	15,366	16,503	17,791	19,333	20,574	4,385
Construction	155,183	171,973	189,170	205,628	224,464	34,336
Services	1,035,726	1,101,236	1,178,143	1,265,820	1,354,796	276,919
Wholesale and retail trade; repair of motor vehicles and motorcycles	244,040	266,150	288,187	312,280	338,855	73,498
Accommodation and food service activities	103,444	105,813	112,902	123,041	131,383	28,699
Transportation and storage	78,776	82,731	87,943	94,899	102,349	21,656
Information and communication	28,068	30,459	32,957	35,383	38,128	8,467
Financial, banking and insurance activities	149,500	160,533	173,038	187,123	202,486	27,742
Professional, scientific and technical activities	36,730	39,227	41,973	44,995	48,078	8,297
Real estate activities	145,459	149,769	155,752	162,097	169,109	39,105
Administrative activity and supporting service	10,465	11,051	11,814	12,631	13,654	3,421
State management – public administration, defence and social security	73,286	78,357	83,928	90,072	94,215	18,753
Education and training	67,176	71,885	77,090	82,794	88,656	19,922
Human health and social work activities	31,141	33,321	35,780	38,439	41,172	8,955

	For the year ended 31 December					For the three months ended 31 March
	2014	2015	2016	2017 ^(E)	2018 ^(P)	2019 ^(P)
	(VND billions, unless otherwise indicated)					
Art, entertainment and recreation	19,364	20,787	22,319	23,968	25,696	5,172
Other activities	44,422	47,047	50,058	53,372	55,966	12,058
Hired labour for households, household's production and self-consumption	3,855	4,105	4,400	4,725	5,048	1,174
Agriculture, forestry and fisheries	451,659	462,536	468,813	482,417	500,567	72,261
Products taxes less subsidies on production	312,369	329,673	350,706	372,942	395,616	84,097

(E) Estimate.

(P) Preliminary.

Source: General Statistics Office.

GDP at constant 2010 prices grew by 6.2% from 2015 to 2016, compared to growth of 6.7% from 2014 to 2015. The per capita GDP at current prices in 2016 was US\$2,171, which was an increase of 5.1% from 2015. A driving factor for the GDP growth in 2016 was the 7.0% increase at constant prices in the services sector. The industry and construction sector experienced an increase of 7.1% in 2016. The agricultural sector of the economy grew at a rate of 0.7% in 2016, compared to 2.5% in 2015.

GDP at constant 2010 prices grew by 6.8% from 2016 to 2017, compared to growth of 6.2% from 2015 to 2016. The per capita GDP at current prices in 2017 was US\$2,342, which was an increase of 7.9% compared to 2016. The primary contributor to growth in 2017 was the services sector, which grew by 7.4% in 2017, compared to 7.0% in 2016. Wholesale and retail sales increased by 8.36% in 2017, while accommodation and catering services increased approximately 9.0% and financial, banking and insurance activities increased by 8.1%. The industry and construction sector experienced faster growth of 7.9% in 2017 compared to 7.1% in 2016. The agricultural sector grew 2.1% in 2017, compared to 0.7% in 2016.

GDP at constant 2010 prices grew by 7.1% between 2017 and 2018, compared to growth of 6.8% between 2016 and 2017. The per capita GDP at current prices in 2018 was US\$2,551, which was an increase of 8.9% compared to 2017. A primary contributor to growth in 2018 was the services sector, which grew by 7.0%. Industry and construction grew by 8.9% in 2018, compared to 7.9% in 2017. The agricultural sector experienced growth of 2.9% in 2018, compared to 2.1% in 2017.

In the first three months of 2019, GDP at current prices grew by 6.8% against the same period in 2018. Preliminary data indicates that the wholesale and retail sales as well as the accommodation and catering service contributed to the growth of the service sector. In addition, industry and construction also improved due to growth in the manufacturing subsector, which grew by 12.4% compared with the same period in 2018.

The following table presents gross domestic product by expenditure at current prices for the periods indicated. The figures for 2018 are not yet available.

Gross Domestic Product by Expenditure at Current Prices

	For the year ended 31 December			
	2014	2015	2016	2017 ^(P)
	(VND billions)			
GDP	3,937,856	4,192,862	4,502,733	5,007,857
Final Consumption	2,838,048	3,115,085	3,379,404	3,731,554
Non-State sector.	2,591,337	2,849,540	3,086,298	3,405,750
State sector	246,711	265,545	293,106	325,804
Gross capital formation	1,056,632	1,160,447	1,196,739	1,330,694
Gross fixed capital formation	938,452	1,033,780	1,066,160	1,190,474
Change in stocks	118,180	126,667	130,579	140,220
Trade balance (goods & services)	128,965	33,169	115,342	140,282
Statistical discrepancy	(85,789)	(115,839)	(188,752)	(196,555)
	(% of GDP)			
Final Consumption	72.07	74.29	75.05	74.54
Non-State Sector	65.81	67.96	68.54	68.03
State Sector	6.26	6.33	6.51	6.51
Gross capital formation	26.83	27.68	26.58	26.58
Gross fixed capital formation	23.83	24.66	23.68	23.78
Change in stocks	3.00	3.02	2.90	2.80
Trade balance (goods & services)	3.28	0.79	2.56	2.80
Statistical discrepancy	-2.18	(2.76)	(4.19)	(3.92)

(P) Preliminary.

Source: General Statistics Office.

The following table presents gross domestic product by expenditure at constant 2010 prices for the periods indicated.

Gross Domestic Product by Expenditure at Constant 2010 Prices

	For the year ended 31 December			
	2014	2015	2016	2017 ^(P)
	(VND billions)			
GDP	2,695,796	2,875,856	3,054,470	3,262,548
Final Consumption	1,920,658	2,095,817	2,249,249	2,414,559
Non-State Sector	1,750,249	1,913,547	2,053,236	2,204,149
State Sector	170,409	182,270	196,013	210,410
Gross capital formation	843,552	919,809	1,009,123	1,108,017
Gross fixed capital formation	761,052	832,235	914,777	1,008,084
Change in stocks	82,500	87,574	94,346	99,933
Trade balance (goods & services)	5,933	(135,699)	-198,214	-258,471
Statistical discrepancy	(74,347)	(4,071)	(5,688)	(1,557)
	Development Index (previous year = 100 %)			
Final Consumption	106.20	109.12	107.32	107.35
Non-State Sector	106.12	109.33	107.30	107.35
State Sector	107.00	106.96	107.54	107.35
Gross capital formation	108.90	109.04	109.71	109.80
Gross fixed capital formation	109.26	109.35	109.92	110.20
Change in stocks	105.72	106.15	107.73	105.92

(P) Preliminary.

Source: General Statistics Office.

Inflation

The inflation rate in Vietnam is computed as the annual percentage change in the CPI. The CPI measures prices of a “basket” of selected final goods and services that are consumed by the average household. The Government periodically conducts statistical reviews of the CPI and adjusts the composition of the CPI from time to time. The Government plans to continue reviewing the components of the CPI in light of international standards. Any depreciation in the value of the dong may contribute to an increase in the inflation rate.

The following table presents the CPI for the periods indicated.

Consumer Price Index

	As at 31 December				
	2014	2015	2016	2017	2018 ^(P)
Average CPI (previous year = 100) ⁽¹⁾ . .	104.1	100.6	102.76	103.5	103.5
CPI (in December of = 100) ⁽²⁾⁽³⁾	101.8	100.6	104.7	102.6	103.0

(P) Preliminary

(1) For the year ended 31 December.

(2) For the month of December of the year listed in the column.

(3) The month of December of the previous year = 100.

Source: General Statistics Office.

The following table presents select year-on-year CPI index data for the periods indicated.

Year-on-year CPI Index

	CPI	Food stuff	Housing & construction materials	Transport
December 2015	100.0	100.1	100.5	98.4
December 2016	100.2	99.9	100.2	99.1
December 2017	100.2	99.5	100.2	100.8
December 2018	99.8	100.0	99.1	95.1
January 2019	100.1	100.9	100.4	97.0
February 2019	100.8	102.1	100.7	100.2
March 2019	99.8	98.0	100.8	102.2

Source: General Statistics Office.

Monetary Policy

In implementing the Resolution No. 01/NQ-CP dated 8 January 2019 of the Government and the Resolutions of the Government meeting in the first two months of 2019, the SBV has managed the monetary policy to ensure safe and efficient banking operations. In the first Quarter of 2019, the SBV has managed the monetary policy in a proactive, flexible, cautious and harmonious manner with adherence to the macroeconomic and monetary developments.

The State Bank Law grants the SBV the following mandates: (i) the SBV develops annual inflation targets, which it submits to the Government for approval by the National Assembly, and then implements; and (ii) the SBV Governor decides on the instruments for implementing the national monetary policy, including refinancing, setting interest rates, foreign exchange rates, required reserves and open market operations for achieving the national monetary policy.

Based on this directive, the SBV reorganised and implemented various monetary policy measures. The key measures are as follows:

- regulating money supply with a view to controlling inflation, stabilising the economy, providing for foreign currency purchase, increasing foreign exchange reserves;
- reducing the SBV's interest rate on the basis of macroeconomic developments and the state of the money markets. The aim of this is to help businesses cope with difficulties, while still ensuring inflation control, as well as monetary and foreign exchange stability;
- operating flexible credit solutions in line with monetary policy objectives, creating favourable conditions for access to bank loans, implementing credit policies for a number of sectors to support credit organisations in deploying credit effectively, restructuring the credit procedure in line with Government policy, and supporting social welfare;
- managing exchange rates and foreign exchange markets in line with macroeconomic developments and foreign currency supply and demand. Exchange rate policies will be implemented in line with related monetary policy tools such as interest rate policies; and
- proactively monitoring the domestic and international gold markets, and intervening in gold markets when necessary to stabilise the economy, exchange rates, and foreign exchange markets.

Broad Money

The following table presents selected information regarding money supply.

Money Supply

	As at 31 December			
	2014	2015	2016	2017
	(VND trillion)			
Broad money	5,022.6	5,771.4	6,803.4	7,773.3

(P) Preliminary

Source: World Bank

In 2017, the broad money was VND7,773.3 trillion, compared to VND6,803.4 trillion in 2016, an increase of 14.3%. In 2016, the broad money was VND6,803.4 trillion, compared to VND5,771.4 trillion in 2015, an increase of 17.9%. In 2015, the broad money was VND5,771.4 trillion, compared to VND5,022.6 trillion in 2014, an increase of 14.9%.

Interest Rates

From 2014 to 2017, the SBV reduced the interest rates two times, of which the discount interest rate decreased from 5.0% to 4.3%, and the refinancing interest rate decreased from 7.0% to 6.2%.

The following table presents the distribution of credit in Vietnam for the periods indicated.

Distribution of Credit

	As at 31 December				
	2014	2015	2016	2017	2018
	(VND trillion)				
Total (Divided by sectors)	3,970.5	4,655.9	5,505.4	6,512.0	7,211.2
Agriculture, fisheries and forestry	391.2	465.5	555.6	636.8	667.0
Industry and construction	1,402.2	1,537.0	1,692.4	2,059.8	2,133.0
Industry	1,021.8	1,084.5	1,187.6	1,415.4	1,432.7
Construction	380.4	452.5	504.8	644.4	700.2
Trade, transportation and communication	878.9	979.7	1,200.2	1,547.6	1,784.2
Trade	744.1	826.9	1,003.2	1,306.0	1,568.4
Transportation and communication . . .	134.8	152.8	197.0	241.6	215.7
Other services	1,298.3	1,673.7	2,057.1	2,267.8	2,627.1

(P) Preliminary

Source: State Bank of Vietnam.

Public Finance

Overview of the State Budget

The state budget is composed of all revenues and expenditures of the State, which have been decided by the National Assembly annually. The State budgets revenues from taxes, charges and fees, economic activities of the State, contributions by organisations and individuals, aids and other incomes in accordance with the Law on State Budget (Law No. 83/2015/QH13) (the “State Budget Law”). Expenditures include disbursements for socio-economic development, national defence, security and operations of State and other disbursements as stipulated by laws of Vietnam. The National Assembly decides on state budget estimates, allocates the central budget and ratifies the state budget settlement. The State Budget Law mandates that revenues must be collected in accordance with the law. Expenditures may be incurred only when it is included in the budget plan (subject to certain statutory exceptions), made in accordance with the law and approved by the head of the unit that will utilise the budget. Both revenues and expenditures must be periodically reported as required by laws of Vietnam. The budget year of Vietnam begins on 1 January and ends on 31 December of each calendar year.

State Budget revenue

The Government collects revenue from both tax and non-tax sources. The main sources of tax revenue include, among others, corporate income tax, VAT, import and export taxes, special consumption tax and natural resources tax. The main sources of non-tax revenue include fees and charges and capital revenues, including proceeds from sale of residential houses, land use fees, etc. SOEs contribute to State budget revenues primarily through the payment of VAT on domestic goods and services.

The following table presents selected information on Government revenues for the periods indicated.

State Budget Revenue

	For the year ended 31 December			For the nine months ended 30 September
	2014	2015	2016 ^(2nd Est)	2017
	(VND million)			
Total State revenue and grants	877,697	998,217	1,101,377	843,055
Current revenue	820,491	915,396	991,971	765,111
Taxes	717,370	756,370	808,111	656,070
Corporate income tax	207,807	200,030	189,677	143,361
Personal income tax	47,844	56,723	65,239	60,684
Land and housing tax	1,463	1,479	1,419	1,115
Business licence tax	1,763	1,819	1,966	
Registration tax	16,090	22,405	27,311	18,363
VAT.	241,129	251,758	269,627	223,835
Excise tax on domestic goods	55,474	66,653	85,853	61,843
Natural resources tax	38,048	29,110	27,080	23,327
Agricultural land use tax	61	58	60	28
Export, import tax, special consumption tax and environment protection tax on import goods	95,603	99,315	96,247	70,193
Environment protection tax	12,087	27,020	43,632	31,549
Fee, charge and non-tax collection	103,120	159,026	183,860	109,041
Fee and charge.	16,038	25,381	17,211	26,991
Land rents	9,421	15,451	23,621	16,720
Miscellaneous revenues	77,661	118,194	143,028	65,330
Capital revenues (sale of residential house, land use fee etc.)	46,156	70,977	100,887	75,301
Grant	11,050	11,844	8,519	2,643
Investment mobilisations under Point 3				
Article 8 – The State Budget Law	21,044	18,170	–	–
Brought forward revenue	231,868	274,955	4,700	–

(2nd Est) Second estimate

Source: Ministry of Finance

Government expenditure

The following table presents selected information on State budget expenditures for the periods indicated.

State Budget Expenditure

	For the year ended 31 December			For the nine months ended 30 September
	2014	2015	2016 ^(2nd Est)	2017
	(VND billion)			
Total State budget expenditure	1,039,579	1,181,128	1,293,009	904,600
Current expenditure				
<i>of which</i>	791,127	872,275	937,951	737,990
Administration	123,120	132,843	118,169	93,375
Economic operation	69,442	79,519	91,545	77,645
Social affairs	352,597	357,016	418,203	333,647
Education and training	174,777	177,367	195,635	157,955
Healthcare and population control	50,261	49,423	76,217	62,337
Science and technology	7,027	9,392	10,471	8,157
Culture, information, media and sport	13,574	15,539	12,975	10,798
Social security	106,958	105,295	122,905	94,400
Interest payment	66,738	82,022	86,882	75,352
Salary reform	–	10,000	13,055	2,125
Development and investment expenditure . . .	248,452	308,853	268,181	166,610
Capital construction	–	285,663	265,023	162,957
Other capital expenditure	–	23,190	3,158	3,653
Brought forward expenditure	235,506	236,564	–	–

(2nd Est) Second estimate

Source: Ministry of Finance.

Total State budget expenditure for 2015 was VND1,181,128 billion, compared to VND1,039,579 billion for 2014, representing a decrease of 9.8%. Current expenditures for 2015 were VND872,275 billion, compared to VND791,127 billion for 2014, representing an increase of 10.3%. Development and investment expenditure for 2015 was VND308,853 billion, compared to VND248,452 billion in 2014, representing an increase of 24.3%. Brought forward expenditure, which is budgeted but unspent expenditure from the prior year brought forward into the current year, for 2015 was VND236,564 billion, compared to VND235,506 billion for 2014, representing an increase of 0.4%. Expenditure on social affairs was the highest contributor to the increase of expenditures in 2015 at VND357,016 billion.

Total State budget expenditure for 2016 (as presented by the Ministry of Finance's second estimate) was VND1,293,009 billion, compared to VND1,181,128 billion for 2015, representing an increase of 9.5%. Current expenditure for 2016 was VND937,951 billion, compared to VND872,275 billion for 2015, representing an increase of 7.5%. Development and investment expenditure for 2016 was VND268,181 billion, compared to VND308,853 billion in 2015, representing a decrease of 13.2%. Expenditure on social affairs was the highest contributor to the increase of expenditures in 2016 at VND418,203 billion.

Total State budget expenditure for the first nine months of 2017 was VND904,600 billion, with current expenditure at VND737,990 billion, development and investment expenditure at VND116,610 billion. Expenditure on social affairs remains high at VND333,647 billion for the first nine months of 2017.

Balance of the State Budget

The following table presents selected information on State budget revenues and expenditures for the periods indicated.

State Budget Revenues and Expenditures

	For the year ended 31 December			For the nine months ended 30 September
	2014	2015	2016 ^(2nd Est)	2017
	(VND billion)			
GDP	3,937,856	4,192,862	4,502,733	–
Total State revenue and grants	877,697	998,217	1,101,377	843,055
Taxes and Fees.	820,491	915,396	991,971	765,111
Capital revenue	46,156	70,977	100,887	75,301
Grant.	11,050	11,844	8,519	2,643
Investment mobilisations under Point 3				
Article 8 – The State Budget Law	21,044	18,170	–	–
Brought forward revenue	231,868	274,955	4,700	–
Total State expenditure (excluding principal repayment).	1,039,579	1,181,128	1,293,009	904,600
Development and investment Expenditure	248,452	308,853	268,181	166,610
Current expenditure	791,127	872,275	937,951	737,990
Brought forward expenditure	235,506	236,564	–	–
Principal repayment	64,404	84,497	67,068	132,965
Local budget balance	40,482	52,288	–	(57,455)
Budget deficit	249,362*	263,135*	254,000*	61,545
Percentage of GDP (%)	6.3%	6.3%	5.0%	1.9%

(2nd Est) Second estimate

* calculated following Vietnam's classification

Sources: Ministry of Finance, General Statistics Office and State Bank of Vietnam.

From 2014 to 2017, the State budget deficit remained high at approximately VND250,000 billion. In 2016, the State budget deficit decreased to 5.0% of GDP compared to 6.3% and 6.3% of GDP in 2014 and 2015, respectively. For the first nine months of 2017, the State budget deficit was 1.9% of GDP.

Balance of Payments, Foreign Trade and Foreign Investment

Balance of Payments

The following table presents Vietnam's balance of payments for the periods indicated.

Balance of Payments					For the six months ended 30 June
For the year ended 31 December					2018 ^(P)
	2014	2015	2016	2017	
	(US\$ million)				
A. CURRENT ACCOUNT	9,360	906	8,235	4,676	1,244
1. Goods					
Exports (f.o.b.)	150,217	162,112	176,632	215,119	58,626
Imports (f.o.b.)	138,091	154,716	162,619	204,274	55,580
Net	12,126	7,396	14,013	10,845	3,046
2. Services					
Exports	10,970	11,200	12,250	13,110	3,550
Imports	14,500	15,500	17,650	417,030	4,500
Net	(3,530)	(4,300)	(5,400)	(3,920)	(950)
3. Investment incomes (Primary income)					
Receipts	323	399	572	745	377
Payments	9,167	10,324	8,935	11,517	3,325
Net	(8,844)	(9,925)	(8,363)	(10,772)	(2,948)
4. Transfers (Secondary income)					
Receipts	10,308	8,586	9,125	10,031	2,696
Payments	700	851	1,140	1,508	600
Net	9,608	7,735	7,985	8,523	2,096
B. CAPITAL ACCOUNT	—	—	—	—	—
5. Capital account					
Receipts	—	—	—	—	—
Payments	—	—	—	—	—

	For the year ended 31 December				For the six months ended 30 June
	2014	2015	2016	2017	2018 ^(P)
	(US\$ million)				
C. FINANCIAL ACCOUNT	5,571	1,575	10,957	19,733	2,295
6. Direct Investment					
Abroad: Assets	(1,150)	(1,100)	(1,000)	(480)	(123)
In Vietnam: Liabilities	9,200	11,800	12,600	14,100	3,630
<i>Net</i>	8,050	10,700	11,600	13,620	3,507
7. Portfolio Investment					
Abroad: Assets	–	–	180	–	–
In Vietnam: Liabilities	(93)	(65)	48	1,887	1,591
<i>Net</i>	(93)	(65)	228	1,887	1,591
8. Other Investment					
Assets	(7,559)	(14,237)	(5,149)	(9,602)	(4,520)
Cash and deposit	(7,647)	(14,184)	(5,230)	(9,555)	(4,228)
Credit institutions	(20)	(4,630)	2,056	(4,067)	(2,917)
Other sectors	(7,627)	(9,554)	(7,286)	(5,488)	(1,311)
Loans	–	–	–	–	–
Trade credit and advances	–	–	–	–	–
Other accounts receivable/ payable	88	(53)	81	(47)	(292)
Liabilities	4,987	5,177	4,279	13,828	1,717
Cash and deposit	(1,433)	(662)	1,411	3,083	(665)
Borrowing and repayment of foreign debts	6,420	5,839	2,868	10,745	2,382
Short term	1,042	790	(566)	6,436	530
Debt	17,430	15,024	24,759	21,806	4,798
Amortization	(16,388)	(14,234)	(25,325)	(15,370)	(4,268)
Long term	5,378	5,049	3,434	4,309	1,852
Debt	9,792	9,916	8,438	13,732	3,651
Government's debt	5,434	4,353	3,717	3,225	455
Private debt	4,358	5,563	4,721	10,507	3,196

	For the year ended 31 December				For the six months ended 30 June
	2014	2015	2016	2017	2018 ^(P)
	(US\$ million)				
Amortization	(4,414)	(4,867)	(5,004)	(9,423)	(1,799)
Repayment of Government.	(1,195)	(990)	(925)	(1,249)	(321)
Repayment of Privatization	(3,219)	(3,877)	(4,079)	(8,174)	(1,478)
Net	(2,572)	(9,060)	(871)	4,226	(2,803)
D. ERRORS AND OMISSIONS . .	(6,556)	(8,513)	(10,802)	(11,865)	(2,359)
D. OVERALL BALANCE	8,375	(6,032)	8,390	12,544	1,180
F. RESERVES AND RELATED ITEMS	(8,375)	6,032	(8,390)	(12,544)	(1,180)
Reserve assets	(8,375)	6,032	(8,390)	(12,544)	(1,180)
Credit and loans from IMF	—	—	—	—	—
Special financing	—	—	—	—	—

(P) Preliminary

Source: State Bank of Vietnam (data for the years 2014 and 2015 has been obtained from the 2015 Annual Report of SBV; data for the year 2016 has been obtained from the 2016 Annual Report of SBV; and data for the year 2017 has been obtained from the 2017 Annual Report of SBV)

Current Account

For the period from 2014 to 2017, the current account has been fluctuating significantly from US\$9.4 billion, to US\$906 million, to US\$8.2 billion, to US\$4.7 billion in 2014, 2015, 2016 and 2017, respectively.

The trade balance generally correlates with the current account. For the period from 2014 to 2017, the trade balance for goods has also been fluctuating from US\$12.1 billion, to US\$7.4 billion, to US\$14.0 billion, to US\$10.8 billion in 2014, 2015, 2016 and 2017, respectively.

The services trading balance and investment income items in the balance of payments have been in a deficit from 2014 to 2017. As Vietnam has attracted a large amount of foreign investment capital, especially FDI and medium and long-term loans, interest payments and profit distributions to foreign investors have increased, resulting in the income item showing a deficit.

The service trading deficit fluctuated mildly from US\$3.5 billion, to US\$4.3 billion, to US\$5.4 billion, to US\$3.9 billion in 2014, 2015, 2016 and 2017, respectively; and the investment income deficit remained high at US\$8.8 billion, US\$9.9 billion, US\$8.7 billion, US\$10.8 billion in 2014, 2015, 2016 and 2017, respectively.

Financial Account

From 2014 through 2017, Vietnam's financial account decreased from US\$5.6 billion in 2014 to US\$1.6 billion in 2015, and significantly rose to US\$11.0 billion in 2016 and US\$19.7 billion in 2017.

Errors and omissions

The balance of payments continues to reflect a high rate of errors and omissions, which shows that Vietnam's statistical system has failed to fully and precisely collect data on the country's foreign trade and transactions. The rate of errors and mistakes increased from 2014 to 2017 (except in 2015).

Public Debt and National External Debt

	As at 31 December				
	2013	2014	2015	2016	2017 ^(P)
	(VND billion)				
OUTSTANDING⁽¹⁾	1,336,167.7	1,508,819.9	1,759,048.5	2,018,647.8	2,451,169.8
Government external debt.	763,224.4	810,125.3	867,826.1	947,494.9	1,040,000.9
SOEs external debt.	572,943.3	698,694.6	891,222.4	1,071,152.9	1,411,168.9
DISBURSEMENT⁽²⁾	813,833.0	1,037,888.0	852,608.1	1,428,275.0	2,157,626.0
Government external debt.	109,607.8	134,957.6	88,510.7	88,938.9	79,064.0
SOEs external debt.	704,225.2	902,930.3	764,097.3	1,339,336.1	2,078,562.1
DEBT SERVICE PAYMENT	693,037.6	847,397.3	657,804.5	1,235,385.2	1,840,561.1
Government external debt.	38,778.7	52,247.8	33,355.4	46,252.9	44,015.4
SOEs external debt.	654,258.86	795,149.5	624,449.1	1,189,132.3	1,796,545.7
Principal Payment	641,403.2	821,043.0	612,594.0	1,200,920.0	1,787,156.0
Government external debt.	27,735.9	40,093.8	21,964.0	33,285.7	29,765.9
SOEs external debt.	613,667.3	780,949.1	590,630.0	1,167,634.3	1,757,390.1
Interest and Commissions payment.	51,634.4	26,354.3	45,210.5	34,465.3	53,405.1
Government external debt.	11,042.8	12,154.0	11,391.4	12,967.2	14,249.5
SOEs external debt.	40,591.6	14,200.3	33,819.1	21,498.0	39,155.6

(P) Provisional

(1) Exchange rate at the end of period.

(2) Exchange rate as of the day of transaction.

Source: Ministry of Finance.

The ratio of public debt to GDP has been increasing from 2013 to 2017, being at 54.5%, 58.0%, 61.0%, 63.7% and 31.4% for 2013, 2014, 2015, 2016 and 2017, respectively. The ratio of national external debt to GDP has also been increasing from 2013 to 2017, being at 37.3%, 38.3%, 42.0%, 44.8% and 48.9% for 2013, 2014, 2015, 2016 and 2017, respectively.

Government debt

The following table presents selected data on the Government debt as at the dates indicated.

Government Debt					
	As at 31 December				
	2013	2014	2015	2016	2017 ^(P)
	(VND billion)				
OUTSTANDING⁽¹⁾	1,528,066.2	1,826,051.1	2,064,645.6	2,373,175.1	2,587,371.6
External.	763,224.4	810,125.3	867,826.1	947,494.9	1,040,000.9
Domestic	763,841.8	1,015,925.8	1,196,819.5	1,425,680.2	1,547,370.7
DISBURSEMENT⁽²⁾	403,900.0	534,626.7	453,217.77	444,729.4	323,284.7
External.	109,607.8	134,957.7	88,510.7	88,938.9	79,064.0
Domestic	294,292.2	399,669.1	364,707.1	355,790.5	244,220.7
DEBT SERVICE PAYMENT.	185,840.3	260,803.0	288,701.3	250,962.8	256,377.7
External.	38,778.7	52,247.8	33,355.4	46,252.9	44,015.4
Domestic	147,061.6	208,555.2	255,346.0	204,709.9	212,362.4
Principal Payment	125,818.1	187,916.9	203,442.8	160,591.5	153,303.5
External.	27,735.9	40,093.8	21,964.0	33,285.7	29,765.9
Domestic	98,082.2	147,823.0	181,478.9	127,3055.8	123,537.6
Interest and Commissions payment. .	60,022.2	72,886.1	85,258.5	90,371.3	103,074.3
External.	11,042.8	12,154.0	11,391.4	12,967.24	14,249.5
Domestic	48,979.4	60,732.1	73,867.1	77,404.1	88,824.8

(P) Provisional

(1) Exchange rate at the end of period.

(2) Exchange rate as of the day of transaction.

Source: Ministry of Finance.

The Government's outstanding debts have increased from 2013 to 2017, of which, the Government's external outstanding debts increased from US\$763,224.4 billion, to US\$810,125.3 billion, to US\$867,826.1 billion, to US\$947,494.9 billion, to US\$1,040,000.9 billion in 2013, 2014, 2015, 2016 and 2017, respectively; and the Government's domestic outstanding debts increased from US\$763,841.8 billion, to US\$1,015,925.8 billion, to US\$1,196,819.5 billion, to US\$1,425,680.2 billion, to US\$1,547,370.7 billion in 2013, 2014, 2015, 2016 and 2017, respectively.

The Government's debt service payment increased significantly from US\$185,840.3 billion in 2013 to US\$260,803.0 billion in 2014 and subsequently remained at approximately US\$265,347.3 billion for the years between 2015 and 2017.

Government guaranteed debt

The following table presents the amount of outstanding debt guaranteed by the Government as at the dates indicated.

Government-Guaranteed Outstanding Debt

	As at 31 December				
	2013	2014	2015	2016	2017 ^(P)
	(VND billion)				
OUTSTANDING⁽¹⁾	396,061.9	422,639.8	455,121.7	461,634.8	455,922.7
External.	188,485.6	210,802.3	247,667.1	255,045.0	252,388.6
Domestic	207,576.3	212,837.5	207,454.6	206,589.7	203,534.1

(P) Preliminary

(1) Exchange rate at the end of period.

(2) Exchange rate as of the day of transaction.

Source: Ministry of Finance.

Credit Ratings

The following table sets out the changes in Vietnam's long-term foreign currency credit ratings or rating outlooks by Standard and Poor's, and Moody's for the three years preceding the date of this Offering Circular.

Date	Rating Agency	Credit Rating or Rating Outlook
28 April 2017	Moody's	Maintained at B1 with positive outlook
10 August 2018.	Moody's	Upgraded to Ba3 with stable outlook
5 April 2019.	Standard and Poor's	Upgraded to BB with stable outlook

On 5 April 2019, Standard and Poor's upgraded Vietnam's sovereign credit rating to BB with a stable outlook.

On 10 August 2018, Moody's upgraded Vietnam's long-term issuer and senior unsecured ratings to Ba3 with a stable outlook.

On 28 April 2017, Moody's maintained Vietnam's issuer and senior unsecured debt ratings to B1 with a stable outlook.

OVERVIEW OF THE VIETNAM BANKING INDUSTRY

The information in this section has been extracted from publicly available documents from various sources, the SBV, the Bank's financial statements, credit rating reports and other sources, and has not been prepared or independently verified by the Bank (except for its financial statements and data), the Dealers, or any of their affiliates or advisors.

Overview

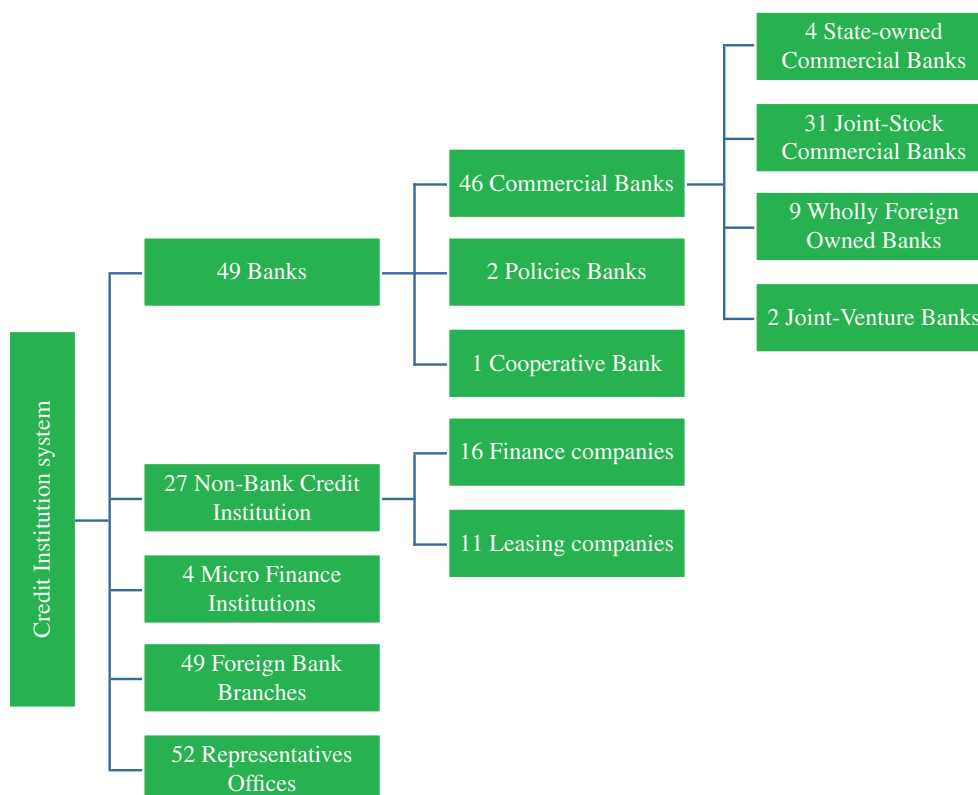
The Vietnam banking industry is still in an early stage of development. Although the Government has taken a number of steps to liberalise and modernise the industry, many business transactions still occur outside the banking system, and it is common for people to maintain their savings in cash or gold – it is estimated that over 70.0% of the Vietnamese population do not have bank accounts, according to data published by the SBV in 2019. To instill greater public confidence in the nation's banks and mobilise this untapped source of capital, the Government has strengthened regulation of credit institutions in recent years and permitted expanded foreign investment in the banking sector. At the same time, the Government has enacted various measures designed to improve the health and stability of the banking system, including controlling credit growth and raising capital requirements.

History

The Vietnam National Bank was established in 1951 following President Ho Chi Minh's signing of Decision 15/SL. It was renamed as the SBV in 1961, and originally functioned as both a central bank and commercial bank. On 26 March 1988, the Council of Ministers issued Decree No. 53/HDBT, under which the former SBV was separated into a two-tier system, with two distinct functions: a central bank and a commercial bank system. The passage of the 1990 Ordinance on the SBV led to a two-tiered banking system in which the SBV's role became that of central bank and regulator while a separate tier of commercial banks was created, including State-Owned Credit Institutions, Joint Stock Commercial Banks ("JSCBs"), Joint Venture Banks ("JVBs"), representative offices and Foreign Bank Branches ("FBBs"), people's credit funds, finance companies and financial leasing companies. Vietnam's accession to the World Trade Organisation ("WTO") in 2007 led to the establishment of an additional type of credit institution, Wholly Foreign-Owned Banks ("WFOBs").

Types of Credit Institutions

As at 31 March 2019, there were 49 banks in Vietnam in which 46 were commercial banks, two were policies banks and one is a cooperative bank. Among the 46 banks, there were four categories of banks as follows:



State-Owned Commercial Banks (“SOCB”)

As at 31 March 2019, there were four wholly state-owned commercial banks in Vietnam among which Vietnam Bank for Agriculture and Rural Development was the largest. SOCBs were originally established as policy banks, each having a specific policy function, but have since developed into commercial banks.

Joint Stock Commercial Banks

As at 31 March 2019, there were 31 JSCBs operating in Vietnam, including Vietnam Prosperity Joint Stock Commercial Bank (“VPBank”) Joint Stock Commercial Bank for Foreign Trade of Vietnam (“VCB”), Joint Stock Commercial Bank for Investment and Development of Vietnam (“BIDV”), Vietnam Joint Stock Commercial Bank for Industry and Trade (“Vietinbank”), Asia Joint Stock Commercial Bank (“ACB”), Ho Chi Minh Development Joint Stock Commercial Bank (“HDB”), Vietnam Technological and Commercial Joint Stock Bank (“TCB”), Tien Phong Commercial Joint Stock Bank (“TPB”), Vietnam International Commercial Joint Stock Bank (“VIB”), and Military Commercial Joint Stock Bank (“MB”). Out of these JSCBs, VCB, BIDV and Vietinbank are majority-owned by the Government and considered State-Backed Commercial Banks (“SBCBs”). The establishment of a JSCB must satisfy strict requirements regarding charter capital, shareholders and shareholding structure. In addition, the managers and executives of a JSCB must satisfy certain conditions and criteria specified by law.

JSCBs have captured significant market share in recent years by pursuing aggressive expansion strategies and adopting flexible operating models. A number of JSCBs have also sold shares to foreign investors, strengthening their capital positions and facilitating the transfer of banking expertise from their foreign strategic partners.

The following table describes certain information regarding the 10 largest JSCBs in Vietnam by total assets as at 31 December 2018 (such information has been derived from the financial statements of each bank as published on their respective websites and has been prepared pursuant to VAS):

As at 31 December, 2018	BIDV	Vietinbank	VPBANK	VCB	HDB	TCB	MB	TPB	ACB	VIB
(VND in trillions except percentage)										
Total assets	1,313	1,164	323	1,074	216	321	362	136	329	139
Gross loans	989	865	222	632	123	160	215	77	231	96
Customer deposits	990	826	171	802	128	201	240	76	270	85
Non-performing loan ratio (%)	1.9	1.6	3.2	1.0	1.1	1.8	1.2	1.1	0.7	2.2
Capital adequacy ratio under Circular 36 (%)	10.3	9	12.3	10.5	12.1	14.3	10.9	10.2	12.8	12.9
Net interest margin (%) . . .	2.9	2.1	9.0	2.8	4.0	4.1	4.6	3.7	3.6	3.8
Return on assets (%)	0.6	0.5	2.4	1.4	1.6	2.9	1.8	1.4	1.7	1.7
Return on equity (%)	14.6	8.3	22.8	25.2	20.3	21.5	19.4	20.8	27.7	22.6
Total operating income	45	29	31	39	9	18	20	6	14	6
Profit before tax	10	7	9	18	4	11	8	2	6	3
Cost to income ratio (%) . . .	36.2	49.6	34.2	34.6	47.0	31.8	44.7	50.6	47.8	44.5

Source: Bank's financial statements, S&P Global Market Intelligence, Fitch Ratings

Joint Venture Banks

As at 31 March 2019 there were two JVBs operating in Vietnam, including Indovina Bank Ltd. (established by VietinBank and Taiwan's Cathay United Bank) and Vietnam-Russia Joint Venture Bank (BIDV and Russia's VTB Bank).

JVBs are authorised to engage in the same activities as JSCBs but the foreign shareholders are limited to 50% ownership.

Wholly Foreign-Owned Banks

As at 31 March 2019, there were nine WFOBs in Vietnam, namely ANZ Bank (Vietnam), CIMB Bank (Vietnam), Hong Leong Bank Vietnam, HSBC Bank (Vietnam), Public Bank Vietnam, Shinhan Bank Vietnam, Standard Chartered Bank (Vietnam), UOB Vietnam and Woori Bank Vietnam.

As a result of Vietnam's Bilateral Trade Agreement with the United States in 2001 and accession to the WTO in 2007, the Government took further steps to open the banking sector to foreign investment by allowing for the establishment of WFOBs. In 2011, the SBV issued Circular 40/2011/TT-NHNN dated 15 December 2011 (as amended by Circular 17/2017/TT-NHNN dated 20 November 2017 and Circular 17/2018/TT-NHNN dated 14 August 2018), which provided guidelines for the organisation and operation of FBBs, JVBs, WFOBs and representative offices of foreign credit institutions.

In addition to local banks and local incorporated banks, there are Foreign Bank Branches and Representative Offices

In addition to the nine WFOBs, there were 49 FBBs operating in Vietnam as at 31 March 2019. Although FBBs were initially prohibited from engaging in certain types of banking activities, effective 1 January 2011 they are permitted to provide the same services as JSCBs and subject to the same deposit and lending requirements. In addition to the FBBs, there are 52 representative offices of foreign financial institutions in Vietnam.

For non-bank credit institutions, there are People's Credit Funds, Finance Companies and Financial Leasing Companies

As at 31 March 2019, there were over 1,000 people's credit funds ("PCFs"), 16 finance companies and 11 financial leasing companies operating in Vietnam. PCFs are regulated savings and credit cooperatives primarily engaged in the mobilisation of local savings and the provision of microfinancing services. PCFs emerged following the collapse of Vietnam's previous rural credit cooperative system in the late 1980s and are overseen by the Central Credit Fund. Finance companies are non-bank credit institutions permitted to use their own capital or raise capital to provide credit and other financial services but prohibited from accepting deposits or providing payment services. Financial leasing companies are non-bank credit institutions that provide medium to long-term collateralised financing to lessors on the basis of a finance leasing contract. There are four micro finance companies which support the impoverished.

Regulatory Framework

Banking activity in Vietnam is highly regulated. The SBV, the main regulator, supervises all banking related matters and activities (including currency, banking operations and foreign exchange) and is the central bank of Vietnam. The main legislation governing commercial banks in Vietnam is Law on Credit Institutions No. 47/2010/QH12 dated 16 June 2010 of the National Assembly, as amended by the Law No. 17/2017/QH14 dated 20 November 2017 (the "Law on Credit Institutions"). The Law on Credit Institutions is implemented by a number of decrees issued by the Government. The Law on Credit Institutions and those decrees have also been supplemented by circulars, decisions and directives issued from time to time by the SBV. They form the regulatory framework for all aspects of banking activities in Vietnam.

VAMC was established in 2013 pursuant to the Government decree No. 53/2013/ND-CP dated 18 May 2013, as amended by Decree No. 34/2015/ND-CP dated 31 March 2015 on establishment, organisation and operation of VAMC. According to the Government decree and the subsequent implementation rules, VAMC was established as a one-member limited liability company with 100.0% of its chartered capital owned by the Government, and is subject to direct supervision by the SBV. VAMC has the responsibility of handling bad debts of the banking industry in Vietnam and aims to assist expansion of credit extension at a reasonable rate, promote economic growth, improve liquidity and increase credit quality.

Joint stock commercial banks are also regulated under the Enterprise Law and its implementing regulations (the "Enterprise Law"). In the case of commercial banks operate in the form of public companies or listed companies in Vietnam, Securities Law No. 70/2006/QH11 adopted by the National Assembly dated 29 June 2006, as amended by Law No. 62/2010/QH12 and its implementing regulations (the "Securities Law") would apply. For further information on the regulatory framework in the Vietnam banking industry, see "*Supervision and Regulation*".

Deposit Insurance Scheme

Deposit Insurance of Vietnam (“DIV”) was established in 2013 pursuant to the Prime Minister’s Decision No. 1394/QĐ-TTg dated 13 August 2013 on the establishment, functions and tasks of DIV. DIV is a non-profit financial organisation of the Government and has charter capital of VND5,000 billion owned by the SBV. Its head office is located in Hanoi, with representative offices and branches spread throughout other provinces. DIV was established to (i) protect individual depositors, (ii) guarantee the stable operation of the financial banking system and prevent failures in the system and (iii) improve fair competition among financial entities as well as streamlining the development of the financial system. Although these three separate objectives are closely related, protecting individual depositors remains the top priority of DIV. Deposit insurance is limited to a maximum of VND75.0 million for each depositor.

Credit Information Centre

CIC was re-established in 2008 in accordance with Decision 3289/QĐ-NHNN dated 31 December 2008 of the SBV’s Governor on the functions, tasks, powers and organisational structure of CIC. CIC is a non-profit organisation of the SBV responsible for collecting, processing, storing, analysing and forecasting credit information with the aim of supporting the SBV’s management and providing banking information services in accordance with the SBV’s regulations and Vietnamese laws.

DESCRIPTION OF THE BANK

Overview

The Bank is one of the largest commercial banks in Vietnam and offers a wide range of diversified domestic banking services, including lending, deposit-taking, trade finance, remittance, cash management, treasury, foreign exchange, trading and investment banking services for consumer finance, retail, SME and corporate customers in Vietnam. The Bank continues to consolidate a leading position in the consumer finance, retail and SME segments in Vietnam with rapidly expanding and diverse customer bases in these business segments and significant loans to customers as compared to its peer institutions. In particular, in the consumer finance segment, FE Credit, is the largest consumer finance company in Vietnam based on market share, as at 31 December 2017. FE Credit is operated through VPBank Finance Company Limited, a wholly-owned subsidiary of the Issuer. As at 31 March 2019, the Bank ranked as the largest joint stock commercial bank in Vietnam as measured by total operating income, third most profitable as measured by profit before tax and the sixth-largest as measured by total assets (excluding, in each case, SBCBs), according to the financial statements of such joint stock commercial banks as published on their official websites.

The Bank has achieved rapid and prudent organic growth. From 31 December 2016 to 31 December 2018, the Bank's total number of active customers expanded by 75.0% and total deposits from customers including valuable papers issued increased with a CAGR of 12.8%. The Bank's total loans to customers (on a consolidated basis) grew from VND144,673,213 million as at 31 December 2016 to VND182,666,213 million, VND221,961,996 million (US\$9,658.9 million) and VND231,458,178 million (US\$10,072.2 million) as at 31 December 2017 and 2018 and 31 March 2019, respectively. When taking into account the Bank's standalone figures, the total loans to customers, including debts purchased grew from VND112,568,314 million as at 31 December 2016 to VND137,869,199 million, VND168,691,770 million (US\$7,340.8 million) and VND176,823,396 million (US\$7,694.7 million) as at 31 December 2017 and 2018 and 31 March 2019, respectively.

The Bank's recent growth is attributable to the expansion of its branch network and diversified distribution channels across Vietnam, as well as a strong focus on consumer finance and retail banking. The Bank has developed a leading consumer finance, retail and SME footprint through an extensive branch network. The number of the Bank's retail branches grew from 215 as at 31 December 2016 to 217, 222 and 225 as at 31 December 2017 and 2018 and 31 March 2019, respectively, while the number of the Bank's SME centres and hubs grew from 72 as at 31 December 2016 to 77, 83 and 84 as at 31 December 2017 and 2018 and 31 March 2019, respectively. The Bank had 129, 236, 171 and 157 household centres as at 31 December 2016, 2017 and 2018 and 31 March 2019, respectively, and has maintained four corporate banking branches since 2016. As at 31 March 2019, the Bank had 482 branded ATM machines across Vietnam increasing from 439, 474 and 480 as at 31 December 2016, 2017 and 2018, respectively. The number of the Bank's CDMs across Vietnam increased from 44 as at 31 December 2016 to 105 as at 31 December 2017 and 154 as at 31 December 2018, and remained the same as at 31 March 2019. The Bank has a strong distribution network, with its retail branches spread across Vietnam. As at 31 March 2019, the Bank had 64 branches in Hanoi, 46 in Ho Chi Minh City, 39 in the north central coast region, 23 in the northern region, 22 in Red River Delta region, 15 in the Mekong River delta region, nine in the southeast region, four in the south central coast region and three in the central highlands region.

The Bank has received numerous awards in multiple categories, including the "Vietnam Outstanding Banking Awards 2018" from The International Data Group in 2018; the "Best Commercial Bank Award" and "Best Bank for Small and Medium Enterprises (SME) Award" from International Banker magazine (UK) in 2016; "Best Customer Service Bank", "Best Banking Application on Smartphone" and "Best Financial Solution in Vietnam for Individual Business Household" from Global Banking & Finance Review magazine in 2016; and "Top E-Bank 2016" and "SME Bank 2016" from The International Data Group in 2016. The Bank's VPBiz card for small and medium enterprises was voted by Asian Banking & Finance magazine to be "The Breakthrough Product of the Year" in 2016; and Forbes and Brand Finance magazine also evaluated the Bank as one of the top seven banks and top 26 enterprise which have the biggest brands in Vietnam in 2016, with a total brand value of up to US\$57 million.

The Bank's consolidated total assets amounted to VND228.8 trillion, VND277.8 trillion and VND323.3 trillion (US\$14,068.4 million) as at 31 December 2016, 31 December 2017 and 31 December 2018, respectively, reflecting a CAGR of 18.9% during the period from 2016 to 2018. As at 31 March 2019, the Bank's consolidated total assets amounted to VND322.1 trillion (US\$14,015.7 million). The Bank had net loans to customers of VND142.6 trillion, VND179.5 trillion, VND218.4 trillion (US\$9,503.7 million) and VND227.4 trillion (US\$9,896.1 million) as at 31 December 2016, 31 December 2017, 31 December 2018 and 31 March 2019, respectively. The Bank's net profit after tax was VND3.9 trillion, VND6.4 trillion, VND7.4 trillion (US\$320.1 million) and VND1.4 trillion (US\$61.9 million) for 2016, 2017, 2018 and the three months ended 31 March 2019, respectively.

Competitive Strengths

The Bank possesses a number of competitive strengths that it believes can be leveraged to enhance its position as a leading financial and banking group in Vietnam:

Vietnam is one of the fastest-growing economies in Southeast Asia, with a fast growing banking sector that has significant growth potential

The Bank has and will continue to benefit from the attractive macroeconomic and sector fundamentals. Vietnam's economy has experienced significant growth in recent years. In 2018, Vietnam recorded a real GDP growth of 7.1%, being the highest pace of expansion in the past 11 years, propelled by growth in exports, domestic demand, foreign investment and the manufacturing sector. Vietnam's real GDP growth rate was higher than that of other countries in Southeast Asia such as the Philippines, Indonesia, Malaysia, Thailand and Singapore, which recorded 6.2%, 5.2%, 4.7%, 4.1% and 3.2%, respectively, during the same period. In terms of performance of currencies, the Vietnamese dong is one of the most stable currencies in Southeast Asia, demonstrating investor confidence surrounding the Vietnamese economy. One of the factors contributing to Vietnam's growth is its large working population, with 70.0% of the population within the golden age of 15 to 64 years old, compared to 24.0% of the population within the age of 0 to 14 years old and 6.0% of the population over 65 years old, demonstrating a strong potential for future economic growth. Vietnam's unemployment rate, at 2.2%, ranks as one of the lowest in Southeast Asia, compared to 3.4%, 5.2%, 5.3%, 1.3% and 2.1% in Malaysia, the Philippines, Indonesia, Thailand and Singapore, respectively, and continues to spur consumer demand and household credit growth.

With the improving economic performance supported by ongoing improvements in infrastructure, favourable demographics and the Government's efforts to support foreign direct investments, Vietnam's banking sector continues to experience steady growth with significant potential. Given that close to 50.0% of the Vietnamese population are "unbanked", there is very strong potential for growth in Vietnam's retail banking sector. Households in Vietnam are underleveraged compared to other economies, providing ample headroom for expansion of the retail banking sector. Vietnam has an average household debt of US\$1,300, compared to US\$5,400, US\$8,900, US\$32,000, US\$43,000 and US\$47,000 in Thailand, Malaysia, Hong Kong, Singapore and the United States, respectively. There is also a large and addressable target market for consumer finance in Vietnam, particular in the top ten cities which accounts for more than 50.0% of urban adults.

As the banking sector continues to experience significant growth, the SBV continues to promote policies to instill discipline and strengthen the financial system of Vietnam. SBV has also been playing an active role in restructuring the financial and banking system, including applying more stringent prudential ratio standards and stricter risk management standards. In late 2016, the SBV enacted Circular 41, stipulating the 8.0% minimum consolidated CAR for banks (from the previous 9.0%). Such initiatives of the SBV will further strengthen the banking sector in Vietnam.

Strong focus on consumer finance and retail banking, well positioned to benefit from Vietnam consumer story

The Bank's leading position has been built through a strong emphasis on the retail banking and consumer finance segments. The Bank's strong retail base and extensive branch network makes the Bank ideally positioned to capture the growth in consumer demand in Vietnam. By the end of 2018, the Bank's customer base has grown significantly to more than 3,000,000 retail customers, 150,000 household businesses and 80,000 enterprises, while that of FE Credit reached more than 10 million.

With an established retail banking platform, the Bank is able to target retail demand through a diverse mix of financing products. As at 31 March 2019, the outstanding loans granted in the retail banking segment accounted for 32.1% out of the total loan book of the Bank. The Bank caters to the entire Vietnamese population, ranging from the lower mass population, which seeks simple and convenient products, to the upper mass and mass affluent population, which prefers more varied banking products to meet their increasing savings, borrowing and investment needs. Over the years, the Bank has expanded its wide range of product offerings, with increased focus on affluent banking and credit cards along with lending and deposit products. For example, the VPBank Diamond brand is an established brand name of the Bank, offering exclusive products such as fast track services, tailor-made solutions and lounge access. Between 2016 and 2018, the outstanding loans granted in the retail banking segment of the Bank achieved a CAGR of 15.8%. As the Vietnamese economy continues to expand, the Bank believes that the retail banking segment in Vietnam continues to be underpenetrated and underserved, and that personal income and consumer credit demand will continue to increase, especially among the growing middle class as their purchasing power increases.

In order to further attract customers to its services, the Bank initiated a fast and easy credit programme in early 2011, namely FE Credit, to provide expedient financial solutions to the Bank's consumer finance customers. Nearly half of FE Credit's customer base is below 30 years old and is mostly made up of employed, economically-active individuals whose credit profiles may not qualify for traditional bank loans. FE Credit's target customers account for 70.0% of the working population in Vietnam, indicating an attractive and largely untouched market for consumer finance products. FE Credit has experienced robust growth since its establishment, and is the largest consumer finance company in Vietnam, with approximately 55.0% of market share nationwide, based on the market share (by loan book) of the seven active consumer finance companies in Vietnam as at 31 December 2017. As at 31 March 2019, the outstanding loans granted by FE Credit in the consumer finance segment accounts for 23.6% out of the total loan book of the Bank. FE Credit maintained a distribution network of over 12,000 POS and over 35,000 POC as at 31 March 2019. FE Credit also maintained a sales force of over 13,000 agents across 63 provinces and key cities in Vietnam as at 31 March 2019.

In addition to the traditional distribution network, the Bank has expanded its digitisation initiative. The number of financial transactions conducted online was estimated to have risen by 110.0% from 2017 to 2019.

Access to stable and diverse funding sources has helped the Bank maintain low funding costs

The Bank enjoys a diversified funding base across various funding instruments, including the funding from the Government and the SBV, deposits and borrowings from other credit institutions, customer deposit, valuable papers issued and other borrowings and entrusted funds. As at 31 March 2019, the proportion of the various sources of the Bank's funding was: 79.7% from customer deposits (i.e., deposits and certificates of deposit), 5.7% from domestic bonds, 4.60% from medium and long-term borrowings from financial institutions and other credit institutions and 10.0% from interbank and other sources. See "*Description of the Bank's Assets and Liabilities – Funding*" for a detailed discussion of the diversified funding sources of the Bank.

As the Bank's primary source of the funding is derived from the current and term deposit accounts of its corporate and retail customers, the Bank's emphasis on boosting customer deposits has helped establish a sustainable low-cost funding structure for future asset growth. As at 31 March 2019, the Bank's deposits from consumer finance, retail, household banking and SME customers totalled VND27,530,801 million (US\$1,198.0 million), VND128,041,647 million (US\$5,571.9 million), VND49,649 million (US\$2.2 million) and VND12,789,423 million (US\$556.5 million), respectively, representing 11.7%, 54.5%, 0.02%, 5.4% of the Bank's total deposits, respectively. This demonstrates the diversification of the Bank's portfolio, which generates steady sources of funding, and in particular its stable portion of retail deposits or commonly referred to as "sticky deposits". Focusing on attracting term deposits, the Bank is able to minimise the liquidity risks and efficiently utilise such low-cost funding sources for its operations. In addition, the Bank's diversified deposit products have contributed to a liquid balance sheet by advancing the Bank's ability to grow and retain diversified customer deposits. From 2017 to 2018 and from 2016 to 2017, the Bank expanded its deposit base including customer deposits and valuable papers issued by 9.9% and 15.8%, respectively. The Bank has maintained a prudent LDR and short term funding ratio. The LDR of the Bank on a standalone basis (as measured by total credit to customers to customer deposits and valuable papers issued) was maintained at 84.0%, 89.2%, 92.3% and 92.4% as at 31 December 2016, 2017 and 2018 and as at 31 March 2019, respectively, while the Bank maintained its short-term funding for mid and long-term loans on a standalone basis at 38.6%, 30.3%, 33.6% and 32.4% for the corresponding periods, respectively. These increased deposits have provided sufficient capacity for the Bank to continue increasing its total loans to customers.

Robust growth in profitability, driven by high margin business and strong cost efficiencies

The Bank has consistently sustained its profitability, driven by diversified and high margin revenue sources combined with cost efficiencies. The Bank has benefitted from its high margin business, particularly FE Credit, retail banking and household banking. FE Credit has the highest NIM among the Bank's business segments as all of its loan products are unsecured products which offer the highest yield to offset the high risk profile of lower mass customers. Similarly, a majority of household banking loan products are unsecured with short tenor and target household businesses that are more willing to pay a high interest for immediate disbursement of funds. For the retail banking, its high margins are largely derived from its unsecured products such as UPLs, credit cards and overdrafts. The Bank has been able to further reduce its operating costs through measures to enhance cost efficiencies, including its digitisation strategy, which has been scaled up to improve customers loyalty and cost optimisation, in addition to improving productivity through digital marketing and transforming the banking ecosystem.

The Bank has maintained high NIM at 7.9%, 9.0%, 9.0% and 9.6% in 2016, 2017, 2018 and for the three months ended 31 March 2019, respectively. In 2018, the Bank commanded the highest NIM among the Vietnamese banks. Based on this higher NIM, the Bank has been able to improve its asset utilisation which, as measured by the Bank's total operating income over its assets, grew from 7.4% in 2016 to 9.0%, 9.6% and 9.9% in 2017, 2018 and annualised for the three months ended 31 March 2019, respectively.

The Bank's CIR has shown an overall declining trend over the years, with the consolidated CIR declining from 39.3% in 2016 to 35.2% in 2017 and 34.2% in 2018 but picked up slightly to 37.4% for the three months ended 31 March 2019, and the CIR for the Bank on a standalone basis (which excludes income from the Bank's subsidiaries) only recorded 44.1%, 44.6%, 40.9% and 42.2% in 2016, 2017, 2018 and for the three months ended 31 March 2019, respectively. The Bank has also managed to keep the cost of funds at a stable level at 5.5%, 6.1%, 6.0% and 6.3% in 2016, 2017, 2018 and annualised for the three months ended 31 March 2019, respectively, while its net yield has improved from 13.4% in 2016 to 14.9%, 14.7% and 15.5% in 2017, 2018 and for the three months ended 31 March 2019, respectively.

As a result of the high margin and high return, coupled with successful cost efficiency management, the Bank's overall ROE was 25.7%, 27.5%, 22.8% and 16.0% in 2016, 2017, 2018 and annualised for the three months ended 31 March 2019, respectively, while the Bank's ROA was 1.9%, 2.5%, 2.4% and 1.8% in 2016, 2017, 2018 and annualised for the three months ended 31 March 2019, respectively.

The Bank has strongly positioned itself as one of the main non-state owned banks in Vietnam, leading the industry through its profitability and efficiency. Based on the audited consolidated financial statements of the Bank as at 31 December 2018, the Bank has recorded the second highest ROA among all Vietnamese banks and the third highest ROEs in the country, and is one of the top three Vietnamese banks and the top non-state owned Vietnamese bank in terms of total operating profit.

Well capitalised and prudently managed asset quality

The Bank has adopted a prudent approach to managing the quality of its assets and in particular, its NPLs, through an efficient, thorough and effective recovery programme. The disciplined approach of the Bank towards NPL encompasses various measures, including starting the NPL prevention activities long before the loan overdue date, having team and models monitoring signs of potential default and designing tailored responses based on customer profiles, and using an auto-dialling system for communication during the prevention period. More significantly, the Bank is among the few banks in Vietnam which strictly adhere to the IFRS classification standard. The Bank has managed its NPLs in accordance with Circular 02, and maintained stable NPL ratios of 2.9%, 2.9% and 3.2% in 2016, 2017 and 2018, respectively and 3.2% as at 31 March 2019. Recovery from bad debts written off has also been increasing from VND716.6 billion in 2016 to VND1,098.1 billion in 2017 and further to VND2,092.7 billion (US\$91.1 million) in 2018. As at 31 March 2019, the recovery from bad debts written off was VND225.4 billion (US\$9.8 million).

Moreover, the Bank has kept NPL coverage ratio for loans to customer (adding written off) stable at 76.7%, 76.1%, 77.2% and 60.9% for 2016, 2017, 2018 and the three months ended 31 March 2019, respectively.

The Bank is also well-capitalised and has sufficient capital buffers relative to the regulatory requirements. The Bank recorded chartered capital of VND25,299,680 million as at 31 December 2018. With respect to the CARs under Circular 36 of the SBV, as amended and supplemented from time to time, including Circular 16, Circular 09, Circular 19 and Circular 41, the Bank maintained CARs pursuant to Circular 36 at 13.2%, 14.6%, 12.3% and 13.1% as at 31 December 2016, 2017 and 2018 and 31 March 2019, respectively, well beyond the SBV regulatory requirement of 9.0%. The Bank also maintained CARs calculated pursuant to Circular 41 at 9.5%, 12.6%, 11.2% and 11.1% as at 31 December 2016, 2017 and 2018 and 31 March 2019, respectively, beyond the SBV regulatory requirement of 8.0%. It is worth highlighting that the Bank is among the few banks in Vietnam which was ready to officially apply Circular 41 from 1 May 2019.

After just six months of being listed on the Ho Chi Minh Stock Exchange, the Bank's stock was selected for the "VN30" basket, which comprises the most powerful stocks in Vietnam. To be listed on the VN30, the stocks went through a three-step screening process for market capitalisation and liquidity. Being present on this list demonstrates the quality of the Bank's stocks in both liquidity and value.

Total assets over equity of the Bank has been maintained at 9.3 times as at 31 December 2018, much lower than the industry average and close to the best practices of other regional banks, reflecting the Bank's activeness in capital management and utilisation.

Comprehensive and modernised risk management policies

The Bank maintains sound asset quality through strict risk management, credit approval, and corporate governance policies, which have been and continue to be developed in line with international standards and with the periodic assistance of foreign consulting experts. With the goal of creating an infrastructure to support the loan growth strategies, the Bank continues to improve its internal risk management structure to better respond to business development initiatives. Actions have included establishing a risk improvement acceleration team to manage strategic risk initiatives, implementing a centralised credit approval structure and establishing an operational risk committee to develop an anti-fraud management scheme. The Bank follows a three-tier risk management system, including front office, risk management and internal audit functions, in an attempt to provide a comprehensive review of the Bank's operations. Scorecards indicating the risk profiles of different customer segments and risk-based pricing in businesses such as SME banking enable the Bank to identify various types of risk.

Data collected by the data analytics team of the Bank feeds the credit scoring model and analytical tools, and the scoring models are monitored monthly and, where required, be updated with new parameters and assumptions to reflect the changing market landscape in Vietnam. The data analytics models guide post-disbursement monitoring activities and communication. The Bank believes that it is the only bank in Vietnam to make mainly statistically-driven decisions, and the first to invest in data acquisition. In addition, the Bank has invested heavily in its digital strategy to deepen distribution channels and streamline processes. The Bank has implemented an "end-to-end" transformation of its existing business model, besides launching a new digital bank, creating a tailored value proposition to serve digitally-savvy customers.

As a result of the continuing efforts of the Bank to maintain an efficient, thorough and effective recovery programme, the Bank had been recognised by VAMC, the Vietnamese state agency established to buy up bad debts, as one of the two most efficient banks in recoveries in 2016. More significantly, the Bank was one of the first few banks selected by the SBV to pioneer the implementation and application of Basel II standards in Vietnam in late 2018.

Strategies

The Bank aims to become the most consumer-friendly bank through technology and one of the three most valuable banks in Vietnam by 2022. To realise its objectives, the Bank will focus on the following strategies:

Establishing programmes to enhance sales and network productivity to drive value from existing franchises in consumer finance, retail, household and SME

The Bank developed its business model focusing on four key business segments (consumer finance, retail, household and SME) and diverse products suitable for various customer groups, and the Bank has continued with its digitisation project in order to attain a solid performance in 2018. The Bank's customer base grew significantly in 2018, to include more than 3,000,000 retail customers, 150,000 household businesses and 80,000 enterprises, while that of FE Credit reached more than 10 million by the end of 2018. With its extensive branch and distribution network across the country, the Bank will continue to leverage its leading position and reputation in the market to increase product offering, improve service quality and capture sustainable financial results. The Bank has taken initiatives to achieve this objective, including driving balanced growth in unsecured lending and among affluent customers, with a particular focus on self-employed individuals, using analytics to drive non-linear growth in sales for cross-selling, reconfiguring micro-SME distribution model, introducing disciplined sales management in the front line, optimising branch network and standardising formats, building customer service as a differentiated proposition, and improving commercial and domestic cash management.

Conducting “end-to-end” redesign and digitisation of core banking journeys to substantially improve customer experience and lower costs

Digitisation is a driver for the Bank’s growth, and the Bank believes 2018 was its breakthrough year in digital banking. In 2018, there was a robust growth in the number of online users, giving a tenfold increase since 2015. Several key digital-related targets, such as the number of lending customers (overdraft contracts) and savings accounts issued online increased by around 75.5% and 74.6%, respectively from 2017 and 2018. The number of financial transaction was estimated to have risen steadily by 110.0% compared to 2017, enabling the Bank to save substantially on operating expenses and optimise branch resources. In 2018, the DBS, the Bank’s digitisation arm, developed five new internet-based banking products that helped the Bank sustain its leading position in relation to innovative digital products and improved customer experience and convenience. At the heart of the Bank’s digitisation journey was Digital Factory. Founded in February 2017, Digital Factory was designated to roll out digital banking programmes, including prioritised customer journeys. Digital Factory also collaborated with its SME Division to establish a SME portal named SME Connect, which connects small and medium businesses by forming relevant forums for different company groups. As a result of such efforts, Digital Factory was named “Asia’s Most Innovative Center” at the Asian Banker Awards held in Beijing in 2018. The Bank will continue to invest in technological innovation and digitisation to improve customer experience and lower operating costs.

Achieving excellence in risk management and IT to support the growth of the Bank while ensuring credit quality, including through investment in modern risk management tools

In 2018, the Bank improved its risk management framework by rolling out an internal process for assessing capital adequacy in compliance with regulatory and Basel II requirements. The Bank officially implemented the standardised approach and is moving towards an advanced approach under the Basel II framework. Since 2016, the Bank has periodically calculated its CAR in accordance with Circular 41, and the Bank’s CAR has always exceeded the 8.0% minimum as prescribed by the SBV. The Bank has been fully compliant with the SBV’s CAR calculation requirements under Circular 41 since May 2019. To this end, the Bank has restructured its risk management and internal approval processes, issued risk management policies and developed models to strengthen its risk management framework. The Bank has also taken the initiative to improve its stress testing framework and has periodically carried out tests on capital and liquidity requirement by the SBV and concentration risk. The Bank is aiming to be one of the first banks in Vietnam to apply IFRS 9 standards for better prevention and preparation for unexpected crises, increased transparency on credit risk, and better alignment between risk measurement and management, accounting model and business activities.

Meanwhile, the Bank has also taken initiatives to continue to enhance its IT capability such as increasing the automation of underwriting (e.g., automated scorecards, integration with bureau and other external data). The Bank has invested in its IT system to support its scaling-up of business (e.g. wealth management system and e-banking), and will continue to develop a robust risk management system, with the help of advanced IT systems, to monitor and mitigate credit risk, market risk, liquidity risk and operational risk. In particular, the Bank has set up a data platform for its project titled “Advance Analytics”, the first phase of which was completed in 2015, and launched another project to enhance its data platform capacity in 2019.

Launching new growth engines (e.g., transactions banking, mobility and housing ecosystems) and scaling up strategic partnerships (e.g., bancassurance) to fuel future growth for VPBank

In 2018, the Bank successfully launched various projects, such as e-banking, YOLO, VPBank Diamond, SME Connect, and initiatives to promote and support women entrepreneurs. These initiatives have allowed the Bank to address the rapid changes in the banking and financial services industry while maintaining its leading positions. The Bank will continue to invest in new businesses and key projects, with efficient management of operating costs and the promotion of digitisation and automation. In doing so, the Bank will continue to focus on quality growth and expand customer base across segments.

Building next generation capabilities in data and analytics to drive non-linear growth and improve decision making

The Bank is increasing its investments in technology, with the following key objectives:

- upgrading to the latest data warehouse platform which integrates data from various and disparate sources, consolidates current and historical data in one single repository for the purpose of reporting and data analytics;
- improving our data governance capabilities to build end-to-end data lineage, automate data profiling and data quality monitoring, and enhance the efficiency of data issue remediation process; and
- expanding on our usage of analytics across business areas and through different stages of the customer life cycle, including customer acquisition, customer segmentation, marketing, up-selling, cross-selling and customer retention to convert and embed data into business insights and facilitate the business decision-making process. Analytics is also applied to assess the operational efficiency of the Bank.

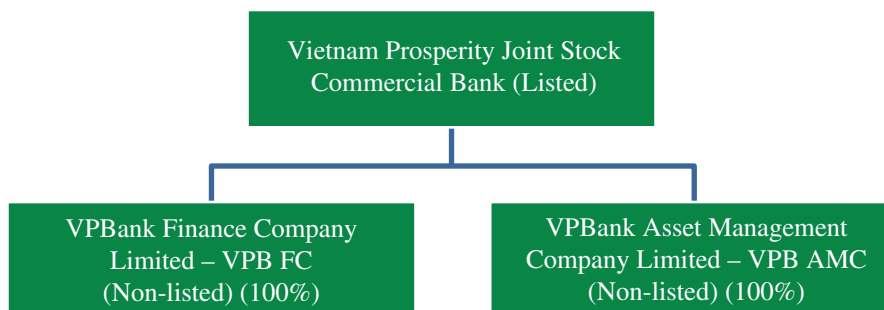
The Bank expects the combination of the above-mentioned objectives to contribute to building next generation capabilities to drive non-linear growth of the Bank.

Strengthening governance to build a performance-driven organisation that attracts the best banking talent and defines a “VPBank culture” that promotes cross-functional collaboration

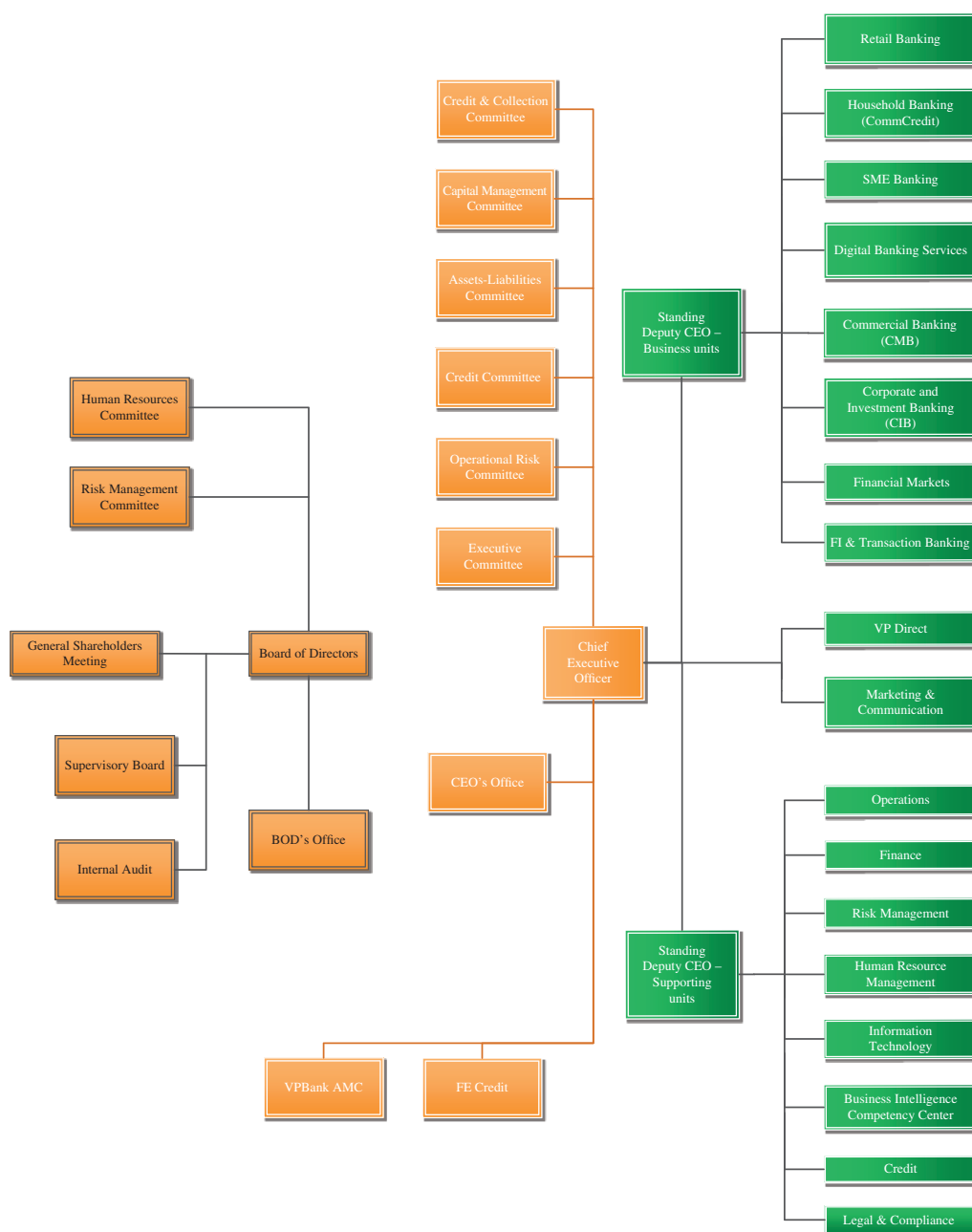
People are the most valuable asset of the Bank and the fundamental element in ensuring its success. Generating and maintaining a sustainable talent force is the foremost objective of talent acquisition, development and retention. In 2018, the Bank completed the bank-wide mapping of key positions using the human resources segmentation model. Updates have been made to the Bank’s core competency framework, an important platform of human resources to accurately reflect the competency requirements of employees and aligning with the successful implementation of its 2018-2022 strategy. The Bank intends to continue to strengthen its foundation to become a “Home of Talents”. In reinforcing the human resources platform, the Bank plans to make further investment in technological infrastructure with respect to human resources management, in addition to implementing an online performance management system.

Corporate and Organisational Structure

The following sets forth the corporate structure of the Bank as at the date of this Offering Circular:



The following sets forth the organisational structure of the Bank as at the date of this Offering Circular:

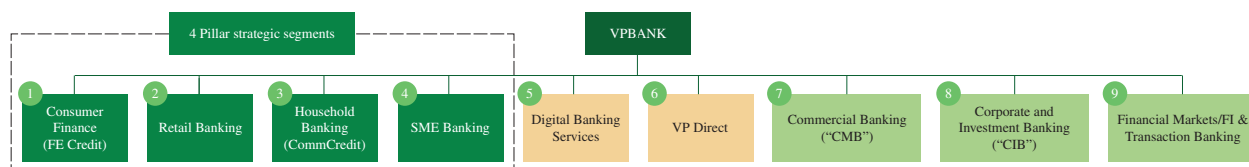


Business Segments of the Bank

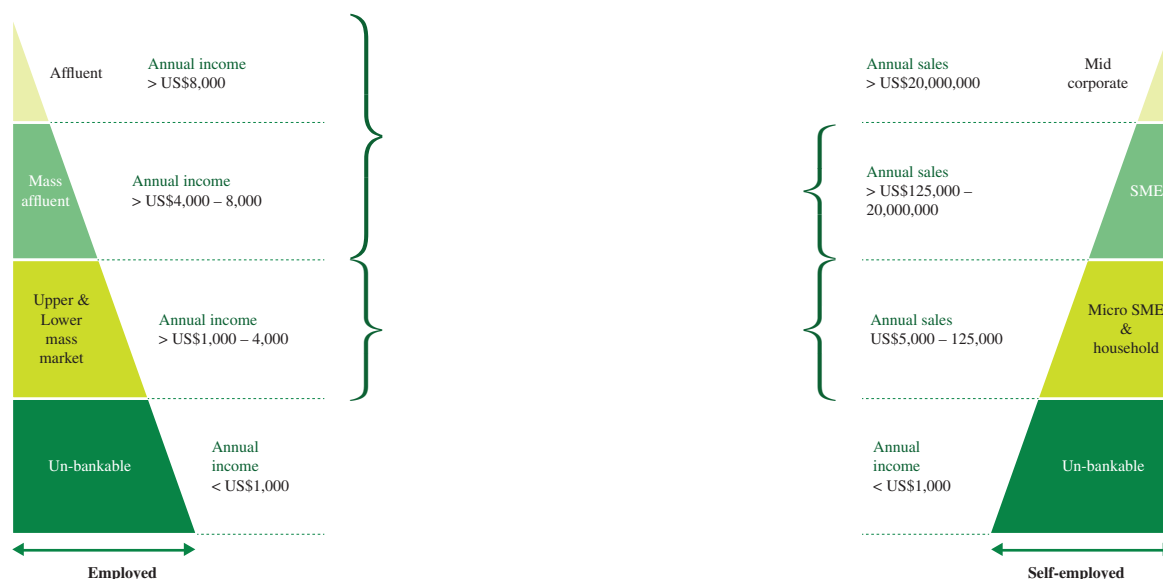
The business segments of the Bank are: (1) Consumer Finance (FE Credit), (2) Retail Banking, (3) Household Banking (CommCredit) and (4) SME banking; (5) Digital Banking Services, (6) VP Direct, (7) Commercial Banking (CMB), (8) Corporate and Investment Banking (CIB) and (9) Financial Markets, Financial Institutions and Transaction Banking.

Specifically, under its retail business model, the Bank focuses on the following key business areas as its four pillars of strategic segments: Consumer Finance (FE Credit), Retail Banking, Household Banking (CommCredit) and SME banking.

The following sets forth the Bank's business segments:



Through focused segmentation, the Bank has introduced innovative strategies and products to cover all customer groups, ranging from affluent to mass affluent to upper and lower mass market populations, and targeting under-served groups through its four strategic segments as illustrated in the pyramids provided below:



Consumer Finance

The Bank's consumer finance business is operated out of its FE Credit franchise. With the potential for continued economic growth of Vietnam's economy generally, the Bank believes that personal income and consumer credit demand will continue to increase across all income levels in Vietnam. In order to further attract customers to its services, the Bank initiated in early 2011 a fast and easy credit programme, namely FE Credit, to provide expedient financial solutions to the Bank's consumer finance customers. In July 2014, the Bank acquired Vietnam National Coal and Mineral Finance Company and renamed it VPBank Finance Company Limited, operating under the "FE Credit" brand. In 2016, Global Banking & Finance Review named FE Credit the "Best Consumer Finance Company Vietnam 2016" for the second successive year, recognising its market-leading business performance and technological innovation.

FE Credit has experienced robust growth since its establishment, and is the largest consumer finance company in Vietnam, with an approximately 55.0% share of the consumer finance market and branch network across the country as at 31 December 2017. In 2018, FE Credit introduced diverse and outstanding consumer finance products. FE Credit contributed over VND16,000,000 million, equivalent to approximately 52.0% of total operating income, to the Bank.

Customer base

Nearly half of FE Credit's customer base is below 30 years old and mostly consists of employed, economically active individuals whose credit profiles may not otherwise qualify for traditional bank loans. FE Credit targets customers categorised as "upper and lower mass market" with annual incomes between US\$1,000 and US\$4,000. These segments provide almost all of FE Credit's current active customers. As at 31 March 2019, FE Credit had over 4,000,000 active accounts, with more than 13,000 active agents forming its distribution and collection network distribution.

Product portfolio

The Bank has five main products through the FE Credit programme: three personal loan products which consist of new-to-bank loans, cross-sell loans and top-up loans, and two sales finance products which consist of two-wheeler loans and consumer durable loans, and credit cards. As at 31 March 2019, FE Credit increased its loan book in size to VND55 trillion (US\$2,379.0 million) from VND53 trillion (US\$2,318.0 million) as at 31 December 2018.

Personal loans accounted for 71.0% of FE Credit's loan amounts as at 31 December 2018, increasing significantly from VND25,746,036 million as at 31 December 2016, reflecting a CAGR of 21.2% during this period. FE Credit promotes cross-sell loans by increasing method of disbursement and providing customers with easy access to loans including through existing VPBank accounts, other bank accounts and Vietnam Post which reaches all 63 provinces in Vietnam.

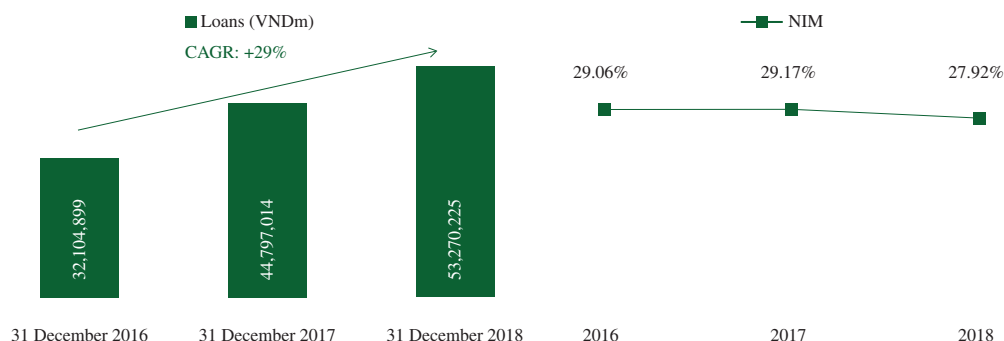
Sales finance loans accounted for 15.8% of FE Credit's loan amounts as at 31 December 2018, increasing significantly from VND5,956,990 million as at 31 December 2016, reflecting a CAGR of 18.9% during this period. FE Credit provides two-wheel loans via motorbike dealership. Consumer durable loans are provided for consumer goods purchases at leading retailers, focusing on lower-ticket items.

Credit card loans accounted for 6.9% of FE Credit's loan amounts as at 31 December 2018. FE Credit was the first to introduce credit cards targeting the mass market and launched the first internationally accepted credit cards.

The following table sets forth FE Credit's loan amounts by product type as at the dates presented:

	As at 31 December				As at 31 March	
	2016	2017	2018	2018	2019	2019
		(VND millions)		(US\$ millions)	(VND millions)	(US\$ millions)
Personal loans	25,746,036	34,654,765	37,836,866	1,646.5	39,987,581	1,740.1
Sales finance loans . .	5,956,990	7,923,818	8,425,963	366.7	8,967,434	390.2
Credit cards	401,873	2,218,431	3,681,396	160.2	4,307,225	187.4
Others	—	—	3,326,000	144.7	1,400,000	60.9
Total	32,104,899	44,797,014	53,270,225	2,318.1	54,662,240	2,378.6

The following table sets forth the CAGR in relation to the loans provided and NIM of FE Credit for the relevant years:



As at 31 March 2019, FE Credit had over 4.0 million active consumer finance customers, as compared to approximately 3.8 million consumer finance customers as at 31 December 2018. FE Credit's loans to customers totalled VND54,662,240 million (US\$2,378.7 million) as at 31 March 2019, representing an increase of 2.6% from VND53,270,255 million (US\$2,318.1 million) as at 31 December 2018. As at 31 March 2019, FE Credit's consumer finance loans remained representing 23.0% of the Bank's total loans to customers, same as 23.0% as at 31 December 2018. As at 31 March 2019, net interest income from consumer finance accounted for 58.1% of the Bank's total net interest income, compared to 56.9% as at 31 December 2018. As at 31 March 2019, deposits from FE Credit accounted for 11.7% of the Bank's total deposits, compared to 12.4% as at 31 December 2018.

Distribution channels

FE Credit markets its consumer financing products through the Bank's extensive branch network, as well as through partnerships with its employees, universities and dealerships. As at 31 March 2019, FE Credit maintained a distribution network of over 12,000 POS, over 35,000 POC and a sales force of over 13,000 agents across 63 provinces and cities in Vietnam.

FE Credit successfully adopted technological applications by adopting big data to facilitate smart and effective management of data warehouses and introducing robotic process automation to improve productivity and experience. Moreover, FE Credit launched \$NAP, Vietnam's first fully automated lending platform. \$NAP integrates a wide array of technologies such as artificial intelligence, optical character recognition, facial recognition and voice recognition, which enable FE Credit to perform customer verification and loan approval within 15 minutes without human interaction.

Given FE Credit's professional and supportive environment, it was listed in the Top 50 Most Attractive Employers in 2017 (According to Anphabe's survey in March 2018). The FE Credit brand value was further highlighted by a series of prestigious domestic and international awards, namely Asia's Most Disruptive Consumer Finance Brand by Global Brands; Southeast Asia's Best Consumer Finance Company by Global Business Outlook and Top 10 Asia Pacific Outstanding Brand by Asia Pacific Economic Journal. FE Credit was also the only Vietnamese candidate to score hat-tricks for credit cards at the Card and Electronic Payment International Awards 2018 (CEPI) with "Best Card Design", "Best Technology Implementation – Front End" and "Best New Product, Service or Innovation Launch". In November 2018, Moody's upgraded FE Credit's corporate family rating from B2 to B1, reflecting its stable outlook, good market position, strong profitability and healthy capitalisation.

Retail Banking

One of the Bank's core focus is on retail bank lending and deposit products and services. The Bank has developed and implemented a customer-segmented strategy tailored to the Bank's retail customers offering a variety of loan products, including home loans, auto loans and consumption loans.

Customer base

The Bank offers retail banking products and services to individuals with annual incomes above US\$1,000. However, the Bank has shifted its focus towards affluent banking customers and the core target segments of the retail banking business are individuals categorised as "mass affluent" with monthly incomes between US\$4,000 and US\$8,000 and individuals categorised as "affluent" with monthly incomes over US\$8,000. In line with such shift in focus, the affluent banking customers accounted for 75.0% of the Bank's total deposit, 35.0% of the Bank's insurance sales and 100.0% of the Bank's Investment products sales in 2018.

Major products and services

Retail banking offers a full range of products which cover both secured and unsecured lending. The Bank's key loan products include home loans, automotive loans, consumption loans, business loans, unsecured personal loans ("UPL") and credit cards. The Bank is the largest provider of credit cards and UPLs in Vietnam. Loans secured by assets (e.g. house, land, car) are provided to meet a variety of customer needs, including asset purchases, business expansion, medical and education expenses.

The Bank also provides household business loans which are collateralised by the business owner's assets (usually real estate), and the typical use of funds is for business needs such as working capital or commercial vehicle investment. UPL provided by the Bank mainly comprises personal consumption loans, for living expenses and general consumption, including home renovations, large-ticket durable goods, medical treatment and education. As for auto loans as a sub-segment of secured lending, the Bank has actively and successfully developed partnerships with car dealerships, and as a result, is among the banks leading the market by disbursement.

The management's dedicated focus on retail banking and risk management has enabled the Bank to build an effective model to offer UPL products to a wide range of customers. One of the key challenges in Vietnam in offering credit to individuals is in accurately assessing payment capabilities of such individuals. The Bank has implemented advanced technologies, such as machine learning technology, to collect social data and financial data, which are used to provide underwriting services its customers. The development of scorecards and credit rating models through the use of multi-dimensional data analytics of monthly expenses (such as monthly data usage and income from telcos) provides the Bank with a more accurate picture of the financial situation of a customer to determine approval decisions. The Bank will continue to develop UPLs, targeting a wider range of customers versus most other banks in the market today, and tailoring products to certain professions such as policemen, army, doctors, teachers etc.

The Bank has also developed new and innovative deposit products with a focus on upper mass and mass affluent customers. It offers both demand deposits and term deposits denominated in VND and foreign currencies. Term deposits can vary in tenure from one month to over five years with flexibility in terms of withdrawal and instalments. In line with such shift towards affluent banking customers, the Bank launched the VPBank Diamond brand, which is exclusively designed for affluent customers in June 2018. The VPBank Diamond brand offers exclusive products such as preferential rates on deposits and lending, the "World Credit Card", fast-track services, tailored solutions and airport lounge access at Noi Bai International Airport in Hanoi which served nearly 20,000 customer visits in 2018. Due to such efforts, the number of customers from "mass affluent" and "affluent" groups combined increased from 24,479 as at 31 December 2016 to 47,384 as at 31 December 2018, and to 50,825 as at 31 March 2019.

The Bank has observed significant growth in its credit card product, which is one of the primary products in the retail banking segment. The Bank launched the “One million cards by the end of 2019” project in 2017 and has been working towards reaching this target. The Bank has observed a robust growth in the number of credit cards issued, with about 240,000 credit cards newly issued in 2018, compared to approximately 100,000 and 198,000 credit cards newly issued in 2016 and 2017, respectively. As at 31 December 2018, the Bank had a market share of 10.4% in terms of the number of credit cards issued and 18.0% in terms of the transaction volume measured by gross dollar volume in Vietnam. In addition, the monthly average spending per card for the Bank’s credit cards is 1.86 times more than the market average of the monthly average spending per card. One of the key drivers of such success is the customer-centric design and presentation of credit cards with an understanding of the characteristics and spending habits of each customer segment. In addition to launching new credit cards targeted towards more affluent population such as VPBank Diamond World and VPBank World Lady credit cards, the Bank also designed credit cards for low-income customers. In addition to the expansion of cards services, the Bank also focuses on leveraging income received from the card services. The Bank has implemented various initiatives such as launching partnership programmes with retailers and expanding partnership networks with businesses that accept the Bank’s credit or debit cards.

The Bank has also observed growth in its bancassurance business, primarily driven by the transformation in its sales model and cooperation with high-profile insurance partners. The Bank introduced a change from a referral model to a staff model in some of its branches and established the telesales team. The Bank started offering health insurance products from other partners to its customers in addition to life insurance.

The Bank’s retail banking customers increased from 1.1 million as at 31 December 2016 to 1.5 million as at 31 December 2017 to 1.7 million as at 31 December 2018 to 1.8 million as at 31 March 2019. As at 31 March 2019, the Bank’s total deposits from retail customers were VND128,041,647 million (US\$5,571.9 million), which accounted for 54.5% of the Bank’s total deposit, representing an increase of 11.8% from the Bank’s total retail deposit of VND114,520,527 million (US\$4,983.5 million) as at 31 December 2018. Such total retail deposits as at 31 December 2018 represented an increase of 9.3% from VND104,786,829 million as at 31 December 2017, which was in turn a 11.2% increase from VND94,256,614 million as at 31 December 2016.

As at 31 March 2019, the Bank’s total retail loans to customers from retail banking was VND74,189,531 million (US\$3,228.4 million), representing an increase of 1.5% from VND73,069,750 million (US\$3,179.7 million) as at 31 December 2018, which represented an increase of 6.0% from VND68,941,773 million as at 31 December 2017 and an increase of 25.3% from VND53,160,526 million as at 31 December 2016. As at 31 March 2019, the Bank’s retail banking loans represented 32.1% of the Bank’s total loans to customers, compared to 32.9% as at 31 December 2018.

Distribution channels

To provide individual customers with convenient access to its products and services, the Bank focuses its network on the geographical areas of its target customers and offers its services through a number of distribution channels, such as through internet banking and mobile banking. The Bank markets its deposit services through sales teams in its various branches with product sales executives, who form part of the Bank’s strengthened direct sales force, and personal bankers dedicated to maintaining relationships with existing customers and enhancing customers’ experience. The Bank’s extensive sales force includes various specialised teams, including teams aimed at serving auto dealers and large companies. The Bank believes that its large size and strong brand enable it to attract customers away from smaller banks, some of which are undergoing restructuring by the SBV. The Bank’s large customer base in the retail banking segment allows effective cross-selling of its comprehensive product offerings. The Bank’s services are readily available through its large branch network and diverse distribution channels, including telemarketing, mobile banking, e-banking, a 24-hour call centre and partnerships with third-party distributors. As at 31 March 2019, the Bank maintained a distribution network of 225 branches across all 63 provinces and key cities in Vietnam. Moreover, to lead

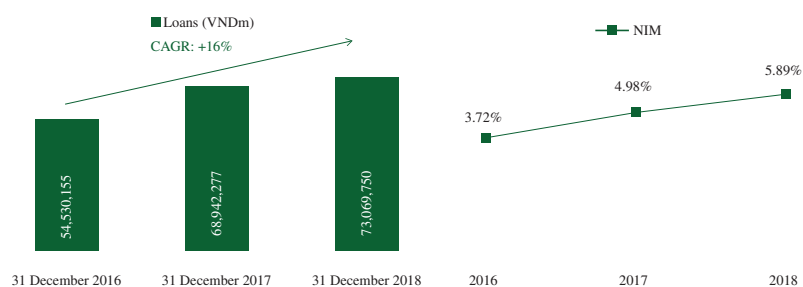
the digital banking trend, the Bank has launched several projects to digitalise its key products including credit cards, UPLs and deposits. The highlight of such digitisation efforts is the “Dream” project launched in 2017, which is an application that allows customers to manage their personal finances and provides a savings roadmap to help them achieve their financial goals.

The following table sets forth the Bank’s retail loan amounts by product type as at the dates presented:

	As at 31 December				As at 31 March	
	2016	2017	2018	2018	2019	2019
		(VND millions)		(US\$ millions)	(audited) (VND millions)	(US\$ millions)
Home loans	15,420,909	17,387,306	18,962,378	825.2	19,726,576	858.4
Automotive loans	9,484,506	13,267,593	12,930,435	562.7	12,757,477	555.2
Consumption loans . . .	8,901,464	8,082,933	9,056,237	394.1	9,051,932	393.9
Business loans	5,952,046	9,346,355	10,431,516	453.9	10,540,034	458.7
UPL loans	7,355,114	10,297,011	9,868,700	429.4	9,460,948	411.7
Credit cards	1,952,409	4,090,469	6,469,347	281.5	7,190,885	312.9
Others ⁽¹⁾	5,463,707	6,470,610	5,351,137	232.9	5,461,679	237.7
Total	54,530,155	68,942,277	73,069,750	3,179.7	74,189,531	3,228.5

(1) Others comprises pass book loans and overdraft.

The following table sets forth the CAGR in relation to the loans provided and NIM of the retail banking segment for the relevant years:



Household Banking

The Bank's household banking segment was established under the brand name CommCredit in 2015.

Customer base

Targeting mass-market, self-employed customers in Vietnam who have been traditionally categorised as "households", CommCredit customers are micro-SMEs and household businesses with annual revenues between US\$5,000 and US\$125,000. CommCredit's mission is to service local communities by providing simple products and convenient and effective services to address demands of the household businesses. CommCredit has been able to take advantage of the Bank's wide network in urban markets, extensive domain knowledge and highly engaged workforce to provide services to household banking customers.

Main products and services

The main product for the Bank's household banking segment is monthly repayment cash loans, which targets larger household businesses with steady business and cashflows. The loans offered under the household banking segment predominantly serve the working capital requirements of the targeted household businesses and are unsecured in nature.

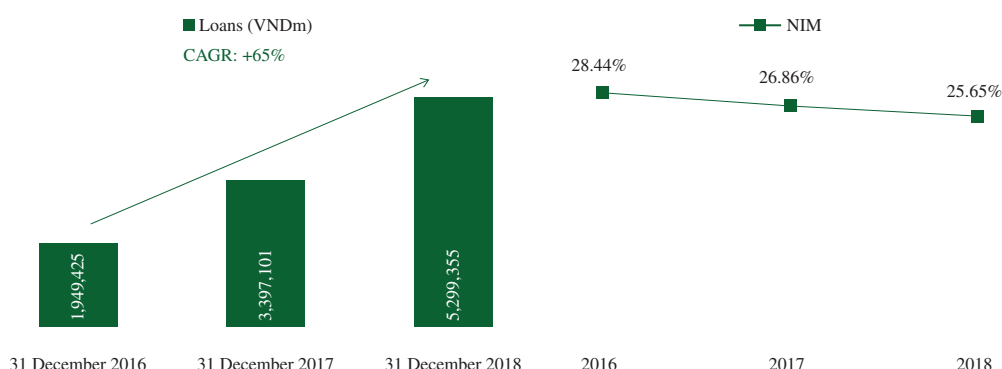
The Bank has developed several other products to tap into this huge unbanked segment since launching the CommCredit brand in 2015. Recently, this has included "Express loan" unsecured loans for amounts up to VND150 million which includes an extra-fast approval process and simple procedures. The product combines data-driven credit assessments to reduce approval processing time and efficient back-office procedures and documentation design to reduce time-consuming paperwork for customers.

Distribution channels

The Bank has recently streamlined its operating network to leverage the household banking segment's efficiency. As part of such efforts, the Bank has made adjustments to its network such as expanding to new areas and merging adjacent business units. In line with such efforts and as at 31 March 2019, household centres are now present in all provinces where the Bank has presence.

CommCredit customers increased from 51,000 as at 31 December 2016 to 89,000 as at 31 December 2017, and further increased to 124,000 as at 31 December 2018 to 127,000 as at 31 March 2019. As at 31 March 2019, the Bank's total household banking loans to customers were VND5,210,159 million (US\$226.7 million), representing a decrease of 1.68% from VND5,299,355 million (US\$230.6 million) as at 31 December 2018, which represented an increase of 56.0% from VND3,397,101 million as at 31 December 2017, and an increase of 172.4% from VND1,949,425 million as at 31 December 2016. As at 31 March 2019, the Bank's household banking loans represented 2.3% of the Bank's total loans to customers, compared to 2.4% as at 31 December 2018.

The following table sets forth the CAGR in relation to the loans provided and NIM of CommCredit for the relevant years:



SME Banking

SMEs represent approximately 40.0% of Vietnam’s economy, yet many of these enterprises remain under-served representing a huge untapped market. In 2013, the Bank became the first bank in Vietnam to set up a dedicated SME business unit, providing a range of tailored products and services to deliver one stop financial solutions. It operates a relationship model built around customer needs with an emphasis on convenience and speed. In 2016, the Bank identified the under-served micro-SME segment as a growth opportunity, and accordingly invested additional resources in product development, infrastructure and people to establish the division.

The financial market for SMEs has gained greater attention recently due to the high economic growth in Vietnam. The number of new business start-ups has grown significantly, with 131,275 new companies being established in 2018. In particular, there has been a noteworthy growth of SMEs in the recent years. 68.0% of the registered SMEs in Vietnam showed more than 20.0% growth rate and 20.0% of SMEs had more than 50.0% growth rate in the past three years. In December 2018, micro-SMEs contributed to 84.0% of the Bank’s total SME customer base and 58.0% of the Bank’s SME lending portfolio. Given such rapid growth of micro-SMEs and the increasing competition in the SME segment in general, the Bank has realised the importance of changing its business model and has improved its sales productivity and credit quality in the SME segment by strengthening the entire credit process and providing more in-depth training to sales staff, underwriters and those in charge of approving the SME products. Moreover, to cater to the growing number of micro-SMEs, the Bank adopted an industry-specific approach coupled with more flexible credit policy and tailored products for the micro-SMEs.

Customer base

The Bank’s SME segment, or namely, VPBank SME, targets micro-SMEs with annual revenues below VND20.0 billion, small SMEs with annual revenues from VND20.0 billion to VND100.0 billion and middle SMEs with annual revenues from VND100.0 billion to VND400.0 billion. SMEs are targeted across various industries, especially those which have been growing in tandem with the Vietnamese economy, namely, transportation, manufacturing, distribution and construction.

Main products and services

VPBank SME provides a full range of banking services to SMEs, including cash management, trade finance, deposit services, credit cards and lending with a comprehensive product portfolio tailored for each respective industry and company size. The Bank’s key products in the SME segment are working capital financing, fixed-asset financing and business instalment loan (“BIL”). To meet the needs of the growing number of micro-SMEs, the Bank also offers micro-SME loan package as a separate product. The Bank provides such

wide array of services through its SME centres and hubs. Reflecting the growth of the SME banking segment, the total number of SME centres and hubs the Bank maintains has grown from 72 as at 31 December 2016 to 77, 83 and 84 as at 31 December 2017 and 2018 and 31 March 2019, respectively.

BIL is an unsecured loan designed to target a large segment of enterprises which are unable to provide fixed assets for collateral, yet require capital to expand. Maximum ticket size is VND1.5 billion for the so-called Micro Segment and VND5.0 billion for the so-called Upper Segment, with a maximum term of 36 months. VPBank SME was the first in Vietnam to scale up this product and, since its launch in 2015, several variants of BIL have been introduced to cater for different sub-segments. In 2017, SME banking introduced micro unsecured BIL tailored for micro SMEs, with a maximum ticket size of VND1,500 million. Paperwork is minimised to shorten loan processing time and ensure product simplicity, so much so that applications can be processed and approved in under five hours upon submission of full loan application. This minimal-paperwork product targets SMEs who can offer real estate as collateral to support loan applications. Tenure can extend up to 25 years.

The Asset-Backed Financing is another product specifically designed for micro SMEs with acceptable collateral including real estate, certificates of deposit and vehicles. The maximum loan size is VND5.0 billion with a maximum term of 60 months.

Identifying its commercial payment services as an important driver for achieving higher profitability, VPBank SME started to invest heavily in commercial payment services, focusing on providing digital payment solutions to business enterprises to improve back-end efficiency. VPBank SME aims to attract more banking customers by focusing on these commercial payment services, thereby increasing customer “stickiness” and profitability through higher revenue from current account savings accounts and fee income.

VPBank SME also provides trade financing solutions to customers engaging in domestic and international trade. To serve domestic trade demand, services such as domestic L/C, invoice financing, and supply chain buyers’ and sellers’ finance are provided. International trade financing products include bill discounting, L/C guarantee and L/C negotiation.

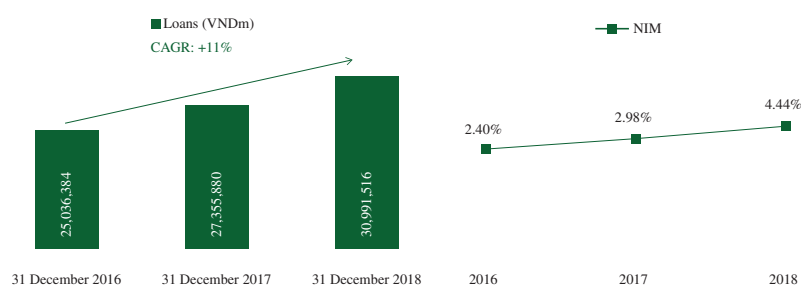
VPBank SME has introduced, over the past several years, a number of initiatives designed to promote its SME products. In June 2018, the Bank introduced its women-led enterprises (“WE”) segment in cooperation with the International Finance Corporation (the “IFC”). Recognising the need for non-financial services such as governance and business support in addition to financial solutions for female entrepreneurs, the Bank started its non-financial service titled “Helping enterprises grow and prosper” which provide online and offline events such as expert talks and business matchmaking events.

Moreover, in line with the Bank’s digitisation initiatives, VPBank SME introduced SME Connect, a digital platform to provide non-financial value to SME customers, in 2018. For example, this platform connects and provides information on SMEs and offers business matching and market access to help the SMEs expand their business opportunities. VPBank SME also introduced automated sales process through Smart SME, which is a comprehensive mobile application that allows constant management of customer information and sales reporting. VPBank SME started to implement Smart SME on all of its sales channels from the beginning of 2019. The Bank’s initiatives were acknowledged by external organisations as well. The Bank received SME Bank of the Year (Asia) by the IFC and Best Bank for WE from the Global Banking Association in 2018.

The Bank’s SME customers increased from 36,000 as at 31 December 2016 to 49,000 as at 31 December 2017, representing an increase of 36.1%, and further to 53,000 as at 31 December 2018, representing an increase of 7%. The Bank’s SME customers also increased from 49,000 as at 30 March 2018 to 54,000 as at 31 March 2019, representing an increase of 8.1%.

As at 31 March 2019, deposits from SME customers were VND12,789,423 million (US\$556.5 million), representing a decreased of 0.8% from VND12,894,508 million (US\$561.1 million) as at 31 December 2018, which represented an increase of 19.5% from VND10,788,702 million (US\$469.4 million) as at 31 December 2017. Such deposits from SME customers as at 31 December 2017 represented an increase of 0.8% from VND10,704,998 million (US\$465.8 million) as at 31 December 2016. As at 31 March 2019, deposits from SME customers accounted for 5.4% of the Bank's total deposits.

As at 31 March 2019, VPBank SME had extended credit to approximately 15,000 SMEs, and its total SME loans to customers was VND32,105,888 million (US\$1,397.1 million), representing an increase of 3.6% from VND30,991,516 million (US\$1,348.6 million) as at 31 December 2018. As at 31 March 2019, the Bank's SME loans represented 13.9% of the Bank's total loans to customers, compared to 14.0% as at 31 December 2018. The following table sets forth the CAGR in relation to the loans provided and NIM of the Bank's SME segment for the relevant years:



Digital Banking Services

The Bank recognised digitisation as its new growth driver and launched Digital Banking Services Division as a separate business segment in 2015. Since then, the Bank has invested heavily in its digital strategy to improve distribution channels and streamline processes. Due to such efforts, the Bank has observed a breakthrough in digital banking services in 2018. The number of online users grew from 296,000 as at 31 December 2016 to 580,000, 1,300, 000 and 1,500,000 as at 31 December 2017 and 2018 and as at 31 March 2019. The number of yearly new credit cards issued online doubled from 2017 to 2018 and digitisation initiative accounted for 32.0% of the number of retail banking credit cards issued in 2018. The Bank's digitisation initiative also accounted for 35.0% of the total UPL-disbursed loans in 2018 and the total amount of UPLs disbursed online increased by 6.5 times from 2017 to 2018. Moreover, the number of financial transactions conducted online was estimated to have risen by 110.0% in 2018, compared to 2017. The number of financial transactions conducted online accounted for 27.0%, 41.0%, 55.0% and 55.0% of the total number of transactions in 2016, 2017, 2018 and the three months ended 31 March 2019, respectively. Partly due to the increase in the number of online users and the number of financial transactions conducted online, the amount of overdraft drawn from online accounts also increased by 1.4 times from 2017 to 2018. Furthermore, the average number of financial transactions conducted online per customer per month has increased from 8.0 in 2016 to 9.8, 10.4 and 11.3 in 2017, 2018 and the three months ended 31 March 2019, respectively. In 2018, the Bank ran 22 new functionalities on digital banking to improve customer experience and convenience. The Bank's efforts and progress in its digitisation initiatives were acknowledged when it was awarded "Outstanding Digital Banking 2018" by the International Data Group in 2018.

At the core of the Bank's digitisation initiative was Digital Factory, which was founded in February 2017. Digital Factory was designated to roll out digital banking programmes and has employed qualified experts to fulfil its mission. One of the highlights of Digital Factory was "Dream – Realising Your Dream" application, which provides an end-to-end financial solutions aimed at helping customers achieve their financial dreams or goals, together with the all-in-product bundle such as zero account, high-interest term deposit, benefits from the Bank's partners and optimised financial tools. Due to the Bank's digitisation efforts, the accumulated

number of Dream users increased 2.2 times since its launch to the end of 2018. Moreover, Digital Factory also collaborated with the SME banking division to establish SME Connect which connects small and medium businesses by forming relevant forums for different company groups, and helped launch YOLO, a digital bank application, which is differentiated from other digital bank applications in that it combines an e-wallet functionalities and other digital banking products and services with non-banking services provided by trusted third party partnering companies in entertainment, transportation, travel, healthcare and insurance.

The Bank has partnered with fintech companies in payment and lending products and services and account management which helped the Bank increase both revenue and profitability through the optimisation of the sales mix and efficiency gains. The partnership with Timo, Vietnam's digital banking pioneer, was proved to be a success. Under this partnership, front-end activities (acquisition of new customers for Timo, marketing activities and customer service) are the responsibility of the partner while back-end services are provided by the Bank, so all Timo account balances are accounted for on the Bank's balance sheet. In effect, Timo is an effective low-effort customer acquisition strategy, with a small commission payable to the partner based on acquired customers. Timo has no traditional branches and instead has one premise called "Timo Hangout", where customers can grab a coffee, open an account or just chat with Timo Care representatives. After successful online registration, and KYC completed at Timo Hangout, customers receive a debit card that works at any Smartlink/Banknet ATM in Vietnam.

VPDirect

The Bank established VPDirect in 2017 as a new and independent division of the Bank. It is responsible for establishing a standalone digital bank.

The Bank has recruited an accomplished department head and a mix of overseas experts and local staff experienced in digital banking with local market knowledge to design and deliver a digital bank that provides superior customer experience and convenience. VPDirect intends to create solutions "beyond banking" by combining the agility and innovation of a fintech company with the solidity, strong governance structure and fiduciary responsibility associated with the Bank.

On 14 September 2018, VPDirect launched a strategic product, which is referred to as "YOLO", to the open market. YOLO is a cutting-edge utility digital banking product, which is designed for and caters to the young generation. As at 31 March 2019, YOLO has acquired nearly 300,000 users and conducted approximately 700,000 transactions with approximately VND4,000.0 billion in value.

Commercial Banking

The Bank's CMB segment serves corporate customers with annual revenues between VND400 billion and VND1,600 billion. The Bank's customers in the CMB segment include private and local enterprises as well as medium-sized state-owned enterprises.

As at 31 March 2019, the Bank had loans and advances to over 250 CMB customers, and its total loans to customers in the CMB segment was VND42,814,867 million (US\$1,863.1 million), representing an increase of 6.5% from VND40,204,979 million (US\$1,749.6 million) as at 31 December 2018. As at 31 March 2019, the total loans to customers in the CMB segment represented 18.5% of the Bank's total loans to customers.

Corporate and Investment Banking

The Bank offers a wide range of CIB products and services to corporations with annual revenues exceeding VND1,600.0 billion. The Bank has focused on, and expects to continue to focus on expanding its corporate deposits and selectively growing its loans to customers in the CIB segment.

In pursuing growth in the CIB segment, the Bank has restructured its lending portfolio to boost efficiency and routinely engages in cross-selling and cooperation with other business units on a regular basis. The Bank provides a wide range of banking services to corporate customers, including guarantees, deposit services and lending. Priority products and services for CIB customers include all-in financing products, import-export financing, supply chain financing and cash flow management. The Bank also provides short, medium and long-term loans for CIB customers denominated in both Vietnamese dong and foreign currencies. As at 31 March 2019, the Bank maintained a distribution network of four CIB branches across all 63 provinces and key cities in Vietnam.

Corporate deposit products include savings accounts, term deposits and deposits for specific purposes. As at 31 December 2016, 2017, 2018 and 31 March 2019, deposits from corporate customers were VND77,913,676 million (US\$3,390.5 million), VND93,261,577 million (US\$4,058.4 million), VND103,022,985 million (US\$4,483.2 million) and VND104,626,803 million (US\$4,548.6 million), respectively, representing an increase of 19.7% from 31 December 2016 to 31 December 2017, 10.5% from 31 December 2017 to 31 December 2018 and 1.5% from 31 December 2018 to 31 March 2019. As at 31 March 2019, deposits from corporate customers accounted for 44.5% of the Bank's total deposits. As at 31 March 2019, the Bank had loans and advances to over 90 corporate customers, and its total loans to customers in the corporate and investment banking sector was VND4,523,251 million (US\$196.8 million), representing an increase of 48.4% from VND3,048,520 million (US\$132.7 million) as at 31 December 2018. As at 31 March 2019, the total loans to customers in the corporate and investment segments represented 2.0% of the Bank's gross to loans and advances to customers.

The Bank also holds corporate bonds as part of its CIB business, and as at 31 March 2019, the aggregate amount of corporate bonds held by the Bank (comprising debt securities issued by other domestic credit institutions and debt securities issued by domestic economic entities) was VND28,317,364 million (US\$1,232.3 million), representing an increase of 9.2% from VND25,925,335 million (US\$1,128.2 million) as at 31 December 2018.

Financial Markets, Financial Institutions and Transaction Banking

The Bank's financial markets division ("FM Division") handles financial markets activities. In 2016, in addition to strengthening traditional business, the FM Division underwent major restructuring, which included introducing new financial products such as foreign exchange, derivatives and structured products targeting a wider range of customers, especially more affluent customers. As part of its restructuring, the FM Division made efforts to develop a professional sales force and worked closely with other business divisions within the Bank. Due to the professional sales force, the Bank was able to provide both conventional financial market products and advice on exchange and interest rates to customers.

The FM Division also supports the Bank's internal function and assisted in implementing solutions for managing prudential ratios, supported by its financial analysis models to forecast compliance ratios and analyse and predict interest rate developments.

Moreover, in line with the Bank's digital strategy, the FM Division prioritised application of advanced technology in its operations and risk management in 2017. The FM Division worked with the Bank's IT Division to upgrade FX trading software for branches and derivatives product software businesses.

In 2016, the FM Division launched several key products including trade finance and monetary management and was able to offer 11 distributor financing programmes to its customers including multinational enterprises and large corporates. In 2017, the Bank implemented various trade finance solutions to promote import, export and local trade, including industry-specific financing solutions such as animal feed, plastic, steel and automobiles. The Bank also strengthened its supply chain finance programmes to provide local funds to suppliers and distributors to multinational companies and large international corporations.

The Bank has enjoyed favourable cooperation international financial institutions over the recent years. In 2016 and 2017, the IFC underwrote a five-year syndicated loan package of US\$158.0 million for the Bank, and also approved a medium-term convertible loan of US\$57.0 million and a trade limit of US\$50.0 million. The Bank was also selected as one of four banks to disburse the Vietnam Sustainable Agriculture Transformation project capital of up to VND200.0 billion by the World Bank in 2016. In addition to its close relationship with the IFC, the Bank was also selected by Asian Development Bank (“ADB”) to be included in its Trade Finance Programme in 2017. Higher year-on-year credit limits provided by these international financial institutions helped the Bank diversify its funding sources to support businesses in Vietnam, especially those in import and export businesses. The Bank was also one of the banks to receive entrusted funds from the World Bank and JICA, which enabled the Bank to offer SMEs low-cost funding for their production and business activities. Moreover, the Bank was one of only four banks selected by the Ministry of Planning and Investment under the SME Development Fund to disburse the funds in 2017.

Subsidiaries and Joint Ventures

As at 31 March 2019, the Bank has two directly owned subsidiaries as follows:

VPBank Finance Company Limited (“VPB FC”)

The key operational areas of VPB FC include lower mass and mass customer segments with a monthly income from VND1.5 million to VND7.5 million. These segments provide almost all of FE Credit’s current active customers and account for approximately 70.0% of the working population in Vietnam, which is an attractive and largely untouched market for consumer finance products. For more information about FE Credit, see “Description of the Bank – Consumer Finance”.

VPBank Asset Management Company Limited

Founded in 2006, the VPBank Asset Management Company Limited (“VPBank AMC”) plays a key role in the Bank’s debt management and asset exploitation. VPBank AMC’s operation model is highly specialised in each of the following segments:

- Debt trading: trading outstanding debt of other credit institutions and asset management companies under other commercial banks in compliance with legislative regulations;
- Debt handling: receiving and handling overdue debt and collateral related to overdue debt to recover the Bank’s capital in the shortest possible time;
- Asset management and exploitation: managing and exploiting the economic efficiency of the assets under the Bank’s ownership; and
- Asset valuation: valuing collateral within the VPBank system.

Relationships with Other Financial Institutions

The Bank maintains relationships with other banks in Vietnam and has established a worldwide network with nostro accounts with 15 international banks and transacts with approximately 400 international financial institutions to bolster its internationally oriented operations. The international services that the Bank offers through its correspondent relationships include trade finance, foreign exchange and other treasury services. The Bank has expanded its relationships with leading global financial institutions such as the Asian Development Bank, International Finance Corporation, Industrial and Commercial Bank of China, Bank of America, Standard Chartered Bank, Royal Bank of Canada, Wells Fargo, JP Morgan, Citibank, BNP Paribas. Since 2012, the Bank has also enhanced its correspondent relationships to establish a broader range of

products and services. In addition, the credit limit that the Bank has received from other financial institutions increased 20.0% to 30.0% year-on-year in the past three years.

Competition

As at 31 March 2019, there were 31 JSCBs, two JVBs, nine WFOBs, 49 FBBs and over 1,000 PCFs operating in Vietnam. The Bank faces competition in all its principal areas of business. Private sector joint stock banks and foreign banks form the Bank's main competitors. The Bank may face increased competition from foreign banks if the Vietnamese retail market is further liberalised or if regulations and restrictions on branch network growth by foreign banks are simplified or lowered. The Bank believes its competitive edge comes from offering innovative products and services, providing high quality customer service, maximising the functions of its extensive branch network, investing in technology and building on relationships with the Bank's key customers. See *"Risk Factors – Risks Relating to the Vietnam Banking Industry – The Vietnam banking industry is very competitive and the Bank's growth strategy depends on its ability to compete effectively"*.

As one of the largest non-stated owned banks in Vietnam, the Bank remains strategically competitive and leads the industry through its profitability and efficiency. As at 31 December 2018, the Bank had the second highest ROA among all banks in Vietnam, and had one of the highest ROE among all banks in Vietnam. The Bank generated VND31,085,663 million (US\$1,352.7 million) in total operating income for the year ended 31 December 2018, which was the highest among non-state owned banks and the third highest among state-owned banks. The Bank maintains its competitive strength by implementing prudent and effective cost management strategies. As at 31 March 2019, the Bank had one of the lowest CIR among all banks in Vietnam, demonstrating the cost efficiency of the Bank.

Employees

As at 31 March 2019, the Bank and its subsidiaries had a total of 27,490 employees. All of the Bank's employees are members of a trade union. The Bank maintains good relations with its employees and the trade unions and has not experienced any recent industrial relations issues or strikes.

The Bank aims to attract and develop confident, highly qualified individuals who will remain with the Bank for the long term. The Bank has introduced an attractive remuneration policy, performance-based bonus scheme and other customary benefits in order to recruit and retain staff at all levels. As a result, according to the annual research on the best workplace in Vietnam carried out by Anphabe, a human resources search service provider in Vietnam, and Nielsen, a market research company, the Bank was recognised as one of the five companies with the happiest staff in Vietnam in 2016.

The Bank aims to continue to recruit and retain staff at all levels by introducing attractive remuneration packages, a bonus scheme and a long-term service loyalty programme. Recognising the value of well-trained staff, the Bank has accelerated the development of its management training programme for its employees at all levels across the Bank. On average, an employee of the Bank attends 15 hours of in-class training and 10.5 hours of e-learning each year.

Properties

The Bank's registered office and corporate headquarters are located at No. 89 Lang Ha, Lang Ha Ward, Dong Da District, Hanoi, Vietnam.

As at 31 March 2019, the Bank had a broad branch network with one head office, 59 branches, 165 transaction offices across 63 cities and provinces across Vietnam. The gross book value of all the Bank's owned properties, including branches and administrative offices as at 31 March 2019 was VND1,017,313 million.

Insurance

The Bank maintains insurance policies and coverage that it deems to be appropriate. The Bank's standard insurance policies include bankers blanket bonds, electronic and computer crime, directors' and officers' insurance for financial institutions, financial institutions civil liability insurance, property all-risk insurance, vehicle insurance, money all-risk insurance, public liability insurance and cyber risk insurance policy. The bankers blanket bond policy covers losses due to fraudulent or dishonest employee actions, forgery, counterfeit currency and damage to property and equipment, including furniture. The electronic and computer crime insurance policy covers losses due to fraudulent modification of computer and data systems, computer viruses, electronic communications and electronic security. The directors' and officers' liability insurance covers the Bank's directors and key management members. The financial institutions civil liability insurance covers losses incurred by the Bank and its employees arising out of their scope of employment. The property all-risk insurance covers losses of personal properties incurred on the premises of the Bank or during transit to the Bank. The public liability insurance covers all costs for which the Bank is legally obligated to pay to a third party for unexpected loss of life or properties during the business operation. The cyber risk insurance policy covers cyber incidents such as data breach and cyber extortion, network security liability and any reputation risk.

Legal Proceedings

The Bank is involved in legal proceedings in Vietnam both as plaintiff and defendant in the course of its normal business from time to time. As at 31 March 2019, the Bank was not involved in any legal or arbitration proceedings (including any pending or threatened proceedings of which the Bank is aware), which may have a material effect on the financial position of the Bank.

DESCRIPTION OF THE BANK'S ASSETS AND LIABILITIES

You should read the following description of the Bank's assets and liabilities for the periods and as at the dates indicated together with the Bank's "Selected Financial and Other Information", "Risk Management" and the Bank's consolidated financial statements and related notes included elsewhere in this Offering Circular. This discussion contains forward-looking statements and involves numerous risks and uncertainties, including, but not limited to, those set forth under "Risk Factor" and "Forward-Looking Statements and Associated Risks". Actual results may differ materially from those contained in any forward-looking statements.

Gross Loans to Customers

As at 31 March 2019, the Bank had total gross loans to customers of VND231,458,178 million, of which 97.1% was denominated in Vietnamese dong and 2.9% was denominated in U.S. dollars.

Gross Loans by Currency

The following table sets forth the composition of the Bank's loans by currency as at the dates specified:

	As at 31 December						As at 31 March	
	2016		2017		2018		2019	
	(VND million)	%	(VND million)	%	(VND million)	%	(VND million)	%
Loans in Vietnamese dong	141,666,599	97.9	177,529,403	97.2	217,156,687	97.8	224,671,467	97.1
Loans in U.S. dollars	3,006,614	2.1	5,136,810	2.8	4,798,599	2.2	6,786,711	2.9
Loans in Euros	—	—	—	—	6,710	0.0	—	0.0
Total	144,673,213	100.0	182,666,213	100.0	221,961,996	100.0	231,458,178	100.0

Gross Loan Maturity Profile

The following table sets forth the composition of the Bank's loans to customers by remaining maturity as at the dates specified:

	As at 31 December						As at 31 March	
	2016		2017		2018		2019	
	(VND million)	%	(VND million)	%	(VND million)	%	(VND million)	%
Overdue.	11,345,504	7.8	7,824,716	4.3	8,520,162	3.8	9,797,295	4.2
Due in one month or less	10,669,086	7.4	18,179,639	10.0	27,832,770	12.5	27,134,721	11.7
Due after one month but before or at three months	14,587,409	10.1	20,794,944	11.4	24,815,988	11.2	28,810,275	12.4
Due after three months but before or at one year	37,370,047	25.8	52,672,331	28.8	60,097,872	27.1	60,543,722	26.2
Due after one year but before or at five years	52,273,302	36.1	61,211,791	33.5	76,638,618	34.5	80,229,425	34.7
Due after five years	18,427,865	12.8	21,982,792	12.0	24,056,586	10.9	24,942,740	10.8
Total	144,673,213	100.0	182,666,213	100.0	221,961,996	100.0	231,458,178	100.0

Gross Loan Types

The following table sets forth the composition of the Bank's loans by type as at the dates specified as prepared:

	As at 31 December						As at 31 March	
	2016		2017		2018		2019	
	(VND millions)	%	(VND millions)	%	(VND millions)	%	(VND millions)	%
Short-term loans ⁽¹⁾	35,892,482	24.8	58,092,547	31.8	73,407,839	33.1	79,280,482	34.3
Medium-term loans ⁽²⁾	59,596,064	41.2	80,231,829	43.9	99,662,806	44.9	101,559,657	43.9
Long-term loans ⁽³⁾	49,184,667	34.0	44,341,837	24.3	48,891,351	22.0	50,618,039	21.8
Total loans and advances	144,673,213	100.0	182,666,213	100.0	221,961,996	100.0	231,458,178	100.0

(1) Original maturity date in one year or less.

(2) Original maturity date in five years or less but more than one year.

(3) Original maturity date after five years.

Gross Loan Concentrations

The Bank limits its total exposure to any single borrower as required by regulations. Currently, the Bank's exposure to any single borrower or obligor may not, and does not, exceed 15.0% of the Bank's total capital, in compliance with the SBV's requirement. The Bank monitors concentrations of credit risk by industry sector, customer type and geographic location. Further information regarding the Bank's loans to customers by industry sector and customer type is provided below.

Loans by industry sector

The following table sets forth loans outstanding by the industry of borrowers as at the dates presented:

	As at 31 December						As at 31 March	
	2016		2017		2018		2019	
	(VND millions)	%	(VND millions)	%	(VND millions)	%	(VND millions)	%
Agriculture, forestry and fishery.	1,045,660	0.7	3,512,339	1.9	1,149,359	0.5	1,019,905	0.4
Mining.	168,178	0.1	253,756	0.1	391,618	0.2	1,067,023	0.5
Processing, manufacturing.	8,412,917	5.8	12,096,569	6.6	11,938,173	5.4	12,772,533	5.5
Electricity, petroleum and steam	2,273,026	1.6	2,169,791	1.2	1,865,916	0.8	1,951,999	0.8
Water supply and waste treatment	395,533	0.3	227,136	0.1	216,406	0.1	210,667	0.1
Construction	5,012,167	3.5	7,796,693	4.3	19,234,916	8.7	18,174,008	7.9

	As at 31 December						As at 31 March	
	2016		2017		2018		2019	
	(VND millions)	%	(VND millions)	%	(VND millions)	%	(VND millions)	%
Wholesale and retail trade, repair of motor vehicles, motor cycles and personal goods . . .	7,813,290	5.4	22,150,836	12.1	24,644,053	11.1	25,250,409	10.9
Transportation and logistics	10,046,085	6.9	9,321,473	5.1	7,945,263	3.6	7,827,200	3.4
Hospitality and restaurants	3,272,257	2.3	4,189,673	2.3	9,902,603	4.5	10,883,495	4.7
Information and media . .	435,139	0.3	453,449	0.3	396,897	0.2	408,270	0.2
Finance, banking and insurance services	2,793,831	1.9	1,868,409	1.0	3,969,632	1.8	3,388,642	1.5
Real estates	16,946,370	11.7	33,590,000	18.4	43,341,997	19.5	46,323,702	20.0
Scientific research and technology	268,448	0.2	234,387	0.1	638,907	0.3	727,732	0.3
Administrative activities and support services . .	432,055	0.3	1,209,101	0.7	1,563,129	0.7	1,580,296	0.7
Activities of the Communist Party, political-social organisations, state management, security and defence	–	–	26,242	0.02	11,539	0.0	9,334	0.0
Education and vocational training	212,721	0.2	335,392	0.2	327,506	0.2	322,957	0.1
Healthcare and community development	26,663	0.02	384,619	0.2	34,359	0.0	33,190	0.0
Recreational, cultural, sporting activities	434,654	0.3	274,785	0.2	214,758	0.1	476,011	0.2
Other services	288,375	0.2	1,507,678	0.8	333,180	0.2	307,748	0.1
Household services, production of material products and services used by households . . .	84,395,844	58.3	80,966,011	44.3	93,833,408	42.1	98,719,119	42.7
Activities of other foreign organisations and offices	–	–	97,874	0.1	8,377	0.0	3,938	0.0
Total	144,673,213	100.0	182,666,213	100.0	221,961,996	100.0	231,458,178	100.0

Gross loans by business segment

The following table sets forth the composition of the Bank's loans by business segment as at the dates specified:

	As at 31 December						As at 31 March	
	2016		2017		2018		2019	
	(VND millions)	%	(VND millions)	%	(VND millions)	%	(VND millions)	%
Consumer finance.	32,104,899	22.2	44,797,014	24.5	53,270,225	24.0	54,662,240	23.6
Retail.	54,530,155	37.7	68,942,277	37.7	73,069,750	32.9	74,189,531	32.1
SME	25,036,384	17.3	27,355,880	15.0	30,991,516	14.0	32,105,888	13.9
CommCredit	1,949,425	1.3	3,397,101	1.9	5,299,355	2.4	5,210,159	2.3
Others ⁽¹⁾	31,052,350	21.5	38,173,941	20.9	59,331,150	26.7	65,290,360	28.1
Total	144,673,213	100.0	182,666,213	100.0	221,961,996	100.0	231,458,178	100.0

(1) Others comprises of: CMB, CIB, FM and other divisions.

Gross loans by customer type

The following table sets forth the composition of the Bank's loans by customer type as at the dates specified:

	As at 31 December						As at 31 March	
	2016		2017		2018		2019	
	(VND millions)	%	(VND millions)	%	(VND millions)	%	(VND millions)	%
Private corporations	50,693,213	35.0	60,629,220	33.2	89,973,876	40.5	87,775,352	37.9
Individuals	89,972,801	62.2	117,375,994	64.3	128,503,645	57.9	136,805,048	59.1
State enterprises.	3,829,335	2.6	4,518,203	2.5	3,409,240	1.5	3,658,101	1.6
Other.	177,864	0.2	142,796	0.0	75,235	0.1	3,219,678	1.4
Total	144,673,213	100.0	182,666,213	100.0	221,961,996	100.0	231,458,178	100.0

Gross loans by geographic location

The following table sets forth the composition of the Bank's loans by geographic location as at the dates specified:

	As at 31 December						As at 31 March	
	2016		2017		2018		2019	
	(VND millions)	%	(VND millions)	%	(VND millions)	%	(VND millions)	%
North.	69,889,588	48.3	86,931,548	47.6	112,504,044	50.7	116,947,719	50.5
Central.	7,278,138	5.0	8,824,442	4.8	9,498,824	4.3	9,705,612	4.2
South.	67,505,487	46.7	86,910,223	47.6	99,959,128	45.0	104,804,847	45.3
Total	144,673,213	100.0	182,666,213	100.0	221,961,996	100.0	231,458,178	100.0

Loans by business group and individual borrower concentrations

The following table sets forth the Bank's 10 largest exposures to business group borrowers and individual borrowers in the Bank's loans to customers as at 31 March 2019:

As at 31 March 2019									
Industry	Total Facilities		Total Facility as a Percentage of Owned Capital ⁽¹⁾	Outstanding Principal Balance		Outstanding Unfunded Facilities	Loans as a Percentage of Total Loans	Loan Classification	
	(VND millions)	(US\$ millions)		(VND millions)	(US\$ millions)				
Group 1 . . . Manufacturing	4,193,263	182.5	13.4%	3,784,730	164.7	408,533	1.1%		1
Group 2 . . . Real estates	4,123,939	179.5	13.1%	2,716,651	118.2	1,407,288	0.2%		1
Group 3 . . . Restaurant and hospitality services	3,536,258	153.9	11.3%	2,702,927	117.6	833,331	0.7%		1
Group 4 . . . agriculture, forestry and fishery	3,468,502	150.9	11.3%	3,468,502	150.9	–	0.0%		1
Group 5 . . . Administrative and supporting services	3,452,498	150.2	11.1%	3,132,471	136.3	320,027	1.1%		1
Group 6 . . . Restaurant and hospitality services	3,234,105	140.7	10.3%	3,168,263	137.9	65,842	1.4%		1
Group 7 . . . Real estates	3,200,000	139.3	10.2%	3,200,000	139.3	–	1.4%		1
Group 8 . . . Wholesale and retail: auto, motorbike and other motor vehicles	3,013,984	131.2	9.6%	–	–	3,013,984	0.0%		1
Group 9 . . . Real estates	2,874,373	125.1	9.2%	2,041,043	88.8	833,330	0.4%		1
Group 10 . . . Real estates	2,652,137	115.4	8.5%	2,622,211	114.1	29,926	1.1%		1
Total	33,749,059	1,468.7	108.0%	26,836,798	1,167.8	6,912,261	7.4%		

(1) Owned capital is calculated in accordance with Circular 19/2017/TT-NHNN on a separate basis. As at 31 March 2019, the owners' equity of the Bank on a standalone basis totalled VND31,362,009 million (US\$1,365 million).

Gross loan types

The following table sets forth the composition of the Bank's loans by type as at the dates presented:

	As at 31 December						As at 31 March	
	2016		2017		2018		2019	
	(VND millions)	%	(VND millions)	%	(VND millions)	%	(VND millions)	%
Secured loans	97,853,388	67.6	113,986,302	62.40	143,967,205	64.90	150,199,197	64.90
Unsecured loans	46,819,825	32.4	68,679,911	37.60	77,994,791	35.10	81,258,981	35.10
Total loans	144,673,213	100.0	182,666,213	100.0	221,961,996	100.0	231,458,178	100.0

Maturities and sensitivities of loans to changes in interest rates

The following table sets forth the original maturities of the Bank's loans to customers by industry of borrower as at 31 March 2019:

	Maturity			
	One year or less	After one year through five years	After five years	Total
	(VND millions)			
Agriculture, forestry and fishery	396,182	147,907	475,816	1,019,905
Mining	1,013,564	30,319	23,140	1,067,023
Processing, manufacturing.	10,225,340	1,272,316	1,274,877	12,772,533
Electricity, petroleum and steam	68,962	11,956	1,871,081	1,951,999
Water supply and waste treatment	46,034	17,604	147,029	210,667
Construction	8,663,089	8,140,124	1,370,795	18,174,008
Wholesale and retail trade, repair of motor vehicles, motor cycles and personal goods	19,264,578	3,243,736	2,742,095	25,250,409
Transportation and logistics	906,112	4,637,802	2,283,286	7,827,200
Hospitality and restaurants	453,132	7,030,422	3,399,941	10,883,495
Information and media	327,760	53,536	26,974	408,270
Finance, banking and insurance services	3,211,655	90,634	86,353	3,388,642
Real estates	6,653,045	18,114,297	21,556,360	46,323,702
Scientific research and technology.	410,040	68,660	249,032	727,732
Administrative activities and support services	1,145,826	231,802	202,668	1,580,296
Activities of the Communist Party, political-social organisations, state management, security and defence	91	1,347	7,896	9,334
Education and vocational training	100,990	52,137	169,830	322,957
Healthcare and community development	16,037	8,888	8,265	33,190
Recreational, cultural, sporting activities	18,812	238,690	218,509	476,011
Other services	69,257	95,752	142,739	307,748
Household services, production of material products and services used by households. . .	26,289,976	58,071,296	14,357,847	98,719,119
Activities of other foreign organisations and offices	—	432	3,506	3,938
Total	79,280,482	101,559,657	50,618,039	231,458,178

Of the above loans due after one year, loans with floating rates and fixed rates as at 31 March 2019 were as follows:

	As at 31 March 2019
	(VND millions)
Floating rates	104,326,477
Fixed rates	47,851,219
Total	152,177,696

Credit Assessment and Approval

The Bank's overall approach to managing credit risk is a risk-based approach. Accordingly, the Bank's credit approval or credit valuation decisions are designed based on the risk levels of the customers. In line with this approach, the Bank has been focusing on the following key activities in relation to credit risk management:

- focusing on completion of data infrastructure used for developing credit rating and risk classification systems in accordance with international standards;
- developing and competing the credit rating system and the credit risk scorecard system;
- gathering and reviewing credit policies and documents of the Bank's entire system to reassess such policies and documents in terms of how they are integrated with and correspond to the requirements specified in the policies of the Bank's risk management framework;
- completing the credit quality monitoring mechanism for the entire life cycle of a loan;
- developing early credit risk warning system; and
- developing debt recovery and restructuring system.

The Credit Council under the Board of Management rates and approves credit applications or credit limits for customers. The Credit Council has been increasing the frequency of their meetings to promptly settle credit approval. In 2016, 2017 and 2018, the Credit Council reviewed approximately 1,156, 1,084 and 1,298 credit applications, respectively.

Loan approval process

Prior to granting a loan, the Bank carries out an assessment of the risk profile of the potential borrower and the loan based upon various qualitative and quantitative factors, both financial and non-financial, including:

- assessment of the borrower's industry sector and relevant macro-economic factors;
- the intended purpose of the proceeds from the loan and the capacity and sources of funds for repayment;
- in the case of a project loan, the viability of the underlying project;
- the credit history of the borrower;

- validation of related documents;
- the proposed terms and conditions and covenants of the loan; and
- the availability of collateral as security for the loan and the adequacy of and likelihood of successful enforcement of such collateral.

For loan applications initiated at the Bank's branches, an account manager at the relevant branch carries out the initial analysis, due diligence and assessment of preliminary risks. The account manager is part of the analysis unit assigned to the application, and prepares a credit proposal, which includes a basic information report, legal opinion, income statement, balance sheet and cash flow projections as well as a credit rating model that shows the current rating of the borrower and the applicable interest rate for the proposed facility.

After the initial analysis, a loan application is required to go through more extensive loan approval procedures. The Bank has formulated different loan approval procedures depending on the business segment for which the loan is being applied.

Whereas loan applications used to be initiated at the Bank's branches and carried out by on-site account managers at the relevant branches, there has been a shift from manual to automatic credit approvals under the Bank's centralised credit underwriting and approval model. As a result, automatic credit approvals now account for 80.0% of the Bank's credit decisions of its retail unsecured products. For instance, the Bank developed and introduced CLOS, a system for approving SME credit applications which enables automated account management actions ranging from account opening to rating, credit extension, financial monitoring and collection. The Bank also launched \$NAP, Vietnam's first fully automated lending platform. \$NAP integrates a wide array of technologies such as artificial intelligence, optical character recognition, facial recognition and voice recognition, which enable FE Credit to perform customer verification and loan approval within 15 minutes without human interaction.

Collateral policy

In order to maintain the Bank's capital adequacy, it is important to develop and maintain policies on collateral management. To ensure efficient collateral management, the Bank has developed a framework for operating its valuation procedures. The Bank conducts analyses of its collateral portfolio and adjusts the record of collateral based on the quality of the secured loans. The Bank has implemented periodic valuation procedures to determine the value of the collateral and conducts periodic inspections of goods and warehouses as well.

Currently, the Bank mainly uses three types of valuation methods to appraise the value of collateral, namely the income approach, the cost approach and the comparable approach. The key features of these approaches are set out below:

- *Income approach*: the income approach uses the present value of any future income expected from an asset. This will include any rental income that the asset may generate and, if the asset includes equipment, the income from any products produced by that equipment.
- *Cost approach*: the cost approach compares the construction or replacement cost of the relevant assets with those of the same function, age, condition and location, deducting physical, operational and economic amortisation. Using this approach, the Bank also analyses the market prices of raw materials, labour, equipment and utility.
- *Comparative approach*: the comparative approach values an asset by comparing it to the value of other assets that have the same function, age, condition and location.

For collateral with its value exceeding VND200 billion or the collateral worth VND50 billion or more of the customers with any obligations and interests related to credit institutions, it is mandatory to employ a third party to appraise the value of such collateral. Where the valuation of the collateral is outsourced to a third party, the Bank reviews such valuation to ensure that the quality of the valuation meets the Bank's standards.

The Bank accepts the following assets as collateral for loans: real property, transportation vehicles, commodities, valuable papers, receivables and payment guarantees. The Bank usually rates assets provided as collateral based on their respective levels of liquidity and safety.

Credit surveillance

The Risk Management Committee is tasked with advising the Board of Directors on the adoption of risk management strategies, processes and policies for all of the Bank's activities. The Risk Management Division oversees the Bank's overall credit risk management and its general responsibilities include developing risk management policies and determining risk limits, risk monitoring, risk reporting and risk control. The Risk Management Division makes reports to the Risk Management Committee based on which the Risk Management Committee makes key credit decisions.

The Bank conducts credit surveillance primarily by (i) managing and collecting loans after disbursement and (ii) controlling the credit quality. First, upon disbursing loans to customers, the Bank sets up a portfolio classifying each customer and each group of customers by purpose and develops a plan for managing and collecting loans by taking measures including the following:

- *Periodic review of business status of customers:* after disbursement of loans, the Bank monitors the business status of each customer to provide a suitable loan structure plan as well as a financial plan for the customer to help the customer solve any issues and rebalance its financial position and to ensure that the customer is in compliance with its debt obligations.
- *Early warning system:* the Bank implements an early warning system to identify a list of potentially risky loans and provide appropriate solutions to prevent loans falling under Group 1 under SBV loan classification from being transferred to Group 5 (bad debt).
- *Sale of eligible loans:* in addition to implementing traditional debt collection solutions, the Bank sells eligible loans with special bonds or market prices to VAMC and other individual organisations.

To control the credit quality and improve its credit efficiency, the Bank implements the following:

- *Strict compliance with laws and regulations:* the Bank strictly complies with the relevant laws and the Bank's own regulations which set limits on loans provided to certain categories of customers and customers in certain industries.
- *Regular monitoring:* the Bank regularly monitors its credit portfolio to ensure that the Bank can maintain the asset quality by properly assessing bad debts in a timely manner.
- *Bad debt management:* the Bank focuses on bad debt management through various means. The Bank manages and controls bad debts by respective industry sectors and provides a warning to certain industries with their bad debt ratios bordering the risk tolerance threshold set by the Bank. Departments of the Bank concerned with such industries with high level of bad debts may propose to Chief Executive Officer to issue the direction to improve the bad debt ratios in those industries. In some cases, such departments may even request the Bank's relevant business unit to stop disbursing loans to customers in the industry with high bad debt ratios if the bad debt ratio of the industry with respect to the business unit concerned is higher than the bad debt ratio of the same industry with respect to other business units of the Bank.

Funding

The Bank enjoys a diversified funding base across various funding instruments, including the funding from the Government and the SBV, deposits and borrowings from other credit institutions, customer deposit, valuable papers issued and other borrowings and entrusted funds. As at 31 March 2019, the proportion of the various sources of the Bank's funding was: 79.7% from customer deposits (i.e., deposits and certificate of deposit), 5.7% from domestic bonds, 4.6% from medium and long-term borrowings from financial institutions and other credit institutions and 10.0% from other interbank and other sources.

The Bank's primary source of the funding is derived from the current and term deposit accounts of its corporate and retail customers. The Bank also provides alternative deposit products such as term deposits, deposits with advanced interest payment and savings accounts in both local and foreign currencies. For its corporate customers, the Bank offers products such as corporate time deposits and escrow accounts. The Bank believes that the high interest rates offered, its high service quality, the extensive branch network, and the convenience and security of its banking products and services make the Bank's deposit products competitive. As at 31 March 2019, customer deposits accounted for 65.8% of the Bank's liabilities.

The Bank's principal sources of funds as at the periods set forth are as follows:

	As at 31 December						As at 31 March			
	2016		2017		2018		2019			
	Amount	% of Total	Amount	% of Total	Amount	% of Total	Amount	% of Total	Amount	
	(VND million)	(%)	(VND million)	(%)	(VND million)	(%)	(US\$ million)	(VND million)	(%)	(US\$ million)
Source of Funding										
Borrowings from the Government and the State Bank of Vietnam	1,103,686	0.5	26,015	0.01	3,781,343	1.3	164.5	21,651	0.008	0.9
Deposits and borrowings from financial institutions and other credit institutions	28,835,898	13.6	38,063,849	15.3	54,231,451	18.8	2,359.9	39,855,247	13.9	1,734.3
Customer deposits	123,787,572	58.5	133,550,812	53.8	170,850,871	59.2	7,434.8	188,117,243	65.8	8,186.1
Derivatives and other financial liabilities. . . .	191,325	0.1	160,469	0.1	18,571	0.006	0.8	—	—	—
Other borrowed and entrusted funds.	1,389,786	0.7	328,777	0.1	329,649	0.1	14.3	325,177	0.1	14.2
Valuable papers issued. . . .	48,650,527	23	66,104,605	26.6	48,658,036	16.9	2,117.4	46,862,196	16.4	2,039.3
Other liabilities.	7,634,596	3.6	9,822,077	4.1	10,671,129	3.7	464.5	10,718,465	3.8	466.4
Total	211,593,390	100.0	248,056,604	100.0	288,541,050	100.0	12,556.2	285,899,979	100.0	12,441.2

In terms of borrowings (being amount due to the Government and the SBV, borrowings from financial institutions and other credit institutions, other borrowed and entrusted funds and bonds issued to corporate customers), the Bank maintains a well-spread out debt maturity profile over the next few years with its borrowings in the amount of VND22,055,133 million, VND2,023,955 million, VND13,946,694 million and VND1,111,344 million which will mature in 2019, 2020, 2021 and 2022, respectively. The Bank utilises a mix of Vietnamese dong and U.S. dollars for its debt profile. As at 31 March 2019, the Bank's borrowings denominated in Vietnamese dong and U.S. dollars account for 55.1% and 44.9% of its debt profile, respectively. With respect to interest rates, the Bank's borrowings with floating interest rates and the borrowings with fixed interest rates account for 41.5% and 58.5% of the Bank's debt profile.

The Bank's emphasis on boosting customer deposits has helped establish a sustainable low-cost funding structure for future asset growth. As at 31 March 2019, the Bank's deposits from consumer finance, retail, household banking and SME customers totalled VND27,530,801 million (US\$1,198.0 million), VND128,041,647 million (US\$5,571.9 million), VND46,649 million (US\$2.0 million) and VND12,789,423 million (US\$556.5 million), respectively, representing 11.7%, 54.5%, 0.02% and 5.4% of the Bank's total deposits, respectively. This demonstrates the diversification of the Bank's portfolio which generates steady sources of funding, and in particular with its stable portion of retail deposit or commonly referred to as "sticky deposits". Focusing on attracting term deposits, the Bank is able to minimise the liquidity risks and efficiently utilise such low-cost funding source for its operations. In addition, the Bank's diversified deposit products have contributed to a liquid balance sheet by advancing the Bank's ability to grow and retain diversified customer deposits. From 2017 to 2018 and from 2016 to 2017, the Bank expanded its deposit base (including customer deposits and valuable papers issued) by 9.9% and 15.8%, respectively. The Bank has maintained a prudent LDR and short term funding ratio. The LDR of the Bank on a standalone basis, as measured by total credit to customers to customer deposits and valuable papers issued) was maintained at 84.0%, 89.2%, 92.3% and 92.4% as at 31 December 2016, 2017 and 2018 and as at 31 March 2019, respectively, while the Bank maintained its short term fundings for mid and long-term loans (on a standalone basis) at 38.6%, 30.3%, 33.6% and 32.4% for the corresponding periods, respectively. These increased deposits have provided sufficient capacity for the Bank to continue increasing its total loans to customers.

In addition to a good customer base for deposits as illustrated above, the Bank also obtains funding from the interbank market, primarily to manage its liquidity position, and on funding from other financial institutions for its longer-term needs.

As the Vietnamese economy has developed, the Bank's clients have increased their investment activity and capital expenditures. This results in increased demand for financing, particularly large-scale financing, and for longer terms in borrowings. The Bank anticipates that this trend will continue. To capitalise on such developments, the Bank is exploring possible methods of establishing new sources of funding in both foreign and domestic currencies. This may include strategic partnerships with other international financial institutions, expansion of the Bank's shareholder base and accessing equity or debt capital markets.

Average balances of balance sheet items

The following tables set forth the Bank's average balances of balance sheet items as at the dates presented. Average balances are calculated on a quarterly basis. The Bank considers the average balances determined by such methods to be representative of its operations.

	As at 31 December			As at 31 March	
	2016	2017	2018	2018	2019
	Average balance ⁽¹⁾ (VND million)			Average balance (VND million)	
ASSETS					
Cash, gold and gemstones	1,655,771	2,038,976	2,369,236	2,633,305	2,503,797
Balances with the state Bank of Vietnam.	3,305,040	4,284,613	5,990,663	2,558,337	3,527,201
Placements with and credit granting to other credit institutions.	11,450,702	10,090,172	16,024,490	22,882,775	8,637,912
Securities held for trading	1,959,634	2,892,314	4,004,085	2,289,930	4,243,645

	As at 31 December			As at 31 March	
	2016	2017	2018	2018	2019
	Average balance ⁽¹⁾ (VND million)			Average balance (VND million)	
Derivatives and other financial assets	0	0	40,029	0	22,884
Loans to customers	125,128,391	163,418,055	198,872,314	185,628,817	227,412,319
Debts purchased	0	0	232,105	511,105	0
Investment securities	54,253,397	53,722,934	54,104,157	51,672,591	54,948,182
Long-term investments	270,333	223,270	206,966	220,421	171,990
Fixed assets	557,565	732,009	1,159,809	775,821	1,953,312
Investment properties	27,326	6,763	0	0	0
Other assets	11,581,361	15,130,963	16,187,067	14,971,100	18,659,079
TOTAL AVERAGE ASSETS	210,189,520	252,540,069	299,190,921	284,144,202	322,080,321
LIABILITIES					
Amounts due to the Government and the State Bank of Vietnam . .	290,292	26,904	2,464,197	2,025,716	21,651
Deposits and borrowings from financial institutions and other credit institutions	24,951,656	23,082,577	37,195,987	24,718,966	39,855,247
Customer deposits	124,531,426	130,110,030	155,431,352	143,130,283	188,117,243
Derivatives and other financial liabilities	214,629	153,872	41,046	145,611	0
Other borrowed and entrusted funds	593,381	2,384,168	1,190,551	3,777,792	325,177
Valuable papers issued	38,163,594	63,281,926	59,008,732	66,806,375	46,862,196
Other liabilities	6,049,722	9,620,208	11,017,378	11,898,408	10,718,465
TOTAL AVERAGE LIABILITIES	194,794,700	228,659,685	266,349,243	252,503,151	285,899,979
OWNERS' EQUITY					
Charter capital	9,181,000	13,235,842	20,502,955	15,706,230	25,299,680
Share premium	1,288,863	3,577,347	3,577,553	5,866,105	1,289,001
Treasury shares	0	0	(1,245,861)	0	(2,491,721)
Reserves	1,888,268	3,481,974	4,629,990	6,306,012	7,200,080
Foreign exchange differences	(54,245)	(70,480)	(93,163)	(3,336)	7,952
Retained earnings	3,090,934	3,655,701	5,470,204	3,766,040	4,875,350
TOTAL AVERAGE OWNERS' EQUITY	15,394,820	23,880,384	32,841,678	31,641,051	36,180,342
TOTAL AVERAGE LIABILITIES AND OWNERS' LIABILITY	210,189,520	252,540,069	299,190,921	284,144,202	322,080,321

(1) The average balance is calculated on a quarterly basis.

Asset Quality

Provisioning Requirements

The Bank's classification of placements with and credit granting to other credit institutions, direct and entrusted investments in unlisted corporate bonds, loans to customers and entrustments for credit granting (collectively referred to as "debts") is made in compliance with the quantitative method as prescribed in Article 10 of Circular 02. Under Circular 02, specific provision for debts as at reporting date of each year is made based on the principal balance less discounted value of collateral, which is then multiplied by provision rates which are determined based on debt classifications as at previous month of each year.

The Bank classifies its debts into five categories for reporting purposes in accordance with the SBV's classification policy. The following table sets out the specific provision rates for each group:

SBV classification	Days overdue	Specific provision rate, SBV approach ⁽¹⁾
Group 1 (Current)	0-9	0
Group 2 (Special mention)	10-90	5
Group 3 (Substandard)	91-180	20
Group 4 (Doubtful)	181-360	50
Group 5 (Bad debt)	> 360	100

(1) General provisions on Group 1 to 4 are applied in the amount of 0.75% on the loan balance irrespective of collateral value. Loan is classified by number of days overdue and other qualitative criteria in accordance with Circular 02/2013/TT-NHNN.

The following table sets forth the classification of gross loans of the Bank as at the dates indicated:

	As at 31 December						As at 31 March			
	2016	% of total	2017	% of total	2018	% of total	2018	2019	% of total	2019
	(VND millions, except percentages)						(US\$ millions)	(VND millions, except percentages)		
										(US\$ millions)
Current	132,510,660	91.6	163,809,825	89.7	202,527,738	91.2	8,813.2	209,592,897	90.6	9,120.7
Special mention	7,955,500	5.5	12,656,366	6.9	11,667,993	5.3	507.7	13,489,295	5.8	587.0
Substandard.	2,335,222	1.6	3,166,441	1.7	4,217,034	1.9	183.5	4,466,174	1.9	194.4
Doubtful	975,528	0.7	1,966,441	1.1	1,691,989	0.8	73.6	1,778,133	0.8	77.4
Loss.	896,303	0.6	1,067,140	0.6	1,857,242	0.8	80.8	2,131,679	0.9	92.8
Total Loans	144,673,213	100.0	182,666,213	100.0	221,961,996	100.0	9,658.8	231,458,178	100.0	10,072.3

If a customer has more than one debt with the Bank and any of its outstanding debts is classified into a higher risk group, the Bank is required to classify the entire remaining debts of such customer are into the corresponding higher risk group. When the Bank participates in a syndicated loan as a participant, the Bank is required to classify loans (including syndicated loans) of the customer into the group of higher risk between the assessment of the leading bank and the Bank.

Pursuant to Circular 02, the Bank is not required to make a general provision for placements with and credit granting to other credit institutions. Accordingly, the Bank makes a specific provision for placements with (except for current accounts) and credit granting to other credit institutions according to the method described above.

The Bank sets forth a goal of becoming the pioneering bank in Vietnam to apply IFRS 9 standards to better prevent and prepare for any financial crises. The Bank expects the adoption of the IFRS 9 standards to enhance transparency on credit risks and better alignment between accounting practice, business operation and risk management and evaluation model.

Non-performing Loans

In the past, the Bank has suffered loan impairment losses due to borrowers adversely impacted by economic downturns, increased competition and market volatility. As a result, the Bank has adopted several measures to refine its credit selection processes and appraisal capabilities.

NPL Management Strategy

The Bank has developed a range of strategies to actively manage and reduce its NPL ratio. The top management of the Bank reviews NPL strategies, policies and targets, whereas local branches manage specific NPL accounts. This process enables the Bank to leverage its customer relationships to find a satisfactory arrangement for both the Bank and its borrowers. The Bank's procedures serve to allow the Bank to actively monitor its loans to customers in an effort to detect potentially problematic loans. These procedures include loan monitoring, an early warning system, credit scorecards and evaluation and a market and operating risk management system. Once loans are categorised as NPLs, the Bank applies special NPL management procedures such as collateral management, loan term modifications, and, if necessary, legal action to collect payments and enforce collateral. The Bank also over-collateralises its loans. The Bank will loan up to a limit of 80.0% of the value of movable property serving as collateral and 75.0% of the value of real estate collateral. This enables the Bank to achieve a high recovery rate relative to the underlying principal amount of the loan when enforcing against the collateral.

NPL portfolio classification by operating segment

The following table sets forth the Bank's classified loans for the periods indicated:

	As at 31 December						As at 31 March	
	2016		2017		2018		2019	
	Outstanding Amount	Percentage of Total	Outstanding Amount	Percentage of Total	Outstanding Amount	Percentage of Total	Outstanding Amount	Percentage of Total
	(VND millions)	%	(VND millions)	%	(VND millions)	%	(VND millions)	%
Household								
Special mention	90,388	0.7	246,581	1.3	420,697	2.2	523,296	2.4
Non-performing	60,674	0.5	159,231	0.8	239,409	1.2	302,211	1.3
Substandard.	36,957	0.3	132,793	0.7	177,031	0.9	229,065	1.0
Doubtful.	21,833	0.2	25,343	0.1	60,546	0.3	71,500	0.3
Loss	1,884	0.0	1,095	0.0	1,832	0.0	1,646	0.0

	As at 31 December						As at 31 March	
	2016		2017		2018		2019	
	Outstanding Amount	Percentage of Total	Outstanding Amount	Percentage of Total	Outstanding Amount	Percentage of Total	Outstanding Amount	Percentage of Total
	(VND millions)	%	(VND millions)	%	(VND millions)	%	(VND millions)	%
Retail								
Special mention . . .	3,317,642	27.3	4,642,054	24.6	4,732,830	24.4	4,756,216	21.8
Non-performing . . .	1,510,632	12.4	2,629,942	14.0	3,304,898	17.0	3,693,463	16.9
Substandard	577,393	4.7	1,032,300	5.5	1,007,711	5.2	1,154,998	5.3
Doubtful	411,592	3.4	849,090	4.5	994,645	5.1	1,030,650	4.7
Loss	521,647	4.3	748,552	4.0	1,302,542	6.7	1,507,815	6.9
SME								
Special mention . . .	716,148	5.9	2,295,313	12.2	1,029,745	5.3	875,359	4.0
Non-performing . . .	455,480	3.8	1,134,615	6.0	895,487	4.6	1,044,419	4.8
Substandard	109,206	0.9	251,701	1.3	264,929	1.4	325,205	1.5
Doubtful	59,171	0.5	588,741	3.1	201,663	1.0	246,143	1.1
Loss	287,103	2.4	294,173	1.6	428,895	2.2	473,071	2.2
FECredit								
Special mention . . .	3,702,438	30.4	4,937,821	26.2	5,390,266	27.7	7,024,513	32.1
Non-performing . . .	1,925,381	15.9	2,241,363	11.9	3,185,237	16.4	3,148,903	14.3
Substandard	1,541,938	12.7	1,734,479	9.2	2,750,255	14.2	2,700,220	12.3
Doubtful	352,863	2.9	487,847	2.6	430,362	2.2	420,420	1.9
Loss	30,580	0.3	19,037	0.1	4,620	–	28,263	0.1
Others								
Special mention . . .	128,884	1.0	534,597	2.8	94,455	0.5	309,911	1.5
Non-performing . . .	254,886	2.1	34,871	0.2	141,234	0.7	186,990	0.9
Substandard	69,728	0.6	15,168	0.1	17,108	0.1	56,686	0.3
Doubtful	130,069	1.0	15,420	0.1	4,773	–	9,420	–
Loss	55,089	0.5	4,283	–	119,353	0.6	120,884	0.6
Total	12,162,553	100.0	18,856,388	100.0	19,434,258	100.0	21,865,281	100.0

NPL portfolio classification by type

The following table sets forth the Bank's classified loans for the periods indicated

	As at 31 December						As at 31 March		
	2016		2017		2018		2019		
	Outstanding Amount	Percentage of Total	Outstanding Amount	Percentage of Total	Outstanding Amount	Percentage of Total	Outstanding Amount		Percentage of Total
	(VND millions)	%	(VND millions)	%	(VND millions)	%	(VND millions)	(US\$ millions)	%
Non-performing loan									
Retail	1,510,632	35.9	2,629,942	42.4	3,304,898	42.6	3,693,463	161	44.1
SME.	455,480	10.8	1,134,615	18.3	895,487	11.5	1,044,419	45	12.5
Household	60,674	1.4	159,231	2.6	239,409	3.1	302,211	13	3.6
Consumer finance . . .	1,925,381	45.8	2,241,363	36.2	3,185,237	41	3,148,903	137	37.6
Others	254,886	6.1	34,871	0.5	141,234	1.8	186,990	8	2.2
Gross NPLs	4,207,053	100.0	6,200,022	100.0	7,766,265	100.0	8,375,986	364	100.0

Loan Loss Provisioning

The following table sets forth, for the periods indicated, movements in the Bank's provisions against NPLs:

	2016			2017			2018		
	Specific Provision	General Provision	Total Provision	Specific Provision	General Provision	Total Provision	Specific Provision	General Provision	Total Provision
	(VND millions)								
Beginning Balance.	927,826	813,948	1,741,774	1,058,397	1,031,565	2,089,962	1,856,709	1,290,695	3,147,404
Allowance made/reversed . .	5,165,072	217,617	5,382,689	7,422,746	259,130	7,681,876	11,045,130	234,495	11,279,625
Utilisation of allowance in the year and changes of allowance due to sell or purchase VAMC bonds . .	(5,034,501)	—	(5,034,501)	(6,624,434)	—	(6,624,434)	(10,860,256)	—	(10,860,256)
Closing Balance	1,058,397	1,031,565	2,089,962	1,856,709	1,290,695	3,147,404	2,041,583	1,525,190	3,566,773

For the three months ended 31 March							
	2018			2019			2019
	Specific Provision	General Provision	Total Provision	Specific Provision	General Provision	Total Provision	Total Provision
	(VND millions)						(US\$ millions)
Beginning Balance . .	1,856,709	1,290,695	3,147,404	2,041,583	1,525,190	3,566,773	155.2
Allowance made/ reversed	2,346,047	106,494	2,452,541	2,786,437	156,218	2,942,655	128.1
Utilisation of allowance in the year and changes of allowance due to sell or repurchase loans with VAMC . .	(2,112,592)	–	(2,112,592)	(2,463,569)	–	(2,463,569)	(107.2)
Closing Balance	2,090,164	1,397,189	3,487,353	2,364,451	1,681,408	4,045,859	176.1

The following table sets forth the classification of gross loans of the Bank as at the dates indicated:

	As at 31 December						As at 31 March			
	2016	% of total	2017	% of total	2018	% of total	2018	2019	% of total	2019
	(VND millions, except percentages)						(US\$ millions)	(VND millions, except percentages)		
										(US\$ millions)
Current	132,510,660	91.6	163,809,825	89.7	202,527,738	91.2	8,813.2	209,592,897	90.6	9,120.7
Special mention	7,955,500	5.5	12,656,366	6.9	11,667,993	5.3	507.7	13,489,295	5.8	587.0
Substandard.	2,335,222	1.6	3,166,441	1.7	4,217,034	1.9	183.5	4,466,174	1.9	194.4
Doubtful	975,528	0.7	1,966,441	1.1	1,691,989	0.8	73.6	1,778,133	0.8	77.4
Loss.	896,303	0.6	1,067,140	0.6	1,857,242	0.8	80.8	2,131,679	0.9	92.8
Total Loans	144,673,213	100.0	182,666,213	100.0	221,961,996	100.0	9,658.9	231,458,178	100.0	10,072.3

Interest foregone is the interest due on NPLs that has not been accrued in the Bank's book of accounts. The following table sets forth the outstanding amount of interest foregone on existing non-accruing loans as at 31 December 2016, 2017 and 2018 and 31 March 2019:

As at 31 December and for the period ended	Interest Foregone	
	(VND millions)	(US\$ millions)
2016	3,692,260	160.7
2017	5,104,378	222.1
2018	4,008,088	174.4
Three months ended 31 March 2019	4,374,773	190.4

The following table presents the aging analysis of the Bank's non-accruing loans as at 31 March 2019:

Period	Non-accruing Loans		
	(VND millions)	(US\$ millions)	%
Over 365 days	1,854,072	80.7	15.9
180-365 days	1,231,232	53.6	10.5
90-180 days	1,503,151	65.4	12.9
10-90 days	4,986,543	217.0	42.6
Group 2-5 with OVD under 10 days	2,116,867	92.2	18.1
Total non-accruing loans	11,691,865	508.8	100.0

The following table presents the aging analysis of the Bank's loans that are being restructured as at 31 March 2019:

Period	Restructured Loans		
	(VND millions)	(US\$ millions)	%
Over 180 days	29,195	1.3	2.5
90-180 days	21,837	1.0	1.9
31-90 days	7,857	0.3	0.7
Under 31 days	1,114,362	48.5	94.9
Total restructured loans	1,173,251	51.1	100.0

The following table presents the Bank's provisions for possible credit losses as at the dates presented:

	As at 31 December		As at 31 March	
	2016	2017	2018	2019
(VND millions, except for percentages)				
Loan Category				
Provision held (including general and specific provisions)	2,089,962	3,147,404	3,566,773	4,045,859
Provision held as percentage of gross loans and advances	1	2	2	2
Provision held as percentage of gross NPLs	50	51	46	48

Restructured Loans

If the Bank reschedules a loan, it will reclassify the loan category to account for additional risk associated with the restructuring. The Bank will classify a loan of which repayment terms are restructured for the first time as a special mention loan. If the Bank extends the repayment terms of a loan for the first time, the loan is classified as a substandard loan. The Bank will classify a loan as a doubtful loan if (i) the loan's repayment terms are restructured for the first time but the payments are still overdue for a period of less than 90 days under the restructured repayment term or (ii) the loan's repayment terms are restructured for the second time. A loan will be deemed as loss if (i) the loan's repayment terms are restructured for the first time but the payments are still overdue for a period of 90 days or more under the first restructured repayment term or (ii) the loan's repayment terms are restructured for the third time or more, regardless of the payment being overdue.

The reclassification of restructured loans is initiated at the Bank's branch level and requires review and evaluation by the Bank's restructuring department. A restructured loan in an amount of less than VND15 billion requires approval by Approval Debt Settlement experts. Restructured loan in an amount from VND15 billion to less than VND60 billion are processed by Debt Restructuring Committee and restructured loans in an amount of over VND60 billion requires approval by the Board of Directors.

Write-Offs

The Bank writes off a loan or an investment debt security balance, and any related allowances for impairment losses, when its Risk Management Division determines that the loan or security is uncollectable. This determination is made after considering information such as the occurrence of significant changes in the borrower's/issuer's financial position such that the borrower/issuer can no longer pay the obligation, or that proceeds from collateral will not be sufficient to pay back the entire exposure. For smaller balance standardised loans, write-off decisions generally are based on a product-specific past due status. Recovery from bad debts written off has also been increasing from VND715.6 billion in 2016 to VND1,098.1 billion in 2017 and further to VND2,092.7 billion (US\$91.1 million) in 2018. As at 31 March 2019, the recovery from bad debts written off was VND225.4 billion (US\$9.8 million).

Measures Taken to Improve Asset Quality

The Bank manages its NPLs through an efficient and thorough recovery programme. The Bank's NPL prevention activities begin well in advance before each loan reaches its overdue date. The Bank's various teams and models set up for the recovery programme monitor signs of any potential default and designed responses tailored for each customer profile. While managing its loans with overdue days up to 90 days through its internal prevention and collection procedures, the Bank transfers all of its loans that are overdue for more than 90 days to external agencies and asset management companies for collection. In 2016, VAMC named the Bank as one of the top two most efficient banks in terms of loan recovery. International advanced risk management models were applied to help control asset quality in 2018, and the Bank was able to maintain its NPL ratio at 3.2% as at 31 December 2018.

Capital Adequacy

The SBV monitors the capital requirements of Vietnamese banks, including the Bank. The SBV requires Vietnamese banks to maintain a minimum CAR of 9.0%. The Bank follows the SBV guidelines under Circular 36 for calculating and maintaining its minimum CAR. According to Circular 36, a CAR is calculated by dividing owners' equity by risk-weighted assets. Unlike the Basel II guidelines, Circular 36 does not provide for a discount based on the credit-worthiness of the borrower. The Bank's CAR pursuant to Circular 36 was 13.2%, 14.6%, 12.3% and 13.1% as at 31 December 2016, 2017 and 2018 and 31 March 2019, respectively.

On 31 December 2016, the SBV adopted Circular 41, which adopts the Basel II standards and allows commercial banks to apply a lower individual CAR at 8.0%. Pursuant Decision 779, the Bank is allowed to implement and calculate its Basel II CAR from 1 May 2019. The Bank's CAR calculated pursuant to Circular 41 was 9.5%, 12.6%, 11.2% and 11.1% as at 31 December 2016, 2017 and 2018 and 31 March 2019, respectively. The Bank's Tier I CAR calculated pursuant to Circular 41 was 8.0%, 11.5%, 10.4% and 10.4% as at 31 December 2016, 2017 and 2018 and 31 March 2019, respectively.

Derivatives

The Bank engages in currency forward contracts, swap contracts and option contracts to facilitate customers to transfer, modify or minimise their foreign exchange risks or other market risks and to further the business purpose of the Bank.

The currency forward contracts are commitments to settle in cash in pre-determined currency on a pre-determined future date based on pre-determined exchange rates and are recognised at nominal value at the transaction date and are revalued for the reporting purpose at the exchange rate at the reporting date. The swap contracts are commitments to settle in cash on a pre-determined future date based on pre-determined exchange rates calculated based on the notional principal amount or commitments to settle interest based on a floating rate or a fixed rate calculated on the notional amount in a given period and are revalued periodically.

	Total contract nominal value ⁽¹⁾	Total carrying value ⁽¹⁾		Net value
		Fair values assets	Fair values liabilities	
		(VND million)		
As at 31 March 2019				
Currency forward contracts	6,445,425	6,444,039	(6,392,421)	51,618
Currency swap contracts	25,847,415	25,721,736	(25,794,677)	(72,941)
Other derivative financial instruments	6,059,038	3,907,288	(3,863,081)	44,207
Total	38,351,878	36,073,063	(36,050,179)	22,884
As at 31 December 2018				
Currency forward contracts	7,030,491	7,006,722	(6,995,804)	10,918
Currency swap contracts	30,446,985	30,278,095	(30,365,550)	(87,455)
Other derivative financial instruments	6,350,452	4,442,399	(4,384,433)	57,966
Total	43,827,928	41,727,216	(41,745,787)	(18,571)

(1) At contractual exchange rate.

Contingent Liabilities and Commitments

The Bank's contingent liabilities and commitments primarily consist of foreign exchange commitments, letters of credit and guarantees other than credit guarantees which include payment guarantees, contract performance guarantees and tender guarantees. The table below sets out the Bank's key contingent liabilities and commitments as at dates presented:

	As at 31 December 2018	As at 31 March 2019
(VND million)		
Foreign exchange commitments	66,626,741	57,671,487
Letters of credit	14,799,169	15,917,544

Off-Balance Sheet Arrangements

The following table sets forth the Bank's off-balance sheet arrangement as at 31 December 2016, 2017 and 2018 and as at 31 March 2019.

	As at 31 December			As at
	2016	2017	2018	31 March
	(VND million)			2019
Credit guarantees	12,108	3,792	20,626	626
Foreign exchange commitments	33,307,126	76,976,531	66,626,741	57,671,487
Spot foreign exchange commitment – buy . .	3,687,797	369,768	1,583,073	1,916,664
Spot foreign exchange commitments – sell . .	3,669,239	370,388	1,582,743	1,916,931
Swap contracts	25,950,090	76,236,375	63,460,925	53,837,892
Irrevocable loan commitments	–	–	1,860	–
Letters of credit	6,356,322	8,801,290	14,799,169	15,917,544
Other guarantees	11,585,463	11,590,623	13,860,017	15,276,947
Other commitments	2,334,851	7,034,321	111,197,304	126,924,525
TOTAL	53,595,870	104,406,557	206,505,717	215,791,129

DESCRIPTION OF MATERIAL INDEBTEDNESS

As at 31 March 2019, total borrowings of the Bank and its subsidiaries amounted to US\$1,085.7 million while the total issued debt securities amounted to VND15,727,091 million (US\$684.4 million). The following is a summary of the terms of the Bank's material indebtedness. The following summary does not purport to be complete. Please refer to the Bank's financial statements and the notes thereto included elsewhere in this Offering Circular for additional information with respect to such indebtedness.

Borrowings

Loan Agreement with the Industrial and Commercial Bank of China Limited – Hong Kong Branch (“ICBC”)

On 30 March 2018, the Bank entered into a three-year loan agreement with ICBC for a total amount of US\$20.0 million bearing an interest rate of three-month LIBOR plus 2.28% per annum, payable quarterly commencing from the utilisation date. Under the terms of the loan, the Bank may not create or allow to exist any security asset on any its assets without the prior written consent of the ICBC. However, this covenant does not apply to the Bank's conducting ordinary course of business or issuance of marketable securities, treasury bonds, government bonds or corporate bonds. The outstanding balance of the loan was US\$20.0 million as at 31 March 2019.

Loan Agreements with International Finance Corporation (“IFC”) and other parallel lenders

On 18 August 2016, the Bank entered into a common terms agreement with IFC. Loans utilised by the Bank in connection with this common terms agreement are specifically governed by a senior loan agreement between the Bank and the relevant senior lender. As at the date of this Offering Circular, there are three outstanding senior loan agreements entered into between the Bank and IFC dated 18 August 2016 for an amount of US\$50.0 million, the agreement dated 21 December 2016 for the amount of US\$40.0 million and the agreement dated 7 March 2017 for the amount of US\$25.0 million, respectively, all of which bear an interest rate of LIBOR plus 3.2% per annum. The outstanding balance of these loans were US\$71.1 million as at 31 March 2019.

On 31 May 2017, the Bank signed a two-year convertible loan agreement with IFC for an amount of US\$57.0 million. The outstanding balance of the loan was US\$57.0 million as at 31 March 2019.

The Bank entered into another common terms agreement with IFC on 21 December 2016 (and other subsequent lenders acceding to the agreement). Loans utilised by the Bank in connection with such common terms agreement are specifically governed by a senior loan agreement between the Bank and the relevant senior lender. As at the date of this Offering Circular, there are two outstanding senior loan agreements as follows:

- A loan agreement between the Bank and Oesterreichische Entwicklungsbank AG (“OeEB”) dated 29 December 2016 for an amount up to US\$13.0 million bearing an interest rate of LIBOR plus 3.2% per annum. Interests are paid semi-annually on 15 March and 15 September in each year. The outstanding balance of the loan was US\$8.7 million as at 31 March 2019.
- A loan agreement between the Bank and International Investment Bank (“IIB”) dated 7 March 2017 for an amount up to US\$10.01 million bearing an interest rate of LIBOR plus 3.2% per annum. Interests are paid semi-annually on 15 March and 15 September of each year. The outstanding balance of the loan was US\$6.7 million as at 31 March 2019.

Each of the common terms agreements described above includes, among other things, customary provisions regarding conditions of disbursement, representations and warranties, covenants, events of default, which constitute a part of each loan agreement (which provides for commercial terms of the specific loans made available by the relevant lender to the Bank). There are a number of customary negative covenants in each of the common terms agreements, including prohibition on incurring any liability with a maturity of more than 90 days which is secured, ranks ahead of, or senior to the loans, or creating any security over the Bank's assets or revenues (except for permitted liens). In addition, each of the common terms agreements also contains restrictions on dividend distributions and share buyback involving ordinary shares and preference shares, with certain exceptions. Certain financial covenants are also included in both common terms agreements, including, among other things, a risk weighted capital adequacy ratio of not less than 10.0% and an equity to asset ratio of not less than 5.0%.

Bonds

Issuances in 2019

- On 18 April 2019, the Bank issued non-convertible bonds of an aggregate principal amount of VND500.0 billion which mature on 18 April 2022. The bonds are unsecured and bear a fixed interest rate of 6.9% per annum, payable annually.
- On 16 April 2019, the Bank issued non-convertible bonds of an aggregate principal amount of VND300.0 billion which mature on 16 April 2022. The bonds are unsecured and bear a fixed interest rate of 6.7% per annum, payable annually.
- On 16 April 2019, the Bank issued non-convertible bonds of an aggregate principal amount of VND200.0 billion which mature on 16 April 2022. The bonds are unsecured and bear a fixed interest rate of 6.4% per annum, payable annually.
- On 10 April 2019, the Bank issued non-convertible bonds of an aggregate principal amount of VND200.0 billion which mature on 10 April 2022. The bonds are unsecured and bear a fixed interest rate of 6.4% per annum, payable annually.

Issuances in 2018

- On 26 December 2018, the Bank issued non-convertible bonds of an aggregate principal amount of VND250.0 billion which mature on 26 December 2020. The bonds are unsecured and bear a fixed interest rate of 6.7% per annum, payable annually.
- On 25 December 2018, the Bank issued non-convertible bonds of an aggregate principal amount of VND1,150.0 billion which mature on 25 December 2020. The bonds are unsecured and bear a fixed interest rate of 6.7% per annum, payable annually.
- On 23 November 2018, the Bank issued non-convertible bonds of an aggregate principal amount of VND200.0 billion which mature on 23 November 2021. The bonds are unsecured and bear a fixed interest rate of 6.2% per annum, payable annually.
- On 20 November 2018, the Bank issued non-convertible bonds of an aggregate principal amount of VND200.0 billion which mature on 20 November 2021. The bonds are unsecured and bear a fixed interest rate of 6.2% per annum, payable annually.

- On 12 November 2018, the Bank issued non-convertible bonds of an aggregate principal amount of VND500.0 billion which mature on 12 November 2021. The bonds are unsecured and bear a fixed interest rate of 6.9% per annum, payable annually.
- On 21 June 2018, the Bank issued non-convertible bonds of an aggregate principal amount of VND2,000.0 billion which mature on 21 June 2021. The bonds are unsecured and bear a fixed interest rate of 6.5% per annum, payable annually.
- On 26 April 2018, the Bank issued non-convertible bonds of an aggregate principal amount of VND3,000.0 billion which mature on 26 April 2021. The bonds are unsecured and bear a fixed interest rate of 6.9% per annum, payable annually.

Issuances in 2017

- On 28 December 2017, the Bank issued non-convertible bonds of an aggregate principal amount of VND500.0 billion which mature on 28 December 2019. The bonds are unsecured and bear a fixed interest rate of 7.4% per annum, payable annually.

Issuances in 2016

- On 30 December 2016, the Bank issued non-convertible bonds of an aggregate principal amount of VND41.9 billion which mature on 31 December 2021. The bonds are unsecured and bear a fixed interest rate of 9.2% per annum, payable monthly.
- On 29 December 2016, the Bank issued non-convertible bonds of an aggregate principal amount of VND200.0 billion which mature on 30 December 2021. The bonds are unsecured and bear a fixed interest rate of 9.2% per annum, payable monthly.
- On 28 December 2016, the Bank issued non-convertible bonds of an aggregate principal amount of VND200.0 billion which mature on 29 December 2021. The bonds are unsecured and bear a fixed interest rate of 9.2% per annum, payable monthly.
- On 27 December 2016, the Bank issued non-convertible bonds of an aggregate principal amount of VND15.8 billion which mature on 28 December 2021. The bonds are unsecured and bear a fixed interest rate of 10.49%, payable at maturity.
- On 22 December 2016, the Bank issued non-convertible bonds of an aggregate principal amount of VND200.0 billion which mature on 23 December 2021. The bonds are unsecured and carry a variable interest equal to an average rate based on 12-month VND saving deposits offered by BIDV, VietinBank, Vietcombank and Agribank plus 2.5% per annum for subsequent interest periods. Interests are paid annually.
- On 16 December 2016, the Bank issued non-convertible bonds of an aggregate principal amount of VND35.6 billion which mature on 17 December 2021. The bonds are unsecured and bear a fixed interest rate of 8.8% per annum, payable monthly.
- On 20 December 2016, the Bank issued non-convertible bonds of an aggregate principal amount of VND500.0 billion which mature on 21 December 2021. The bonds are unsecured and carry a variable interest equal to an average rate based on 12-month VND saving deposits offered by BIDV, VietinBank, Vietcombank and Agribank plus 2.5% per annum for subsequent interest periods. Interests are paid annually.

- On 16 December 2016, the Bank issued non-convertible bonds of an aggregate principal amount of VND558.1 billion which mature on 17 December 2021. The bonds are unsecured and bear a fixed interest rate of 9.2% per annum, payable monthly.
- On 15 December 2016, the Bank issued non-convertible bonds of an aggregate principal amount of VND415.0 billion which mature on 16 December 2021. The bonds are unsecured and carry a variable interest equal to an average rate based on 12-month VND saving deposits offered by BIDV, VietinBank, Vietcombank and Agribank plus 2.5% per annum for subsequent interest periods. Interests are paid annually.
- On 14 December 2016, the Bank issued non-convertible bonds of an aggregate principal amount of VND500.0 billion which mature on 15 December 2021. The bonds are unsecured and carry a variable interest equal to an average rate based on 12-month VND saving deposits offered by BIDV, VietinBank, Vietcombank and Agribank plus 2.5% per annum for subsequent interest periods. Interests are paid annually.
- On 7 December 2016, the Bank issued non-convertible bonds of an aggregate principal amount of VND71.6 billion which mature on 8 December 2021. The bonds are unsecured and bear a fixed interest rate of 10.49%, payable at maturity.
- On 25 November 2016, the Bank issued non-convertible bonds of an aggregate principal amount of VND110.0 billion which mature on 26 November 2021. The bonds are unsecured and carry a variable interest equal to an average rate based on 12-month VND saving deposits offered by BIDV, VietinBank, Vietcombank and Agribank plus 2.5% per annum for subsequent interest periods. Interests are paid annually.
- On 28 November 2016, the Bank issued non-convertible bonds of an aggregate principal amount of VND19.9 billion which mature on 29 November 2021. The bonds are unsecured and bear a fixed interest rate of 10.49%, payable at maturity.
- On 16 November 2016, the Bank issued non-convertible bonds of an aggregate principal amount of VND500.0 billion which mature on 16 November 2019. The bonds are unsecured and bear interest at the rate of 8.1% per annum for the first interest period. The bonds carry a variable interest equal to an average rate based on 12-month VND saving deposits offered by BIDV, VietinBank, Vietcombank and Agribank plus 1.6% per annum for subsequent interest periods. Interests are paid annually.
- On 4 November 2016, the Bank issued non-convertible bonds of an aggregate principal amount of VND9.5 billion which mature on 5 November 2021. The bonds are unsecured and bear a fixed interest rate of 8.8%, payable annually.
- On 30 September 2016, the Bank issued non-convertible bonds of an aggregate principal amount of VND1,000.0 billion which mature on 30 September 2019. The bonds are unsecured and bear interest at the rate of 8.1% per annum for the first interest period. The bonds carry a variable interest equal to an average rate based on 12-month VND saving deposits offered by BIDV, VietinBank, Vietcombank and Agribank plus 1.6% per annum for subsequent interest periods. Interests are paid annually.

RELATED PARTY TRANSACTIONS

Related party transactions include all transactions undertaken with other parties to which the Bank is related. Related parties are parties in which one party is able to control or has considerable influence on other parties in deciding policies in finance and operation. Related parties of a credit institution is defined in the Law on Credit Institutions to include the following persons (“Related Parties”):

- companies (companies include credit institutions) of the same group: a parent company and its subsidiary (in case of a credit institution, a subsidiary is a company where the credit institution and its Related Parties own more than 50.0 per cent of the charter capital or of voting shares or where it exercises control); subsidiaries of the same parent company;
- administrators and members of the supervisory board of a company or individuals or organisations with power to appoint such persons and that company or a subsidiary of that company;
- an organisation or individual owning 5.0 per cent. or more of the charter capital or of voting shares of a company and that company;
- an individual and the spouse, parent, children or siblings of that individual;
- spouse, parents, children or siblings of the company’s administrators, members of the supervisory board and individuals owning 5.0 per cent. or more of the charter capital or voting shares of a company and that company;
- an individual authorised to act on behalf of the above-mentioned organisations or individuals and these organisations or individuals;
- individuals appointed by the same organisation to act as its representatives for its capital contribution portions in a company; and
- other legal entities or individuals having a relationship with a credit institution that potentially poses risks to the operations of the credit institution who are designated as Related Parties by the credit institution’s internal policies or by the SBV in writing, on a case-by-case basis.

Significant transactions of the Bank with its Related Parties during the three months ended 31 March 2019 are as follows:

For the three months ended 31 March 2019		
Related parties	Transactions	Amount
		(VND million)
Members of the Board of Management, Board of Supervision and Board of Directors	Remuneration expenses	(36,973)
	Interest expenses for deposits of management	(469)

Receivables and payables with Related Parties as at 31 March 2019 are as follows:

As at 31 March 2019		
Related parties	Balances	Receivables/ Payables
		(VND million)
Members of the Board of Management, Board of Supervision and Board of Directors	Deposits at the Bank	57,032

Significant transactions of the Bank with its Related Parties in the presented years are as follows:

For the year ended 31 December				
Related parties	Transactions	Amount (VND million)		
		2018	2017	2016
Members of the Board of Management, Board of Supervision and Board of Directors	Remuneration expenses	(82,826)	(48,919)	(33,412)
	Interest expenses for deposits of management	(3,068)	(1,483)	(640)

Receivables and payables with Related Parties in the presented years are as follows:

As at 31 December				
Related parties	Transactions	Amount (VND million)		
		2018	2017	2016
Members of the Board of Management, Board of Supervision and Board of Directors	Deposits at the Bank	53,314	40,962	20,246

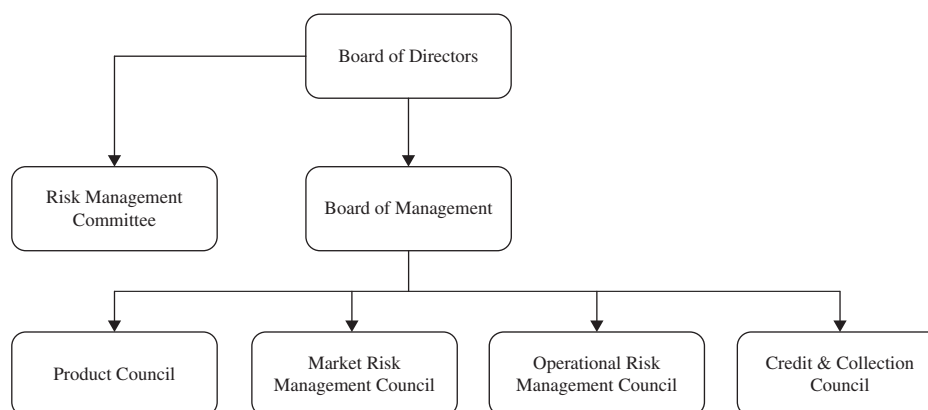
All of the transactions with Related Parties mentioned above are and have been conducted on an arms' length basis.

RISK MANAGEMENT

With the vision of becoming a leading joint stock bank in Vietnam, the Bank recognises that risk management plays a crucial role in the Bank's business operations. The Bank has designed, and regularly evaluates, its risk management and internal processes to provide robust management of credit risk, market risk and operational risk. With uncertainties in the global economic climate and recognising the challenges operating in a developing market environment such as Vietnam, the Bank places great emphasis on efforts to improve its risk management policies and procedures as well as to implement upgrades to its overall organisational structure, inspection and control mechanism to better manage its operational risks on a consistent and as-needed basis.

The Bank employs a three-line defense approach to risk management, coupled with data analytics to streamline risk management processes. The three-line defense approach consists of front-office functions, risk management functions and audit functions where each line has specific risk management and control responsibilities and goals. Within the three-line defense of risk management, risk management functions aim to design, control and monitor all business activities and the audit functions aim to provide independent supervision and assessment. As at the date of this Offering Circular, the Bank is one of the pioneers in Vietnam to make statistically-driven risk management decisions based on its data analytics.

The following chart sets forth the structure of the Bank's risk governance structure:



The Bank has developed a strong corporate governance culture, with top-down support approach for the implementation of requirements under Circular 41. Under the Bank's risk governance structure, the Board of Directors ultimately holds overall responsibilities for the establishment and oversight of the risk management framework and is ultimately responsible for the quality and effectiveness of the Bank's risk management. To facilitate the oversight functions, the Board of Directors has established an Assets and Liabilities Committee and a Risk Management Committee which are responsible for developing and monitoring key risk management policies for specific areas authorised by the Board of Directors and periodically reporting to the Board of Directors on their activities.

The Board of Directors approves the Bank's risk appetite and high-level risk strategy on an annual basis based on the endorsement of the Risk Management Committee. As a delegate of the Board of Directors, the Risk Management Committee has responsibility for oversight and review of prudential risks, including credit, market, liquidity and operational risks. The Risk Management Committee makes decisions regarding bank-wide policies including risk strategies, stress testing framework and high-level risk policies. It reviews the performance of the bank against defined overall risk appetite and makes recommendations to the Board of Directors.

In 2018, the Bank developed and actively improved its risk management framework to roll out an internal process for assessing capital adequacy in compliance with regulatory and Basel II requirements. On 17 April 2019, the State Bank of Vietnam issued a decision No. 779/QĐ-NHNN on the implementation of Circular 41/TT-NHNN of the Bank. The Bank is allowed to implement Circular 41 of the SBV, which stipulates the capital adequacy ratio for the commercial banks and the foreign banks' branches in line with Basel II standard since 1 May 2019. The Bank officially implemented the standardised approach and is moving towards an advanced approach under the Basel II framework.

The Bank's risk management framework has been structured in an attempt to form key principles in managing and controlling significant risks arising from the Bank's activities. Specific policies and regulations for each type of risk have been established to assist the Bank in analysing and determining appropriate risk limits and control and monitoring measures, including ensuring adherence to the limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions, products and services offered. The Bank, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment, in which all employees understand their roles and obligations. One of the Bank's priorities in risk management has been to be prepared for compliance with Circular No.13/2018/TT-NHNN as amended by Circular 40/2018/TT-NHNN dated 28 December 2018 on Internal Control Systems to take effect in 2019. As preparatory steps, the Bank restructured its risk management and internal approval processes, issued risk management policies and developed models to strengthen the risk management framework.

The Bank also took initiatives to improve its stress-testing framework and has periodically carried out tests, including those on capital and liquidity as required by the SBV and on concentration risk, which is optional. As a result, the Bank can clearly identify and understand the business impact that those factors may exert and remain best prepared for any potential adverse circumstances. The Bank also aims to become one of the pioneers in Vietnam to apply IFRS 9 standards for better prevention and preparation for financial crisis due to expected loss provisioning, increased transparency on credit risk, and better alignment between risk measurement and management model and accounting model and business activities.

Credit Risk

Credit risk poses the largest impact on the Bank's income and capital. The Bank has established credit risk standards on the basis of managing credit activities in a prudent manner and in compliance with pre-determined limits, including the credit concentration risk limits, and adhering to the Bank's risk tolerance. In principle, the Bank identifies and manages credit risk in all activities and products with potential credit risks. The Bank refrains from facilitating or providing new credit activities or new credit products until sufficient understanding of the new product and its risks and appropriate control measures have been developed and implemented. The Bank measures credit risks, makes allowances and complies with provision ratios for loans and advances to customers and to other credit institutions in accordance with the relevant regulations of the SBV. The Bank has implemented policies to control credit risks by engaging in transactions with reliable partners, and requests its partners to take guarantee measures as and when required.

The credit risk management system is operated based on the linked principles of independence and centralisation. Accordingly, the development of risk management policies, determination of risk limits and risk monitoring, risk reporting and risk control are implemented independently and centrally at the Risk Management Division. The reports from the Risk Management Division are a basis for the Risk Management Committee to issue key credit risk management decisions.

The Bank's overall approach to credit risk is a risk-based approach and has implemented key activities as follows:

- Focusing on completion of data infrastructure used for developing credit rating and risk classification systems in accordance with international standards;
- Developing and completing the credit rating system and the scorecard system;
- Gathering and reviewing credit policies/documents of the whole system to reassess the integrity and responsiveness to the requirements specified in the policies of its risk management framework;
- Completing the credit quality monitoring mechanism for the entire life cycle of a loan;
- Developing an early credit risk warning system; and
- Developing a debt recovery and restructuring system.

Liquidity Risk

Liquidity risk represents the risk that the Bank will not be able to meet its financial obligations as they fall due or the risk that the Bank might face unacceptable material losses to meet such obligations which may exert negative impact on the Bank's profit, reputation and equity, and may lead to the Bank's bankruptcy.

The Bank maintains a specific portfolio and volume of liquid assets, which may include cash, gold, interbank deposits, Government bonds and other assets to meet its liabilities when due under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Bank's reputation. The Bank establishes specific liquidity tolerances and follows such procedures strictly.

Liquidity risk limits are established based on results of the Bank's liquidity forecast in normal and stressed market conditions. Regular liquidity stress testing is conducted under a variety of scenarios covering adverse conditions. In addition, the Bank issues specific regulations on a Liquidity Contingency Plan, which clearly specifies the roles and responsibilities of each unit and coordination process for implementation when signs of a possible stressed liquidity event appear.

The Bank understands the interrelation of credit risk and market risk and how such risks may impact the Bank's liquidity at specific times. The Bank also realises that liquidity risks come from two sides of its balance sheet. Therefore, the Bank's approach to managing liquidity focuses on diversification of investment and credit activities and increasing accessibility to capital markets to diversify its fund-raising options.

The following table provides an analysis of the assets and liabilities of the Bank into relevant maturity groups based on the remaining period from the consolidated balance sheet date to repayment date.

The table below presents analysis of remaining maturity of assets and liabilities of the Bank as at 31 March 2019.

	Overdue		Current					Total
	Above 3 months	Within 3 months	Up to 1 months	From 1 to 3 months	From 3 to 12 months	From 1 to 5 years	Over 5 years	
	VND million	VND million	VND million	VND million	VND million	VND million	VND million	
Assets								
Cash, gold and gemstones	–	–	2,503,797	–	–	–	–	2,503,797
Balances with the SBV. .	–	–	3,527,201	–	–	–	–	3,527,201
Balances with and credit granting to other credit institutions – gross. . .	–	–	6,903,245	1,197,993	536,674	–	–	8,637,912
Securities held for trading – gross	–	–	4,258,686	–	–	–	–	4,258,686
Derivatives and other financial assets	–	–	(3,033)	1,263	21,368	3,286	–	22,884
Loans to customers – gross	4,483,937	5,313,358	27,134,721	28,810,275	60,543,722	80,229,425	24,942,740	231,458,178
Investment securities – gross	–	53,760	15,391	1,595,626	7,829,836	32,128,420	14,090,175	55,713,208
Long-term investments – gross	–	–	–	–	–	–	227,602	227,602
Fixed assets	–	–	–	–	–	–	1,953,312	1,953,312
Other assets – gross . . .	107,825	2,525	11,211,086	3,491,924	3,825,903	3,629	58,170	18,701,062
Total assets	4,591,762	5,369,643	55,551,094	35,097,081	72,757,503	112,364,760	41,271,999	327,003,842
Liabilities								
Amounts due to the Government and the SBV	–	–	4,309	12,108	5,234	–	–	21,651
Deposits and borrowings from financial institutions and other credit institutions. . . .	–	–	12,510,457	7,868,163	13,833,353	5,621,999	21,275	39,855,247
Customer deposits	–	–	50,744,582	34,407,436	86,120,759	16,842,755	1,711	188,117,243
Other borrowed and entrusted funds	–	–	563	106	5,835	272,970	45,703	325,177
Valuable papers issued . .	–	–	4,557,560	5,141,374	21,335,014	15,828,248	–	46,862,196
Other liabilities	–	–	9,965,153	263,722	459,317	30,273	–	10,718,465
Total liabilities	–	–	77,782,624	47,692,909	121,759,512	38,596,245	68,689	285,899,979
Net liquidity gap.	4,591,762	5,369,643	(22,231,530)	(12,595,828)	(49,002,009)	73,768,515	41,203,310	41,103,863

Market Risk

Market risk represents the risk that negative changes in prices and market-related values will adversely affect the Bank's income and capital. Some market risks include interest rate risk, currency risk and price risk. Market risk management seeks to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

Management of market risks is vested in the Market and FI Risk Department under the Risk Management Division. The Market and FI Risk Department is responsible for the development of detailed market risk management policies and process, guidance on market risk management measures, proposing independent market risk limits for review and approval and controlling market risk limits on daily or monthly bases according to the Bank's guidelines.

Market forecasts also play an important role in market risk management. The Market Risk and FI Risk Management Department, in combination with other specialised units, gathers and analyses information and data to generate forecasts regarding potential market movements. Accordingly, the Bank is provided with a sufficient basis for making decisions on effective risk prevention measures.

Currency Risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Bank was incorporated and operates in Vietnam with Vietnamese dong as its reporting currency. However, a portion of the Bank's assets includes other currencies, including U.S. dollars and Euros.

The Bank's management has set limits on open foreign exchange positions by currency as well as total open foreign exchange positions in accordance with the Bank's internal risk assessment system and the SBV's regulations. The major currency in which the Bank transacts is Vietnamese dong. The Bank's loans and advances are mainly denominated in Vietnamese dong with the remainder denominated in U.S. dollars. Some of the Bank's other assets are in currencies other than the reporting currency or U.S. dollars. Positions are monitored on a daily basis and hedging strategies used to ensure positions are maintained within established limits and acceptable tolerances for currency fluctuations.

Securities Price Risk

Securities price risk arises from fluctuations in prices related to securities held by the Bank. The Bank monitors the securities in its investment portfolio based on market indices. Material investments within the portfolio are managed on an individual basis.

The Bank's trading securities and investment securities are exposed to market price risks arising due to the uncertainty of future market price fluctuations of these securities. The Bank manages its equity securities price risk by diversifying its investment portfolio and maintaining prudence in selecting securities for investment within stipulated concentration limits.

Interest Rate Risk

Interest rate risks are the risks that cause negative effects on the Bank's income and capital due to adverse interest rate fluctuations. Interest rate risks arise when there is a difference in term or in amount between interest-earning assets and interest-bearing liabilities that are mobilised to finance such assets. The main activities of the Bank create interest rate risk, including lending, the taking of deposits and investments.

Interest rate risks are measured based on a repricing model to analyse and review through the following two main methods:

- *Analysis of changes in net interest income:* on the basis of calculating accrued interest due to changes in interest rate under various scenarios. The method of analysing the changes in net interest income is reviewed as to short-term effects; and
- *Economic value effect analysis:* this value represents the effects of interest rate fluctuations on the economic value of assets and liabilities and off-balance sheet assets. The method of analysing the effects of economic value of equity is reviewed as to long-term effects on the Bank in respect of interest rate fluctuations.

Operational Risk

To minimise operational risks, the Bank has completed and rolled out an operational risk management framework across the Bank with a clear structure and roadmap. The framework is standardised and fully satisfies international standards and the SBV's requirements on internal control systems. The Risk and Control self-assessment is implemented bank-wide and has provided extensive benefits for the Bank's management by helping each unit to identify the level of residual risks after the application of control points, which can help each unit to enhance its controls and mitigate risks. A system for reporting and managing operational risk events has been implemented across the Bank as well, helping automate and ensure the transparency of operational risk discovery and management, which has significantly reduced the duration between the discovery and reporting of operational risk events to Operational Risk Management and improved internal controls and compliance within the Bank. The Bank has also developed an anti-fraud management system to reduce the risk of fraud both internally and externally, by tightening internal controls, restructuring workflow processes and upgrading technological systems. The Operational Risk Management Council is also responsible for assessing risks inherent in new product development at the Bank. Since implementation of various operation risk management tools, the Bank has gradually improved its operational risk profile, successfully addressing 95.0%, 84.0% and 83.0% of low, medium, high-risk event portfolios, respectively.

Internal Audit

The supervisory board of the Bank (the "Supervisory Board") acts as the audit committee in accordance with international practices to control the Bank's financial and business activities, review annual financial reports and other financial activities, supervise the Bank's compliance with applicable laws and internal regulations, and supervise the internal audit function by directly managing the Bank's internal audit division. The supervisory Board is accountable to, and takes responsibility for, reporting to the AGM in accordance with applicable laws and regulations. The Bank's Supervisory Board represents an important tool for the Bank's management to evaluate the effectiveness of the internal control systems of the Bank for mitigating risk under various parameters. The inspection report not only serves to rectify any irregularities found, but also provides a blueprint to the branch functionaries and the controllers for initiation of suitable remedial actions to correct systemic deficiencies to manage and control risk. The Bank also has an Internal Audit Division which performs tasks assigned by the Supervisory Board.

The Supervisory Board is comprised of three members, two of whom are full-time members, including the head of the Supervisory Board. All members of the Supervisory Board are required to have accounting and finance backgrounds suitable to discharge their duties. The Supervisory Board monitors the performance and activities of the Board, and is responsible for reporting to the general shareholders' meeting. The Supervisory Board regularly works with the Board to exchange views or advise on risks or key findings in the course of the Bank's operations.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Board of Directors

The Board of Directors is the governing body of the Bank, with full rights and authority to perform all obligations on behalf of the Bank, excluding issues under the power of the General Shareholder's Meeting. As at the date of this Offering Circular, the board of directors was comprised of the following people:

Name	Age	Designation
Ngo Chi Dzung	51	Chairman of the Board of Directors
Bui Hai Quan	51	Vice Chairman of the Board of Directors
Lo Bang Giang	47	Vice Chairman of the Board of Directors
Nguyen Van Hao	64	Independent Board Member
Nguyen Duc Vinh	61	Chief Executive Officer and Board Member

The Board of Directors meets regularly as per the requirements of the Bank with a minimum of four meetings in a year. During the year ended 31 December 2018, four Board meetings were held. During the period ended 31 March 2019, one meeting was held.

Mr. Ngo Chi Dzung is the Chairman of the Board of Directors and was appointed to this position in 2010. He also served as the Chairman of Human Resources Committee and a voting member of the Assets-Liabilities Management Council of the Bank. He used to serve as Chairman of KBG Group (Russia) and Vice Chairman of Vietnam Technological and Commercial Joint Stock Bank (Techcombank) from 2005 to 2010. He has a Doctoral Degree in Economics from the Russian Academy of Sciences.

Mr. Bui Hai Quan is a Vice Chairman of the Board of Directors and was appointed to this position in 2008. He also serves as a member of the Human Resources Committee and Assets-Liabilities Management Council, and as Chairman of the Risk Management Committee of the Bank. He has a Bachelor's Degree in Economics from Kiev National Economics University of Ukraine.

Mr. Lo Bang Giang is a Vice Chairman of the Board of Directors and was appointed in 2010. He also serves as a member of the Human Resources Committee and Risk Management Committee, and is the Chairman of the Members' Council of VPBank Finance Company. He has a Master's Degree in Economics from Kiev National Aviation University.

Mr. Nguyen Van Hao is an independent board member since 2015. Prior to his appointment to the board, Mr. Nguyen had several years of experience in management as CEO of Japan Airlines in Vietnam from September 1994 to August 2005, Deputy CEO of Prudential Assurance Private Ltd. from September 2005 to August 2008, Deputy CEO of Prudential Group Vietnam from October 2008 to October 2010, and Consumer Finance Advisor for Prudential Group UK from October 2010 to August 2013. Mr. Nguyen has over ten years of experience in the banking sector as well. He obtained his Master's degree in Linguistics from Pyatigorsk State Linguistic University in Russia in 1980 and a Bachelor's Degree in Economics from Foreign Trade University in Vietnam in 1987.

Mr. Nguyen Duc Vinh is the Chief Executive Officer and a Board Member. He has held the position of Chief Executive Officer since 2012 and was appointed as a Board Member in 2013. Prior to his appointment to the board, Mr. Nguyen Duc Vinh served on the Board of Directors and the Board of Management for Vietnam Technological and Commercial Joint Stock Bank (Techcombank) and as Deputy General Director for Vietnam Airlines Corporation (Vietnam Airlines). He earned two Master's Degrees in Business Administration ("MBA") from France and the United States.

Shareholdings of Board Members

The following table sets out information relating to the ownership of share capital by Board Members of the Bank as at the date of this Offering Circular:

Name	Number of Shares	Percentage of Shares
Ngo Chi Dzung	121,687,982	4.8%
Bui Hai Quan.	57,900,348	2.3%
Lo Bang Giang	3,055,337	0.1%
Nguyen Van Hao	—	—
Nguyen Duc Vinh.	16,002,943	0.6%

Supervisory Board

The Supervisory Board provides oversight over the operations of the Bank on behalf of the General Shareholders. It works independently of the Board of Directors and Board of Management. It is tasked with supervising operations and legal compliance. According to the Law on Credit Institutions and the Bank's internal regulations, it has a legal obligation to the General Meeting of Shareholders in its supervisory role.

Supervisory Board consists of three to five members who are elected by the Bank's shareholders at the General Meeting of Shareholders. The purpose of the Supervisory Board is to independently and objectively supervise the business operations, management and administration of the Bank, in addition to any specific tasks that may be assigned at the General Meeting of Shareholders, from time to time.

As at the date of this Offering Circular, the Supervisory Board was comprised of the following people:

Name	Age	Designation
Ngo Phuong Chi	49	Head of Supervisory Board
Nguyen Thi Bich Thuy	46	Supervisory Board Member
Thinh Thi Thanh Hang	43	Supervisory Board Member
Vu Hong Cao	50	Supervisory Board Member
Kim Ly Huyen	43	Supervisory Board Member

Compensation for Board Members and Supervisory Board Members

The Bank's Board of Directors and Supervisory Board Members are entitled to salaries, allowances and benefits in kind according to the Bank's general compensation procedures. Board Member and Supervisory Board Members are compensated out of the Bank's general wage fund and in accordance to each individual's position, job title and performance assessment. Compensations for Board Members and Supervisory Board Members are approved on a yearly basis at the Bank's General Meeting of Shareholders. For each of the years ended 31 December 2016, 2017 and 2018, the total salary of the Board of Directors and Supervisory Board was approved as 1.0% of before-tax profits.

Committees

The Bank has constituted two supporting committees under the Board of Directors, including (a) Human Resources Committee and (b) Risk Management Committee.

Human Resources Committee

The Human Resources Committee advises the Board on compensation, salary and bonus policies. The committee also evaluates candidates for promotion to the Board of Directors, Supervisory Board and within the executive ranks. The Human Resources Committee is currently chaired by Mr. Ngo Chi Dzung, and its members include Mr. Bui Hai Quan and Mr. Lo Bang Giang.

Risk Management Committee

The Bank's Risk Management Committee is tasked with studying and reviewing all policies and regulations prescribed by the Bank in regards to its risk management activities. The Risk Management committee analyses the Bank's risk position and reports on potential risks and plans for risk mitigation. The Risk Management Committee is currently chaired by Mr. Bui Hai Quan, and its members include Mr. Bui Hai Quan, Mr. Ngo Chi Dzung, Mr. Lo Bang Giang, Mr. Nguyen Van Hao, Mr. Ngo Phuong Chi, Mr. Nguyen Duc Vinh and Mr. Dmytro Kolehko.

Board of Management

The Board of Management as at the date of this Offering Circular was comprised of the following people:

Name	Age	Designation
Nguyen Duc Vinh	61	Chief Executive Officer
Luu Thi Thao	45	Standing Deputy Chief Executive Officer and Executive Managing Director
Sanjeev Nanavati	60	Standing Deputy Chief Executive Officer and Senior Managing Executive Officer
Nguyen Thanh Binh	53	Deputy Chief Executive Officer and Head of Credit Division
Duong Thi Thu Thuy	54	Deputy Chief Executive Officer and Head of Corporate and Investment Banking Division
Phan Ngoc Hoa	48	Deputy Chief Executive Officer and Head of Southern Representative Office
Nguyen Thanh Long	53	Deputy Chief Executive Officer and Head of Legal and Compliance Division
Fung Kai Jin	55	Deputy Chief Executive Officer and Head of SME Banking Division
Pham Phu Khoi	56	Deputy Chief Executive Officer and Head of Financial Markets
Kosaraju Kiran Babu.	50	Deputy Chief Executive Officer and Head of Household Banking Division

Name	Age	Designation
Dinh Van Nho	42	Deputy Chief Executive Officer and Head of Commercial Banking Division
Phung Duy Khuong.	43	Deputy Chief Executive Officer and Head of Retail Banking Division
Le Hoang Khanh An	34	Acting Chief Financial Officer

Mr. Nguyen Duc Vinh is a Board Member and also Chief Executive Officer. See “*Directors, Supervisors and Senior Management – Board of Directors*”.

Ms. Luu Thi Thao is Standing Deputy Chief Executive Officer and Executive Managing Director. Ms. Luu was appointed as Standing Deputy Chief Executive Officer in 2018 and has been a member of the Association of Chartered Certified Accounting of the United Kingdom (“ACCA UK”) since 2002 and Certified Practising Accountant Australia. Prior to her appointment, Ms. Luu served as Head of Internal Audit, Compliance Department at ABN AMRO Vietnam Branch and as Chief Financial Officer of ANZ Bank Vietnam. Ms. Luu has a bachelor’s degree in Accounting from the Banking Academy.

Mr. Sanjeev Nanavati is Standing Deputy Chief Executive Office and Senior Management Executive Officer. He was appointed as Deputy Chief Executive Office in 2018. Prior to his appointment, Mr. Nanavati served as Citibank’s longest-serving CEO in Malaysia and the senior advisor to McKinsey. Mr. Nanavati has more than 30 years of global and Asian banking experience at various financial institutions, such as Citibank, Standard Chartered Bank and Bank of America. Mr. Nanavati has an MBA degree from Syracuse University in the United States.

Mr. Nguyen Thanh Binh is Deputy Chief Executive Officer and Head of Credit Division. Mr. Nguyen was appointed as Deputy Chief Executive in 2002. Prior to his appointment, Mr. Nguyen held various managerial positions at the Bank, including in the Credit Department, Research and Development Department and General Affairs and Branch Management Department. Mr. Nguyen has a bachelor’s degree in Finance and Banking from Hanoi University of National Economics and has completed a post-graduate training course on public policies of the Fulbright Vietnam Programme.

Ms. Duong Thi Thu Thuy is Deputy Chief Executive Officer and Head of Corporate and Investment Banking Division and was appointed in 2012. Since joining the Bank in 2002, Ms. Duong has held various managerial positions including Head of Corporate Customer Relationship Department – Branch Manager of VPBank Hanoi, Deputy Chief Executive Officer cum Director of Transaction Centre and Deputy Chief Executive Officer cum Head of Retail and SME Division. Ms. Duong holds a master’s degree in Senior Management from the National Economics University.

Mr. Phan Ngoc Hoa is Deputy Chief Executive Officer and Head of Southern Representative Office and was appointed to this position in 2010. Mr. Phan has held various managerial positions at the Bank since joining in 1994. He holds a bachelor’s degree in Finance from the University of Economics Ho Chi Minh City.

Mr. Nguyen Thanh Long is Deputy Chief Executive Officer and Head of Legal and Compliance Division and was appointed in 2014. Prior to his appointment, Mr. Nguyen held the position of Head of Legal Consulting and Legislation and Deputy Director of Legal Department at the SBV. Mr. Nguyen also served as Deputy Chief Executive Officer of Techcombank from 2007 to 2013 and as Deputy Chief Executive Officer of TPBank from 2013 to July 2014. He holds a bachelor’s degree from Hanoi Law University and holds a Master of Laws (LLM) Degree from Hanoi Law University.

Mr. Fung Kai Jin is Deputy Chief Executive Officer and Head of SME Banking Division. He was appointed as Deputy Chief Executive Office in 2014. Prior to his appointment, Mr. Fung held several senior management positions at Standard Chartered Bank in Malaysia, including Head of International Settlements, Head of Corporate Banking and Head of SME Division, after which he took the position of Executive Vice President and Head of Commercial Banking for six years at Alliance Bank (Malaysia). He has a bachelor's degree in Economics from Royal Melbourne Institute of Technology and a master's degree in Business Administration from Curtin University in Australia.

Mr. Pham Phu Khoi is Deputy Chief Executive Officer and Head of Financial Market Division. Mr. Pham was appointed as Deputy Chief Executive Office and the Head of Financial Markets in 2015. Prior to his appointment, Mr. Pham served as the Asian Director of Investment Bank Vietnam at Bank of America Merrill Lynch (Singapore), and the CEO cum member of the Board of Directors at ACB Securities Co., Ltd., (ACBS). He has an MBA in Finance from the Wharton School of the University of Pennsylvania and a master's degree in Economic Aviation from Riga Aviation University in Latvia. Mr. Pham also completed an international executive course at INSEAD Business School, Fontainebleau, France.

Mr. Kosaraju Kiran Babu is Deputy Chief Executive Officer. Mr. Kiran was appointed as Deputy Chief Executive Officer in 2017. Prior to his appointment, Mr. Kiran worked as Vice President and Regional Sales Head of Citibank India – Commercial Banking Group and a founding member of Fullerton India – Commercial Mass Market Business Group. Mr. Kiran has also worked as CEO and Managing Director of CoOptions Corporation Ltd. and Senior VP and Country Manager of Firstsource Solutions Ltd. in the Philippines. Mr. Kiran has a bachelor's degree in Mechanical Engineering from PSG College of Technology, Bharathiyar University, India.

Mr. Dinh Van Nho is Deputy Chief Executive Officer and Head of Commercial Banking Division. He was appointed as Deputy Chief Executive Officer in 2017. Prior to his appointment, Mr. Dinh held several managerial positions in Techcombank, including Branch Manager, Deputy Branch Manager, Regional Manager and Head of Northern Middle Market Corporate. Mr. Dinh has a bachelor's degree in International Economics from Hanoi Foreign Trade University and a master's degree in Business Administration from Benedictine University in the United States.

Mr. Phung Duy Khuong is Deputy Chief Executive Officer and Head of Retail Banking Division. He was appointed as Deputy Chief Executive Officer in 2019. Prior to his appointment, Mr. Phung worked as Deputy CEO at DongA Bank from 2008 to 2009, General Director of Retail Division at Maritime Bank from 2010 to 2014 and Deputy CEO cum Head of Retail Banking at Vietinbank. Mr. Phung has a bachelor's degree in Commerce from the University of Melbourne and a master's degree in Accounting from Monash University, Australia.

Ms. Le Hoang Khanh An is Acting Chief Financial Officer and was appointed in May 2019. Prior to her appointment, Ms. Le worked at Ernst & Young Vietnam Limited for six years, specialising in managing consulting projects and auditing organisations. Ms. Le worked for five years as Business Finance Manager for the strategic division including SME, Retail Banking and Digital Banking Services at VPBank. Ms. Le is a member of the ACCA UK. Ms. Le has a bachelor's degree in Finance and Banking from the University of Ho Chi Minh City.

The Bank has constituted five supporting committees under the Board of Management, including (a) Executive Committee; (b) Asset-liabilities Management Committee; (c) Operational Risk Management Council; (d) Credit Council; and (e) Credit Risk Management Council.

Executive Committee

The Executive Committee performs the function of reviewing and proposing the Bank's business strategies to the Board of Directors for approval; keeping regular updates of the business performance; executing short-term action plans and solving difficulties facing the Bank's units; making recommendations on changes of organisation structure, budgeting plan, business plan in line with realities and submitting them to the Board of Directors for approval; and reviewing important project proposals of the Bank. The Executive Committee holds meetings twice a month, with discretionary participation by members of the Board of Directors and Supervisory Board.

The Executive Committee is currently chaired by the CEO.

Assets-Liabilities Management Committee

The Assets-Liabilities Management Committee sets the Bank's strategy for the size, structure and growth of the Bank's assets and liabilities. These strategies also include the management of the Bank's interest rate risk, liquidity risk and exchange rate risk. The committee also reviews the Bank's lending and deposit interest rates for customers. The committee also evaluates market and macroeconomic trends. The Assets-Liabilities Management Committee is currently chaired by the CEO, and its members include Executive Managing Director, Senior Managing Executive Officer, Head of Credit Division, Head of Corporate and Investment Banking Division, Head of Southern Representative Office, Head of Legal and Compliance Division, Head of SME Banking Division, Head of Financial Markets, Head of Household Banking Division, Head of Commercial Banking Division, Head of Retail Banking Division and Acting Chief Financial Officer.

Operational Risk Management Council

The Operational Risk Management Council oversees and supervises the development and implementation of the operational risk management framework of the Bank at all stages, including but not limited to fraud prevention framework, continuous business management framework and information security framework. It also ensures the efficiency of the Bank's operational risk management framework, availability of proper control mechanisms and compliance with all relevant policies and regulations of the Bank, as well as requirements of the applicable laws. Furthermore, it advises the CEO in supervising and directing individuals and units in conducting operational risk management; identifies, evaluates and monitors operational risk appetite of the Bank; approves the operational risk tolerance threshold and risk mitigation measures; develops operational risk management strategies; implements and develops culture of operational risk management and fraud prevention; and implements other functions and tasks assigned by the CEO and higher authority levels, including the Head of Risk Management Division and the Board of Directors.

The Operational Risk Management Council is currently chaired by Dmytro Kolechko, the Head of Risk Management Division.

Credit Council

The Credit Council reviews and approves credit applications for customers, considers restructuring loans as proposed by functional departments, makes recommendations to the Board of Directors on the adjustment of credit policies in accordance with actual conditions and handles other tasks relating to credit activities of the Bank.

The Credit Council is currently chaired by Mr. Nguyen Thanh Binh, the Head of Credit Division.

Credit Risk Management Council

The Credit Risk Management Council oversees and supervises the development and implementation of the credit risk management framework of the Bank at all stages at the CEO's directions. It also ensures the efficiency of the Bank's credit risk management framework, availability of proper control mechanisms and compliance to all relevant policies and regulations of the Bank, as well as requirements of the applicable laws. Furthermore, it advises the CEO in supervising and directing individuals and units in conducting credit risk management and implements other functions and tasks assigned by the CEO and higher authority levels, including the Head of Risk Management Division and the Board of Directors.

The Credit Risk Management Council is currently chaired by Dmytro Kolechko, the Head of Risk Management Division.

PRINCIPAL SHAREHOLDERS

The following table sets out certain information about the Bank's shareholders as shown on its share register as at 31 March 2019:

Name of Shareholder	Number of Shares	Percentage of Shares (%)
Domestic shareholders	1,955,121,047	77.3%
Individual	1,623,604,049	64.2%
Institution	331,516,998	13.1%
Foreign shareholders	574,846,919	22.7%
Individual	4,296,694	0.1%
Institution	570,550,225	22.5%
Total	<u>2,529,967,966</u>	<u>100.0%</u>

No individual shareholder holds more than 5.0% of the shares of the Bank. 8.0% of the shares of the Bank are owned by the management and executives of the Bank while institutional investors and public investors own 35.6% and 56.4% of the shares of the Bank, respectively.

SUPERVISION AND REGULATION

The following description is a summary of certain laws, regulations and policies applicable to the banking industry in Vietnam. The information provided below has been obtained from sources available in the public domain. The summary of the regulations set out below is not exhaustive, and is only intended to provide general information to potential investors and is neither designed nor intended to be a substitute for professional legal advice.

Regulation of the Banking Industry

The Law on Credit Institutions

Banking activity in Vietnam is highly regulated. The main legislation governing commercial banks in Vietnam is Law on Credit Institutions No. 47/2010/QH12 dated 16 June 2010, as amended by the Law No. 17/2017/QH14 dated 20 November 2017 issued by the National Assembly (the “Law on Credit Institutions”). The Law on Credit Institutions is implemented by a number of decrees issued by the Government. The Law on Credit Institutions and those decrees have also been supplemented by circulars, decisions and directives issued from time to time by the SBV. They form the regulatory framework for all aspects of banking activities in Vietnam.

The Vietnam banking sector is principally governed by the Law on Credit Institutions. The Law on Credit Institutions regulates the establishment, organisation, operation, special control, re-organisation and dissolution of credit institutions as well as the establishment, organisation, management and operation of FBBs, representative offices of foreign credit institutions and other foreign organisations conducting banking operations in Vietnam. It defines “banking operations” as the receipt of deposits, extension of credit and provision of payment services by way of accounts. The Law on Credit Institutions clearly stipulates that commercial banks may engage in such activities while non-banking credit institutions may not.

To promote the safety of both individual institutions and the banking system as a whole, the Law on heightened licencing requirements for banks and non-bank credit institutions operating in Vietnam. Under the licencing regime, each institution’s licence, which is issued by the SBV, specifies the scope, form and contents of such institution’s permitted banking and other business operations. The Law on Credit Institutions divides banking-related businesses into four classes: (i) those which credit institutions are *de facto* allowed to perform, (ii) those which require the SBV’s permission to perform, (iii) operations that may only be conducted through subsidiaries or associates, and (iv) operations which credit institutions are not allowed to perform.

Under the Law on Credit Institutions, commercial banks are permitted to carry out all banking operations (as defined above). However, commercial banks may only engage in the securities, fund management, financial leasing and insurance businesses by establishing or acquiring a subsidiary or affiliated company. WFOBs and FBBs are permitted to conduct the same operations as domestic commercial banks, with the exception of establishing a subsidiary or affiliated company for the purpose of engaging in the securities, insurance or financial leasing business.

To ensure a fair and stable banking system, the Law on Credit Institutions places certain restrictions on the granting of loans by Vietnamese credit institutions. For instance, it specifically prohibits credit institutions from lending to too many unrelated sectors. At the same time, it also includes a number of provisions designed to mitigate risk concentration, placing an upper limit on the aggregate credit line credit institutions are permitted to extend to an individual client. Finally, to prevent conflicts of interest, the Law on Credit Institutions places caps on investment by a commercial bank in a financial services enterprise and total investments of a commercial bank in other enterprises. Accordingly, the aggregate investment of a commercial bank and its subsidiaries and affiliated companies in a financial services enterprise must not exceed 11.0% of

the chartered capital of such enterprise, and the total investments of the credit institution in all other enterprises including its subsidiaries and affiliated companies must not exceed 40.0% of the credit institution's charter capital and reserve funds.

The Enterprise Law and The Securities Law

Joint stock commercial banks are also regulated under the Enterprise Law. In the case of commercial banks operate in the form of public companies or listed companies in Vietnam then the Securities Law and decree 71/2017/ND-CP dated 6 June 2017 of the Government on management of public company would apply to such banks.

Regulatory Authority

The SBV is the main regulator of the banking sector. It was established on 6 May 1951. Under Law on SBV No. 46/2010/QH12 dated 16 June 2010 of National Assembly (the "Law on SBV"), the SBV is a ministerial level body under the administration of the Government that supervises all banking related matters and activities (including currency, banking operations and foreign exchange) and is the central bank of Vietnam. The main functions of the SBV as a central bank include issuing money, acting as the banker for credit and providing the Government with monetary services.

Functions and Powers

The operation of the SBV is for the purposes of (i) stabilising the value of money; (ii) ensuring the safety of banking operations and of the system of credit institution; (iii) ensuring the safety and effectiveness of the national payment system; and (iv) facilitating socialist-oriented socio-economic development. The SBV's major responsibilities are as follows:

- acting as the sole agency which issues money;
- participating in the development of strategies and plans for social and economic development of the State;
- formulating the national monetary policy project for consideration by the Government for submission to the National Assembly for approval and organisation of implementation, formulating strategies for development of the system of banks and credit organisations in Vietnam;
- drafting laws, ordinances and other projects relating to currency and banking operations;
- organising, managing and developing monetary markets;
- making decisions on using tools to implement national monetary policies, including re-financing, interest rates, exchange rates, compulsory reserves, open-market transactions;
- regulating the acquisition, sale, separation, division, consolidation, merger and dissolution of credit institutions;
- conducting examination and inspection of banking operations, imposing corrective and punitive measures for violations of applicable banking regulations under its authority.
- monitoring the financial condition of credit institutions, including establishing standards and requirements for capital adequacy, asset quality and other financial metrics;

- issuing, amending or withdrawing establishment and operation licences for credit institutions, establishment licences for FBBs, representative offices of foreign credit institutions and other foreign institutions conducting banking operations in Vietnam;
- acting as a representative of the capital owned by the State in the State owned credit institutions;
- organising, managing and supervising the national payment system;
- being the state agency managing foreign exchange and gold trading activities and State foreign exchange reserves, issuing and withdrawing licences for conduct of foreign exchange activities from credit institutions and other organisations conducting foreign exchange activities;
- establishing a credit information system and providing credit information services; and
- managing borrowing, repayment, lending and recovery of foreign loans.

Licencing Requirements

Joint stock commercial banks

To be established and to operate as a commercial bank in Vietnam, an entity is required to obtain a licence from the SBV. Before granting the licence, the SBV must be satisfied that certain conditions are complied with, including that:

- the commercial bank has charter capital at least equal to its legal capital set by the SBV from time to time (legal capital of a commercial bank in 2011 must be VND3,000.0 billion);
- the commercial bank's owner must have sufficient financial capacity to make capital contributions and must have full capacity for civil acts if it is an individual or must be legal entities currently conducting a lawful operation;
- manager, executives and members of the board of controllers must satisfy all the required criteria and conditions;
- it must have a charter which is prepared in accordance with Vietnamese law;
- it has a proposal for establishment and a feasible business plan which do not adversely affect the safety and stability of the credit institution system, and which do not create a monopoly, restrict competition or create unfair competition within the credit institution system; and
- conditions on the founding shareholders as regulated by the SBV.

Permitted Business Activities

The Law on Credit Institutions specifies the kinds of banking and finance activities that credit institutions may undertake. At present, commercial banks are permitted to carry out the following activities:

- raising funds through (i) taking demand deposits and term deposits, savings and other types of deposits, (ii) issuing certificates of deposit, bonds and other valuable papers, or (iii) borrowing from other credit institutions;

- extending credit facilities to customers through (i) making loans and advances, including consumer financings, (ii) discounting and rediscounting commercial papers, (iii) granting domestic and international bank guarantees (for banks which are permitted to perform foreign exchange related services), (iv) issuance of credit cards, (v) factoring services, and (vi) other forms of credits as permitted by the SBV;
- opening payment accounts for customers;
- providing payment instruments (including issuing cheques and bank cards);
- providing domestic payment services and international payment services (including collection services) if permitted by the SBV;
- investing in equity capital of or shares in enterprises and credit institutions (subject to limits stipulated by the SBV);
- participating in money markets;
- providing entrustment services or acting as agents to other organisations in various areas relating to banking operations;
- providing advisory services in relation to banking, financial, monetary or investment matters;
- providing custodial and management services (including safekeeping and bank vault services); and
- providing foreign exchange and derivative product services (subject to the scope of operations as set out in each commercial bank's banking licence).

Commercial banks' operational network

A commercial bank may have an operational network that includes branches, transaction offices, representative offices, professional units and overseas branches, representative offices and wholly-owned banks.

Vietnamese law requires commercial banks to obtain the approval of the SBV to open branches, transaction offices, representative offices and professional units in Vietnam as well as representative offices and branches outside Vietnam. An application file including required documents in Vietnamese must be submitted to the SBV.

Foreign Credit Institutions

A foreign credit institution may operate in Vietnam in one of the following forms: (i) a representative office ("RO"), (ii) a branch of a foreign credit institution, (iii) a JVB, (iv) a WFOB, (v) a joint venture finance company, (vi) a wholly foreign owned finance company, (vii) a joint venture financial leasing company, and (viii) a wholly foreign owned financial leasing company.

Obtaining a representative office licence of foreign credit institution

To obtain a licence to operate a RO, a foreign credit institution must meet the criteria as follows:

- the foreign credit institution is a legal entity licensed to conduct banking operations in its country;
- the foreign credit institution is permitted under laws of its home country to open a representative office in Vietnam;
- the foreign credit institution has a co-operative relationship with Vietnamese economic organisations or has a need to seek, promote and develop a co-operative relationship with Vietnamese economic organisations; and
- the foreign credit institution has not committed any serious breach of the regulations on banking operations or of other laws of its country within the period of the last three consecutive years prior to the year of the application for a licence and up to the time the SBV considers the application.

A RO is permitted to engage in business development activities including operating as a liaison office, market research, promoting investment projects of the foreign credit institution, monitoring the implementation of contracts and agreements between the foreign credit institution and Vietnamese enterprises. It may not carry out activities that may be deemed as doing business in Vietnam such as providing services or carrying out trading activities. It may not act as a representative of other organisations in Vietnam.

The RO is headed by a chief representative (the “Chief Representative”). The Chief Representative or any staff of the RO cannot sign economic or commercial contracts with Vietnamese businesses unless they are duly authorised by the parent bank if the parent bank wishes to enter into commercial contracts. In such cases, the parent bank must issue a power of attorney to the relevant representative, specifically authorising the execution of such contracts. That power of attorney must be submitted to the SBV.

A foreign credit institution must submit a required dossier to the SBV. A licence is valid for a maximum term of five years commencing from the issuance date and specifies the permitted activities.

A foreign bank can set up several ROs in different provinces or centrally governed cities, although only one is allowed for each city or province, and each must have a separate chief representative. A foreign bank cannot have a branch and a RO in the same city or province. Further, as a matter of policy, if either the parent of the Bank or a member of the same group already exists (either a branch or a RO) in a particular location, a RO licence will not ordinarily be granted in that location.

ROs may lease office and residential premises and employ Vietnamese staff.

Obtaining an operating licence to set up a branch, a JVB, or a WFOB and business registration

A foreign bank must meet the criteria as required by the SBV to obtain an operating licence to set up a branch, a JVB, or a WFOB.

Application for an operating licence

To obtain an operating licence, an application which is duly executed by the authorised representative of the foreign bank must be submitted to the SBV.

The application must be in Vietnamese and English. Documents prepared in a foreign country must be certified true copies for use in Vietnam by the relevant consulate agency. Versions of original documentation in a foreign language where translated into Vietnamese or copies of Vietnamese documentation must be duly certified in Vietnam.

The SBV will decide on whether it will grant an operating licence within 180 days from the date of receipt of the proper application.

Business registration with the People's Committee

At least 30 days prior to the proposed date of commencement of operation, a FBB, JVB or WFOB must announce in three consecutive issues of a central newspaper and of a local newspaper in the locality where the office will be located. The announcement must consist of the main information stipulated in the licence and in the business registration certificate, and the proposed date of commencement of operation.

Within 12 months from the date of the issuance of the operating licence, a FBB, a JVB or a WFOB must register with the relevant People's Committee and commence operations.

The maximum duration of operation for a FBB, a JVB or WFOB is 99 years from the date it commences operations. In addition, the duration of operation of a FBB must not exceed the duration of operation of the foreign bank. Any extension must be approved by the SBV.

Prudential Framework

All credit institutions (including the Bank) in Vietnam which are licensed by the SBV are subject to the prudential framework and supervision of the SBV.

The SBV's prudential requirements under the Law on Credit Institutions, Circular 36 (as amended by Circular 06/2016/TT-NHNN dated 24 May 2016, Circular 19 of 2017 and Circular 16/2018/TT-NHNN dated 31 July 2018 (as modified by Decision 1564/QĐ-NHNN dated 3 August 2018)) address: (a) minimum capital adequacy ratio except for the minimum capital adequacy ratio applied to banks and branches of foreign banks under specific regulations of the SBV, (b) credit limit on loans to customers with large exposures, (c) the liquidity ratio, (d) the ratio of short-term capital funds to be used to provide medium and long-term loans, (e) rates of purchase of and investment in government bonds and government-backed bonds, (f) the limit on capital contributions and share purchases, and (f) the ratio of granted credit to mobilised capital.

In addition, a credit institution must comply with requirements on risk provisioning, foreign exchange positions and deposit insurance.

The following is a description of the prudential requirements under current Vietnamese law.

(a) Short term to long-term use of funds

A commercial bank may only use up to a certain portion of its short-term mobilised funds (i.e. funds payable within one year) to finance medium and long-term loans as provided below:

- From 1 January to 31 December 2018: 45.0%.
- From 1 January 2019: 40.0%.

Short-term funds are defined as (i) demand deposits and deposits with residual maturity of less than 12 months provided by individuals (exclusive of escrow deposits and specialised capital deposits), (ii) demand deposits and deposits with residual maturity of less than 12 months provided by corporate entities (exclusive of deposits provided by the State Treasury or by other credit institutions/foreign bank's branches operating in Vietnam as well as escrow deposits and specialised capital deposits), (iii) term loans of less than 12-month duration borrowed from other financial institutions in or outside Vietnam, except loans in Vietnam interbank market, (iv) loans lent by the Government under entrustment investment arrangements under which the commercial bank has no recourse to the Government, (v) loans lent by the commercial bank as facility agent under co-financing/entrustment arrangements under which the commercial bank has no recourse to other participant banks, (vi) debts raised by way of offering debt securities with residual maturity of less than 12 months; (vii) deposits or loans borrowed by a non-bank credit institution from other credit institutions/foreign bank branches, and (viii) deposits taken by a co-operative bank from people's credit funds.

Medium and long-term funds are defined as (i) demand deposits and deposits with residual maturity of over 12 months provided by individuals, (ii) demand deposits and deposits with residual maturity of over 12 months provided by corporate entities (exclusive of deposits provided by the State Treasury), (iii) term loans of over 12-month duration borrowed from other financial institutions in or outside Vietnam (except loans in Vietnam interbank market), (iv) loans lent by the Government under entrustment investment arrangements under which the commercial bank has no recourse to the Government, (v) loans lent by the commercial bank as facility agent under co-financing/entrustment arrangements under which the commercial bank has no recourse to other participant banks, (vi) debts raised by way of offering debt securities with residual maturity of over 12 months; (vii) charter capital, paid up capital, reserve fund to supplement charter capital, investment fund for professional development, and residual reserve financial funds after deducting the original purchase price of or investment in fixed assets, capital contributions and share subscription as prescribed by law, (viii) surplus of share capital and undistributed profit remaining after purchase of treasury shares, (ix) loans borrowed by a non-bank credit institution from other credit institutions/foreign bank branches, and (x) deposits taken by a co-operative bank from people's credit funds.

(b) *Capital adequacy ratio*

The Law on Credit Institutions sets a minimum CAR for credit institutions, calculated as the percentage of "equity" over "total assets in credit at risk", and stipulates that the SBV may set CAR at a higher rate. Under Circular 36, commercial banks are required to maintain a minimum CAR of 9.0%.

On 30 December 2016, the SBV adopted Circular 41. Circular 41 allows commercial banks to apply a lower individual CAR at 8.0% (consistent with the Law on Credit Institutions) from 1 January 2020 or earlier if approved by the SBV. However, the methodologies for calculation of CAR as provided by Circular 41 are more stringent than those as set out in Circular 36.

(c) *Limits on extension of credit of commercial banks to customers*

Subject to certain exceptions, Law on Credit Institutions prescribes limits on extension of credit to customers as follows:

- the total outstanding loans made by a credit institution to a single client must not exceed 15.0% of the credit institution's owned capital; and
- total amount of loans to a group of related borrowers must not exceed 25.0% of a credit institution's owned capital.

(d) Conflicts of interest and related party transactions

Transactions between a JSCB and its related parties are subject to the Law on Enterprises, Law on Credit Institutions and the Law on Securities. Related parties of a credit institution is defined in the Law on Credit Institutions to include the following persons (“Related Parties”):

- companies (companies include credit institutions) of the same group: a parent company and its subsidiary (in case of a credit institution, a subsidiary is a company where the credit institution and its Related Parties own more than 50.0 per cent of the charter capital or of voting shares or where it exercises control); subsidiaries of the same parent company;
- administrators and members of the supervisory board of a company or individuals or organisations with power to appoint such persons and that company or a subsidiary of that company;
- an organisation or individual owning 5.0 per cent. or more of the charter capital or of voting shares of a company and that company;
- an individual and the spouse, parent, children or siblings of that individual;
- spouse, parents, children or siblings of the company’s administrators, members of the supervisory board and individuals owning 5.0 per cent. or more of the charter capital or voting shares of a company and that company;
- an individual authorised to act on behalf of the above-mentioned organisations or individuals and these organisations or individuals;
- individuals appointed by the same organisation to act as its representatives for its capital contribution portions in a company; and
- other legal entities or individuals having a relationship with a credit institution that potentially poses risks to the operations of the credit institution who are designated as Related Parties by the credit institution’s internal policies or by the SBV in writing, on a case-by-case basis.

A member of the board of directors, a member of the supervisory board, the CEO (or director), deputy CEO (or deputy director) and other personnel holding similar positions of a credit institution must disclose his/her related interests to the credit institution, in particular: (i) details of the enterprise(s) or economic organisation(s) in which he/she or their Related Parties owns shares under their name, or authorise/en trust other organisations or individuals to own 5.0 per cent. or more of the charter capital; and (ii) details of the enterprise(s) of which he/she or his/her Related Parties is a member of the board of directors or supervisory board, or the CEO (or director). The disclosure of such information and any changes thereto must be made in writing within seven business days from the day the interests arise or from the date of the changes. The credit institution must also provide reports on related interests to the SBV within seven business days of the receipt of disclosures of related interests from the individuals concerned and to the GMS on an annual basis.

The Law on Credit Institutions requires that certain transactions with Related Parties, in particular, those with a subsidiary or affiliated company of the credit institution (an affiliated company of a credit institution is a company that is not a subsidiary of the credit institution and where the credit institution and its Related Parties own more than 11.0 per cent. of the charter capital or voting shares), members of the Board of Directors, members of the Supervisory Board, the CEO, major shareholders, Related Parties of these persons, be approved by the GMS or the Board of Directors. GMS must approve transactions with a value of more than 20.0 per cent. of charter capital of the credit institution (or a lower percentage as provided in the charter of

the credit institution), as recorded in the latest audited financial statement. The Board of Directors is competent for approval of transactions not exceeding the above threshold. Member(s) of the Board of Directors who have a relation to or who are involved in the transaction are not allowed to vote.

(e) *Liquidity and solvency ratio*

A credit institution must maintain a minimum ratio of 10.0% of its high liquidity assets (including cash and cash equivalent) over its total liabilities. In addition, a commercial bank must maintain a minimum solvency ratio for 30 days at 50.0% (for VND) and 10.0% (for foreign currencies) between high liquidity assets and cash outflow during the next 30 days.

(f) *Limitation on capital contribution and share purchases*

The level of equity contributions and share purchases by a credit institution and its subsidiaries and affiliated companies in any financial services enterprise must not exceed 11.0% of the charter capital of such enterprise. In addition, the aggregate amount of equity contributions and share purchases by a credit institution in all enterprises including its subsidiaries and affiliated companies must not exceed 40.0% of the charter capital and reserve funds of such credit institution. A credit institution is not permitted to contribute capital to or purchase shares in any enterprise or other credit institution which is its shareholder or equity stake holder.

(g) *Investment in Government bonds or bonds guaranteed by the Government*

Commercial banks are authorised to invest in Government bonds and bonds guaranteed by the Government to the extent a ratio between the book value of total investments in such bonds over the aggregate average liabilities of the preceding month (or over the charter capital of a newly established credit institution with total liabilities less than the charter capital) does not exceed 30.0%.

Government bonds comprise:

- treasury bills;
- treasury bonds; and
- fatherland construction bonds.

Bonds guaranteed by the Government comprise:

- corporate bonds guaranteed by the Government;
- bonds issued by the policy banks guaranteed by the Government; and
- bonds issued by financial and credit institutions guaranteed by the Government.

(h) *Loan-to-deposit ratio*

Commercial banks must ensure the maximum loan-to-deposit ratio calculated in VND equivalent (VND and foreign currencies converted into VND in normal circumstances with reference to daily exchange rates between VND and other foreign currencies quoted by the Bank) of 80.0%. The loans extended by

the bank via entrustment arrangements are included in the calculation of the total outstanding loans. Conversely, the amounts received by the bank as entrusted party and on-lent to clients are excluded from the calculation.

(i) ***Provision for credit losses***

Credit institutions are required to classify loans and to create provisions for credit losses, including general provisions and specific provisions. The general provision is 0.75% of total outstanding loans except those classified as loss.

The specific provision is based on the net loan and advance exposure (after subtracting the value of any collateral held) of loans classified as follows:

Group	Risk Classification	Provision rate
Group 1	Pass	0.0%
Group 2	Special Mention	5.0%
Group 3	Substandard	20.0%
Group 4	Doubtful	50.0%
Group 5	Loss	100.0%

Loans classified as “substandard”, “doubtful” or “loss” are considered as non-performing in accordance with Vietnamese law.

On 21 January 2013, the SBV issued a Circular on Classification of Assets, Levels and Method of Setting Up Risk Provisions, Prevention of Credit Risks in the Banking Activities of Credit Institutions and Foreign Bank’s Branches, 02/2013/TT-NHNN, as amended by Circular 09/2014/TT-NHNN dated 18 March 2014 (“Circular 02”) with respect to classification of debts, establishment and levels of risk reserves, and the use of reserves for dealing with risks relating to the operation of credit institutions and FBBs. Under Circular 02, domestic credit institutions and FBBs (other than non-banking credit institutions) in Vietnam are required to develop internal credit rating systems to classify customers periodically or as required by the SBV, and to consider, examine and control extension of credit to customers. The internal credit rating system should contain both financial and non-financial criteria and comprise rules for assessing customers on the basis of both qualitative and quantitative information about the business, financial status, management and reputation of the customer. An internal credit rating system must be developed for each category of customers. Circular 02 requires credit institutions and FBBs in Vietnam to classify debts and off-balance sheet commitments in accordance with certain quantitative and qualitative standards consistent with the credit history reports provided by the SBV’s CIC. If any bank classifies a customer at a risk level lower than that provided by the CIC (based on that customer’s level of debt and off-balance sheet commitments), such bank is required to revise its own classification standard to correspond with that provided by the CIC. With respect to syndicated loans, each participating bank must conduct its own independent classification and immediately notify the results of their internal classification to the other participating banks. All debt and off-balance sheet commitments of any customer provided with a syndicated loan must be classified into the highest risk level provided by any one of the participating banks. Circular 02 provides detailed classification guidance as to categories of debt, ranging from category one for standard debt to category five for possible capital loss debt.

(j) Foreign Exchange Position

At the close of each business day, the overall foreign exchange long position and the overall foreign exchange short position, of a credit institution must not exceed $\pm 20.0\%$ of its own capital. In special cases, exceptions to these limits may be available subject to approval by the SBV.

Foreign exchange positions are monitored by the SBV. A credit institution must report its foreign exchange positions for the previous business day by no later than 2:00 p.m. on each business day, and its foreign exchange position as at the end of the last month by no later than the tenth day of each month.

(k) Deposit Insurance

A credit institution (except the policy bank) must purchase deposit insurance from the Deposit Insurance of Vietnam in respect of Vietnamese dong deposits made by individuals in forms of on-call, fixed term and saving deposits, deposit certificates, promissory notes, bank notes and other forms of receipt of deposits, except (1) deposits made by individuals holding more than 5.0% charter capital of the credit institution, (2) deposits made by members of the board of directors, supervisory board, general director, deputy general director of the credit institution, (3) money used to purchase bearer valuable notes issued by the credit institution.

(l) Mandatory reserves

A credit institution must maintain a mandatory reserve in an account opened with the SBV. The mandatory reserve for Vietnamese dong demand deposits and term deposits of less than 12 months must be 3.0%. A ratio of 1.0% will apply to mandatory reserves for Vietnamese dong term deposits of 12 months or more.

With respect to foreign currency deposits (demand or with maturity of less than 12 months), a mandatory reserve ratio of 8.0% will apply (7.0% in case of Bank for Agriculture and Rural Development and the Co-operative Bank). Foreign currency deposits with maturity of 12 months or more is subject to a mandatory reserve ratio of 6.0% (5.0% in case of Vietnam Bank for Agricultural and Rural Development and the Co-operative Bank). A ratio of 1.0% will apply to foreign currency deposits taken from foreign credit institutions outside Vietnam.

Vietnamese dong or foreign currency deposits (whether demand or term) accepted by people's credit funds and micro financial institutions are subject to a mandatory reserve ratio of 0.0%.

Regulations on Foreign Investment in the Vietnam Banking Sector

On 3 January 2014, the Government of Vietnam passed Decree 01/2014/ND-CP on the Purchase by Foreign Investors of Shareholdings in Vietnamese Commercial Banks ("Decree 01"). Decree 01 established the following restrictions on foreign investment in joint stock commercial banks:

- maximum foreign ownership is capped at 30.0% (exceptions may be given by the Prime Minister to weak credit institutions for restructuring purposes on a case-by-case basis);
- a foreign strategic investor can acquire an interest of up to 20.0%;
- other (non-strategic) foreign institutional investors can acquire an interest of up to 15.0%;
- a foreign individual investor can acquire an interest of up to 5.0%; and

- a foreign investor and its related parties can collectively acquire an interest of up to 20.0%. According to Decree 01, to qualify as a strategic investor, a foreign investor must be a reputable credit institution with the financial capacity and have a written engagement to assist the JSCB in developing new products and services, improving its managerial capabilities, adopting advanced technology and achieving the JSCB's development strategy.

Under Decree 01, there is no minimum total asset base requirement for foreign investors wishing to acquire less than 10.0% of the charter capital in a Vietnamese credit institution less than 10.0% of the chartered capital in a JSCB. Foreign investors who wish to acquire 10.0% or more of a JSCB must have minimum total assets of US\$10.0 billion (if they are foreign banks, foreign financial institutions or foreign financial leasing institutions) or have a minimum chartered capital of US\$1.0 billion (if they are other types of organisations). Those who wish to become a foreign strategic investor are required to have minimum total assets of at least US\$20.0 billion.

The transfer of the share capital of a credit institution by a foreign institutional investor holding 10.0% or more of the share capital is subject to a three year lock-up period. This lock-up period will be five years if the foreign strategic investor invests in such credit institution as a strategic partner.

Transfer of Shares in Commercial Banks

Shareholders of a commercial bank must obtain prior written SBV approval before becoming a major shareholder, i.e. shareholders owning directly or indirectly 5.0% or more of the bank's shares with voting rights (this definition of the Law on Credit Institutions is consistent with the definition of the Law on Securities). The same prior SBV approval requirement applies to all transactions of a major shareholder over the bank's shares, including the sales leading to the loss of the major shareholder status.

Special Control and Bankruptcy

Article 145 of the Law on Credit Institutions allows the SBV to put under its special control regime credit institutions which (i) are at risk of becoming or have become insolvent; (ii) have accumulated losses exceeding 50.0% of the charter capital and reserve funds as recorded in the latest audited financial statements; (iii) have failed to maintain the minimum required capital adequacy ratio for 12 consecutive months or have that ratio maintained at less than 4.0% during six consecutive months; or (iv) are ranked by the SBV as "weak" during two consecutive years.

The SBV has wide-ranging powers to influence the operations of any bank under its special control. These powers include, but are not limited to, the following:

- The key personnel (such as the chairman and the members of the Board of Directors, the head and members of the supervisory board, the general director and deputy general directors) of the underperforming credit institution placed under SBV special control may be replaced by an SBV decision.
- The scope and the network of the credit institution's operations may also be restricted by the SBV.
- The SBV may set up a Special Control Committee which has a wide range of powers to control and interfere with the bank's business operations including the right to take measures to reduce operating costs including, among others, the reduction of the coupon of bonds deemed high.
- The SBV has the authority to impose on commercial banks, cooperative banks and financial companies under special control one of the following restructuring measures: (i) recovery, merger, consolidation,

transfer (including forced transfer) of the entire capital (subject to Prime Minister approval); and (ii) dissolution, mandatory transfer or bankruptcy (subject to the Government's approval).

- The SBV may extend or arrange special loans to the credit institution under special control. Special loans extended on preferential terms, including at 0.0% interest rates must be approved by the Prime Minister. The repayment of special loans takes priority over other debt, including secured debt.

If bankruptcy of the credit institution is imposed by the SBV, then the competent court, following a petition from the credit institution will declare bankruptcy and proceed immediately to the liquidation of the assets of the credit institution in accordance with the Law on Bankruptcy.

If the assets of the credit institution under liquidation are insufficient to pay its debts, the SBV can issue a decision to terminate the liquidation process and proceed with the measures contemplated in the bankruptcy plan approved by the Government.

There is limited guidance or examples in practice on how the SBV and the Special Control Committee may use their powers under the special control regime. The SBV and the Special Control Committee have significant discretion to interpret and apply their powers, including, in particular, how they would determine whether a bank is 'weak' or whether interest payments on a bond are considered too 'high'. As such, there is no certainty around how the SBV and the Special Control Committee may treat a bank or debt securities issued by it if the bank is placed under the special control regime.

Law on Environmental Protection and Green Credit

Over the past two decades, Vietnam has developed a comprehensive legal framework for environmental protection. Currently, the main legislation on environmental protection is the Law on Environmental Protection of 2014, which imposes various statutory duties to protect the environment and to promote sustainable development on corporate entities and individuals.

In addition, pursuant to Article 4 of Circular No. 39/2016/TT-NHNN dated 30 December 2016 on Bank Loans requires that credit institutions must take environmental protection into consideration when making loans to customers. In line with such requirements, the SBV issued Directive No. 03/CT-NHNN dated 24 March 2015 on promotion of green credit growth and environmental risk management in lending. Pursuant to this Directive, credit institutions are encouraged to develop green credit policies to increase the percentage of green credit in their loans to customers. In addition, credit institutions are also encouraged to focus on green and sustainability projects (e.g., renewable energy and clean technologies) when considering lending opportunities. Credit institutions are also required to submit quarterly reports on performance on promotion of green credit growth to the SBV.

Accounting and Audit Requirements

Accounting system

A bank is required to adopt Vietnamese Accounting Standards and procedures. All financial reports/documents submitted to the SBV or MOF must be coded and in a format required by the regulations. A bank must maintain a system of accounts in accordance with a model account system framed by the SBV.

Accounting documents

A bank is required to prepare, maintain, control and store accounting documents in strict compliance with SBV regulations. Accounting documents relating to payment services may be kept in an electronic format and their

use, control, and storage must strictly comply with Decision 1789/2005/QĐ-NHNN of the SBV dated 12 December 2005 and Circular 38/2013/TT-NHNN dated 3 December 2013.

Auditing

Annual financial reports (inclusive of balance sheet, profit and loss account, cash-flow and explanations of the financial statement) of a bank must be audited by an independent auditing firm licensed to operate in Vietnam. Accounting firms and auditors must fulfil the requirements of the SBV regulations to be able to conduct an audit on banks.

Anti-Money Laundering

The concept of money laundering is defined as an act of an organisation or individual to legalise money, and assets originated from a crime and they are obliged to take anti-money laundering (“AML”) measures, and must comply with prevention measures specified by the laws.

AML is regulated by the Law No. 07/2012/QĐ13 on Anti-Money Laundering dated 18 June 2012 adopted by National Assembly, Decree No. 116/2013/NĐ-CP dated 4 October 2013 of Government, and Circular No. 35/2013/TT-NHNN dated 31 December 2013 of SBV (as amended by Circular No. 31/2014/TT-NHNN dated 11 November 2014 of the SBV). These pieces of legislation apply to all entities and individuals in Vietnam, regardless of their nationality.

The SBV has certain functions in respect of money laundering issues and pursuant to Decision 35/2014/QĐ-TTg dated 12 June 2014 of the Prime Minister, the Supervisory and Inspectorate Agency for credit institutions under the SBV was established for, among other things, combating money laundering. However, Vietnam does not have an independent law enforcement agency in charge of money laundering matters. At present, the Ministry of Public Security – the State agency empowered to investigate criminal acts – is given the task of monitoring money laundering related activities.

There are standards for a bank to consider a suspicious transaction according to which fund deposit or withdrawal by an individual or organisation within a day exceeding VND300.0 million (approximately US\$13,000) would be subject to reporting. A domestic electronic fund transfer of VND500.0 million (approximately US\$21,758) or more must be reported. Similarly, a cross-border fund remittance of US\$1,000 (or an equivalent amount in other currencies) or more is required to be reported as well.

Penal Law

Under the Criminal Code No. 100/2015/QĐ13 dated 27 November 2015 of the National Assembly (as amended by the Law No. 12/2017/QĐ14 dated 12 June 2017 of the National Assembly), money laundering is regarded as a crime. By law, it is a criminal offence if, through financial or banking services or any transactions of other types, a person legitimises money or assets generated from a crime or uses the same for other economic activities. Custodial sentences from one to 15 years will be imposed, depending on the degree of seriousness of the offence in question. Additional penalties including the confiscation of assets or the imposition of fines could also be imposed. A money laundering offence committed by a corporate entity may give rise to a fine of up to VND20 billion. In addition, such corporate entity may be prohibited from engaging in some or all business operations for a definite or indefinite period of time.

AML in the banking sector

The Law on Credit Institutions lays down the legal basis for AML. A credit institution is prohibited from concealing or conducting any transaction involving any amount of money apparently displaying illegal origin

(proceeds of a crime, for example) and is responsible for formulating internal rules on prevention and fighting money laundering and terrorism funding in accordance with law. In addition, it is also a legal requirement for a credit institution to make reports promptly to competent authorities with regard to proceeds of a crime discovered by them.

Bank accounts

A credit institution is permitted to open bank account for customers in accordance with the Law on Credit Institution. The opening and operation of bank accounts are subject to strict rules on account services and foreign exchange control. The ability of an accountholder to use his/her or its bank accounts would depend on the status of the accountholder being either a resident or non-resident.

It is also mandatory for a credit institution to check the legal status of customers prior to accepting the deposits. By this requirement, a credit institution must ask potential accountholders for certain documentation for the purpose of verifying his/her or its legal status.

Payment services

A credit institution is permitted to conduct payment services, including domestic payment services, international payment services and other payment services, in accordance with the scope of its banking licence. Payment services involve not only effecting fund remittances, but also providing payment instruments (such as cheques or pre-authorised payment orders). Provision of bank card services (including debit cards and credit cards) and collection services also falls within the category of payment services.

Foreign exchange control

A credit institution needs to obtain a licence to conduct foreign exchange services. Foreign currency may be sold by a credit institution to a party for a limited number of purposes and subject to such party presenting proper documents.

Lending transactions

A credit institution may provide short-term loans (with maturity of less than one year) or medium/long-term loans (with maturity of more than one year) to corporate or individuals customers. Generally, lending interest rates may be fixed based on market conditions. However, interest rates on short-term loans lent to customers operating in certain encouraged industries (such as agriculture or manufacturing export products) or SME customers must not exceed a cap interest rate stipulated by the SBV from time to time (currently 6.5% per annum, or 7.5% per annum if the lending institution is a credit co-operative fund or micro finance institution).

Credit institutions may not finance any illegal transactions or refinance other bank loans or foreign loans (save for certain exceptions). Lending in foreign currency is generally subject to stringent conditions.

Foreign Ownership Restriction

The existing law imposes a restriction on the maximum percentage of foreign shareholding in listed companies or public companies which operate in certain regulated or restricted industries (including commercial banks) – maximum foreign holding of 49.0% of the outstanding shares of a listed and/or public company operating in a regulated/restricted industry and 30.0% of the outstanding shares of a commercial bank. Foreign holding of debt securities is not subject to any restriction (except that in case of convertible bonds, conversion of such bonds into shares in the issuer operating in a regulated industry must be conducted in compliance with applicable foreign ownership restrictions (if any)).

Classification of SMEs

The Government passed Decree No. 39/2018/ND-CP on 11 March 2018 to provide development assistance to SMEs and to create uniformity in the way that banks classify SMEs. Entities are divided into micro-, small-and medium-sized entities. Micro-sized entities comprise companies operating in any sector with a total number of employees of up to 10 persons and total investment capital of up to VND3.0 billion. Small-sized entities comprise companies (i) operating in agriculture, forestry, fishery, industry and/or construction with (A) total investment capital of up to VND20.0 billion and (B) a total number of employees of up to 100 persons; or (ii) operating in trade and services with (A) total investment capital of up to VND50.0 billion and (B) a total number of employees of up to 50 persons. Medium-sized entities comprise companies (i) operating in agriculture, forestry, fishery, industry and/or construction with (A) total investment capital of up to VND100.0 billion, and (B) a total number of employees of up to 200 persons; or (ii) operating in trade and services with (A) total investment capital up to VND100 billion, and (B) a total number of employees of up to 100 persons.

Supervision

The SBV supervises the activities of credit institutions through off-site surveillance and on-site inspections through its Banking Inspection Department.

Off-site surveillance

Based on the prescribed reports required to be filed with the SBV, the Banking Inspection Department of the SBV and related professional units assess the performance of credit institutions in respect of their: (a) assets and liabilities; (b) asset quality; (c) regulatory capital; (d) earnings; (e) prudential ratios; and (f) other relevant matters. In addition, the Banking Inspection Department also assesses market risk (interest rate risk and foreign exchange risk) in relation to the banking system as a whole.

Through off-site surveillance, the Banking Inspection Department may identify credit institutions which are in breach of risk management regulations or exposed to excessive risk. If necessary, the Banking Inspection Department may order an on-site inspection in the event it discovers that a credit institution fails to meet the statutory requirements.

On-site inspections

The Banking Inspection Department may carry out periodical on-site inspections or extraordinary on-site inspections. When carrying out an on-site inspection, inspectors have the authority to examine documents and to interview employees of banks as they deem necessary.

The Banking Inspection Department may also propose imposing administrative fines on credit institutions according to Decree No. 96/2014/ND-CP dated 17 October 2014 and propose that the Governor of the SBV suspend certain banking operations for a definite or an indefinite term or revoke the licence to conduct banking operations for a definite term when the credit institutions engage in conducts in breach of the following provisions:

- provisions on management and use of licences;
- provisions on organisation, management and executive operation;
- provisions on shares and share certificates;
- provisions on raising capital and fees for providing services;

- provisions on extension of credit, acting as trustee, providing entrustment, and interbank activities;
- provisions on credit information activities;
- provisions on foreign exchange services and on gold trading;
- provisions on payment, on management of currencies and on treasury;
- provisions on purchase and investment in fixed assets and real estate trading;
- provisions on ensuring safe operation of credit institutions;
- provisions on insurance of monetary deposits;
- provisions on anti-money laundering;
- provisions on the information and reporting regimes; and
- provisions regarding impeding inspections and failing to comply with requests made by authorised persons.

TAXATION

The following summary is based on applicable tax laws as in effect on the date of this Offering Circular, and is subject to changes in such laws, including changes that could have retroactive effect. The following summary does not take into account or discuss the tax laws of any jurisdiction other than the ones described below. Prospective purchasers in all jurisdictions are advised to consult their own tax advisors as to tax consequences applicable to the acquisition, ownership and disposition of the Notes and Shares, including, in particular, the effect of any foreign, state or local tax laws to which they are subject.

Vietnam Taxation

The statements made in this Offering Circular regarding taxation are general in nature and based on certain aspects of the tax laws of Vietnam and administrative guidelines issued by the relevant authorities in force as at the date of this Offering Circular and are subject to the enactment of such budget measures, and any changes in such laws or administrative guidelines, or in the interpretation of these laws or guidelines, occurring after such date, which changes could be made on a retrospective basis. These laws and guidelines are also subject to various interpretations and the relevant tax authorities or the courts could later disagree with the explanations or conclusions set out below. The following is a summary of the material Vietnam tax consequences to a holder of Notes. The statements below are not to be regarded as advice on the tax position of any holder of Notes or of any person acquiring, selling or otherwise dealing with the Notes or on any tax implications arising from the acquisition, sale or other dealings in respect of the Notes.

The statements made in this Offering Circular do not purport to be a comprehensive description of all of the tax considerations that may be relevant to a decision to purchase, own or dispose of the Notes and do not purport to deal with the tax consequences applicable to all categories of investors some of which (such as dealers in securities) may be subject to special rules. Prospective holders of Notes are advised to consult their own tax advisers as to the Vietnam or other tax consequences of the acquisition, ownership or disposition of the Notes, including, in particular, the effect of any foreign state or local tax laws to which they are subject.

The Notes are intended to be offered to foreign investors outside Vietnam. Vietnamese citizens may not purchase the Notes and only a few specified types of Vietnamese institutional investors (e.g., fund management companies), after fulfilling statutory conditions, may purchase the Notes.

Therefore, the below sections only consider the Vietnamese tax implications for offshore holders of the Notes and do not address the implications for Vietnamese investors. Vietnamese investors should seek specific professional legal and tax advice from their own advisors before trading in the Notes.

Vietnamese income tax implications for holders of the Notes

The discussion below applies to both institutional holders of the Notes and individual holders of the Notes. For the purposes of this section, the term “institutional holder” refers to any holder of the Notes as applicable which is an entity that is treated as a body corporate for tax purposes, including companies, trusts, and limited partnerships which hold the Notes.

Interest Payments on the Notes

Interest paid to holders of the Notes will be subject to a 5.0 per cent. withholding income tax on the interest amount on the Notes at the time the Bank makes payment of such interest. “Interest” subject to this 5.0 per cent. withholding income tax includes coupon, premium, bonus and default interest on the Notes.

The holders of the Notes will receive the full interest amount free and clear of, and without withholding or deduction for or on account of, any taxes, duties, assessments or government charges of whatever nature imposed, levied, collected, withheld or assessed by or within any relevant taxing jurisdiction (including Vietnam). The Bank will be liable for declaring and paying any applicable taxes, duties, assessments or government charges on such interest payments to the Vietnamese Government. See “*Terms and Conditions of the Notes – Taxation*”.

Offshore Trading of the Notes

Vietnamese tax regulations do not explicitly contemplate the tax treatment of income arising from the trading of offshore-listed Notes and if such income is taxable in Vietnam, it is unclear how the tax is withheld and declared.

Redemption or repurchase of the Notes

Where the Notes are redeemed or repurchased with accrued and unpaid interest to the redemption date or at a premium or bonus, a 5.0 per cent. income withholding tax shall be applied on the accrued and unpaid interest amount, premium and/or bonus.

The holders of the Notes will receive the full amount of interest and premium free and clear of, and without withholding or deduction for or on account of, any taxes, duties, assessments or government charges of whatever nature imposed, levied, collected, withheld or assessed by or within any relevant taxing jurisdiction (including Vietnam). The Bank will be liable for declaring and paying any applicable taxes, duties, assessments or government charges on such interest payments to the Vietnamese Government. See “*Terms and Conditions of the Notes – Taxation*”.

Vietnamese Value Added Tax (“VAT”)

Under current VAT regulations, interest, bonus and premium received on the Notes are not subject to VAT filings and payment in Vietnam.

The trading of securities issued by a Vietnamese company including the Notes is not subject to VAT in Vietnam.

Foreign Account Tax Compliance Act

Pursuant to certain provisions of the US Internal Revenue Code of 1986, commonly known as FATCA, a “foreign financial institution” may be required to withhold on certain payments it makes (“foreign passthru payments”) to persons that fail to meet certain certification, reporting or related requirements. The Bank is a foreign financial institution for these purposes. A number of jurisdictions (including Indonesia) have entered into, or have agreed in substance to, IGAs which modify the way in which FATCA applies in their jurisdictions. Under the provisions of IGAs as currently in effect, a foreign financial institution in an IGA jurisdiction would generally not be required to withhold under FATCA or an IGA from payments that it makes. Certain aspects of the application of the FATCA provisions and IGAs to instruments such as the Notes, including whether withholding would ever be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Notes, are uncertain and may be subject to change. Even if withholding would be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Notes, such withholding would not apply prior to the date that is two years after the date on which final regulations defining foreign passthru payments are published in the US Federal Register and Notes characterised as debt (or which are not otherwise characterised as equity and have a fixed term) for US federal tax purposes that are issued on or prior to the date that is six months after the date on which final regulations defining foreign

passthru payments are filed with the US Federal Register generally would be grandfathered for purposes of FATCA withholding unless materially modified after such date (including by reason of a substitution of the Bank). However, if additional notes (as described under “*Terms and Conditions of the Notes – Further Issues*”) that are not distinguishable from previously issued Notes are issued after the expiration of the grandfathering period and are subject to withholding under FATCA, then withholding agents may treat all Notes, including the Notes offered prior to the expiration of the grandfathering period, as subject to withholding under FATCA. Holders should consult their own tax advisers regarding how these rules may apply to their investment in the Notes.

The proposed financial transactions tax (“FTT”)

On 14 February 2013, the European Commission published a proposal (the “Commission’s Proposal”) for a Directive for a common FTT in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the participating Member States). However, Estonia has since stated that it will not participate.

The Commission’s Proposal has very broad scope and could, if introduced, apply to certain dealings in Notes (including secondary market transactions) in certain circumstances. The issuance and subscription of Notes should, however, be exempt.

Under the Commission’s Proposal the FTT could apply in certain circumstances to persons both within and outside of the participating Member States. Generally, it would apply to certain dealings in the Notes where at least one party is a financial institution, and at least one party is established in a participating Member State. A financial institution may be, or be deemed to be “established” in a participating Member State in a broad range of circumstances, including (a) by transacting with a person established in a participating Member State or (b) where the financial instrument which is subject to the dealings is issued in a participating Member State.

However, the FTT proposal remains subject to negotiation between participating Member States. It may therefore be altered prior to any implementation, the timing of which remains unclear. Additional EU Member States may decide to participate. Prospective holders of Notes are advised to seek their own professional advice in relation to the FTT.

SUBSCRIPTION AND SALE

The Dealers have, in a Programme Agreement (such Programme Agreement as modified and/or supplemented and/or restated from time to time, the “Programme Agreement”) dated 1 July 2019, agreed with the Issuer a basis upon which they or any of them may from time to time agree to purchase Notes. Any such agreement will extend to those matters stated under “*Form of the Notes*” and “*Terms and Conditions of the Notes*”. In the Programme Agreement, the Issuer has agreed to indemnify the Dealers against certain liabilities incurred by them specified therein.

The Dealers and their affiliates are full service financial institutions engaged in various activities which may include securities trading, commercial and investment banking, financial advice, investment management, principal investment, hedging, financing and brokerage activities. Each of the Dealers may have engaged in, and may in the future engage in, investment banking and other commercial dealings in the ordinary course of business with the Bank or its subsidiaries, jointly controlled entities or associated companies and may be paid fees in connection with such services from time to time. In the ordinary course of their various business activities, the Dealers and their affiliates may make or hold (on their own account, on behalf of clients or in their capacity of investment advisers) a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments and enter into other transactions, including credit derivatives (such as asset swaps, repackaging and credit default swaps) in relation thereto. Such transactions, investments and securities activities may involve securities and instruments of the Bank or its subsidiaries, jointly controlled entities or associated companies, including Notes issued under the Programme, may be entered into at the same time or proximate to offers and sales of Notes or at other times in the secondary market and be carried out with counterparties that are also purchasers, holders or sellers of Notes. Notes issued under the Programme may be purchased by or be allocated to any Dealer or an affiliate for asset management and/or proprietary purposes whether or not with a view to later distribution. Such persons do not intend to disclose the extent of any such investment or transactions otherwise than in accordance with any legal or regulatory obligation to do so.

SELLING RESTRICTIONS

United States

The Notes have not been and will not be registered under the Securities Act or the securities laws of any state or other jurisdiction of the United States, and may not be offered or sold within the United States except in certain transactions exempt from or not subject to, the registration requirements of the Securities Act. Each Dealer represents and agrees, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered or sold, and will not offer or sell, any Notes constituting part of its allotment except in accordance with Rule 903 of Regulation S under the Securities Act or pursuant to another exemption from the registration requirements of the Securities Act.

Each Dealer represents and agrees, and each further Dealer appointed under the Programme will be required to represent and agree, that it, its affiliates or any persons acting on its or their behalf have not engaged and will not engage in any directed selling efforts with respect to any Note.

In addition, in respect of Bearer Notes where TEFRA D is specified in the applicable Pricing Supplement:

- (a) except to the extent permitted under U.S. Treas. Reg. Section 1.163-5(c)(2)(i)(D) (or any successor U.S. Treasury Regulation Section including, without limitation, regulations issued in accordance with U.S. Internal Revenue Service Notice 2012-20 or otherwise in connection with the U.S. Hiring Incentives to Restore Employment Act of 2010) (the “D Rules”), each Dealer (i) has represented, and each further

Dealer appointed under the Programme will be required to represent, that it has not offered or sold, and agrees that during the restricted period it will not offer or sell, Notes in bearer form to a person who is within the United States or its possessions or to a United States person, and (ii) has represented, and each further Dealer appointed under the Programme will be required to represent, that it has not delivered and agrees that it will not deliver within the United States or its possessions definitive Notes in bearer form that are sold during the restricted period;

- (b) each Dealer has represented, and each further Dealer appointed under the Programme will be required to represent, that it has and agrees that throughout the restricted period it will have in effect procedures reasonably designed to ensure that its employees or agents who are directly engaged in selling Notes in bearer form are aware that such Notes may not be offered or sold during the restricted period to a person who is within the United States or its possessions or to a United States person, except as permitted by the D Rules;
- (c) if it is a United States person, each Dealer has represented, and each further Dealer appointed under the Programme will be required to represent, that it is acquiring Notes in bearer form for purposes of resale in connection with their original issuance and if it retains Notes in bearer form for its own account, it will only do so in accordance with the requirements of U.S. Treas. Reg. Section 1.163-5(c)(2)(i)(D)(6) (or any successor U.S. Treasury Regulation Section including, without limitation, regulations issued in accordance with U.S. Internal Revenue Service Notice 2012-20 or otherwise in connection with the U.S. Hiring Incentives to Restore Employment Act of 2010); and
- (d) with respect to each affiliate that acquires Notes in bearer form from a Dealer for the purpose of offering or selling such Notes during the restricted period, such Dealer repeats and confirms the representations and agreements contained in subparagraphs (a), (b) and (c) on such affiliate's behalf.

Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code of 1986 and Treasury regulations promulgated thereunder, including the D Rules.

In respect of Bearer Notes where TEFRA C is specified in the applicable Pricing Supplement, such Bearer Notes must be issued and delivered outside the United States and its possessions in connection with their original issuance. Each Dealer represents and agrees, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered, sold or delivered, and will not offer, sell or deliver, directly or indirectly, such Bearer Notes within the United States or its possessions in connection with their original issuance. Further, each Dealer represents and agrees, and each further Dealer appointed under the Programme will be required to represent and agree, in connection with the original issuance of such Bearer Notes that it has not communicated, and will not communicate, directly or indirectly, with a prospective purchaser if such purchaser is within the United States or its possessions and will not otherwise involve its U.S. office in the offer or sale of such Bearer Notes. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code of 1986 and Treasury regulations promulgated thereunder.

Each issue of Index Linked Notes or Dual Currency Notes shall be subject to such additional U.S. selling restrictions as the Issuer and the relevant Dealer may agree as a term of the issue and purchase of such Notes, which additional selling restrictions shall be set out in the applicable Pricing Supplement. The relevant Dealer agrees that it shall offer, sell and deliver such Notes only in compliance with such additional U.S. selling restrictions.

Prohibition of sales to EEA Retail Investors

Unless the Pricing Supplement in respect of any Notes specifies "Prohibition of Sales to EEA Retail Investors" as "Not Applicable", each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered, sold or otherwise made available

and will not offer, sell or otherwise make available any Notes which are the subject of the offering contemplated by the Offering Circular as completed by the Pricing Supplement in relation thereto to any retail investor in the European Economic Area. For the purposes of this provision:

- (a) the expression “retail investor” means a person who is one (or more) of the following:
 - (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, “MiFID II”); or
 - (ii) a customer within the meaning of Directive 2002/92/EC (as amended or superseded, the “Insurance Mediation Directive”), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or
 - (iii) not a qualified investor as defined in Directive 2003/71/EC (as amended or superseded, the “Prospectus Directive”); and
- (b) the expression an “offer” includes the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes.

If the Pricing Supplement in respect of any Notes specifies “Prohibition of Sales to EEA Retail Investors” as “Not Applicable”, in relation to each Member State of the EEA which has implemented the Prospectus Directive (each, a “Relevant Member State”), each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the “Relevant Implementation Date”) it has not made and will not make an offer of Notes which are the subject of the offering contemplated by this Offering Circular as completed by the final terms in relation thereto to the public in that Relevant Member State except that it may, with effect from and including the Relevant Implementation Date, make an offer of such Notes to the public in that Relevant Member State:

- (a) at any time to any legal entity which is a qualified investor as defined in the Prospectus Directive;
- (b) at any time to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Directive) subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Issuer for any such offer; or
- (c) at any time in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of Notes referred to in (a) to (c) above shall require the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this provision:

- the expression “an offer of Notes to the public” in relation to any Notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State; and
- the expression “Prospectus Directive” means Directive 2003/71/EC (as amended or superseded), and includes any relevant implementing measure in the Relevant Member State.

United Kingdom

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that:

- (a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer; and
- (b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Notes in, from or otherwise involving the United Kingdom.

Japan

The Notes have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended; the “FIEA”) and each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it will not offer or sell any Notes, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan (as defined under Item 5, Paragraph 1, Article 6 of the Foreign Exchange and Foreign Trade Act (Act No. 228 of 1949, as amended)), or to others for re-offering or resale, directly or indirectly, in Japan or to, or for the benefit of, a resident of Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEA and any other applicable laws, regulations and ministerial guidelines of Japan.

Singapore

Each Dealer acknowledges that the Offering Circular has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, each Dealer represents, warrants and agrees that it has not offered or sold any Notes or caused the Notes to be made the subject of an invitation for subscription or purchase and will not offer or sell any Notes or cause the Notes to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, the Offering Circular or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Notes, whether directly or indirectly, to any person in Singapore other than (i) to an institutional investor (as defined in Section 4A of the Securities and Futures Act (Chapter 289) of Singapore, as modified or amended from time to time (the “SFA”)) pursuant to Section 274 of the SFA, (ii) to a relevant person (as defined in Section 275(2) of the SFA) pursuant to Section 275(1) of the SFA, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the Notes are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

- (a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or
- (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities or securities-based derivatives contracts (each term as defined in Section 2(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Notes pursuant to an offer made under Section 275 of the SFA except:

- (i) to an institutional investor or to a relevant person, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;
- (ii) where no consideration is or will be given for the transfer;
- (iii) where the transfer is by operation of law;
- (iv) as specified in Section 276(7) of the SFA; or
- (v) as specified in Regulation 37A of the Securities and Futures (Offers of Investments) (Securities and Securities-based Derivatives Contracts) Regulations 2018.

Notification under Section 309B(1)(c) SFA – Unless otherwise stated in the Pricing Supplement in respect of any Notes, all Notes issued or to be issued under the Programme shall be prescribed capital markets products (as defined in the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

Hong Kong

Each Dealer represents and agrees that:

- (a) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Notes (except for Notes which are a “structured product” as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong) (the “SFO”) other than (i) to “professional investors” as defined in the SFO and any rules made under the SFO; or (ii) in other circumstances which do not result in the document being a “prospectus” as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong (the “C(WUMP)O”) or which do not constitute an offer to the public within the meaning of the C(WUMP)O; and
- (b) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Notes, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Notes which are or are intended to be disposed of only to persons outside Hong Kong or only to “professional investors” as defined in the SFO and any rules made under the SFO.

Switzerland

The Offering Circular is not intended to constitute an offer or solicitation to purchase or invest in the Notes described therein. The Notes may not be publicly offered, sold or advertised, directly or indirectly, in, into or from Switzerland. Neither the Offering Circular nor any other offering or marketing material relating to the Notes constitutes a prospectus as such term is understood pursuant to article 652a or article 1156 of the Swiss Code of Obligations, and neither the Offering Circular nor any other offering or marketing material relating to the Notes may be publicly distributed or otherwise made publicly available in Switzerland.

Vietnam

The Notes may not be offered or sold directly or indirectly in Vietnam or to, or for the benefit of, any resident in Vietnam (which term as used in the Offering Circular shall have the same meaning as that defined in the 2005 Ordinance on Foreign Exchange), which include:

- (a) any corporation or other entity incorporated under the laws of Vietnam and operating in Vietnam (a “Vietnamese entity”); and
- (b) any Vietnamese citizen residing abroad for a period of less than 12 months or any Vietnamese entity’s representative office established in any other country), unless otherwise being approved by a relevant authority as required by Vietnamese law. Unless permitted under the securities laws of Vietnam, no advertisement, invitation or document relating to the Notes will be issued in Vietnam.

General

Each Dealer has agreed and each further Dealer appointed under the Programme will be required to agree that it will (to the best of its knowledge and belief) comply with all applicable securities laws and regulations in force in any jurisdiction in which it purchases, offers, sells or delivers Notes or possesses or distributes this Offering Circular and will obtain any consent, approval or permission required by it for the purchase, offer, sale or delivery by it of Notes under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes such purchases, offers, sales or deliveries and neither the Issuer, the Trustee nor any of the other Dealers shall have any responsibility therefor.

None of the Issuer, the Trustee and the Dealers represents that Notes may at any time lawfully be sold in compliance with any applicable registration or other requirements in any jurisdiction, or pursuant to any exemption available thereunder, or assumes any responsibility for facilitating such sale. If a jurisdiction requires that the offering be made by a licensed broker or dealer and the Dealers or any affiliate of the Dealers is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by that Dealer or its affiliate on behalf of the Bank in such jurisdiction.

SUMMARY OF CERTAIN DIFFERENCES BETWEEN VAS AND IFRS

The Bank's financial statements included in this Offering Circular have been prepared in accordance with VAS. The following are certain differences between VAS and IFRS which are relevant to the Bank's financial statements. However, this summary should not be construed as being exhaustive, and no attempt has been made to identify possible future differences between VAS and IFRS as a result of prescribed changes in accounting standards, or to identify future differences that may affect the Bank's financial statements as a result of transactions or events that may occur in the future. In certain respects, the financial statements reflect adjustments made in accordance with applicable statutory requirements and regulatory guidelines, and accounting practices in Vietnam, which change from time to time and may have been applied retrospectively. As a result, the periods covered by the financial statements and the Bank's results on a period-by-period basis may not be directly comparable.

Presentation and Disclosures of Financial Statements

Standard financial statement format

Components of statement of profit and loss

IAS 1 allows two options to present all items of income and expense recognised in a period either in a single statement of comprehensive income, or in two statements: the first statement displaying components of profit or loss (income statement) and the second statement beginning with profit or loss and displaying components of other comprehensive income (statement of comprehensive income). VAS 21 only requires one statement displaying components of profit or loss.

Analysis of changes in equity

IAS 1 requires presentation of analysis of changes in equity as a primary statement while analysis of changes in equity is presented in the notes to the financial statements under VAS 21.

Disclosure of management's key judgements, assumptions and major sources of estimation

IAS 1 – Presentation of Financial Statements requires disclosure, in the summary of significant accounting policies or other notes, of the judgements which management has made in the process of applying a bank's accounting policies that have the most significant effects on the amount recognised in the financial statements. IAS 1 requires disclosure of information about the assumptions concerning the future, and other major sources of estimation uncertainty at the end of the reporting period, that have a significant risk of resulting in a material adjustment to the carrying amounts of various assets and liabilities within the next financial year. In respect of those assets and liabilities, the notes must include details of their nature and their carrying amount as at the balance sheet date.

VAS 21 – Presentation of Financial Statements does not specifically require disclosure of management's key judgements, key assumptions concerning the future and other key sources of estimation uncertainty. However, it does encourage financial statements to provide this information where necessary.

Financial instruments

Under VAS, there are no existing standards on financial instruments which are equivalent to IAS 32 - Financial instruments: presentation, IFRS 7 – Financial instruments: disclosures and IFRS 9 – Financial instruments. Instead, a number of regulations have been issued as substitution – e.g., Official Letter No. 7459/NHNN-TCKT and a portion of Circular No. 200/2014/TT-BTC on the classification and recognition of investments securities, Circular No. 228/2009/TT-BTC on the diminution allowance for investment securities (“Circular 228”), Circular No. 89/2013/TT-BTC amending and supplementing Circular 228 (“Circular 89”), Circular No. 02/2013/TT-NHNN on the debt classification and allowance for credit losses of debts (“Circular 02”) and Circular No. 09/2014/TT-NHNN amending Circular 02 and Official Letter No. 7404/NHNN-KTTC on the classification and recognition of derivatives. These regulations are significantly different from IFRS as the principle to record financial instruments is still based on cost.

In order to narrow the gap between VAS and IFRS, on 6 November 2009, the MOF issued Circular 210/2009/TT-BTC providing guidance for the adoption of the International Financial Reporting Standards on presentation (IAS 32 – Financial instruments: presentation) and disclosures of financial instruments (IFRS 7 – Financial instruments: disclosures). The circular is effective for financial years beginning on or after 1 January 2011. Also, on 20 November 2015, the National Assembly of Vietnam promulgated the Law on Accounting 2015, which has been in force since 1 January 2017. The Law on Accounting 2015 allows certain assets and liabilities whose value frequently varies in line with the market fluctuation to be subsequently measured following fair value basis, provided that the fair value of these assets and liabilities can be reliably measured. However, financial institutions have not yet applied the above regulations, given the fact that requirements on presentation and disclosure in these regulations are not compatible with principles of recognition and measurement of financial instruments described in the regulations that are currently promulgated, and guidance provided is not sufficient and comprehensive enough to enable the adoption in practice. Financial institutions in Vietnam also have not applied fair value basis, since there has been no detailed guidance on how to determine the fair value of financial assets and liabilities from the SBV or the Ministry of Finance.

Classification of financial instruments

Under IFRS 9, a financial asset or asset component of a financial instrument should be classified in three types:

- (a) financial assets measured at amortised cost;
- (b) financial assets at fair value through other comprehensive income (“FVOCI”); or
- (c) financial assets at fair value through profit or loss (“FVPL”).

Under VAS, as prescribed in Circular 10, financial assets are classified into the following groups:

- (a) financial assets which would be classified as at amortised cost under IFRS: Due to the State Bank of Vietnam and other banks; Loans to customers; Investment securities held-to-maturity (debt instruments); and Other financial assets;
- (b) financial assets which would be classified as FVOCI under IFRS: Investment securities available-for-sale and Other long-term investment;
- (c) financial assets which would be classified as FVPL under IFRS: securities held-for-trading, and derivatives; and

- (d) other long-term investments which are defined as equity investments in other enterprises in which a bank owns less than or equal to 11.0 per cent. of the voting rights and of which the bank is a founding shareholder or strategic partner; or where the bank is capable of controlling, to some extent, the process of initiating and approving financial and operational policies of the investee by a written agreement to delegating personnel to take part in the Board of Directors and/or the Board of Management.

IFRS 9 defines two main types of financial liabilities, which are:

- (a) financial liabilities measured at amortised cost; and
- (b) financial liabilities at FVPL.

Under VAS, as prescribed under Circular 10, financial liabilities are classified into the following groups:

- (a) financial liabilities which would be classified as at amortised cost under IFRS: Due to the State Bank of Vietnam and other banks; Customer deposits; Valuable papers issued; and Other financial liabilities; and
- (b) financial liabilities which would be classified as FVPL under IFRS: Derivatives.

Reclassification of financial instruments

Under IFRS 9, in certain rare circumstances, financial assets are required to be reclassified between the amortised cost, FVOCI and FVTPL categories. More specifically, when (and only when) a bank changes its business model for managing financial assets, it should reclassify all affected financial assets in accordance with the new business model.

The reclassification should be applied prospectively from the “reclassification date”, which is defined as “the first day of the first reporting period following the change in business model that results in a bank reclassifying financial assets”. Accordingly, any previously recognised gains, losses or interest should not be restated. In the event that there is sale of hold portfolio, where a bank is not able to justify that the increase in sales activities is as a result of a change in business model but that rather, the business model was incorrectly assessed, a prior year adjustment may be required to correct the error. IFRS 9 does not allow reclassification of any financial liabilities.

Under VAS, there are no detailed regulations on the reclassification of financial assets available for sale or held for trading. Financial assets held-to-maturity, however, are not allowed to be reclassified to available for sale or held for trading groups before maturities under Official Letter 7459.

Initial recognition and subsequent measurement of financial instruments

Initial recognition

Under IFRS 9, financial assets and liabilities, with the exception of loans and advances to customers, and balances due to customers, are initially recognised on the trade date, i.e. the date that a bank becomes a party to the contractual provisions of instruments. Loans and advances to customers are recognised when funds are transferred to the customers’ accounts. Balances due to customers are recognised when funds are transferred to the bank.

The classification of financial instruments at initial recognition depends on their contractual terms and the business model for managing the instruments. Financial instruments are initially measured at fair value. Except in the case of financial assets and financial liabilities recorded at fair value through profit or loss, transaction costs are added to, or subtracted from, this amount. Trade receivables are measured at the transaction price.

Under VAS, all financial instruments are recognised at cost which might or might not include transaction costs.

Subsequent measurement

Under IFRS:

- (a) financial assets or financial liabilities at FVPL, including derivatives, are measured at fair value, with any change in fair value to be recognised in profit or loss. For financial liabilities designated as at FVPL using the fair value option, the element of gains or losses attributable to changes in the entity's own credit risk will be recognised in other comprehensive income ("OCI"), with the remainder recognised in profit or loss. These amounts recognised in OCI are not recycled to profit or loss if the liability is ever repurchased at a discount;
- (b) equity instruments at fair value through OCI are subsequently measured at fair value with gains and losses arising due to changes in fair value recognised in OCI. Gains or losses on these equity instruments are never recycled to profit. These instruments are not subject to an impairment assessment;
- (c) debt instruments at fair value through OCI are subsequently measured at fair value with gains and losses arising due to changes in fair value recognised in OCI. The expected credit loss for these instruments is recognised in OCI as an accumulated impairment amount, with a corresponding charge to profit and loss. The accumulated loss recognised in OCI is recycled to the profit and loss upon de-recognition of the assets;
- (d) financial assets and financial liabilities at amortised cost are subsequently measured at amortised cost using the effective interest rate ("EIR") less allowance for expected credit loss of financial assets. The losses arising from impairment of financial assets at amortised cost are recognised in profit and loss; and
- (e) applying the principle of "Substance over form", VAMC bonds are treated the same as loans to customers, i.e. they are classified as financial assets at amortised cost and subjected to impairment assessment.

Under VAS:

- (a) listed debt securities held for trading ("HFT") are recognised at cost less provision for diminution in value of securities, which is based on the yield quoted on the Stock Exchange as at the balance sheet date. Provision for credit losses on corporate bonds which are not listed on the stock market or not registered on the unlisted public companies market is made in the same manner as loans to customers;
- (b) loans to customers are carried at cost less allowance for credit loss, and accrued interest receivables are recognised in a separate account using a nominal interest rate and straight-line method;
- (c) investments securities available-for-sales ("AFS"): equity securities are measured at the lower of cost and market value, in which the negative difference between market price and cost is recognised as diminution allowance in the balance sheet and allowance expenses in the statement of profit or loss; debt securities are measured at par value, and the discount/premium (which is the difference between the cost

(transaction cost included) and the amount being the par value plus (+) accrued interest or minus (-) deferred interest) is amortised to the income statement on a straight-line basis over the remaining term of securities. Accrued interest is recognised using a nominal interest rate and straight-line method. Provision for diminution in value of listed debt securities AFS is made based on the yield quoted on the Stock Exchange as at the balance sheet date. Provision for credit losses on corporate bonds AFS which are not listed on the stock market or not registered on the unlisted public companies market is made in the same manner as loans to customers;

- (d) investment securities held-to-maturity (“HTM”) other than VAMC bonds are subsequently recognised similar to debt securities AFS. VAMC bonds are initially recognised at face value at the date of transaction (which is equal to the outstanding balance of the debts sold less their unused specific allowance) and subsequently carried at the face value during the holding period, less allowance made in accordance with the guidance of Circular 14 issued by the SBV amending and supplementing a number of articles of Circular 19 on the purchase, sale, and settlement of bad debts of the Asset Management Company of Vietnam Credit Institutions;
- (e) derivatives are recorded in accordance with Official Letter 7404/NHNN-KTTC. Generally, the contractual settlement amount is recorded in full as a bank’s liabilities, and the gain/loss which arise from the difference in forward and spot price at transaction date is allocated over the outstanding period of the derivatives;
- (f) other long-term investments, which are equities investments of less than or equal 11.0 per cent. of voting rights, are subsequently measured at cost, and allowance is provided for diminution in value (if any); and
- (g) financial liabilities are carried at cost, and accrued interests are recognised in a separate account using a nominal interest rate and straight-line method.

Impairment of financial assets

IFRS 9 provides the requirement on expected credit losses on financial assets at amortised cost, fair value through OCI and financial guarantees.

Impairment of financial assets other than loans to customers

Under IFRS, financial assets are subject to impairment assessment, in which an entity shall provide allowance for expected credit loss (“ECL”) on some financial assets (financial assets at amortised cost and debt instruments at FVOCI). Where the credit risk on financial instruments has increased significantly since initial recognition, the loss allowance should be made equal to the lifetime expected credit losses, otherwise, an amount equal to 12-month ECL (as defined below) should be made as loss allowance.

ECL of a financial instrument is measured in a way that reflects:

- (a) an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- (b) the time value of money; and
- (c) reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

IFRS 9 also provides a detailed guidance on application of the stages of impairments, which are:

(a) Stage 1:

When a financial asset is originated or purchased, ECLs resulting from default events that are possible within the next 12 months are recognised (“12-month ECL”) and a loss allowance is made. In subsequent periods, 12-month ECL also applies to existing financial assets with no significant increase in credit risk since their initial recognition. Interest revenue is calculated on the loan’s gross carrying amount without deduction for ECLs.

In determining whether a significant increase in credit risk has occurred since initial recognition, a bank is to assess the change, if any, in the risk of default over the expected life of the financial asset.

(b) Stage 2:

If a financial asset’s credit risk has increased significantly since initial recognition and is not considered low, lifetime ECLs are recognised. The calculation of interest revenue is the same as for Stage 1.

(c) Stage 3:

If the financial asset’s credit risk increases to the point where it is considered credit-impaired, interest revenue is calculated based on the loan’s amortised cost (that is, the gross carrying amount less the loss allowance). Lifetime ECLs are recognised, as in Stage 2.

IFRS 9 does not prescribe a detailed ratio or model to calculate allowance for credit loss.

Impairment of loans to customers and other unlisted debts

Under Vietnamese regulations (Circular 02/2013/TT-NHNN), loans and unlisted bonds are graded into five groups which are 1 – Current, 2 – Special Mention, 3 – Substandard, 4 – Doubtful and 5 – Loss, and a bank is required to create two types of provisions, specific provision and general provision, in which:

- (a) specific provision is established based on the net credit exposure, which is equal to the outstanding balance of debts less the discounted value of collaterals, for each individual customer using the prescribed provision rate applicable to that debt classification, as follows:

Group	Category	Provision rate
1	Current	0.0%
2	Special mention	5.0%
3	Substandard	20.0%
4	Doubtful	50.0%
5	Loss	100.0%

- (b) general provision is made for credit losses which are yet to be identified during the loan classification process and in specific provision, as well as in case of the bank's potential financial difficulty due to a deterioration in debt quality. Accordingly, the bank is required to fully create and maintain a general provision at 0.75 per cent. of total of debts classified in groups from 1 to 4.

Under IFRS 9, as loan to customers are classified as financial assets measured at amortised cost, the impairment assessment required for this group is the same as required for other assets carried at amortised cost, as mentioned above.

Under VAS, allowance for diminution in value is only required for:

- (a) securities having determinable market prices (listed securities or securities are freely traded on the market) and their market value is below the book value. In this case, impairment will be equal to the difference between book value and market value;
- (b) unlisted bonds, which are treated the same as normal loans to customers. Accordingly, allowance for credit loss is made under Circular 02. Details regarding to Circular 02 is described in the section below on impairment of loans to customers; and
- (c) other long-term investments which are equity investments in companies making a loss (except where that loss was previously stipulated in the original business plan) are provided allowance, which is (if any) the difference between actual capital contribution of a bank and the owner's equity of the investee, multiplied by the bank's actual holding percentage in the business entity.

There is no existing standard on impairment of financial assets under VAS. Instead, the impairment of debt financial assets is regulated under Circular 02 and Circular 09; the allowance for impairment of other financial assets is regulated under Circular 228 and Circular 89.

Presentation and disclosure on financial instruments

Disclosures on financial instruments for financial institution reporting are stipulated in Decision 16/2007/QĐ-NHNN amended by Circular 49/2014/TT-NHNN, Circular 22/2017/TT-NHNN and other subsequent additions and amendments. These are:

- (a) disclosure of carrying value, classification, loss provision, and movements of provision for each group of financial assets under VAS;
- (b) disclosure of carrying value and classification for each group of financial liabilities under VAS;
- (c) credit risks of financial assets;
- (d) risk management policies for financial instruments;
- (e) liquidity risk analysis of assets and liabilities by maturity;
- (f) interest rate risk analysis of assets and liabilities by interest rate re-pricing term;
- (g) currency risk analysis of assets and liability by currency;
- (h) other market risks if the risk magnitude is equal to or greater than 5.0 per cent. of net profit;

- (i) fair value of each group of financial assets and financial liabilities according to Circular 210; and
- (j) carrying amount of financial assets of a bank pledged as collateral for the bank's obligations and of financial assets which the bank receives as collateral for other banks' obligations.

A more comprehensive and detailed set of requirements on disclosures of financial instruments is provided under IAS 32 Financial Instruments: Presentation, IFRS 9 – Financial Instruments and IFRS 7 Financial Instruments: Disclosures. This provides that, for each type of risk arising from financial instruments, an entity shall disclose the following:

General disclosures:

- (a) quantitative disclosure by class of financial assets (i.e. a group of financial instruments according to a bank's classification with similar characteristics; a class is a sub-level of category);
- (b) disclosure on reclassification of financial assets and liabilities;
- (c) allowance for each class of financial assets and a reconciliation of allowances from the opening balance to the closing balance;
- (d) income, expenses, gain/loss from each category of financial assets and liabilities, including interest income on impaired financial assets; and
- (e) some certain movement reconciliation for significant items including financing cash flows, allowances, etc.

Disclosures regarding fair value:

- (a) fair value at the reporting date of all financial assets and liabilities carried at fair value and not carried at fair value;
- (b) fair value hierarchy (i.e. Level 1, Level 2, Level 3) of FVPL and FVOCI;
- (c) reconciliation movements of fair value of financial assets and liabilities in Level 3; and
- (d) disclosure on valuation method and input data for calculation of fair value.

Disclosures regarding risks:

- (a) the nature and extent of risks arising from financial instruments;
- (b) the exposure to risk and how they arise;
- (c) a summary quantitative data about its exposure to each type of risk;
- (d) a concentration of risk;
- (e) detailed disclosure regarding credit risks including: maximum exposure, credit enhancements, credit quality, analysis of overdue status, disclosure on past due but not impaired assets;
- (f) liquidity risk analysis and management policies;

- (g) market risk analysis including sensitivity analysis and management policies; and
- (h) and other market risk disclosures.

Additionally, as mentioned above, under VAS, the requirements for fair value disclosure of financial instruments according to Circular 210 are generally-worded with no specific guidance on the valuation methodology and hence, have little impact in practice; while under IFRS, banks are required to disclose the fair value of all of their financial instruments with detailed supporting information.

Others

Interest income and interest expense

Interest income

Under IFRS 9, the interest should be recognised using the effective interest method on a time proportion basis that takes into account the effective yield on the asset. IFRS 9 allows for the recognition of interest income on impaired assets using a reduced carrying value and at the interest rate that was used to discount the future cash-flows for the purpose of measuring the impairment loss.

VAS 14 – Revenues and Other Income allows using a time proportion basis to record interest revenue, but using the straight line method. Interest income for standard debts is recorded on an accrual basis based on nominal interest and there is a prohibition of interest income recognition on loans classified as Group 2 and above under Circular 02.

Interest expense

Under IFRS, interest expense is accrued based on an effective interest method, while under VAS, interest expense is accrued on a straight line basis using nominal interest rate.

Financial instruments with preferential interest rates

Under IFRS, applying the rule of thumb as “Substance over form”, the instruments with preferential interest rates are recorded at fair value and the differences between carrying amount and fair value are recorded in corresponding in the statement of profit or loss. For example, in case of preferential loans to employees, the differences are recorded as expenses for employees.

Under VAS, there are no regulations regarding the recognition of financial instruments with preferential interest rates. For example, loans to a bank’s employees with interest rates substantially lower than normal loans. In practice, under VAS, the recognition of financial instruments with preferential interest rates is the same as normal financial instruments.

Other income

IFRS 15 has replaced IAS 18 on revenue recognition since 1 January 2018. IFRS 15 is a complex standard, introducing far more prescriptive requirements than IAS 18. The new standard introduces a five-step module to recognise revenue which focuses on the identification of performance obligations and distinguishes between performance obligations that are satisfied “at a point in time” and those that are satisfied “over time”. Specific topics on which more prescriptive requirements have been introduced include: identification of contract with customer, identification of distinct performance obligations and the allocation of the transaction price between those obligations, accounting for variable consideration and significant financing components, presentation

and disclosure of revenue from contracts with customers, and other balances related to revenue. The scope of IFRS 15 also has been expanded to cover contract costs.

Under VAS 14 which was built up based on IAS 18, there are no equivalent regulations, accordingly, in practice, based on prudential principle, there is no recognition of contingent income.

Financial guarantees

Under IFRS, financial guarantees are initially recognised at fair value, normally being the premium received. Subsequent to initial recognition, a bank's liability under each guarantee is measured at the higher of the amount initially recognised less, when appropriate, cumulative amortisation recognised in the income statement under IFRS 15 and the best estimate of expenditure required for settling any financial obligation arising from the guarantee under IAS 37. Financial guarantees are also assessed for expected credit loss.

Under VAS, the value of guarantee and letter of credit ("L/C") commitments are recognised in off-balance-sheet accounts. Fees received from these commitments are normally recorded in profit or loss on a cash basis. A bank is required to classify financial commitments into five groups which is similar to loans to customers as mentioned above and there is no requirement to make provision for these off-balance sheet items.

Property, plant and equipment

Regarding initial recognition, according to VAS 3 on Tangible Fixed Assets and Circular 45 providing guidance on management, use and depreciation of fixed assets, an asset must have initial value of greater than VND30 million to eligible to be recognised as a fixed asset. IAS 16 – Property, Plant and Equipment does not have any recognition criteria relating to minimum initial value. In addition, under VAS, the initial recognition date of assets is the day the assets are "ready-to-use"; while under IAS 16 an asset is initially recorded as "acquisition or construction date"; subsequently, some assets which are classified as "other assets" under VAS are qualified to recorded as fixed assets under IFRS.

Regarding subsequent recognition and measurement, VAS 3 does not include within its scope the measurement and recognition of asset dismantlement, removal and restoration costs as in IAS 16. Under VAS, property, plant and equipment ("PPE") should be carried at cost, less depreciation, after initial recognition. Revaluation of PPE is not allowed unless specific approval is obtained from the Government and Circular 45 prescribes a detailed timeframe for depreciation for each group of fixed assets.

IAS 16 requires PPE to be measured, after initial recognition, at either the cost model or the revaluation model. Following the cost model, an item of PPE shall be carried at its cost less any accumulated depreciation and any accumulated impairment losses. Following the revaluation model, an item of PPE whose fair value can be measured reliably shall be carried at the revalued amount, being its fair value at the date of the revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

PPE are not subjected to impairment testing under VAS 3 and impairment write-down of PPE is not allowed under VAS 3 unless specific approval is obtained from the Government.

Intangible assets and goodwill

IAS 38 – Intangible Assets requires intangible assets to be measured, after initial recognition, at either the cost model or the revaluation model. Under the cost model, an intangible asset shall be carried at its cost less any accumulated amortisation and any accumulated impairment losses. Under the revaluation model, an intangible

asset whose fair value can be measured reliably shall be carried at the revalued amount, being its fair value at the date of the revaluation less any subsequent accumulated amortisation and subsequent accumulated impairment losses.

VAS 4 – Intangible Fixed Assets and Circular 45 require an asset to have a useful life of more than one year and a value greater than VND30 million to be recognised as an intangible fixed asset. IAS 38 Intangible Assets does not have the same requirements.

Under VAS 4, after initial recognition, intangible assets should be carried at cost less amortisation. VAS 4 does not mention the revaluation of recognised intangible assets.

Circular 45 prescribes a detailed timeframe for depreciation and amortisation for each group of fixed assets. It is noted that VAS allows the amortisation of goodwill arising from combination over the period of up to 10 years. IAS 38 does not have such limitation and goodwill is not amortised but only subjected to frequent impairment assessment.

Under VAS, intangible assets are not subjected to impairment testing and revaluation write-down as impairment is not allowed.

Non-current assets held for sale

Under IFRS 5 – Non-current Assets Held for Sale, for financial instruments, a bank should recognise an asset if it is entitled to the risks and rewards of the asset. There is no equivalent standard under VAS. The area that is highly impacted by this difference is the recognition of foreclosed assets.

Under IFRS:

- (a) if the foreclosed assets are financial instruments, they should be initially recorded and subsequently measured in accordance with IFRS 9;
- (b) if the foreclosed assets are non-monetary items and if a bank intends to sell the assets, they should be recognised as assets (foreclosed assets held for sale) at fair value upon initial recognition when the future economic benefits associated with the collateral will flow to the bank, and the fair value of the asset can be measured reliably. Then the asset should be carried at the lower of the carrying amount and fair value less costs to sell with the condition that the carrying value does not exceed the initially recognised value and will not be depreciated. If the bank intends to use the asset for production of income, it should recognise the assets in appropriate accounts (e.g. fixed assets, investment property, etc.) at fair value or the appropriate basis for that asset, and subsequently measure it at amortised costs less any impairment.

Under VAS, if a bank seizes the asset when receiving the legal title, the bank is required to recognise the on-balance sheet assets according to Official Letter 7755. However, the measurement of asset value upon initial recognition is not clearly stated in Official Letter 7755. As a result, financial institutions rarely apply Official Letter 7755.

The industry practice is to keep the off-balance sheet assets at the value originally agreed with the loan borrower or the value based on last revaluation performed by credit officers.

If the assets are transferred to a bank under court judgments, the assets are recognised on balance sheet at the nominal amount stated in the court judgment.

Additionally, VAS does not require impairment assessment or write-down, whereas IFRS requires the assets to be carried at the lower of the carrying amount and fair value less costs to sell if they are held for sale.

Impairment of non-current Assets

While there is no existing VAS on impairment of non-current assets, IAS 36 – Impairment of Assets provides the following guidance in this area:

Fixed Assets with Definite Lives

For definite assets that are amortised, a bank is required to assess at the end of each reporting period whether there is any indication that an asset may be impaired. If any such indication exists, the bank should estimate the recoverable amount of the asset.

In assessing whether there is any indication that an asset may be impaired, a bank shall consider either external or internal sources of information.

External sources of information might include:

- (a) during the period, an asset's market value has declined significantly more than it would be expected as a result of the passage of time or normal use;
- (b) significant changes with an adverse effect on the entity have taken place during the period, or will take place in the near future, in the technological, market, economic or legal environment in which the entity operates or in the market to which an asset is dedicated;
- (c) market interest rates or other market rates of return on investments have increased during the period, and these increases are likely to affect the discount rate used in calculating an asset's value in use and decrease the asset's recoverable amount materially; or
- (d) the carrying amount of the net assets of the entity is more than its market capitalisation.

Internal sources of information might include:

- (a) evidence is available of obsolescence or physical damage of an asset;
- (b) significant changes with an adverse effect on the entity have taken place during the period, or are expected to take place in the near future, in the extent to which, or manner in which, an asset is used or is expected to be used. These changes include the asset becoming idle, plans to discontinue or restructure the operation to which an asset belongs, plans to dispose of an asset before the previously expected date, and reassessing the useful life of an asset as definite rather than indefinite;
- (c) evidence is available from internal reporting that indicates that the economic performance of an asset is, or will be, worse than expected.

Fixed Assets with Indefinite Lives

An indefinite-lived intangible asset should also be tested for impairment annually or more frequently if there is any indication that it may be impaired.

The useful life of an intangible asset that is not being amortised shall be reviewed each period to determine whether events and circumstances continue to support an indefinite useful life assessment or that asset. If they do not, the change in the useful life assessment from indefinite to definite shall be accounted for as a change in an accounting estimate in accordance with IAS 8.

Historical Method vs. Revaluation Method

Additionally, a bank can elect to carry the assets at fair value using the revaluation method under IFRS.

Leased assets

IFRS 16 is a new standard for lease accounting that replaces IAS 17 from January 2019. Under IFRS 16 – Leases, lessees are required to recognise most leases on their balance sheets as lease liabilities, with the corresponding right-of-use assets. Lessees must apply a single model for all recognised leases, but will have the option not to recognise “short-term” leases and leases of “low-value” assets. Generally, the profit or loss recognition pattern for recognised leases will be similar to VAS’s finance lease accounting, with interest and depreciation expense recognised separately in the statement of profit or loss. IFRS 16 has been effective since 1 January 2019,

Under VAS, regulations on leases are stipulated in VAS 6 which was issued based on principle of IAS 17, accordingly there are two types of leases: finance lease and operating lease. A lease is classified as a finance lease whenever the terms of the lease transfer substantially all the risks and rewards of ownership of the asset to the lessee. All other leases are classified as operating leases. Where the Bank is the lessee, assets held under finance leases are capitalised in the balance sheet at the inception of the lease at the fair value of the leased assets or, if lower, at the net present value of the minimum lease payments. The principal amount included in future lease payments under finance leases are recorded as a liability. The interest amounts included in lease payments are charged to the income statement over the lease term to achieve a constant rate on interest on the remaining balance of the finance lease liability. Rentals under operating leases are charged to the income statement on a straight-line basis over the lease term.

Bonus and welfare fund

Under IFRS, expenditure under the form of the bonus and welfare fund is treated as employee expenses and recognised in a profit and loss account.

Under VAS, the creation of the fund is treated as an appropriation of profit after tax. Usage of the fund is recorded as a deduction in the balance of the fund. The balance of the fund is presented as a payable account in the balance sheet in accordance with Circular 200 amending the accounting regime for enterprises.

Severance allowance

Under Section 48 of the Labour Code, which was effective from 1 May 2013, a bank has the obligation to pay allowance arising from voluntary resignation of employees, equal to one-half month’s salary for each year of employment up to 31 December 2008 plus salary allowances (if any). From 1 January 2009, the average monthly salary used in this calculation is the average monthly salary of the latest six-month period up to the resignation date. There is no guidance on recognition or provision appropriation of this obligation; hence, the Bank and other financial institutions have not recognised this obligation in their financial statements.

However, under IAS 19 – Employee Benefits and IAS 37 – Provisions, Contingent Liabilities and Contingent Assets, the Bank is required to make provision for this obligation based on Projected United Method model or other equivalent ones.

Preference shares

Under IAS 32, a preference share that provides for mandatory redemption by the issuer for a fixed or determinable amount at a fixed or determinable future date, or gives the holder the right to require the issuer to redeem the instrument at or after a particular date for a fixed or determinable amount, is a financial liability; accordingly, dividend for these shares are treated as interest expenses for the incurring period.

Under VAS, under Decision 479 as amended by Circular 10, preference share are recorded as a component of equity, accordingly, dividend paid for these shares are treated as a direct decrease in equity.

Convertible debts

Under IFRS, convertible debts contain two components – financial liabilities, namely the issuer's contractual obligations to pay cash or other financial assets, and equity instruments, namely the holder's option to convert it into common shares. When the initial carrying amount of a compound financial instrument such as convertible debts is required to be allocated to its equity and liability components, the equity component is assigned the residual amount after deducting from the fair value of the instrument as a whole the amount separately determined for the liability component.

Under the prevailing regulations under VAS, the accounting treatment for convertible debts is similar to the treatment for other debts. There is no separation of liability and equity component and debts are recorded at cost as liabilities.

GENERAL INFORMATION

Authorisation

The establishment of the Programme and the issue of the Notes have been duly authorised by a resolution of the annual general meeting of the Bank No. 03/2019NQ-DHDCD dated 22 June 2019.

The amount of Notes to be issued under the Programme is subject to the size approval from the SBV. The Issuer has applied for and obtained the Letter No. 4568/NHNN-QLNH dated 17 June 2019 from the SBV, confirming that the total nominal amount of the initial issuance of Notes under the Programme (up to US\$300,000,000) falls within the national foreign commercial borrowing limit of Vietnam for 2019. For the purposes of any further issuance of Notes under the Programme, the Issuer will need to obtain further size approval(s) from the SBV confirming that such additional nominal amount of Notes falls within the national foreign commercial borrowing limit of Vietnam in relevant calendar year. The size approval from the SBV is subject to the available room of the national foreign commercial borrowing limit of Vietnam in relevant year.

In addition, the issue of Notes under the Programme is subject to the approval of the SSC for offering of securities to overseas in accordance with Article 30 of the Decree 58/2012/ND-CP (as amended). The Issuer has applied and obtained a Letter No. 4070/UBCK-QLCB dated 28 June 2019 from the SSC approving the offering of the Notes under the Programme and certifying the receipt of sufficient documents in connection with the registration for the offering of the Notes under the Programme as required under Article 30 of Decree 58/2012/ND-CP of the Government of Vietnam (as amended).

Listing of Notes on the SGX-ST

Application has been made to the SGX-ST for permission to deal in, and for the listing and quotation of any Notes to be issued pursuant to the Programme and which are agreed at or prior to the time of issue thereof to be so listed on the SGX-ST. Such permission will be granted when such Notes have been admitted to the Official List of the SGX-ST. The SGX-ST assumes no responsibility for the correctness of any of the statements made or opinions expressed or reports contained herein. Admission to the Official List of the SGX-ST and quotation of any Notes on the SGX-ST is not to be taken as an indication of the merits of the Issuer, the Programme or the Notes. There is no assurance that the application to the Official List of the SGX-ST for the listing of the Notes of any Series will be approved. For so long as any Notes are listed on the SGX-ST and the rules of the SGX-ST so require, such Notes listed on the SGX-ST will be traded on the SGX-ST in a minimum board lot size of at least S\$200,000 (or its equivalent in other currencies).

For so long as the Notes are listed on the SGX-ST and the rules of the SGX-ST so require, the Bank will appoint and maintain a paying and transfer agent in Singapore if any Global Note is exchanged for definitive Notes.

The listing and quotation of any Notes on the SGX-ST is subject to the receipt of the relevant listing approval from the SSC, which may only be received after the relevant Issue Date of the relevant Notes. There is no assurance that such approval will be obtained in a timely manner, or at all. See *“Risk Factors – Risks related to Notes generally – The listing of any Notes is subject to Vietnamese regulatory approval”*.

Documents Available

Copies of the following documents will, when published, be available for inspection from the registered office of the Bank:

- the constitutional documents (with an English translation thereof) of the Bank;
- the audited consolidated financial statements of the Bank in respect of the years ended 31 December 2017 and 2018, in each case together with the audit reports prepared in connection therewith;
- the unaudited consolidated interim financial statements of the Bank in respect of the three months ended 31 March 2019, together with the review report prepared in connection therewith;
- the most recently published audited annual financial statements of the Bank and the most recently published reviewed interim financial statements (if any) of the Issuer, in each case together with any audit or review reports prepared in connection therewith.);
- the Trust Deed, the Agency Agreement and the forms of the Global Notes, the Notes in definitive form, the Receipts, the Coupons and the Talons;
- a copy of this Offering Circular; and
- any future offering circulars, prospectuses, information memoranda, supplements and Pricing Supplements (save that Pricing Supplements will only be available for inspection by a holder of such Note and such holder must produce evidence satisfactory to the Bank as to its holding of Notes and identity) to this Offering Circular.

Copies of the following documents will, when published, be available for inspection from the registered office of the Principal Paying Agent:

- the Trust Deed, the Agency Agreement and the forms of the Global Notes, the Notes in definitive form, the Receipts, the Coupons and the Talons;
- a copy of this Offering Circular; and
- any future offering circulars, prospectuses, information memoranda, supplements and Pricing Supplements (save that Pricing Supplements will only be available for inspection by a holder of such Note and such holder must produce evidence satisfactory to the Principal Paying Agent as to its holding of Notes and identity) to this Offering Circular.

Clearing Systems

The Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg (which are the entities in charge of keeping the records). The appropriate Common Code and ISIN for each Tranche of Notes allocated by Euroclear and Clearstream, Luxembourg will be specified in the applicable Pricing Supplement. If the Notes are to clear through an additional or alternative clearing system the appropriate information will be specified in the applicable Pricing Supplement.

The address of Euroclear is Euroclear Bank SA/NV, 1 Boulevard du Roi Albert II, B-1210 Brussels. The address of Clearstream, Luxembourg is Clearstream Banking, 42 Avenue JF Kennedy, L-1855 Luxembourg. The address of DTC is 55 Water Street, New York, New York 10041, United States of America.

Significant or Material Change

There has been no significant change in the results of operations of the Bank and its subsidiaries nor has there been any material adverse change in the financial or trading position or prospects of the Bank and its subsidiaries since 31 March 2019.

Litigation

Except to the extent disclosed elsewhere in this Offering Circular, neither the Bank nor any of its subsidiaries is, nor has been, involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Bank is aware) in the 12 months preceding the date of this document which may have or have in such period had a significant effect on the financial position or profitability of the Bank and its subsidiaries.

Auditors

The Bank's audited consolidated financial statements for the years ended 31 December 2016, 2017 and 2018 have been audited by Ernst & Young Vietnam Limited in accordance with Vietnamese Standards on Auditing. The Bank's unaudited consolidated interim financial statements for the three months ended 31 March 2019 have been reviewed by Ernst & Young Vietnam Limited in accordance with Vietnamese Standards on Auditing.

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Vietnam Prosperity Joint Stock Commercial Bank

Interim consolidated financial statements

31 March 2019



Vietnam Prosperity Joint Stock Commercial Bank

Interim consolidated financial statements

31 March 2019

Vietnam Prosperity Joint Stock Commercial Bank

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Vietnam Prosperity Joint Stock Commercial Bank

GENERAL INFORMATION

THE BANK

Vietnam Prosperity Joint Stock Commercial Bank (the "Bank" or "VPBank") is a joint stock commercial bank incorporated and registered in the Socialist Republic of Vietnam.

The Bank was established pursuant to Banking License No. 0042/NH-GP dated 12 August 1993 issued by the State Bank of Vietnam (the "SBV") and Business Registration Certificate No. 0100233583 dated 8 September 1993 issued by Hanoi Department of Planning and Investment which was amended for the 41st time on 27 November 2018. The Bank started operation on 12 August 1993 with an operation period of 99 years.

The Bank's principal activities are to provide banking services including mobilizing and receiving short, medium and long-term deposits from organizations and individuals; making short, medium and long-term loans and advances to organizations and individuals; conducting foreign exchange transactions; providing international trade finance services; discounting of commercial papers, bonds and other valuable papers; investing in shares and bonds; providing settlement services; digital wallet; investing in future contract of Government bonds; providing asset management services; granting credit in form of rediscounting negotiable instruments and other valuable papers and other banking services as allowed by the SBV.

Charter capital

As at 31 March 2019, the charter capital of the Bank is VND25,299,680 million (31 December 2018: VND25,299,680 million).

Operational network

The Bank's Head Office is located at No. 89 Lang Ha, Lang Ha Ward, Dong Da District, Hanoi, Vietnam. As at 31 March 2019, the Bank has one (1) Head Office, fifty-nine (59) branches, one hundred and sixty-five (165) transaction offices nationwide and two (2) subsidiaries.

BOARD OF DIRECTORS

The members of the Board of Directors of the Bank during the period and as at the date of the interim consolidated financial statements are as follows:

<i>Name</i>	<i>Position</i>
Mr. Ngo Chi Dzong	Chairman
Mr. Bui Hai Quan	Vice Chairman
Mr. Lo Bang Giang	Vice Chairman
Mr. Nguyen Van Hao	Independent member
Mr. Nguyen Duc Vinh	Member

Vietnam Prosperity Joint Stock Commercial Bank

GENERAL INFORMATION (continued)

THE BOARD OF SUPERVISION

The members of the Board of Supervision of the Bank during the period and as at the date of the interim consolidated financial statements are as follows:

<i>Name</i>	<i>Position</i>
Mr. Ngo Phuong Chi	Head of Board of Supervision
Ms. Nguyen Thi Bich Thuy	Full-time member
Ms. Trinh Thi Thanh Hang	Full-time member

THE BOARD OF MANAGEMENT

The members of the Board of Management of the Bank during the period and as at the date of the interim consolidated financial statements are as follows:

<i>Name</i>	<i>Position</i>
Mr. Nguyen Duc Vinh	Chief Executive Officer
Ms. Luu Thi Thao	Standing Deputy Chief Executive Officer
Mr. Sanjeev Nanavati	Standing Deputy Chief Executive Officer
Mr. Nguyen Thanh Binh	Deputy Chief Executive Officer
Mr. Phan Ngoc Hoa	Deputy Chief Executive Officer
Ms. Duong Thi Thu Thuy	Deputy Chief Executive Officer
Mr. Nguyen Thanh Long	Deputy Chief Executive Officer
Mr. Fung Kai Jin	Deputy Chief Executive Officer
Mr. Pham Phu Khoi	Deputy Chief Executive Officer
Mr. Kosaraju Kiran Babu	Deputy Chief Executive Officer
Mr. Dinh Van Nho	Deputy Chief Executive Officer
Mr. Phung Duy Khuong	Deputy Chief Executive Officer Appointed on 3 January 2019

LEGAL REPRESENTATIVE

The legal representative of the Bank during the three-month period and as at the date of the interim consolidated financial statements is Mr. Ngo Chi Dzong – Chairman.

Mr. Nguyen Duc Vinh - Chief Executive Officer was authorized by Mr. Ngo Chi Dzong to sign off the accompanying interim consolidated financial statements for the three-month period ended 31 March 2019 according to Authorization Document No. 09/2012/UQ-CT dated 5 July 2012.

AUDITORS

The auditor of the Bank is Ernst & Young Vietnam Limited.

Vietnam Prosperity Joint Stock Commercial Bank

REPORT OF THE BOARD OF MANAGEMENT

The Board of Management of Vietnam Prosperity Joint Stock Commercial Bank (the "Bank") is pleased to present its report and the interim consolidated financial statements of the Bank and its subsidiaries as at 31 March 2019 and for the three-month period then ended.

MANAGEMENT'S RESPONSIBILITY FOR THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

The Board of Management of the Bank is responsible for the interim consolidated financial statements which give a true and fair view of the interim consolidated financial position of the Bank and its subsidiaries and of the interim consolidated results of their operations and their interim consolidated cash flows for the period. In preparing these interim consolidated financial statements, the Board of Management is required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the interim consolidated financial statements; and
- prepare the interim consolidated financial statements on the going concern basis unless it is inappropriate to presume that the Bank will continue in business.

The Board of Management is responsible for ensuring that proper accounting records are kept which disclose, with reasonable accuracy at any time, the interim consolidated financial position of the Bank and its subsidiaries and ensuring that the accounting records comply with the applied accounting system. It is also responsible for safeguarding the assets of the Bank and its subsidiaries and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Board of Management confirmed that it has complied with the above requirements in preparing the accompanying interim consolidated financial statements.

STATEMENT BY THE BOARD OF MANAGEMENT

The Board of Management of the Bank does hereby state that, in its opinion, the accompanying interim consolidated financial statements give a true and fair view of the interim consolidated financial position of the Bank and its subsidiaries as at 31 March 2019, the interim consolidated results of their operations and their interim consolidated cash flows for the three-month period then ended in accordance with Vietnamese Accounting Standards, Vietnamese Accounting System for Credit Institutions and other statutory requirements relevant to preparation and presentation of the interim consolidated financial statements.

For and on behalf of the Board of Management



Mr. Nguyen Duc Vinh
Chief Executive Officer

Hanoi, Vietnam

19 April 2019

Reference: 60755038/21086223-LR/HN

REPORT ON REVIEW OF INTERIM CONSOLIDATED FINANCIAL STATEMENTS

To: **The Shareholders of
Vietnam Prosperity Joint Stock Commercial Bank**

We have reviewed the accompanying interim consolidated financial statements of Vietnam Prosperity Joint Stock Commercial Bank (the "Bank") and its subsidiaries, as prepared on 19 April 2019 and set out on pages 6 to 69 which comprise the interim consolidated balance sheet as at 31 March 2019, the interim consolidated income statement and the interim consolidated cash flow statement for the three-month period then ended and the notes thereto.

Management's responsibility

The Bank's Board of Management is responsible for the preparation and fair presentation of these interim consolidated financial statements in accordance with Vietnamese Accounting Standards, Vietnamese Accounting System for Credit Institutions and statutory requirements relevant to the preparation and presentation of the interim consolidated financial statements, and for such internal control as the Board of Management determines is necessary to enable the preparation and presentation of the interim consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express a conclusion on the interim consolidated financial statements based on our review. We conducted our review in accordance with Vietnamese Standards on Review Engagements No. 2410 – *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*.


A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Vietnamese Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim consolidated financial statements do not give a true and fair view, in all material respects, of the interim consolidated financial position of the Bank and its subsidiaries as at 31 March 2019, and of the interim consolidated results of its operations and its interim consolidated cash flows for the three-month period then ended in accordance with Vietnamese Accounting Standards, Vietnamese Accounting System for Credit Institutions and statutory requirements relevant to preparation and presentation of interim consolidated financial statements.



Ernst & Young Vietnam Limited


Dang Phuong Ha
Deputy General Director
Audit Practising Registration
Certificate No. 2400-2018-004-1

Hanoi, Vietnam

13 May 2019

INTERIM CONSOLIDATED BALANCE SHEET
as at 31 March 2019

	<i>Notes</i>	<i>31 March 2019 VND million</i>	<i>31 December 2018 VND million</i>
ASSETS			
Cash, gold and gemstones		2,503,797	1,855,473
Balances with the State Bank of Vietnam		3,527,201	10,828,571
Placements with and credit granting to other credit institutions		8,637,912	16,571,491
Placements with other credit institutions	5.1	7,269,278	15,337,628
Credit granting to other credit institutions	5.2	1,368,634	1,233,863
Securities held for trading	6	4,243,845	4,202,413
Securities held for trading		4,258,686	4,240,742
Provision for securities held for trading		(15,041)	(38,329)
Derivatives and other financial assets	7	22,884	-
Loans to customers		227,412,319	218,395,223
Loans to customers	8	231,458,178	221,961,996
Provision for loans to customers	9	(4,045,859)	(3,566,773)
Investment securities		54,948,182	61,926,416
Available-for-sale securities	10.1	52,960,263	49,417,157
Held-to-maturity securities	10.2	2,752,955	3,564,933
Provision for investment securities	10.3	(765,026)	(1,055,674)
Long-term investments	11	171,990	190,654
Other long-term investments		227,602	227,602
Provision for long-term investments		(55,612)	(36,948)
Fixed assets		1,953,312	1,963,096
<i>Tangible fixed assets</i>		<i>1,387,530</i>	<i>1,385,572</i>
Cost		2,269,955	2,211,225
Accumulated depreciation		(882,425)	(825,653)
<i>Intangible fixed assets</i>		<i>565,782</i>	<i>577,524</i>
Cost		978,902	959,289
Accumulated amortization		(413,120)	(381,765)
Other assets		18,659,079	17,357,782
Receivables	12.1	11,361,078	10,482,282
Interest and fees receivable	12.2	4,506,813	4,427,765
Other assets	12.3	2,833,171	2,473,219
Provision for other assets	12.4	(41,983)	(25,484)
TOTAL ASSETS		322,080,321	323,291,119

INTERIM CONSOLIDATED BALANCE SHEET (continued)
as at 31 March 2019

	<i>Notes</i>	<i>31 March 2019 VND million</i>	<i>31 December 2018 VND million</i>
LIABILITIES			
Amounts due to the Government and the State Bank of Vietnam	13	21,861	3,781,343
Deposits and borrowings from financial institutions and other credit institutions		39,855,247	54,231,451
Deposits from other credit institutions	14.1	6,980,184	21,145,194
Borrowings from financial institutions and other credit institutions	14.2	32,875,083	33,086,257
Customer deposits	16	188,117,243	170,850,871
Derivatives and other financial liabilities	7	-	18,671
Other borrowed and entrusted funds	16	325,177	329,649
Valuable papers issued	17	46,862,196	48,658,036
Other liabilities		10,718,465	10,671,129
Interest and fees payable	18.1	5,609,346	5,262,931
Other liabilities	18.2	5,109,119	5,408,198
TOTAL LIABILITIES		285,898,979	288,541,050
OWNERS' EQUITY			
Charter capital		25,299,680	25,299,680
Share premium		1,289,001	1,289,001
Treasury shares		(2,491,721)	(2,491,721)
Reserves		7,200,080	5,465,879
Foreign exchange differences		7,952	-
Retained earnings		4,875,350	5,187,230
TOTAL OWNERS' EQUITY	20	36,180,342	34,750,069
TOTAL LIABILITIES AND OWNERS' EQUITY		322,080,321	323,291,119

INTERIM CONSOLIDATED BALANCE SHEET (continued)
as at 31 March 2019

OFF-BALANCE SHEET ITEMS

	31 March 2019 VND million	31 December 2018 VND million
Credit guarantees	626	20,626
Foreign exchange commitments	57,671,487	66,626,741
- Spot foreign exchange commitments - buy	1,916,664	1,583,073
- Spot foreign exchange commitments - sell	1,916,931	1,582,743
- Swap contracts	53,837,892	63,460,925
Irrevocable loan commitments	-	1,860
Letters of credit	15,917,544	14,799,169
Other guarantees	15,276,947	13,860,017
Other commitments	126,924,525	111,197,304
	215,791,129	206,505,717

Prepared by: Ms. Nguyen Thi Thu Hang
Chief Accountant

Reviewed by:

Ms. Luu Thi Thao
Standing Deputy Chief
Executive Officer
cum Chief Financial Officer

Approved by:

Mr. Nguyen Duc Vinh
Chief Executive Officer

Hanoi, Vietnam

19 April 2019

INTERIM CONSOLIDATED INCOME STATEMENT
for the three-month period ended 31 March 2019

	Notes	For the three-month period ended 31 March 2019 VND million	For the three-month period ended 31 March 2018 VND million
Interest and similar income	22	11,377,002	9,730,236
Interest and similar expenses	23	(4,352,087)	(3,712,379)
Net interest and similar income		7,024,915	6,017,857
Fee and commission income		1,130,352	869,636
Fee and commission expenses		(609,380)	(567,110)
Net fee and commission income		520,972	302,526
Net loss from trading of foreign currencies		(37,362)	(19,510)
Net gain from securities held for trading	24	2,526	29,891
Net gain from investment securities	25	169,058	177,621
Other operating income		454,469	1,253,544
Other operating expenses		(171,788)	(129,664)
Net gain from other operating activities	26	282,683	1,123,880
TOTAL OPERATING INCOME		7,962,792	7,632,265
TOTAL OPERATING EXPENSES	27	(2,975,846)	(2,360,937)
Net profit before provision for credit losses		4,986,946	5,271,328
Provision expenses for credit losses	28	(3,204,410)	(2,652,317)
PROFIT BEFORE TAX		1,782,536	2,619,011
Current corporate income tax expense		(360,215)	(523,896)
Corporate income tax expense		(360,215)	(523,896)
PROFIT AFTER TAX		1,422,321	2,095,115
Basic earnings per share (VND)	21	579	865

Prepared by:

Reviewed by:

Approved by:



Ms. Nguyen Thi Thu Hang
Chief Accountant



Ms. Lưu Thị Thao
Standing Deputy Chief
Executive Officer
cum Chief Financial Officer



Mr. Nguyen Duc Vinh
Chief Executive Officer

Hanoi, Vietnam


19 April 2019

INTERIM CONSOLIDATED CASH FLOW STATEMENT
for the three-month period ended 31 March 2019

	<i>Notes</i>	<i>For the three-month period ended 31 March 2019 VND million</i>	<i>For the three-month period ended 31 March 2018 VND million</i>
CASH FLOWS FROM OPERATING ACTIVITIES			
Interest and similar receipts		11,385,970	9,613,440
Interest and similar payments		(4,081,207)	(3,284,574)
Net fee and commission receipts		508,234	292,007
Net receipts from dealing in foreign currencies, gold and securities trading activities		94,364	177,511
Other income		57,289	833,942
Recoveries from bad debts previously written-off		225,394	289,922
Payments for employees and other operating activities		(3,073,829)	(2,692,100)
Corporate income tax paid in the period	19	(688,273)	(655,652)
Net cash flows from operating profit before changes in operating assets and liabilities		4,427,942	4,574,496
<i>Changes in operating assets</i>			
Placements with and credit granting to other credit institutions		(134,771)	(439,996)
Investment securities		(3,509,892)	764,886
Derivatives and other financial assets		(22,884)	-
Loans to customers and debts purchased		(8,513,435)	(6,894,896)
Provision to write off loans to customers, securities and long-term investments		(3,220,693)	(2,112,590)
Changes in other operating assets		(1,293,594)	815,146
<i>Changes in operating liabilities:</i>			
Amounts due to the Government and the SBV		(3,759,692)	1,999,701
Deposits and borrowings from financial institutions and other credit institutions		(14,376,204)	(8,600,951)
Customer deposits		17,286,372	9,579,471
Valuable papers issued (except for valuable papers issued for financing activities)		(1,795,840)	701,770
Other borrowed and entrusted funds		(4,472)	(2,072)
Derivatives and other financial liabilities		(18,570)	(14,858)
Changes in other operating liabilities		250,373	754,506
Net cash flows (used in)/from operating activities		(14,705,480)	1,124,611
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of fixed assets		(15,936)	(26,277)
Proceeds from disposal of fixed assets		-	16
Net cash flows used in investing activities		(15,936)	(26,261)

INTERIM CONSOLIDATED CASH FLOW STATEMENT (continued)
For the three-month period ended 31 March 2018

	Notes	For the three-month period ended 31 March 2019 VND million	For the three-month period ended 31 March 2018 VND million
Net cash flows in the period		(14,721,396)	1,098,350
Cash and cash equivalents at the beginning of the period		28,021,672	24,253,799
Cash and cash equivalents at the end of the period	29	13,300,276	25,352,149

Prepared by: 

Reviewed by:

Approved by:



Ms. Nguyen Thi Thu Hang
Chief Accountant



Ms. Luu Thi Thao
Standing Deputy Chief
Executive Officer
cum Chief Financial Officer



Mr. Nguyen Duc Vinh
Chief Executive Officer

Hanoi, Vietnam

19 April 2019

SELECTIVE NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS
as at 31 March 2019 and for the three-month period then ended

1. GENERAL INFORMATION

Vietnam Prosperity Joint Stock Commercial Bank (the "Bank" or "VPBank") is a joint stock commercial bank incorporated and registered in the Socialist Republic of Vietnam

The Bank was established pursuant to Banking License No. 0042/NH-GP dated 12 August 1993 issued by the State Bank of Vietnam (the "SBV") and Business Registration Certificate No. 0100233583 dated 8 September 1993 issued by Hanoi Department of Planning and Investment which was amended for the 41st time on 27 November 2018. The Bank started operation on 12 August 1993 with an operation period of 99 years.

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Charter capital

As at 31 March 2019, the charter capital of the Bank is VND25,299,680 million (31 December 2018: VND25,299,680 million).

Operational network

The Bank's Head Office is located at No. 89 Lang Ha, Lang Ha Ward, Dong Da District, Hanoi, Vietnam. As at 31 March 2019, the Bank has one (1) Head Office, fifty-nine (59) branches, one hundred and sixty-five (165) transaction offices nationwide and two (2) subsidiaries.

Subsidiaries

As at 31 March 2019, the Bank has two (2) directly owned subsidiaries as follow:

<i>Subsidiaries</i>	<i>Operating license</i>	<i>Nature of business</i>	<i>Share capital</i>	<i>Ownership</i>
VPBank Asset Management Company Limited ("VPB AMC")	Business Registration Certificate No. 0105837483 issued by Hanoi Department of Planning and Investment which was last amended on 28 December 2016	Asset and liabilities management	VND115 billion	100%
VPBank Finance Company Limited ("VPB FC")	Business Registration Certificate No. 0102180545 issued by Ho Chi Minh City Department of Planning and Investment which was last amended on 17 October 2018	Other finance activities	VND7,328 billion	100%

Employees

As at 31 March 2019, total number of permanent employees of the Bank and its subsidiaries is 27,490 persons (31 December 2018: 27,429 persons).

SELECTIVE NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 31 March 2019 and for the three-month period then ended

2. ACCOUNTING PERIOD AND ACCOUNTING CURRENCY

2.1 Fiscal year

The Bank's fiscal year starts on 1 January and ends on 31 December.

The Bank's interim consolidated three-month period starts on 1 January and ends on 31 March.

2.2 Accounting currency

Currency used in preparing interim consolidated financial statements of the Bank is Vietnam dong ("VND") and rounded to the nearest million VND ("VND million").

3. APPLIED ACCOUNTING STANDARDS AND SYSTEM

3.1 Statement of compliance

The Board of Management of the Bank confirms that the accompanying interim consolidated financial statements have been prepared in accordance with Vietnamese Accounting Standards, Vietnamese Accounting System for Credit Institutions and other relevant statutory requirements related to the preparation and presentation of interim consolidated financial statements.

3.2 Accounting standards and system

The interim consolidated financial statements of the Bank are prepared in accordance with the Accounting System applicable to Credit Institutions required under Decision No. 479/2004/QĐ-NHNN issued on 29 April 2004, Circular No. 10/2014/TT-NHNN dated 20 March 2014 and Circular No. 22/2017/TT-NHNN dated 29 December 2017 amending and supplementing Decision No. 479/2004/QĐ-NHNN; the financial reporting regime applicable to credit institutions required under Decision No. 16/2007/QĐ-NHNN dated 18 April 2007 and Circular No. 49/2014/TT-NHNN amending and supplementing a number of articles of Decision No. 16/2007/QĐ-NHNN and the chart of account system for Credit Institutions issued in connection with Decision No. 479/2004/QĐ-NHNN by the State Bank of Vietnam and Vietnamese Accounting Standards issued by the Ministry of Finance as per:

- ▶ Decision No. 149/2001/QĐ-BTC dated 31 December 2001 on the Issuance and Promulgation of Four Vietnamese Accounting Standards (Series No. 1);
- ▶ Decision No. 165/2002/QĐ-BTC dated 31 December 2002 on the Issuance and Promulgation of Six Vietnamese Accounting Standards (Series No. 2);
- ▶ Decision No. 234/2003/QĐ-BTC dated 30 December 2003 on the Issuance and Promulgation of Six Vietnamese Accounting Standards (Series No. 3);
- ▶ Decision No. 12/2005/QĐ-BTC dated 15 February 2005 on the Issuance and Promulgation of Six Vietnamese Accounting Standards (Series No. 4); and
- ▶ Decision No. 100/2005/QĐ-BTC dated 28 December 2005 on the Issuance and Promulgation of Four Vietnamese Accounting Standards (Series No. 5).

The Bank has options to present the interim consolidated financial statements in the same complete format as the annual consolidated financial statements under Vietnamese Accounting Standard No. 21 – *Presentation of Financial Statements* or present the interim consolidated financial statements with selective notes to financial statements under Vietnamese Accounting Standard No. 27 – *Interim Financial Statements* ("VAS 27") for an accounting period which is quarterly or monthly.

For the three-month accounting period ended 31 March 2019, the Bank has selected to prepare the interim consolidated financial statements with selective notes to financial statements in accordance with VAS 27.

SELECTIVE NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 31 March 2019 and for the three-month period then ended**3. APPLIED ACCOUNTING STANDARDS AND SYSTEM (continued)****3.2 *Accounting standards and system* (continued)**

The accompanying interim consolidated financial statements have been prepared using accounting principles, procedures and reporting practices generally accepted in Vietnam. Accordingly, the accompanying interim consolidated balance sheet, the interim consolidated income statement, the interim consolidated cash flow statement and the notes to the interim consolidated financial statements and their utilization are not designed for those who are not informed about Vietnam's accounting principles, procedures and reporting practices and furthermore are not intended to present the interim consolidated financial position, results of interim consolidated operations and interim consolidated cash flows of the Bank and its subsidiaries in accordance with accounting principles and practices generally accepted in countries other than Vietnam.

Items or balances required by Decision No. 16/2007/QĐ-NHNN dated 18 April 2007 and Circular No. 49/2014/TT-NHNN dated 31 December 2014 issued by the SBV stipulating the interim consolidated financial statements reporting mechanism for credit institutions that are not shown in these interim consolidated financial statements indicate nil balance.

3.3 *Assumptions and uses of estimates*

The presentation of the interim consolidated financial statements requires the Board of Management of the Bank to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent liabilities. These estimates and assumptions also affect the income, expenses and the resultant provision. The actual results may differ from such estimates and assumptions.

3.4 *Basis of interim consolidation*

The interim consolidated financial statements comprise the financial statements of the Bank and its subsidiaries for the three-month period ended 31 March 2019.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Bank obtains control.

The financial statements of the subsidiaries are prepared for the same reporting period as the Parent Bank, using consistent accounting policies.

All intra-group balances, income and expenses and unrealized gains or losses resulting from intra-group transactions are eliminated in full.

SELECTIVE NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 31 March 2019 and for the three-month period then ended

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

4.1 *Changes in accounting policies and disclosures*

The accounting policies adopted by the Bank in preparation of the interim consolidated financial statements are consistent with those followed in the preparation of the Bank's consolidated financial statements for the year ended 31 December 2018 and interim consolidated financial statements for the three-month period ended 31 March 2018, except for the following change in the accounting policies.

Circular No. 22/2017/TT-NHNN amending and supplementing a number of articles of the Chart of account system applicable to credit institutions issued in connection with Decision No. 479/2004/QĐ-NHNN dated 29 April 2004 and the financial reporting regime applicable to credit institutions required under Decision No. 16/2007/QĐ-NHNN dated 18 April 2007 by the Governor of the SBV ("Circular 22")

On 29 December 2017, the SBV issued Circular No. 22/2017/TT-NHNN amending and supplementing a number of articles of the Chart of account system applicable to credit institutions issued in connection with Decision No. 479/2004/QĐ-NHNN dated 29 April 2004 and the financial reporting regime applicable to credit institutions required under Decision No. 16/2007/QĐ-NHNN dated 18 April 2007 by the Governor of the SBV ("Circular 22"). The circular has taken effect since 1 April 2018.

The main changes in Circular 22 are as follows:

- ▶ Amending and supplementing the guidance on the accounting treatment for foreign exchange and gold transactions;
- ▶ Amending a number of accounts in the Chart of account system applicable to credit institutions;
- ▶ Amending the guidance on the accounting treatment for some accounts in the Chart of account system applicable to credit institutions; and
- ▶ Amending and supplementing the guidance on the Financial reporting regime applicable to credit institutions.

The Bank has assessed the effect of Circular 22 on the comparative figures in the interim consolidated financial statements. Accordingly, the effect due to the changes in exchange rate policies are immaterial. As a result, the Bank is not required to restate the comparative figures due to the changes in exchange rate policies.

SELECTIVE NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 31 March 2019 and for the three-month period then ended

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.2 Cash and cash equivalents

Cash and cash equivalents comprise balance with the SBV, demand deposits and placements with other credit institutions with an original maturity of three months or less from the transaction date, securities with recovery or maturity of three months or less from date of purchase which are convertible into a known amount of cash and do not bear liquidity risk as at the reporting date.

4.3 Placements with and credit granting to other credit institutions

Placements with and credit granting to other credit institutions are presented at the principal amounts outstanding at the end of the period.

The credit risk classification of placements with and credit granting to other credit institutions and provision for credit risks thereof are provided in accordance with Circular No. 02/2013/TT-NHNN dated 21 January 2013 of the SBV on classification of assets, levels and method of making risk provision, and use of provision against credit risks in operation of credit institutions, foreign bank's branches ("Circular 02") and Circular No. 09/2014/TT-NHNN dated 18 March 2014 on amending and supplementing a number of article of Circular 02 ("Circular 09").

Accordingly, the Bank makes a specific provision for placements with (except for current accounts) and credit granting to other credit institutions according to the method as described in Note 4.5.

According to Circular 02, the Bank is not required to make a general provision for placements with and credit granting to other credit institutions.

4.4 Loans to customers

Loans to customers are presented at the principal amounts outstanding as at the end of the period.

Short-term loans have maturity of less than or equal to one year from disbursement date. Medium-term loans have maturity from over one year to five years from disbursement date. Long-term loans have maturity of more than five years from disbursement date.

Loan classification and provision for credit losses are made according to Circular 02 and Circular 09 as presented in Note 4.5.

SELECTIVE NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 31 March 2019 and for the three-month period then ended

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.5 *Loan classification and provision for credit losses applied to placements with and credit granting to other credit institutions, unlisted corporate bonds purchased and trusted for purchase by the Bank, loans to customers, entrusted for credit granting by the Bank and other credit risk bearing assets*

The classification of placements with and credit granting to other credit institutions, direct and entrusted investments in unlisted corporate bonds, loans to customers and entrustments for credit granting (collectively called "debts") is made in compliance with the quantitative method as prescribed in Article 10 of Circular 02.

The specific provision for debts as at 31 March is made based on the principal balance less discounted value of collateral, then multiplied by provision rates which are determined based on the debt classifications as at 28 February. The specific provision rates for each group are presented as follows:

Group	Description	Provision rate
1 Current	(a) Current debts are assessed as fully and timely recoverable for both principals and interests; or (b) Debts are overdue for a period of less than 10 days and assessed as fully recoverable for both overdue principals and interests, and fully and timely recoverable for both remaining principals and interests.	0%
2 Special Mention	(a) Debts are overdue for a period of between 10 days and 90 days; or (b) Debts which the repayment terms are restructured for the first time	5%
3 Sub standard	(a) Debts are overdue for a period of between 91 days and 180 days; or (b) Debts which the repayment terms are extended for the first time; or (c) Debts which interests are exempted or reduced because customers do not have sufficient capability to repay all interests under credit contracts; or (d) Debts under one of the following cases which have not been recovered in less than 30 days from the date of the recovery decision: <ul style="list-style-type: none"> ▪ Debts made in compliance with Clause 1, 3, 4, 5, 6 under Article 126 of Law on Credit Institutions; or ▪ Debts made in compliance with Clause 1, 2, 3, 4 under Article 127 of Law on Credit Institutions; or ▪ Debts made in compliance with Clauses 1, 2 and 5 under Article 128 of Law on Credit Institutions. (e) Debts are required to be recovered according to regulatory inspection conclusions.	20%
4 Doubtful	(a) Debts are overdue for a period of between 181 days and 360 days; or (b) Debts which the repayment terms are restructured for the first time but still overdue for a period of less than 90 days under that restructured repayment term; or (c) Debts which the repayment terms are restructured for the second time; or (d) Debts are specified in point (d) of Loan group 3 and overdue for a period of between 30 days and 80 days after decisions of recovery have been issued; or (e) Debts are required to be recovered according to regulatory inspection conclusions but still outstanding with an overdue period up to 80 days since the recovery date as required by regulatory inspection conclusions.	50%

SELECTIVE NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 31 March 2019 and for the three-month period then ended

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.5 *Loan classification and provision for credit losses applied to placements with and credit granting to other credit institutions, unlisted corporate bonds purchased and trusted for purchase by the Bank, loans to customers, entrusted for credit granting by the Bank and other credit risk bearing assets (continued)*

Group	Description	Provision rate
5 Loss	(a) Debts are overdue for a period of more than 360 days; or (b) Debts which the repayment terms are restructured for the first time but still overdue for a period of 90 days or more under that first restructured repayment term; or (c) Debts which the repayment terms are restructured for the second time but still overdue under that second restructured repayment term; or (d) Debts which the repayment terms are restructured for the third time or more, regardless of being overdue or not; or (e) Debts are specified in point (d) of Loan group 3 and overdue for a period of more than 60 days after decisions on recovery have been issued; or (f) Debts are required to be recovered under regulatory inspection conclusions but still outstanding with an overdue period of more than 60 days since the recovery date as required by regulatory inspection conclusions; or (g) Debts of credit institutions under special control as announced by the SBV, or debts of foreign bank branches which capital and assets are blocked.	100%

If a customer has more than one debt with the Bank and any of the outstanding debts is classified into a higher risk group, the entire remaining debts of such customer should be classified into the corresponding higher risk group.

When the Bank participates in a syndicated loan as a participant, it should classify loans (including syndicated loans) of the customer into the group of higher risk between the assessment of the leading bank and the Bank.

For loans to customers in agricultural and rural sector, the Bank is allowed to restructure these loans and keep their debt groups as before restructuring for only one time in accordance with Circular No. 10/2015/TT-NHNN dated 22 July 2015 providing guidance on certain contents of Decree No. 55/2015/ND-CP dated 9 June 2015 by the Government on credit policies for agriculture and rural development.

The basis for determination of value and discounted value for each type of collateral is specified in Circular 02 and Circular 09.

General provision as at 31 March is made at 0.75% of total outstanding debt balances excluding placements with and credit granting to other credit institutions and debts classified as loss (group 5) as at 28 February.

SELECTIVE NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 31 March 2019 and for the three-month period then ended

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.6 Securities held for trading

4.6.1 Classification and recognition

Securities held for trading include debt securities acquired and held for resale. Securities held for trading are initially recognized at cost.

4.6.2 Measurement

Listed debt securities held for trading are recognized at cost less provision for diminution in value of securities, which is based on the yield quoted on the Hanoi Securities Exchange as at the balance sheet date.

Provision for credit losses on corporate bonds which are not listed on the stock market or not registered on the unlisted public companies market is made in accordance with Circular 02 and Circular 09 as described in Note 4.5.

Provision for securities held for trading which is mentioned above is reversed when the recoverable amount of securities held for trading increases after making provision as a result of an objective event. Provision is reversed up to the gross value of these securities before provision.

Interest derived from holding securities held for trading are recognized on a cash basis in the Interim consolidated Income statement.

4.6.3 De-recognition

Trading securities are derecognized when the rights to receive cash flows from these securities have been terminated or the Bank has transferred substantially all the risks and rewards of ownership of these securities.

4.7 Available-for-sale securities

Available-for-sale securities include debt and equity securities acquired by the Bank for the investment and available-for-sale purposes, not regularly traded but can be sold when there is a benefit. For equity securities, the Bank is neither the founding shareholder nor the strategic partner, nor has the ability to make certain influence in planning and making decision in the financial and operating policies of the investees under a written agreement to appoint personnel to the Board of Directors/Management.

Available-for-sale equity securities are initially recognized at cost at the purchase date and continuously presented at cost in subsequent periods.

Available-for-sale debt securities are recognized at par value at the purchase date. Accrued interest incurred before purchase (for debt securities with interest payment in arrears) and deferred interest (for debt securities with interest payment in advance) are recognized in a separate account. Discount/premium, which is the difference between the cost and the amount being the par value plus (+) accrued interest incurred before purchase (if any) or minus (-) deferred interest (if any), is also recognized in a separate account.

SELECTIVE NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 31 March 2019 and for the three-month period then ended**4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****4.7 Available-for-sale securities (continued)**

In subsequent periods, these securities are continuously recorded at par value, and the discount/premium (if any) is amortized to the interim consolidated income statement on a straight-line basis over the remaining term of securities. Interest received in arrears is recorded as follows: Cumulative interest incurred before the purchasing date is recorded as a decrease in the accrued interest; cumulative interest incurred after the purchasing date is recognized as income based on the accumulated method. Interest received in advance is amortized into the interest income from investment securities on a straight-line basis over the term of securities investment.

Available-for-sale securities are subject to diminution review on a periodical basis.

Provision for diminution in value of securities is made when the carrying value is higher than the market value in compliance with Circular No. 228/2009/TT-BTC issued by the Ministry of Finance on 7 December 2009. In case market prices of securities are not available or cannot be determined reliably, no provision is made. Diminution provision is recognized in "Net gain from investment securities" in the interim consolidated income statement.

Provision for credit losses on corporate bonds which are not listed on the stock market or not registered on the unlisted public companies market is made in accordance with Circular 02 and Circular 09 as described in Note 4.5.

4.8 Held-to-maturity investment securities

Held-to-maturity investment securities include special bonds issued by Vietnam Asset Management Company ("VAMC") and other investment securities held to maturity.

Special bonds issued by VAMC

Special bonds issued by VAMC are fixed-term valuable papers used to purchase bad debts of the Bank. These special bonds are initially recognized at face value at the date of transaction and subsequently carried at face value during the holding period. Face value of the bonds equals to the outstanding balance of the debts sold less their unused specific provision.

During the holding period, the Bank annually calculates and makes provision in accordance with Circular No. 14/2015/TT-NHNN dated 28 August 2015 amending and supplementing some articles of Circular No. 19/2013/TT-NHNN on the purchase, sale and resolution of bad debts of VAMC.

As required by Circular No. 14/2015/TT-NHNN, each year within five consecutive working days prior to the maturity date of special bonds, the Bank is obliged to fully make minimum specific provision for each special bond using the below formula:

$$X_{(m)} = \frac{Y}{n} \times m \times (Z_m + X_{m-1})$$

SELECTIVE NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 31 March 2019 and for the three-month period then ended

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.8 Held-to-maturity investment securities (continued)

In which:

- $X_{(m)}$: minimum provision for special bonds in the m^{th} year;
- X_{m-1} : accumulated specific provision for special bonds in the $m-1^{\text{th}}$ year;
- Y : face value of special bonds;
- n : term of special bonds (years);
- m : number of years from the bond issuance date to the provision date;
- Z_m : accumulated bad debt recoveries at the provision date (m^{th} year).

If $(Z_m + X_{m-1}) \geq (Y/n \times m)$, the specific provision ($X_{(m)}$) will be zero (0).

Specific provision for special bonds is recognized in the interim consolidated income statement in "Provision expense for credit losses". General provision is not required for the special bonds.

On settlement date of special bonds, recovery from the debts is recognized into "Other operating income".

Other held-to-maturity securities

Other held-to-maturity securities are debt securities purchased by the Bank and its subsidiaries for the investment purpose of earning dividend and the Bank has the intention and capability to hold these investments until maturity. Other held-to-maturity securities have determinable value and maturity date. In case the securities are sold before the maturity date, the remaining of that portfolio will be reclassified to securities held for trading or available-for-sale securities.

Held-to-maturity securities are recorded and measured identical to debt securities available-for-sale and presented at Note 4.7.

4.9 Re-purchase and reverse re-purchase contracts

Securities sold under agreements to repurchase at a specific date in the future (repos) are still recognized in the interim consolidated financial statements. The corresponding cash received from these agreements is recognized in the interim consolidated balance sheet as a borrowing and the difference between the sale price and repurchase price is amortized in the interim consolidated income statement over the term of the agreement using the straight-line method based on the interest rate stipulated in the contract.

Conversely, securities purchased under agreements to resell at a specific date in the future are not recognized in the interim consolidated financial statements. The corresponding cash paid under these agreements is recognized as a loan in the interim consolidated balance sheet and the difference between the purchase price and resale price is amortized in the interim consolidated income statement over the term of the agreement based on the interest rate stipulated in the contract.

SELECTIVE NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 31 March 2019 and for the three-month period then ended

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.10 Other long-term investments

Other long-term investments represent investments in other entities in which the Bank holds less than or equal to 11% of voting rights. These investments are initially recorded at cost at the investment date.

For listed securities or unlisted but registered for trading securities on unlisted public company market (UPCoM), provision for diminution in value is made when their listed/registered price for trading is lower than the carrying value of the securities at the end of accounting period.

In other cases, provision for diminution in the value of other long-term investment is made when the investee suffers loss, except that such loss had been forecasted in the investee's business plan before the investment. Provision for diminution in the value of other long-term investment is made using the below formula:

$$\text{Provision for diminution in value of each investment} = \left(\text{Total invested amount of all parties in the entity} - \text{Owners' equity of the entity} \right) \times \frac{\text{Invested amount of each party}}{\text{Total invested amount of all parties in the entity}}$$

Provision is reversed when the recoverable amount of the investment increases after the provision is made. Provision is reversed up to the gross value of the investment before the provision is made.

4.11 Fixed assets

Fixed assets are stated at cost less accumulated depreciation or amortization.

The cost of a fixed asset comprises its purchase price plus any directly attributable costs of bringing the asset to working condition for its intended use.

Cost related to additions, improvements and renewals are capitalized while expenditures for maintenance and repairs are charged to the interim consolidated income statement.

When assets are sold or liquidated, their cost and accumulated depreciation are deducted from the interim consolidated balance sheet item and any gains or losses resulting from their disposal are recorded to the interim consolidated income statement.

4.12 Depreciation and amortization

Depreciation of tangible fixed assets and amortization of intangible fixed assets are on a straight-line basis over the estimated useful life of these assets as follows:

Buildings and architectonic models	5 – 40 years
Motor vehicles	6 years
Machines and equipment	2 – 7 years
Computer software	2 – 14 years
Other fixed assets	3 – 5 years

4.13 Operating lease

Rentals under operating lease are charged in the "Total operating expenses" of the interim consolidated income statement on a straight-line basis over the term of the lease.

SELECTIVE NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 31 March 2019 and for the three-month period then ended

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.14 Receivables

4.14.1 Receivables classified as credit-risk bearing assets

Receivables classified as credit-risk assets are recognized at cost. Doubtful receivables are classified and provided for provision by the Bank and its subsidiaries in accordance with the regulations on recognition and use of provision to resolve the credit risk as presented in *Note 4.5*.

4.14.2 Other receivables

Receivables other than receivables classified as credit-risk bearing assets are recognized at cost.

Provision for receivables is determined based on the overdue status of debts or expected loss of current debts in case the debts are not due for payment yet but the corporate debtors have fallen into bankruptcy or are in the process of dissolution, or of individual debtors who are missing, escaped, prosecuted, on trial or deceased. Provision expense incurred is recorded in "Other operating expenses" of the interim consolidated income statement in the period

Provision for overdue debts is made in accordance with Circular No. 228/2009/TT-BTC as follows:

<u>Overdue status</u>	<u>Allowance rate</u>
From over six (6) months to under one (1) year	30%
From one (1) to under two (2) years	50%
From two (2) to under three (3) years	70%
From three (3) years and above	100%

4.15 Prepaid expenses

Prepaid expenses are reported as short-term and long-term prepaid expenses on the interim consolidated balance sheet and amortized over the period for which the amount is paid or the period in which economic benefit is generated in relation to these expenses.

4.16 Share capital

4.16.1 Ordinary shares

Ordinary shares are classified as owners' equity.

4.16.2 Share premium

On receipt of capital from shareholders, the difference between the issuance price and the par value of the shares is recorded as share premium in "Owners' equity".

4.16.3 Treasury shares

Own equity instruments which are reacquired (treasury shares) are recognized at cost and deducted from equity. No gain or loss is recognized in profit or loss upon purchase, sale, issue or cancellation of the Bank's own equity instruments.

SELECTIVE NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 31 March 2019 and for the three-month period then ended

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.16 Share capital (continued)

4.16.4 Statutory reserves

Reserves of the Bank

The Bank appropriates the following statutory reserves in compliance with Law on Credit Institutions No. 47/2010/QH12, Decree No. 93/2017/ND-CP and its Charter as follow:

	<i>Basic for calculation</i>	<i>Maximum balance</i>
Capital supplementary reserve	5% from profit after tax	100% of charter capital
Financial reserve	10% from profit after tax	Not regulated

Other funds are appropriated from profit after tax. Appropriation from profit after tax and utilization of other funds must be approved by the General Meeting of Shareholders. These funds are not regulated by law and are allowed to be fully distributed.

These reserves are created annually based on the separate operating results at year-end.

Reserves of VPBank Asset Management Company Limited

According to Circular No. 27/2002/TT-BTC issued by the Ministry of Finance dated 22 March 2002, VPB AMC is required to make appropriation of profit to reserves in a similar way to the Bank.

According to Circular No. 200/2014/TT-BTC, for the financial year starting on or after 1 January 2015, VPB AMC has stopped making provision for financial reserve.

Reserves of VPBank Finance Company Limited

According to Decree No. 93/2017/ND-CP dated 7 August 2017 issued by the Government of Vietnam which replaces Decree No. 57/2012/ND-CP dated 20 July 2012, VPB FC is required to make appropriation of profit to reserves in a similar way to the Bank.

4.17 Recognition of income and expenses

Interest income and expenses are recognized in the interim consolidated income statement on an accrual basis using the nominal interest rates. The accrued interest of debts which are classified in groups 2 to 5 is not recognized in the interim consolidated income statement in compliance with Circular 02. These accrued interest is reversed and monitored off-balance sheet and recognized in the interim consolidated income statement upon actual receipt.

Fees and commissions are recognized on an accrual basis.

4.18 Debts trading operation

The accounting treatment for debts purchased are in accordance with Circular No. 09/2015/TT-NHNN issued by the SBV prescribing the purchase and sale of debts by credit institutions and foreign bank branches.

SELECTIVE NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 31 March 2019 and for the three-month period then ended

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.18 Debts trading operation (continued)

Purchase debts

Debts purchased are initially recorded at purchase price and subsequently presented at cost less provision for credit losses. Price of debts purchased or sold is the settlement amount which the seller received under the debt purchase contract.

Debts purchased are initially classified in the risk group which is not lower than the risk group of the debts before the purchase. Subsequently, debts purchased are monitored, classified and provided for credit losses similar to normal loans to customers in accordance with Circular 02 and Circular 09.

Sale of debts

Income and expenses arising from purchase and sale of debts are recognized following Circular No. 09/2015/TT-NHNN providing guidance on the sale of debts of credit institutions and foreign bank branches.

According to Circular No. 09/2015/TT-NHNN, the difference between the prices of debts purchased or sold and their book value are recorded as follows.

- For debts recorded in the consolidated balance sheet:
 - If the sale price is higher than the book value of the debt, the difference shall be recorded as income of the Bank and its subsidiaries in the period.
 - If the sale price is lower than the book value of the debt, the difference shall be used to offset against the indemnity paid by an individual or guarantor (in case such individual or guarantor is determined to be responsible for the damage and obliged to make indemnity under prevailing regulations), or the compensation paid by the insurer, or use of outstanding provision recognized as expense previously. The remaining balance (if any) shall be recognized as an operating expense of the Bank and its subsidiaries in the period.
- For debts written-off and monitored off-balance sheet, the proceeds from sale of debts shall be recognized as other income of the Bank and its subsidiaries.

Book value of debts purchased sold is the book value of the principal, interest and related financial obligations (if any) of debts recorded in the balance sheet or off-balance sheet at the date of debts purchased or sold; or the book value at the date of writing-off of debts; or the book value of debts written-off previously at the date of debts purchased or sold.

The purchasing or selling price is the sum of consideration to be paid by a debt buyer to a debts seller under a debt purchase or sale contract.

4.19 Foreign currency transactions

All transactions are recorded in original currencies. At reporting date, monetary assets and liabilities denominated in foreign currencies are translated into VND using exchange rates ruling at the interim consolidated balance sheet date (Note 37). Income and expenses in foreign currencies are converted into VND at rates ruling at the transaction dates. Foreign exchange differences arising from the translation of monetary assets and liabilities are recognized and followed in the "Foreign exchange differences" under "Owners' equity" in the interim consolidated balance sheet and will be transferred to the interim consolidated income statement at the end of the financial year.

SELECTIVE NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 31 March 2019 and for the three-month period then ended

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.20 Payables and accruals

Payables and accruals are recognized for amounts to be paid in the future for goods and services received, whether or not billed to the Bank and its subsidiaries.

4.21 Deposits from other credit institutions, customer deposits and valuable papers issued

Deposits from other credit institutions, customer deposits and valuable papers issued are disclosed at the principal amounts outstanding at the date of the interim consolidated financial statements.

4.22 Corporate income taxes

Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or to be paid to the taxation authorities. The tax rates and tax laws are applied and enacted at the interim consolidated balance sheet date.

Current income tax is recognized to the interim consolidated income statement except when it relates to items recognized directly to equity, the current income tax is also directly recognized in equity.

Current income tax assets and liabilities are offset when there is a legally enforceable right for the Bank and its subsidiaries to offset current tax assets against current tax liabilities and when the Bank and its subsidiaries intend to settle its current tax assets and liabilities on a net basis.

The Bank's and its subsidiaries' tax reports are subject to examination by the tax authorities. Because the application of tax laws and regulations to many types of transactions that is susceptible to various interpretations, amounts reported in the interim consolidated financial statements could be changed at a later date upon final determination by the tax authorities.

Deferred tax

Deferred tax is provided on temporary differences at the interim consolidated balance sheet date between the tax base of assets and liabilities and their carrying amount for the financial reporting purposes.

Deferred tax payable is recognized for all temporary taxable differences.

Deferred corporate income tax assets are recognized for deductible temporary differences, deductible amounts carried over to subsequent periods of taxable losses, and unused tax credits when it is probable that there will be sufficient future taxable profit to use deductible temporary differences, taxable losses and unused tax credits. Deferred tax assets and deferred tax payable are determined on the basis of expected tax rates applied for the accounting period when the assets are recovered or liabilities are settled and on basis of effective and applicable tax rates and tax laws at the end of accounting period.

4.23 Fiduciary assets

Assets held in a fiduciary capacity, unless recognition criteria are met, are not recognized in the interim consolidated financial statements of the Bank and its subsidiaries, as they are not assets of the Bank and its subsidiaries.

SELECTIVE NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 31 March 2019 and for the three-month period then ended

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.24 Classification for off-balance sheet commitments

According to Circular 02, credit institutions classify guarantees, payment acceptances and irrevocable loan commitments with specific effective date (generally called "off-balance sheet commitments") in compliance with Article 10, Circular 02 for management and monitoring of credit quality. Off-balance sheet commitments are classified into groups such as *Current*, *Special Mention*, *Substandard*, *Doubtful* and *Loss* based on the overdue status and other qualitative factors.

4.25 Offsetting

Financial assets and financial liabilities are offset and the net amount is reported in the interim consolidated balance sheet if, and only if, there is a currently enforceable legal right to offset financial assets against financial liabilities or vice-versa, and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.

4.26 Derivatives

The Bank and its subsidiaries involves in currency forward contracts, swap contracts and option contracts to facilitate customers to transfer, modify or minimize foreign exchange risk or other market risks, and also for the business purpose of the Bank and its subsidiaries.

Currency forward contracts

The currency forward contracts are commitments to settle in cash in pre-determined currency on pre-determined future date based on pre-determined exchange rates. The currency forward contracts are recognized at nominal value at the transaction date and are revalued for the reporting purpose at the exchange rate at the reporting date. Gains or losses are recognized in the "Foreign exchange differences" under "Owners' equity" in the interim consolidated balance sheet and will be transferred to the consolidated income statement at the end of the financial year.

Swap contracts

The swap contracts are commitments to settle in cash on a pre-determined future date based on pre-determined exchange rates calculated on the notional principal amount or commitments to settle interest based on a floating rate or a fixed rate calculated on the notional amount and in a given period.

The currency swap contracts are revalued periodically. Gain or losses are recognized in the "Foreign exchange differences" under "Owners' equity" in the interim consolidated balance sheet and will be transferred to the consolidated income statement at the end of the financial year.

Differences in interest rate swaps are recognized in the interim consolidated income statement on an accrual basis.

Option contracts

Option contracts are commitments between the buyer and the seller (VPBank), in which, the buyer has a right but not an obligation to purchase or sell a fixed amount of foreign currency at a predetermined exchange rate within a predetermined period. In case the buyer chooses to execute their rights, the seller have the obligation to sell or buy a fixed amount of foreign currency at the predetermined exchange rate.

The price of option contracts (option contract fee), which the Bank has received, is allocated on a straight-line basis into "Net loss from trading of foreign currencies" during the outstanding period of the contract.

SELECTIVE NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 31 March 2019 and for the three-month period then ended**4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****4.27 Employee benefits****4.27.1 Post-employment benefits**

Post-employment benefits are paid to retired employees of the Bank by the Social Insurance Agency which belongs to the Ministry of Labour, Invalids and Social Affairs. The Bank is required to contribute to these post-employment benefits by paying social insurance premium to the Social Insurance Agency at the rate of 17.5% of an employee's gross monthly salary under regulations. Other than that, the Bank and its subsidiaries have no further obligation relating to post-employment benefits.

4.27.2 Voluntary resignation benefits

The Bank and its subsidiaries have the obligation, under Article 48 of the Vietnam Labour Code No. 10/2012/QH13 effective from 1 May 2013, to pay allowance arising from voluntary resignation of employees, equal to a half of monthly salary for each year of employment up to 31 December 2008 plus salary allowances (if any). From 1 January 2009, the average monthly salary used in this calculation is the average monthly salary of the latest six-month period up to the resignation date.

4.27.3 Unemployment insurance

According to Circular No. 28/2015/TT-BLĐTBXH on guidelines for Article 52 of the Law on Employment and Decree No. 28/2015/ND-CP dated 12 March 2015 of the Government on guidelines for the Law on Employment in term of unemployment insurance, the Bank and its subsidiaries are required to contribute to the unemployment insurance at the rate of 1% of salary and wage fund of unemployment insurance joiners and deduct 1% of monthly salary and wage of each employee to contribute to the unemployment insurance.

4.28 Business combinations and goodwill

Business combinations are accounted for using the purchase method. The cost of a business combination is measured as the fair value of assets given, liabilities incurred or assumed and equity instruments issued in exchange of voting rights at the acquisition date plus any costs directly attributable to the business combination. Identifiable assets and liabilities and contingent liabilities assumed in a business combination are measured initially at fair values at the date of business combination.

Goodwill acquired in a business combination is initially measured at cost being the excess of the cost the business combination over the Bank's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities. If the cost of a business combination is less than the fair value of the net assets of the subsidiary acquired, the difference is recognized directly in the interim consolidated income statement. After initial recognition, goodwill is measured at cost less any accumulated amortization. Goodwill is amortized over three (3) years on a straight-line basis.

SELECTIVE NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 31 March 2019 and for the three-month period then ended

5. PLACEMENTS WITH AND CREDIT GRANTING TO OTHER CREDIT INSTITUTIONS

5.1 Placements with other credit institutions

	<u>31 March 2019</u> <u>VND million</u>	<u>31 December 2018</u> <u>VND million</u>
Demand deposits	2,363,278	12,088,878
- In VND	755,102	9,834,829
- In foreign currencies	1,608,176	2,133,849
Term deposits	4,906,000	3,268,950
- In VND	3,746,000	2,363,370
- In foreign currencies	1,160,000	905,580
	7,269,278	15,337,828

5.2 Credit granting to other credit institutions

	<u>31 March 2019</u> <u>VND million</u>	<u>31 December 2018</u> <u>VND million</u>
In VND	904,634	769,463
In foreign currencies	464,000	464,400
	1,368,634	1,233,863

Interest rates of placements with and credit granting to other credit institutions as at the reporting date are as follows:

	<u>31 March 2019</u> <u>% per annum</u>	<u>31 December 2018</u> <u>% per annum</u>
Term deposits in VND	4.40 - 6.60	3.90 - 6.00
Term deposits in foreign currencies	2.50 - 3.20	2.60 - 3.20
Credit granting in VND	4.51 - 6.27	4.67 - 6.83
Credit granting in foreign currencies	3.00 - 3.30	3.00 - 3.30

Analysis of outstanding term deposits with and credit granting other credit institutions by quality as at the reporting date are as follows:

	<u>31 March 2019</u> <u>VND million</u>	<u>31 December 2018</u> <u>VND million</u>
Current	6,274,634	4,502,813
Special mention	-	-
Substandard	-	-
Doubtful	-	-
Loss	-	-
	6,274,634	4,502,813

SELECTIVE NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 31 March 2019 and for the three-month period then ended**6. SECURITIES HELD FOR TRADING****6.1 Debt securities**

	<i>31 March 2019 VND million</i>	<i>31 December 2018 VND million</i>
Government and municipal securities	3,742,779	4,240,742
Securities issued by other domestic credit institutions	515,907	-
	4,258,686	4,240,742
Provision for securities held for trading	(15,041)	(38,329)
Provision for diminution in value of securities held for trading	(15,041)	(38,329)
	4,243,645	4,202,413

Changes in provision for securities held for trading in the period are as follows:

	<i>For the three-month period ended 31 March 2019 VND million</i>	<i>For the three-month period ended 31 March 2018 VND million</i>
Opening balance	38,329	-
Provision reversed in the period (Note 24)	(23,288)	-
Closing balance	15,041	-

6.2 Securities held for trading by listing status

	<i>31 March 2019 VND million</i>	<i>31 December 2018 VND million</i>
Debt securities		
Listed	4,258,686	4,240,742

SELECTIVE NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 31 March 2019 and for the three-month period then ended

7. DERIVATIVES AND OTHER FINANCIAL ASSETS/(LIABILITIES)

	<i>Total contract nominal value (at contractual exchange rate) VND million</i>	<i>Total carrying value (at exchange rate as at reporting date)</i>		<i>Net value VND million</i>
		<i>Assets VND million</i>	<i>Liabilities VND million</i>	
As at 31 March 2019				
<i>Derivative financial instruments</i>	32,292,840	32,165,775	(32,187,098)	(21,323)
Currency forward contracts	6,445,425	6,444,039	(6,392,421)	51,618
Currency swap contracts	25,847,415	25,721,736	(25,794,677)	(72,941)
<i>Other derivative financial instruments</i>	6,059,038	3,907,288	(3,863,081)	44,207
	38,351,878	36,073,063	(36,050,179)	22,884
As at 31 December 2018				
<i>Derivative financial instruments</i>	37,477,476	37,284,817	(37,361,354)	(76,537)
Currency forward contracts	7,030,491	7,006,722	(6,895,804)	10,918
Currency swap contracts	30,446,985	30,278,095	(30,365,550)	(87,455)
<i>Other derivative financial instruments</i>	6,350,452	4,442,399	(4,384,433)	57,966
	43,827,928	41,727,216	(41,745,787)	(18,571)

8. LOANS TO CUSTOMERS

	<i>31 March 2019</i>		<i>31 December 2018</i>	
	<i>VND million</i>	<i>%</i>	<i>VND million</i>	<i>%</i>
Loans to domestic economic entities and individuals	218,871,648	94.56	210,805,697	94.97
Discounted bills and valuable papers	143,391	0.06	152,527	0.07
Payments on behalf of customers	1,361	0.00	1,361	0.00
Loans financed by borrowed and entrusted funds	454,749	0.20	488,959	0.22
Loans to foreign economic entities and individuals	156	0.00	220	0.00
Other credit granting to customers	11,986,853	5.18	10,513,212	4.74
	231,458,178	100	221,961,996	100

SELECTIVE NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 31 March 2019 and for the three-month period then ended**8. LOANS TO CUSTOMERS (continued)**

Interest rates of loans to customers at the end of the period are as follows:

	<i>31 March 2019</i> <i>% per annum</i>	<i>31 December 2018</i> <i>% per annum</i>
Range of interest rate of commercial loans in VND	3.19 - 15.10	3.00 - 13.50
Range of interest rate commercial loans in foreign currencies	3.60 - 5.60	3.30 - 5.50
Average interest rate of consumer loans in VND	43.62	43.83

8.1 Analysis of loan portfolio by quality

Analysis of loan portfolio by quality as at period end is as follows:

	<i>31 March 2019</i> <i>VND million</i>	<i>31 December 2018</i> <i>VND million</i>
Current	209,592,897	202,527,738
Special mention	13,489,295	11,667,993
Substandard	4,466,174	4,217,034
Doubtful	1,778,133	1,691,989
Loss	2,131,679	1,857,242
	231,458,178	221,961,996

8.2 Analysis of loan portfolio by original maturity

	<i>31 March 2019</i> <i>VND million</i>	<i>31 December 2018</i> <i>VND million</i>
Short term	79,280,482	73,407,839
Medium term	101,559,657	99,662,806
Long term	50,618,039	48,891,351
	231,458,178	221,961,996

9. PROVISION FOR CREDIT LOSSES OF LOANS TO CUSTOMERS

Provision for credit losses of loans to customers at period end is as follows:

	<i>31 March 2019</i> <i>VND million</i>	<i>31 December 2018</i> <i>VND million</i>
General provision	1,881,408	1,525,190
Specific provision	2,364,451	2,041,583
	4,045,859	3,566,773

SELECTIVE NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 31 March 2019 and for the three-month period then ended

9. PROVISION FOR CREDIT LOSSES OF LOANS TO CUSTOMERS (continued)

Changes in provision for credit losses in the three-month period ended 31 March 2019 are as follows:

	<i>General provision VND million</i>	<i>Specific provision VND million</i>	<i>Total VND million</i>
Opening balance	1,525,190	2,041,583	3,566,773
Provision charged in the period (Note 26)	156,218	2,786,437	2,942,655
Change in provision of re-purchased loans from VAMC	-	221,816	221,816
Provision used to write-off bad debts	-	(2,885,387)	(2,685,387)
Closing balance	1,681,408	2,364,451	4,045,859

Changes in provision for credit losses in the three-month ended 31 March 2018 are as follows:

	<i>General provision VND million</i>	<i>Specific provision VND million</i>	<i>Total VND million</i>
Opening balance	1,290,895	1,856,709	3,147,404
Provision charged in the period (Note 26)	106,494	2,346,047	2,452,541
Provision used to write-off bad debts	-	(2,112,592)	(2,112,592)
Closing balance	1,397,189	2,090,164	3,487,353

10. INVESTMENT SECURITIES

10.1 Available-for-sale securities

	<i>31 March 2019 VND million</i>	<i>31 December 2018 VND million</i>
Debt securities	52,944,896	49,401,800
Government and municipal securities	24,627,532	23,476,465
Debt securities issued by other domestic credit institutions	13,392,258	17,097,423
<i>In which: Bonds guaranteed by the Government</i>	<i>3,609,640</i>	<i>6,533,088</i>
Debt securities issued by domestic economic entities	14,925,106	8,827,912
Equity securities	15,357	15,357
Equity securities issued by domestic economic entities	15,357	15,357
	52,960,253	49,417,157
Provision for available-for-sale securities	(248,492)	(265,319)
Diminution provision	(118,521)	(83,901)
General provision	(129,971)	(181,418)
	52,711,761	49,151,838

SELECTIVE NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 31 March 2019 and for the three-month period then ended

10. INVESTMENT SECURITIES (continued)

10.1 Available-for-sale securities (continued)

Government bonds have remaining terms at purchase date from 7 months to 15 years and bear interest at rates ranging from 2.90% per annum to 10.80% per annum (31 December 2018: terms of 3 years to 15 years, interest at rates ranging from 2.90% per annum to 10.80% per annum).

Debt securities issued by domestic credit institutions have remaining terms at purchase date from 4 months to 15 years and bear interest at rates ranging from 5.00% per annum to 12.00% per annum (31 December 2018: remaining terms at purchase date of 6 months to 10 years, interest at rates ranging from 5.00% per annum to 12.00% per annum).

Debt securities issued by other domestic economic entities have remaining terms at purchase date from 3 months to 11 years and bear interest at rates ranging from 9.05% per annum to 12.00% per annum (31 December 2018: remaining terms at purchase date from 6 months to 11 years, interest at rates ranging from 9.50% per annum to 11.25% per annum).

Face value of bonds pledged for capital mobilization contracts as at 31 March 2019 amounted to VND4,809,938 million (31 December 2018: VND13,277,938 million).

Face value of bonds sold under agreement to repurchase as at 31 March 2019 amounted to VND4,597,000 million (31 December 2018: VND7,550,000 million).

Analysis of available-for-sale securities by listing status at reporting date is as follows:

	31 March 2019 VND million	31 December 2018 VND million
Listed bonds	28,237,172	30,009,553
Unlisted bonds (Note 10.4)	21,488,563	15,392,019
Other unlisted debt securities	3,219,161	4,000,228
Listed equity securities	15,357	15,357
	52,960,253	49,417,157

10.2 Held-to-maturity securities

	31 March 2019 VND million	31 December 2018 VND million
Government bonds	352,752	403,800
Special bonds	2,400,203	3,161,133
	2,752,955	3,564,933
Provision for held-to-maturity securities	(516,534)	(790,355)
Provision for special bonds	(516,534)	(790,355)
	2,236,421	2,774,578

Government bonds as at 31 March 2019 have terms of 5 years and bear interest at rates ranging from 5.00% per annum to 6.00% per annum (31 December 2018: terms from 3 years to 5 years and bear interest at rates ranging from 5.70% per annum to 8.20% per annum).

Special bonds as at 31 March 2019 and 31 December 2018 are bonds issued by VAMC with term of 5 years and bear no interest.

SELECTIVE NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 31 March 2019 and for the three-month period then ended

10. INVESTMENT SECURITIES (continued)

10.2 Held-to-maturity securities (continued)

Analysis of held-to-maturity securities (excluding VAMC bonds) by listing status as at period end is as follows:

	31 March 2019 VND million	31 December 2018 VND million
Listed bonds	352,752	403,800

10.3 Provision for investment securities

Movement of provision for investment securities in the three-month period ended 31 March 2019 is as follows:

	Available-for-sale securities VND million	Held-to-maturity securities VND million	Total VND million
Opening balance	265,319	790,355	1,055,674
Provision (reversed)/charged in the period	(16,827)	261,485	244,658
<i>In which:</i>			
Special bonds (Note 28)	-	261,485	261,485
Other securities (Note 25)	(16,827)	-	(16,827)
Provision used to write-off bad debts	-	(535,306)	(535,306)
Closing balance	248,492	516,534	765,026

Movement of provision for investment securities in the three-month period ended 31 March 2018 is as follows:

	Available-for-sale securities VND million	Held-to-maturity securities VND million	Total VND million
Opening balance	181,117	816,749	977,866
Provision (reversed)/charged in the period	(10,446)	198,802	188,356
<i>In which:</i>			
Special bonds (Note 28)	-	198,802	198,802
Other securities (Note 25)	(10,446)	-	(10,446)
Closing balance	150,671	1,015,551	1,166,222

SELECTIVE NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 31 March 2019 and for the three-month period then ended**10. INVESTMENT SECURITIES (continued)****10.4 Analysis of investment securities by quality**

Analysis by quality of investment securities classified as credit risk bearing assets at the end of the period is as follows:

	<u>31 March 2019</u> <u>VND million</u>	<u>31 December 2018</u> <u>VND million</u>
Current	21,488,563	15,392,019
Special mention	-	-
Substandard	-	-
Doubtful	-	-
Loss	-	-
	<u>21,488,563</u>	<u>15,392,019</u>

11. LONG-TERM INVESTMENTS

	<u>31 March 2019</u>		<u>31 December 2018</u>	
	<u>Cost</u>		<u>Cost</u>	
	<u>VND million</u>	<u>% owned</u>	<u>VND million</u>	<u>% owned</u>
Investments in economic entities				
ITRACO Transportation Joint Stock Company (INTRACO JSC)	21	0.64	21	0.64
Dong Xuan Joint Stock Company (Dong Xuan JSC)	5,000	10.00	5,000	10.00
Banking Training and Consultancy JSC (BTC)	371	5.29	371	5.29
Vietnam Credit Information JSC (PCB)	3,934	3.28	3,934	3.28
Sai Gon Port Joint-Stock Company	185,276	7.44	185,276	7.44
OPES Insurance Joint-Stock Company	33,000	11.00	33,000	11.00
	<u>227,602</u>		<u>227,602</u>	
Provision for other long-term investments	<u>(55,612)</u>		<u>(36,948)</u>	
	<u>171,990</u>		<u>190,654</u>	

Changes in provision for long-term investments in the period are as follows:

	<u>For the three-month period ended 31 March 2019</u> <u>VND million</u>	<u>For the three-month period ended 31 March 2018</u> <u>VND million</u>
Opening balance	36,948	42,096
Provision charged/(reversed) in the period (Note 27)	<u>18,664</u>	<u>(34,915)</u>
Closing balance	<u>55,612</u>	<u>7,181</u>

SELECTIVE NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 31 March 2019 and for the three-month period then ended**12. OTHER ASSETS****12.1 Receivables**

	31 March 2019 VND million	31 December 2018 VND million
Internal receivables	188,316	128,920
External receivables	10,974,309	10,159,653
- <i>Receivables related to usance letters of credit (Note 14.2)</i>	8,273,155	7,730,707
- <i>Deposits for economic contracts</i>	755,157	742,794
- <i>Overdue deposits classified as credit risk bearing assets</i>	165	36,165
- <i>Receivables in settlement operation</i>	414,050	243,669
- <i>Advances to suppliers</i>	118,572	133,879
- <i>Other external receivables</i>	1,413,210	1,272,439
Purchase of fixed assets	185,709	155,675
Construction in progress	12,744	40,034
	11,381,078	10,482,282

Analysis of other assets classified as credit-risk assets by quality at reporting date is as follows:

	31 March 2019 VND million	31 December 2018 VND million
Current	-	36,000
Special mention	-	-
Substandard	-	-
Doubtful	-	-
Loss	165	165
	165	36,165

12.2 Accrued interest and fee receivables

	31 March 2019 VND million	31 December 2018 VND million
Interest receivables from deposits	39,216	12,977
Interest receivables from investment securities	1,508,298	1,694,874
Interest receivables from credit activities	2,673,688	2,522,319
Interest receivables from derivative instruments	200,400	125,209
Other fee receivables	85,211	72,386
	4,506,813	4,427,765

SELECTIVE NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 31 March 2019 and for the three-month period then ended

12. OTHER ASSETS (continued)

12.3 Other assets

	31 March 2019 VND million	31 December 2018 VND million
Materials	12,891	13,193
Prepaid expenses	2,160,786	1,759,552
Assets in substitution for obligation performance of securers who has transferred the ownership to the Bank in compliance with the SBV's prevailing regulations	659,494	700,474
- In which: Real estates	659,494	700,474
	2,833,171	2,473,219

12.4 Provision for other assets

Provision for other assets include provision for impairment of other receivables and credit risk bearing assets. Change of provision for other assets in the period are as follows:

	For the three-month period ended 31 March 2019 VND million	For the three-month period ended 31 March 2018 VND million
Opening balance	25,484	21,403
Provision charged in the period	16,499	-
In which:		
Charge of provision for other credit risk bearing assets (Note 28)	270	-
Charge of provision for doubtful debts (Note 27)	16,229	-
Closing balance	41,983	21,403

Details of provision for other assets are as follows:

	31 March 2019 VND million	31 December 2018 VND million
Provision for credit risks bearing assets	165	165
- Specific provision	165	165
Provision for doubtful debts	41,818	25,319
	41,983	25,484

SELECTIVE NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 31 March 2019 and for the three-month period then ended**13. AMOUNTS DUE TO THE GOVERNMENT AND THE STATE BANK OF VIETNAM**

	31 March 2019 VND million	31 December 2018 VND million
Borrowings from the State Bank of Vietnam	21,651	1,781,343
Discount, rediscount of valuable papers	-	1,759,184
Other borrowings	21,651	22,159
Deposits of the State Treasury	-	2,000,000
Deposits of the State Treasury	-	2,000,000
	21,651	3,781,343

Borrowings from the State Bank of Vietnam as at 31 March 2019 have terms of 12 months and bear interest at rates of 3.50% per annum (31 December 2018: term from 7 days to 12 months and bear interest at rates ranging from 3.50% to 4.75% per annum).

14. DEPOSITS AND BORROWINGS FROM FINANCIAL INSTITUTIONS AND OTHER CREDIT INSTITUTIONS**14.1 Deposits from other credit institutions**

	31 March 2019 VND million	31 December 2018 VND million
Demand deposits	30,564	3,523,109
In VND	30,541	3,523,086
In foreign currencies	23	23
Term deposits	6,849,600	17,622,085
In VND	5,488,000	14,754,415
In foreign currencies	1,461,600	2,867,670
	6,980,164	21,145,194

14.2 Borrowings from financial institutions and other credit institutions

	31 March 2019 VND million	31 December 2018 VND million
Payables arising from usance letters of credit (Note 12.1) (i)	8,273,134	7,730,682
Borrowings from financial institutions and other credit institutions	24,601,949	25,355,575
In VND	6,960,371	8,470,907
<i>In which: Payables related to sale and repurchase contract of valuable papers in VND</i>	-	425,450
In foreign currencies	17,641,578	16,884,668
<i>In which: Borrowed in foreign currencies from International Finance Company ("IFC") (ii)</i>	2,972,280	3,103,829
	32,875,083	33,086,257

(i) Payables related to usance letters of credit is the value of L/C documents reimbursed by UPASLC Reimbursing Bank after deducting fees.

(ii) Including a loan with amount of USD57,000,000.00, which is equivalent to VND1,322,400 million as at 31 March 2019 is the medium-term commercial loan, along with Conversion Option and issuance of Conversion shares in accordance with terms and conditions of the Loan Agreement on 31 May 2017 between VPBank and IFC. Validation of the Loan Agreement is until 31 May 2019.

SELECTIVE NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 31 March 2019 and for the three-month period then ended**14. DEPOSITS AND BORROWINGS FROM FINANCIAL INSTITUTIONS AND OTHER CREDIT INSTITUTIONS (continued)****14.2 Borrowings from financial institutions and other credit institutions (continued)**

Analysis of borrowings from financial institutions and other credit institutions by original maturity:

	31 March 2019 VND million	31 December 2018 VND million
Up to 6 months	5,705,017	7,268,680
From over 6 months to 12 months	7,285,000	5,314,600
From over 12 months to 5 years	11,485,743	12,580,013
Over 5 years	126,189	192,262
	24,601,949	25,355,575

Interest rates of deposits and borrowings from financial institutions and other credit institutions at the reporting date are as follows:

	31 March 2019 % per annum	31 December 2018 % per annum
Term deposits from other credit institutions in VND	3.20 - 5.80	1.00 - 9.20
Term deposits from other credit institutions in foreign currencies	2.45 - 2.65	2.50 - 2.70
Borrowings from financial institutions and other credit institutions in VND	3.60 - 7.80	3.60 - 7.80
Borrowings from other financial institutions and credit institutions in foreign currencies	0.75 - 9.00	0.72 - 9.00

15. CUSTOMER DEPOSITS

	31 March 2019 VND million	31 December 2018 VND million
Demand deposits	17,541,483	22,630,333
- In VND	15,623,751	20,024,737
- In foreign currencies	1,917,732	2,605,596
Term deposits	189,956,279	147,477,943
- In VND	167,050,868	144,373,905
- In foreign currencies	2,905,411	3,104,038
Deposits for specific purposes	70,847	109,518
- In VND	64,176	63,262
- In foreign currencies	6,771	46,256
Margin deposits	548,534	633,077
- In VND	409,864	548,204
- In foreign currencies	138,670	84,873
	188,117,243	170,850,871

SELECTIVE NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 31 March 2019 and for the three-month period then ended**15. CUSTOMER DEPOSITS (continued)**

Interest rates for customer deposits at the reporting date are as follows:

	<u>31 March 2019</u> <u>% per annum</u>	<u>31 December 2018</u> <u>% per annum</u>
Demand deposits in VND	0.50	0.50
Demand deposits in foreign currencies	0.00	0.00
Term deposits in VND	0.80 - 11.00	1.00 - 11.00
Term deposits in foreign currencies	0.00 - 2.30	0.00 - 2.30

16. OTHER BORROWED AND ENTRUSTED FUNDS

	<u>31 March 2019</u> <u>VND million</u>	<u>31 December 2018</u> <u>VND million</u>
Borrowed and entrusted funds in VND from Official Development Assistance (ODA)	<u>325,177</u>	<u>329,649</u>

Other borrowed and entrusted funds have terms from 3 years to 10 years and bear interest at rate of 5.004% per annum (31 December 2018: terms from 3 years to 10 years and bear interest at rate of 4.97% per annum)

17. VALUABLE PAPERS ISSUED

	<u>31 March 2019</u> <u>VND million</u>	<u>31 December 2018</u> <u>VND million</u>
Under 12 months	6,466,197	7,792,919
From 12 months up to 5 years	38,880,270	37,338,766
From 5 years and above	3,515,729	3,526,362
	<u>48,862,196</u>	<u>48,658,036</u>

Valuable papers consist of certificates of deposits and bonds which bear interest at rates ranging from 5.00% per annum to 11.50% per annum (31 December 2018: from 5.25% per annum to 11.50% per annum)

Types of valuable papers issued are as follows:

	<u>31 March 2019</u> <u>VND million</u>	<u>31 December 2018</u> <u>VND million</u>
Certificates of deposit to retail customers	6,566,509	10,005,918
Certificates of deposit to corporate customers	24,588,596	23,374,914
Bonds (*)	15,727,091	15,277,204
	<u>46,882,196</u>	<u>48,658,036</u>

(*) Including bonds with the amount of VND2,876,960 million eligible to be the Bank's own capital (31 December 2018: VND2,876,960 million)

SELECTIVE NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 31 March 2019 and for the three-month period then ended**18. OTHER LIABILITIES****18.1 Interest and fees payable**

	31 March 2019 VND million	31 December 2018 VND million
Interest payables for customer term deposits	1,174,995	1,153,443
Interest payables for customer saving deposits	1,962,612	1,755,199
Interest payables for valuable papers issued	1,980,140	2,028,502
Interest payables for borrowings from financial institutions and other credit institutions	266,298	200,434
Interest payables for other borrowed and entrusted funds	43,527	19,114
Interest payables for derivative financial instruments	180,896	105,448
Fee payables	878	791
	5,609,346	5,262,931

18.2 Other liabilities

	31 March 2019 VND million	31 December 2018 VND million
Internal payables	202,570	423,965
Payables to employees	202,570	423,965
External payables	4,906,549	4,984,233
Advances from customers	1,288,880	1,289,540
Unearned income	211,518	199,935
Transfer payment awaiting settlement	755,284	553,217
Taxes payable to the State Budget (Note 19)	437,965	789,595
Payables in settlement operation	666,693	537,405
Payables to suppliers	56,602	223,702
Other liabilities	1,479,607	1,390,839
	5,109,119	5,408,188

SELECTIVE NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 31 March 2019 and for the three-month period then ended

19. TAXES AND OTHER OBLIGATIONS TO THE STATE BUDGET

	<i>Movements in the period</i>			<i>Closing balance</i> VND million
	<i>Opening balance</i> VND million	<i>Payables</i> VND million	<i>Paid</i> VND million	
Corporate income tax	688,000	380,215	(688,273)	359,942
Value added tax	29,901	65,055	(68,460)	26,496
Other taxes	71,694	212,243	(232,410)	51,527
	789,695	637,513	(989,143)	437,965

19.1 *Current corporate income tax*

The Bank has the obligation to pay corporate income tax ("CIT") at the rate of 20% of taxable profits according to Circular No. 78/2014/TT-BTC which became effective from 2 August 2014.

The Bank's and its subsidiaries' tax reports are subject to examination by the tax authorities. Because the application of tax laws and regulations to many types of transactions is susceptible to varying interpretations, amount reported in the interim consolidated financial statements could be changed at a later date upon final determination by the tax authorities.

Current corporate income tax payables are determined based on taxable income of the period. Taxable income differs from the one reported in the interim consolidated income statement since taxable income excludes incomes which are taxable or expenses which are deducted in prior periods due to the differences between the Bank's and its subsidiaries' accounting policies and the tax regulations, and also excludes non-taxable income and non-deductible expenses. The current corporate income tax payable of the Bank and its subsidiaries are calculated based on the statutory tax rates applicable at the year-end.

Provision for current income tax expense is estimated as follows:

	<i>For the three-month period ended</i> 31 March 2019 VND million	<i>For the three-month period ended</i> 31 March 2018 VND million
Profit before tax	1,782,636	2,619,011
<i>Plus/(Minus)</i>		
- Non-taxable income	-	-
- Net loss of subsidiaries	17,659	896
- Non-deductible expenses	172	172
- Adjustment of expense for consolidation of financial statements	(206)	-
Estimated taxable income	1,800,161	2,620,079
Estimated income tax expense using prevailing tax rate	360,032	524,016
Adjustment of tax expenses in previous years	183	(120)
Income tax expense for the period	360,215	523,896
Income tax payable at the beginning of the period	688,080	655,739
Income tax paid in the period	(688,273)	(655,652)
Current income tax payable at the end of the period	359,942	523,983

19.2 *Deferred income tax*

No deferred tax was recognized in the period since there was no material temporary difference between the carrying value and the tax base of assets and liabilities in the interim consolidated financial statements.

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SELECTIVE NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued) as at 31 March 2019 and for this three-month period then ended

20. OWNERS' EQUITY AND RESERVES

20.1 Statement of changes in equity

	Charter capital VND million	Share premium VND million	Capital supplementary reserve VND million	Financial reserve VND million	Investment and development fund VND million	Retained earnings VND million	Foreign exchange differences VND million	Treasury shares VND million	Total VND million
Balance as at 1 January 2018	15,706,230	5,866,105	490,861	1,728,995	1,337,409	4,565,110	-	-	29,695,710
Net profit for the year	-	-	-	-	-	7,355,568	-	-	7,355,568
Issuance of shares from capital supplementary reserve and share premium	4,731,795	(4,577,104)	(154,691)	-	-	-	-	-	-
Dividend paid for preferred shares	-	-	-	-	-	(146,439)	-	-	(146,439)
Capital increase from retained earnings	4,524,704	-	-	-	-	(4,524,704)	-	-	-
Reserves transferred from subsidiary to the Parent Bank	-	-	-	-	(2,854,632)	2,854,632	-	-	-
Appropriation to reserves	-	-	367,779	735,428	3,813,730	(4,916,937)	-	-	-
Transfer fee for preferred shares	-	-	-	-	-	-	-	(2,489)	(2,489)
Preferred shares repurchase as treasury shares	-	-	-	-	-	-	-	(2,489,232)	(2,489,232)
Capital increase from share issuance in ESOP	336,951	-	-	-	-	-	-	-	336,951
Balance as at 31 December 2018	26,299,680	1,289,001	703,949	2,465,423	2,298,507	5,187,230	-	(2,491,721)	34,750,089
Net profit for the period	-	-	-	-	-	1,422,321	-	-	1,422,321
Appropriation to reserves	-	-	-	-	1,734,201	(1,734,201)	-	-	-
Foreign exchange differences	-	-	-	-	-	-	7,952	-	7,952
Balance as at 31 March 2019	26,299,680	1,289,001	703,949	2,465,423	4,030,708	4,875,350	7,952	(2,491,721)	36,180,342

SELECTIVE NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 31 March 2019 and for the three-month period then ended

20. OWNERS' EQUITY AND RESERVES (continued)

20.2 Equity

	31 March 2018		31 December 2018	
	Shares	VND million	Shares	VND million
Number of registered share:	2,529,967,966	25,299,680	2,529,967,966	25,299,680
Number of shares issued	2,529,967,966	25,299,680	2,529,967,966	25,299,680
- Ordinary shares	2,456,748,366	24,567,484	2,456,748,366	24,567,484
- Preference shares (*)	73,219,600	732,196	73,219,600	732,196
Number of repurchased shares as treasury shares	(73,219,600)	(732,196)	(73,219,600)	(732,196)
- Ordinary shares (*)	(73,219,600)	(732,196)	(73,219,600)	(732,196)
Number of shares in circulation	2,456,748,366	24,567,484	2,456,748,366	24,567,484
- Ordinary shares	2,456,748,366	24,567,484	2,456,748,366	24,567,484

The face value of each share of the Bank is VND10,000.

(*) Preference shares issued by the Bank are preference dividend shares which earn stable annual dividend and have no voting rights. On 9 July 2018, the Bank repurchased these preference shares as treasury shares in accordance with Decision No. 379/2018/QĐ-HĐQT dated 4 June 2018 by the Board of Directors. After the repurchase, these treasury shares do not have characteristics of preference shares

21. BASIC EARNINGS PER SHARE

	For the three-month period ended 31 March 2019	For the three-month period ended 31 March 2018
Profit attributed to ordinary shareholders of the Bank (VND million)	1,422,321	2,095,115
Weighted average number of ordinary shares (Share)	2,456,748,366	2,423,053,272
Basic earnings per share (VND)	579	865

Profit attributed to ordinary shareholders is equal to the interim consolidated profit after tax minus (-) dividends on preference shares (if any).

The basic earnings per share for the prior period have been restated due to the effect of the issuance of shares from capital supplementary reserve and share premium, and capital increase from retained earnings in the period from 31 March 2018 to 31 March 2019.

At the end of the period, there are no events and situations to show diluted earnings per share for the period.

SELECTIVE NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 31 March 2019 and for the three-month period then ended

22. INTEREST AND SIMILAR INCOME

	<i>For the three-month period ended 31 March 2019 VND million</i>	<i>For the three-month period ended 31 March 2018 VND million</i>
Interest income from deposits	77,337	78,985
Interest income from loans to customers	9,999,328	8,294,645
Interest income from securities held for trading and investment securities	920,785	987,513
- Interest income from securities held for trading	136,137	48,893
- Interest income from investment securities	784,648	938,620
Income from guarantee activities	52,127	28,645
Interest income from debts purchased	-	3,819
Other income from credit activities	327,425	338,829
	11,377,002	9,730,236

23. INTEREST AND SIMILAR EXPENSES

	<i>For the three-month period ended 31 March 2019 VND million</i>	<i>For the three-month period ended 31 March 2018 VND million</i>
Interest expenses for deposits	2,748,468	1,919,617
Interest expenses for borrowings	448,130	226,736
Interest expenses for valuable papers issued	983,669	1,430,827
Other expenses for credit activities	171,820	135,199
	4,352,087	3,712,379

24. NET GAIN FROM SECURITIES HELD FOR TRADING

	<i>For the three-month period ended 31 March 2019 VND million</i>	<i>For the three-month period ended 31 March 2018 VND million</i>
Income from trading of securities held for trading	92,186	76,560
Expenses for trading of securities held for trading	(112,948)	(46,669)
Reversal of provision for securities held for trading (Note 6.1)	23,288	-
	2,526	29,891

SELECTIVE NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 31 March 2019 and for the three-month period then ended

25. NET GAIN FROM INVESTMENT SECURITIES

	<i>For the three- month period ended 31 March 2019 VND million</i>	<i>For the three- month period ended 31 March 2018 VND million</i>
Income from trading of investment securities	157,172	213,232
Expenses for trading of investment securities	(4,941)	(46,057)
Provision reversed for investment securities (Note 10.3)	16,827	10,446
	169,058	177,621

26. NET GAIN FROM OTHER OPERATING ACTIVITIES

	<i>For the three- month period ended 31 March 2019 VND million</i>	<i>For the three- month period ended 31 March 2018 VND million</i>
Other operating income	454,469	1,253,544
Income from other derivatives	117,446	46,670
Bad debt recoveries	225,394	289,922
Income from disposal of fixed assets	-	16
Income from disposal of other assets	4,021	11,895
Income from debt purchase activities	70,887	30,031
Income from contracts penalty receivables	8,961	9,338
Support received and other income	27,760	865,672
Other operating expenses	(171,788)	(129,864)
Expenses for other derivatives	(130,254)	(65,384)
Expenses for disposal of other assets	(3,695)	(10,973)
Other expenses	(37,837)	(53,307)
	282,683	1,123,880

SELECTIVE NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 31 March 2019 and for the three-month period then ended

27. OPERATING EXPENSES

	<i>For the three-month period ended 31 March 2019 VND million</i>	<i>For the three-month period ended 31 March 2018 VND million</i>
Tax, duties and fees	508	290
Personnel expenses	1,780,601	1,479,863
<i>In which:</i>		
Salary and allowances	1,574,386	1,311,309
Expenses related to salary	125,546	96,729
Subsidy	40,564	37,550
Other allowances	40,105	34,075
Fixed asset expenses	387,948	304,270
<i>In which:</i>		
Depreciation and amortization of fixed assets	88,520	68,008
Administrative expenses	355,925	275,382
<i>In which:</i>		
Expenses on per diem	10,998	7,599
Other provision expenses/(reversal)	34,883	(34,915)
- Expense/(reversal) of provision for other long-term investments (Note 11)	18,664	(34,915)
- Expenses of provision for doubtful debts (Note 12.4)	16,229	-
Insurance fee for customer deposits	40,612	37,783
Other operating expenses	375,359	298,464
	2,975,846	2,360,937

28. PROVISION EXPENSE FOR CREDIT LOSSES

	<i>For the three-month period ended 31 March 2019 VND million</i>	<i>For the three-month period ended 31 March 2018 VND million</i>
Provision expense for loans to customers (Note 9)	2,942,855	2,452,541
Provision expense for debts purchase activities	-	974
Provision expense for VAMC bonds (Note 10.3)	261,485	168,802
Provision expense for other assets (Note 12.4)	270	-
	3,204,410	2,652,317

SELECTIVE NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 31 March 2019 and for the three-month period then ended

29. CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the interim consolidated cash flow statement comprise the following amounts on the interim consolidated balance sheet:

	31 March 2019 VND million	31 March 2018 VND million
Cash and cash equivalents on hand	2,503,797	2,633,305
Balances with the SBV	3,527,201	2,558,337
Demand accounts at other credit institutions	2,363,278	5,579,833
Placements with other credit institutions with original term of three months or less	4,906,000	14,580,674
	13,300,276	25,352,149

30. RELATED PARTY TRANSACTIONS

Related party transactions include all transactions undertaken with other parties to which the Bank and its subsidiaries are related. A party is considered to be related if the party has ability to control or to influence other parties in making decision of financial policies and operational activities. A party is related to the Bank and its subsidiaries if

- (a) Directly, or indirectly through one or more intermediaries, the party:
 - Controls, or is controlled by, or is under common control with the Bank and its subsidiaries (including parents and subsidiaries);
 - Has an interest (owning 5% or more of the charter capital or voting share capital) in the Bank and its subsidiaries that gives it significant influence over the Bank and its subsidiaries;
 - Has joint control over the Bank;
- (b) The party is a joint venture in which the Bank and its subsidiaries are a venture or an associate (owning over 11% of the charter capital or voting share capital, but is not a subsidiary of the Bank and its subsidiaries);
- (c) The party is a member of the key management personnel of the Bank;
- (d) The party is a close member of the family of any individual referred to in (a) or (c); or
- (e) The party is a company that is controlled, jointly controlled or significantly influenced by, or for which significant voting power in such company resides with, directly or indirectly, any individual referred to in (c) or (d).

Significant transactions with its related parties in the period are as follows

Related parties	Transactions	Amount	
		For the three-month period ended 31 March 2019 VND million	For the three-month period ended 31 March 2018 VND million
Members of the Board of Directors, Board of Supervision and Board of Management	Remuneration expenses	(36,973)	(24,615)
	Interest expenses for deposits of management	(469)	(653)

SELECTIVE NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 31 March 2019 and for the three-month period then ended

30. RELATED PARTY TRANSACTIONS (continued)

Receivables and payables with related parties as at 31 March 2019 and 31 December 2018 are as follows:

<i>Related parties</i>	<i>Balances</i>	<i>Receivables/Payables</i>	
		<i>31 March 2019</i>	<i>31 December 2018</i>
		<i>VND million</i>	<i>VND million</i>
Members of the Board of Directors, Board of Supervision and Board of Management	Deposits at the Bank	57,032	53,314

Besides the transactions and balances presented above, the Bank and its subsidiaries do not have any other significant transactions, receivables and payables with their related parties as at 31 March 2019 and the period then ended

31. CONCENTRATION OF ASSETS, LIABILITIES AND OFF-BALANCE SHEET ITEMS BY GEOGRAPHICAL REGIONS

Concentration of counterparties of the Bank and its subsidiaries by geographical regions as at 31 March 2019 are as follows.

	<i>Domestic</i> <i>VND million</i>	<i>Foreign</i> <i>VND million</i>	<i>Total</i> <i>VND million</i>
Loans to customers and credit granting to other credit institutions	232,826,657	155	232,826,812
Total fund mobilization	254,413,110	20,768,404	275,181,514
Credit commitments and other guarantees	31,195,117	-	31,195,117
Derivative Instruments	22,017	867	22,884
Securities held for trading and investment securities	59,971,894	-	59,971,894

SELECTIVE NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)
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32. FINANCIAL RISK MANAGEMENT POLICIES

The Bank has exposure to the following risks from financial instruments:

- ▶ credit risk;
- ▶ liquidity risk, and
- ▶ market risk.

This note presents information about the Bank's exposure to each of the above risks, the Bank's objectives, policies and processes for measuring and managing risk, and the Bank's management of capital.

Risk management framework

The Board of Directors ("BOD") has overall responsibility for the establishment and oversight of risk management framework and is ultimately responsible for the quality and effectiveness of the Bank's risk management. To facilitate this oversight function, the Bank's BOD has established an Assets and Liabilities Committee ("ALCO") and a Risk Committee ("RCO") which are responsible for developing and monitoring key risk management policies for specific areas authorized by the BOD and periodically reporting to the BOD on their activities. These committees include both voting and non-voting members.

The Bank's risk management framework is established to form key principles in managing and controlling significant risks arising from the Bank's activities. Based on this, specific policies and regulations for each type of risk are established to assist the Bank in analysing and determining appropriate risk limits, controlling and monitoring measures and ensuring adherence to the limits.

Risk management policies and systems are reviewed regularly to reflect changes in market conditions, products and services offered. The Bank, through its training and management standards and procedures aims to develop a disciplined and constructive control environment, in which all employees understand their roles and obligations.

32.1 Credit risk

The Bank is subject to credit risk through its loans to customers, placements with and loans to other banks and investments in corporate bonds and in cases where it acts as an intermediary on behalf of customers or other third parties or issues guarantees. Credit risk arises when a customer, obligor or partner fails to perform or improperly performs or does not fulfill their obligations under the commitments and agreements entered into with the Bank. The Bank's primary exposure to credit risk arises through its loans and advances to corporates and retail customers and investments in corporate bonds. The amount of credit exposure in this regard is represented by the carrying amounts of the assets on the interim consolidated balance sheet. In addition, the Bank is exposed to off balance sheet credit risk through guarantees commitments, letters of credit and derivatives issued.

Credit risk management

Credit risk is the one that exerts the largest impact on the Bank's income and capital. The Bank has established a credit risk appetite on the basis of managing credit activities in a prudent manner and pre-determined credit limits including the credit concentration risk limits and adhering to the Bank's risk tolerance. In principle, the Bank identifies and manages credit risk in all activities and products with potential credit risk and ensures that the Bank provides new products only when sufficient regulations and procedures related to new products or operation in new markets in order to identify, measure, evaluate, monitor and control critical exposure risks are in place. To keep credit risks under control, the Bank's policy is to engage in transactions with reliable partners, and request its partners to take guarantee measures as and when required.

SELECTIVE NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 31 March 2019 and for the three-month period then ended**32. FINANCIAL RISK MANAGEMENT POLICIES (continued)****32.1 Credit risk (continued)*****Credit risk management (continued)***

The credit risk management system is operating based on the principles of independence and centralization. Accordingly, the development of risk management policies, determination of risk limits and risk monitoring, risk reporting and risk control are implemented independently and centrally at the Risk Management Division. The reports from the Risk Management Division are a basis for RCO to issue key credit decisions.

The Bank measures credit risks, makes allowances and complies with safe ratios for loan and advances to customers and to other credit institutions in accordance with relevant regulations of the SBV.

The Bank's overall approach to credit risk is a risk-based approach. Accordingly, credit approval or credit valuation decisions as well as the behavioural methods in monitoring and classifying credits and controlling credit risks are being designed following the risk levels of customers. To this end, key activities being implemented by the Bank include the followings:

- Focusing on completion of data infrastructure used for developing credit rating and risk classification systems in accordance with International standards;
- Developing and completing the credit rating system and the scorecard system;
- Gathering and reviewing credit policies/documents of the whole system to reassess the integrity and responsiveness to the requirements specified in the policies of Risk Management Framework;
- Completing the credit quality monitoring mechanism for the entire life cycle of a loan;
- Developing an early credit risk warning system; and
- Developing a debt recovery and restructuring system.

The maximum exposure to credit risk before collateral held or other credit enhancements

The maximum exposures to credit risk relating to asset groups, which are equivalent to their carrying values in the interim consolidated balance sheet, are listed below:

	<i>Not past due</i> <i>VND million</i>	<i>Past due but</i> <i>not impaired</i> <i>VND million</i>	<i>Past due and</i> <i>individually</i> <i>impaired</i> <i>VND million</i>	<i>Total</i> <i>VND million</i>
Placements with and credit granting to other credit institutions	8,637,912	-	-	8,637,912
- Placements with other credit institutions	7,269,278	-	-	7,269,278
- Credit granting to other credit institutions	1,368,634	-	-	1,368,634
Securities held for trading	4,258,686	-	-	4,258,686
Loans to customers	213,217,572	2,748,800	15,493,808	231,458,178
Investment securities	55,713,208	-	-	55,713,208
- Available-for-sale securities	52,960,253	-	-	52,960,253
- Held-to-maturity securities	2,752,955	-	-	2,752,955
Other assets	18,590,712	11,855	98,495	18,701,062
Total	300,418,090	2,768,655	15,592,301	318,785,046

SELECTIVE NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)
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32. FINANCIAL RISK MANAGEMENT POLICIES (continued)

32.1 Credit risk (continued)

The maximum exposure to credit risk before collateral held or other credit enhancements (continued)

The above table presents the worst scenario in which the maximum credit exposures will incur as at 31 March 2019, without taking into account of any collateral held or their credit enhancement.

The financial assets which are past due are classified in compliance with the quantitative method as prescribed in Circular No. 02/2013/TT-NHNN and Circular No. 228/2009/TT-BTC.

The financial assets are past due but not impaired due to the Bank and its subsidiaries are currently holding the sufficient collateral assets to cover for credit losses in accordance with the current regulations of the SBV or the overdue financial assets that have not been required impairment provision under regulations.

The Bank and its subsidiaries are currently holding collateral in the form of real estates, mobile assets, valuable papers and other types for the above collateral. However, it has not been able to determine the fair value of such assets due to the inadequacy of specific guidance from the SBV and other authorities nor necessary market information.

32.2 Market risk

Market risk is risk of losses due to unexpected and adverse changes in market price factors (including interest rates, exchange rates, equity prices, commodity price, etc.) that will affect the Bank's income and capital.

Market risk management

Market risk management is implemented by the Market and FI Risk Department under the Risk Management Division. The Market and FI Risk Department is responsible for developing of market risk management policies and processes, designing measurement instruments, proposing independent market risks limits to high level of management for approval and monitoring market risks limit on daily/monthly basis according to the Bank's regulations.

In 2017, market risk management policies were revised to introduce a new risk management model. Market risk management functions have been segregated amongst different units and committees, using three lines of defence model. Market Risk Sub-committee (MACO) under Risk Committee (RCO) was established to propose and analyse in-depth market risk, liquidity risk and counterparty risk issues. Also, internal document which requires segregation between Trading Book and Banking Book has been issued in accordance with the SBV's regulation and Basel II standards, ensuring to manage the model by risk appetite. Strategy of each Unit of Financial Markets Division is also issued in the year. Accordingly, business strategy, hedging strategy and analysis of potential risks have been clearly regulated for each portfolio. Valuation methodology is also established in accordance with IFRS, which enables the Bank to determine fair value of financial instruments appropriately.

SELECTIVE NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)
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32. FINANCIAL RISK MANAGEMENT POLICIES (continued)

32.2 *Market risk* (continued)

In 2018, the regulation that specifies and approves VPBank's transaction limits with financial institution was amended and issued by the Risk Committee (RCO), which provides specific limits for market risk and counterparty risk involved transactions, ensuring that all risk factors are taken into account in the granting limits process.

All types of market risk of the Bank (include currency risk, interest rate risk, price risk, option risk, volatility risk, credit spread risk and market liquidity risk) are subject to in-depth analysis, identification and quantification with internal limits system. Risk monitoring and controlling that includes regular (normally daily) risk reporting process and escalations process in case of any violations.

The system of limits relating to market risks is established based on 2 methods: top-down method which is based on the Bank's risk appetite, the SBV's regulations and agreements with strategic partners and bottom-up method which is based on specific needs of operation units and risk-profit analysis.

The Bank conducts calculations of market risk capital charge in accordance to Basel II requirements monthly.

(a) *Interest rate risk*

The interest rates set by the Bank for loans to customers and customer deposits are respectively presented in Note 8 and Note 15.

SELECTIVE NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 31 March 2019 and for the three-month period then ended

32. FINANCIAL RISK MANAGEMENT POLICIES (continued)

32.2 Market risks (continued)

(a) Interest rate risk (continued)

The below table shows an analysis of the interest re-ricing period of assets and liabilities of the Bank as at 31 March 2019.

Interest re-pricing period											
Assets		Non-interest bearing VND million	Up to 1 month VND million	From 1 to 3 months VND million	From 3 to 6 months VND million	From 6 to 12 months VND million	From 1 to 5 years VND million	Over 5 years VND million	Total VND million		
Overdue VND million											
-	Cash, gold and gemstones	2,503,797	-	-	-	-	-	-	2,503,797		
-	Balances with the SBV	-	3,527,201	-	-	-	-	-	3,527,201		
-	Placements with and credit granting to other credit institutions – gross	-	6,993,345	1,117,993	425,916	110,758	-	-	8,637,912		
-	Securities held for trading – gross	-	4,758,668	-	-	-	-	-	4,758,668		
-	Derivatives and other financial assets	-	1,182,746	1,064,596	(486,043)	(1,255,590)	(153,825)	-	22,984		
9,797,295	Loans to customers – gross	-	122,502,305	41,090,683	16,841,667	16,399,773	23,832,116	994,155	231,458,178		
53,760	Investment securities – gross	3,671,098	4,855,380	8,514,230	3,184,938	4,355,552	17,466,150	-	55,713,208		
-	Long-term investments – gross	227,002	-	-	-	-	-	-	227,002		
-	Fixed assets and investment properties	1,953,312	-	-	-	-	-	-	1,953,312		
110,350	Other assets – gross	10,169,454	1,153,005	3,475,785	3,069,681	692,744	-	-	18,701,462		
9,961,405	Total assets	18,526,383	144,472,668	56,293,472	23,117,169	20,513,337	40,734,443	13,618,155	327,003,842		
Liabilities											
-	Amounts due to the Government and the SBV	-	4,309	17,108	2,022	3,212	-	-	21,651		
-	Deposits and borrowings from financial institutions and other credit institutions	-	22,912,108	10,849,312	4,657,083	1,341,744	-	-	39,855,247		
-	Customer deposits	-	53,744,582	34,407,436	47,356,849	38,724,110	16,542,755	1,711	158,117,243		
-	Other borrowed and entrusted funds	-	162,589	162,593	-	-	-	-	325,182		
-	Valuable papers issued	-	7,560,515	7,138,419	10,682,712	11,837,302	9,653,248	-	46,862,196		
-	Other liabilities	10,562,019	-	36,446	-	-	-	-	10,718,465		
-	Total liabilities	10,562,019	81,394,103	52,708,209	62,733,468	51,896,368	28,498,003	1,711	285,898,978		
9,961,405	Interest sensitivity gap (balance sheet)	7,864,364	63,083,465	3,557,163	(39,616,307)	(31,683,031)	14,236,440	-	41,103,863		
-	Interest sensitivity gap (off-balance sheet)	-	-	541,859	489,938	(231,861)	(789,936)	-	-		
9,961,405	Interest sensitivity gap (on, off-balance sheet)	7,864,364	63,083,465	4,099,022	(39,126,369)	(31,814,892)	13,438,504	-	41,103,863		

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32. FINANCIAL RISK MANAGEMENT POLICIES (continued)

32.2 Market risk (continued)

(a) Interest rate risk (continued)

Interest sensitivity

Assuming that all other variables remain constant, the effects of fluctuation in interest rates of interest-bearing assets and liabilities (including assets and liabilities with fixed interest rates) on profit before tax and shareholders' equity of the Bank and its subsidiaries are as follows:

		<i>Impact on</i>	
	<i>Assumed increase in interest rate</i>	<i>Profit before tax VND million</i>	<i>Profit after tax and Owners' equity VND million</i>
As at 31 March 2019			
USD	1.50%	(44,319)	(35,455)
VND	3.00%	792,496	633,997
As at 31 December 2018			
USD	1.50%	14,913	11,930
VND	3.00%	685,602	548,481

(b) Currency risk

Currency risk (commonly referred to as exchange-rate risk) is the risk of losses due to negative changes in the fair value of positions measured in local currency due to exchange rate fluctuations. Foreign currency positions as well as positions in gold and other precious metals bear exchange rate risk. Exchange rate risk arises in case the portfolio or specific position contains spot or future cash flows denominated or indexed to currency other than local currency. Exchange rate risk originates both in Trading Book and Banking Book. Exchange rate risk directly affects the balance sheet and income statement since assets, liabilities and earnings in foreign currency need to be converted into the reference currency.

Currency risk management

Exchange rate risk is managed by the means of limits on open FX position in every currency as well as total open FX position. The Bank's management has set limits on position for each currency in accordance with the Bank's business strategy and the SBV's regulations. VND is the major currency of transactions within the Bank; USD is transacted by loans, deposits and derivatives; other currencies are very tiny proportion of the Bank's assets and liabilities. Open currency positions are monitored on a daily basis and hedging strategies used to ensure positions are maintained within established limits.

Exchange rates of major currencies as at the reporting date are presented in Note 37.

(b) Currency risk (continued)

Exchange rate sensitivity

Assuming that all other variables are unchanged, the table below shows the impact on profit before tax and equity of the Bank and its subsidiaries due to the changes that may occur by exchange rate. Risks due to the changes of exchange rates to other currencies of the Bank and its subsidiaries are not significant.

	<i>Assumed level of increase</i>	<i>Impact on Profit after tax and Owner's equity VND million</i>
As at 31 March 2019		
USD	2.00%	(49,146)
As at 31 December 2018		
USD	2.00%	16,747

SELECTIVE NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)
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32. FINANCIAL RISK MANAGEMENT POLICIES (continued)

32.2 Market risks (continued)

(b) Currency risk (continued)

The following table presents assets and liabilities in foreign currencies translated into VND as at 31 March 2019:

	EUR equivalent/ VND million	USD equivalent/ VND million	Gold equivalent/ VND million	Other currencies/ equivalent/ VND million	Total VND million
Assets					
Cash, gold and gemstones	160,793	131,028	228,767	286,713	787,301
Balances with the SBV	-	136,202	-	-	136,202
Placements with and credit granting to other credit institutions - gross	262,981	2,885,169	-	74,026	3,232,176
Derivatives and other financial assets	-	10,505,379	-	165,717	10,671,096
Loans to customers - gross	-	6,786,711	-	-	6,786,711
Other assets - gross	404,888	6,323,460	-	786	6,729,144
Total assets	828,662	26,777,949	228,767	507,252	28,342,630
Liabilities					
Deposits and borrowings from the Government and the SBV, financial institutions and other credit institutions	403,621	25,195,595	-	795	25,600,011
Customer deposits	391,495	4,185,016	-	422,073	4,998,584
Other liabilities	2,521	437,527	-	2,244	442,292
Total liabilities and equity	797,637	29,788,138	-	425,112	31,010,887
FX position on balance sheet	31,025	(3,010,189)	228,767	82,140	(2,868,257)
FX position off-balance sheet	(10,482)	1,120,864	-	3,140	1,113,542
Net on, off-balance sheet FX position	20,563	(1,889,325)	228,767	85,280	(1,554,715)

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32. FINANCIAL RISK MANAGEMENT POLICIES (continued)

32.2 Market risk (continued)

(c) Liquidity risk

Liquidity risk is the risk that the Bank will not be able to meet its financial obligations as they fall due, or, the risk that the Bank might have to face unacceptable material losses in order to meet those obligations. Liquidity risk may lead to negative effect on the Bank's profit, reputation, equity, even causes the Bank's bankruptcy.

Liquidity risk management

The Bank manages the liquidity of the entire Bank on each of the main types of currency (VND, USD) on the mechanism, process of regulating, monitoring and managing liquidity as specified in the policies and regulations, process of liquidity management. Accordingly, liquidity risk management of the Bank is implemented through the strengthened cooperation between three divisions: Finance, Risk Management and Financial Market. In particular, the Finance Market Division plays the leading role in management of short-term liquidity and the Finance Division plays the leading role in management of long-term liquidity in accordance with the Bank's risk appetite, risk criteria, risk strategy and liquidity management strategy which are established by the Risk Management Division.

The Bank maintains a specific portfolio and volume of high-liquidation assets, which may include but not limited to cash, gold, interbank deposits, Government bonds and other high-liquidation assets in order to meet its liabilities when due under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Bank's reputation. The Bank will establish specific liquidity gap and follow strictly on each period based on Assets and Liabilities structure.

The Bank understands the interrelation of credit risk and market risk and how they may have impacts on the Bank's liquidity. The Bank also realizes that liquidity risks come from two sides of its balance sheet. Therefore, the Bank's approach to managing liquidity is to constantly focus on diversification of investment and credit activities and increases of accessibility to capital markets by various fund raising tools and products.

The Bank adopts both of the common approaches to managing liquidity, namely Stock Approach and Flow Approach. Accordingly, the Bank monitors on a daily basis the compliance with adequate liquidity ratios and forecasts movements of cash flows which may have impact on the Bank's liquidity position in the future to ensure compliance at any time with all regulations of the SBV as well as its internal regulations.

Liquidity risk limits are established based on results of the Bank's liquidity forecast in normal and stressed market conditions. Regular liquidity stress testing is conducted under a variety of scenarios covering adverse conditions. At the same time, the Bank also issues specific regulations on a Liquidity Contingency Plan ("LCP") which clearly specifies the roles and responsibilities of each unit and individual and a coordination process for implementation when there appear signs of a possible stressed liquidity event.

The following table provides an analysis of the assets and liabilities of the Bank into relevant maturity groupings based on the remaining period from the interim consolidated balance sheet date to repayment date.

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32. FINANCIAL RISK MANAGEMENT POLICIES (continued)

32.2 Market risk (continued)

(c) Liquidity risk (continued)

The table below presents the analysis of remaining maturity of assets and liabilities of the Bank as at 31 March 2019:

	Overdue		Current						Total VND million
	Above 3 months VND million	Within 3 months VND million	Up to 1 months VND million	From 1 to 3 months VND million	From 3 to 12 months VND million	From 1 to 5 years VND million	Over 5 years VND million		
Assets									
Cash, gold and gemstones	-	-	2,503,797	-	-	-	-	2,503,797	
Balances with the SBV	-	-	3,527,201	-	-	-	-	3,527,201	
Balances with and credit granting to other credit institutions - gross	-	-	6,903,245	1,197,983	536,674	-	-	8,637,912	
Securities held for trading - gross	-	-	4,258,686	-	-	-	-	4,258,686	
Derivatives and other financial assets	-	-	(3,033)	1,263	21,368	3,286	-	22,894	
Loans to customers - gross	4,483,937	5,313,358	27,134,721	28,810,275	60,543,722	80,229,425	24,942,740	231,458,178	
Investment securities - gross	-	53,760	15,391	1,595,626	7,829,836	32,128,420	14,090,175	55,713,208	
Long-term investments - gross	-	-	-	-	-	-	227,602	227,602	
Fixed assets	-	-	-	-	-	-	1,953,312	1,953,312	
Other assets - gross	107,825	2,525	11,211,086	3,491,924	3,825,903	3,629	58,170	18,701,062	
Total assets	4,591,762	5,369,643	55,551,094	35,097,081	72,757,503	112,364,760	41,271,999	327,003,842	
Liabilities									
Amounts due to the Government and the SBV	-	-	4,309	12,108	5,234	-	-	21,651	
Deposits and borrowings from financial institutions and other credit institutions	-	-	12,510,457	7,868,163	13,833,353	5,621,989	21,276	39,855,247	
Customer deposits	-	-	50,744,582	34,407,436	86,120,759	16,842,755	1,711	188,117,243	
Other borrowed and entrusted funds	-	-	563	106	5,835	272,970	45,703	326,177	
Valuable papers issued	-	-	4,557,560	5,141,374	21,335,014	15,828,248	-	46,862,196	
Other liabilities	-	-	9,965,153	263,722	459,317	30,273	-	10,718,465	
Total liabilities	-	-	77,782,624	47,692,909	121,759,512	38,596,245	68,689	285,899,979	
Net liquidity gap	4,591,762	5,369,643	(22,231,530)	(12,595,828)	(49,002,009)	73,768,515	41,203,310	41,103,863	

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32. FINANCIAL RISK MANAGEMENT POLICIES (continued)

32.2 Market risk (continued)

(c) Liquidity risk (continued)

The table below presents the analysis of remaining maturity of assets and liabilities of the Bank as at 31 December 2018:

	Overdue		Current						Total VND million
	Above 3 months VND million	Within 3 months VND million	Up to 1 month VND million	From 1 to 3 months VND million	From 3 to 12 months VND million	From 1 to 5 years VND million	Over 5 years VND million		
Assets									
Cash, gold and gemstones	-	-	1,855,473	-	-	-	-	1,855,473	
Balances with the SBV	-	-	10,828,571	-	-	-	-	10,828,571	
Balances with and credit granting to other credit institutions - gross	-	-	14,737,888	1,150,955	682,668	-	-	16,571,491	
Securities held for trading - gross	-	-	4,240,742	-	-	-	-	4,240,742	
Loans to customers - gross	3,895,301	4,824,861	27,632,770	24,815,968	60,987,872	76,638,618	24,056,588	221,961,998	
Investment securities - gross	-	-	2,881,388	1,027,754	7,969,360	31,743,795	9,339,785	52,992,090	
Long-term investments - gross	-	-	-	-	-	-	227,802	227,802	
Fixed assets	-	-	-	-	-	-	1,963,098	1,963,098	
Other assets - gross	104,456	14,354	9,989,024	552,804	6,711,998	-	-	17,393,256	
Total assets	3,799,757	4,839,245	72,376,464	27,547,491	76,491,898	108,382,413	35,587,089	328,014,327	
Liabilities									
Amounts due to the Government and the SBV	-	-	1,759,226	2,003,648	18,489	-	-	3,781,343	
Deposits and borrowings from financial institutions and other credit institutions	-	-	19,001,260	10,774,115	17,712,408	5,665,383	78,285	54,231,451	
Customer deposits	-	-	54,355,005	27,557,506	64,415,278	14,420,529	1,803	170,950,871	
Derivatives and other financial liabilities	-	-	79,040	(9,199)	(36,484)	(12,785)	-	18,671	
Other borrowed and entrusted funds	-	-	855	364	4,495	278,497	45,638	329,649	
Valuable papers issued	-	-	3,145,487	7,404,028	24,270,727	13,837,793	-	48,658,036	
Other liabilities	-	-	9,899,852	378,324	388,894	14,059	-	10,671,129	
Total liabilities	-	-	99,231,626	48,208,787	106,771,737	35,203,475	125,626	288,641,050	
Net liquidity gap	3,799,757	4,839,245	(26,855,071)	(20,661,296)	(31,289,839)	73,178,938	35,481,643	39,473,277	

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32. FINANCIAL RISK MANAGEMENT POLICIES (continued)

32.2 Market risk (continued)

(d) Other market price risk

Other than the assets and liabilities presented above, the Bank and its subsidiaries are not exposed to other market price risks with risk levels accounting for 5% of the Bank and its subsidiaries' net income or with value of relating assets/liabilities accounting for 5% of the Bank and its subsidiaries' total assets.

33. FINANCIAL ASSETS AND FINANCIAL LIABILITIES

On 6 November 2009, the Ministry of Finance issued Circular No. 210/2009/TT-BTC providing guidance for the adoption in Vietnam of the International Financial Reporting Standards on presentation and disclosures of financial instruments ("Circular 210") with effectiveness from financial years beginning on or after 1 January 2011.

The Circular 210 only regulates the presentation of financial statements and disclosures financial instruments, therefore, the below definitions of financial assets, financial liabilities and other relating definitions are applied solely for the preparation of this Note. The Bank's assets and liabilities are still recognized and recorded in accordance with Vietnamese Accounting Standards, Accounting System for Credit Institutions, regulations of the State Bank of Vietnam and statutory requirements relevant to preparation and presentation of the interim consolidated financial statements.

Financial assets

Under Circular 210, financial assets of the Bank include balance with the SBV and placement with other credit institutions, loans to customers and credit granting to other institutions, investment security, other receivables and currency derivative contracts.

Financial assets within the scope of Circular 210, for disclosures in the notes to the interim consolidated financial statements, are classified into either of the followings:

➤ ***Financial asset at fair value through profit or loss***

Financial asset at fair value through profit and loss is a financial asset that meets either of the following conditions:

- a) A financial asset is classified as held for trading if:
 - ✓ It is acquired or incurred principally for the purpose of reselling or repurchasing it in the near term;
 - ✓ There is evidence of a recent actual pattern of short-term profit-taking; or
 - ✓ It is a derivative (except derivative that is a financial guarantee contract or effective hedging instrument).
- b) Upon initial recognition, it is designated by the entity as at fair value through profit or loss.

SELECTIVE NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 31 March 2019 and for the three-month period then ended**33. FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)**Financial assets (continued)► *Held to maturity investments*

Held to maturity investments are non-derivative financial assets with determinable payments and fixed maturity that an entity has the positive intention and ability to hold to maturity other than:

- a) Those that the entity upon initial recognition designates as at fair value through profit or loss;
- b) Those that the entity designates as available for sale;
- c) Those meet the definition of loans and receivables.

► *Loans and receivables:*

Loans and receivables are non-derivative with fixed payments or can be recognized and are not quoted on the market, unless:

- a) Those that the Bank intends to sell immediately or in the near future are classified as assets held for trading purposes, and others that at the same time of initial recognition that the entity classified at fair value according to result of income statement;
- b) Those that the Bank classifies as available-for-sale at the time of initial recognition; or
- c) Those that the holders may not recover most of the initial investment cost, not due to the impairment of the credit quality and are classified as available-for-sale.

► *Available-for-sale financial assets*

Available for sale financial assets are those non-derivative financial assets that are designated as available for sale or are not classified as.

- a) Loans and receivables;
- b) Held-to-maturity investments;
- c) Financial assets at fair value through profit or loss.

SELECTIVE NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)
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33. FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)

Financial liabilities

According to Circular 210 financial liabilities of the Bank includes deposits and borrowings from other institutions, valuable papers issued and other financial liabilities.

Financial liabilities within the scope of Circular 210, for disclosures in the notes to the interim consolidated financial statements, are classified into either of the followings:

➤ *Financial liability at fair value through profit or loss*

Financial liability at fair value through profit and loss is a financial liability that meets either of the following conditions:

- a) It is classified as held for trading. A financial liability is classified as held for trading if:
 - ✓ It is acquired or incurred principally for the purpose of reselling or repurchasing it in the near term;
 - ✓ There is evidence of a recent actual pattern of short-term profit-taking; or
 - ✓ It is a derivative (except derivative that is a financial guarantee contract or effective hedging instrument)
- b) Upon initial recognition, it is designated by the entity as at fair value through profit or loss

➤ *Financial liabilities at amortized cost:*

Financial liabilities that are not classified as at fair value through profit or loss are classified as at amortized cost.

Offsetting of financial assets and financial liabilities

Financial assets and financial liabilities are offset and the net amount reported in the interim consolidated balance sheet if and only if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis or to realize the assets and settle the liabilities simultaneously.

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33. FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)

The carrying value and fair value of financial assets and liabilities as at 31 March 2019 are presented as follows:

	Carrying value					Fair value VND million
	Financial assets at fair value through profit and loss VND million	Held-to- maturity VND million	Loans and receivables VND million	Available-for- sale VND million	Other assets and liabilities recorded at amortized cost VND million	
Cash, gold and gemstones	-	-	2,503,797	-	-	2,503,797
Balances with the SBV	-	-	3,527,201	-	-	3,527,201 (*)
Balances with and credit granting to other credit institutions - gross	-	-	8,637,912	-	-	8,637,912 (*)
Securities held for trading - gross	4,258,686	-	-	-	-	4,258,686 (*)
Derivatives and other financial assets	22,884	-	-	-	-	22,884 (*)
Loans to customers - gross	-	-	231,458,178	-	-	231,458,178 (*)
Available-for-sale securities - gross	-	-	-	52,960,253	-	52,960,253 (*)
Held-to-maturity securities - gross	-	2,752,955	-	-	-	2,752,955 (*)
Long-term investments - gross	-	-	-	227,602	-	227,602 (*)
Other financial assets - gross	-	-	15,406,023	-	-	15,406,023 (*)
	4,281,570	2,752,955	261,533,111	53,187,855	-	321,755,491
Amounts due to the Government and the SBV	-	-	-	-	21,651	21,651 (*)
Deposits and borrowings from financial institutions and other credit institutions	-	-	-	-	39,855,247	39,855,247 (*)
Customer deposits	-	-	-	-	188,117,243	188,117,243 (*)
Other borrowed and entrusted funds	-	-	-	-	325,177	325,177 (*)
Valuable papers issued	-	-	-	-	46,862,186	46,862,186 (*)
Other financial liabilities	-	-	-	-	9,824,722	9,824,722 (*)
	-	-	-	-	285,006,236	285,006,236

(*) The fair value of these financial assets and liabilities cannot be determined because there is no specific guidance in determination of fair value under Vietnamese Accounting Standards and Accounting System.

SELECTIVE NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)
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34. SEGMENT INFORMATION

A segment is a component determined separately by the Bank and its subsidiaries which is engaged in providing related products or services (business segment) or providing products or services in a particular economic environment (geographical segment), that is subject to risks and returns that are different from those of other segments.

34.1 The primary segment information by business segment

For management purpose, the Bank and its subsidiaries have established their operation in the following business segments:

Banking:	Provide the following products and services to customers:
	- Mobilizing deposits;
	- Providing credit;
	- Wire transfer; settlement services; and
	- Other banking operations.
Asset and liabilities management:	Assets and liabilities management

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34. SEGMENT INFORMATION (continued)

34.1 Primary segment information by business segment (continued)

Primary segment information by business segment as at 31 March 2019 and for the three-month period then ended is as follows:

	Banking VND million	Asset and liabilities management VND million	Inter-segment adjustments VND million	Total VND million
I. Income				
1 Interest and similar income	11,377,002	353	(353)	11,377,002
External interest and similar income	11,377,002	-	-	11,377,002
Inter-segment interest and similar income	-	353	(353)	-
2 Net fee and commission income	520,980	55,842	(55,850)	520,972
3 Other operating income	416,979	(79)	-	416,905
	12,314,961	56,121	(56,203)	12,314,879
II. Expenses				
1 Interest and similar expenses	(4,352,440)	-	353	(4,352,087)
External interest and similar expenses	(4,352,087)	-	-	(4,352,087)
Inter-segment interest and similar expenses	(353)	-	353	-
2 Depreciation and amortization charges	(88,405)	(115)	-	(88,520)
3 Other direct operating expenses	(2,889,511)	(73,685)	55,650	(2,887,328)
	(7,310,356)	(73,780)	56,203	(7,327,933)
Net profit before provision for credit losses	5,004,605	(17,658)	-	4,986,948
Provision expense for credit losses	(3,204,410)	-	-	(3,204,410)
Segmental profit before tax	1,800,195	(17,658)	-	1,782,536
III. Total assets				
1 Cash, gold and gemstones	2,503,797	-	-	2,503,797
2 Fixed assets	1,951,828	1,394	-	1,953,312
3 Other assets	317,486,250	179,278	(55,316)	317,623,212
	321,954,975	180,662	(55,316)	322,080,321
IV. Total liabilities				
1 External liabilities to customers	280,822,018	-	(31,158)	280,790,860
2 Other internal liabilities	191,163	11,387	-	202,570
3 Other liabilities	4,894,261	38,448	(24,158)	4,908,549
	285,907,442	47,833	(55,316)	285,899,979

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34. SEGMENT INFORMATION (continued)

34.1 Primary segment information by business segment (continued)

Primary segment information by business segment as at 31 December 2018 and the three-month period ended 31 March 2018 is as follows:

	Banking VND million	Asset and liabilities management VND million	Inter-segment adjustments VND million	Total VND million
I. Income				
1. Interest and similar income	9,730,236	865	(865)	9,730,236
External interest and similar income	9,730,236	-	-	9,730,236
Inter-segment interest and similar income	-	865	(865)	-
2. Net fee and commission income	302,395	26,003	(26,003)	302,395
3. Other operating income	1,311,787	115	-	1,311,882
	11,344,398	26,983	(26,737)	11,344,644
II. Expenses				
1. Interest and similar expenses	(3,712,379)	-	865	(3,712,379)
External interest and similar expenses	(3,712,379)	-	-	(3,712,379)
Inter-segment interest and similar expenses	(865)	-	865	-
2. Depreciation and amortization charges	(67,925)	(83)	-	(68,008)
3. Other direct operating expenses	(2,291,005)	(27,796)	25,972	(2,292,829)
	(6,072,174)	(27,879)	26,737	(6,073,316)
Net profit before provision for credit losses	5,272,224	(896)	-	5,271,328
Provision expense for credit losses	(2,552,317)	-	-	(2,552,317)
Segmental profit before tax	2,819,907	(896)	-	2,819,011
III. Total assets				
1. Cash, gold and gemstones	1,855,473	-	-	1,855,473
2. Fixed assets	1,981,597	1,498	-	1,983,096
3. Other assets	319,365,918	192,930	(86,298)	319,472,650
	323,182,988	194,428	(86,298)	323,291,118
IV. Total liabilities				
1. External liabilities to customers	283,201,828	-	(86,976)	283,132,852
2. Other internal liabilities	415,598	8,387	-	423,985
3. Other liabilities	4,869,000	32,556	(17,322)	4,984,233
	288,585,426	40,922	(86,298)	288,641,050

SELECTIVE NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 31 March 2019 and for the three-month period then ended

34. SEGMENT INFORMATION (continued)

34.2 The supplementary segment information by geographical area

The Bank and its subsidiaries' principal activities are mainly taking place within Vietnam. Therefore, the Bank and its subsidiaries' risks and returns are not impacted by the Bank's operations that are taken place in different locations. Therefore, the Bank's management identifies that the Bank has only one geographical segment. Accordingly, the presentation of geographical segment information is not required.

35. CHANGE IN NET PROFIT BEFORE TAX FOR THE PERIOD

The interim consolidated profit before tax for the three-month period ended 31 March 2019 of the Bank and its subsidiaries decreased by VND836,475 million compared to the interim consolidated profit before tax for the three-month period ended 31 March 2018, equivalent to 31.94% increase due to the following reasons:

	<i>Profit before tax</i> <i>VND million</i>
Profit increase due to increase in interest and similar income	1,007,058
Profit increase due to increase in net fee and commission income	218,446
Profit decrease due to decrease in net gain from trading of foreign currencies	(17,852)
Profit decrease due to decrease in net gain from securities held for trading	(27,365)
Profit decrease due to decrease in net gain from investment securities	(8,563)
Profit decrease due to decrease in net gain from other operating activities	(841,197)
Profit decrease due to increase in operating expenses	(814,909)
Profit decrease due to increase in provision for credit losses.	(552,093)
	(836,475)

36. EVENTS AFTER THE INTERIM CONSOLIDATED BALANCE SHEET DATE

There have been no significant events occurring after the interim consolidated balance sheet date which require adjustments and disclosures to be made in the interim consolidated financial statements.

SELECTIVE NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 31 March 2019 and for the three-month period then ended

37. EXCHANGE RATES OF APPLICABLE FOREIGN CURRENCIES AGAINST VIETNAMESE DONG AT THE REPORTING DATE

	31 March 2019 VND	31 December 2018 VND
AUD	16,466	16,338
CAD	17,399	17,015
CHF	23,306	23,565
CNY	3,452	3,368
DKK	3,160	3,160
EUR	26,155	26,566
GBP	30,277	29,476
JPY	209	210
NZD	17,249	17,249
SEK	3,078	3,078
SGD	17,126	16,975
THB	640	640
USD	23,200	23,220
XAU	364,500	365,000

Prepared by: 

Reviewed by:



Ms. Nguyen Thi Thu Hang
Chief Accountant



Ms. Luu Thi Thao
Standing Deputy Chief
Executive Officer
cum Chief Financial Officer



Approved by:



Mr. Nguyen Duc Vinh
Chief Executive Officer

Hanoi, Vietnam

19 April 2019

Vietnam Prosperity Joint Stock Commercial Bank

Interim consolidated financial statements

31 March 2018



Vietnam Prosperity Joint Stock Commercial Bank

Interim consolidated financial statements

31 March 2018

Vietnam Prosperity Joint Stock Commercial Bank

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Vietnam Prosperity Joint Stock Commercial Bank

GENERAL INFORMATION

THE BANK

Vietnam Prosperity Joint Stock Commercial Bank (the "Bank" or "VPBank") is a joint stock commercial bank incorporated and registered in the Socialist Republic of Vietnam.

The Bank was established pursuant to Banking License No. 0042/NH-GP dated 12 August 1993 issued by the State Bank of Vietnam (the "SBV") and Business Registration Certificate No. 0100233583 dated 8 September 1993 issued by Hanoi Department of Planning and Investment which was amended for the 39th time on 17 November 2017, up to 31 March 2018. The Bank started operation on 12 August 1993 with an operation period of 00 years.

The Bank's principal activities are to provide banking services including mobilizing and receiving short, medium and long-term deposits from organizations and individuals; making short, medium and long-term loans and advances to organizations and individuals; conducting foreign exchange transactions; providing international trade finance services; discounting of commercial papers, bonds and other valuable papers; investing in shares and bonds; providing settlement services; digital wallet, investing in future contract of Government bonds; providing asset management services; granting credit in form of rediscounting negotiable instruments and other valuable papers and other banking services as allowed by the SBV.

Charter capital

As at 31 March 2018, the charter capital of the Bank is VND15,708.230 million (31 December 2017: VND15,708,230 million).

Operational network

The Bank's Head Office is located at No. 89 Lang Ha, Lang Ha Ward, Dong Da District, Hanoi, Vietnam. As at 31 March 2018, the Bank has one (1) Head Office, fifty-five (55) branches, one hundred and sixty-three (163) transaction offices nationwide and two (2) subsidiaries.

BOARD OF DIRECTORS

The members of the Board of Directors of the Bank during the period and as at the date of the Interim consolidated financial statements are as follows:

<i>Name</i>	<i>Position</i>
Mr. Ngo Chi Dung	Chairman
Mr. Bui Hai Quan	Vice Chairman
Mr. Lo Bang Giang	Vice Chairman
Mr. Nguyen Van Hao	Independent member
Mr. Nguyen Duc Vinh	Member

Vietnam Prosperity Joint Stock Commercial Bank

GENERAL INFORMATION (continued)

THE BOARD OF SUPERVISION

The members of the Board of Supervision of the Bank during the period and as at the date of the interim consolidated financial statements are as follows:

<i>Name</i>	<i>Position</i>
Mr. Ngo Phuong Chi	Head of Board of Supervision
Ms. Nguyen Thi Bich Thuy	Full-time member
Ms. Trinh Thi Thanh Hang	Full-time member

THE BOARD OF MANAGEMENT

The members of the Board of Management of the Bank during the period and as at the date of the interim consolidated financial statements are as follows:

<i>Name</i>	<i>Position</i>
Mr. Nguyen Duc Vinh	Chief Executive Officer
Ms. Luu Thi Thao	Standing Deputy Chief Executive Officer Appointed on 16 July 2018
Mr. Sanjeev Nanavati	Standing Deputy Chief Executive Officer Appointed on 16 July 2018
Mr. Nguyen Thanh Binh	Deputy Chief Executive Officer
Mr. Phan Ngoc Hoa	Deputy Chief Executive Officer
Ms. Duong Thi Thu Thuy	Deputy Chief Executive Officer
Mr. Nguyen Thanh Long	Deputy Chief Executive Officer
Mr. Fung Kai Jin	Deputy Chief Executive Officer
Mr. Pham Phu Khoi	Deputy Chief Executive Officer
Mr. Kosaraju Kiran Babu	Deputy Chief Executive Officer
Mr. Dinh Van Nho	Deputy Chief Executive Officer Appointed on 2 July 2018
Mr. Phung Duy Khuong	Deputy Chief Executive Officer Appointed on 3 January 2019

LEGAL REPRESENTATIVE

The legal representative of the Bank during the three-month period and as at the date of the interim consolidated financial statements is Mr. Ngo Chi Dzung – Chairman.

Mr. Nguyen Duc Vinh - Chief Executive Officer was authorized by Mr. Ngo Chi Dzung to sign off the accompanying interim consolidated financial statements for the three-month period ended 31 March 2018 according to Authorization Document No. 09/2012/UQ-CT dated 5 July 2012.

AUDITORS

The auditor of the Bank is Ernst & Young Vietnam Limited.

Vietnam Prosperity Joint Stock Commercial Bank

REPORT OF THE BOARD OF MANAGEMENT

The Board of Management of Vietnam Prosperity Joint Stock Commercial Bank (the "Bank") is pleased to present its report and the interim consolidated financial statements of the Bank and its subsidiaries as at 31 March 2018 and for the three-month period then ended.

MANAGEMENT'S RESPONSIBILITY FOR THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

The Board of Management of the Bank is responsible for the interim consolidated financial statements which give a true and fair view of the interim consolidated financial position of the Bank and its subsidiaries and of the interim consolidated results of their operations and their interim consolidated cash flows for the period. In preparing these interim consolidated financial statements, the Board of Management is required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the interim consolidated financial statements; and
- prepare the interim consolidated financial statements on the going concern basis unless it is inappropriate to presume that the Bank will continue in business.

The Board of Management is responsible for ensuring that proper accounting records are kept which disclose, with reasonable accuracy at any time, the interim consolidated financial position of the Bank and its subsidiaries and ensuring that the accounting records comply with the applied accounting system. It is also responsible for safeguarding the assets of the Bank and its subsidiaries and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Board of Management confirmed that it has complied with the above requirements in preparing the accompanying interim consolidated financial statements.

STATEMENT BY THE BOARD OF MANAGEMENT

The Board of Management of the Bank does hereby state that, in its opinion, the accompanying interim consolidated financial statements give a true and fair view of the interim consolidated financial position of the Bank and its subsidiaries as at 31 March 2018, the interim consolidated results of their operations and their interim consolidated cash flows for the three-month period then ended in accordance with Vietnamese Accounting Standards, Vietnamese Accounting System for Credit Institutions and other statutory requirements relevant to preparation and presentation of the interim consolidated financial statements.

For and on behalf of the Board of Management



Mr. Nguyen Duc Vinh
Chief Executive Officer

Hanoi, Vietnam

19 April 2019

Reference: 60/55038/21085223-LR/HN

REPORT ON REVIEW OF INTERIM CONSOLIDATED FINANCIAL STATEMENTS

To: **The Shareholders of
Vietnam Prosperity Joint Stock Commercial Bank**

We have reviewed the accompanying interim consolidated financial statements of Vietnam Prosperity Joint Stock Commercial Bank (the "Bank") and its subsidiaries, as prepared on 19 April 2019 and set out on pages 6 to 71 which comprise the interim consolidated balance sheet as at 31 March 2018, the interim consolidated income statement and the interim consolidated cash flow statement for the three-month period then ended and the notes thereto.

Management's responsibility

The Bank's Board of Management is responsible for the preparation and fair presentation of these interim consolidated financial statements in accordance with Vietnamese Accounting Standards, Vietnamese Accounting System for Credit Institutions and statutory requirements relevant to the preparation and presentation of the interim consolidated financial statements, and for such internal control as the Board of Management determines is necessary to enable the preparation and presentation of the interim consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express a conclusion on the interim consolidated financial statements based on our review. We conducted our review in accordance with Vietnamese Standards on Review Engagements No. 2410 – *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*.

A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Vietnamese Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim consolidated financial statements do not give a true and fair view, in all material respects, of the interim consolidated financial position of the Bank and its subsidiaries as at 31 March 2018, and of the interim consolidated results of its operations and its interim consolidated cash flows for the three-month period then ended in accordance with Vietnamese Accounting Standards, Vietnamese Accounting System for Credit Institutions and statutory requirements relevant to preparation and presentation of interim consolidated financial statements.

Other matters

The interim consolidated financial statements of the Bank for the three-month period from 1 January 2017 to 31 March 2017 have not been reviewed.



Ernst & Young Vietnam Limited

Dang Phuong Ha
Deputy General Director
Audit Practising Registration
Certificate No. 2400-2018-004-1

Hanoi, Vietnam

13 May 2019

INTERIM CONSOLIDATED BALANCE SHEET
as at 31 March 2018

	<i>Notes</i>	<i>31 March 2018 VND million</i>	<i>31 December 2017 VND million</i>
ASSETS			
Cash, gold and gemstones		2,633,306	2,574,284
Balances with the State Bank of Vietnam		2,658,337	6,460,795
Placements with and loans to other credit institutions		22,882,775	17,520,025
Placements with other credit institutions	5.1	20,141,474	15,218,720
Loans to other credit institutions	5.2	2,742,032	2,302,036
Provision for loans to other credit institutions		(731)	(731)
Securities held for trading	6	2,289,930	1,424,854
Securities held for trading		2,289,930	1,424,854
Loans to customers		185,628,817	179,518,809
Loans to customers	8	189,116,170	182,666,213
Provision for loans to customers	9	(3,487,353)	(3,147,404)
Debts purchased	10	511,105	-
Debts purchased		512,078	-
Provision for debts purchased		(974)	-
Investment securities		51,672,591	53,558,049
Available-for-sale securities	11.1	48,704,826	50,384,788
Held-to-maturity securities	11.2	4,134,187	4,151,127
Provision for investment securities	11.3	(1,166,222)	(977,866)
Long-term investments	12	220,421	152,506
Other long-term investments		227,602	194,602
Provision for long-term investments		(7,181)	(42,096)
Fixed assets		776,821	808,486
Tangible fixed assets		439,476	457,882
Cost		1,117,643	1,090,758
Accumulated depreciation		(678,167)	(633,076)
Intangible fixed assets		336,345	350,604
Cost		631,126	623,228
Accumulated amortization		(294,781)	(272,422)
Other assets		14,971,100	15,734,506
Receivables	13.1	7,565,938	8,539,528
Interest and fees receivable	13.2	3,908,156	3,812,015
Other assets	13.3	3,517,409	3,404,366
Provision for other assets	13.4	(21,403)	(21,403)
TOTAL ASSETS		284,144,202	277,762,314

INTERIM CONSOLIDATED BALANCE SHEET (continued)
as at 31 March 2018

	<i>Notes</i>	<i>31 March 2018 VND million</i>	<i>31 December 2017 VND million</i>
LIABILITIES			
Amounts due to the Government and the State Bank of Vietnam	14	2,025,716	26,015
Deposits and borrowings from other credit institutions		24,718,966	33,200,418
Deposits from other credit institutions	15.1	7,430,292	7,834,381
Borrowings from other credit institutions	15.2	17,288,674	25,366,037
Customer deposits	16	143,130,283	133,550,812
Derivatives and other financial liabilities	7	145,611	160,469
Other borrowed and entrusted funds	17	3,777,792	3,899,364
Valuable papers issued	18	66,806,375	66,104,605
Other liabilities		11,898,408	11,114,921
Interest and fees payable	19.1	5,480,752	5,083,166
Other liabilities	19.2	6,437,656	6,051,755
TOTAL LIABILITIES		252,503,151	248,056,604
OWNERS' EQUITY			
Charter capital		15,706,230	15,706,230
Share premium		5,866,105	5,866,105
Reserves		6,306,012	3,558,265
Foreign exchange differences		(3,336)	-
Retained earnings		3,766,040	4,565,110
TOTAL OWNERS' EQUITY	21	31,641,051	29,695,710
TOTAL LIABILITIES AND OWNERS' EQUITY		284,144,202	277,752,314

INTERIM CONSOLIDATED BALANCE SHEET (continued)
as at 31 March 2018

OFF-BALANCE SHEET ITEMS

	31 March 2018 VND million	31 December 2017 VND million
Credit guarantees	3,316	3,792
Foreign exchange commitments	61,217,421	76,976,531
- Spot foreign exchange commitments - buy	3,693,200	369,768
- Spot foreign exchange commitments - sell	3,698,867	370,388
- Swap contracts	53,825,334	76,236,375
Irrevocable loan commitments	1,581	-
Letters of credit	8,349,101	8,801,290
Other guarantees	11,318,123	11,590,623
Other commitments (*)	88,140,938	7,034,321
	169,030,480	104,406,557

(*) According to Circular No. 19/2017/TT-NHNN dated 28 December 2017 amending and supplementing a number of articles of Circular No. 36/2014/TT-NHNN dated 20 November 2014 of the Governor of the State Bank of Vietnam providing for prudential ratios and limits for operations of credit institutions and branches of foreign banks which has taken effect since 12 February 2018, the figure as at 31 March 2018 presents the additional amount of unused credit limits that the Bank has the right to revoke or automatically revoke due to the customers' violation on revocable commitments or reduction of capacity to perform the duty and available credit limits of credit cards.

Prepared by: 

Reviewed by:

Approved by:


Ms. Nguyen Thi Thu Hang
Chief Accountant


Ms. Lieu Thi Thao
Standing Deputy Chief
Executive Officer
cum Chief Financial Officer




Mr. Nguyen Duc Vinh
Chief Executive Officer

Hanoi, Vietnam

19 April 2019

INTERIM CONSOLIDATED INCOME STATEMENT
for the three-month period ended 31 March 2018

	Notes	For the three-month period ended 31 March 2018 VND million	For the three-month period ended 31 March 2017 VND million
Interest and similar income	23	9,730,236	7,983,474
Interest and similar expenses	24	(3,712,379)	(3,154,396)
Net interest and similar income		6,017,857	4,829,078
Fee and commission income		869,636	648,109
Fee and commission expenses		(567,110)	(343,138)
Net fee and commission income		302,526	304,971
Net loss from trading of foreign currencies		(19,510)	(14,494)
Net gain from securities held for trading	25	29,891	4,501
Net gain from investment securities	26	177,621	75,488
Other operating income		1,253,544	721,602
Other operating expenses		(129,664)	(515,127)
Net gain from other operating activities	27	1,123,880	206,475
TOTAL OPERATING INCOME		7,632,265	5,406,019
TOTAL OPERATING EXPENSES	28	(2,360,937)	(1,797,024)
Net profit before provision for credit losses		5,271,328	3,608,995
Provision expenses for credit losses	29	(2,652,317)	(1,684,885)
PROFIT BEFORE TAX		2,619,011	1,924,110
Current corporate income tax expense		(523,896)	(389,399)
Corporate income tax expense		(523,896)	(389,399)
PROFIT AFTER TAX		2,095,115	1,534,711
Basic earnings per share (VND)	22	1,399	1,124

Prepared by:



Ms. Nguyen Thi Thu Hang
Chief Accountant

Reviewed by:



Ms. Luu Thi Thao
Standing Deputy Chief
Executive Officer
cum Chief Financial Officer



Mr. Nguyen Duc Vinh
Chief Executive Officer

Hanoi, Vietnam

19 April 2019

INTERIM CONSOLIDATED CASH FLOW STATEMENT
for the three-month period ended 31 March 2018

	<i>Notes</i>	<i>For the three-month period ended 31 March 2018 VND million</i>	<i>For the three-month period ended 31 March 2017 VND million</i>
CASH FLOWS FROM OPERATING ACTIVITIES			
Interest and similar receipts		9,613,440	8,181,832
Interest and similar payments		(3,284,574)	(2,594,490)
Net fee and commission receipts		292,007	297,896
Net receipts from dealing in foreign currencies, gold and securities trading activities		177,511	135,698
Other income		833,942	23,034
Recoveries from bad debts previously written-off		289,922	183,441
Payments for employees and other operating activities		(2,692,100)	(2,000,125)
Corporate income tax paid in the period	20	(655,652)	(468,457)
Net cash flows from operating profit before changes in operating assets and liabilities		4,574,498	3,759,827
Changes in operating assets			
Placements with and loans to other credit institutions		(439,996)	4,339,730
Investment securities		764,886	2,808,942
Loans to customers and debts purchased		(6,894,898)	(7,389,752)
Provision to write off loans to customers, securities and long-term investments		(2,112,592)	(1,047,497)
Changes in other operating assets		815,146	(683,443)
Changes in operating liabilities:			
Amounts due to the Government and the SBV		1,999,701	(1,075,967)
Deposits and borrowings from other credit institutions		(8,481,452)	(14,616,037)
Customer deposits		9,579,471	5,712,030
Valuable papers issued (except for valuable papers issued for financing activities)		701,770	8,254,538
Other borrowed and entrusted funds		(121,572)	885,606
Derivatives and other financial liabilities		(14,858)	9,113
Changes in other operating liabilities		735,476	166,051
Net cash flows from operating activities		1,105,578	1,123,141
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of fixed assets		(26,277)	(79,236)
Proceeds from disposal of fixed assets		16	-
Net cash flows used in investing activities		(26,261)	(79,236)

INTERIM CONSOLIDATED CASH FLOW STATEMENT (continued)
For the three-month period ended 31 March 2018

		For the three-month period ended 31 March 2018 VND million	For the three-month period ended 31 March 2017 VND million
	Notes		
Net cash flows in the period		1,079,317	1,043,905
Cash and cash equivalents at the beginning of the period		24,253,799	8,799,126
Cash and cash equivalents at the end of the period	30	25,333,116	9,843,031
SIGNIFICANT NON-CASH TRANSACTIONS IN THE PERIOD			
Increase in charter capital from retained earnings		-	1,104,000
Bonus shares issued using the capital supplementary reserve and investment and development fund		-	480,453

Prepared by: 

Reviewed by:



Ms. Nguyen Thi Thu Hang
Chief Accountant

Ms. Lưu Thị Thao
Standing Deputy Chief
Executive Officer
cum Chief Financial Officer

Mr. Nguyen Duc Vinh
Chief Executive Officer

Hanoi, Vietnam

19 April 2019

SELECTIVE NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS
as at 31 March 2018 and for the three-month period then ended

1. GENERAL INFORMATION

Vietnam Prosperity Joint Stock Commercial Bank (the "Bank" or "VPBank") is a joint stock commercial bank incorporated and registered in the Socialist Republic of Vietnam.

The Bank was established pursuant to Banking License No. 0042/NH-GP dated 12 August 1993 issued by the State Bank of Vietnam (the "SBV") and Business Registration Certificate No. 0100233583 dated 8 September 1993 issued by Hanoi Department of Planning and Investment which was amended for the 39th time on 17 November 2017, up to 31 March 2018. The Bank started operation on 12 August 1993 with an operation period of 99 years.

The Bank's principal activities are to provide banking services including mobilizing and receiving short, medium and long-term deposits from organizations and individuals; making short, medium and long-term loans and advances to organizations and individuals; conducting foreign exchange transactions; providing international trade finance services; discounting of commercial papers, bonds and other valuable papers; investing in shares and bonds; providing settlement services; digital wallet; investing in future contract of Government bonds; providing asset management services; granting credit in form of rediscounting negotiable instruments and other valuable papers and other banking services as allowed by the SBV.

Charter capital

As at 31 March 2018, the charter capital of the Bank is VND15,706,230 million (31 December 2017: VND15,706,230 million).

Operational network

The Bank's Head Office is located at No. 89 Lang Ha, Lang Ha Ward, Dong Da District, Hanoi, Vietnam. As at 31 March 2018, the Bank has one (1) Head Office, fifty-five (55) branches, one hundred and sixty-three (163) transaction offices nationwide and two (2) subsidiaries.

Subsidiaries

As at 31 March 2018, the Bank has two (2) directly owned subsidiaries as follow:

<i>Subsidiaries</i>	<i>Operating license</i>	<i>Nature of business</i>	<i>Share capital</i>	<i>Ownership</i>
VPBank Asset Management Company Limited ("VPB AMC")	Business Registration Certificate No. 0105837483 issued by Hanoi Department of Planning and Investment which was last amended on 28 December 2016	Asset and liabilities management	VND115 billion	100%
VPBank Finance Company Limited ("VPB FC")	Business Registration Certificate No. 0102180545 issued by Ho Chi Minh City Department of Planning and Investment which was last amended on 12 August 2017	Other finance activities	VND4,474 billion	100%

Employees

As at 31 March 2018, total number of permanent employees of the Bank and its subsidiaries is 24,477 persons (31 December 2017: 23,826 persons).

SELECTIVE NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 31 March 2018 and for the three-month period then ended

2. ACCOUNTING PERIOD AND ACCOUNTING CURRENCY

2.1 Fiscal year

The Bank's fiscal year starts on 1 January and ends on 31 December.

The Bank's interim consolidated three-month period starts on 1 January and ends on 31 March.

2.2 Accounting currency

Currency used in preparing interim consolidated financial statements of the Bank is Vietnam dong ("VND") and rounded to the nearest million VND ("VND million").

3. APPLIED ACCOUNTING STANDARDS AND SYSTEM

3.1 Statement of compliance

The Board of Management of the Bank confirms that the accompanying interim consolidated financial statements have been prepared in accordance with Vietnamese Accounting Standards, Vietnamese Accounting System for Credit Institutions and other relevant statutory requirements related to the preparation and presentation of interim consolidated financial statements.

3.2 Accounting standards and system

The interim consolidated financial statements of the Bank are prepared in accordance with the Accounting System applicable to Credit Institutions required under Decision No. 479/2004/QĐ-NHNN issued on 29 April 2004, Circular No. 10/2014/TT-NHNN dated 20 March 2014 and Circular No. 22/2017/TT-NHNN dated 29 December 2017 amending and supplementing Decision No. 479/2004/QĐ-NHNN, the financial reporting regime applicable to credit institutions required under Decision No. 16/2007/QĐ-NHNN dated 18 April 2007 and Circular No. 49/2014/TT-NHNN amending and supplementing a number of articles of Decision No. 16/2007/QĐ-NHNN and the chart of account system for Credit Institutions issued in connection with Decision No. 479/2004/QĐ-NHNN by the State Bank of Vietnam and Vietnamese Accounting Standards issued by the Ministry of Finance as per:

- ▶ Decision No. 149/2001/QĐ-BTC dated 31 December 2001 on the Issuance and Promulgation of Four Vietnamese Accounting Standards (Series No. 1);
- ▶ Decision No. 166/2002/QĐ-BTC dated 31 December 2002 on the Issuance and Promulgation of Six Vietnamese Accounting Standards (Series No. 2);
- ▶ Decision No. 234/2003/QĐ-BTC dated 30 December 2003 on the Issuance and Promulgation of Six Vietnamese Accounting Standards (Series No. 3);
- ▶ Decision No. 12/2005/QĐ-BTC dated 15 February 2005 on the Issuance and Promulgation of Six Vietnamese Accounting Standards (Series No. 4); and
- ▶ Decision No. 100/2005/QĐ-BTC dated 28 December 2005 on the Issuance and Promulgation of Four Vietnamese Accounting Standards (Series No. 5).

The Bank has options to present the interim consolidated financial statements in the same complete format as the annual consolidated financial statements under Vietnamese Accounting Standard No. 21 – *Presentation of Financial Statements* or present the interim consolidated financial statements with selective notes to financial statements under Vietnamese Accounting Standard No. 27 – *Interim Financial Statements* ("VAS 27") for an accounting period which is quarterly or monthly.

For the three-month accounting period ended 31 March 2018, the Bank has selected to prepare the interim consolidated financial statements with selective notes to financial statements in accordance with VAS 27.

SELECTIVE NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 31 March 2018 and for the three-month period then ended**3. APPLIED ACCOUNTING STANDARDS AND SYSTEM (continued)****3.2 Accounting standards and system (continued)**

The accompanying interim consolidated financial statements have been prepared using accounting principles, procedures and reporting practices generally accepted in Vietnam. Accordingly, the accompanying Interim consolidated balance sheet, the interim consolidated income statement, the interim consolidated cash flow statement and the notes to the interim consolidated financial statements and their utilization, are not designed for those who are not informed about Vietnam's accounting principles, procedures and reporting practices and furthermore are not intended to present the interim consolidated financial position, results of interim consolidated operations and interim consolidated cash flows of the Bank and its subsidiaries in accordance with accounting principles and practices generally accepted in countries other than Vietnam.

Items or balances required by Decision No. 18/2007/QĐ-NHNN dated 18 April 2007 and Circular No. 49/2014/TT-NHNN dated 31 December 2014 issued by the SBV stipulating the interim consolidated financial statements reporting mechanism for credit institutions that are not shown in these interim consolidated financial statements indicate nil balance.

3.3 Assumptions and uses of estimates

The presentation of the Interim consolidated financial statements requires the Board of Management of the Bank to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent liabilities. These estimates and assumptions also affect the income, expenses and the resultant provision. The actual results may differ from such estimates and assumptions.

3.4 Basis of interim consolidation

The interim consolidated financial statements comprise the financial statements of the Bank and its subsidiaries for the three-month period ended 31 March 2018.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Bank obtains control.

The financial statements of the subsidiaries are prepared for the same reporting period as the Parent Bank, using consistent accounting policies.

All intra-group balances, income and expenses and unrealized gains or losses resulting from intra-group transactions are eliminated in full.

SELECTIVE NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 31 March 2018 and for the three-month period then ended

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

4.1 Changes in accounting policies and disclosures

4.1.1. Standards issued and have been effective

The accounting policies adopted by the Bank in preparation of the interim consolidated financial statements are consistent with those followed in the preparation of the Bank's consolidated financial statements for the year ended 31 December 2017 and interim consolidated financial statements for the three-month period ended 31 March 2017, except for the following change in the accounting policies.

Decree No. 93/2017/ND-CP on financial regime applicable to credit institutions, foreign bank branches and financial supervision and evaluation of efficiency of State capital investment at credit institutions with State owning 100% of charter capital and State-owned credit institutions

On 7 August 2017, the Government promulgated Decree No. 93/2017/ND-CP on the financial regime applicable to credit institutions, foreign bank branches, and financial supervision and efficiency evaluation of State capital investment in credit institutions with State owning 100% of charter capital and State-owned credit institutions ("Decree 93"). Decree 93 replaces Decree No. 57/2012/ND-CP dated 20 July 2012 of the Government, and takes effect on 25 September 2017, except for regulations on the efficiency evaluation of State investment in joint-stock credit institutions with State owning over 50% of charter capital.

Decree 93 supplements the regulations on capital adequacy, income, expenses, accounting currency and the distribution order of profit after corporate income tax.

Circular No. 14/2017/TT-NHNN regulates the methods of calculating interest on depositing and credit extension transaction between credit institutions and customers.

On 29 September 2017, the SBV issued Circular No. 14/2017/TT-NHNN regulating methods of calculation of interest in depositing and credit granting transactions between credit institutions and customers. Accordingly, the interest accruals on credit and deposit operation are calculated on the basis that a year is 365 days. The circular has taken effect since 1 January 2018.

Circular No. 19/2017/TT-NHNN amending and supplementing a number of articles of Circular No. 36/2014/TT-NHNN of the Governor of the SBV dated 20 November 2014 stipulating prudential ratios and limits for the operation of credit institutions and foreign bank branches

On 28 December 2017, the SBV issued Circular No. 19/2017/TT-NHNN amending and supplementing a number of articles of Circular No. 36/2014/TT-NHNN dated 20 November 2014 of the Governor of the State Bank of Vietnam providing for prudential ratios and limits for operations of credit institutions and branches of foreign banks. Accordingly, "Other commitments" disclosed in "Off balance sheet items" include unused credit limits that the Bank has the right to revoke or automatically revoke due to the customers' violation on revocable commitments or reduction of capacity to perform the duty and available credit limits of credit cards. The circular has taken effect since 28 February 2018.

SELECTIVE NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 31 March 2018 and for the three-month period then ended**4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****4.1 Changes in accounting policies and disclosures (continued)****4.1.1. Standards issued and have been effective (continued)**

Circular No. 16/2018/TT-BTC ("Circular 16") guiding a number of articles on the financial regime applicable to credit institutions and foreign bank branches

Changes in Circular 16 are as below:

- ▶ Amending and supplementing the management and utilization method of real estate held for debt resolution;
- ▶ Amending and supplementing the recognition of revenue from trading of securities (shares exclusive);
- ▶ Amending and supplementing recognition of expenses.

Circular 16 has taken effect since 26 March 2018 and replaced Circular No. 05/2013/TT-BTC dated 9 January 2013 of the Ministry of Finance providing guidance to the financial regime applicable to credit institutions and foreign bank branches. The Bank assessed that Circular 16 has no significant impact on the Bank's accounting policies.

4.1.2 Standards issued but not yet effective

On 29 December 2017, the State Bank of Vietnam ("SBV") issued Circular No. 22/2017/TT-NHNN amending and supplementing a number of articles of the Chart of account system applicable to credit institutions issued in connection with Decision No. 479/2004/QĐ-NHNN dated 29 April 2004 and the financial reporting regime applicable to credit institutions required under Decision No. 16/2007/QĐ-NHNN dated 18 April 2007 by the Governor of the SBV ("Circular 22").

The main changes in Circular 22 are as follows:

- ▶ Amending and supplementing the guidance on the accounting treatment for foreign exchange and gold transactions;
- ▶ Amending a number of accounts in the Chart of account system applicable to credit institutions;
- ▶ Amending the guidance on the accounting treatment for some accounts in the Chart of account system applicable to credit institutions; and
- ▶ Amending and supplementing the guidance on the Financial reporting regime applicable to credit institutions.

Circular 22 will take effect on 1 April 2018.

SELECTIVE NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 31 March 2018 and for the three-month period then ended

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.2 Cash and cash equivalents

Cash and cash equivalents comprise balance with the SBV, demand deposits and placements with other credit institutions with an original maturity of three months or less from the transaction date, securities with recovery or maturity of three months or less from date of purchase which are convertible into a known amount of cash and do not bear liquidity risk as at the reporting date.

4.3 Placements with and loans to other credit institutions

Placements with and loans to other credit institutions are presented at the principal amounts outstanding at the end of the period.

The credit risk classification of placements with and loans to other credit institutions and provision for credit risks thereof are provided in accordance with Circular No. 02/2013/TT-NHNN dated 21 January 2013 of the SBV on classification of assets, levels and method of making risk provision, and use of provision against credit risks in operation of credit institutions, foreign bank's branches ("Circular 02") and Circular No. 09/2014/TT-NHNN dated 18 March 2014 on amending and supplementing a number of article of Circular 02 ("Circular 09").

Accordingly, the Bank makes a specific provision for placements with (except for current accounts) and loans to other credit institutions according to the method as described in Note 4.5.

According to Circular 02, the Bank is not required to make a general provision for placements with and loans to other credit institutions.

4.4 Loans to customers

Loans to customers are presented at the principal amounts outstanding as at the end of the period.

Short-term loans have maturity of less than or equal to one year from disbursement date. Medium-term loans have maturity from over one year to five years from disbursement date. Long-term loans have maturity of more than five years from disbursement date.

Loan classification and provision for credit losses are made according to Circular 02 and Circular 09 as presented in Note 4.5.

SELECTIVE NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 31 March 2018 and for the three-month period then ended

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.5 Loan classification and provision for credit losses applied to placements with and loans to other credit institutions, unlisted corporate bonds purchased and trusted for purchase by the Bank, loans to customers, entrusted for credit granting by the Bank and other credit risk bearing assets

The classification of placements with and loans to other credit institutions, direct and entrusted investments in unlisted corporate bonds, loans to customers and entrustments for credit granting (collectively called "debts") is made in compliance with the quantitative method as prescribed in Article 10 of Circular 02.

The specific provision for debts as at 31 March is made based on the principal balance less discounted value of collateral, then multiplied by provision rates which are determined based on the debt classifications as at 28 February. The specific provision rates for each group are presented as follows

Group	Description	Provision rate
1 Current	(a) Current debts are assessed as fully and timely recoverable for both principals and interests; or (b) Debts are overdue for a period of less than 10 days and assessed as fully recoverable for both overdue principals and interests, and fully and timely recoverable for both remaining principals and interests.	0%
2 Special Attention	(a) Debts are overdue for a period of between 10 days and 90 days; or (b) Debts which the repayment terms are restructured for the first time	5%
3 Sub standard	(a) Debts are overdue for a period of between 91 days and 180 days; or (b) Debts which the repayment terms are extended for the first time; or (c) Debts which interests are exempted or reduced because customers do not have sufficient capability to repay all interests under credit contracts; or (d) Debts under one of the following cases which have not been recovered in less than 30 days from the date of the recovery decision: <ul style="list-style-type: none"> ▪ Debts made in compliance with Clause 1, 3, 4, 5, 6 under Article 126 of Law on Credit Institutions; or ▪ Debts made in compliance with Clause 1, 2, 3, 4 under Article 127 of Law on Credit Institutions; or ▪ Debts made in compliance with Clauses 1, 2 and 5 under Article 128 of Law on Credit Institutions. (e) Debts are required to be recovered according to regulatory inspection conclusions.	20%
4 Doubtful	(a) Debts are overdue for a period of between 181 days and 360 days; or (b) Debts which the repayment terms are restructured for the first time but still overdue for a period of less than 90 days under that restructured repayment term; or (c) Debts which the repayment terms are restructured for the second time; or (d) Debts are specified in point (d) of Loan group 3 and overdue for a period of between 30 days and 60 days after decisions of recovery have been issued; or (e) Debts are required to be recovered according to regulatory inspection conclusions but still outstanding with an overdue period up to 60 days since the recovery date as required by regulatory inspection conclusions.	50%

SELECTIVE NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 31 March 2018 and for the three-month period then ended

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.5 *Loan classification and provision for credit losses applied to placements with and credit granting to other credit institutions, unlisted corporate bonds purchased and trusted for purchase by the Bank, loans to customers, entrusted for credit granting by the Bank and other credit risk bearing assets* (continued)

Group		Description	Provision rate
5	Loss	(a) Debts are overdue for a period of more than 360 days; or (b) Debts which the repayment terms are restructured for the first time but still overdue for a period of 90 days or more under that first restructured repayment term; or (c) Debts which the repayment terms are restructured for the second time but still overdue under that second restructured repayment term; or (d) Debts which the repayment terms are restructured for the third time or more, regardless of being overdue or not; or (e) Debts are specified in point (d) of Loan group 3 and overdue for a period of more than 60 days after decisions on recovery have been issued; or (f) Debts are required to be recovered under regulatory inspection conclusions but still outstanding with an overdue period of more than 60 days since the recovery date as required by regulatory inspection conclusions; or (g) Debts of credit institutions under special control as announced by the SBV, or debts of foreign bank branches which capital and assets are blocked.	100%

If a customer has more than one debt with the Bank and any of the outstanding debts is classified into a higher risk group, the entire remaining debts of such customer should be classified into the corresponding higher risk group.

When the Bank participates in a syndicated loan as a participant, it should classify loans (including syndicated loans) of the customer into the group of higher risk between the assessment of the leading bank and the Bank.

For loans to customers in agricultural and rural sector, the Bank is allowed to restructure these loans and keep their debt groups as before restructuring for only one time in accordance with Circular No. 10/2015/TT-NHNN dated 22 July 2015 providing guidance on certain contents of Decree No. 55/2015/ND-CP dated 9 June 2015 by the Government on credit policies for agriculture and rural development.

The basis for determination of value and discounted value for each type of collateral is specified in Circular 02 and Circular 09.

General provision as at 31 March is made at 0.75% of total outstanding debt balances excluding placements with and loans to other credit institutions and debts classified as loss (group 5) as at 28 February.

SELECTIVE NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 31 March 2018 and for the three-month period then ended

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.6 Securities held for trading

4.6.1 Classification and recognition

Securities held for trading include debt securities acquired and held for resale. Securities held for trading are initially recognized at cost.

4.6.2 Measurement

Listed debt securities held for trading are recognized at cost less provision for diminution in value of securities, which is based on the yield quoted on the Hanoi Securities Exchange as at the balance sheet date.

Provision for credit losses on corporate bonds which are not listed on the stock market or not registered on the unlisted public companies market is made in accordance with Circular 02 and Circular 09 as described in Note 4.5.

Provision for securities held for trading which is mentioned above is reversed when the recoverable amount of securities held for trading increases after making provision as a result of an objective event. Provision is reversed up to the gross value of these securities before provision.

Interest derived from holding securities held for trading are recognized on a cash basis in the interim consolidated income statement.

4.6.3 De-recognition

Trading securities are derecognized when the rights to receive cash flows from these securities have been terminated or the Bank has transferred substantially all the risks and rewards of ownership of these securities.

4.7 Available-for-sale securities

Available-for-sale securities include debt and equity securities acquired by the Bank for the investment and available-for-sale purposes, not regularly traded but can be sold when there is a benefit. For equity securities, the Bank is neither the founding shareholder nor the strategic partner, nor has the ability to make certain influence in planning and making decision in the financial and operating policies of the investees under a written agreement to appoint personnel to the Board of Directors/Management.

Available-for-sale equity securities are initially recognized at cost at the purchase date and continuously presented at cost in subsequent periods.

Available-for-sale debt securities are recognized at par value at the purchase date. Accrued interest incurred before purchase (for debt securities with interest payment in arrears) and deferred interest (for debt securities with interest payment in advance) are recognized in a separate account. Discount/premium, which is the difference between the cost and the amount being the par value plus (+) accrued interest incurred before purchase (if any) or minus (-) deferred interest (if any), is also recognized in a separate account.

SELECTIVE NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 31 March 2018 and for the three-month period then ended

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.7 Available-for-sale securities (continued)

In subsequent periods, these securities are continuously recorded at par value, and the discount/premium (if any) is amortized to the interim consolidated income statement on a straight-line basis over the remaining term of securities. Interest received in arrears is recorded as follows: Cumulative interest incurred before the purchasing date is recorded as a decrease in the accrued interest; cumulative interest incurred after the purchasing date is recognized as income based on the accumulated method. Interest received in advance is amortized into the interest income from investment securities on a straight-line basis over the term of securities investment.

Available-for-sale securities are subject to diminution review on a periodical basis.

Provision for diminution in value of securities is made when the carrying value is higher than the market value in compliance with Circular No. 228/2009/TT-BTC issued by the Ministry of Finance on 7 December 2009. In case market prices of securities are not available or cannot be determined reliably, no provision is made. Diminution provision is recognized in "Net gain from investment securities" in the interim consolidated income statement.

Provision for credit losses on corporate bonds which are not listed on the stock market or not registered on the unlisted public companies market is made in accordance with Circular 02 and Circular 09 as described in Note 4.5.

4.8 Held-to-maturity investment securities

Held-to-maturity investment securities include special bonds issued by Vietnam Asset Management Company ("VAMC") and other investment securities held to maturity.

Special bonds issued by VAMC

Special bonds issued by VAMC are fixed-term valuable papers used to purchase bad debts of the Bank. These special bonds are initially recognized at face value at the date of transaction and subsequently carried at face value during the holding period. Face value of the bonds equals to the outstanding balance of the debts sold less their unused specific provision.

During the holding period, the Bank annually calculates and makes provision in accordance with Circular No. 14/2015/TT-NHNN dated 28 August 2015 amending and supplementing some articles of Circular No. 19/2013/TT-NHNN on the purchase, sale and resolution of bad debts of VAMC.

As required by Circular No. 14/2015/TT-NHNN, each year within five consecutive working days prior to the maturity date of special bonds, the Bank is obliged to fully make minimum specific provision for each special bond using the below formula:

$$X_{[m]} = \frac{Y}{n} \times m - (Z_m + X_{m-1})$$

SELECTIVE NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 31 March 2018 and for the three-month period then ended

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.8 Held-to-maturity investment securities (continued)

In which:

- $X_{(m)}$: minimum provision for special bonds in the m^{th} year;
- X_{m-1} : accumulated specific provision for special bonds in the $m-1^{\text{th}}$ year;
- Y : face value of special bonds;
- n : term of special bonds (years);
- m : number of years from the bond issuance date to the provision date;
- Z_m : accumulated bad debt recoveries at the provision date (m^{th} year).

If $(Z_m + X_{m-1}) \geq (Y/n \times m)$, the specific provision ($X_{(m)}$) will be zero (0).

Specific provision for special bonds is recognized in the interim consolidated income statement in "Provision expense for credit losses". General provision is not required for the special bonds.

On settlement date of special bonds, recovery from the debts is recognized into "Other operating income".

Other held-to-maturity securities

Other held-to-maturity securities are debt securities purchased by the Bank and its subsidiaries for the investment purpose of earning dividend and the Bank has the intention and capability to hold these investments until maturity. Other held-to-maturity securities have determinable value and maturity date. In case the securities are sold before the maturity date, the remaining of that portfolio will be reclassified to securities held for trading or available-for-sale securities.

Held-to-maturity securities are recorded and measured identical to debt securities available-for-sale and presented at Note 4.7.

4.9 Re-purchase and reverse re-purchase contracts

Securities sold under agreements to repurchase at a specific date in the future (repos) are still recognized in the interim consolidated financial statements. The corresponding cash received from these agreements is recognized in the interim consolidated balance sheet as a borrowing and the difference between the sale price and repurchase price is amortized in the interim consolidated income statement over the term of the agreement using the straight-line method based on the interest rate stipulated in the contract.

Conversely, securities purchased under agreements to resell at a specific date in the future are not recognized in the interim consolidated financial statements. The corresponding cash paid under these agreements is recognized as a loan in the interim consolidated balance sheet and the difference between the purchase price and resale price is amortized in the interim consolidated income statement over the term of the agreement based on the interest rate stipulated in the contract.

SELECTIVE NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 31 March 2018 and for the three-month period then ended

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.10 Other long-term investments

Other long-term investments represent investments in other entities in which the Bank holds less than or equal to 11% of voting rights. These investments are initially recorded at cost at the investment date.

For listed securities or unlisted but registered for trading securities on unlisted public company market (UPCoM), provision for diminution in value is made when their listed/registered price for trading is lower than the carrying value of the securities at the end of accounting period.

In other cases, provision for diminution in the value of other long-term investment is made when the investee suffers loss, except that such loss had been forecasted in the investee's business plan before the investment. Provision for diminution in the value of other long-term investment is made using the below formula:

$$\text{Provision for diminution in value of each investment} = \left[\text{Total invested amount of all parties in the entity} - \text{Owners' equity of the entity} \right] \times \frac{\text{Invested amount of each party}}{\text{Total invested amount of all parties in the entity}}$$

Provision is reversed when the recoverable amount of the investment increases after the provision is made. Provision is reversed up to the gross value of the investment before the provision is made.

4.11 Fixed assets

Fixed assets are stated at cost less accumulated depreciation or amortization.

The cost of a fixed asset comprises its purchase price plus any directly attributable costs of bringing the asset to working condition for its intended use.

Cost related to additions, improvements and renewals are capitalized while expenditures for maintenance and repairs are charged to the interim consolidated income statement.

When assets are sold or liquidated, their cost and accumulated depreciation are deducted from the interim consolidated balance sheet item and any gains or losses resulting from their disposal are recorded to the interim consolidated income statement.

4.12 Depreciation and amortization

Depreciation of tangible fixed assets and amortization of intangible fixed assets are on a straight-line basis over the estimated useful life of these assets as follows:

Buildings and architectonic models	5 – 40 years
Motor vehicles	8 years
Machines and equipment	2 – 7 years
Computer software	3 – 14 years
Other fixed assets	3 – 5 years

4.13 Operating lease

Rentals under operating lease are charged in the "Total operating expenses" of the interim consolidated income statement on a straight-line basis over the term of the lease.

SELECTIVE NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 31 March 2018 and for the three-month period then ended

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.14 *Receivables*

4.14.1 *Receivables classified as credit-risk bearing assets*

Receivables classified as credit-risk assets are recognized at cost. Doubtful receivables are classified and provided for provision by the Bank and its subsidiaries in accordance with the regulations on recognition and use of provision to resolve the credit risk as presented in Note 4.5.

4.14.2 *Other receivables*

Receivables other than receivables classified as credit-risk bearing assets are recognized at cost.

Provision for receivables is determined based on the overdue status of debts or expected loss of current debts in case the debts are not due for payment yet but the corporate debtors have fallen into bankruptcy or are in the process of dissolution, or of individual debtors who are missing, escaped, prosecuted, on trial or deceased. Provision expense incurred is recorded in "Other operating expenses" of the interim consolidated income statement in the period.

Provision for overdue debts is made in accordance with Circular No. 228/2009/TT-BTC as follows:

<i>Overdue status</i>	<i>Allowance rate</i>
From over six (6) months to under one (1) year	30%
From one (1) to under two (2) years	50%
From two (2) to under three (3) years	70%
From three (3) years and above	100%

4.15 *Prepaid expenses*

Prepaid expenses are reported as short-term and long-term prepaid expenses on the interim consolidated balance sheet and amortized over the period for which the amount is paid or the period in which economic benefit is generated in relation to these expenses.

4.16 *Share capital*

4.16.1 *Ordinary shares*

Ordinary shares are classified as owners' equity.

4.16.2 *Share premium*

On receipt of capital from shareholders, the difference between the issuance price and the par value of the shares is recorded as share premium in "Owners' equity".

SELECTIVE NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 31 March 2018 and for the three-month period then ended

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.16 Share capital (continued)

4.16.3 Statutory reserves

Reserves of the Bank

The Bank appropriates the following statutory reserves in compliance with Law on Credit Institutions No. 47/2010/QH12, Decree No. 93/2017/ND-CP and its Charter as follow:

	<i>Basic for calculation</i>	<i>Maximum balance</i>
Capital supplementary reserve	5% from profit after tax	100% of charter capital
Financial reserve	10% from profit after tax	Not regulated

Other funds are appropriated from profit after tax. Appropriation from profit after tax and utilization of other funds must be approved by the General Meeting of Shareholders. These funds are not regulated by law and are allowed to be fully distributed.

These reserves are created annually based on the separate operating results at year-end.

Reserves of VPBank Asset Management Company Limited

According to Circular No. 27/2002/TT-BTC issued by the Ministry of Finance dated 22 March 2002, VPB AMC is required to make appropriation of profit to reserves in a similar way to the Bank.

According to Circular No. 200/2014/TT-BTC, for the financial year starting on or after 1 January 2015, VPB AMC has stopped making provision for financial reserve.

Reserves of VPBank Finance Company Limited

According to Decree No. 93/2017/ND-CP dated 7 August 2017 issued by the Government of Vietnam which replaces Decree No. 57/2012/ND-CP dated 20 July 2012, VPB FC is required to make appropriation of profit to reserves in a similar way to the Bank.

4.17 Recognition of income and expenses

Interest income and expenses are recognized in the interim consolidated income statement on an accrual basis using the nominal interest rates. The accrued interest of debts which are classified in groups 2 to 5 is not recognized in the interim consolidated income statement in compliance with Circular 02. These accrued interest is reversed and monitored off-balance sheet and recognized in the interim consolidated income statement upon actual receipt.

Fees and commissions are recognized on an accrual basis.

SELECTIVE NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 31 March 2018 and for the three-month period then ended

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.18 Purchase debts

The accounting treatment for debts purchased are in accordance with Circular No. 09/2015/TT-NHNN issued by the SBV prescribing the purchase and sale of debts by credit institutions and foreign bank branches.

Debts purchased are initially recorded at purchase price and subsequently presented at cost less provision for credit losses. Price of debts purchased or sold is the settlement amount which the seller received under the debt purchase contract.

Debts purchased are initially classified in the risk group which is not lower than the risk group of the debts before the purchase. Subsequently, debts purchased are monitored, classified and provided for credit losses similar to normal loans to customers in accordance with Circular 02 and Circular 09.

Book value of debts purchased sold is the book value of the principal, interest and related financial obligations (if any) of debts recorded in the balance sheet or off-balance sheet at the date of debts purchased or sold; or the book value at the date of writing-off of debts; or the book value of debts written-off previously at the date of debts purchased or sold.

The purchasing or selling price is the sum of consideration to be paid by a debt buyer to a debts seller under a debt purchase or sale contract.

4.19 Foreign currency transactions

All transactions are recorded in original currencies. At reporting date, monetary assets and liabilities denominated in foreign currencies are translated into VND using exchange rates ruling at the interim consolidated balance sheet date (Note 38). Income and expenses in foreign currencies are converted into VND at rates ruling at the transaction dates. Foreign exchange differences arising from the translation of monetary assets and liabilities are recognized and followed in the "Foreign exchange differences" under "Owners' equity" in the interim consolidated balance sheet and will be transferred to the interim consolidated income statement at the end of the financial year.

SELECTIVE NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 31 March 2018 and for the three-month period then ended

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.20 Payables and accruals

Payables and accruals are recognized for amounts to be paid in the future for goods and services received, whether or not billed to the Bank and its subsidiaries.

4.21 Deposits from other credit institutions, customer deposits and valuable papers issued

Deposits from other credit institutions, customer deposits and valuable papers issued are disclosed at the principal amounts outstanding at the date of the interim consolidated financial statements.

4.22 Corporate income taxes

Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or to be paid to the taxation authorities. The tax rates and tax laws are applied and enacted at the interim consolidated balance sheet date.

Current income tax is recognized to the interim consolidated income statement except when it relates to items recognized directly to equity, the current income tax is also directly recognized in equity.

Current income tax assets and liabilities are offset when there is a legally enforceable right for the Bank and its subsidiaries to offset current tax assets against current tax liabilities and when the Bank and its subsidiaries intend to settle its current tax assets and liabilities on a net basis.

The Bank's and its subsidiaries' tax reports are subject to examination by the tax authorities. Because the application of tax laws and regulations to many types of transactions that is susceptible to various interpretations, amounts reported in the interim consolidated financial statements could be changed at a later date upon final determination by the tax authorities.

Deferred tax

Deferred tax is provided on temporary differences at the interim consolidated balance sheet date between the tax base of assets and liabilities and their carrying amount for the financial reporting purposes.

Deferred tax payable is recognized for all temporary taxable differences.

Deferred corporate income tax assets are recognized for deductible temporary differences, deductible amounts carried over to subsequent periods of taxable losses, and unused tax credits when it is probable that there will be sufficient future taxable profit to use deductible temporary differences, taxable losses and unused tax credits. Deferred tax assets and deferred tax payable are determined on the basis of expected tax rates applied for the accounting period when the assets are recovered or liabilities are settled and on basis of effective and applicable tax rates and tax laws at the end of accounting period.

4.23 Fiduciary assets

Assets held in a fiduciary capacity, unless recognition criteria are met, are not recognized in the interim consolidated financial statements of the Bank and its subsidiaries, as they are not assets of the Bank and its subsidiaries.

SELECTIVE NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 31 March 2018 and for the three-month period then ended**4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****4.24 Classification for off-balance sheet commitments**

According to Circular 02, credit institutions classify guarantees, payment acceptances and irrevocable loan commitments with specific effective date (generally called "off-balance sheet commitments") in compliance with Article 10, Circular 02 for management and monitoring of credit quality. Off-balance sheet commitments are classified into groups such as *Current*, *Special Mention*, *Substandard*, *Doubtful* and *Loss* based on the overdue status and other qualitative factors.

4.25 Offsetting

Financial assets and financial liabilities are offset and the net amount is reported in the interim consolidated balance sheet if, and only if, there is a currently enforceable legal right to offset financial assets against financial liabilities or vice-versa, and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.

4.26 Derivatives

The Bank and its subsidiaries involves in currency forward contracts and swap contracts to facilitate customers to transfer, modify or minimize foreign exchange risk or other market risks, and also for the business purpose of the Bank and its subsidiaries.

Currency forward contracts

The currency forward contracts are commitments to settle in cash in pre-determined currency on pre-determined future date based on pre-determined exchange rates. The currency forward contracts are recognized at nominal value at the transaction date and are revalued for the reporting purpose at the exchange rate at the reporting date. Gains or losses are recognized in the "Foreign exchange differences" under "Owners' equity" in the interim consolidated balance sheet and will be transferred to the consolidated income statement at the end of the financial year.

Swap contracts

The swap contracts are commitments to settle in cash on a pre-determined future date based on pre-determined exchange rates calculated on the notional principal amount or commitments to settle interest based on a floating rate or a fixed rate calculated on the notional amount and in a given period.

The currency swap contracts are revalued periodically. Gain or losses are recognized in the "Foreign exchange differences" under "Owners' equity" in the interim consolidated balance sheet and will be transferred to the consolidated income statement at the end of the financial year.

Differences in interest rate swaps are recognized in the interim consolidated income statement on an accrual basis.

SELECTIVE NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 31 March 2018 and for the three-month period then ended

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.27 *Employee benefits*

4.27.1 *Post-employment benefits*

Post-employment benefits are paid to retired employees of the Bank by the Social Insurance Agency which belongs to the Ministry of Labour, Invalids and Social Affairs. The Bank is required to contribute to these post-employment benefits by paying social insurance premium to the Social Insurance Agency at the rate of 17.5% of an employee's gross monthly salary under regulations. Other than that, the Bank and its subsidiaries have no further obligation relating to post-employment benefits.

4.27.2 *Voluntary resignation benefits*

The Bank and its subsidiaries have the obligation, under Article 48 of the Vietnam Labour Code No. 10/2012/QH13 effective from 1 May 2013, to pay allowance arising from voluntary resignation of employees, equal to a half of monthly salary for each year of employment up to 31 December 2008 plus salary allowances (if any). From 1 January 2009, the average monthly salary used in this calculation is the average monthly salary of the latest six-month period up to the resignation date.

4.27.3 *Unemployment insurance*

According to Circular No. 28/2015/TT-BLDTBXH on guidelines for Article 52 of the Law on Employment and Decree No. 28/2015/ND-CP dated 12 March 2015 of the Government on guidelines for the Law on Employment in term of unemployment insurance, the Bank and its subsidiaries are required to contribute to the unemployment insurance at the rate of 1% of salary and wage fund of unemployment insurance joiners and deduct 1% of monthly salary and wage of each employee to contribute to the unemployment insurance.

4.28 *Business combinations and goodwill*

Business combinations are accounted for using the purchase method. The cost of a business combination is measured as the fair value of assets given, liabilities incurred or assumed and equity instruments issued in exchange of voting rights at the acquisition date plus any costs directly attributable to the business combination. Identifiable assets and liabilities and contingent liabilities assumed in a business combination are measured initially at fair values at the date of business combination.

Goodwill acquired in a business combination is initially measured at cost being the excess of the cost the business combination over the Bank's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities. If the cost of a business combination is less than the fair value of the net assets of the subsidiary acquired, the difference is recognized directly in the interim consolidated income statement. After initial recognition, goodwill is measured at cost less any accumulated amortization. Goodwill is amortized over three (3) years on a straight-line basis.

SELECTIVE NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 31 March 2018 and for the three-month period then ended

5. PLACEMENTS WITH AND LOANS TO OTHER CREDIT INSTITUTIONS

5.1 *Placements with other credit institutions*

	31 March 2018 VND million	31 December 2017 VND million
Demand deposits	5,560,801	6,186,517
- In VND	2,628,920	5,222,342
- In foreign currencies	2,931,881	964,175
Term deposits	14,580,673	9,032,203
- In VND	14,083,799	8,778,800
- In foreign currencies	496,874	253,403
	20,141,474	15,218,720

5.2 *Loans to other credit institutions*

	31 March 2018 VND million	31 December 2017 VND million
In VND	2,742,032	1,864,748
In foreign currencies	-	437,288
	2,742,032	2,302,036
Provision for loans to other credit institutions	(731)	(731)
	2,741,301	2,301,305

Interest rates of placements with and loans to other credit institutions as at the reporting date are as follows:

	31 March 2018 % per annum	31 December 2017 % per annum
Term deposits in VND	0.70 - 6.15	1.50 - 6.60
Term deposits in foreign currencies	1.70 - 1.90	1.65 - 2.00
Loans in VND	1.60 - 5.60	3.25 - 5.30
Loans in foreign currencies	Not applicable	1.70

Analysis of outstanding term deposits with and loans to other credit institutions by quality as at the reporting date are as follows:

	31 March 2018 VND million	31 December 2017 VND million
Current	17,321,974	11,333,508
Special mention	-	-
Substandard	-	-
Doubtful	-	-
Loss	731	731
	17,322,705	11,334,239

SELECTIVE NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 31 March 2018 and for the three-month period then ended**6. SECURITIES HELD FOR TRADING****6.1 Debt securities**

	31 March 2018 VND million	31 December 2017 VND million
Government and municipal securities	1,221,838	1,424,854
Securities issued by other domestic credit institutions	1,068,092	-
<i>In which: Bonds guaranteed by the Government</i>	<i>1,068,092</i>	<i>-</i>
	2,289,930	1,424,854

Changes in provision for securities held for trading in the period are as follows:

	For the three-month period ended 31 March 2018 VND million	For the three-month period ended 31 March 2017 VND million
Opening balance	-	1,563
Closing balance	-	1,563

6.2 Securities held for trading by listing status

	31 March 2018 VND million	31 December 2017 VND million
Debt securities		
Listed	2,289,930	1,424,854

SELECTIVE NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 31 March 2018 and for the three-month period then ended

7. DERIVATIVES AND OTHER FINANCIAL LIABILITIES

	<i>Total contract nominal value (at contractual exchange rate) VND million</i>	<i>Total carrying value (at exchange rate as at reporting date)</i>		<i>Net value VND million</i>
		<i>Assets VND million</i>	<i>Liabilities VND million</i>	
As at 31 March 2018				
<i>Derivative financial instruments</i>	32,381,615	32,046,089	(32,168,406)	(122,317)
Currency forward contracts	8,914,066	8,859,374	(8,785,492)	73,882
Currency swap contracts	23,467,549	23,186,715	(23,382,914)	(196,199)
<i>Other derivative financial instruments</i>	3,669,860	1,974,433	(1,997,727)	(23,294)
	36,051,475	34,020,522	(34,166,133)	(145,611)
As at 31 December 2017				
<i>Derivative financial instruments</i>	42,188,757	41,777,137	(41,909,789)	(132,602)
Currency forward contracts	7,553,187	7,512,891	(7,411,395)	101,296
Currency swap contracts	34,635,570	34,264,496	(34,498,394)	(233,898)
<i>Other derivative financial instruments</i>	3,915,001	2,093,000	(2,120,867)	(27,867)
	46,103,758	43,870,187	(44,030,656)	(180,469)

8. LOANS TO CUSTOMERS

	<i>31 March 2018</i>		<i>31 December 2017</i>	
	<i>VND million</i>	<i>%</i>	<i>VND million</i>	<i>%</i>
Loans to domestic economic entities and individuals	188,474,728	99.88	182,038,631	99.86
Discounted bills and valuable papers	126,487	0.07	118,161	0.06
Payments on behalf of customers	1,504	0.00	1,506	0.00
Loans financed by borrowed and entrusted funds	507,666	0.27	505,797	0.28
Loans to foreign economic entities and individuals	5,807	0.00	2,118	0.00
	189,116,170	100	182,666,213	100

SELECTIVE NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 31 March 2018 and for the three-month period then ended**8. LOANS TO CUSTOMERS (continued)**

Interest rates of loans to customers at the end of the period are as follows:

	<i>31 March 2018</i> <i>% per annum</i>	<i>31 December 2017</i> <i>% per annum</i>
Range of interest rate of commercial loans in VND	3.00 - 13.50	3.00 - 13.50
Range of interest rate commercial loans in foreign currencies	2.10 - 5.50	2.30 - 4.50
Average interest rate of consumer loans in VND	43.33	43.90

8.1 Analysis of loan portfolio by quality

Analysis of loan portfolio by quality as at period end is as follows:

	<i>31 March 2018</i> <i>VND million</i>	<i>31 December 2017</i> <i>VND million</i>
Current	165,868,169	163,809,825
Special mention	15,405,968	12,656,366
Substandard	4,411,305	3,166,441
Doubtful	2,016,894	1,966,441
Loss	1,413,835	1,067,140
	189,116,171	182,666,213

8.2 Analysis of loan portfolio by original maturity

	<i>31 March 2018</i> <i>VND million</i>	<i>31 December 2017</i> <i>VND million</i>
Short term	59,344,805	58,092,547
Medium term	84,769,956	80,231,829
Long term	45,001,409	44,341,837
	189,116,170	182,666,213

9. PROVISION FOR CREDIT LOSSES OF LOANS TO CUSTOMERS

Provision for credit losses of loans to customers at the reporting date is as follows:

	<i>31 March 2018</i> <i>VND million</i>	<i>31 December 2017</i> <i>VND million</i>
General provision	1,397,189	1,290,695
Specific provision	2,090,164	1,856,709
	3,487,353	3,147,404

SELECTIVE NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 31 March 2018 and for the three-month period then ended

9. PROVISION FOR CREDIT LOSSES OF LOANS TO CUSTOMERS (continued)

Changes in provision for credit losses in the three-month period ended 31 March 2018 are as follows:

	<i>General provision VND million</i>	<i>Specific provision VND million</i>	<i>Total VND million</i>
Opening balance	1,290,695	1,856,709	3,147,404
Provision charged in the period (Note 29)	100,494	2,340,047	2,440,541
Provision used to write-off bad debts	-	(2,112,592)	(2,112,592)
Closing balance	1,391,189	2,084,164	3,475,353

Changes in provision for credit losses in the three-month ended 31 March 2017 are as follows:

	<i>General provision VND million</i>	<i>Specific provision VND million</i>	<i>Total VND million</i>
Opening balance	1,031,565	1,058,397	2,089,962
Provision charged in the period (Note 29)	72,637	1,507,122	1,579,759
Provision used to write-off bad debts	-	(1,047,497)	(1,047,497)
Closing balance	1,104,202	1,518,022	2,622,224

10. DEBTS PURCHASED

	<i>31 March 2018 VND million</i>	<i>31 December 2017 VND million</i>
Debts purchased in VND	512,079	-
Provision for debts purchased	(974)	-
	511,105	-

Details of outstanding principal and interest of debts purchased are as follows

	<i>31 March 2018 VND million</i>	<i>31 December 2017 VND million</i>
Principal	509,900	-
Interest	2,179	-
	512,079	-

SELECTIVE NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 31 March 2018 and for the three-month period then ended

10. DEBTS PURCHASED (continued)

Analysis by quality of debts purchased at reporting date is as below:

	31 March 2018 VND million	31 December 2017 VND million
Current	512,079	-
Special mention	-	-
Substandard	-	-
Doubtful	-	-
Loss	-	-
	<u>512,079</u>	<u>-</u>

Changes in provision for debt purchased for the three-month period are as follows

	For the three-month period ended 31 March 2018 VND million	For the three-month period ended 31 March 2017 VND million
Opening balance	-	-
General provision charged in the period (Note 29)	974	-
Closing balance	<u>974</u>	<u>-</u>

11. INVESTMENT SECURITIES

11.1 Available-for-sale securities

	31 March 2018 VND million	31 December 2017 VND million
Debt securities	48,689,289	50,369,431
Government and municipal securities	17,662,005	17,201,861
Debt securities issued by other domestic credit institutions	17,938,263	19,161,043
In which: Bonds guaranteed by the Government	11,528,176	12,751,017
Debt securities issued by domestic economic entities	13,089,001	14,006,527
Equity securities	15,357	15,357
Equity securities issued by domestic economic entities	15,357	15,357
	<u>48,704,626</u>	<u>50,384,788</u>
Provision for available-for-sale securities	(150,671)	(161,117)
Diminution provision	(12,014)	(17,818)
General provision	(138,657)	(143,299)
	<u>48,553,956</u>	<u>50,223,671</u>

SELECTIVE NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 31 March 2018 and for the three-month period then ended

11. INVESTMENT SECURITIES (continued)

11.1 Available-for-sale securities (continued)

Government bonds have remaining terms at purchase date from 21 months to 19 years and bear interest at rates ranging from 4.80% per annum to 10.80% per annum (31 December 2017: terms of 3 years to 15 years; interest at rates ranging from 4.90% per annum to 10.80% per annum).

Debt securities issued by domestic credit institutions have remaining terms at purchase date from 9 months to 10 years and bear interest at rates ranging from 5.00% per annum to 12.00% per annum (31 December 2017: remaining terms at purchase date of 11 months to 15 years; interest at rates ranging from 5.00% per annum to 12.20% per annum).

Debt securities issued by other domestic economic entities have remaining terms at purchase date from 4 months to 11 years and bear interest at rates ranging from 8.73% per annum to 11.50% per annum (31 December 2017: remaining terms at purchase date from 1 year to 11 years; interest at rates ranging from 8.73% per annum to 11.50% per annum).

Face value of bonds pledged for capital mobilization contracts as at 31 March 2018 amounted to VND8,776,038 million (31 December 2017: VND6,076,038 million).

Face value of bonds sold under agreement to repurchase as at 31 March 2018 amounted to VND3,400,000 million (31 December 2017: VND8,400,000 million).

Analysis of available-for-sale securities by listing status at reporting date is as follows:

	31 March 2018 VND million	31 December 2017 VND million
Listed bonds	29,190,181	29,952,878
Unlisted bonds (Note 11.4)	18,359,067	19,276,527
Other unlisted debt securities	1,140,021	1,140,026
Listed equity securities	15,357	15,357
	48,704,626	50,384,788

11.2 Held-to-maturity securities

	31 March 2018 VND million	31 December 2017 VND million
Government bonds	152,887	102,689
Special bonds	3,981,300	4,048,438
	4,134,187	4,151,127
Provision for held-to-maturity securities	(1,015,551)	(816,749)
Provision for special bonds	(1,015,551)	(816,749)
	3,118,636	3,334,378

Government bonds as at 31 March 2018 have remaining terms at purchase dates of 10 months to 19 months and bear interest at rates ranging from 5.70% per annum to 8.20% per annum (31 December 2017: terms from 3 years to 5 years and bear interest at rates ranging from 5.70% per annum to 8.20% per annum).

Special bonds as at 31 March 2018 and 31 December 2017 are bonds issued by VAMC with term of 5 years and bear no interest.

SELECTIVE NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 31 March 2018 and for the three-month period then ended**11. INVESTMENT SECURITIES** (continued)**11.2 Held-to-maturity securities** (continued)

Analysis of held-to-maturity securities (excluding VAMC bonds) by listing status as at period end is as follows:

	31 March 2018 VND million	31 December 2017 VND million
Listed bonds	152,807	102,689

11.3 Provision for investment securities

Movement of provision for investment securities in the three-month period ended 31 March 2018 is as follows:

	Available-for-sale securities VND million	Held-to-maturity securities VND million	Total VND million
Opening balance	161,117	816,749	977,866
Provision (reversed)/charged in the period	(10,446)	198,802	188,356
<i>In which:</i>			
Special bonds (Note 29)	-	198,802	198,802
Other securities (Note 26)	(10,446)	-	(10,446)
Closing balance	150,671	1,015,551	1,166,222

Movement of provision for investment securities in the three-month period ended 31 March 2017 is as follows:

	Available-for-sale securities VND million	Held-to-maturity securities VND million	Total VND million
Opening balance	248,559	496,311	744,870
Provision charged in the period	81,236	108,375	189,611
<i>In which:</i>			
Special bonds (Note 29)	-	108,375	108,375
Other securities (Note 26)	81,236	-	81,236
Closing balance	329,795	604,686	934,481

SELECTIVE NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 31 March 2018 and for the three-month period then ended

11. INVESTMENT SECURITIES (continued)

11.4 Analysis of investment securities by quality

Analysis by quality of investment securities classified as credit risk bearing assets at the end of the period is as follows:

	31 March 2018 VND million	31 December 2017 VND million
Current	18,359,087	19,276,527
Special mention	-	-
Substandard	-	-
Doubtful	-	-
Loss	-	-
	18,359,087	19,276,527

12. LONG-TERM INVESTMENTS

	31 March 2018		31 December 2017	
	Cost VND million	% owned	Cost VND million	% owned
Investments in economic entities				
ITRACO Transportation Joint Stock Company (INTRACO JSC)	21	0.64	21	0.64
Dong Xuan Joint Stock Company (Dong Xuan JSC)	5,000	10.00	5,000	10.00
Banking Training and Consultancy JSC (BTC)	371	5.29	371	5.29
Vietnam Credit Information JSC (PCB)	3,934	3.28	3,934	3.28
Sai Gon Port Joint-Stock Company	185,276	7.44	185,276	7.44
VPBank Insurance Joint-Stock Company	33,000	11.00	-	-
	227,602		194,802	
Provision for other long-term investments	(7,181)		(42,098)	
	220,421		152,506	

Changes in provision for long-term investments in the period are as follows:

	For the three-month period ended 31 March 2018 VND million	For the three-month period ended 31 March 2017 VND million
Opening balance	42,098	76,442
Provision reversed in the period (Note 28)	(34,915)	(12,872)
Closing balance	7,181	63,570

SELECTIVE NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 31 March 2018 and for the three-month period then ended

13. OTHER ASSETS

13.1 Receivables

	31 March 2018 VND million	31 December 2017 VND million
Internal receivables	126,474	104,880
External receivables	7,094,308	8,186,347
- Receivables related to usance letters of credit (Note 15.2)	5,085,840	5,148,955
- Deposits for economic contracts	497,705	499,764
- Credit risk bearing assets	165	165
- Other external receivables	1,510,598	2,537,463
Purchase of fixed assets	295,736	237,824
Construction in progress	49,420	10,477
	7,565,938	8,539,528

Analysis of other assets classified as credit-risk assets by quality at reporting date is as follows:

	31 March 2018 VND million	31 December 2017 VND million
Current	-	-
Special mention	-	-
Substandard	-	-
Doubtful	-	-
Loss	165	165
	165	165

13.2 Accrued interest and fee receivables

	31 March 2018 VND million	31 December 2017 VND million
Interest receivables from deposits	20,875	19,534
Interest receivables from investment securities	1,753,669	1,728,995
Interest receivables from credit activities	2,080,889	1,993,928
Interest receivables from derivative instruments	41,748	69,434
Interest receivable from debts purchase	3,819	-
Other fee receivables	8,156	124
	3,909,156	3,812,015

SELECTIVE NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 31 March 2018 and for the three-month period then ended

13. OTHER ASSETS (continued)

13.3 Other assets

	31 March 2018 VND million	31 December 2017 VND million
Materials	13,894	15,490
Prepaid expenses	1,636,490	1,490,230
Foreclosed assets (*)	1,867,025	1,898,646
- In which: Real estates	1,667,025	1,898,646
	3,517,409	3,404,366

(*) This represents the value of foreclosed assets which are under pending resolutions in compliance with the SBV's prevailing regulations.

13.4 Provision for other assets

Provision for other assets include provision for impairment of other receivables and credit risk bearing assets and other receivables. Change of provision for other assets in the period are as follows.

	For the three-month period ended 31 March 2018 VND million	For the three-month period ended 31 March 2017 VND million
Opening balance	21,403	227,382
Provision reversed in the period	-	(3,249)
In which:		
Reversal of provision for other credit risk bearing assets (Note 29)	-	(3,249)
Closing balance	21,403	224,133

Details of provision for other assets are as follows:

	31 March 2018 VND million	31 December 2017 VND million
Provision for credit risks bearing assets	165	165
- Specific provision	165	165
Provision for doubtful debts	21,238	21,238
	21,403	21,403

SELECTIVE NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 31 March 2018 and for the three-month period then ended**14. AMOUNTS DUE TO THE GOVERNMENT AND THE STATE BANK OF VIETNAM**

	<i>31 March 2018</i> <i>VND million</i>	<i>31 December 2017</i> <i>VND million</i>
Borrowings from the State Bank of Vietnam	26,716	26,015
Other borrowings	25,716	26,015
Deposits of the State Treasury	2,000,000	-
Deposits of the State Treasury	2,000,000	-
	<u>2,025,716</u>	<u>26,015</u>

Borrowings from the State Bank of Vietnam as at 31 March 2018 have terms of 12 months and bear interest at rates of 3.50% per annum (31 December 2017: term from 12 months and bear interest at rates ranging from 3.50%). Deposit at the State Treasury has terms of 1 month and interest rate of 3.50% per annum

15. DEPOSITS AND BORROWINGS FROM OTHER CREDIT INSTITUTIONS**15.1 Deposits from other credit institutions**

	<i>31 March 2018</i> <i>VND million</i>	<i>31 December 2017</i> <i>VND million</i>
Demand deposits	242,603	108,363
In VND	242,481	108,341
In foreign currencies	22	22
Term deposits	7,187,789	7,726,018
In VND	624,000	5,870,000
In foreign currencies	6,563,789	1,856,018
	<u>7,430,292</u>	<u>7,834,381</u>

15.2 Borrowings from other credit institutions

	<i>31 March 2018</i> <i>VND million</i>	<i>31 December 2017</i> <i>VND million</i>
Payables arising from usance letters of credit (Note 13.1) (*)	5,086,840	5,148,955
Borrowings from other credit institutions	12,202,834	28,217,082
In VND	1,468,790	7,646,687
In foreign currencies	10,734,044	12,570,415
	<u>17,288,674</u>	<u>25,366,037</u>

(*) Payables related to usance letters of credit is the value of L/C documents reimbursed by UPASLC Reimbursing Bank

SELECTIVE NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 31 March 2018 and for the three-month period then ended

15. DEPOSITS AND BORROWINGS FROM OTHER CREDIT INSTITUTIONS (continued)

15.2 Borrowings from other credit institutions (continued)

Analysis of borrowings from other credit institutions by original maturity:

	31 March 2018 VND million	31 December 2017 VND million
Up to 5 months	6,383,712	12,705,053
From over 6 months to 12 months	87,000	1,410,623
From over 12 months to 5 years	5,563,500	5,920,356
Over 5 years	188,622	181,050
	12,202,834	20,217,082

Interest rates of deposits and borrowings from other credit institutions at the reporting date are as follows:

	31 March 2018 % per annum	31 December 2017 % per annum
Term deposits from other credit institutions in VND	2.20 - 5.40	1.00 - 5.80
Term deposits from other credit institutions in foreign currencies	0.10 - 2.60	0.10 - 2.20
Borrowings from other credit institutions in VND	3.00 - 7.50	1.50 - 7.50
Borrowings from other credit institutions in foreign currencies	0.71 - 9.30	0.75 - 9.30

16. CUSTOMER DEPOSITS

	31 March 2018 VND million	31 December 2017 VND million
Demand deposits	17,307,694	19,670,947
- In VND	15,846,766	17,711,736
- In foreign currencies	1,460,928	1,959,211
Term deposits	125,317,136	113,467,607
- In VND	122,310,585	110,069,721
- In foreign currencies	3,006,551	3,377,886
Deposits for specific purposes	58,602	58,484
- In VND	53,367	52,935
- In foreign currencies	5,235	5,549
Margin deposits	446,851	353,774
- In VND	378,215	348,924
- In foreign currencies	68,636	4,850
	143,130,283	133,650,812

Interest rates for customer deposits at the reporting date are as follows:

	31 March 2018 % per annum	31 December 2017 % per annum
Demand deposits in VND	0.50	0.50
Demand deposits in foreign currencies	0.00	0.00
Term deposits in VND	0.10 - 11.60	1.00 - 11.60
Term deposits in foreign currencies	0.00 - 2.20	0.00 - 2.30

SELECTIVE NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 31 March 2018 and for the three-month period then ended

17. OTHER BORROWED AND ENTRUSTED FUNDS

	31 March 2018 VND million	31 December 2017 VND million
Borrowed and entrusted funds in VND from Official Development Assistance (ODA)	326,705	328,777
Borrowed and entrusted funds in foreign currencies from International Finance Company (IFC) (*)	3,451,087	3,570,587
	3,777,792	3,899,364

Borrowed and entrusted funds in VND from Official Development Assistance (ODA) have terms from 34 months to 10 years and interest rates of 5.04% per annum (31 December 2017: term from 33 months to 10 years and interest rate of 4.92% per annum).

Borrowed and entrusted funds in foreign currencies from International Finance Company (IFC) have terms from 21 months to 5 years and interest at rates ranging from 4.96% per annum to 5.51% per annum (31 December 2017: term from 21 months to 5 years and interest rate of 4.96% per annum).

(*) Loan with amount of USD57,000,000, which is equivalent to VND1,280,106 million as at 31 March 2018 is the medium-term commercial loan, along with Conversion Option and issuance of Conversion shares in accordance with terms and conditions of the Loan Agreement on 31 May 2017 between VPBank and IFC. Validation of the Loan Agreement is until 31 May 2019.

18. VALUABLE PAPERS ISSUED

	31 March 2018 VND million	31 December 2017 VND million
Under 12 months	12,237,776	10,533,722
From 12 months up to 5 years	48,559,612	49,603,287
From 5 years and above	6,008,987	5,967,616
	66,806,375	66,104,605

Valuable papers consist of certificates of deposits and bonds which bear interest at rates ranging from 4.80% per annum to 13.50% per annum (31 December 2017: 4.80% per annum to 13.50% per annum).

Types of valuable papers issued are as follows

	31 March 2018 VND million	31 December 2017 VND million
Certificates of deposit to retail customers	25,991,015	27,576,840
Certificates of deposit to corporate customers	25,837,995	23,550,348
Bonds (*)	14,977,365	14,977,417
	66,806,375	66,104,605

(*) Including bonds with the amount of VND5,376,960 million eligible to be the Bank's own capital (31 December 2017: VND5,376,960 million).

SELECTIVE NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 31 March 2018 and for the three-month period then ended

19. OTHER LIABILITIES

19.1 *Interest and fees payable*

	31 March 2018 VND million	31 December 2017 VND million
Interest payables for customer term deposits	950,784	949,740
Interest payables for customer saving deposits	1,184,681	1,114,044
Interest payables for valuable papers issued	3,155,149	2,821,959
Interest payables for borrowings from other credit institutions	74,202	101,238
Interest payables for other borrowed and entrusted funds	40,581	20,260
Interest payables for derivative financial instruments	28,149	55,881
Fee payables	27,226	44
	5,460,752	5,063,166

19.2 *Other liabilities*

	31 March 2018 VND million	31 December 2017 VND million
Internal payables	355,653	719,909
Payables to employees	355,653	719,909
External payables	8,082,003	5,331,846
Advances from customers	1,252,796	1,208,308
Unearned income	209,842	133,891
Transfer payment awaiting settlement	532,193	243,341
Taxes payable to the State Budget (Note 20)	687,352	759,545
Payable related to sale and repurchase of valuable papers	1,292,844	1,292,844
Other liabilities	2,106,976	1,693,917
	6,437,656	6,051,755

SELECTIVE NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 31 March 2018 and for the three-month period then ended**20. TAXES AND OTHER OBLIGATIONS TO THE STATE BUDGET**

	<i>Opening balance</i> <i>VND million</i>	<i>Movements in the period</i>		<i>Closing balance</i> <i>VND million</i>
		<i>Payables</i> <i>VND million</i>	<i>Paid</i> <i>VND million</i>	
Corporate income tax	655,739	523,896	(655,652)	523,983
Value added tax	29,124	56,477	(63,953)	21,848
Other taxes	74,682	189,474	(122,435)	141,721
	759,545	769,847	(842,040)	687,352

20.1 Current corporate income tax

The Bank has the obligation to pay corporate income tax ("CIT") at the rate of 20% of taxable profits according to Circular No. 78/2014/TT-BTC which became effective from 2 August 2014.

The Bank's and its subsidiaries' tax reports are subject to examination by the tax authorities. Because the application of tax laws and regulations to many types of transactions is susceptible to varying interpretations, amount reported in the interim consolidated financial statements could be changed at a later date upon final determination by the tax authorities.

Current corporate income tax payables are determined based on taxable income of the period. Taxable income differs from the one reported in the interim consolidated income statement since taxable income excludes incomes which are taxable or expenses which are deducted in prior periods due to the differences between the Bank's and its subsidiaries' accounting policies and the tax regulations, and also excludes non-taxable income and non-deductible expenses. The current corporate income tax payable of the Bank and its subsidiaries are calculated based on the statutory tax rates applicable at the year-end.

Provision for current income tax expense is estimated as follows:

	<i>For the three-month period ended</i> <i>31 March 2018</i> <i>VND million</i>	<i>For the three-month period ended</i> <i>31 March 2017</i> <i>VND million</i>
Profit before tax	2,619,011	1,924,110
<i>Plus/(Minus)</i>		
- Net loss of subsidiaries	698	13,632
- Non-deductible expenses	172	645
- Adjustment of expense for consolidation of financial statements	-	6,242
Estimated taxable income	2,620,079	1,944,629
Estimated income tax expense using prevailing tax rate	524,016	388,926
Adjustment of tax expenses in previous years	(120)	473
Income tax expense for the period	523,896	389,399
Income tax payable at the beginning of the period	655,739	467,647
Income tax paid in the period	(655,652)	(468,457)
Current income tax payable at the end of the period	523,983	388,589

20.2 Deferred income tax

No deferred tax was recognized in the period since there was no material temporary difference between the carrying value and the tax base of assets and liabilities in the interim consolidated financial statements.

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SELECTIVE NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)
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21. OWNERS' EQUITY AND RESERVES

21.1 Statement of changes in equity

	Charter capital VND million	Share premium VND million	Capital supplementary reserve VND million	Financial reserve VND million	Investment and development fund VND million	Retained earnings VND million	Foreign exchange differences VND million	Total VND million
Balance as at 1 January 2017	9,181,000	1,288,863	338,798	1,084,775	1,528,621	3,767,473	-	17,177,528
Net profit for the year	-	-	-	-	-	6,446,767	-	6,446,767
Issuance of ordinary shares	1,647,144	4,778,717	-	-	-	-	-	6,425,861
Issuance of bonus shares	579,300	-	(170,597)	-	(408,793)	-	-	-
Dividends paid for preferred shares	-	-	-	-	-	(146,439)	-	(146,439)
Transfer from investment and development fund to increase charter capital	-	-	-	-	(1,884,040)	1,684,040	-	-
Stock dividend	4,258,786	-	-	-	-	(4,298,786)	-	-
Appropriations to reserves	-	-	322,652	645,220	1,903,531	(2,871,413)	-	-
Consultancy fee for issuance of ordinary shares	-	(199,475)	-	-	-	-	-	(199,475)
Adjustment on tax expenses of previous years	-	-	-	-	-	(532)	-	(532)
Balance as at 31 December 2017	15,706,230	5,868,105	490,851	1,729,965	1,337,409	4,565,110	-	28,695,710
Net profit for the period	-	-	-	-	-	2,095,155	-	2,095,155
Dividends paid for preferred shares	-	-	-	-	-	(146,438)	-	(146,438)
Appropriations to reserves	-	-	-	-	2,747,747	(2,747,747)	-	-
Foreign exchange differences	-	-	-	-	-	-	(3,338)	(3,338)
Balance as at 31 March 2018	16,706,230	5,868,105	490,851	1,729,965	4,086,156	3,786,040	(3,338)	31,641,051

SELECTIVE NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 31 March 2018 and for the three-month period then ended

21. OWNERS' EQUITY AND RESERVES (continued)

21.2 Equity

	31 March 2018		31 December 2017	
	Shares	VND million	Shares	VND million
Number of registered share:	1,570,623,015	15,706,230	1,570,623,015	15,706,230
Number of shares issued	1,570,623,015	15,706,230	1,570,623,015	15,706,230
- Ordinary shares	1,497,403,415	14,974,034	1,497,403,415	14,974,034
- Preference shares	73,219,600	732,196	73,219,600	732,196
Number of outstanding shares	1,570,623,015	15,706,230	1,570,623,015	15,706,230
- Ordinary shares	1,497,403,415	14,974,034	1,497,403,415	14,974,034
- Preference shares	73,219,600	732,196	73,219,600	732,196

The face value of each share of the Bank is VND10,000.

Preference shares issued by the Bank are preference dividend shares which earn stable annual dividend and have no voting rights. It is expected that after three (3) years since the issuance date, the Bank will repurchase these preference shares as treasury shares or appoint a third party to acquire these preference shares.

22. BASIC EARNINGS PER SHARE

	For the three-month period ended 31 March 2018	For the three-month period ended 31 March 2017
Profit after tax	2,095,115	1,534,711
Dividend paid to preference shares	-	(36,610)
Profit attributed to ordinary shareholders of the Bank (VND million)	2,095,115	1,498,101
Weighted average number of ordinary shares (Share)	1,497,403,415	1,332,689,035
Basic earnings per share (VND)	1,399	1,124

Profit attributed to ordinary shareholders is equal to the interim consolidated profit after tax minus (-) dividends on preference shares (if any).

The basic earnings per share for the prior period have been restated due to the effect of the issuance of shares from capital supplementary reserve and share premium, and capital increase from retained earnings in the period from 31 March 2017 to 31 March 2018.

At the end of the period, there are no events and situations to show diluted earnings per share for the period.

SELECTIVE NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 31 March 2018 and for the three-month period then ended

23. INTEREST AND SIMILAR INCOME

	<i>For the three-month period ended 31 March 2018 VND million</i>	<i>For the three-month period ended 31 March 2017 VND million</i>
Interest income from deposits	78,985	47,208
Interest income from loans to customers	8,294,645	6,629,661
Interest income from securities held for trading and investment securities	987,513	1,244,872
- Interest income from securities held for trading	48,893	53,301
- Interest income from investment securities	938,620	1,191,571
Income from guarantee activities	28,846	25,362
Interest income from debts purchased	3,819	-
Other income from credit activities	338,629	136,373
	9,730,236	7,983,474

24. INTEREST AND SIMILAR EXPENSES

	<i>For the three-month period ended 31 March 2018 VND million</i>	<i>For the three-month period ended 31 March 2017 VND million</i>
Interest expenses for deposits	1,919,617	1,727,663
Interest expenses for borrowings	226,736	207,323
Interest expenses for valuable papers issued	1,430,827	1,150,072
Other expenses for credit activities	135,199	69,330
	3,712,379	3,154,398

25. NET GAIN FROM SECURITIES HELD FOR TRADING

	<i>For the three-month period ended 31 March 2018 VND million</i>	<i>For the three-month period ended 31 March 2017 VND million</i>
Income from trading of securities held for trading	76,560	70,393
Expenses for trading of securities held for trading	(48,669)	(66,892)
	29,891	4,501

SELECTIVE NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 31 March 2018 and for the three-month period then ended**26. NET GAIN FROM INVESTMENT SECURITIES**

	<i>For the three- month period ended 31 March 2018 VND million</i>	<i>For the three- month period ended 31 March 2017 VND million</i>
Income from trading of investment securities	213,232	171,126
Expenses for trading of investment securities	(46,057)	(14,402)
Provision reversed/(charged) for investment securities (Note 11.3)	10,446	(81,236)
	177,621	75,488

27. NET GAIN FROM OTHER OPERATING ACTIVITIES

	<i>For the three- month period ended 31 March 2018 VND million</i>	<i>For the three- month period ended 31 March 2017 VND million</i>
Other operating income	1,253,544	721,602
Income from other derivatives	48,670	21
Bad debt recoveries	288,922	183,441
Income from disposal of fixed assets	18	-
Income from disposal of other assets	11,895	498,086
Income from debt purchase and selling activities	30,031	22,278
Income from contracts penalty receivables	9,338	-
Support received and other income	865,872	19,775
Other operating expenses	(129,864)	(515,127)
Expenses for other derivatives	(65,384)	(60)
Expenses for disposal of other assets	(10,973)	(505,089)
Other expenses	(53,507)	(8,978)
	1,123,880	206,475

SELECTIVE NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 31 March 2018 and for the three-month period then ended

28. OPERATING EXPENSES

	<i>For the three-month period ended 31 March 2018 VND million</i>	<i>For the three-month period ended 31 March 2017 VND million</i>
Tax, duties and fees	290	21,959
Personnel expenses	1,479,863	1,130,271
<i>In which:</i>		
Salary and allowances	1,311,309	1,008,898
Expenses related to salary	96,729	51,412
Subsidy	37,550	59,707
Other allowances	34,075	10,254
Fixed asset expenses	304,270	228,507
<i>In which:</i>		
Depreciation and amortization of fixed assets	68,008	50,240
Administrative expenses	275,382	166,533
<i>In which:</i>		
Expenses on per diem	7,599	8,067
Other provision reversal	(34,915)	(12,872)
- Reversal of provision for other long-term investments (Note 12)	(34,915)	(12,872)
Insurance fee for customer deposits	37,783	36,907
Other operating expenses	298,464	241,719
	<u>2,360,937</u>	<u>1,797,024</u>

29. PROVISION EXPENSE FOR CREDIT LOSSES

	<i>For the three-month period ended 31 March 2018 VND million</i>	<i>For the three-month period ended 31 March 2017 VND million</i>
Provision expense for loans to customers (Note 9)	2,452,541	1,579,759
Provision expense for debts purchase activities (Note 10)	974	-
Provision expense for VAMC bonds (Note 11.3)	198,802	108,375
Provision reversed for other assets (Note 13.4)	-	(3,249)
	<u>2,652,317</u>	<u>1,684,885</u>

SELECTIVE NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 31 March 2018 and for the three-month period then ended

30. CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the interim consolidated cash flow statement comprise the following amounts on the interim consolidated balance sheet:

	31 March 2018 VND million	31 March 2017 VND million
Cash and cash equivalents on hand	2,633,305	1,790,182
Balances with the SBV	2,558,337	1,828,304
Demand accounts at other credit institutions	5,560,801	539,572
Placements with other credit institutions with original term of three months or less	14,580,673	5,684,973
	25,333,116	9,843,031

31. RELATED PARTY TRANSACTIONS

Related party transactions include all transactions undertaken with other parties to which the Bank and its subsidiaries are related. A party is considered to be related if the party has ability to control or to influence other parties in making decision of financial policies and operational activities. A party is related to the Bank and its subsidiaries if:

- (a) Directly, or indirectly through one or more intermediaries, the party:
 - Controls, or is controlled by, or is under common control with the Bank and its subsidiaries (including parents and subsidiaries);
 - Has an interest (owning 5% or more of the charter capital or voting share capital) in the Bank and its subsidiaries that gives it significant influence over the Bank and its subsidiaries;
 - Has joint control over the Bank.
- (b) The party is a joint venture in which the Bank and its subsidiaries are a venture or an associate (owning over 11% of the charter capital or voting share capital, but is not a subsidiary of the Bank and its subsidiaries);
- (c) The party is a member of the key management personnel of the Bank;
- (d) The party is a close member of the family of any individual referred to in (a) or (c); or
- (e) The party is a company that is controlled, jointly controlled or significantly influenced by, or for which significant voting power in such company resides with, directly or indirectly, any individual referred to in (c) or (d).

Significant transactions with its related parties in the period are as follows:

Related parties	Transactions	Amount	
		For the three-month period ended 31 March 2018 VND million	For the three-month period ended 31 March 2017 VND million
Members of the Board of Directors, Board of Supervision and Board of Management	Remuneration expenses	(24,615)	(14,752)
	Interest expenses for deposits of management	(653)	(161)

SELECTIVE NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 31 March 2018 and for the three-month period then ended

31. RELATED PARTY TRANSACTIONS (continued)

Receivables and payables with related parties as at 31 March 2018 and 31 December 2017 are as follows:

<i>Related parties</i>	<i>Balances</i>	<i>Receivables/Payables</i>	
		<i>31 March 2018</i>	<i>31 December 2017</i>
		<i>VND million</i>	<i>VND million</i>
Members of the Board of Directors, Board of Supervision and Board of Management	Deposits at the Bank	55,879	40,962

Besides the transactions and balances presented above, the Bank and its subsidiaries do not have any other significant transactions, receivables and payables with their related parties as at 31 March 2018 and the three-month period then ended.

32. CONCENTRATION OF ASSETS, LIABILITIES AND OFF-BALANCE SHEET ITEMS BY GEOGRAPHICAL REGIONS

Concentration of counterparties of the Bank and its subsidiaries by geographical regions as at 31 March 2018 are as follows.

	<i>Domestic</i> <i>VND million</i>	<i>Foreign</i> <i>VND million</i>	<i>Total</i> <i>VND million</i>
Loans to customers, debts purchased and loans to other credit institutions	192,364,474	5,807	192,370,281
Total fund mobilization	229,947,335	10,511,797	240,459,132
Credit commitments and other guarantees	19,672,121	-	19,672,121
Derivative instruments	140,132	4,479	144,611
Securities held for trading and investment securities	55,128,743	-	55,128,743

SELECTIVE NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 31 March 2018 and for the three-month period then ended**33. FINANCIAL RISK MANAGEMENT POLICIES**

The Bank has exposure to the following risks from financial instruments:

- ▶ credit risk;
- ▶ liquidity risk; and
- ▶ market risk.

This note presents information about the Bank's exposure to each of the above risks, the Bank's objectives, policies and processes for measuring and managing risk, and the Bank's management of capital.

Risk management framework

The Board of Directors ("BOD") has overall responsibility for the establishment and oversight of risk management framework and is ultimately responsible for the quality and effectiveness of the Bank's risk management. To facilitate this oversight function, the Bank's BOD has established an Assets and Liabilities Committee ("ALCO") and a Risk Committee ("RCO") which are responsible for developing and monitoring key risk management policies for specific areas authorized by the BOD and periodically reporting to the BOD on their activities. These committees include both voting and non-voting members.

The Bank's risk management framework is established to form key principles in managing and controlling significant risks arising from the Bank's activities. Based on this, specific policies and regulations for each type of risk are established to assist the Bank in analysing and determining appropriate risk limits, controlling and monitoring measures and ensuring adherence to the limits.

Risk management policies and systems are reviewed regularly to reflect changes in market conditions, products and services offered. The Bank, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment, in which all employees understand their roles and obligations.

33.1 Credit risk

The Bank is subject to credit risk through its loans to customers, placements with and loans to other banks and investments in corporate bonds and in cases where it acts as an intermediary on behalf of customers or other third parties or issues guarantees. Credit risk arises when a customer, obligor or partner fails to perform or improperly performs or does not fulfil their obligations under the commitments and agreements entered into with the Bank. The Bank's primary exposure to credit risk arises through its loans and advances to corporates and retail customers and investments in corporate bonds. The amount of credit exposure in this regard is represented by the carrying amounts of the assets on the interim consolidated balance sheet. In addition, the Bank is exposed to off balance sheet credit risk through guarantees commitments, letters of credit and derivatives issued.

Credit risk management

Credit risk is the one that exerts the largest impact on the Bank's income and capital. The Bank has established a credit risk appetite on the basis of managing credit activities in a prudent manner and pre-determined credit limits including the credit concentration risk limits and adhering to the Bank's risk tolerance. In principle, the Bank identifies and manages credit risk in all activities and products with potential credit risk and ensures that the Bank provides new products only when sufficient regulations and procedures related to new products or operation in new markets in order to identify, measure, evaluate, monitor and control critical exposure risks are in place. To keep credit risks under control, the Bank's policy is to engage in transactions with reliable partners, and request its partners to take guarantee measures as and when required.

SELECTIVE NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 31 March 2018 and for the three-month period then ended

33. FINANCIAL RISK MANAGEMENT POLICIES (continued)

33.1 Credit risk (continued)

Credit risk management (continued)

The credit risk management system is operating based on the principles of independence and centralization. Accordingly, the development of risk management policies, determination of risk limits and risk monitoring, risk reporting and risk control are implemented independently and centrally at the Risk Management Division. The reports from the Risk Management Division are a basis for RCO to issue key credit decisions.

The Bank measures credit risks, makes allowances and complies with safe ratios for loan and advances to customers and to other credit institutions in accordance with relevant regulations of the SBV.

The Bank's overall approach to credit risk is a risk-based approach. Accordingly, credit approval or credit valuation decisions as well as the behavioural methods in monitoring and classifying credits and controlling credit risks are being designed following the risk levels of customers. To this end, key activities being implemented by the Bank include the followings:

- ▶ Focusing on completion of data infrastructure used for developing credit rating and risk classification systems in accordance with international standards;
- ▶ Developing and completing the credit rating system and the scorecard system;
- ▶ Gathering and reviewing credit policies/documents of the whole system to reassess the integrity and responsiveness to the requirements specified in the policies of Risk Management Framework;
- ▶ Completing the credit quality monitoring mechanism for the entire life cycle of a loan;
- ▶ Developing an early credit risk warning system; and
- ▶ Developing a debt recovery and restructuring system.

The maximum exposure to credit risk before collateral held or other credit enhancements

The maximum exposures to credit risk relating to asset groups, which are equivalent to their carrying values in the interim consolidated balance sheet, are listed below:

	Not past due VND million	Past due but not impaired VND million	Past due and individually impaired VND million	Total VND million
Placements with and loans to other credit institutions	22,882,775	-	731	22,883,506
- Placements with other credit institutions	20,141,474	-	-	20,141,474
- Loans to other credit institutions	2,741,301	-	731	2,742,032
Securities held for trading	2,289,930	-	-	2,289,930
Loans to customers and debts purchased	168,909,997	3,962,366	16,755,886	189,628,249
Investment securities	52,838,815	-	-	52,838,815
- Available-for-sale securities	48,704,628	-	-	48,704,628
- Held-to-maturity securities	4,134,187	-	-	4,134,187
Other assets	14,875,086	36,469	80,948	14,992,503
Total	261,796,603	3,998,835	16,837,565	282,633,003

SELECTIVE NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 31 March 2018 and for the three-month period then ended

33. FINANCIAL RISK MANAGEMENT POLICIES (continued)

33.1 *Credit risk* (continued)

The maximum exposure to credit risk before collateral held or other credit enhancements (continued)

The above table presents the worst scenario in which the maximum credit exposures will incur as at 31 March 2018, without taking into account of any collateral held or their credit enhancement.

The financial assets which are past due are classified in compliance with the quantitative method as prescribed in Circular No. 02/2013/TT-NHNN and Circular No. 228/2009/TT-BTC.

The financial assets are past due but not impaired due to the Bank and its subsidiaries are currently holding the sufficient collateral assets to cover for credit losses in accordance with the current regulations of the SBV or the overdue financial assets that have not been required impairment provision under regulations.

The Bank and its subsidiaries are currently holding collateral in the form of real estates, mobile assets, valuable papers and other types for the above collateral. However, it has not been able to determine the fair value of such assets due to the inadequacy of specific guidance from the SBV and other authorities nor necessary market information.

32.2 *Market risk*

Market risk is risk of losses due to unexpected and adverse changes in market price factors (including interest rates, exchange rates, equity prices, commodity price, etc.) that will affect the Bank's income and capital.

Market risk management

Market risk management is implemented by the Market and FI Risk Department under the Risk Management Division. The Market and FI Risk Department is responsible for developing of market risk management policies and processes, designing measurement instruments, proposing independent market risks limits to high level of management for approval and monitoring market risks limit on daily/monthly basis according to the Bank's regulations.

In 2017, market risk management policies were revised to introduce a new risk management model. Market risk management functions have been segregated amongst different units and committees, using three lines of defence model. Market Risk Sub-committee (MACO) under Risk Committee (RCO) was established to propose and analyse in-depth market risk, liquidity risk and counterparty risk issues. Also, internal document which requires segregation between Trading Book and Banking Book has been issued in accordance with the SBV's regulation and Basel II standards, ensuring to manage the model by risk appetite. Strategy of each Unit of Financial Markets Division is also issued in the year. Accordingly, business strategy, hedging strategy and analysis of potential risks have been clearly regulated for each portfolio. Valuation methodology is also established in accordance with IFRS, which enables the Bank to determine fair value of financial instruments appropriately.

SELECTIVE NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 31 March 2018 and for the three-month period then ended**33. FINANCIAL RISK MANAGEMENT POLICIES (continued)****33.2 Market risk (continued)**

In 2018, the regulation that specifies and approves VPBank's transaction limits with financial institution was amended and issued by the Risk Committee (RCO), which provides specific limits for market risk and counterparty risk involved transactions, ensuring that all risk factors are taken into account in the granting limits process.

All types of market risk of the Bank (include currency risk, interest rate risk, price risk, option risk, volatility risk, credit spread risk and market liquidity risk) are subject to in-depth analysis, identification and quantification with internal limits system. Risk monitoring and controlling that includes regular (normally daily) risk reporting process and escalations process in case of any violations.

The system of limits relating to market risks is established based on 2 methods: top-down method which is based on the Bank's risk appetite, the SBV's regulations and agreements with strategic partners and bottom-up method which is based on specific needs of operation units and risk-profit analysis.

The Bank conducts calculations of market risk capital charge in accordance to Basel II requirements monthly.

(a) Interest rate risk

The interest rates set by the Bank for loans to customers and customer deposits are respectively presented in Note 8 and Note 15.

SELECTIVE NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 31 March 2018 and for the three-month period then ended

33. FINANCIAL RISK MANAGEMENT POLICIES (continued)

33.2 Market risks (continued)

(a) Interest rate risk (continued)

The below table shows an analysis of the interest re-pricing period of assets and liabilities of the Bank as at 31 March 2018:

	Overdue VND million	Non-interest bearing VND million	Interest re-pricing period						
			Up to 1 month VND million	From 1 to 3 months VND million	From 3 to 6 months VND million	From 6 to 12 months VND million	From 1 to 5 years VND million	Over 5 years VND million	
Assets									
Cash, gold and gemstones	-	2,633,305	-	-	-	-	-	-	2,633,305
Balances with the SSB	-	-	2,538,337	-	-	-	-	-	2,538,337
Placements with and loans to other credit institutions – gross	731	-	20,720,874	2,162,101	-	-	-	-	22,883,905
Securities held for trading – gross	-	-	2,289,030	-	-	-	-	-	2,289,030
Loans to customers and debts purchased – gross	8,349,411	-	83,358,495	33,872,314	23,815,280	18,936,341	21,325,283	71,115	189,620,249
Investment securities – gross	-	3,968,668	6,803,908	7,051,741	4,717,705	9,475,278	14,621,815	7,171,812	52,838,813
Long-term investments – gross	-	227,602	-	-	-	-	-	-	227,602
Fixed assets and investment properties	-	775,821	-	-	-	-	-	-	775,821
Other assets – gross	117,417	13,708,751	528,197	1,667,438	1,256,490	424,304	-	-	14,992,503
Total assets	8,467,559	18,422,131	116,258,639	44,853,584	28,799,385	28,835,823	36,948,908	7,242,927	288,828,056
Liabilities									
Amounts due to the Government and the SSB	-	-	2,034,309	12,103	2,022	1,777	-	-	2,025,716
Deposits and borrowings from other credit institutions	-	-	8,891,430	10,401,578	4,430,416	993,484	-	-	24,719,966
Customer deposits	-	-	51,650,948	26,347,408	25,689,719	23,096,143	6,344,942	1,225	143,139,283
Derivatives and other financial liabilities	-	-	99,850	15,666	(14,147)	37,351	8,881	-	145,611
Other borrowed and entrusted funds	-	-	163,353	1,460,942	2,153,497	-	-	-	3,777,792
Valuable papers issued	-	-	4,776,345	12,268,422	17,341,636	22,794,454	9,715,449	-	60,806,375
Other liabilities	-	12,603,039	-	1,285,369	-	-	-	-	13,888,408
Total liabilities	-	19,603,039	67,695,284	51,891,489	59,603,203	46,840,719	16,067,282	1,225	262,603,161
Interest sensitivity gap (balance sheet)	8,467,559	7,819,092	47,572,345	(6,947,895)	(29,803,818)	(18,003,798)	19,879,626	7,241,802	36,324,915
Interest sensitivity gap (off-balance sheet)	-	-	-	773,813	673,876	(224,445)	(1,223,243)	-	-
Interest sensitivity gap (on, off-balance sheet)	8,467,559	7,819,092	47,572,345	(6,174,082)	(29,129,943)	(18,228,241)	18,656,383	7,241,802	36,324,915

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as at 31 March 2018 and for the three-month period then ended

33. FINANCIAL RISK MANAGEMENT POLICIES (continued)

33.2 Market risk (continued)

(a) Interest rate risk (continued)

Interest sensitivity

Assuming that all other variables remain constant, the effects of fluctuation in interest rates of interest-bearing assets and liabilities (including assets and liabilities with fixed interest rates) on profit before tax and shareholders' equity of the Bank and its subsidiaries are as follows:

	Assumed increase in interest rate	Impact on	
		Profit before tax VND million	Profit after tax and Owners' equity VND million
As at 31 March 2018	1.50%	(87,761)	(70,225)
USD	3.00%	712,995	570,357
VND			
As at 31 December 2017			
USD	1.50%	(14,615)	(11,692)
VND	3.00%	588,962	471,169

(b) Currency risk

Currency risk (commonly referred to as exchange-rate risk) is the risk of losses due to negative changes in the fair value of positions measured in local currency due to exchange rate fluctuations. Foreign currency positions as well as positions in gold and other precious metals bear exchange rate risk. Exchange rate risk arises in case the portfolio or specific position contains spot or future cash flows denominated or indexed to currency other than local currency. Exchange rate risk originates both in Trading Book and Banking Book. Exchange rate risk directly affects the balance sheet and income statement since assets, liabilities and earnings in foreign currency need to be converted into the reference currency.

Currency risk management

Exchange rate risk is managed by the means of limits on open FX position in every currency as well as total open FX position. The Bank's management has set limits on position for each currency in accordance with the Bank's business strategy and the SBV's regulations. VND is the major currency of transactions within the Bank, USD is transacted by loans, deposits and derivatives; other currencies are very tiny proportion of the Bank's assets and liabilities. Open currency positions are monitored on a daily basis and hedging strategies used to ensure positions are maintained within established limits.

Exchange rates of major currencies as at the reporting date are presented in Note 38.

SELECTIVE NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)
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33. FINANCIAL RISK MANAGEMENT POLICIES (continued)

33.2 *Market risk* (continued)

(b) *Currency risk* (continued)

Exchange rate sensitivity

Assuming that all other variables are unchanged, the table below shows the impact on profit before tax and equity of the Bank and its subsidiaries due to the changes that may occur by exchange rate. Risks due to the changes of exchange rates to other currencies of the Bank and its subsidiaries are not significant. The increase of exchange rate means the foreign currency is strengthen against VND.

	<i>Assumed level of increase</i>	<i>Impact on Profit after tax and Owner's equity VND million</i>
As at 31 March 2018		
USD	2.00%	(27,288)
As at 31 December 2017		
USD	2.00%	(11,742)

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32. FINANCIAL RISK MANAGEMENT POLICIES (continued)

32.2 Market risks (continued)

(b) Currency risk (continued)

The following table presents assets and liabilities in foreign currencies translated into VND as at 31 March 2018:

	EUR equivalent VND million	USD equivalent VND million	Gold equivalent VND million	Other currencies equivalent VND million	Total VND million
Assets					
Cash, gold and gemstones	140,807	257,753		391,854	1,031,104
Balances with the SBV	-	810,229	240,690	-	810,229
Placements with and loans to other credit institutions - gross	1,766,269	1,277,414	-	386,072	3,428,755
Loans to customers and debts purchased - gross	-	8,265,094	-	-	8,265,094
Other assets - gross	25,534	5,218,535	-	3,260	5,247,329
Total assets	1,932,610	13,829,025	240,690	780,186	16,782,511
Liabilities					
Deposits and borrowings from the Government and the SBV, other credit institutions	1,751,820	20,628,623	-	3,262	22,383,695
Customer deposits	371,718	3,774,153	-	395,479	4,541,350
Derivatives and other financial liabilities	8,761	(12,588,113)	-	492,454	(12,086,898)
Other borrowed and entrusted funds	-	3,451,087	-	-	3,451,087
Other liabilities	2,957	234,591	-	3,783	341,341
Total liabilities and equity	2,135,256	15,500,341	-	894,978	18,530,575
FX position on balance sheet	(202,646)	(1,671,316)	240,690	(114,792)	(1,748,064)
FX position off-balance sheet	81,180	401,109	-	127,161	609,440
Net on, off-balance sheet FX position	(121,466)	(1,270,207)	240,690	12,359	(1,138,624)

SELECTIVE NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 31 March 2018 and for the three-month period then ended

33. FINANCIAL RISK MANAGEMENT POLICIES (continued)

33.2 *Market risk* (continued)

(c) *Liquidity risk*

Liquidity risk is the risk that the Bank will not be able to meet its financial obligations as they fall due, or, the risk that the Bank might have to face unacceptable material losses in order to meet those obligations. Liquidity risk may lead to negative effect on the Bank's profit, reputation, equity, even causes the Bank's bankruptcy.

Liquidity risk management

The Bank manages the liquidity of the entire Bank on each of the main types of currency (VND, USD) on the mechanism, process of regulating, monitoring and managing liquidity as specified in the policies and regulations, process of liquidity management. Accordingly, liquidity risk management of the Bank is implemented through the strengthened cooperation between three divisions: Finance, Risk Management and Financial Market. In particular, the Finance Market Division plays the leading role in management of short-term liquidity and the Finance Division plays the leading role in management of long-term liquidity in accordance with the Bank's risk appetite, risk criteria, risk strategy and liquidity management strategy which are established by the Risk Management Division.

The Bank maintains a specific portfolio and volume of high-liquidation assets, which may include but not limited to cash, gold, interbank deposits, Government bonds and other high-liquidation assets in order to meet its liabilities when due under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Bank's reputation. The Bank will establish specific liquidity gap and follow strictly on each period based on Assets and Liabilities structure.

The Bank understands the interrelation of credit risk and market risk and how they may have impacts on the Bank's liquidity. The Bank also realizes that liquidity risks come from two sides of its balance sheet. Therefore, the Bank's approach to managing liquidity is to constantly focus on diversification of investment and credit activities and increases of accessibility to capital markets by various fund raising tools and products.

The Bank adopts both of the common approaches to managing liquidity, namely Stock Approach and Flow Approach. Accordingly, the Bank monitors on a daily basis the compliance with adequate liquidity ratios and forecasts movements of cash flows which may have impact on the Bank's liquidity position in the future to ensure compliance at any time with all regulations of the SBV as well as its internal regulations.

Liquidity risk limits are established based on results of the Bank's liquidity forecast in normal and stressed market conditions. Regular liquidity stress testing is conducted under a variety of scenarios covering adverse conditions. At the same time, the Bank also issues specific regulations on a Liquidity Contingency Plan ("LCP") which clearly specifies the roles and responsibilities of each unit and individual and a coordination process for implementation when there appear signs of a possible stressed liquidity event.

The following table provides an analysis of the assets and liabilities of the Bank into relevant maturity groupings based on the remaining period from the interim consolidated balance sheet date to repayment date.

SELECTIVE NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 31 March 2018 and for the three-month period then ended**32. FINANCIAL RISK MANAGEMENT POLICIES (continued)****32.2 Market risk (continued)****(c) Liquidity risk (continued)**

The table below presents the analysis of remaining maturity of assets and liabilities of the Bank as at 31 March 2018:

	Overdue		Current						Total VND million
	Above 3 months VND million	Within 3 months VND million	Up to 1 months VND million	From 1 to 3 months VND million	From 3 to 12 months VND million	From 1 to 5 years VND million	Over 5 years VND million		
Assets									
Cash, gold and gemstones	-	-	2,633,305	-	-	-	-	2,633,305	
Balances with the SBV	-	-	2,558,337	-	-	-	-	2,558,337	
Balances with and loans to other credit institutions - gross	731	-	20,720,674	2,162,101	-	-	-	22,883,506	
Securities held for trading - gross	-	-	2,289,930	-	-	-	-	2,289,930	
Loans to customers and debts purchased - gross	5,349,146	3,000,265	16,949,604	23,783,502	53,668,216	64,510,912	22,266,604	189,628,249	
Investment securities - gross	-	-	485,422	2,172,119	11,358,533	28,345,929	10,496,811	52,838,814	
Long-term investments - gross	-	-	-	-	-	-	227,602	227,602	
Fixed assets	-	-	-	-	-	-	775,821	775,821	
Other assets -gross	104,945	12,472	11,244,381	1,679,791	1,894,467	6,890	49,557	14,982,503	
Total assets	5,454,822	3,012,737	56,861,653	29,797,513	66,921,216	92,963,731	33,816,395	288,828,067	
Liabilities									
Amounts due to the Government and the SBV	-	-	2,004,309	12,108	9,299	-	-	2,025,716	
Deposits and borrowings from other credit institutions	-	-	10,217,802	8,117,685	4,119,075	4,179,985	84,419	24,718,966	
Customer deposits	-	-	51,650,947	26,347,406	58,779,362	6,351,442	1,126	143,130,283	
Derivatives and other financial liabilities	-	-	99,850	15,668	23,204	6,891	-	145,611	
Other borrowed and entrusted funds	-	-	1,663	435	8,375	3,763,585	3,734	3,777,792	
Valuable papers issued	-	-	4,760,334	12,284,434	30,231,659	17,029,948	2,500,000	66,806,375	
Other liabilities	-	-	9,569,937	1,961,325	362,227	4,919	-	11,898,408	
Total liabilities	-	-	78,304,842	46,739,059	93,533,201	31,336,770	2,589,279	252,503,151	
Net liquidity gap	5,454,822	3,012,737	(21,443,189)	(16,941,546)	(26,611,985)	61,626,961	31,227,116	36,324,916	

SELECTIVE NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 31 March 2018 and for the three-month period then ended

33. FINANCIAL RISK MANAGEMENT POLICIES (continued)

33.2 *Market risk* (continued)

(d) *Other market price risk*

Other than the assets and liabilities presented above, the Bank and its subsidiaries are not exposed to other market price risks with risk levels accounting for 5% of the Bank and its subsidiaries' net income or with value of relating assets/liabilities accounting for 5% of the Bank and its subsidiaries' total assets.

34. FINANCIAL ASSETS AND FINANCIAL LIABILITIES

On 6 November 2009, the Ministry of Finance issued Circular No. 210/2009/TT-BTC providing guidance for the adoption in Vietnam of the International Financial Reporting Standards on presentation and disclosures of financial instruments ("Circular 210") with effectiveness from financial years beginning on or after 1 January 2011.

The Circular 210 only regulates the presentation of financial statements and disclosures financial instruments, therefore, the below definitions of financial assets, financial liabilities and other relating definitions are applied solely for the preparation of this Note. The Bank's assets and liabilities are still recognized and recorded in accordance with Vietnamese Accounting Standards, Accounting System for Credit Institutions, regulations of the State Bank of Vietnam and statutory requirements relevant to preparation and presentation of the interim consolidated financial statements.

Financial assets

Under Circular 210, financial assets of the Bank include balance with the SBV and placement with other credit institutions, loans to customers and loans to other institutions, investment security, other receivables and currency derivative contracts.

Financial assets within the scope of Circular 210, for disclosures in the notes to the interim consolidated financial statements, are classified into either of the followings:

► *Financial asset at fair value through profit or loss*

Financial asset at fair value through profit and loss is a financial asset that meets either of the following conditions:

- a) A financial asset is classified as held for trading if:
 - ✓ It is acquired or incurred principally for the purpose of reselling or repurchasing it in the near term;
 - ✓ There is evidence of a recent actual pattern of short-term profit-taking; or
 - ✓ It is a derivative (except derivative that is a financial guarantee contract or effective hedging instrument).
- b) Upon initial recognition, it is designated by the entity as at fair value through profit or loss.

SELECTIVE NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)
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34. FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)

Financial assets (continued)

► *Held to maturity investments*

Held to maturity investments are non-derivative financial assets with determinable payments and fixed maturity that an entity has the positive intention and ability to hold to maturity other than

- a) Those that the entity upon initial recognition designates as at fair value through profit or loss,
- b) Those that the entity designates as available for sale;
- c) Those meet the definition of loans and receivables.

► *Loans and receivables:*

Loans and receivables are non-derivative with fixed payments or can be recognized and are not quoted on the market, unless:

- a) Those that the Bank intends to sell immediately or in the near future are classified as assets held for trading purposes, and others that at the same time of initial recognition that the entity classified at fair value according to result of income statement;
- b) Those that the Bank classifies as available-for-sale at the time of initial recognition; or
- c) Those that the holders may not recover most of the initial investment cost, not due to the impairment of the credit quality and are classified as available-for-sale.

► *Available-for-sale financial assets*

Available for sale financial assets are those non-derivative financial assets that are designated as available for sale or are not classified as:

- a) Loans and receivables;
- b) Held-to-maturity investments;
- c) Financial assets at fair value through profit or loss.

SELECTIVE NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)
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34. FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)

Financial liabilities

According to Circular 210 financial liabilities of the Bank includes deposits and borrowings from other institutions, valuable papers issued and other financial liabilities.

Financial liabilities within the scope of Circular 210, for disclosures in the notes to the interim consolidated financial statements, are classified into either of the followings:

➤ *Financial liability at fair value through profit or loss:*

Financial liability at fair value through profit and loss is a financial liability that meets either of the following conditions:

- a) It is classified as held for trading. A financial liability is classified as held for trading if:
 - ✓ It is acquired or incurred principally for the purpose of reselling or repurchasing it in the near term;
 - ✓ There is evidence of a recent actual pattern of short-term profit-taking; or
 - ✓ It is a derivative (except derivative that is a financial guarantee contract or effective hedging instrument).
- b) Upon initial recognition, it is designated by the entity as at fair value through profit or loss.

➤ *Financial liabilities at amortized cost:*

Financial liabilities that are not classified as at fair value through profit or loss are classified as at amortized cost.

Offsetting of financial assets and financial liabilities

Financial assets and financial liabilities are offset and the net amount reported in the interim consolidated balance sheet if and only if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis or to realize the assets and settle the liabilities simultaneously.

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34. FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)

The carrying value and fair value of financial assets and liabilities as at 31 March 2018 are presented as follows:

	Carrying value					
	Financial assets at fair value through profit and loss	Held-to-maturity	Loans and receivables	Available-for-sale	Other assets and liabilities recorded at amortized cost	Fair value
	VND million	VND million	VND million	VND million	VND million	VND million
Cash, gold and gemstones	-	-	2,633,305	-	-	2,633,305
Balances with the SBV	-	-	2,558,337	-	-	2,558,337 (*)
Balances with and loans to other credit institutions - gross	-	-	22,883,506	-	-	22,883,506 (*)
Securities held for trading - gross	2,289,830	-	-	-	-	2,289,830 (*)
Loans to customers and debts purchased - gross	-	-	189,628,248	-	-	189,628,248 (*)
Available-for-sale securities - gross	-	-	-	48,704,626	-	48,704,626 (*)
Held-to-maturity securities - gross	-	4,134,187	-	-	-	4,134,187 (*)
Long-term investments - gross	-	-	-	227,602	-	227,602 (*)
Other financial assets - gross	-	-	10,948,382	-	-	10,948,382 (*)
	2,289,830	4,134,187	228,651,779	48,932,228	-	284,008,124
Amounts due to the Government and the SBV	-	-	-	-	2,025,718	2,025,718 (*)
Deposits and borrowings from other credit institutions	-	-	-	-	24,718,968	24,718,968 (*)
Customer deposits	-	-	-	-	143,130,283	143,130,283 (*)
Derivatives and other financial liabilities	145,611	-	-	-	-	145,611 (*)
Other borrowed and entrusted funds	-	-	-	-	3,777,792	3,777,792 (*)
Valuable papers issued	-	-	-	-	68,806,375	68,806,375 (*)
Other financial liabilities	-	-	-	-	10,617,133	10,617,133 (*)
	145,611	-	-	-	251,076,265	251,221,676

(*) The fair value of these financial assets and liabilities cannot be determined because there is no specific guidance in determination of fair value under Vietnamese Accounting Standards and Accounting System.

SELECTIVE NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 31 March 2018 and for the three-month period then ended**35. SEGMENT INFORMATION**

A segment is a component determined separately by the Bank and its subsidiaries which is engaged in providing related products or services (business segment) or providing products or services in a particular economic environment (geographical segment), that is subject to risks and returns that are different from those of other segments.

35.1 The primary segment information by business segment

For management purpose, the Bank and its subsidiaries have established their operation in the following business segments:

Banking:	Provide the following products and services to customers: <ul style="list-style-type: none">- Mobilizing deposits;- Providing credit;- Wire transfer, settlement services; and- Other banking operations.
Asset and liabilities management:	Assets and liabilities management

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35. SEGMENT INFORMATION (continued)

35.1 Primary segment information by business segment (continued)

Primary segment information by business segment as at 31 March 2018 and for the three-month period then ended is as follows:

	Banking VND million	Asset and liabilities management VND million	Inter-segment adjustments VND million	Total VND million
I. Income				
1. Interest and similar income	8,730,236	865	(865)	9,730,236
External interest and similar income	9,730,236	-	-	9,730,236
Inter-segment interest and similar income	-	865	(865)	-
2. Net fee and commission income	302,395	28,003	(25,872)	302,526
3. Other operating income	1,311,767	115	-	1,311,882
	<u>11,344,398</u>	<u>26,983</u>	<u>(26,737)</u>	<u>11,344,644</u>
II. Expenses				
1. Interest and similar expenses	(3,713,244)	-	865	(3,712,379)
External interest and similar expenses	(3,712,379)	-	-	(3,712,379)
Inter-segment interest and similar expenses	(865)	-	865	-
2. Depreciation and amortization charges	(67,925)	(83)	-	(68,008)
3. Other direct operating expenses	(2,291,005)	(27,796)	26,872	(2,292,929)
	<u>(6,072,174)</u>	<u>(27,879)</u>	<u>26,737</u>	<u>(6,073,316)</u>
	<u>5,272,224</u>	<u>(898)</u>	<u>-</u>	<u>5,271,326</u>
	<u>(2,652,317)</u>	<u>-</u>	<u>-</u>	<u>(2,652,317)</u>
	<u>2,619,907</u>	<u>(898)</u>	<u>-</u>	<u>2,619,011</u>
Net profit before provision for credit losses				
Provision expense for credit losses				
Segmental profit before tax				
III. Total assets				
1. Cash, gold and gemstones	2,833,305	-	-	2,833,305
2. Fixed assets	775,018	803	-	775,821
3. Other assets	280,843,233	181,400	(88,557)	280,735,076
	<u>284,451,556</u>	<u>182,203</u>	<u>(88,557)</u>	<u>284,144,202</u>
IV. Total liabilities				
1. External liabilities to customers	246,124,310	-	(59,315)	245,564,995
2. Other internal liabilities	354,962	691	-	355,653
3. Other liabilities	6,039,720	2,525	(10,242)	6,032,003
	<u>252,558,492</u>	<u>3,216</u>	<u>(69,567)</u>	<u>252,503,151</u>

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35. SEGMENT INFORMATION (continued)

35.1 Primary segment information by business segment (continued)

Primary segment information by business segment as at 31 December 2017 and the three-month period ended 31 March 2017 is as follows:

	Banking VND million	Asset and liabilities management VND million	Inter-segment adjustments VND million	Total VND million
I. Income				
1. Interest and similar income	7,983,474	711	(711)	7,983,474
External interest and similar income	7,983,474	-	-	7,983,474
Inter-segment interest and similar income	-	711	(711)	-
2. Net fee and commission income	304,221	750	-	304,971
3. Other operating income	272,154	(184)	-	271,970
	8,559,849	1,277	(711)	8,560,415
II. Expenses				
1. Interest and similar expenses	(3,155,107)	-	711	(3,154,396)
External interest and similar expenses	(3,154,396)	-	-	(3,154,396)
Inter-segment interest and similar expenses	(711)	-	711	-
2. Depreciation and amortization charges	(50,071)	(169)	-	(50,240)
3. Other direct operating expenses	(1,732,043)	(14,741)	-	(1,746,784)
	(4,937,221)	(14,910)	711	(4,951,420)
Net profit before provision for credit losses	3,622,628	(13,633)	-	3,608,995
Provision expense for credit losses	(1,684,885)	-	-	(1,684,885)
Segmental profit before tax	1,937,743	(13,633)	-	1,924,110
III. Total assets				
1. Cash, gold and gemstones	2,674,364	-	-	2,674,364
2. Fixed assets	807,800	866	-	808,666
3. Other assets	274,263,013	185,144	(98,613)	274,369,544
	277,664,897	186,030	(98,613)	277,752,314
IV. Total liabilities				
1. External liabilities to customers	242,098,425	-	(93,576)	242,004,849
2. Other internal liabilities	719,908	-	-	719,908
3. Other liabilities	5,311,794	25,149	(5,037)	5,331,846
	248,130,068	25,149	(98,613)	248,056,604

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SELECTIVE NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 31 March 2018 and for the three-month period then ended

35. SEGMENT INFORMATION (continued)

35.2 The supplementary segment information by geographical area

The Bank and its subsidiaries' principal activities are mainly taking place within Vietnam. Therefore, the Bank and its subsidiaries' risks and returns are not impacted by the Bank's operations that are taken place in different locations. Therefore, the Bank's management identifies that the Bank has only one geographical segment. Accordingly, the presentation of geographical segment information is not required.

36. CHANGE IN NET PROFIT BEFORE TAX FOR THE PERIOD

The interim consolidated profit before tax for the three-month period ended 31 March 2018 of the Bank and its subsidiaries decreased by VND694,901 million compared to the interim consolidated profit before tax for the three-month period ended 31 March 2017, equivalent to 36.12% increase due to the following reasons:

	<i>Profit before tax VND million</i>
Profit increase due to increase in interest and similar income	1,188,779
Profit decrease due to decrease in net fee and commission income	(2,445)
Profit decrease due to decrease in net gain from trading of foreign currencies	(5,016)
Profit increase due to increase in net gain from securities held for trading	25,390
Profit increase due to increase in net gain from investment securities	102,133
Profit increase due to increase in net gain from other operating activities	917,405
Profit decrease due to increase in operating expenses	(563,913)
Profit decrease due to increase in provision for credit losses	(967,432)
	694,901

37. EVENTS AFTER THE INTERIM CONSOLIDATED BALANCE SHEET DATE

Events after the interim consolidated balance sheet date are events relating to changes of owners' equity and reserves, in details:

- i) On 9 July 2018, the Bank repurchased 73,219,600 preference shares as treasury shares in accordance with Decision No. 379/2018/QĐ-HĐQT dated 4 June 2018 by the Board of Directors.
- ii) The Bank's Charter Capital increased from VND15,706,230 million to VND24,962,729 million through share issuance for dividend payment from retained earnings in 2017 and distributed bonus from the Capital supplementary fund and Share premium in accordance with the Decision No. 1670/QĐ-NHNN dated 23 August 2018 of SBV, Official Letter No. 4145/UBCK-QLCB dated 4 July 2018 issued by State Securities Commission of Vietnam.
- iii) The Bank's Charter Capital increased from VND24,962,729 million to VND25,299,680 million through share issuance for VPBank's employees share ownership plan (ESOP) in accordance with Official Letter No. 6619/UBCK-QLCB dated 27 September 2018 issued by State Securities Commission of Vietnam.


The events above do not require adjustments to the made in the interim consolidated financial statements ended 31 March 2018.

Other than the events mentioned above, there have been no significant events occurring after the interim consolidated balance sheet date which require adjustments and disclosures to be made in the interim consolidated financial statements.

SELECTIVE NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 31 March 2018 and for the three-month period then ended

38. EXCHANGE RATES OF APPLICABLE FOREIGN CURRENCIES AGAINST VIETNAMESE DONG AT THE REPORTING DATE

	31 March 2018 VND	31 December 2017 VND
AUD	17,492	17,718
CAD	17,665	18,054
CHF	23,876	23,308
CNY	3,626	3,486
DKK	3,160	3,160
EUR	28,071	27,248
GBP	31,911	30,692
JPY	214	202
NZD	17,249	17,249
SEK	3,078	3,078
SGD	17,377	16,980
THB	640	640
USD	22,458	22,425
XAU	366,000	364,500

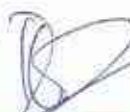
Prepared by: 

Reviewed by:

Approved by:



Ms. Nguyen Thi Thu Hang
Chief Accountant



Ms. Luu Thi Thao
Standing Deputy Chief
Executive Officer
cum Chief Financial Officer



Mr. Nguyễn Đức Vinh
Chief Executive Officer

Hanoi, Vietnam

19 April 2019

Vietnam Prosperity Joint Stock Commercial Bank

Consolidated financial statements

31 December 2018



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Vietnam Prosperity Joint Stock Commercial Bank

GENERAL INFORMATION

THE BANK

Vietnam Prosperity Joint Stock Commercial Bank (the "Bank") is a joint stock commercial bank incorporated and registered in the Socialist Republic of Vietnam.

The Bank was established pursuant to Banking License No. 0042/NH-GP dated 12 August 1993 issued by the State Bank of Vietnam (the "SBV") and Business Registration Certificate No. 0100233583 dated 8 September 1993 issued by Hanoi Department of Planning and Investment which was amended for the 41st time on 27 November 2018. The Bank started operation on 12 August 1993 with an operation period of 99 years.

The Bank's principal activities are to provide banking services including mobilizing and receiving short, medium and long-term deposits from organizations and individuals; making short, medium and long-term loans and advances to organizations and individuals; conducting foreign exchange transactions; providing international trade finance services; discounting of commercial papers, bonds and other valuable papers; investing in shares and bonds; providing settlement services; digital wallet; investing in future contract of Government bonds; providing asset management services; granting credit in form of rediscounting negotiable instruments and other valuable papers and other banking services as allowed by the SBV.

Charter capital

As at 31 December 2018, the charter capital of the Bank is VND25,299,680 million (31 December 2017: VND15,706,230 million).

Operational network

The Bank's Head Office is located at No. 89 Lang Ha, Lang Ha Ward, Dong Da District, Hanoi, Vietnam. As at 31 December 2018, the Bank has one (1) Head Office, fifty seven (57) branches, one hundred and sixty four (164) transaction offices nationwide and two (2) subsidiaries.

BOARD OF DIRECTORS

The members of the Board of Directors of the Bank during the year and as at the date of the consolidated financial statements are as follows:

<i>Name</i>	<i>Position</i>
Mr. Ngo Chi Dung	Chairman
Mr. Bui Hai Quan	Vice Chairman
Mr. Lo Bang Giang	Vice Chairman
Mr. Nguyen Van Hao	Independent member
Mr. Nguyen Duc Vinh	Member

Vietnam Prosperity Joint Stock Commercial Bank

GENERAL INFORMATION (continued)

THE BOARD OF SUPERVISION

The members of the Board of Supervision of the Bank during the year and as at the date of the consolidated financial statements are as follows:

<i>Name</i>	<i>Position</i>
Mr. Ngo Phuong Chi	Head of Board of Supervision
Ms. Nguyen Thi Bich Thuy	Full-time member
Ms. Trinh Thi Thanh Hang	Full-time member

THE BOARD OF MANAGEMENT

The members of the Board of Management of the Bank during the year and as at the date of the consolidated financial statements are as follows:

<i>Name</i>	<i>Position</i>
Mr. Nguyen Duc Vinh	Chief Executive Officer
Ms. Luu Thi Thao	Standing Deputy Chief Executive Officer Appointed on 16 July 2018
Mr. Sanjeev Nanavati	Standing Deputy Chief Executive Officer Appointed on 16 July 2018
Mr. Nguyen Thanh Binh	Deputy Chief Executive Officer
Mr. Phan Ngoc Hoa	Deputy Chief Executive Officer
Ms. Duong Thi Thu Thuy	Deputy Chief Executive Officer
Mr. Nguyen Thanh Long	Deputy Chief Executive Officer
Mr. Fung Kai Jin	Deputy Chief Executive Officer
Mr. Pham Phu Khoi	Deputy Chief Executive Officer
Mr. Kosaraju Kiran Babu	Deputy Chief Executive Officer
Mr. Dinh Van Nho	Deputy Chief Executive Officer Appointed on 2 July 2018
Mr. Phung Duy Khuong	Deputy Chief Executive Officer Appointed on 3 January 2019

LEGAL REPRESENTATIVE

The legal representative of the Bank during the year and as at the date of the consolidated financial statements is Mr. Ngo Chi Dzong – Chairman.

Mr. Nguyen Duc Vinh – Chief Executive Officer was authorized by Mr. Ngo Chi Dzong to sign off the accompanying consolidated financial statements for the year ended 31 December 2018 according to Authorization Document No. 09/2012/UQ-CT dated 5 July 2012.

AUDITORS

The auditors of the Bank are Ernst & Young Vietnam Limited

Vietnam Prosperity Joint Stock Commercial Bank

REPORT OF THE BOARD OF MANAGEMENT

The Board of Management of Vietnam Prosperity Joint Stock Commercial Bank (the "Bank") is pleased to present its report and the consolidated financial statements of the Bank and its subsidiaries as at 31 December 2018 and for the year then ended.

MANAGEMENT'S RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The Board of Management of the Bank is responsible for the consolidated financial statements which give a true and fair view of the consolidated financial position of the Bank and its subsidiaries and of the consolidated results of their operations and their consolidated cash flows for the year. In preparing these consolidated financial statements, the Board of Management is required to:

- ▶ select suitable accounting policies and then apply them consistently;
- ▶ make judgments and estimates that are reasonable and prudent;
- ▶ state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the consolidated financial statements; and
- ▶ prepare the consolidated financial statements on the going concern basis unless it is inappropriate to presume that the Bank will continue in business.

The Board of Management is responsible for ensuring that proper accounting records are kept which disclose, with reasonable accuracy at any time, the consolidated financial position of the Bank and its subsidiaries and ensuring that the accounting records comply with the applied accounting system. It is also responsible for safeguarding the assets of the Bank and its subsidiaries and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Board of Management confirmed that it has complied with the above requirements in preparing the accompanying consolidated financial statements.

STATEMENT BY THE BOARD OF MANAGEMENT

The Board of Management of the Bank does hereby state that, in its opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Bank and its subsidiaries as at 31 December 2018, the consolidated results of their operations and their consolidated cash flows for the year then ended in accordance with Vietnamese Accounting Standards, Vietnamese Accounting System for Credit Institutions and other statutory requirements relevant to preparation and presentation of the consolidated financial statements.

For and on behalf of the Board of Management



Mr. Nguyen Duc Vinh
Chief Executive Officer

Hanoi, Vietnam

12 February 2019

Reference: 60755038/20380038-HN

INDEPENDENT AUDITORS' REPORT

**To: The Shareholders of
Vietnam Prosperity Joint Stock Commercial Bank**

We have audited the accompanying consolidated financial statements of Vietnam Prosperity Joint Stock Commercial Bank (the "Bank") and its subsidiaries as prepared on 12 February 2019 and set out on pages 6 to 78 which comprise the consolidated balance sheet as at 31 December 2018, the consolidated income statement and the consolidated cash flow statement for the year then ended and the notes thereto.

Management's responsibility

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Vietnamese Accounting Standards, Vietnamese Accounting System for Credit Institutions and other statutory requirements relevant to preparation and presentation of the consolidated financial statements, and for such internal control as management determines is necessary to enable the preparation and presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Vietnamese Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the Bank's and its subsidiaries' preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's and its subsidiaries' internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.


We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view, in all material respects, of the consolidated financial position of the Bank and its subsidiaries as at 31 December 2018, and of the consolidated results of their operations and their consolidated cash flows for the year then ended in accordance with Vietnamese Accounting Standards, Vietnamese Accounting System for Credit Institutions and other statutory requirements relevant to preparation and presentation of the consolidated financial statements.



Ernst & Young Vietnam Limited
Dang Phuong Ha
Deputy General Director
Audit Practicing Registration
Certificate No. 2400-2018-004-1



Tran Thi Thu Hien
Auditor
Audit Practicing Registration
Certificate No. 2487-2018-004-1

Hanoi, Vietnam

12 February 2019

CONSOLIDATED BALANCE SHEET
as at 31 December 2018

		31 December 2018	31 December 2017
	Notes	VND million	(Reclassified) VND million
ASSETS			
Cash, gold and gemstones	5	1,855,473	2,574,284
Balances with the State Bank of Vietnam	6	10,828,571	6,460,795
Placements with and credit granting to other credit institutions		16,571,491	17,520,025
Placements with other credit institutions	7.1	15,337,628	15,218,720
Credit granting to other credit institutions	7.2	1,233,863	2,302,038
Provision for credit granting to other credit institutions		-	(731)
Securities held for trading	8	4,202,413	1,424,854
Securities held for trading		4,240,742	1,424,854
Provision for securities held for trading		(38,329)	-
Loans to customers		218,395,223	179,518,809
Loans to customers	10	221,961,996	182,666,213
Provision for loans to customers	11	(3,566,773)	(3,147,404)
Investment securities		51,928,418	63,588,049
Available-for-sale securities	12.1	49,417,157	50,384,788
Held-to-maturity securities	12.2	3,564,933	4,151,127
Provision for investment securities	12.3	(1,055,674)	(977,866)
Long-term investments	13	190,654	182,508
Other long-term investments		227,602	194,602
Provision for long-term investments		(36,948)	(42,098)
Fixed assets		1,983,086	808,488
Tangible fixed assets	14.1	1,385,572	457,682
Cost		2,211,225	1,090,758
Accumulated depreciation		(825,653)	(633,076)
Intangible fixed assets	14.2	577,524	350,804
Cost		958,289	623,226
Accumulated amortization		(381,765)	(272,422)
Other assets		17,357,782	15,734,506
Receivables	15.1	10,462,282	8,539,528
Interest and fees receivable	15.2	4,427,765	3,812,015
Other assets	15.3	2,473,219	3,404,366
Provision for other assets	15.4	(25,484)	(21,403)
TOTAL ASSETS		323,291,119	277,752,314

CONSOLIDATED BALANCE SHEET (continued)
as at 31 December 2018

	Notes	31 December 2018 VND million	31 December 2017 (Reclassified) VND million
LIABILITIES			
Amounts due to the Government and the State Bank of Vietnam	16	3,781,343	26,015
Deposits and borrowings from financial institutions and other credit institutions		54,231,451	38,063,849
Deposits from other credit institutions	17.1	21,145,194	7,834,381
Borrowings from financial institutions and other credit institutions	17.2	33,086,257	30,229,468
Customer deposits	18	170,850,871	133,550,812
Derivatives and other financial liabilities	9	18,571	180,489
Other borrowed and entrusted funds	19	329,549	328,777
Valuable papers issued	20	48,658,036	66,104,605
Other liabilities		10,671,129	9,822,077
Interest and fees payable	21.1	5,262,931	5,063,166
Other liabilities	21.2	5,408,198	4,758,911
TOTAL LIABILITIES		288,641,050	248,056,604
OWNERS' EQUITY			
Charter capital		25,299,680	15,706,230
Share premium		1,289,001	5,866,105
Reserves		5,465,879	3,558,265
Foreign exchange differences		(2,491,721)	-
Retained earnings		5,187,230	4,565,110
TOTAL OWNERS' EQUITY	23	34,750,069	29,695,710
TOTAL LIABILITIES AND OWNERS' EQUITY		323,291,119	277,752,314

CONSOLIDATED BALANCE SHEET (continued)
as at 31 December 2018

OFF-BALANCE SHEET ITEMS

Note	31 December 2018 VND million	31 December 2017 VND million
Credit guarantees	20,626	3,792
Foreign exchange commitments	66,626,741	76,976,531
- Spot foreign exchange commitments - buy	1,583,073	369,768
- Spot foreign exchange commitments - sell	1,582,743	370,388
- Swap contracts	63,460,925	76,236,375
Irrevocable loan commitments	1,860	-
Letters of credit	14,799,169	8,801,290
Other guarantees	13,860,017	11,590,623
Other commitments (*)	111,197,304	7,034,321
38	206,505,717	104,406,557

(*) According to Circular No. 19/2017/TT-NHNN dated 28 December 2017 amending and supplementing a number of articles of Circular No. 36/2014/TT-NHNN dated 20 November 2014 of the Governor of the State Bank of Vietnam providing for prudential ratios and limits for operations of credit institutions and branches of foreign banks which has taken effect since 12 February 2018, the figure as at 31 December 2018 presents the additional amount of unused credit limits that the Bank has the right to revoke or automatically revoke due to the customers' violation on revocable commitments or reduction of capacity to perform the duty and available credit limits of credit cards.

Prepared by: 

Ms. Nguyen Thi Thu Hang
Chief Accountant

Reviewed by:



Ms. Luu Thi Thao
Standing Deputy Chief
Executive Officer
cum. Chief Financial Officer

Approved by:



Mr. Nguyen Duc Vinh
Chief Executive Officer

Hanoi, Vietnam

12 February 2019

CONSOLIDATED INCOME STATEMENT
for the financial year ended 31 December 2018

	Notes	2018 VND million	2017 VND million
Interest and similar income	25	40,280,214	34,133,371
Interest and similar expenses	26	(15,578,639)	(13,518,945)
Net interest and similar income		24,701,575	20,614,426
Fee and commission income		3,818,797	3,210,071
Fee and commission expenses		(2,206,301)	(1,748,527)
Net fee and commission income	27	1,612,496	1,461,544
Net gain/(loss) from trading of foreign currencies	28	(103,750)	(158,842)
Net (loss)/gain from securities held for trading	29	(56,821)	179,638
Net gain from investment securities	30	250,057	339,477
Other operating income		5,363,874	3,208,782
Other operating expenses		(682,613)	(809,217)
Net gain from other operating activities	31	4,681,261	2,399,565
Income from investments in other entities	32	845	53,568
TOTAL OPERATING INCOME		31,085,663	24,889,376
TOTAL OPERATING EXPENSES	33	(10,633,924)	(8,758,255)
Net profit before provision for credit losses		20,451,739	16,131,121
Provision expenses for credit losses	34	(11,253,231)	(8,001,058)
PROFIT BEFORE TAX		9,198,508	8,130,063
Current corporate income tax expense		(1,842,940)	(1,689,296)
Corporate income tax expense	22	(1,842,940)	(1,689,296)
PROFIT AFTER TAX		7,355,568	6,440,767
Basic earnings per share (VND)	24	3,025	2,820

Prepared by: 

Ms. Nguyen Thi Thu Hang
Chief Accountant

Reviewed by:



Ms. Lou Thi Thao
Standing Deputy Chief
Executive Officer
cum. Chief Financial Officer

Approved by: 
THƯƠNG MẠI CỔ PHẦN
VIỆT NAM
THỊNH VƯỢNG
CỘNG ĐỒNG ĐÀ - TP. HỒ CHÍ MINH

Mr. Nguyen Duc Vinh
Chief Executive Officer

Hanoi, Vietnam

12 February 2019

CONSOLIDATED CASH FLOW STATEMENT
for the year ended 31 December 2018

	Notes	2018 VND million	2017 VND million
CASH FLOWS FROM OPERATING ACTIVITIES			
Interest and similar receipts		39,792,502	34,480,849
Interest and similar payments		(15,399,517)	(11,637,208)
Net fee and commission receipts		1,511,310	1,479,101
Net receipts from dealing in foreign currencies, gold and securities trading activities		225,811	396,450
Other income		2,589,855	1,230,931
Recoveries from bad debts previously written-off		2,092,678	1,098,054
Payments for employees and other operating activities		(10,616,997)	(8,560,105)
Corporate income tax paid in the year	22	(1,810,679)	(1,501,672)
Net cash flows from operating profit before changes in operating assets and liabilities		18,384,963	16,996,400
Changes in operating assets			
Placements with and credit granting to other credit institutions		1,068,172	2,998,424
Investment securities		(2,149,369)	2,689,025
Loans to customers		(38,593,215)	(37,795,799)
Provision to write off loans to customers, securities and long-term investments		(10,676,250)	(8,784,262)
Changes in other operating assets		(2,396,348)	(3,169,515)
Changes in operating liabilities:			
Amounts due to the Government and the SBV		3,755,329	(1,077,671)
Deposits and borrowings from financial institutions and other credit institutions		16,167,602	4,364,520
Customer deposits (including deposits from State Treasury)		37,300,059	9,763,386
Valuable papers issued (except for valuable papers issued for financing activities)		(14,946,570)	17,454,078
Other borrowed and entrusted funds		872	2,509,578
Derivatives and other financial liabilities		(141,898)	(30,856)
Changes in other operating liabilities		912,972	1,298,474
Net cash flows from operating activities		8,686,319	9,215,782
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of fixed assets		(118,535)	(214,416)
Proceeds from disposal of fixed assets		453	237,074
Proceeds from disposal of investment property		-	10,000
Payments for disposal of investment property		-	(52)
Payments for investment in other entities		-	(30,000)
Proceeds from disposals of investments in other entities		-	157,740
Dividends received and profit distributed from long-term investments		845	598
Net cash flows (used in)/from investing activities		(117,237)	160,944

CONSOLIDATED CASH FLOW STATEMENT (continued)
for the year ended 31 December 2018

	Notes	2018 VND million	2017 VND million
CASH FLOWS FROM FINANCING ACTIVITIES			
Increase in charter capital from capital contribution and/or share issuance		336,951	6,224,386
Payment to purchase treasury shares		(2,491,721)	-
Payment for long term valuable papers eligible to be included in capital and other long term borrowings		(2,500,000)	-
Dividends distributed to shareholders		(146,439)	(146,439)
Cash flows (used in)/from financing activities		(4,801,209)	6,077,947
Net cash flows in the year		3,767,873	15,454,673
Cash and cash equivalents at the beginning of the year		24,253,799	8,799,126
Cash and cash equivalents at the end of the year	35	28,021,672	24,253,799
SIGNIFICANT NON-CASH TRANSACTIONS IN THE YEAR			
Bonus shares issued using the capital supplementary reserve and investment and development fund and Premium shares		4,731,795	579,300
Increase in charter capital from retained earnings		4,524,704	4,298,786

Prepared by:



Ms. Nguyen Thi Thu Hang
Chief Accountant

Reviewed by:



Ms. Luu Thi Thao
Standing Deputy Chief
Executive Officer
cum. Chief Financial Officer



Mr. Nguyen Duc Vinh
Chief Executive Officer

Hanoi, Vietnam

12 February 2019

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
as at 31 December 2018 and for the year then ended

1. GENERAL INFORMATION

Vietnam Prosperity Joint Stock Commercial Bank (the "Bank") is a joint stock commercial bank incorporated and registered in the Socialist Republic of Vietnam.

The Bank was established pursuant to Banking License No. 0042/NH-GP dated 12 August 1993 issued by the State Bank of Vietnam (the "SBV") and Business Registration Certificate No. 0100233563 dated 8 September 1993 issued by Hanoi Department of Planning and Investment which was amended for the 41st time on 27 November 2018. The Bank started operation on 12 August 1993 with an operation period of 99 years.

The Bank's principal activities are to provide banking services including mobilizing and receiving short, medium and long-term deposits from organizations and individuals; making short, medium and long-term loans and advances to organizations and individuals; conducting foreign exchange transactions; providing international trade finance services; discounting of commercial papers, bonds and other valuable papers; investing in shares and bonds; providing settlement services; digital wallet; investing in future contract of Government bonds; providing asset management services; granting credit in form of rediscounting negotiable instruments and other valuable papers and other banking services as allowed by the SBV.

Charter capital

As at 31 December 2018, the charter capital of the Bank is VND25,299,680 million (31 December 2017: VND15,706,230 million).

Operational network

The Bank's Head Office is located at No. 89 Lang Ha, Lang Ha Ward, Dong Da District, Hanoi, Vietnam. As at 31 December 2018, the Bank has one (1) Head Office, fifty seven (57) branches, one hundred and sixty four (164) transaction offices nationwide and two (2) subsidiaries.

Subsidiaries

As at 31 December 2018, the Bank has two (2) directly owned subsidiaries as follow:

<i>Subsidiaries</i>	<i>Operating license</i>	<i>Nature of business</i>	<i>Share capital</i>	<i>Ownership</i>
VPBank Asset Management Company Limited ("VPB AMC")	Business Registration Certificate No. 0105837483 issued by Hanoi Department of Planning and Investment which was last amended on 28 December 2016	Asset and liabilities management	VND115 billion	100%
VPBank Finance Company Limited ("VPB FC")	Business Registration Certificate No. 0102180545 issued by Ho Chi Minh City Department of Planning and Investment which was last amended on 17 October 2018	Other finance activities	VND7,328 billion	100%

Employees

As at 31 December 2018, total number of permanent employees of the Bank and its subsidiaries is 27,429 persons (31 December 2017: 23,826 persons).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 31 December 2018 and for the year then ended

2. ACCOUNTING PERIOD AND ACCOUNTING CURRENCY

2.1 Fiscal year

The Bank's fiscal year starts on 1 January and ends on 31 December.

2.2 Accounting currency

Currency used in preparing consolidated financial statements of the Bank is Vietnam dong ("VND").

3. APPLIED ACCOUNTING STANDARDS AND SYSTEM

3.1 Statement of compliance

The Board of Management of the Bank confirms that the accompanying consolidated financial statements have been prepared in accordance with Vietnamese Accounting Standards, Vietnamese Accounting System for Credit Institutions and other relevant statutory requirements related to the preparation and presentation of consolidated financial statements.

3.2 Accounting standards and system

The consolidated financial statements of the Bank are prepared in accordance with the Accounting System applicable to Credit Institutions required under Decision No. 479/2004/QĐ-NHNN issued on 29 April 2004, Circular No. 10/2014/TT-NHNN dated 20 March 2014 and Circular No. 22/2017/TT-NHNN dated 29 December 2017 amending and supplementing Decision No. 479/2004/QĐ-NHNN; the financial reporting regime applicable to credit institutions required under Decision No. 16/2007/QĐ-NHNN dated 18 April 2007 and Circular No. 49/2014/TT-NHNN amending and supplementing a number of articles of Decision No. 16/2007/QĐ-NHNN and the chart of account system for Credit Institutions issued in connection with Decision No. 479/2004/QĐ-NHNN by the State Bank of Vietnam and Vietnamese Accounting Standards issued by the Ministry of Finance as per:

- ▶ Decision No. 149/2001/QĐ-BTC dated 31 December 2001 on the Issuance and Promulgation of Four Vietnamese Accounting Standards (Series No. 1);
- ▶ Decision No. 165/2002/QĐ-BTC dated 31 December 2002 on the Issuance and Promulgation of Six Vietnamese Accounting Standards (Series No. 2);
- ▶ Decision No. 234/2003/QĐ-BTC dated 30 December 2003 on the Issuance and Promulgation of Six Vietnamese Accounting Standards (Series No. 3);
- ▶ Decision No. 12/2005/QĐ-BTC dated 15 February 2005 on the Issuance and Promulgation of Six Vietnamese Accounting Standards (Series No. 4); and
- ▶ Decision No. 100/2005/QĐ-BTC dated 28 December 2005 on the Issuance and Promulgation of Four Vietnamese Accounting Standards (Series No. 5).

The accompanying consolidated financial statements have been prepared using accounting principles, procedures and reporting practices generally accepted in Vietnam. Accordingly, the accompanying consolidated balance sheet, the consolidated income statement, the consolidated cash flow statement and the notes to the consolidated financial statements and their utilization are not designed for those who are not informed about Vietnam's accounting principles, procedures and practices and furthermore are not intended to present the consolidated financial position, results of consolidated operations and consolidated cash flows in accordance with accounting principles and practices generally accepted in countries other than Vietnam.

Items or balances required by Decision No. 16/2007/QĐ-NHNN dated 18 April 2007 and Circular No. 49/2014/TT-NHNN dated 31 December 2014 issued by the SBV stipulating the financial statements reporting mechanism for credit institutions that are not shown in these consolidated financial statements indicate nil balance.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 31 December 2018 and for the year then ended

3. APPLIED ACCOUNTING STANDARDS AND SYSTEM (continued)

3.3 *Assumptions and uses of estimates*

The presentation of the consolidated financial statements requires the Board of Management of the Bank to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent liabilities. These estimates and assumptions also affect the income, expenses and the resultant provision. The actual results may differ from such estimates and assumptions.

3.4 *Basis of consolidation*

The consolidated financial statements comprise the financial statements of the Bank and its subsidiaries for the year ended 31 December 2018.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Bank obtains control.

The financial statements of the subsidiaries are prepared for the same reporting period as the Parent Bank, using consistent accounting policies.

All intra-group balances, income and expenses and unrealized gains or losses resulting from intra-group transactions are eliminated in full.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 31 December 2018 and for the year then ended

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

4.1 Changes in accounting policies and disclosures

The accounting policies adopted by the Bank in preparation of the consolidated financial statements are consistent with those followed in the preparation of the Bank's consolidated financial statements for the year ended 31 December 2017, except for the following change in the accounting policies.

Circular No. 14/2017/TT-NHNN regulates the methods of calculating interest on depositing and credit extension transaction between credit institutions and customers.

On 29 September 2017, the SBV issued Circular No. 14/2017/TT-NHNN regulating methods of calculation of interest in depositing and credit granting transactions between credit institutions and customers. Accordingly, the interest accruals on credit and deposit operation are calculated on the basis that a year is 365 days. The circular has taken effect since 1 January 2018.

Circular No. 19/2017/TT-NHNN amending and supplementing a number of articles of Circular No. 36/2014/TT-NHNN of the Governor of the SBV dated 20 November 2014 stipulating prudential ratios and limits for the operation of credit institutions and foreign bank branches

On 28 December 2017, the SBV issued Circular No. 19/2017/TT-NHNN amending and supplementing a number of articles of Circular No. 36/2014/TT-NHNN dated 20 November 2014 of the Governor of the State Bank of Vietnam providing for prudential ratios and limits for operations of credit institutions and branches of foreign banks. Accordingly, "Other commitments" disclosed in "Off balance sheet items" include unused credit limits that the Bank has the right to revoke or automatically revoke due to the customers' violation on revocable commitments or reduction of capacity to perform the duty and available credit limits of credit cards. The circular has taken effect since 28 February 2018.

Circular No. 16/2018/TT-BTC ("Circular 16") guiding a number of articles on the financial regime applicable to credit institutions and foreign bank branches

Changes in Circular 16 are as below:

- ▶ Amending and supplementing the management and utilization method of real estate held for debt resolution;
- ▶ Amending and supplementing the recognition of revenue from trading of securities (shares exclusive);
- ▶ Amending and supplementing recognition of expenses.

Circular 16 has taken effect since 26 March 2018 and replaced Circular No. 05/2013/TT-BTC dated 9 January 2013 of the Ministry of Finance providing guidance to the financial regime applicable to credit institutions and foreign bank branches. The Bank assessed that Circular 16 has no significant impact on the Bank's accounting policies.

Circular No. 22/2017/TT-NHNN amending and supplementing a number of articles of the Chart of account system applicable to credit institutions issued in connection with Decision No. 479/2004/QĐ-NHNN dated 29 April 2004 and the financial reporting regime applicable to credit institutions required under Decision No. 16/2007/QĐ-NHNN dated 18 April 2007 by the Governor of the SBV ("Circular 22")

On 29 December 2017, the SBV issued Circular No. 22/2017/TT-NHNN amending and supplementing a number of articles of the Chart of account system applicable to credit institutions issued in connection with Decision No. 479/2004/QĐ-NHNN dated 29 April 2004 and the financial reporting regime applicable to credit institutions required under Decision No. 16/2007/QĐ-NHNN dated 18 April 2007 by the Governor of the SBV ("Circular 22"). The circular has taken effect since 1 April 2018.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 31 December 2018 and for the year then ended

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

4.1 *Changes in accounting policies and disclosures* (continued)

The main changes in Circular 22 are as follows:

- ▶ Amending and supplementing the guidance on the accounting treatment for foreign exchange and gold transactions;
- ▶ Amending a number of accounts in the Chart of account system applicable to credit institutions;
- ▶ Amending the guidance on the accounting treatment for some accounts in the Chart of account system applicable to credit institutions; and
- ▶ Amending and supplementing the guidance on the Financial reporting regime applicable to credit institutions.

The Bank has assessed the effect of Circular 22 on the comparative figures in the consolidated financial statements. Accordingly, the effect due to the changes in exchange rate policies are immaterial. As a result, the Bank is not required to restate the comparative figures due to the changes in exchange rate policies.

4.2 *Cash and cash equivalents*

Cash and cash equivalents comprise balance with the SBV, demand deposits and placements with other credit institutions with an original maturity of three months or less from the transaction date, securities with recovery or maturity of three months or less from date of purchase which are convertible into a known amount of cash and do not bear liquidity risk as at the reporting date.

4.3 *Placements with and credit granting to other credit institutions*

Placements with and credit granting to other credit institutions are presented at the principal amounts outstanding at the end of the year.

The credit risk classification of placements with and credit granting to other credit institutions and provision for credit risks thereof are provided in accordance with Circular No. 02/2013/TT-NHNN dated 21 January 2013 of the SBV on classification of assets, levels and method of making risk provision, and use of provision against credit risks in operation of credit institutions, foreign bank's branches ("Circular 02") and Circular No. 09/2014/TT-NHNN dated 18 March 2014 on amending and supplementing a number of article of Circular 02 ("Circular 09").

Accordingly, the Bank makes a specific provision for placements with (except for current accounts) and credit granting to other credit institutions according to the method as described in Note 4.5.

According to Circular 02, the Bank is not required to make a general provision for placements with and credit granting to other credit institutions.

4.4 *Loans to customers*

Loans to customers are presented at the principal amounts outstanding as at the end of the year.

Short-term loans have maturity of less than or equal to one year from disbursement date. Medium-term loans have maturity from over one year to five years from disbursement date. Long-term loans have maturity of more than five years from disbursement date.

Loan classification and provision for credit losses are made according to Circular 02 and Circular 09 as presented in Note 4.5.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 31 December 2018 and for the year then ended

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.5 *Loan classification and provision for credit losses applied to placements with and credit granting to other credit institutions, unlisted corporate bonds purchased and entrusted for purchase by the Bank, loans to customers, entrusted for credit granting by the Bank and other credit risk bearing assets*

The classification of placements with and credit granting to other credit institutions, direct and entrusted investments in unlisted corporate bonds, loans to customers and entrustments for credit granting (collectively called "debts") is made in compliance with the quantitative method as prescribed in Article 10 of Circular 02.

The specific provision for debts as at 31 December is made based on the principal balance less discounted value of collateral, then multiplied by provision rates which are determined based on the debt classifications as at 30 November. The specific provision rates for each group are presented as follows:

Group	Description	Provision rate
1 Current	(a) Current debts are assessed as fully and timely recoverable for both principals and interests; or (b) Debts are overdue for a period of less than 10 days and assessed as fully recoverable for both overdue principals and interests, and fully and timely recoverable for both remaining principals and interests.	0%
2 Special Mention	(a) Debts are overdue for a period of between 10 days and 90 days; or (b) Debts which the repayment terms are restructured for the first time.	5%
3 Sub standard	(a) Debts are overdue for a period of between 91 days and 180 days; or (b) Debts which the repayment terms are extended for the first time; or (c) Debts which interests are exempted or reduced because customers do not have sufficient capability to repay all interests under credit contracts; or (d) Debts under one of the following cases which have not been recovered in less than 30 days from the date of the recovery decision: <ul style="list-style-type: none"> ▪ Debts made in compliance with Clause 1, 3, 4, 5, 6 under Article 126 of Law on Credit Institutions ; or ▪ Debts made in compliance with Clause 1, 2, 3, 4 under Article 127 of Law on Credit Institutions ; or ▪ Debts made in compliance with Clauses 1, 2 and 5 under Article 128 of Law on Credit Institutions. (e) Debts are required to be recovered according to regulatory inspection conclusions.	20%
4 Doubtful	(a) Debts are overdue for a period of between 181 days and 360 days; or (b) Debts which the repayment terms are restructured for the first time but still overdue for a period of less than 90 days under that restructured repayment term; or (c) Debts which the repayment terms are restructured for the second time; or (d) Debts are specified in point (d) of Loan group 3 and overdue for a period of between 30 days and 60 days after decisions of recovery have been issued; or (e) Debts are required to be recovered according to regulatory inspection conclusions but still outstanding with an overdue period up to 60 days since the recovery date as required by regulatory inspection conclusions.	50%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 31 December 2018 and for the year then ended

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.5 *Loan classification and provision for credit losses applied to placements with and credit granting to other credit institutions, unlisted corporate bonds purchased and trusted for purchase by the Bank, loans to customers, entrusted for credit granting by the Bank and other credit risk bearing assets (continued)*

Group		Description	Provision rate
5	Loss	(a) Debts are overdue for a period of more than 360 days; or (b) Debts which the repayment terms are restructured for the first time but still overdue for a period of 90 days or more under that first restructured repayment term; or (c) Debts which the repayment terms are restructured for the second time but still overdue under that second restructured repayment term; or (d) Debts which the repayment terms are restructured for the third time or more, regardless of being overdue or not; or (e) Debts are specified in point (d) of Loan group 3 and overdue for a period of more than 60 days after decisions on recovery have been issued; or (f) Debts are required to be recovered under regulatory inspection conclusions but still outstanding with an overdue period of more than 60 days since the recovery date as required by regulatory inspection conclusions; or (g) Debts of credit institutions under special control as announced by the SBV, or debts of foreign bank branches which capital and assets are blocked.	100%

If a customer has more than one debt with the Bank and any of the outstanding debts is classified into a higher risk group, the entire remaining debts of such customer should be classified into the corresponding higher risk group.

When the Bank participates in a syndicated loan as a participant, it should classify loans (including syndicated loans) of the customer into the group of higher risk between the assessment of the leading bank and the Bank.

For loans to customers in agricultural and rural sector, the Bank is allowed to restructure these loans and keep their debt groups as before restructuring for only one time in accordance with Circular No. 10/2015/TT-NHNN dated 22 July 2015 providing guidance on certain contents of Decree No. 55/2015/ND-CP dated 9 June 2015 by the Government on credit policies for agriculture and rural development.

The basis for determination of value and discounted value for each type of collateral is specified in Circular 02 and Circular 09.

General provision as at 31 December is made at 0.75% of total outstanding debt balances excluding placements with and credit granting to other credit institutions and debts classified as loss (group 5) as at 30 November.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 31 December 2018 and for the year then ended

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.6 Securities held for trading

4.6.1 Classification and recognition

Securities held for trading include debt securities acquired and held for resale. Securities held for trading are initially recognized at cost.

4.6.2 Measurement

Listed debt securities held for trading are recognized at cost less provision for diminution in value of securities, which is based on the yield quoted on the Hanoi Securities Exchange as at the balance sheet date.

Provision for credit losses on corporate bonds which are not listed on the stock market or not registered on the unlisted public companies market is made in accordance with Circular 02 and Circular 09 as described in Note 4.5.

Provision for securities held for trading which is mentioned above is reversed when the recoverable amount of securities held for trading increases after making provision as a result of an objective event. Provision is reversed up to the gross value of these securities before provision.

Interest derived from holding securities held for trading are recognized on a cash basis in the consolidated income statement.

4.6.3 De-recognition

Trading securities are derecognized when the rights to receive cash flows from these securities have been terminated or the Bank has transferred substantially all the risks and rewards of ownership of these securities.

4.7 Available-for-sale securities

Available-for-sale securities include debt and equity securities acquired by the Bank for the investment and available-for-sale purposes, not regularly traded but can be sold when there is a benefit. For equity securities, the Bank is neither the founding shareholder nor the strategic partner, nor has the ability to make certain influence in planning and making decision in the financial and operating policies of the investees under a written agreement to appoint personnel to the Board of Directors/Management.

Available-for-sale equity securities are initially recognized at cost at the purchase date and continuously presented at cost in subsequent periods.

Available-for-sale debt securities are recognized at par value at the purchase date. Accrued interest incurred before purchase (for debt securities with interest payment in arrears) and deferred interest (for debt securities with interest payment in advance) are recognized in a separate account. Discount/premium, which is the difference between the cost and the amount being the par value plus (+) accrued interest incurred before purchase (if any) or minus (-) deferred interest (if any), is also recognized in a separate account.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 31 December 2018 and for the year then ended

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.7 Available-for-sale securities (continued)

In subsequent periods, these securities are continuously recorded at par value, and the discount/premium (if any) is amortized to the consolidated income statement on a straight-line basis over the remaining term of securities. Interest received in arrears is recorded as follows: Cumulative interest incurred before the purchasing date is recorded as a decrease in the accrued interest; cumulative interest incurred after the purchasing date is recognized as income based on the accumulated method. Interest received in advance is amortized into the interest income from investment securities on a straight-line basis over the term of securities investment.

Available-for-sale securities are subject to diminution review on a periodical basis.

Provision for diminution in value of securities is made when the carrying value is higher than the market value in compliance with Circular No. 228/2009/TT-BTC issued by the Ministry of Finance on 7 December 2009. In case market prices of securities are not available or cannot be determined reliably, no provision is made. Diminution provision is recognized in "Net gain from investment securities" in the consolidated income statement.

Provision for credit losses on corporate bonds which are not listed on the stock market or not registered on the unlisted public companies market is made in accordance with Circular 02 and Circular 09 as described in Note 4.5.

4.8 Held-to-maturity investment securities

Held-to-maturity investment securities include special bonds issued by Vietnam Asset Management Company ("VAMC") and other investment securities held to maturity.

Special bonds issued by VAMC

Special bonds issued by VAMC are fixed-term valuable papers used to purchase bad debts of the Bank. These special bonds are initially recognized at face value at the date of transaction and subsequently carried at face value during the holding period. Face value of the bonds equals to the outstanding balance of the debts sold less their unused specific provision.

During the holding period, the Bank annually calculates and makes provision in accordance with Circular No. 14/2015/TT-NHNN dated 28 August 2015 amending and supplementing some articles of Circular No. 19/2013/TT-NHNN on the purchase, sale and resolution of bad debts of VAMC.

As required by Circular No. 14/2015/TT-NHNN, each year within five consecutive working days prior to the maturity date of special bonds, the Bank is obliged to fully make minimum specific provision for each special bond using the below formula:

$$X_{(m)} = \frac{Y}{n} \times m - (Z_m + X_{m-1})$$

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 31 December 2018 and for the year then ended

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.8 Held-to-maturity investment securities (continued)

In which:

- $X_{(m)}$: minimum provision for special bonds in the m^{th} year;
- X_{m-1} : accumulated specific provision for special bonds in the $m-1^{\text{th}}$ year;
- Y : face value of special bonds;
- n : term of special bonds (years);
- m : number of years from the bond issuance date to the provision date;
- Z_m : accumulated bad debt recoveries at the provision date (m^{th} year).

If $(Z_m + X_{m-1}) \geq (Y/n \times m)$, the specific provision ($X_{(m)}$) will be zero (0).

Specific provision for special bonds is recognized in the consolidated income statement in "Provision expense for credit losses". General provision is not required for the special bonds.

On settlement date of special bonds, recovery from the debts is recognized into "Other operating income".

Other held-to-maturity securities

Other held-to-maturity securities are debt securities purchased by the Bank for the investment purpose of earning dividend and the Bank has the intention and capability to hold these investments until maturity. Other held-to-maturity securities have determinable value and maturity date. In case the securities are sold before the maturity date, the remaining of that portfolio will be reclassified to securities held for trading or available-for-sale securities.

Held-to-maturity securities are recorded and measured identical to debt securities available-for-sale and presented at Note 4.7.

4.9 Re-purchase and reverse re-purchase contracts

Securities sold under agreements to repurchase at a specific date in the future (repos) are still recognized in the consolidated financial statements. The corresponding cash received from these agreements is recognized in the consolidated balance sheet as a borrowing and the difference between the sale price and repurchase price is amortized in the consolidated income statement over the term of the agreement using the straight-line method based on the interest rate stipulated in the contract.

Conversely, securities purchased under agreements to resell at a specific date in the future are not recognized in the consolidated financial statements. The corresponding cash paid under these agreements is recognized as a loan in the consolidated balance sheet and the difference between the purchase price and resale price is amortized in the consolidated income statement over the term of the agreement using the straight-line method based on the interest rate stipulated in the contract.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 31 December 2018 and for the year then ended

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.10 Other long-term investments

Other long-term investments represent investments in other entities in which the Bank holds less than or equal to 11% of voting rights. These investments are initially recorded at cost at the investment date.

For listed securities or unlisted but registered for trading securities on unlisted public company market (UPCOM), provision for diminution in value is made when their listed/registered price for trading is lower than the carrying value of the securities at year end.

In other cases, provision for diminution in the value of other long-term investment is made when the investee suffers loss, except that such loss had been forecasted in the investee's business plan before the investment. Provision for diminution in the value of other long-term investment is made using the below formula:

$$\text{Provision for diminution in value of each investment} = \left(\text{Total invested amount of all parties in the entity} - \text{Owners' equity of the entity} \right) \times \frac{\text{Invested amount of each party}}{\text{Total invested amount of all parties in the entity}}$$

Provision is reversed when the recoverable amount of the investment increases after the provision is made. Provision is reversed up to the gross value of the investment before the provision is made.

4.11 Fixed assets

Fixed assets are stated at cost less accumulated depreciation or amortization.

The cost of a fixed asset comprises its purchase price plus any directly attributable costs of bringing the asset to working condition for its intended use.

Cost related to additions, improvements and renewals are capitalized while expenditures for maintenance and repairs are charged to the consolidated income statement.

When assets are sold or liquidated, their cost and accumulated depreciation are deducted from the consolidated balance sheet item and any gains or losses resulting from their disposal are recorded to the consolidated income statement.

4.12 Depreciation and amortization

Depreciation of tangible fixed assets and amortization of intangible fixed assets are on a straight-line basis over the estimated useful life of these assets as follows:

Buildings and architectonic models	5 – 40 years
Motor vehicles	6 years
Machines and equipment	2 – 7 years
Computer software	3 – 14 years
Other fixed assets	3 – 5 years

4.13 Operating lease

Rentals under operating lease are charged in the "Total operating expenses" of the consolidated income statement on a straight-line basis over the term of the lease.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 31 December 2018 and for the year then ended

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.14 Receivables

4.14.1 Receivables classified as credit-risk bearing assets

Receivables classified as credit-risk assets are recognized at cost. Doubtful receivables are classified and provided for provision by the Bank in accordance with the regulations on recognition and use of provision to resolve the credit risk as presented in Note 4.5.

4.14.2 Other receivables

Receivables other than receivables classified as credit-risk bearing assets are recognized at cost.

Provision for receivables is determined based on the overdue status of debts or expected loss of current debts in case the debts are not due for payment yet but the corporate debtors have fallen into bankruptcy or are in the process of dissolution, or of individual debtors who are missing, escaped, prosecuted, on trial or deceased. Provision expense incurred is recorded in "Other operating expenses" of the consolidated income statement in the year

Provision for overdue debts is made in accordance with Circular No. 228/2009/TT-BTC as follows:

<i>Overdue status</i>	<i>Allowance rate</i>
From over six (6) months to under one (1) year	30%
From one (1) to under two (2) years	50%
From two (2) to under three (3) years	70%
From three (3) years and above	100%

4.15 Prepaid expenses

Prepaid expenses are reported as short-term and long-term prepaid expenses on the consolidated balance sheet and amortized over the period for which the amount is paid or the period in which economic benefit is generated in relation to these expenses.

4.16 Share capital

4.16.1 Ordinary shares

Ordinary shares are classified as owners' equity.

4.16.2 Share premium

On receipt of capital from shareholders, the difference between the issuance price and the par value of the shares is recorded as share premium in "Owners' equity".

4.16.3 Statutory reserves

Reserves of the Bank

The Bank appropriates the following statutory reserves in compliance with Law on Credit Institutions No. 47/2010/QH12, Decree No. 93/2017/ND-CP and its Charter as follow:

	<i>Basic for calculation</i>	<i>Maximum balance</i>
Capital supplementary reserve	5% from profit after tax	100% of charter capital
Financial reserve	10% from profit after tax	Not regulated

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 31 December 2018 and for the year then ended

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.16 Share capital (continued)

4.16.3 Statutory reserves (continued)

Other funds are appropriated from profit after tax. Appropriation from profit after tax and utilization of other funds must be approved by the General Meeting of Shareholders. These funds are not regulated by law and are allowed to be fully distributed.

These reserves are created annually based on the separate operating results at year-end.

Reserves of VPBank Asset Management Company Limited

According to Circular No. 27/2002/TT-BTC issued by the Ministry of Finance dated 22 March 2002, VPB AMC is required to make appropriation of profit to reserves in a similar way to the Bank.

According to Circular No. 200/2014/TT-BTC, for the financial year starting on or after 1 January 2015, VPB AMC has stopped making provision for financial reserve.

Reserves of VPBank Finance Company Limited

According to Decree No. 93/2017/ND-CP dated 7 August 2017 issued by the Government of Vietnam which replaces Decree No. 57/2012/ND-CP dated 20 July 2012, VPB FC is required to make appropriation of profit to reserves in a similar way to the Bank.

4.17 Recognition of income and expenses

Interest income and expenses are recognized in the consolidated income statement on an accrual basis using the nominal interest rates. The accrued interest of debts which are classified in groups 2 to 5 is not recognized in the consolidated income statement in compliance with Circular 02. These accrued interest is reversed and monitored off-balance sheet and recognized in the consolidated income statement upon actual receipt.

Fees and commissions are recognized on an accrual basis.

4.18 Debts trading operation

The accounting treatment for debts purchased are in accordance with Circular No. 09/2015/TT-NHNN issued by the SBV prescribing the purchase and sale of debts by credit institutions and foreign bank branches.

Purchase debts

Debts purchased are initially recorded at purchase price and subsequently presented at cost less provision for credit losses. Price of debts purchased or sold is the settlement amount which the seller received under the debt purchase contract.

Debts purchased are initially classified in the risk group which is not lower than the risk group of the debts before the purchase. Subsequently, debts purchased are monitored, classified and provided for credit losses similar to normal loans to customers in accordance with Circular 02 and Circular 09.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 31 December 2018 and for the year then ended

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.18 Debts trading operation (continued)

Sale of debts

Income and expenses from the sale of debts are recognized in accordance with Decision No. 59/2006/QĐ-NHNN issued by the SBV promulgating regulations on sale and purchase of debts by credit institutions. From 1 September 2015, income and expenses arising from purchase and sale of debts are recognized following Circular No. 09/2015/TT-NHNN providing guidance on the sale of debts of credit institutions and foreign bank branches.

According to Decision No. 59/2006/QĐ-NHNN and Circular No. 09/2015/TT-NHNN, the difference between the prices of debts purchased or sold and their book value are recorded as follows:

- ▶ For debts recorded in the consolidated balance sheet:
 - If the sale price is higher than the book value of the debt, the difference shall be recorded as income of the Bank in the year.
 - If the sale price is lower than the book value of the debt, the difference shall be used to offset against the indemnity paid by an individual or guarantor (in case such individual or guarantor is determined to be responsible for the damage and obliged to make indemnity under prevailing regulations), or the compensation paid by the insurer, or use of outstanding provision recognized as expense previously. The remaining balance (if any) shall be recognized as an operating expense of the Bank in the year.
- ▶ For debts written-off and monitored off-balance sheet, the proceeds from sale of debts shall be recognized as other income of the Bank.

Book value of debts purchased sold is the book value of the principal, interest and related financial obligations (if any) of debts recorded in the balance sheet or off-balance sheet at the date of debts purchased or sold; or the book value at the date of writing-off of debts; or the book value of debts written-off previously at the date of debts purchased or sold.

The purchasing or selling price is the sum of consideration to be paid by a debt buyer to a debts seller under a debt purchase or sale contract.

4.19 Foreign currency transactions

All transactions are recorded in original currencies. At reporting date, monetary assets and liabilities denominated in foreign currencies are translated into VND using exchange rates ruling at the consolidated balance sheet date (Note 47). Income and expenses in foreign currencies are converted into VND at rates ruling at the transaction dates. Foreign exchange differences arising from the translation of monetary assets and liabilities are recognized and followed in the "Foreign exchange differences" under "Owners' equity" in the consolidated balance sheet and will be transferred to the consolidated income statement at the end of the financial year.

4.20 Payables and accruals

Payables and accruals are recognized for amounts to be paid in the future for goods and services received, whether or not billed to the Bank.

4.21 Deposits from other credit institutions, customer deposits and valuable papers issued

Deposits from other credit institutions, customer deposits and valuable papers issued are disclosed at the principal amounts outstanding at the date of consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 31 December 2018 and for the year then ended**4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****4.22 Corporate income taxes***Current income tax*

Current income tax assets and liabilities for the current and prior years are measured at the amount expected to recover from or to be paid to the taxation authorities. The tax rates and tax laws are applied and enacted at the consolidated balance sheet date.

Current income tax is recognized to the consolidated income statement except when it relates to items recognized directly to equity, the current income tax is also directly recognized in equity.

Current income tax assets and liabilities are offset when there is a legally enforceable right for the Bank to offset current tax assets against current tax liabilities and when the Bank intends to settle its current tax assets and liabilities on a net basis.

The Bank's tax reports are subject to examination by the tax authorities. Because the application of tax laws and regulations to many types of transactions that is susceptible to various interpretations, amounts reported in the consolidated financial statements could be changed at a later date upon final determination by the tax authorities.

Deferred tax

Deferred tax is provided on temporary differences at the consolidated balance sheet date between the tax base of assets and liabilities and their carrying amount for the financial reporting purposes.

Deferred tax payable is recognized for all temporary taxable differences.

Deferred corporate income tax assets are recognized for deductible temporary differences, deductible amounts carried over to subsequent periods of taxable losses, and unused tax credits when it is probable that there will be sufficient future taxable profit to use deductible temporary differences, taxable losses and unused tax credits. Deferred tax assets and deferred tax payable are determined on the basis of expected tax rates applied for the year when the assets are recovered or liabilities are settled and on basis of effective and applicable tax rates and tax laws at year end.

4.23 Fiduciary assets

Assets held in a fiduciary capacity, unless recognition criteria are met, are not recognized in the Bank's financial statements, as they are not assets of the Bank.

4.24 Classification for off-balance sheet commitments

According to Circular 02, credit institutions classify guarantees, payment acceptances and irrevocable loan commitments with specific effective date (generally called "off-balance sheet commitments") in compliance with Article 10, Circular 02 for management and monitoring of credit quality. Off-balance sheet commitments are classified into groups such as *Current*, *Special Mention*, *Substandard*, *Doubtful* and *Loss* based on the overdue status and other qualitative factors.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 31 December 2018 and for the year then ended

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.25 Offsetting

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated balance sheet if, and only if, there is a currently enforceable legal right to offset financial assets against financial liabilities or vice-versa, and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.

4.26 Derivatives

The Bank involves in currency forward contracts, swap contracts and option contracts to facilitate customers to transfer, modify or minimize foreign exchange risk or other market risks, and also for the business purpose of the Bank.

Currency forward contracts

The currency forward contracts are commitments to settle in cash in pre-determined currency on pre-determined future date based on pre-determined exchange rates. The currency forward contracts are recognized at nominal value at the transaction date and are revalued for the reporting purpose at the exchange rate at the reporting date. Gains or losses are recognized in the "Foreign exchange differences" under "Owners' equity" in the consolidated balance sheet and will be transferred to the consolidated income statement at the end of the financial year.

Swap contracts

The swap contracts are commitments to settle in cash on a pre-determined future date based on pre-determined exchange rates calculated on the notional principal amount or commitments to settle interest based on a floating rate or a fixed rate calculated on the notional amount and in a given period.

The currency swap contracts are revalued periodically. Gain or losses are recognized in the "Foreign exchange differences" under "Owners' equity" in the consolidated balance sheet and will be transferred to the consolidated income statement at the end of the financial year.

Differences in interest rate swaps are recognized in the consolidated income statement on an accrual basis.

Option contracts

Option contracts are commitments between the buyer and the seller (VPBank), in which, the buyer has a right but not an obligation to purchase or sell a fixed amount of foreign currency at a predetermined exchange rate within a predetermined period. In case the buyer choose to execute their rights, the seller have the obligation to sell or buy a fixed amount of foreign currency at the predetermined exchange rate.

The price of option contracts (option contract fee), which the Bank has received, is allocated on a straight line basis into "Net gain/ (loss) from trading of foreign currencies" during the outstanding period of the contract.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 31 December 2018 and for the year then ended

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.27 Employee benefits

4.27.1 Post-employment benefits

Post-employment benefits are paid to retired employees of the Bank by the Social Insurance Agency which belongs to the Ministry of Labor, Invalids and Social Affairs. The Bank is required to contribute to these post-employment benefits by paying social insurance premium to the Social Insurance Agency at the rate of 17.5% of an employee's basic monthly salary, salary-related allowances and other supplements. Other than that, the Bank has no further obligation relating to post-employment benefits.

4.27.2 Voluntary resignation benefits

The Bank has the obligation, under Article 48 of the Vietnam Labor Code No. 10/2012/QH13 effective from 1 May 2013, to pay allowance arising from voluntary resignation of employees, equal to a half of monthly salary for each year of employment up to 31 December 2008 plus salary allowances (if any). From 1 January 2009, the average monthly salary used in this calculation is the average monthly salary of the latest six-month period up to the resignation date.

4.27.3 Unemployment insurance

According to Circular No. 28/2015/TT-BLĐTBXH on guidelines for Article 52 of the Law on Employment and Decree No. 28/2015/ND-CP dated 12 March 2015 of the Government on guidelines for the Law on Employment in term of unemployment insurance, the Bank is required to contribute to the unemployment insurance at the rate of 1% of salary and wage fund of unemployment insurance joiners and deduct 1% of monthly salary and wage of each employee to contribute to the unemployment insurance.

4.28 Business combinations and goodwill

Business combinations are accounted for using the purchase method. The cost of a business combination is measured as the fair value of assets given, liabilities incurred or assumed and equity instruments issued in exchange of voting rights at the acquisition date plus any costs directly attributable to the business combination. Identifiable assets and liabilities and contingent liabilities assumed in a business combination are measured initially at fair values at the date of business combination.

Goodwill acquired in a business combination is initially measured at cost being the excess of the cost the business combination over the Bank's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities. If the cost of a business combination is less than the fair value of the net assets of the subsidiary acquired, the difference is recognized directly in the consolidated income statement. After initial recognition, goodwill is measured at cost less any accumulated amortization. Goodwill is amortized over three (3) years on a straight-line basis.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 31 December 2018 and for the year then ended**5. CASH, GOLD AND GEMSTONES**

	<i>31 December 2018</i> <i>VND million</i>	<i>31 December 2017</i> <i>VND million</i>
Cash on hand in VND	1,227,415	1,164,862
Cash on hand in foreign currencies	548,625	1,258,907
Gold on hand	79,433	152,515
	1,855,473	2,574,284

6. BALANCES WITH THE STATE BANK OF VIETNAM

	<i>31 December 2018</i> <i>VND million</i>	<i>31 December 2017</i> <i>VND million</i>
Demand deposits at the SBV	10,828,571	6,460,795
In VND	10,466,976	6,459,020
In foreign currencies	361,595	1,775
	10,828,571	6,460,795

Balances with the SBV include current account and compulsory reserves. As at 31 December 2018, compulsory reserve in VND and current account in foreign currencies bear interest at rate of 1.20% p.a. and 0.05% p.a., respectively (31 December 2017: 1.20% p.a. and 0.05% p.a., respectively).

Under the SBV regulations, the Bank is required to maintain certain cash reserves with the SBV in the form of compulsory reserves. In 2018, the required cash reserves of customer deposits in VND and foreign currencies having maturity of less than 12 months are computed at 3.00% and 8.00%, respectively (2017: 3.00% and 8.00%, respectively) and having maturity of over 12 months are computed at 1.00% and 6.00% (2017: 1.00% and 6.00% respectively).

7. PLACEMENTS WITH AND CREDIT GRANTING TO OTHER CREDIT INSTITUTIONS**7.1 Placements with other credit institutions**

	<i>31 December 2018</i> <i>VND million</i>	<i>31 December 2017</i> <i>VND million</i>
Demand deposits	12,088,678	6,186,517
In VND	9,934,829	5,222,342
In foreign currencies	2,133,849	964,175
Term deposits	3,268,950	9,032,203
In VND	2,363,370	8,778,800
In foreign currencies	905,580	253,403
	15,337,628	15,218,720

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 31 December 2018 and for the year then ended

7. PLACEMENTS WITH AND CREDIT GRANTING TO OTHER CREDIT INSTITUTIONS
(continued)

7.2 Credit granting to other credit institutions

	<i>31 December 2018</i> <i>VND million</i>	<i>31 December 2017</i> <i>VND million</i>
In VND	769,463	1,864,748
In foreign currencies	464,400	437,288
	1,233,863	2,302,036
Provision for credit granting to other credit institutions	-	(731)
	1,233,863	2,301,305

Interest rates of placements with and credit granting to other credit institutions as at the reporting date are as follows:

	<i>31 December 2018</i> <i>% per annum</i>	<i>31 December 2017</i> <i>% per annum</i>
Term deposits in VND	3.90 - 6.00	1.50 - 6.60
Term deposits in foreign currencies	2.60 - 3.20	1.65 - 2.00
Credit granting in VND	4.67 - 6.83	3.25 - 5.30
Credit granting in foreign currencies	3.00 - 3.30	1.70

Analysis of outstanding term deposits with and credit granting other credit institutions by quality as at the end of the year are as follows:

	<i>31 December 2018</i> <i>VND million</i>	<i>31 December 2017</i> <i>VND million</i>
Current	4,502,813	11,333,508
Special mention	-	-
Substandard	-	-
Doubtful	-	-
Loss	-	731
	4,502,813	11,334,239

8. SECURITIES HELD FOR TRADING

8.1 Debt securities

	<i>31 December 2018</i> <i>VND million</i>	<i>31 December 2017</i> <i>VND million</i>
Government and municipal securities	4,240,742	1,424,854
	4,240,742	1,424,854
Provision for securities held for trading	(38,329)	-
Provision for diminution in value of securities held for trading (Note 29)	(38,329)	-
	4,202,413	1,424,854

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 31 December 2018 and for the year then ended

8. SECURITIES HELD FOR TRADING (continued)

8.1 Debt securities (continued)

Changes in provision for securities held for trading in the year are as follows:

	2018 VND million	2017 VND million
Opening balance	-	1,563
Provision charged/(reversed) in the year (Note 29)	38,329	(1,563)
Closing balance	38,329	-

8.2 Securities held for trading by listing status

	31 December 2018 VND million	31 December 2017 VND million
Debt securities		
Listed	4,240,742	1,424,854

9. DERIVATIVES AND OTHER FINANCIAL LIABILITIES

	Total contract nominal value (at contractual exchange rate) VND million	Total carrying value (at exchange rate as at reporting date)		Net value VND million
		Assets VND million	Liabilities VND million	
As at 31 December 2018				
Derivative financial instruments				
Currency forward contracts	37,477,476	37,284,817	(37,361,364)	(76,537)
Currency swap contracts	7,030,491	7,006,722	(6,995,804)	10,918
	30,446,985	30,278,095	(30,365,550)	(87,455)
Other derivative financial instruments	6,350,452	4,442,399	(4,384,433)	57,966
	43,827,928	41,727,216	(41,745,787)	(18,571)
As at 31 December 2017				
Derivative financial instruments				
Currency forward contracts	42,188,757	41,777,187	(41,909,789)	(132,602)
Currency swap contracts	7,553,187	7,512,691	(7,411,395)	101,296
	34,635,570	34,264,496	(34,498,394)	(233,898)
Other derivative financial instruments	3,915,001	2,093,000	(2,120,867)	(27,867)
	46,103,758	43,870,187	(44,030,656)	(160,469)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 31 December 2018 and for the year then ended

10. LOANS TO CUSTOMERS

	31 December 2018		31 December 2017 (Reclassified)(*)	
	VND million	%	VND million	%
Loans to domestic economic entities and individuals	210,805,697	94.97	175,523,430	96.09
Discounted bills and valuable papers	152,527	0.07	118,161	0.06
Payments on behalf of customers	1,381	0.00	1,506	0.00
Loans financed by borrowed and entrusted funds	488,959	0.22	505,797	0.28
Loans to foreign economic entities and individuals	220	0.00	2,118	0.00
Other credit granting to customers (*)	10,513,212	4.74	6,515,201	3.57
	221,961,996	100	182,666,213	100

(*) The Bank reclassified VND6,515,201 million as at 31 December 2017, which is balance of credit cards, from "Loans to domestic economic entities and individuals" to "Other credit to customers" in accordance with Circular No. 22/2017/TT-NHNN. This reclassification is for presentation purposes and does not impact the total balance of loans to customers.

Interest rates of loans to customers at the end of the year are as follows:

	31 December 2018 % per annum	31 December 2017 % per annum
Range of interest rate of commercial loans in VND	3.00 - 13.50	3.00 - 13.50
Range of interest rate commercial loans in foreign currencies	3.30 - 5.50	2.30 - 4.50
Average interest rate of consumer loans in VND	43.83	43.90

10.1 Analysis of loan portfolio by quality

Analysis of loan portfolio by quality as at year end is as follows:

	31 December 2018 VND million	31 December 2017 VND million
Current	202,527,738	163,809,825
Special mention	11,667,993	12,656,366
Substandard	4,217,034	3,166,441
Doubtful	1,691,989	1,986,441
Loss	1,857,242	1,067,140
	221,961,996	182,666,213

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 31 December 2018 and for the year then ended**10. LOANS TO CUSTOMERS (continued)****10.2 Analysis of loan portfolio by original maturity**

	31 December 2018 VND million	31 December 2017 VND million
Short term	73,407,839	58,092,547
Medium term	99,662,806	80,231,829
Long term	48,891,351	44,341,837
	221,961,996	182,666,213

10.3 Analysis of loan portfolio by ownership and type of customers

	31 December 2018 VND million	%	31 December 2017 VND million	%
State-owned companies	2,149,158	0.97	2,138,441	1.17
One-member limited liability companies with 100% State ownership	830,083	0.37	1,564,284	0.86
Two or more member limited liability companies with over 50% State ownership or being controlled by the State	17,358	0.01	171,242	0.09
Other limited liability companies	37,131,870	16.73	29,041,774	15.90
Joint stock companies with over 50% State ownership or being controlled by the State	412,641	0.19	644,236	0.35
Other joint-stock companies	51,966,135	23.41	30,304,222	16.59
Private enterprises	476,169	0.22	561,338	0.31
Foreign invested enterprises	399,702	0.18	721,886	0.40
Co-operatives and unions of co-operative	68,449	0.03	56,476	0.03
Household business and individuals	128,503,645	57.89	117,375,994	64.25
Operation administration entity, the Party, unions and associations	5,826	0.00	84,708	0.05
Others	950	0.00	1,612	0.00
	221,961,996	100	182,666,213	100

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 31 December 2018 and for the year then ended

10. LOANS TO CUSTOMERS (continued)

10.4 Analysis of loan portfolio by sectors

	31 December 2018 VND million	%	31 December 2017 (Reclassified)(*) VND million	%
Agricultural, forestry and aquaculture	1,149,359	0.52	3,512,339	1.92
Mining	391,618	0.18	253,756	0.14
Processing, manufacturing	11,938,173	5.38	12,096,569	6.62
Electricity, petroleum and steam	1,865,916	0.84	2,169,791	1.19
Water supply and waste treatment	216,406	0.10	227,136	0.12
Construction	19,234,916	8.67	7,796,693	4.27
Wholesale and retail trade, repair of motor vehicles, motor cycles and personal goods	24,644,053	11.10	22,150,836	12.13
Transportation and logistics	7,945,263	3.58	9,321,473	5.10
Hospitality and restaurants	9,902,603	4.46	4,189,673	2.29
Information and media	396,897	0.18	453,449	0.25
Finance, banking and insurance services	3,969,632	1.79	1,868,409	1.02
Real estates	43,341,997	19.52	33,590,000	18.39
- In which: loans to customers for accommodation purpose and obtain land use rights	19,839,780	8.96	17,956,411	9.83
Scientific research and technology	638,907	0.29	234,387	0.13
Administrative activities and support services	1,563,129	0.70	1,209,101	0.66
Activities of the Communist Party, political - social organizations, state management, security and defense	11,539	0.01	26,242	0.01
Education and vocational training	327,506	0.15	335,392	0.18
Healthcare and community development	34,359	0.02	384,619	0.21
Recreational, cultural, sporting activities	214,758	0.10	274,785	0.15
Other services	333,180	0.15	1,507,678	0.83
Households services, production of material products and services used by households	93,833,408	42.26	80,966,011	44.34
Activities of other foreign organizations and offices	6,377	0.00	97,874	0.05
	221,961,996	100	182,666,213	100

(*) Loan to customers by sector as at 31 December 2018 are classified in accordance with Circular No. 11/2018/TT-NHNN dated 17 August 2018 on amending and supplementing certain articles of the Circular No. 35/2015/TT-NHNN on the statistical reporting system applied to credit institutions and Official Letter No. 7860/NHNN-DBTK dated 18 October 2018 on reviewing report Form 002-DBTK – Report on Loans outstanding by purpose of the loan. Accordingly, for comparison purpose, the Bank has reviewed and reclassified balance as at 31 December 2017 (Note 44.2).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 31 December 2018 and for the year then ended**11. PROVISION FOR CREDIT LOSSES OF LOANS TO CUSTOMERS**

Provision for credit losses of loans to customers at year end is as follows:

	<i>31 December 2018</i> <i>VND million</i>	<i>31 December 2017</i> <i>VND million</i>
General provision	1,525,190	1,290,695
Specific provision	2,041,583	1,856,709
	3,566,773	3,147,404

Changes in provision for credit losses in the year 2018 are as follows:

	<i>General provision VND million</i>	<i>Specific provision VND million</i>	<i>Total VND million</i>
Opening balance	1,290,695	1,856,709	3,147,404
Provision charged in the year (Note 34)	234,495	11,045,130	11,279,625
Change in provision due to sale or purchase of VAMC bonds	-	(184,737)	(184,737)
Provision used to write-off bad debts	-	(10,675,519)	(10,675,519)
Closing balance	1,525,190	2,041,583	3,566,773

Changes in provision for credit losses in the year 2017 are as follows:

	<i>General provision VND million</i>	<i>Specific provision VND million</i>	<i>Total VND million</i>
Opening balance	1,031,565	1,058,397	2,089,962
Provision charged in the year (Note 34)	259,130	7,422,746	7,681,876
Decrease of provision due to sale of debts to VAMC	-	(64,482)	(64,482)
Provision used to write-off bad debts	-	(6,559,952)	(6,559,952)
Closing balance	1,290,695	1,856,709	3,147,404

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 31 December 2018 and for the year then ended**12. INVESTMENT SECURITIES****12.1 Available-for-sale securities**

	<u>31 December 2018</u> <u>VND million</u>	<u>31 December 2017</u> <u>VND million</u>
Debt securities	49,401,800	50,369,431
Government and municipal securities	23,476,466	17,201,861
Debt securities issued by other domestic credit institutions	17,097,423	19,161,043
<i>In which: Bonds guaranteed by the Government</i>	<i>6,533,088</i>	<i>12,751,017</i>
Debt securities issued by domestic economic entities	8,827,912	14,008,527
Equity securities	15,357	15,357
Equity securities issued by domestic economic entities	15,357	15,357
	49,417,157	50,384,788
Provision for available-for-sale securities	(265,319)	(161,117)
Diminution provision	(83,901)	(17,818)
General provision	(181,418)	(143,299)
	49,151,838	50,223,671

Government bonds have terms from 3 years to 15 years and bear interest at rates ranging from 2.90% per annum to 10.80% per annum (31 December 2017: terms of 3 years to 15 years, interest at rates ranging from 4.90% per annum to 10.80% per annum)

Debt securities issued by domestic credit institutions have terms from 6 months to 10 years and bear interest at rates ranging from 5.00% per annum to 12.00% per annum (31 December 2017: terms of 11 months to 15 years, interest at rates ranging from 5.00% per annum to 12.20% per annum).

Debt securities issued by other domestic economic entities have terms from 6 months to 11 years and bear interest at rates ranging from 9.50% per annum to 11.25% per annum (31 December 2017: terms from 1 year to 11 years, interest at rates ranging from 8.73% per annum to 11.50% per annum).

Face value of bonds pledged for capital mobilization contracts as at 31 December 2018 amounted to VND13,277,938 million (31 December 2017: VND6,176,038 million)

Face value of bonds sold under agreement to repurchase as at 31 December 2018 amounted to VND7,550,000 million (31 December 2017: VND8,400,000 million).

Analysis of available-for-sale securities by listing status at reporting date is as follows:

	<u>31 December 2018</u> <u>VND million</u>	<u>31 December 2017</u> <u>VND million</u>
Listed bonds	30,009,553	29,952,878
Unlisted bonds (Note 12.4)	15,392,019	19,276,527
Other unlisted debt securities	4,000,228	1,140,028
Listed equity securities	15,357	15,357
	49,417,157	50,384,788

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 31 December 2018 and for the year then ended

12. INVESTMENT SECURITIES (continued)

12.2 Held-to-maturity securities

	<i>31 December 2018</i> <i>VND million</i>	<i>31 December 2017</i> <i>VND million</i>
Government bonds	403,800	102,689
Special bonds	3,161,133	4,048,438
	3,564,933	4,151,127
Provision for held-to-maturity securities	(790,355)	(816,749)
Provision for special bonds	(790,355)	(816,749)
	2,774,678	3,334,378

Government bonds as at 31 December 2018 have terms from 3 years to 5 years and bear interest at rates ranging from 5.70% per annum to 8.20% per annum (31 December 2017: terms from 3 years to 5 years and bear interest at rates ranging from 5.70% per annum to 8.20% per annum).

Special bonds as at 31 December 2018 and 31 December 2017 are bonds issued by VAMC with term of 5 years and bear no interest.

Analysis of held-to-maturity securities (excluding VAMC bonds) by listing status as at year end is as follows:

	<i>31 December 2018</i> <i>VND million</i>	<i>31 December 2017</i> <i>VND million</i>
Listed bonds	403,800	102,689

12.3 Provision for investment securities

Movement of provision for investment securities during 2018 is as follows:

	<i>Available-for-sale</i> <i>securities</i> <i>VND million</i>	<i>Held-to-maturity</i> <i>securities</i> <i>VND million</i>	<i>Total</i> <i>VND million</i>
Opening balance	161,117	816,749	977,866
Provision charged/(reversed) in the year	104,202	(26,394)	77,808
<i>In which:</i>			
Special bonds (Note 34)	-	(26,394)	(26,394)
Other securities (Note 30)	104,202	-	104,202
Closing balance	265,319	790,355	1,055,674

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 31 December 2018 and for the year then ended

12. INVESTMENT SECURITIES (continued)

12.3 Provision for investment securities (continued)

Movement of provision for investment securities during 2017 is as follows:

	<i>Available-for-sale securities VND million</i>	<i>Held-to-maturity securities VND million</i>	<i>Total VND million</i>
Opening balance	248,559	496,311	744,870
Provision charged in the year	39,707	320,438	360,145
<i>In which:</i>			
VAMC bonds (Note 34)	-	320,438	320,438
Other securities (Note 30)	39,707	-	39,707
Provision decreased due to sale of debts to VAMC	(127,149)	-	(127,149)
Closing balance	161,117	816,749	977,866

12.4 Analysis of investment securities by quality

Analysis by quality of investment securities classified as credit risk bearing assets at the end of the year is as follows:

	<i>31 December 2018 VND million</i>	<i>31 December 2017 VND million</i>
Current	15,392,019	19,276,527
Special mention	-	-
Substandard	-	-
Doubtful	-	-
Loss	-	-
	15,392,019	19,276,527

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 31 December 2018 and for the year then ended

13. LONG-TERM INVESTMENTS

	31 December 2018		31 December 2017	
	Cost VND million	% owned	Cost VND million	% owned
Investments in economic entities				
INTRACO Transportation Joint Stock Company (INTRACO JSC)	21	0.64	21	0.64
Dong Xuan Joint Stock Company (Dong Xuan JSC)	5,000	10.00	5,000	10.00
Banking Training and Consultancy JSC (BTC)	371	5.29	371	5.29
Vietnam Credit Information JSC (PCB)	3,934	3.28	3,934	3.28
Sai Gon Port Joint-Stock Company	185,276	7.44	185,276	7.44
OPES Insurance Joint-Stock Company	33,000	11.00	-	-
	227,602		194,602	
Provision for other long-term investments	(36,948)		(42,096)	
	190,654		152,506	

Changes in provision for long-term investments in the year are as follows:

	2018 VND million	2017 VND million
Opening balance	42,096	76,442
Provision reversed in the year (Note 33)	(5,148)	(34,346)
Closing balance	36,948	42,096

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14. FIXED ASSETS

14.1 Tangible fixed assets

Movements of tangible fixed assets in the year are as follows:

	Buildings and architectonic models VND million	Machines and equipment VND million	Motor vehicles VND million	Office equipment VND million	Other VND million	Total VND million
Cost						
Opening balance	84,321	706,403	151,863	89,162	59,009	1,090,758
Purchases in the year	47,864	36,433	6,495	2,189	124	93,105
Other						
Increase/(decrease)	900,275	106,386	2,358	14,994	17,059	1,041,070
Disposal	-	(842)	(9,489)	(2,336)	(1,041)	(13,708)
Closing balance	1,032,460	848,380	151,225	104,009	75,151	2,211,225
Accumulated depreciation						
Opening balance	23,692	418,323	84,583	65,108	41,370	633,076
Charge for the year	16,269	143,158	18,870	14,371	11,928	204,596
Other decrease	-	(32)	-	(10)	-	(42)
Disposal	-	(808)	(7,879)	(2,319)	(971)	(11,977)
Closing balance	39,961	560,641	95,574	77,150	52,327	825,653
Net book value						
As at beginning date	60,629	288,080	67,280	24,054	17,639	457,682
As at closing date	992,499	287,739	55,651	26,859	22,824	1,385,572

Cost of fully-depreciated tangible fixed assets which are still in active use as at 31 December 2018 is VND361,759 million (31 December 2017: VND271,954 million).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 31 December 2018 and for the year then ended**14. FIXED ASSETS (continued)****14.2 Intangible fixed assets**

Movements of intangible fixed assets in the year are as follows:

	<i>Indefinite land use rights VND million</i>	<i>Computer software VND million</i>	<i>Total VND million</i>
Cost			
Opening balance	69,147	554,079	623,226
Purchases in the year	-	25,430	25,430
Other increase	-	310,633	310,633
Closing balance	69,147	890,142	959,289
Accumulated amortization			
Opening balance	868	271,554	272,422
Charge for the year	-	109,343	109,343
Closing balance	868	380,897	381,765
Net book value			
At the beginning date	68,279	282,525	350,804
At the closing date	68,279	509,245	577,524

Cost of fully-depreciated intangible fixed assets which are still in active use as at 31 December 2018 is VND165,400 million (31 December 2017: VND137,275 million).

15. OTHER ASSETS**15.1 Receivables**

	<i>31 December 2018 VND million</i>	<i>31 December 2017 VND million</i>
Internal receivables	126,920	104,880
External receivables	10,159,653	8,186,347
- Receivables related to usance letters of credit (Note 17.2) (*)	7,730,707	5,148,955
- Deposits for economic contracts	742,794	499,764
- Credit risk bearing assets	36,165	165
- Receivables in settlement operation	243,669	346,777
- Advances to suppliers	133,879	158,021
- Other external receivables	1,272,439	2,032,665
Purchase of fixed assets	155,675	237,824
Construction in progress	40,034	10,477
	10,482,282	8,539,528

(*) Receivables related to usance letters of credit is the value of L/C documents reimbursed by UPASLC Reimbursing Bank that is accounted in accordance with Official Letter No. 3333/NHNN-TCKT dated 13 May 2013 on guiding accounting method for letter of credit reimbursement.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 31 December 2018 and for the year then ended**15. OTHER ASSETS (continued)****15.1 Receivables (continued)**

Analysis of other assets classified as credit-risk assets by quality at reporting date is as follows:

	<i>31 December 2018</i> <i>VND million</i>	<i>31 December 2017</i> <i>VND million</i>
Current	36,000	-
Special mention	-	-
Substandard	-	-
Doubtful	-	-
Loss	165	165
	36,165	165

15.2 Accrued interest and fee receivables

	<i>31 December 2018</i> <i>VND million</i>	<i>31 December 2017</i> <i>VND million</i>
Interest receivables from deposits	12,977	19,534
Interest receivables from investment securities	1,694,874	1,728,995
Interest receivables from credit activities	2,522,319	1,993,928
Interest receivables from derivative instruments	125,209	69,434
Other fee receivables	72,386	124
	4,427,765	3,812,015

15.3 Other assets

	<i>31 December 2018</i> <i>VND million</i>	<i>31 December 2017</i> <i>VND million</i>
Materials	13,193	15,490
Prepaid expenses	1,759,552	1,490,230
Assets in substitution for obligation performance of securers who has transferred the ownership to the Bank in compliance with the SBV's prevailing regulations	700,474	1,898,646
- In which: Real estates	700,474	1,898,646
	2,473,219	3,404,366

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 31 December 2018 and for the year then ended

15. OTHER ASSETS (continued)

15.4 Provision for other assets

Provision for other assets include provision for impairment of other receivables and credit risk bearing assets. Change of provision for other assets in the year are as follows:

	2018 VND million	2017 VND million
Opening balance	21,403	227,382
Provision charged in the year	4,081	18,331
<i>In which:</i>		
Reversal of provision for other credit risk bearing assets (Note 34)	-	(1,256)
Charge of provision for doubtful debts (Note 33)	4,081	19,587
Provision used to write-off bad debts	-	(224,310)
Closing balance	25,484	21,403

Details of provision for other assets are as follows:

	31 December 2018 VND million	31 December 2017 VND million
Provision for credit risks bearing assets	165	165
- Specific provision	165	165
Provision for doubtful debts	25,319	21,238
	25,484	21,403

16. AMOUNTS DUE TO THE GOVERNMENT AND THE STATE BANK OF VIETNAM

	31 December 2018 VND million	31 December 2017 VND million
Borrowings from the State Bank of Vietnam	1,781,343	26,015
Discount, rediscount of valuable papers	1,759,184	-
Other borrowings	22,159	26,015
Deposits of the State Treasury	2,000,000	-
Deposits of the State Treasury	2,000,000	-
	3,781,343	26,015

As at 31 December 2018, borrowings from the State Bank of Vietnam have terms from 7 days to 12 months and bear interest at rates ranging from 3.50% per annum to 4.75% per annum (31 December 2017: term in 12 months and bear interest at rates 3.50% per annum); deposits of the State Treasury have 2-month term and bear interest at rate 4.40% per annum

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 31 December 2018 and for the year then ended

17. DEPOSITS AND BORROWINGS FROM FINANCIAL INSTITUTIONS AND OTHER CREDIT INSTITUTIONS

17.1 Deposits from other credit institutions

	31 December 2018 VND million	31 December 2017 VND million
Demand deposits	3,523,109	108,363
In VND	3,523,086	108,341
In foreign currencies	23	22
Term deposits	17,622,085	7,726,018
In VND	14,754,415	5,870,000
In foreign currencies	2,867,670	1,856,018
	21,145,194	7,834,381

17.2 Borrowings from financial institutions and other credit institutions

	31 December 2018 VND million	31 December 2017 (Reclassified)(*) VND million
Payables arising from usance letters of credit (Note 15.1) (i)	7,730,682	5,148,955
Borrowings from financial institutions and other credit institutions	25,355,575	25,080,513
In VND	8,470,907	8,939,511
<i>In which: Payables related to sale and repurchase contract of valuable papers in VND(*)</i>	425,450	1,292,844
In foreign currencies	16,884,668	16,141,002
<i>In which: Borrowed in foreign currencies from International Finance Company ("IFC") (ii)</i>	3,103,829	3,570,587
	33,086,257	30,229,468

(i) Payables related to usance letters of credit is the value of L/C documents reimbursed by UPASLC Reimbursing Bank after deducting fees.

(ii) Loan with amount of USD57,000,000, which is equivalent to VND1,323,540 million as at 31 December 2018 is the medium-term commercial loan, along with Conversion Option and issuance of Conversion shares in accordance with terms and conditions of the Loan Agreement on 31 May 2017 between VPBank and IFC. Validation of the Loan Agreement is until 31 May 2019.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 31 December 2018 and for the year then ended

17. DEPOSITS AND BORROWINGS FROM FINANCIAL INSTITUTIONS AND OTHER CREDIT INSTITUTIONS (continued)

17.2 Borrowings from financial institutions and other credit institutions (continued)

Analysis of borrowings from financial institutions and other credit institutions by original maturity:

	31 December 2018 VND million	31 December 2017 (Reclassified)(*) VND million
Up to 6 months	7,268,680	13,997,897
From over 6 months to 12 months	5,314,600	1,410,623
From over 12 months to 5 years	12,580,013	9,490,943
Over 5 years	192,282	181,050
	25,355,575	25,080,513

(*) The Bank reclassified VND3,570,587 million as at 31 December 2017, which is borrowed from IFC from "Other borrowed and entrusted funds" to "Borrowings from financial institutions and credit institutions"; and reclassified VND1,292,844 million, which are payables relating to sale and repurchase contract of valuable papers with other financial institutions, from "Other liabilities" to "Borrowings from financial institutions and other credit institutions" in accordance with Circular No. 22/2017/TT-NHNN. This reclassification is for purpose of presenting the comparative figures.

Interest rates of deposits and borrowings from financial institutions and other credit institutions at the end of the year are as follows:

	31 December 2018 % per annum	31 December 2017 % per annum
Term deposits from other credit institutions in VND	1.00 - 9.20	1.00 - 5.80
Term deposits from other credit institutions in foreign currencies	2.50 - 2.70	0.10 - 2.20
Borrowings from financial institutions and other credit institutions in VND	3.60 - 7.80	1.50 - 7.50
Borrowings from other financial institutions and credit institutions in foreign currencies	0.72 - 9.00	0.75 - 9.30

18. CUSTOMER DEPOSITS

	31 December 2018 VND million	31 December 2017 VND million
Demand deposits	22,630,333	19,670,947
- In VND	20,024,737	17,711,736
- In foreign currencies	2,605,596	1,959,211
Term deposits	147,477,943	113,467,607
- In VND	144,373,905	110,089,721
- In foreign currencies	3,104,038	3,377,886
Deposits for specific purposes	109,518	58,484
- In VND	63,262	52,935
- In foreign currencies	46,256	5,549
Margin deposits	633,077	353,774
- In VND	548,204	348,924
- In foreign currencies	84,873	4,850
	170,860,871	133,650,812

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 31 December 2018 and for the year then ended

18. CUSTOMER DEPOSITS (continued)

Analysis of customer deposits by type of customers and by type of entities is as follows:

	31 December 2018		31 December 2017	
	VND million	%	VND million	%
State-owned companies	2,413,160	1.41	2,847,526	2.13
One-member limited liability companies with 100% State ownership	649,260	0.38	1,149,170	0.86
Two or more member limited liability companies with over 50% State ownership or controlled by the State	209,850	0.12	151,792	0.11
Other limited liability companies	19,809,772	11.59	18,720,792	14.02
Joint stock companies with over 50% State ownership or controlled by the State	1,907,339	1.12	1,438,706	1.08
Other joint-stock companies	37,128,315	21.73	28,238,527	21.15
Partnership companies	2,370	0.00	1,936	0.00
Private enterprises	76,874	0.04	80,168	0.06
Foreign invested enterprises	641,600	0.38	1,386,953	1.04
Co-operatives and unions of co-operative	28,047	0.02	16,962	0.01
Household business and individuals	105,126,089	61.53	77,464,297	56.00
Operation administration entity, the Party, unions and associations	2,708,927	1.59	1,852,220	1.39
Others	149,268	0.09	201,763	0.15
	170,850,871	100	133,550,812	100

Interest rates for customer deposits at the end of the year are as follows:

	31 December 2018	31 December 2017
	% per annum	% per annum
Demand deposits in VND	0.50	0.50
Demand deposits in foreign currencies	0.00	0.00
Term deposits in VND	1.00 - 11.00	1.00 - 11.60
Term deposits in foreign currencies	0.00 - 2.30	0.00 - 2.30

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 31 December 2018 and for the year then ended

19. OTHER BORROWED AND ENTRUSTED FUNDS

	<i>31 December 2018</i> <i>VND million</i>	<i>31 December 2017</i> <i>(Reclassified)(*)</i> <i>VND million</i>
Borrowed and entrusted funds in VND from Official Development Assistance (ODA)	<u>329,549</u>	<u>328,777</u>

(*) The Bank reclassified VND3,570,587 million, which is borrowed from IFC as at 31 December 2017, from "Other borrowed and entrusted funds" to "Borrowings from financial institutions and credit institutions" in accordance with Circular 22/2017/TT-NHNN. This reclassification is for purpose of presenting the comparative figures.

Other borrowed and entrusted funds have terms from 3 years to 10 years and bear interest at rate of 4.97% per annum (31 December 2017: terms from 33 months to 10 years and bear interest at rates of 4.92% per annum).

20. VALUABLE PAPERS ISSUED

Valuable papers issued by original term are as follows:

	<i>31 December 2018</i> <i>VND million</i>	<i>31 December 2017</i> <i>VND million</i>
Under 12 months	7,792,919	10,533,722
From 12 months up to 5 years	37,338,755	49,603,267
From 5 years and above	<u>3,526,362</u>	<u>5,967,616</u>
	<u>48,658,036</u>	<u>66,104,605</u>

Valuable papers consist of certificates of deposits and bonds which bear interest at rates ranging from 5.25% per annum to 11.50% per annum (31 December 2017: from 4.80% per annum to 13.50% per annum).

Types of valuable papers issued are as follows:

	<i>31 December 2018</i> <i>VND million</i>	<i>31 December 2017</i> <i>VND million</i>
Certificates of deposit to retail customers	10,005,918	27,576,840
Certificates of deposit to corporate customers	23,374,914	23,550,348
Bonds (*)	<u>15,277,204</u>	<u>14,977,417</u>
	<u>48,658,036</u>	<u>66,104,605</u>

(*) Including bonds with the amount of VND2,876,960 million eligible to be the Bank's own capital (31 December 2017: VND5,376,960 million).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 31 December 2018 and for the year then ended

21. OTHER LIABILITIES

21.1 Interest and fees payable

	31 December 2018 VND million	31 December 2017 VND million
Interest payables for customer term deposits	1,153,443	949,740
Interest payables for customer saving deposits	1,755,199	1,114,044
Interest payables for valuable papers issued	2,028,502	2,821,959
Interest payables for borrowings from financial institutions and other credit institutions	200,434	101,238
Interest payables for other borrowed and entrusted funds	19,114	20,260
Interest payables for derivative financial instruments	105,448	55,881
Fee payables	791	44
	5,262,931	5,063,166

21.2 Other liabilities

	31 December 2018 VND million	31 December 2017 (Reclassified)(*) VND million
Internal payables	423,965	719,909
Payables to employees	423,965	719,909
External payables	4,984,233	4,039,002
Advances from customers	1,289,540	1,208,308
Unearned income	199,935	133,891
Transfer payment awaiting settlement	553,217	243,341
Taxes payable to the State Budget (Note 22)	789,595	759,545
Payables in settlement operation	537,405	473,750
Payables to suppliers	223,702	126,999
Other liabilities	1,390,839	1,093,168
	5,408,198	4,758,911

(*) The Bank reclassified VND1,292,844 million, which are payables relating to sale and repurchase contract of valuable papers with other financial institutions, from "Other liabilities" to "Borrowings from financial institutions and other credit institutions" in accordance with Circular No. 22/2017/TT-NHNN. This reclassification is for purpose of presenting the comparative figures.

22. TAXES AND OTHER OBLIGATIONS TO THE STATE BUDGET

	Movements in the year			
	Opening balance VND million	Payables VND million	Paid VND million	Closing balance VND million
Value added tax	29,124	249,739	(248,962)	29,901
Corporate income tax	655,739	1,842,940	(1,810,679)	688,000
Other taxes	74,682	532,276	(535,264)	71,694
	759,545	2,624,955	(2,594,905)	789,595

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 31 December 2018 and for the year then ended

22. TAXES AND OTHER OBLIGATIONS TO THE STATE BUDGET (continued)

22.1 Current corporate income tax

The Bank has the obligation to pay corporate income tax ("CIT") at the rate of 20% of taxable profits according to Circular No. 78/2014/TT-BTC which became effective from 2 August 2014.

The Bank's tax reports are subject to examination by the tax authorities. Because the application of tax laws and regulations to many types of transactions is susceptible to varying interpretations, amount reported in the consolidated financial statements could be changed at a later date upon final determination by the tax authorities.

Current corporate income tax payables are determined based on taxable income of the year. Taxable income differs from the one reported in the consolidated income statement since taxable income excludes incomes which are taxable or expenses which are deducted in prior years due to the differences between the Bank's accounting policies and the tax regulations, and also excludes non-taxable income and non-deductible expenses. The current corporate income tax payable of the Bank is calculated based on the statutory tax rates applicable at the end of the year.

Provision for current income tax expense is estimated as follows:

	2018 VND million	2017 VND million
Profit before tax	9,198,568	8,130,063
<i>Plus/(Minus)</i>		
- Non-taxable income	(845)	(588)
- Non-deductible expenses	17,540	61,535
- Other additions	-	239,667
- Expenses arising from consolidation	-	12,485
Estimated taxable income	9,215,303	8,443,152
Estimated income tax expense using prevailing tax rate	1,843,060	1,688,631
Adjustment of tax expenses in previous years	(120)	665
Income tax expense for the year	1,842,940	1,689,296
Income tax payable at the beginning of the year	655,739	467,647
Adjustment of tax payable in previous years	-	408
Income tax paid in the year	(1,810,679)	(1,501,672)
Current income tax payable at the end of the year	688,000	655,739

22.2 Deferred income tax

No deferred tax was recognized in the year since there was no material temporary difference between the carrying value and the tax base of assets and liabilities in the consolidated financial statements.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
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23. OWNERS' EQUITY AND RESERVES

23.1 Statement of changes in equity

	Charter capital VND million	Share premium VND million	Capital supplementary reserve VND million	Financial reserve VND million	Investment and development fund VND million	Retained earnings VND million	Foreign exchange differences VND million	Total VND million
Balance as at 1 January 2017	9,181,000	1,288,863	338,796	1,084,775	1,528,521	3,787,473	-	17,177,528
Net profit for the year	-	-	-	-	-	6,440,767	-	6,440,767
Issuance of ordinary shares	1,647,144	4,776,717	-	-	-	-	-	6,423,861
Issuance of bonus shares	579,300	-	(170,597)	-	(406,703)	-	-	-
Dividend paid for preferred shares	-	-	-	-	-	(148,439)	-	(148,439)
Transfer from investment and development fund to increase charter capital	-	-	-	-	-	-	-	-
Stock dividend	4,298,786	-	-	-	(1,584,040)	1,684,040	-	-
Appropriation to reserves	-	-	-	-	-	(4,298,786)	-	-
Consultancy fee for issuances of ordinary shares	-	-	322,662	645,220	1,903,531	(2,871,413)	-	-
Adjustment on tax expenses of previous years	-	(199,475)	-	-	-	-	-	(199,475)
Balance as at 31 December 2017	16,706,230	5,866,106	490,861	1,729,996	1,337,409	4,565,110	-	29,695,710
Net profit for the year	-	-	-	-	-	7,355,568	-	7,355,568
Issuance of treasury shares from chartered capital and Share premium (i)	4,731,795	(4,577,104)	(154,691)	-	-	-	-	-
Dividend paid for preferred shares	-	-	-	-	-	(148,439)	-	(148,439)
Capital increase from retained earnings (i)	4,524,704	-	-	-	-	(4,524,704)	-	-
Reserves transferred from subsidiary to the Parent Bank	-	-	-	-	(2,854,632)	2,854,632	-	-
Appropriation to reserves	-	-	397,779	735,428	3,813,730	(4,916,937)	-	-
Transfer fee for preferred shares	-	-	-	-	-	-	(2,489)	(2,489)
Preferred shares repurchase as treasury shares	-	-	-	-	-	-	(2,489,232)	(2,489,232)
Capital increase from share issuance in ESOP (ii)	336,951	-	-	-	-	-	-	336,951
Balance as at 31 December 2018	25,298,680	1,288,001	703,849	2,465,423	2,396,507	6,187,230	(2,491,721)	34,760,069

In 2018, the Bank has recorded the increase in charter capital from VND15,706,230 million to 25,298,680 million through 2 lines as follows:

- (i) First time: Capital increase from VND15,706,230 million to VND24,962,729 million through share issuance for dividend payment from retained earnings in 2017 and distributed bonus from the Capital supplementary fund and Share premium in accordance with the Decision No. 1670/QĐ-NHNN dated 23 August 2018 of SBV, Official Letter No. 4145/UBCK-QLCB dated 4 July 2018 issued by State Securities Commission of Vietnam.
- (ii) Second time: Capital increase from VND24,962,729 million to VND25,298,680 million through share issuance for VPBank's employees share ownership plan (ESOP) in accordance with Official Letter No. 6619/UBCK-QLCB dated 27 September 2018 issued by State Securities Commission of Vietnam.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 31 December 2018 and for the financial year then ended

23. OWNERS' EQUITY AND RESERVES (continued)

23.2 Equity

	31 December 2018		31 December 2017	
	Number Shares	Face value VND million	Number Shares	Face value VND million
Registered shares	2,529,967,966	25,299,680	1,570,623,015	15,706,230
Public issued shares	2,529,967,966	25,299,680	1,570,623,015	15,706,230
- Common shares	2,456,748,366	24,567,484	1,497,403,415	14,974,034
- Preference shares	73,219,600	732,196	73,219,600	732,196
Treasury shares	(73,219,600)	(732,196)	-	-
- Common shares	-	-	-	-
- Preference shares (*)	(73,219,600)	(732,196)	-	-
Outstanding shares	2,456,748,366	24,567,484	1,570,623,015	15,706,230
- Common shares	2,456,748,366	24,567,484	1,497,403,415	14,974,034
- Preference shares	-	-	73,219,600	732,196

The face value of each share of the Bank is VND10,000.

(*) Preference shares issued by the Bank are preference dividend shares which earn stable annual dividend and have no voting rights. On 9 July 2018, the Bank repurchased these preference shares as treasury shares in accordance with Decision No. 379/2018/QĐ-HDQT dated 4 June 2018 by the Board of Directors

24. BASIC EARNINGS PER SHARE

	2018	2017
Profit after tax	7,355,568	6,440,767
Dividend paid to preference shares	-	(146,439)
Profit attributed to ordinary shareholders of the Bank (VND million)	7,355,568	6,294,328
Weighted average number of ordinary shares (Share)	2,431,915,543	2,231,731,636
Basic earnings per share (VND)	3,025	2,820

As at 31 December 2018, VPBank has a loan with amount of USD57,000,000 (equivalent to VND1,323,540 million), this is a commercial medium-term loan with a right for the creditor to convert into ordinary shares of the Bank in accordance with terms and conditions stipulated in the Convertible Loan Contract between VPBank and IFC dated 31 May 2017. The contract and the convertible right is effective until 31 May 2019 (Note 17.2). As at 31 December 2018, this event does not have dilution effect on earnings per share.

Profit attributed to ordinary shareholders is equal to the consolidated profit after tax minus (-) dividends on preference shares (if any)

The basic earnings per share for the prior year have been restated due to the effect of the issuance of bonus shares and stock dividend in 2018 to existing shareholders in the prior year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 31 December 2018 and for the financial year then ended**25. INTEREST AND SIMILAR INCOME**

	2018 <i>VND million</i>	2017 <i>VND million</i>
Interest income from deposits	261,986	219,773
Interest income from loans to customers	34,528,230	28,748,896
Interest income from securities held for trading and investment securities	3,937,119	4,221,610
- <i>Interest income from securities held-for-trading</i>	171,059	158,421
- <i>Interest income from investment securities</i>	3,766,060	4,063,189
Interest income from debts purchased	19,763	-
Income from guarantee activities	163,042	129,284
Other income from credit activities	1,370,074	813,808
	40,280,214	34,133,371

26. INTEREST AND SIMILAR EXPENSES

	2018 <i>VND million</i>	2017 <i>VND million</i>
Interest expenses for deposits	8,572,153	7,069,179
Interest expenses for borrowings	1,195,583	757,165
Interest expenses for valuable papers issued	5,246,234	5,325,631
Other expenses for credit activities	564,669	366,970
	15,578,639	13,518,945

27. NET FEE AND COMMISSION INCOME

	2018 <i>VND million</i>	2017 <i>VND million</i>
Fee and commission income	3,818,797	3,210,071
Settlement and treasury services	484,067	288,572
Advisory activities	128,329	138,538
Income from business and insurance services	2,187,364	2,205,667
Other services	1,019,037	577,294
Fee and commission expenses	(2,206,301)	(1,748,527)
Settlement services and treasury services	(284,048)	(232,274)
Advisory activities	(5,066)	(8,673)
Brokerage fees	(1,306,493)	(1,106,563)
Other expenses	(610,694)	(403,017)
	1,612,496	1,461,544

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as at 31 December 2018 and for the financial year then ended

28. NET LOSS FROM TRADING OF FOREIGN CURRENCIES

	2018 <i>VND million</i>	2017 <i>VND million</i>
Income from trading of foreign currencies	1,517,053	1,223,643
Income from spot trading of foreign currencies	392,839	346,606
Income from gold trading	7,489	16,325
Income from trading of monetary derivatives	1,116,725	860,712
Expenses for trading of foreign currencies	(1,620,803)	(1,382,485)
Expenses for spot trading of foreign currencies	(824,940)	(629,451)
Expenses for gold trading	(9,860)	(18,134)
Expenses for trading of monetary derivatives	(786,003)	(734,900)
	(103,750)	(158,842)

29. NET (LOSS)/GAIN FROM SECURITIES HELD FOR TRADING

	2018 <i>VND million</i>	2017 <i>VND million</i>
Income from trading of securities held for trading	145,101	279,799
Expenses for trading of securities held for trading	(163,593)	(101,724)
Provision expense for securities held for trading (Note 8.1)	(38,329)	1,563
	(56,821)	179,638

30. NET GAIN FROM INVESTMENT SECURITIES

	2018 <i>VND million</i>	2017 <i>VND million</i>
Income from trading of investment securities	492,917	481,849
Expenses for trading of investment securities	(138,658)	(102,665)
Provision (charged)/reversed for investment securities (Note 12.3)	(104,202)	(39,707)
	250,057	339,477

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 31 December 2018 and for the financial year then ended**31. NET GAIN FROM OTHER OPERATING ACTIVITIES**

	2018 <i>VND million</i>	2017 <i>VND million</i>
Other operating income	5,383,874	3,208,782
Income from other derivatives	328,744	47,669
Bad debt recoveries	2,082,678	1,098,054
Income from disposal of fixed assets	20	224,364
Income from disposal of other assets	46,887	562,948
Income from debt purchase activities	1,858,038	289,056
Income from contracts penalty receivables	70,932	42,376
Support received and other income	966,575	944,315
Other operating expenses	(682,813)	(809,217)
Expenses for other derivatives	(369,423)	(63,715)
Expenses from disposal of investment properties	-	(17,068)
Expenses for disposal of fixed assets	(1,295)	-
Expenses for disposal of other assets	(38,979)	(570,875)
Other expenses	(252,916)	(157,559)
	4,681,261	2,389,565

32. INCOME FROM INVESTMENTS IN OTHER ENTITIES

	2018 <i>VND million</i>	2017 <i>VND million</i>
Income from disposal or divestment in other entities	-	52,970
Dividend income	845	598
	845	53,568

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
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33. OPERATING EXPENSES

	2018 VND million	2017 VND million
Tax, duties and fees	272,032	229,264
Personnel expenses	6,020,762	5,060,266
<i>In which:</i>		
Salary and allowances	5,237,598	4,339,711
Expenses related to salary	443,678	296,624
Subsidy	172,494	314,689
Other allowances	166,992	109,342
Fixed asset expenses	1,418,975	1,101,356
<i>In which:</i>		
Depreciation and amortization of fixed assets	313,939	244,832
Operating leases	677,437	546,303
Administrative expenses	1,366,369	948,596
<i>In which:</i>		
Expenses on per diem	54,358	58,833
Other provision expenses	(1,087)	(14,759)
- Reversal of provision for other long-term investments (Note 13)	(5,148)	(34,346)
- Charge of provision for doubtful debts (Note 15.4)	4,061	19,587
Insurance fee for customer deposits	162,736	141,741
Other operating expenses	1,404,117	1,291,791
	10,633,924	8,758,255

34. PROVISION EXPENSE FOR CREDIT LOSSES

	2018 VND million	2017 VND million
Provision expense for loans to customers (Note 11)	11,279,625	7,681,876
Provision expense for VAMC bonds (Note 12.3)	(26,394)	320,438
Provision reversed for other assets (Note 15.4)	-	(1,256)
	11,253,231	8,001,058

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 31 December 2018 and for the financial year then ended

35. CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the consolidated cash flow statement comprise the following amounts on the consolidated balance sheet:

	31 December 2018 VND million	31 December 2017 VND million
Cash and cash equivalents on hand	1,855,473	2,574,284
Balances with the SBV	10,828,571	6,460,795
Demand accounts at other credit institutions	12,068,678	6,186,517
Placements with other credit institutions with original term of three months or less	3,268,950	9,032,203
	28,021,672	24,253,799

36. EMPLOYEES' REMUNERATIONS

	2018 VND million	2017 VND million
I. Total average number of employees (persons) (only official employees)	25,628	20,607
II. Employees' remuneration (VND million)		
1. Total salary fund	5,096,354	4,364,765
2. Other remuneration	401,566	423,717
3. Total remuneration (1+2)	5,497,920	4,788,482
4. Average monthly salary	16.57	17.65
5. Average monthly remuneration	17.88	19.36

37. COLLATERAL AND MORTGAGES

37.1 Assets, valuable papers received for mortgage, pledge and discount, rediscount

Details of customers' collateral and mortgages at the Bank as at the end of the year are as follows:

	Book value	
	31 December 2018 VND million	31 December 2017 VND million
Real estates	223,266,429	173,456,281
Mobile assets	43,147,192	39,934,274
Valuable papers	126,804,811	79,901,398
Others	130,344,800	106,177,159
	523,563,232	399,469,112

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 31 December 2018 and for the financial year then ended**37. COLLATERAL AND MORTGAGES (continued)****37.1 Assets, valuable papers received for mortgage, pledge and discount, rediscount (continued)**

Assets, valuable papers pledged, pledged and discounted taken from other credit institutions.

	<i>Face value</i>	
	<i>31 December 2018</i>	<i>31 December 2017</i>
	<i>VND million</i>	<i>VND million</i>
Government bonds purchased under agreements to resell	-	2,050,000

37.2 Assets, valuable papers for mortgage, pledge and discount, rediscount

Details of assets, valuable papers for mortgage, pledge and discount, rediscount as at the end of the year are as below:

	<i>31 December 2018</i>	<i>31 December 2017</i>
	<i>VND million</i>	<i>VND million</i>
Valuable papers pledged or mortgaged	13,683,517	6,160,155
Valuable papers sold under agreements to repurchase	7,550,000	8,400,000
Other assets for mortgage, pledge and discount, rediscount	21,708,817	13,949,016
	42,942,334	28,509,171

38. CONTINGENT LIABILITIES AND COMMITMENTS

Detail of contingent liabilities and commitments as at 31 December 2018 are as follows:

	<i>31 December 2018</i>	<i>31 December 2017</i>
	<i>VND million</i>	<i>VND million</i>
Credit guarantees	20,626	3,792
Foreign exchange commitments	66,626,741	76,976,531
- Foreign exchange commitments - buy	1,583,073	369,768
- Foreign exchange commitments - sell	1,582,743	370,388
- Swap contracts	63,460,925	76,236,375
Irrevocable loan commitments	1,860	-
Letters of credit	14,799,169	8,801,290
Other guarantees	13,860,017	11,590,623
- Payment guarantees	2,285,892	1,802,861
- Contract performance guarantees	3,415,185	2,399,403
- Tender guarantees	360,921	575,831
- Other guarantees	7,798,019	6,812,528
Other commitments	111,197,304	7,034,321
	206,505,717	104,406,557
Minus: Margin deposits (Note 18)	(633,077)	(353,774)
Contingent liabilities and commitments	205,872,640	104,052,783

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 31 December 2018 and for the financial year then ended

39. RELATED PARTY TRANSACTIONS

Related party transactions include all transactions undertaken with other parties to which the Bank is related. A party is considered to be related if the party has ability to control or to influence other parties in making decision of financial policies and operational activities. A party is related to the Bank if:

- (a) Directly, or indirectly through one or more intermediaries, the party:
 - Controls, or is controlled by, or is under common control with the Bank (including parents and subsidiaries);
 - Has an interest (owning 5% or more of the charter capital or voting share capital) in the Bank that gives it significant influence over the Bank;
 - Has joint control over the Bank.
- (b) The party is a joint venture in which the Bank is a venture or an associate (owning over 11% of the charter capital or voting share capital, but is not a subsidiary of the Bank);
- (c) The party is a member of the key management personnel of the Bank;
- (d) The party is a close member of the family of any individual referred to in (a) or (c); or
- (e) The party is a company that is controlled, jointly controlled or significantly influenced by, or for which significant voting power in such company resides with, directly or indirectly, any individual referred to in (c) or (d).

Significant transactions of the Bank with its related parties in the year are as follows:

Related parties	Transactions	Amount	
		2018 VND million	2017 VND million
Members of the Board of Management, Board of Supervision and Board of Directors	Remuneration expenses	(82,826)	(46,919)
	Interest expenses for deposits of management	(3,068)	(1,483)

Receivables and payables with related parties as at 31 December 2018 and 31 December 2017 are as follows:

Related parties	Balances	Receivables/Payables	
		31 December 2018 VND million	31 December 2017 VND million
Members of the Board of Management, Board of Supervision and Board of Directors	Deposits at the Bank	53,314	40,962

Besides the transactions and balances presented above, the Bank and its subsidiaries do not have any other significant transactions, receivables and payables with its related parties as at 31 December 2018 and the year then ended.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 31 December 2018 and for the financial year then ended

40. CONCENTRATION OF ASSETS, LIABILITIES AND OFF-BALANCE SHEET ITEMS BY GEOGRAPHICAL REGIONS

Concentration of counterparties of the Bank and its subsidiaries by geographical regions as at 31 December 2018 are as follows:

	<i>Domestic VND million</i>	<i>Foreign VND million</i>	<i>Total VND million</i>
Loans to customers and credit granting to other credit institutions	223,195,639	220	223,195,859
Total fund mobilization	258,324,491	19,526,859	277,851,350
Credit commitments and other guarantees	28,681,672	-	28,681,672
Derivative instruments	15,807	2,764	18,571
Securities held for trading and investment securities	57,222,832	-	57,222,832

41. FINANCIAL RISK MANAGEMENT POLICIES

The Bank has exposure to the following risks from financial instruments:

- ▶ credit risk,
- ▶ liquidity risk; and
- ▶ market risk.

This note presents information about the Bank's exposure to each of the above risks, the Bank's objectives, policies and processes for measuring and managing risk, and the Bank's management of capital.

Risk management framework

The Board of Directors ("BOD") has overall responsibility for the establishment and oversight of risk management framework and is ultimately responsible for the quality and effectiveness of the Bank's risk management. To facilitate this oversight function, the Bank's BOD has established an Assets and Liabilities Committee ("ALCO") and a Risk Committee ("RCO") which are responsible for developing and monitoring key risk management policies for specific areas authorized by the BOD and periodically reporting to the BOD on their activities. These committees include both voting and non-voting members.

The Bank's risk management framework is established to form key principles in managing and controlling significant risks arising from the Bank's activities. Based on this, specific policies and regulations for each type of risk are established to assist the Bank in analyzing and determining appropriate risk limits, controlling and monitoring measures and ensuring adherence to the limits.

Risk management policies and systems are reviewed regularly to reflect changes in market conditions, products and services offered. The Bank, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment, in which all employees understand their roles and obligations.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 31 December 2018 and for the financial year then ended

41. FINANCIAL RISK MANAGEMENT POLICIES (continued)

41.1 Credit risk

The Bank is subject to credit risk through its loans to customers, placements with and loans to other banks and investments in corporate bonds and in cases where it acts as an intermediary on behalf of customers or other third parties or issues guarantees. Credit risk arises when a customer, obligor or partner fails to perform or improperly performs or does not fulfill their obligations under the commitments and agreements entered into with the Bank. The Bank's primary exposure to credit risk arises through its loans and advances to corporates and retail customers and investments in corporate bonds. The amount of credit exposure in this regard is represented by the carrying amounts of the assets on the consolidated balance sheet. In addition, the Bank is exposed to off balance sheet credit risk through guarantees commitments, letters of credit and derivatives issued.

Credit risk management

Credit risk is the one that exerts the largest impact on the Bank's income and capital. The Bank has established a credit risk appetite on the basis of managing credit activities in a prudent manner and pre-determined credit limits including the credit concentration risk limits and adhering to the Bank's risk tolerance. In principle, the Bank identifies and manages credit risk in all activities and products with potential credit risk and ensures that the Bank provides new products only when sufficient regulations and procedures related to new products or operation in new markets in order to identify, measure, evaluate, monitor and control critical exposure risks are in place. To keep credit risks under control, the Bank's policy is to engage in transactions with reliable partners, and request its partners to take guarantee measures as and when required.

The credit risk management system is operating based on the principles of independence and centralization. Accordingly, the development of risk management policies, determination of risk limits and risk monitoring, risk reporting and risk control are implemented independently and centrally at the Risk Management Division. The reports from the Risk Management Division are a basis for RCO to issue key credit decisions.

The Bank measures credit risks, makes allowances and complies with safe ratios for loan and advances to customers and to other credit institutions in accordance with relevant regulations of the SBV.

The Bank's overall approach to credit risk is a risk-based approach. Accordingly, credit approval or credit valuation decisions as well as the behavioral methods in monitoring and classifying credits and controlling credit risks are being designed following the risk levels of customers. To this end, key activities being implemented by the Bank include the followings:

- ▶ Focusing on completion of data infrastructure used for developing credit rating and risk classification systems in accordance with international standards;
- ▶ Developing and completing the credit rating system and the scorecard system;
- ▶ Gathering and reviewing credit policies/documents of the whole system to reassess the integrity and responsiveness to the requirements specified in the policies of Risk Management Framework;
- ▶ Completing the credit quality monitoring mechanism for the entire life cycle of a loan;
- ▶ Developing an early credit risk warning system; and
- ▶ Developing a debt recovery and restructuring system.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 31 December 2018 and for the financial year then ended

41. FINANCIAL RISK MANAGEMENT POLICIES (continued)

41.1 Credit risk (continued)

The maximum exposure to credit risk before collateral held or other credit enhancements

The maximum exposures to credit risk relating to asset groups, which are equivalent to their carrying values in the consolidated balance sheet, are listed below:

	<i>Not past due VND million</i>	<i>Past due but not impaired VND million</i>	<i>Past due and individually impaired VND million</i>	<i>Total VND million</i>
Placements with and credit granting to other credit institutions	16,571,491	-	-	16,571,491
- Placements with other credit institutions	15,337,628	-	-	15,337,628
- Credit granting to other credit institutions	1,233,863	-	-	1,233,863
Securities held for trading	4,240,742	-	-	4,240,742
Loans to customers	202,527,738	2,405,656	17,028,602	221,961,996
Investment securities	52,982,090	-	-	52,982,090
- Available-for-sale securities	49,417,157	-	-	49,417,157
- Held-to-maturity securities	3,564,933	-	-	3,564,933
Other assets	17,264,426	63,186	55,652	17,383,264
Total	293,586,487	2,468,844	17,084,254	313,139,586

The above table presents the worst scenario in which the Bank will incur the maximum credit exposures as at 31 December 2018, without taking into account of any collateral held or their credit enhancement.

The Bank's financial assets which are past due are classified in compliance with the quantitative method as prescribed in Circular No. 02/2013/TT-NHNN and Circular No. 228/2009/TT-BTC.

The financial assets are past due but not impaired due to the Bank is currently holding the sufficient collateral assets to cover for credit losses in accordance with the current regulations of the SBV.

The Bank is currently holding collateral in the form of real estates, mobile assets, valuable papers and other types for the above collateral. However, it has not been able to determine the fair value of such assets due to the inadequacy of specific guidance from the SBV and other authorities nor necessary market information.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 31 December 2018 and for the financial year then ended

41. FINANCIAL RISK MANAGEMENT POLICIES (continued)

41.2 Market risk

Market risk is risk of losses due to unexpected and adverse changes in market price factors (including interest rates, exchange rates, equity prices, commodity price, etc.) that will affect the Bank's income and capital.

Market risk management

Market risk management is implemented by the Market and FI Risk Department under the Risk Management Division. The Market and FI Risk Department is responsible for developing of market risk management policies and processes, designing measurement instruments, proposing independent market risks limits to high level of management for approval and monitoring market risks limit on daily/monthly basis according to the Bank's regulations.

In 2017, market risk management policies were revised to introduce a new risk management model. Market risk management functions have been segregated amongst different units and committees, using three lines of defense model. Market Risk Sub-committee (MACO) under Risk Committee (RCO) was established to propose and analyze in-depth market risk, liquidity risk and counterparty risk issues. Also, internal document which requires segregation between Trading Book and Banking Book has been issued in accordance with the SBV's regulation and Basel II standards, ensuring to manage the model by risk appetite. Strategy of each Unit of Financial Markets Division is also issued in the year. Accordingly, business strategy, hedging strategy and analysis of potential risks have been clearly regulated for each portfolio. Valuation methodology is also established in accordance with IFRS, which enables the Bank to determine fair value of financial instruments appropriately.

In 2018, the regulation that specifies and approves VPBank's transaction limits with financial institution was amended and issued by the Risk Committee (RCO), which provides specific limits for market risk and counterparty risk involved transactions, ensuring that all risk factors are taken into account in the granting limits process.

All types of market risk of the Bank (include currency risk, interest rate risk, price risk, option risk, volatility risk, credit spread risk and market liquidity risk) are subject to in-depth analysis, identification and quantification with internal limits system. Risk monitoring and controlling that includes regular (normally daily) risk reporting process and escalations process in case of any violations.

The system of limits relating to market risks is established based on 2 methods: top-down method which is based on the Bank's risk appetite, the SBV's regulations and agreements with strategic partners and bottom-up method which is based on specific needs of operation units and risk-profit analysis.

The Bank conducts calculations of market risk capital charge in accordance to Basel II requirements monthly.

(a) Interest rate risk

The interest rates set by the Bank for loans to customers and customer deposits are respectively presented in Note 10 and Note 18.

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41. FINANCIAL RISK MANAGEMENT POLICIES (continued)

41.2 Market risks (continued)

(a) Interest rate risk (continued)

The below table shows an analysis of the interest re-pricing period of assets and liabilities of the Bank as at 31 December 2018.

	Overdue VND million	Non-interest bearing VND million	Interest re-pricing period							Total VND million
			Up to 1 month VND million	From 1 to 3 months VND million	From 3 to 6 months VND million	From 6 to 12 months VND million	From 1 to 5 years VND million	Over 5 years VND million		
Assets										
Cash, gold and gemstones	-	1,855,473	-	-	-	-	-	-	1,855,473	
Balances with the SBV	-	-	10,828,571	-	-	-	-	-	10,828,571	
Placements with and credit granting to other credit institutions - gross	-	-	14,737,888	1,150,935	261,028	421,640	-	-	16,571,491	
Securities held for trading - gross	-	-	4,240,742	-	-	-	-	-	4,240,742	
Loans to customers - gross	8,520,162	-	37,472,107	33,625,662	34,250,804	63,888,733	43,898,453	508,075	221,961,986	
Investment securities - gross	-	4,348,272	4,653,576	5,137,308	2,877,719	6,393,290	21,548,925	8,025,000	52,982,090	
Long-term investments - gross	-	227,602	-	-	-	-	-	-	227,602	
Fixed assets and investment properties	-	1,983,096	-	-	-	-	-	-	1,983,096	
Other assets - gross	118,840	8,064,625	1,935,000	552,804	4,056,760	2,655,237	-	-	17,383,286	
Total assets	8,639,002	16,457,068	73,887,884	40,466,709	41,446,311	73,166,900	65,447,378	8,533,076	328,014,327	
Liabilities										
Amounts due to the Government and the SBV	-	-	1,759,226	2,003,648	16,417	2,052	-	-	3,781,343	
Deposits and borrowings from financial institutions and other credit institutions	-	-	28,080,307	14,939,536	7,413,871	3,797,737	-	-	54,231,451	
Customer deposits	-	-	64,347,872	27,730,639	36,501,393	27,748,835	14,420,529	1,603	170,850,871	
Derivatives and other financial liabilities	-	-	543,441	1,085,834	1,793,460	(1,301,578)	(2,102,586)	-	18,571	
Other borrowed and entrusted funds	-	-	164,825	184,824	-	-	-	-	329,649	
Valuable papers issued	-	-	3,140,486	7,409,029	14,558,559	15,887,168	7,662,792	-	48,658,036	
Other liabilities	-	10,638,574	-	32,565	-	-	-	-	10,671,129	
Total liabilities	-	10,638,574	88,038,169	53,366,065	60,383,700	46,134,214	19,980,735	1,603	286,641,050	
Interest sensitivity gap (balance sheet)	8,639,002	5,818,494	(24,168,275)	(12,899,356)	(18,937,389)	27,022,686	46,466,643	8,531,472	38,473,277	
Interest sensitivity gap (off-balance sheet)	-	-	-	645,516	616,041	(232,060)	(929,496)	-	-	
Interest sensitivity gap (on, off- balance sheet)	8,639,002	5,818,494	(24,168,275)	(12,263,841)	(18,421,348)	26,790,826	44,537,147	8,531,472	38,473,277	

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
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41. FINANCIAL RISK MANAGEMENT POLICIES (continued)

41.2 Market risk (continued)

(a) Interest rate risk (continued)

Interest sensitivity

Assuming that all other variables remain constant, the effects of fluctuation in interest rates of interest-bearing assets and liabilities (including assets and liabilities with fixed interest rates) on profit before tax and shareholders' equity of the Bank and its subsidiaries are as follows:

		Impact on	
	Assumed increase in interest rate	Profit before tax VND million	Profit after tax and Owners' equity VND million
As at 31 December 2018			
USD	1.50%	14,913	11,930
VND	3.00%	685,602	548,481
As at 31 December 2017			
USD	1.50%	(14,615)	(11,692)
VND	3.00%	588,962	471,169

(b) Currency risk

Currency risk (commonly referred to as exchange-rate risk) is the risk of losses due to negative changes in the fair value of positions measured in local currency due to exchange rate fluctuations. Foreign currency positions as well as positions in gold and other precious metals bear exchange rate risk. Exchange rate risk arises in case the portfolio or specific position contains spot or future cash flows denominated or indexed to currency other than local currency. Exchange rate risk originates both in Trading Book and Banking Book. Exchange rate risk directly affects the balance sheet and income statement since assets, liabilities and earnings in foreign currency need to be converted into the reference currency.

Currency risk management

Exchange rate risk is managed by the means of limits on open FX position in every currency as well as total open FX position. The Bank's management has set limits on position for each currency in accordance with the Bank's business strategy and the SBV's regulations. VND is the major currency of transactions within the Bank; USD is transacted by loans, deposits and derivatives; other currencies are very tiny proportion of the Bank's assets and liabilities. Open currency positions are monitored on a daily basis and hedging strategies used to ensure positions are maintained within established limits.

Exchange rates of major currencies as at the reporting date are presented in Note 47. The exchange rate of USD/VND in the next 12 months after the reporting date is forecasted by the Bank to be fluctuated in range of 1.50% to 2.50% (equivalent to VND23,550 to VND23,750 per USD1).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 31 December 2018 and for the year then ended**41. FINANCIAL RISK MANAGEMENT POLICIES (continued)****41.2 Market risk (continued)****(b) Currency risk (continued)***Exchange rate sensitivity*

Assuming that all other variables are unchanged, the table below shows the impact on profit before tax and equity of the Bank and its subsidiaries due to the changes that may occur by exchange rate. Risks due to the changes of exchange rates to other currencies of the Bank and its subsidiaries are not significant. Level of increase represents the USD has strengthen against VND.

	<i>Assumed level of increase</i>	<i>Impact on profit after tax and equity VND million</i>
As at 31 December 2018		
USD	2.00%	16,747
As at 31 December 2017		
USD	2.00%	(11,742)

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41. FINANCIAL RISK MANAGEMENT POLICIES (continued)

41.2 Market risks (continued)

(b) Currency risk (continued)

The following table presents assets and liabilities in foreign currencies translated into VND as at 31 December 2018.

	EUR equivalent VND million	USD equivalent VND million	Gold equivalent VND million	Other currencies equivalent VND million	Total VND million
Assets					
Cash, gold and gemstones	147,809	139,960	79,433	260,856	828,058
Balances with the SBV	-	361,595	-	-	361,595
Placements with and credit granting to other credit institutions - gross	168,301	3,175,006	-	160,522	3,503,829
Loans to customers - gross	6,710	4,798,599	-	-	4,805,309
Other assets - gross	338,373	5,798,146	-	16,130	6,153,649
Total assets	662,193	14,273,306	79,433	437,508	15,452,440
Liabilities					
Deposits and borrowings from the Government and the SBV, financial institutions and other credit institutions	337,992	25,336,686	-	16,128	25,690,806
Customer deposits	434,862	4,963,178	-	442,723	5,840,763
Derivatives and other financial liabilities	(145,992)	(17,391,355)	-	(95,186)	(17,632,533)
Other liabilities	6,799	338,967	-	4,237	350,003
Total liabilities and equity	633,661	13,247,476	-	367,902	14,249,039
FX position on balance sheet	28,532	1,025,830	79,433	69,606	1,203,401
FX position off-balance sheet	-	(188,842)	-	3,362	(185,480)
Net on, off-balance sheet FX position	28,532	836,988	79,433	72,968	1,017,921

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
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41. FINANCIAL RISK MANAGEMENT POLICIES (continued)

41.2 Market risk (continued)

(c) Liquidity risk

Liquidity risk is the risk that the Bank will not be able to meet its financial obligations as they fall due, or, the risk that the Bank might have to face unacceptable material losses in order to meet those obligations. Liquidity risk may lead to negative effect on the Bank's profit, reputation, equity, even causes the Bank's bankruptcy.

Liquidity risk management

The Bank manages the liquidity of the entire Bank on each of the main types of currency (VND, USD) on the mechanism, process of regulating, monitoring and managing liquidity as specified in the policies and regulations, process of liquidity management. Accordingly, liquidity risk management of the Bank is implemented through the strengthened cooperation between three divisions: Finance, Risk Management and Financial Market. In particular, the Finance Division is in charge of developing a liquidity risk management strategy and coordinating with the Risk Management Division to develop liquidity risk management methods, models and limits that will serve as a basis for the Financial Market Division to control the high liquidity asset portfolio and balance cash flow to ensure liquidity and compliance with risk limits in line with the Bank's development strategy and business condition as well as market trends in different stages.

The Bank maintains a specific portfolio and volume of high-liquidation assets, which may include but not limited to cash, gold, interbank deposits, Government bonds and other high-liquidation assets in order to meet its liabilities when due under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Bank's reputation. The Bank will establish specific liquidity gap and follow strictly on each period based on Assets and Liabilities structure.

The Bank understands the interrelation of credit risk and market risk and how they may have impacts on the Bank's liquidity. The Bank also realizes that liquidity risks come from two sides of its balance sheet. Therefore, the Bank's approach to managing liquidity is to constantly focus on diversification of investment and credit activities and increases of accessibility to capital markets by various fund raising tools and products.

The Bank adopts both of the common approaches to managing liquidity, namely Stock Approach and Flow Approach. Accordingly, the Bank monitors on a daily basis the compliance with adequate liquidity ratios and forecasts movements of cash flows which may have impact on the Bank's liquidity position in the future to ensure compliance at any time with all regulations of the SBV as well as its internal regulations.

Liquidity risk limits are established based on results of the Bank's liquidity forecast in normal and stressed market conditions. Regular liquidity stress testing is conducted under a variety of scenarios covering adverse conditions. At the same time, the Bank also issues specific regulations on a Liquidity Contingency Plan ("LCP") which clearly specifies the roles and responsibilities of each unit and individual and a coordination process for implementation when there appear signs of a possible stressed liquidity event.

The following table provides an analysis of the assets and liabilities of the Bank into relevant maturity groupings based on the remaining period from the consolidated balance sheet date to repayment date

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 31 December 2018 and for the year then ended

41. FINANCIAL RISK MANAGEMENT POLICIES (continued)

41.2 Market risk (continued)

(c) Liquidity risk (continued)

The table below presents the analysis of remaining maturity of assets and liabilities of the Bank as at 31 December 2018:

	Overdue		Current					Total VND million
	Above 3 months VND million	Within 3 months VND million	Up to 1 month VND million	From 1 to 3 months VND million	From 3 to 12 months VND million	From 1 to 5 years VND million	Over 5 years VND million	
Assets								
Cash, gold and gemstones	-	-	1,855,473	-	-	-	-	1,855,473
Balances with the SBV	-	-	10,828,571	-	-	-	-	10,828,571
Balances with and credit granting to other credit institutions – gross	-	-	14,737,888	1,150,935	682,868	-	-	16,571,491
Securities held for trading – gross	-	-	4,240,742	-	-	-	-	4,240,742
Loans to customers – gross	3,685,301	4,824,861	18,034,385	5,588,991	21,575,231	64,251,535	103,991,692	221,961,996
Investment securities – gross	-	-	2,881,396	1,027,764	7,989,360	31,743,795	9,339,785	52,982,090
Long-term investments – gross	-	-	-	-	-	-	227,602	227,602
Fixed assets	-	-	-	-	-	-	1,963,096	1,963,096
Other assets -gross	104,456	14,384	9,999,624	552,804	6,711,998	-	-	17,383,266
Total assets	3,799,757	4,839,245	62,578,069	8,320,494	36,959,257	95,995,330	115,522,175	328,014,327
Liabilities								
Amounts due to the Government and the SBV	-	-	1,759,226	2,003,648	18,469	-	-	3,781,343
Deposits and borrowings from financial institutions and other credit institutions	-	-	19,001,260	10,774,115	17,712,408	6,665,363	78,285	54,231,451
Customer deposits	-	-	64,356,005	27,657,506	84,415,228	14,420,529	1,603	170,850,871
Derivatives and other financial liabilities	-	-	79,040	(9,189)	(38,484)	(12,786)	-	18,571
Other borrowed and entrusted funds	-	-	655	364	4,495	278,497	45,638	329,649
Valuable papers issued	-	-	3,145,487	7,404,029	24,270,727	13,837,793	-	48,658,036
Other liabilities	-	-	9,889,852	376,324	388,894	14,059	-	10,671,129
Total liabilities	-	-	98,231,525	48,208,787	106,771,737	35,203,475	125,528	288,541,050
Net liquidity gap	3,799,757	4,839,245	(35,653,456)	(39,888,293)	(69,812,480)	60,791,855	115,396,648	39,473,277

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 31 December 2018 and for the year then ended

41. FINANCIAL RISK MANAGEMENT POLICIES (continued)

41.2 Market risk (continued)

(d) Other market price risk

Other than the assets and liabilities presented above, the Bank and its subsidiaries are not exposed to other market price risks with risk levels accounting for 5% of the Bank and its subsidiaries' net income or with value of relating assets/liabilities accounting for 5% of the Bank and its subsidiaries' total assets.

42. FINANCIAL ASSETS AND FINANCIAL LIABILITIES

On 6 November 2009, the Ministry of Finance issued Circular No. 210/2009/TT-BTC providing guidance for the adoption in Vietnam of the International Financial Reporting Standards on presentation and disclosures of financial instruments ("Circular 210") with effectiveness from financial years beginning on or after 1 January 2011.

The Circular 210 only regulates the presentation of financial statements and disclosures financial instruments, therefore, the below definitions of financial assets, financial liabilities and other relating definitions are applied solely for the preparation of this Note. The Bank's assets and liabilities are still recognized and recorded in accordance with Vietnamese Accounting Standards, Accounting System for Credit Institutions, regulations of the State Bank of Vietnam and statutory requirements relevant to preparation and presentation of the consolidated financial statements.

Financial assets

Under Circular 210, financial assets of the Bank include balance with the SBV and placement with other credit institutions, loans to customers and credit granting to other institutions, investment security, other receivables and currency derivative contracts.

Financial assets within the scope of Circular 210, for disclosures in the notes to the consolidated financial statements, are classified into either of the followings:

➤ *Financial asset at fair value through profit or loss*

Financial asset at fair value through profit and loss is a financial asset that meets either of the following conditions:

- a) A financial asset is classified as held for trading if:
 - ✓ It is acquired or incurred principally for the purpose of reselling or repurchasing it in the near term;
 - ✓ There is evidence of a recent actual pattern of short-term profit-taking; or
 - ✓ It is a derivative (except derivative that is a financial guarantee contract or effective hedging instrument).
- b) Upon initial recognition, it is designated by the entity as at fair value through profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 31 December 2018 and for the year then ended

42. FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)

Financial assets (continued)

► *Held to maturity investments*

Held to maturity investments are non-derivative financial assets with determinable payments and fixed maturity that an entity has the positive intention and ability to hold to maturity other than:

- a) Those that the entity upon initial recognition designates as at fair value through profit or loss;
- b) Those that the entity designates as available for sale;
- c) Those meet the definition of loans and receivables.

► *Loans and receivables:*

Loans and receivables are non-derivative with fixed payments or can be recognized and are not quoted on the market, unless:

- a) Those that the Bank intends to sell immediately or in the near future are classified as assets held for trading purposes, and others that at the same time of initial recognition that the entity classified at fair value according to result of income statement;
- b) Those that the Bank classifies as available-for-sale at the time of initial recognition; or
- c) Those that the holders may not recover most of the initial investment cost, not due to the impairment of the credit quality and are classified as available-for-sale.

► *Available-for-sale financial assets*

Available for sale financial assets are those non-derivative financial assets that are designated as available for sale or are not classified as:

- a) Loans and receivables;
- b) Held-to-maturity investments;
- c) Financial assets at fair value through profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 31 December 2018 and for the year then ended

42. FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)

Financial liabilities

According to Circular 210 financial liabilities of the Bank includes deposits and borrowings from other institutions, valuable papers issued and other financial liabilities.

Financial liabilities within the scope of Circular 210, for disclosures in the notes to the consolidated financial statements, are classified into either of the followings.

➤ *Financial liability at fair value through profit or loss.*

Financial liability at fair value through profit and loss is a financial liability that meets either of the following conditions.

- a) It is classified as held for trading. A financial liability is classified as held for trading if,
 - ✓ It is acquired or incurred principally for the purpose of reselling or repurchasing it in the near term;
 - ✓ There is evidence of a recent actual pattern of short-term profit-taking; or
 - ✓ It is a derivative (except derivative that is a financial guarantee contract or effective hedging instrument)
- b) Upon initial recognition, it is designated by the entity as at fair value through profit or loss.

➤ *Financial liabilities at amortized cost:*

Financial liabilities that are not classified as at fair value through profit or loss are classified as at amortized cost

Offsetting of financial assets and financial liabilities

Financial assets and financial liabilities are offset and the net amount reported in the consolidated balance sheet if and only if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis or to realize the assets and settle the liabilities simultaneously

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 31 December 2018 and for the year then ended

42. FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)

The carrying value and fair value of financial assets and liabilities as at 31 December 2018 are presented as follows:

	Carrying value					Fair value VND million
	Financial assets at fair value through profit and loss VND million	Held-to- maturity VND million	Loans and receivables VND million	Available-for- sale VND million	Other assets and liabilities recorded at amortized cost VND million	Total VND million
Cash, gold and gemstones	-	-	1,855,473	-	-	1,855,473
Balances with the SBV	-	-	10,828,571	-	-	10,828,571
Balances with and credit granting to other credit institutions - gross	-	-	16,571,491	-	-	16,571,491
Securities held for trading - gross	4,240,742	-	-	-	-	4,240,742
Loans to customers - gross	-	-	221,961,996	-	-	221,961,996
Available-for-sale securities - gross	-	-	-	49,417,157	-	49,417,157
Held-to-maturity securities - gross	-	3,564,933	-	-	-	3,564,933
Other financial assets - gross	-	-	14,474,232	227,602	-	14,701,834
	4,240,742	3,564,933	265,691,763	49,644,759	-	323,142,197
Amounts due to the Government and the SBV	-	-	-	-	3,781,343	3,781,343
Deposits and borrowings from financial institutions and other credit institutions	-	-	-	-	54,231,451	54,231,451
Customer deposits	-	-	-	-	170,850,871	170,850,871
Derivatives and other financial liabilities	18,571	-	-	-	-	18,571
Other borrowed and entrusted funds	-	-	-	-	329,649	329,649
Valuable papers issued	-	-	-	-	48,658,036	48,658,036
Other financial liabilities	-	-	-	-	9,216,789	9,216,789
	18,571	-	-	-	287,068,139	287,086,710

(*) The fair value of these financial assets and liabilities cannot be determined because there is no specific guidance in determination of fair value under Vietnamese Accounting Standards and Accounting System.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 31 December 2018 and for the year then ended

43. SEGMENT INFORMATION

A segment is a component determined separately by the Bank which is engaged in providing related products or services (business segment) or providing products or services in a particular economic environment (geographical segment), that is subject to risks and returns that are different from those of other segments.

43.1 The primary segment information by business segment

For management purpose, the Bank and its subsidiaries have established their operation in the following business segments:

Banking:	Provide the following products and services to customers:
	- Mobilizing deposits;
	- Providing credit;
	- Wire transfer;
	- Settlement services; and
	- Other banking operations.
Asset and liabilities management:	Asset and liabilities management.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 31 December 2018 and for the year then ended

43. SEGMENT INFORMATION (continued)

43.1 Primary segment information by business segment (continued)

Primary segment information by business segment as at 31 December 2018 and for the year then ended is as follows:

	Banking VND million	Asset and liabilities management VND million	Inter-segment adjustments VND million	Total VND million
I. Income				
1. Interest and similar income	40,280,214	1,847	(1,847)	40,280,214
External interest and similar income	40,280,214	-	-	40,280,214
Inter-segment interest and similar income	-	1,847	(1,847)	-
2. Net fee and commission income	1,612,178	239,379	(239,361)	1,612,496
3. Other operating income	4,770,448	1,144	-	4,771,592
	<u>46,662,840</u>	<u>242,870</u>	<u>(241,408)</u>	<u>46,664,302</u>
II. Expenses				
1. Interest and similar expenses	(15,580,486)	-	1,847	(15,578,639)
External interest and similar expenses	(15,578,639)	-	-	(15,578,639)
Inter-segment interest and similar expenses	(1,847)	-	1,847	-
2. Depreciation and amortization charges	(313,562)	(377)	-	(313,939)
3. Other direct operating expenses	(10,318,678)	(240,868)	239,561	(10,319,985)
	<u>(26,212,726)</u>	<u>(241,245)</u>	<u>241,408</u>	<u>(26,212,563)</u>
Net profit before provision for credit losses	20,450,114	1,625	-	20,451,739
Provision expense for credit losses	(11,253,231)	-	-	(11,253,231)
Segmental profit before tax	<u>9,196,883</u>	<u>1,625</u>	<u>-</u>	<u>9,198,508</u>
III. Total assets				
1. Cash, gold and gemstones	1,855,473	-	-	1,855,473
2. Fixed assets	1,961,597	1,499	-	1,963,096
3. Other assets	319,385,916	192,830	(66,298)	319,472,550
	<u>323,182,986</u>	<u>194,429</u>	<u>(66,298)</u>	<u>323,291,119</u>
IV. Total liabilities				
1. External liabilities to customers	283,201,828	-	(68,976)	283,132,852
2. Other internal liabilities	415,598	8,367	-	423,965
3. Other liabilities	4,869,000	32,555	(17,322)	4,904,233
	<u>288,586,426</u>	<u>40,922</u>	<u>(86,298)</u>	<u>288,541,050</u>

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 31 December 2018 and for the year then ended**43. SEGMENT INFORMATION (continued)****43.2 The supplementary segment information by geographical area**

The Bank and its subsidiaries' principal activities are mainly taking place within Vietnam. Therefore, the Bank and its subsidiaries' risks and returns are not impacted by the Bank's operations that are taken place in different locations. Therefore, the Bank's management identifies that the Bank has only one geographical segment. Accordingly, the presentation of geographical segment information is not required.

44. COMPARATIVE FIGURES**44.1 Deposits and borrowings from financial institutions, other credit institutions; Other borrowed and entrusted funds and other liabilities**

Certain items on the consolidated balance sheet as at 31 December 2017 of the Bank have been reclassified to maintain conformity with the presentation of the consolidated balance sheet as at 31 December 2018 in accordance with Circular 22/2017/TT-NHNN amending and supplementing a number of articles of the Chart of account system applicable to credit institutions issued in connection with Decision No. 479/2004/QĐ-NHNN dated 29 April 2004 and the financial reporting regime applicable to credit institutions required under Decision No. 16/2007/QĐ-NHNN dated 18 April 2007 by the Governor of the SBV.

Extracted from the consolidated balance sheet as at 31 December 2017:

	31 December 2017 <i>Presented</i> VND million	<i>Reclassified</i> VND million	31 December 2017 <i>Represented</i> VND million
Deposits and borrowings from financial institutions and other credit institutions	33,200,418	4,863,431	38,063,849
Borrowings from financial institutions and other credit institutions	25,366,037	4,863,431	30,229,468
Other borrowed and entrusted funds	3,899,364	(3,570,587)	328,777
Other liabilities	11,114,921	(1,292,844)	9,822,077
Other payables and liabilities	8,051,755	(1,292,844)	4,758,911

The Bank classified VND1,292,844 million, which are payables relating to sale and repurchase contracts of valuable papers with financial institutions from "Other liabilities" to "Borrowings from financial institutions and other credit institutions", and reclassified VND3,570,587 million, which is borrowed from International Finance Corporation ("IFC") from "Other borrowed and entrusted funds" to "Borrowings from financial institutions and other credit institutions".

The Reclassification is for the purpose of presenting comparative figures and complying with Circular No. 22/2017/TT-NHNN and does not affect "Total liabilities", as well as "Total liabilities and owners' equity" of the Bank as at 31 December 2017.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 31 December 2018 and for the year then ended

44. COMPARATIVE FIGURES (continued)

44.2 Loan portfolio by sectors

On 17 April 2018, Circular No. 11/2018/TT-NHNN was issued on amending and supplementing certain articles of the Circular No. 35/2015/TT-NHNN on the statistical reporting system applied to credit institutions which takes effect on 1 October 2018 and Official Letter No. 7860/NHNN-D8TK dated 18 October 2018 on reviewing report Form 002-D8TK – Report on Loans outstanding by purpose of the loan. Accordingly, for comparison purpose, the Bank has reviewed and reclassified balance as at 31 December 2017 as follows:

	31 December 2017		31 December 2017		31 December 2017	
	Presented		Reclassified		Reclassification	
	VND million	%	VND million	%	VND million	%
Agriculture, forestry and aquaculture	3,538,605	1.94	(26,266)	(0.02)	3,512,339	1.92
Mining	268,934	0.15	(15,178)	(0.01)	253,756	0.14
Processing, manufacturing	12,141,713	6.65	(45,144)	(0.03)	12,096,569	6.62
Electricity, petroleum and steam	2,171,806	1.19	(2,015)	(0.00)	2,169,791	1.19
Water supply and waste treatment	227,500	0.12	(384)	(0.00)	227,136	0.12
Construction	8,333,164	4.56	(536,471)	(0.29)	7,796,693	4.27
Wholesale and retail trade, repair of motor vehicles, motor cycles and personal goods	22,300,670	12.21	(149,834)	(0.08)	22,150,836	12.13
Transportation and logistics	9,381,099	5.14	(59,626)	(0.04)	9,321,473	5.10
Hospitality and restaurants	4,235,161	2.32	(45,488)	(0.03)	4,189,673	2.29
Information and media	460,972	0.25	(7,523)	(0.00)	453,449	0.25
Finance, banking and insurance services	1,911,085	1.05	(42,676)	(0.03)	1,868,409	1.02
Real estates	15,553,631	8.51	18,036,369	9.88	33,590,000	18.39
Scientific research and technology	255,577	0.14	(21,190)	(0.01)	234,387	0.13
Administrative activities and support services	1,225,731	0.67	(16,630)	(0.01)	1,209,101	0.66
Activities of the Communist Party, political - social organizations, state management, security and defense	40,051	0.02	(13,809)	(0.01)	26,242	0.01
Education and vocational training	338,584	0.19	(3,192)	(0.01)	335,392	0.18
Healthcare and community development	389,020	0.21	(4,401)	(0.00)	384,619	0.21
Recreational, cultural, sporting activities	275,179	0.15	(384)	(0.00)	274,785	0.15
Other services	1,541,832	0.84	(34,154)	(0.01)	1,507,678	0.83
Households services, production of material products and services used by households	97,976,774	53.84	(17,010,753)	(9.30)	80,966,011	44.34
Activities of other foreign organizations and offices	99,125	0.05	(1,251)	(0.00)	97,874	0.05
	182,866,213	100	-	-	182,866,213	100

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 31 December 2018 and for the year then ended

45. CHANGE IN NET PROFIT BEFORE TAX FOR THE YEAR

The consolidated profit before tax for the year ended 31 December 2018 of the Bank and its subsidiaries increased by VND1,068,443 million compared to the consolidated profit before tax for the year ended 31 December 2017, equivalent to 13.14% increase due to the following reasons:

	<i>Profit before tax VND million</i>
Profit increase due to increase in interest and similar income	4,087,149
Profit increase due to increase in net fee and commission income	150,952
Profit increase due to increase in net gain from trading of foreign currencies	55,092
Profit decrease due to decrease in net gain from securities held for trading	(236,459)
Profit decrease due to decrease in net gain from investment securities	(89,420)
Profit increase due to increase in net gain from other operating activities	2,281,696
Profit decrease due to decrease in income from investments in other entities	(52,723)
Profit decrease due to increase in operating expenses	(1,875,669)
Profit decrease due to increase in provision for credit losses.	(3,252,173)
	<u>1,068,445</u>

46. EVENTS AFTER THE CONSOLIDATED BALANCE SHEET DATE

There have been no significant events occurring after the consolidated balance sheet date which require adjustments and disclosures to be made in the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
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47. EXCHANGE RATES OF APPLICABLE FOREIGN CURRENCIES AGAINST VND AT THE REPORTING DATE

	31 December 2018 VND	31 December 2017 VND
AUD	16,338	17,718
CAD	17,015	18,054
CHF	23,565	23,308
CNY	3,368	3,486
DKK	3,160	3,160
EUR	26,566	27,248
GBP	29,476	30,692
JPY	210	202
NZD	17,249	17,249
SEK	3,078	3,078
SGD	16,975	16,980
THB	640	640
USD	23,220	22,425
XAU	365,000	364,500

Prepared by: 



Ms. Nguyen Thi Thu Hang
Chief Accountant

Reviewed by:



Ms. Luu Thi Thao
Standing Deputy
Chief Executive Officer
cum. Chief Financial Officer

Approved by:



Mr. Nguyen Duc Vinh
Chief Executive Officer

Hanoi, Vietnam

12 February 2019

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Vietnam Prosperity Joint Stock Commercial Bank

GENERAL INFORMATION

THE BANK

Vietnam Prosperity Joint Stock Commercial Bank ("the Bank" or "VPBank") is a joint stock commercial bank incorporated and registered in the Socialist Republic of Vietnam.

The Bank was established pursuant to Banking License No. 0042/NH-GP dated 12 August 1993 issued by the State Bank of Vietnam ("the SBV") and Business Registration Certificate No.0100233583 dated 8 September 1993 issued by Hanoi Department of Planning and Investment which was amended for the 39th time on 17 November 2017. The Bank started operation on 12 August 1993 with an operation period of 99 years.

On 17 August 2017, the Bank's shares were officially listed on Ho Chi Minh City Stock Exchange.

The Bank's principal activities are to provide banking services including mobilizing and receiving short, medium and long-term deposits from organizations and individuals; making short, medium and long-term loans and advances to organizations and individuals; conducting foreign exchange transactions; international trade finance services; discounting of commercial papers, bonds and other valuable papers; making investments in stocks and bonds; providing settlement services and other banking services as allowed by the SBV.

Charter capital

As at 31 December 2017, the charter capital of the Bank is VND15,706,230 million (31 December 2016: VND9,181,000 million).

Operational network

The Bank's Head Office is located at No. 89 Lang Ha, Lang Ha Ward, Dong Da District, Hanoi, Vietnam. As at 31 December 2017, the Bank has one (1) Head Office, fifty three (53) branches, one hundred and sixty three (163) transaction offices nationwide and two (2) subsidiaries.

BOARD OF DIRECTORS

The members of the Board of Directors of the Bank during the year and as at the date of the consolidated financial statements are as follows:

<i>Name</i>	<i>Position</i>
Mr. Ngo Chi Dzung	Chairman
Mr. Bui Hai Quan	Vice Chairman
Mr. Lo Bang Giang	Vice Chairman
Mr. Nguyen Van Hao	Independent member
Mr. Luong Phan Son	Member
	Resigned on 10 April 2017
Mr. Nguyen Duc Vinh	Member

Vietnam Prosperity Joint Stock Commercial Bank

GENERAL INFORMATION (continued)

THE BOARD OF SUPERVISION

The members of the Board of Supervision of the Bank during the year and as at the date of the consolidated financial statements are as follows:

<i>Name</i>	<i>Position</i>
Mr. Ngo Phuong Chi	Head of Board of Supervision – Non-permanent Appointed on 10 April 2017
Ms. Nguyen Quynh Anh	Head of Board of Supervision Resigned on 10 April 2017
Ms. Nguyen Thi Bich Thuy	Full-time member
Ms. Trinh Thi Thanh Hang	Full-time member Appointed on 10 April 2017
Ms. Nguyen Thi Mai Trinh	Member Resigned on 10 April 2017

THE BOARD OF MANAGEMENT

The members of the Board of Management of the Bank during the year and as at the date of the consolidated financial statements are as follows:

<i>Name</i>	<i>Position</i>
Mr. Nguyen Duc Vinh	Chief Executive Officer
Mr. Nguyen Thanh Binh	Deputy Chief Executive Officer
Mr. Phan Ngoc Hoa	Deputy Chief Executive Officer
Ms. Duong Thi Thu Thuy	Deputy Chief Executive Officer
Ms. Luu Thi Thao	Deputy Chief Executive Officer
Mr. Nguyen Thanh Long	Deputy Chief Executive Officer
Mr. Fung Kai Jin	Deputy Chief Executive Officer
Mr. Pham Phu Khoi	Deputy Chief Executive Officer
Mr. Kosaraju Kiran Babu	Deputy Chief Executive Officer Appointed on 28 November 2017

LEGAL REPRESENTATIVE

The legal representative of the Bank during the year and as at the date of the consolidated financial statements is Mr. Ngo Chi Dzong – Chairman.

Mr. Nguyen Duc Vinh - Chief Executive Officer was authorized by Mr. Ngo Chi Dzong to sign off the accompanying consolidated financial statements for the year ended 31 December 2017 according to Authorization Document No. 09/2012/UQ-CT dated 5 July 2012.

AUDITORS

The auditors of the Bank are Ernst & Young Vietnam Limited.

Vietnam Prosperity Joint Stock Commercial Bank

REPORT OF THE BOARD OF MANAGEMENT

The Board of Management of Vietnam Prosperity Joint Stock Commercial Bank ("the Bank") is pleased to present its report and the consolidated financial statements of the Bank and its subsidiaries as at 31 December 2017 and for the year then ended.

MANAGEMENT'S RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The Board of Management of the Bank is responsible for the consolidated financial statements which give a true and fair view of the consolidated financial position of the Bank and its subsidiaries and of the consolidated results of their operations and there consolidated cash flows for the year. In preparing these consolidated financial statements, the Board of Management is required to:

- ▶ select suitable accounting policies and then apply them consistently;
- ▶ make judgments and estimates that are reasonable and prudent;
- ▶ state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the consolidated financial statements; and
- ▶ prepare the consolidated financial statements on the going concern basis unless it is inappropriate to presume that the Bank will continue in business.

The Board of Management is responsible for ensuring that proper accounting records are kept which disclose, with reasonable accuracy at any time, the consolidated financial position of the Bank and its subsidiaries and ensuring that the accounting records comply with the applied accounting system. It is also responsible for safeguarding the assets of the Bank and its subsidiaries and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Board of Management confirmed that it has complied with the above requirements in preparing the accompanying consolidated financial statements.

STATEMENT BY THE BOARD OF MANAGEMENT

The Board of Management of the Bank does hereby state that, in its opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Bank and its subsidiaries as at 31 December 2017, the consolidated results of their operations and their consolidated cash flows for the year then ended in accordance with Vietnamese Accounting Standards, Vietnamese Accounting System for Credit Institutions and other statutory requirements relevant to preparation and presentation of the consolidated financial statements.

For and on behalf of the Board of Management



Mr. Nguyen Duc Vinh
Chief Executive Officer

Hanoi, Vietnam

5 February 2018

Reference: 60755038/19509118-HN

INDEPENDENT AUDITORS' REPORT

**To: The Shareholders of
Vietnam Prosperity Joint Stock Commercial Bank**

We have audited the accompanying consolidated financial statements of Vietnam Prosperity Joint Stock Commercial Bank ("the Bank") and its subsidiaries as prepared on 5 February 2018 and set out on pages 6 to 75 which comprise the consolidated balance sheet as at 31 December 2017, the consolidated income statement and the consolidated cash flow statement for the year then ended and the notes thereto.

Management's responsibility

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Vietnamese Accounting Standards, Vietnamese Accounting System for Credit Institutions and other statutory requirements relevant to preparation and presentation of the consolidated financial statements, and for such internal control as management determines is necessary to enable the preparation and presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Vietnamese Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the Bank's and its subsidiaries' preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's and its subsidiaries' internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view, in all material respects, of the consolidated financial position of the Bank and its subsidiaries as at 31 December 2017, and of the consolidated results of their operations and their consolidated cash flows for the year then ended in accordance with Vietnamese Accounting Standards, Vietnamese Accounting System for Credit Institutions and other statutory requirements relevant to preparation and presentation of the consolidated financial statements.



Dang Phuong Ha
Deputy General Director
Audit Practising Registration
Certificate No. 2400-2018-004-1



Tran Mai Thao
Auditor
Audit Practising Registration
Certificate No. 2466-2018-004-1

Hanoi, Vietnam

5 February 2018

Vietnam Prosperity Joint Stock Commercial Bank

CONSOLIDATED BALANCE SHEET
as at 31 December 2017

B02/TCTD-HN

	Notes	31 December 2017 VND million	31 December 2016 VND million
ASSETS			
Cash, gold and gemstones	5	2,574,284	1,727,361
Balances with the State Bank of Vietnam	6	6,460,795	2,982,589
Placements with and loans to other credit institutions	7	17,520,025	9,388,905
Placements with other credit institutions	7.1	15,218,720	4,089,176
Loans to other credit institutions	7.2	2,302,036	5,300,460
Provision for credit losses of loans to other credit institutions		(731)	(731)
Securities held for trading	8	1,424,854	2,952,206
Securities held for trading		1,424,854	2,953,789
Provision for securities held for trading		-	(1,563)
Loans to customers		179,518,809	142,583,251
Loans to customers	10	182,666,213	144,673,213
Provision for credit losses of loans to customers	11	(3,147,404)	(2,089,962)
Investment securities	12	53,558,049	55,339,988
Available-for-sale securities	12.1	50,384,788	51,948,658
Held-to-maturity securities	12.2	4,151,127	4,136,200
Provision for investment securities	12.3	(977,866)	(744,870)
Long-term investments	13	152,508	222,930
Other long-term investments		194,602	299,372
Provision for long-term investments		(42,096)	(76,442)
Fixed assets	14	808,486	624,197
<i>Tangible fixed assets</i>	<i>14.1</i>	<i>457,682</i>	<i>422,772</i>
Cost		1,090,758	939,411
Accumulated depreciation		(633,076)	(516,639)
<i>Intangible fixed assets</i>	<i>14.2</i>	<i>350,804</i>	<i>201,425</i>
Cost		623,226	392,849
Accumulated amortization		(272,422)	(191,424)
Investment properties	15	-	27,162
Cost		-	29,965
Accumulated amortization		-	(2,803)
Other assets	16	15,734,506	12,922,329
Receivables	16.1	8,539,528	5,588,814
Accrued interest and fees receivable	16.2	3,812,015	4,165,577
Other assets	16.3	3,404,366	3,395,320
<i>In which: Goodwill</i>	17	-	12,485
Provision for other assets	16.4	(21,403)	(227,382)
TOTAL ASSETS		277,752,314	228,770,918

Vietnam Prosperity Joint Stock Commercial Bank

CONSOLIDATED BALANCE SHEET (continued)
as at 31 December 2017

B02/TCTD-HN

	<i>Notes</i>	<i>31 December 2017 VND million</i>	<i>31 December 2016 VND million</i>
LIABILITIES			
Amounts due to the State Bank of Vietnam	18	26,015	1,103,686
Deposits and borrowings from other credit institutions	19	33,200,418	28,835,898
Deposits from other credit institutions	19.1	7,834,381	13,437,105
Borrowings from other credit institutions	19.2	25,366,037	15,398,793
Customer deposits	20	133,550,812	123,787,572
Derivatives and other financial liabilities	9	160,469	191,325
Other borrowed and entrusted funds	21	3,899,364	1,389,786
Valuable papers issued	22	66,104,605	48,650,527
Other liabilities	23	11,114,921	7,634,596
Interest and fees payable	23.1	5,063,166	3,161,924
Other payables	23.2	6,051,755	4,472,672
TOTAL LIABILITIES		248,056,604	211,593,390
OWNERS' EQUITY			
Charter capital	25	15,706,230	9,181,000
Share premium	25	5,866,105	1,288,863
Reserves	25	3,558,265	2,950,192
Retained profits	25	4,565,110	3,757,473
TOTAL OWNERS' EQUITY		29,695,710	17,177,528
TOTAL LIABILITIES AND OWNERS' EQUITY		277,752,314	228,770,918

Vietnam Prosperity Joint Stock Commercial Bank

CONSOLIDATED BALANCE SHEET (continued)
as at 31 December 2017

B02/TCTD-HN

OFF-BALANCE SHEET ITEMS

	Notes	31 December 2017 VND million	31 December 2016 VND million
Credit guarantees		3,792	12,108
Foreign exchange commitments		76,976,531	33,307,126
- Spot foreign exchange commitments - buy		369,768	3,687,797
- Spot foreign exchange commitments - sell		370,388	3,669,239
- Swap contracts		76,236,375	25,950,090
Letters of credit		8,801,290	6,356,322
Other guarantees		11,590,623	11,585,463
Other commitments		7,034,321	2,334,851
	40	104,406,557	53,595,870

Prepared by: 



Ms. Nguyen Thi Thu Hang
Chief Accountant

Reviewed by:



Ms. Lưu Thị Thao
Deputy Chief Executive Officer
cum. Chief Financial Officer



Approved by:



Mr. Nguyễn Đức Vinh
Chief Executive Officer

Hanoi, Vietnam

5 February 2018

Vietnam Prosperity Joint Stock Commercial Bank

CONSOLIDATED INCOME STATEMENT
for the year ended 31 December 2017

B03/TCTD-HN

	Notes	2017 VND million	2016 VND million
Interest and similar income	27	34,133,371	25,631,116
Interest and similar expenses	28	(13,518,945)	(10,463,257)
Net interest and similar income		20,614,426	15,167,859
Fee and commission income		3,210,071	2,114,834
Fee and commission expenses		(1,748,527)	(1,261,908)
Net fee and commission income	29	1,461,544	852,926
Net loss from trading of foreign currencies	30	(158,842)	(318,960)
Net gain/(loss) from securities held for trading	31	179,638	(149,384)
Net gain from investment securities	32	339,477	91,874
Other operating income		3,208,782	1,450,885
Other operating expenses		(672,502)	(232,315)
Net gain from other operating activities	33	2,536,280	1,218,570
Income from investments in other entities	34	53,568	872
TOTAL OPERATING INCOME		25,026,091	16,863,757
Personnel expenses		(5,060,266)	(3,430,934)
Depreciation and amortization charges		(244,832)	(177,433)
Other operating expenses		(3,589,872)	(3,012,985)
TOTAL OPERATING EXPENSES	35	(8,894,970)	(6,621,352)
Net profit before provision for credit losses		16,131,121	10,242,405
Provision expenses for credit losses	36	(8,001,058)	(5,313,094)
PROFIT BEFORE TAX		8,130,063	4,929,311
Current corporate income tax expense	24.1	(1,689,296)	(994,266)
Corporate income tax expense		(1,689,296)	(994,266)
PROFIT AFTER TAX		6,440,767	3,935,045
Basic earnings per share (VND)	26	4,564	2,843

Prepared by:



Ms. Nguyen Thi Thu Hang
Chief Accountant

Reviewed by:



Ms. Luu Thi Thao
Deputy Chief Executive Officer
cum. Chief Financial Officer

Approved by:



Mr. Nguyen Duc Vinh
Chief Executive Officer

Hanoi, Vietnam

5 February 2018

Vietnam Prosperity Joint Stock Commercial Bank

CONSOLIDATED CASH FLOW STATEMENT for the year ended 31 December 2017

B04/TCTD-HN


	Notes	2017 VND million	2016 VND million
CASH FLOWS FROM OPERATING ACTIVITIES			
Interest and similar receipts		34,490,849	25,501,896
Interest and similar payments		(11,637,208)	(10,039,057)
Net fee and commission receipts		1,479,101	850,669
Net payments from dealing in foreign currencies, gold and securities trading activities		396,450	(271,622)
Other income		1,230,931	476,319
Recoveries from bad debts previously written-off		1,098,054	715,606
Payments for operating and salary expenses		(8,560,105)	(6,479,434)
Corporate income tax paid in the year	24.1	(1,501,672)	(795,175)
Net cash flows from operating profit before changes in operating assets and liabilities		16,996,400	9,959,202
Changes in operating assets			
Decrease in placements with and loans to other credit institutions		2,998,424	570,201
Decrease/(Increase) in investment securities		2,689,025	(8,889,714)
Increase in loans to customers		(37,795,799)	(27,641,819)
Utilization of provision to write off loans to customers, securities and long-term investments		(6,784,262)	(4,882,929)
Increase in other assets		(3,169,515)	(390,722)
Changes in operating liabilities:			
Decrease in amounts due to the Government and the SBV		(1,077,671)	(3,717,377)
Increase in deposits and borrowings from other credit institutions		4,364,520	8,114,707
Increase/(Decrease) in customer deposits (including deposits from State Treasury)		9,763,386	(6,483,096)
Increase in valuable papers issued (except for valuable papers issued for financing activities)		17,454,078	23,913,626
Increase in other borrowed and entrusted funds		2,509,578	1,006,598
(Decrease)/Increase in derivatives and other financial liabilities		(30,856)	59,565
Increase in other liabilities		1,298,474	1,958,319
Net cash flows from/(used in) operating activities		9,215,782	(6,423,441)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of fixed assets		(214,416)	(188,473)
Proceeds from disposal of fixed assets		237,074	47,723
Proceeds from disposal of investment property		10,000	-
Payments for disposal of investment property		(52)	-
Payments for investments in other entities		(30,000)	-
Proceeds from disposals of investments in other entities		157,740	8,255
Dividends received from long-term investments		598	872
Net cash flows from/(used in) investing activities		160,944	(131,623)

Vietnam Prosperity Joint Stock Commercial Bank

CONSOLIDATED CASH FLOW STATEMENT (continued)
for the year ended 31 December 2017

B04/TCTD-HN

	Notes	2017 VND million	2016 VND million
CASH FLOWS FROM FINANCING ACTIVITIES			
Increase in charter capital from capital contribution and/or share issuance	25.1	6,224,386	-
Proceeds from issuance of long term valuable papers eligible to be included in capital and other long term borrowings		-	2,876,960
Dividend distributed to shareholders	25.1	(146,439)	(146,439)
Cash flows from financing activities		6,077,947	2,730,521
Net cash flows for the year		15,454,673	(3,824,543)
Cash and cash equivalents at the beginning of the year		8,799,126	12,623,669
Cash and cash equivalents at the end of the year	37	24,253,799	8,799,126
SIGNIFICANT NON-CASH TRANSACTIONS IN THE YEAR			
Bonus shares issued using the capital supplementary reserve and investment and development fund	25.1	579,300	57,537
Increase in charter capital from retained earnings	25.1	4,298,786	1,066,997

Prepared by: 

Reviewed by:

Approved by:



Ms. Nguyen Thi Thu Hang
Chief Accountant



Ms. Luu Thi Thao
Deputy Chief Executive Officer
cum. Chief Financial Officer



Mr. Nguyen Duc Vinh
Chief Executive Officer

Hanoi, Vietnam

5 February 2018

Vietnam Prosperity Joint Stock Commercial Bank

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
as at 31 December 2017 and for the year then ended

B05/TCTD-HN

1. GENERAL INFORMATION

Vietnam Prosperity Joint Stock Commercial Bank ("the Bank" or "VPBank") is a joint stock commercial bank incorporated and registered in the Socialist Republic of Vietnam.

The Bank was established pursuant to Banking Licence No.0042/NH-GP dated 12 August 1993 issued by the State Bank of Vietnam ("the SBV") and Business Registration Certificate No.0100233583 dated 8 September 1993 issued by Hanoi Department of Planning and Investment which was amended for the 39th time on 17 November 2017. The Bank started operation on 12 August 1993 with an operation period of 99 years.

On 17 August 2017, the Bank's shares were officially listed on Ho Chi Minh City Stock Exchange.

The Bank's principal activities are to provide banking services including mobilizing and receiving short, medium and long-term deposits from organizations and individuals; making short, medium and long-term loans and advances to organizations and individuals; conducting foreign exchange transactions; international trade finance services; discounting of commercial papers, bonds and other valuable papers; making investments in stocks and bonds; providing settlement services and other banking services as allowed by the SBV.

Charter capital

As at 31 December 2017, the charter capital of the Bank is VND15,706,230 million (31 December 2016: VND9,181,000 million).

Operational network

The Bank's Head Office is located at No. 89 Lang Ha, Lang Ha Ward, Dong Da District, Hanoi, Vietnam. As at 31 December 2017, the Bank has one (1) Head Office, fifty three (53) branches, one hundred and sixty three (163) transaction offices nationwide and two (2) subsidiaries.

Subsidiaries

As at 31 December 2017, the Bank has two (2) directly owned subsidiaries as follow:

<i>Subsidiaries</i>	<i>Operating License</i>	<i>Nature of Business</i>	<i>Share capital</i>	<i>Ownership</i>
VPBank Asset Management Company Limited (VPB AMC)	Business Registration Certificate No. 010583748 dated 15 April 2013 issued by Hanoi Department of Planning and Investment	Asset and liabilities management	VND115 billion	100%
VPBank Finance Company Limited (VPB FC)	Business Registration Certificate No. 0102180545 issued by Ho Chi Minh City Department of Planning and Investment which was last amended on 12 August 2017	Other finance activities	VND4,474 billion	100%

Employees

As at 31 December 2017, total number of permanent employees of the Bank and its subsidiaries is 23,826 persons (31 December 2016: 17,387 persons).

Vietnam Prosperity Joint Stock Commercial Bank

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 31 December 2017 and for the year then ended

B05/TCTD-HN

2. ACCOUNTING PERIOD AND ACCOUNTING CURRENCY

2.1 Fiscal year

The Bank's fiscal year starts on 1 January and ends on 31 December.

2.2 Accounting currency

Currency used in preparing financial statements of the Bank is Vietnam dong ("VND").

3. APPLIED ACCOUNTING STANDARDS AND SYSTEM

3.1 Statement of compliance

The Board of Management of the Bank confirms that the accompanying consolidated financial statements have been prepared in accordance with Vietnamese Accounting Standards, Vietnamese Accounting System for Credit Institutions and other relevant statutory requirements related to the preparation and presentation of consolidated financial statements.

3.2 Accounting standards and system

The consolidated financial statements of the Bank are prepared in accordance with the Accounting System applicable to Credit Institutions required under Decision No. 479/2004/QĐ-NHNN issued on 29 April 2004 and Circular No. 10/2014/TT-NHNN dated 20 March 2014 amending and supplementing Decision No. 479/2004/QĐ-NHNN, Decision No. 16/2007/QĐ-NHNN dated 18 April 2007, Circular No. 49/2014/TT-NHNN amending and supplementing a number of articles of Decision No. 16/2007/QĐ-NHNN and the chart of account system for Credit Institutions issued in connection with Decision No. 479/2004/QĐ-NHNN issued by the State Bank of Vietnam and Vietnamese Accounting Standards issued by the Ministry of Finance as per:

- ▶ Decision No. 149/2001/QĐ-BTC dated 31 December 2001 on the Issuance and Promulgation of Four Vietnamese Accounting Standards (Series No. 1);
- ▶ Decision No. 165/2002/QĐ-BTC dated 31 December 2002 on the Issuance and Promulgation of Six Vietnamese Accounting Standards (Series No. 2);
- ▶ Decision No. 234/2003/QĐ-BTC dated 30 December 2003 on the Issuance and Promulgation of Six Vietnamese Accounting Standards (Series No. 3);
- ▶ Decision No. 12/2005/QĐ-BTC dated 15 February 2005 on the Issuance and Promulgation of Six Vietnamese Accounting Standards (Series No. 4); and
- ▶ Decision No. 100/2005/QĐ-BTC dated 28 December 2005 on the Issuance and Promulgation of Four Vietnamese Accounting Standards (Series No. 5).

The accompanying consolidated financial statements have been prepared using accounting principles, procedures and reporting practices generally accepted in Vietnam. Accordingly, the accompanying consolidated balance sheet, the consolidated income statement, the consolidated cash flow statement and the notes to the consolidated financial statements and their utilization are not designed for those who are not informed about Vietnam's accounting principles, procedures and practices and furthermore are not intended to present the consolidated financial position, results of consolidated operations and consolidated cash flows in accordance with accounting principles and practices generally accepted in countries other than Vietnam.

Items or balances required by Decision No. 16/2007/QĐ-NHNN dated 18 April 2007 and Circular No. 49/2014/TT-NHNN dated 31 December 2014 issued by the SBV stipulating the financial statements reporting mechanism for credit institutions that are not shown in these consolidated financial statements indicate nil balance.

Vietnam Prosperity Joint Stock Commercial Bank

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 31 December 2017 and for the year then ended

B05/TCTD-HN

3. APPLIED ACCOUNTING STANDARDS AND SYSTEM (continued)

3.3 Assumptions and uses of estimates

The preparation of the consolidated financial statements requires the Board of Management of the Bank make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent liabilities. These estimates and assumptions also affect the income, expenses and the resultant provision. The actual results may differ from such estimates and assumptions.

3.4 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Bank and its subsidiaries for the year ended 31 December 2017.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Bank obtains control.

The financial statements of the subsidiaries are prepared for the same reporting period as the parent bank, using consistent accounting policies.

All intra-group balances, income and expenses and unrealized gains or losses resulting from intra-group transactions are eliminated in full.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

4.1 Changes in accounting policies and disclosures

The accounting policies adopted by the Bank in preparation of the consolidated financial statements are consistent with those followed in the preparation of the Bank's consolidated financial statements for the year ended 31 December 2016, except for the following change in the accounting policies.

Decree No. 93/2017/ND-CP on financial regime applicable to credit institutions, foreign bank branches and financial supervision and evaluation of efficiency of State capital investment at credit institutions with State owning 100% of charter capital and State-owned credit institutions

On 7 August 2017, the Government promulgated Decree No. 93/2017/ND-CP on the financial regime applicable to credit institutions, foreign bank branches, and financial supervision and efficiency evaluation of State capital investment in credit institutions with State owning 100% of charter capital and State-owned credit institutions ("Decree 93"). Decree 93 replaces Decree No. 57/2012/ND-CP dated 20 July 2012 of the Government, and takes effect on 25 September 2017, except for regulations on the efficiency evaluation of State investment in joint-stock credit institutions with State owning over 50% of charter capital.

Decree 93 supplements the regulations on capital adequacy, income, expenses, accounting currency and the distribution order of profit after corporate income tax.

Circular No. 39/2016/TT-NHNN on lending activities to customers of credit institutions and foreign bank branches

On 30 December 2016, the State Bank of Vietnam ("SBV") issued Circular No. 39/2016/TT-NHNN on lending activities to customers of credit institutions and foreign bank branches, which has taken effect from 15 March 2017.

Vietnam Prosperity Joint Stock Commercial Bank

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 31 December 2017 and for the year then ended

B05/TCTD-HN

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.2 *Standards issued but not yet effective*

On 29 December 2017, the SBV issued Circular No. 22/2017/TT-NHNN amending and supplementing a number of articles of Chart of account system applicable to credit institutions issued in connection with Decision No. 479/2004/QĐ-NHNN dated 29 April 2004 and the financial reporting regime applicable to credit institutions required under Decision No. 16/2007/QĐ-NHNN dated 18 April 2007 by the Governor of the SBV ("Circular 22").

The main changes in Circular 22 are as follows:

- ▶ Amending and supplementing the guidances on the accounting treatment for foreign exchange and gold transactions;
- ▶ Amending a number of accounts in the Chart of account system applicable to credit institutions;
- ▶ Amending the guidances on the accounting treatment for some accounts in the Chart of account system applicable to credit institutions; and
- ▶ Amending and supplementing the guidances on the Financial reporting regime applicable to credit institutions.

Circular 22 will take effect on 1 April 2018.

4.3 *Cash and cash equivalents*

Cash and cash equivalents comprise current accounts at the SBV, current deposits and placements with banks with an original maturity of three months or less from the transaction date, securities with recovery or maturity of three months or less from date of purchase which can be converted into a known amount of cash and do not bear the liquidity risk as at the date of these consolidated financial statements.

4.4 *Placements with and loans to other credit institutions*

Placements with and loans to other credit institutions are presented at the principal amounts outstanding at the end of the year.

Placements with and loans to other credit institutions are classified and provided for allowance in accordance with Circular No. 02/2013/TT-NHNN dated 21 January 2013 of the SBV on classification of assets, levels and method of making risk provision, and use of provision against risk resolution of credit institutions, foreign bank branches ("Circular 02") and Circular No. 09/2014/TT-NHNN dated 18 March 2014 on amending and supplementing Circular 02 ("Circular 09").

Accordingly, the Bank makes a specific provision for placements with (except for current accounts) and loans to other credit institutions according to the method as described in *Note 4.6*.

According to Circular 02, the Bank is not required to make a general provision for placements with and loans to other credit institutions.

Vietnam Prosperity Joint Stock Commercial Bank

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 31 December 2017 and for the year then ended

B05/TCTD-HN

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.5 Loans to customers

Loans to customers are presented at the principal amounts outstanding at the end of the year.

Short-term loans have maturity of less than or equal to one year from disbursement date. Medium-term loans have maturity from over one to five years from disbursement date. Long-term loans have maturity of more than five years from disbursement date.

Loan classification and provision for credit losses are made according to Circular 02 and Circular 09 as presented in *Note 4.6*.

4.6 *Loan classification and provision for credit losses applied to placements with and loans to other credit institutions, unlisted corporate bonds purchased and trusted for purchase by the Bank, loans to customers granted and trusted for grant by the Bank and other credit risk bearing assets*

The classification of placements with and loans to other credit institutions, direct and entrusted investments in unlisted corporate bonds, loans to customers and entrustments for credit granting (collectively called "debts") is made in compliance with the quantitative method as prescribed in Article 10 of Circular 02.

The specific provision for debts as at 31 December is made based on the principal balance less discounted value of collateral multiplied by provision rates which are determined based on the debt classifications as at 30 November. The specific provision rates for each group are presented as follows:

Group		Description	Provision rate
1	Current	(a) Current debts are assessed as fully and timely recoverable for both principals and interests; or (b) Debts are overdue for a period of less than 10 days and assessed as fully recoverable for both overdue principals and interests, and fully and timely recoverable for both remaining principals and interests.	0%
2	Special Mention	(a) Debts are overdue for a period of between 10 days and 90 days; or (b) Debts which the repayment terms are restructured for the first time.	5%
3	Sub standard	(a) Debts are overdue for a period of between 91 days and 180 days; or (b) Debts which the repayment terms are extended for the first time; or (c) Debts which interests are exempted or reduced because customers do not have sufficient capability to repay all interests under credit contracts; or (d) Debts under one of the following cases which have not been recovered in less than 30 days from the date of the recovery decision: <ul style="list-style-type: none"> ▪ Debts made in compliance with Clause 1, 3, 4, 5, 6 under Article 126 of Law on Credit Institutions ; or ▪ Debts made in compliance with Clause 1, 2, 3, 4 under Article 127 of Law on Credit Institutions ; or ▪ Debts made in compliance with Clauses 1, 2 and 5 under Article 128 of Law on Credit Institutions. (e) Debts are required to be recovered according to regulatory inspection conclusions.	20%

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4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.6 *Loan classification and provision for credit losses applied to placements with and loans to other credit institutions, unlisted corporate bonds purchased and trusted for purchase by the Bank, loans to customers granted and trusted for grant by the Bank and other other credit risk bearing assets (continued)*

Group		Description	Provision rate
4	Doubtful	<ul style="list-style-type: none"> (a) Debts are overdue for a period of between 181 days and 360 days; or (b) Debts which the repayment terms are restructured for the first time but still overdue for a period of less than 90 days under that restructured repayment term; or (c) Debts which the repayment terms are restructured for the second time; or (d) Debts are specified in point (d) of Loan group 3 and overdue for a period of between 30 days and 60 days after decisions of recovery have been issued; or (e) Debts are required to be recovered according to regulatory inspection conclusions but still outstanding with an overdue period up to 60 days since the recovery date as required by regulatory inspection conclusions. 	50%
5	Loss	<ul style="list-style-type: none"> (a) Debts are overdue for a period of more than 360 days; or (b) Debts which the repayment terms are restructured for the first time but still overdue for a period of 90 days or more under that first restructured repayment term; or (c) Debts which the repayment terms are restructured for the second time but still overdue under that second restructured repayment term; or (d) Debts which the repayment terms are restructured for the third time or more, regardless of being overdue or not; or (e) Debts are specified in point (d) of Loan group 3 and overdue for a period of more than 60 days after decisions on recovery have been issued; or (f) Debts are required to be recovered under regulatory inspection conclusions but still outstanding with an overdue period of more than 60 days since the recovery date as required by regulatory inspection conclusions; or (g) Debts of credit institutions under special control as announced by the SBV, or debts of foreign bank branches which capital and assets are blocked. 	100%

If a customer has more than one debt with the Bank and any of the outstanding debts is classified into a higher risk group, the entire remaining debts of such customer should be classified into the corresponding higher risk group.

When the Bank participates in a syndicated loan as a participant, it should classify loans (including syndicated loans) of the customer into a higher of the risk group assessed by the leading bank and by the Bank.

For loans to customers in agricultural and rural sector, the Bank is allowed to restructure these loans and keep their classification groups as before the restructuring for only one time in accordance with Circular No. 10/2015/TT-NHNN dated 22 July 2015 providing guidance on certain contents of Decree No. 55/2015/NĐ-CP dated 9 June 2015 by the Government on credit policies for agriculture and rural development.

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4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.6 *Loan classification and provision for credit losses applied to placements with and loans to other credit institutions, unlisted corporate bonds purchased and trusted for purchase by the Bank, loans to customers granted and trusted for grant by the Bank and other credit risk bearing assets* (continued)

The basis for determination of the value and discounted value for each type of collateral is specified in Circular 02 and Circular 09.

General provision as at 31 December is made at 0.75% of total outstanding loans excluding placements with and loans to other credit institutions and loans classified as loss (group 5) as at 30 November.

4.7 *Securities held for trading*

4.7.1 *Classification and recognition*

Securities held for trading include debt securities acquired and held for resale. Securities held for trading are initially recognized at cost.

4.7.2 *Measurement*

Listed debt securities held for trading are recognized at cost less provision for diminution in value of securities, which is based on the yield quoted on the Hanoi Securities Exchange as at the balance sheet date.

Provision for credit losses on corporate bonds which are not listed on the stock market or not registered on the unlisted public companies market is made in accordance with Circular 02 and Circular 09 as described in Note 4.6.

Provision for securities held for trading which is mentioned above is reversed when the recoverable amount of securities held for trading increases after the provision is made as a result of an objective event. Provision is reversed up to the gross value of these securities before the provision is made.

Interest and dividends derived from holding securities held for trading are recognized on a cash basis in the consolidated income statement.

4.7.3 *De-recognition*

Trading securities are derecognized when the rights to receive cash flows from these securities are terminated or the Bank transfers substantially all the risks and rewards of ownership of these securities.

4.8 *Available-for-sale securities*

Available-for-sale securities include debt and equity securities that are acquired by the Bank for the investment and available-for-sale purposes, not regularly traded but can be sold when there is a benefit. For equity securities, the Bank is also neither the founding shareholder nor the strategic partner and does not have the ability to make certain influence in establishing and making the financial and operating policies of the investees through a written agreement on assignment of its personnel to the Board of Directors/Management.

Available-for-sale equity securities are initially recognized at cost at the purchase date and continuously presented at cost in subsequent periods.

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4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.8 *Available-for-sale securities* (continued)

Available-for-sale debt securities are recognized at par value at the purchase date. Accrued interest (for debt securities with interest payment in arrears) and deferred interest (for debt securities with interest payment in advance) is recognized in a separate account. Discount/premium, which is the difference between the cost and the amount being the par value plus (+) accrued interest (if any) or minus (-) deferred interest (if any) is also recognized in a separate account.

In subsequent periods, these securities are continuously recorded at par value, and the discount/premium (if any) is amortized to the consolidated income statement on a straight-line basis over the remaining term of securities. Interest received in arrears is recorded as follows: Cumulative interest incurred before the purchasing date is recorded as a decrease in the accrued interest; cumulative interest incurred after the purchasing date is recognized as income based on the accumulated method. Interest received in advance is amortized into the securities investment interest income on a straight-line basis over the term of securities investment.

Available-for-sale securities are subject to impairment review on a periodical basis.

Provision for diminution in value of securities is made when the carrying value is higher than the market value in compliance with Circular No. 228/2009/TT-BTC issued by the Ministry of Finance on 7 December 2009. In case market prices of securities are not available or cannot be determined reliably, no provision is calculated. Provision is recognized in the "Net gain/(loss) from investment securities" account of the consolidated income statement.

Provision for credit losses on corporate bonds which are not listed on the stock market or not registered on the unlisted public companies market is made in accordance with Circular 02 and Circular 09 as described in Note 4.6.

4.9 *Held-to-maturity investment securities*

Held-to-maturity investment securities include special bonds issued by VAMC and other investment securities held to maturity.

Special bonds issued by VAMC

Special bonds issued by VAMC are fixed-term valuable papers used to purchase bad debts of the Bank. These special bonds are initially recognized at face value at the date of transaction and subsequently carried at the face value during the holding period. Face value of the bonds equals to the outstanding balance of the debts sold less their unused specific allowance.

During the holding period, the Bank annually calculates and makes allowance in accordance with SBV Circular No. 14/2015/TT-NHNN dated 28 August 2015 amending and supplementing some articles of Circular No. 19/2013/TT-NHNN which stimulates the purchase, sale and write-off bad debts of Vietnam Asset Management Company ("VAMC").

As required by Circular No. 14/2015/TT-NHNN, each year within five consecutive working days prior to the maturity date of special bonds, the Bank is obliged to fully make minimum specific provision for each special bond using the below formula:

$$X_{(m)} = \frac{Y}{n} \times m - (Z_m + X_{m-1})$$

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4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.9 Held-to-maturity investment securities (continued)

In which:

- $X_{(m)}$: minimum provision for special bonds in the m^{th} year;
- X_{m-1} : accumulated specific provision for special bonds in the $m-1^{\text{th}}$ year;
- Y : face value of special bonds;
- n : term of special bonds (years);
- m : number of years from the bond issuance date to the provision date;
- Z_m : accumulated bad debt recoveries at the provision date (m^{th} year). Credit institutions should co-operate with VAMC to determine the recovery of the bad debts.

If $(Z_m + X_{m-1}) \geq (Y/n \times m)$, the specific provision ($X_{(m)}$) will be zero (0).

Specific provision for each special bond is recognized in the consolidated income statement in "Provision expense for credit loss". General provision is not required for the special bonds.

On settlement date of special bonds, gains from the debts shall be recognized into "Other operating income".

Other held-to-maturity securities

Held-to-maturity securities are debt securities purchased by the Bank for the investment purpose of earning dividend and the Bank has the capability and intention to hold these investments until maturity. Held-to-maturity securities have the determined value and maturity date. In case the securities are sold before the maturity date, these securities will be reclassified to securities held for trading or available-for-sale securities.

Held-to-maturity securities are recorded and measured identical to debt securities available-for-sale and presented at Note 4.8.

4.10 Re-purchase and re-sale contracts

Securities sold under agreements to repurchase at a specific date in the future (repos) are still recognized in the consolidated financial statements. The corresponding cash received from these agreements is recognized in the consolidated balance sheet as a borrowing and the difference between the sale price and repurchase price is amortized in the consolidated income statement over the term of the agreement using the straight-line method based on the interest rate stipulated in the contract.

Conversely, securities purchased under agreements to resell at a specific date in the future are not recognized in the consolidated financial statements. The corresponding cash paid under these agreements is recognized as a loan in the consolidated balance sheet and the difference between the purchase price and resale price is amortized in the consolidated income statement over the term of the agreement using the straight-line method based on the interest rate stipulated in the contract.

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4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.11 Other long-term investments

Other long-term investments represent investments in other entities in which the Bank holds less than or equal to 11% of voting rights. These investments are initially recorded at cost at the investment date.

For securities which are not listed but are registered for trading on unlisted public company market (UPCOM), provision for diminution in value is made when their registered price for trading is lower than the carrying value of the securities at the end of accounting period.

In other cases, provision for diminution in the value of investment is made when the investee suffers loss, except that such loss had been forecasted in the investee's business plan before the investment was made. Provision for diminution in the value of investment is made using the below formula:

$$\begin{array}{c} \text{Provision for} \\ \text{diminution in} \\ \text{value of each} \\ \text{investment} \end{array} = \begin{array}{c} \text{Total invested} \\ \text{amount of all} \\ \text{parties in the} \\ \text{entity} \end{array} - \begin{array}{c} \text{Owners' equity} \\ \text{of the entity} \end{array} \times \frac{\begin{array}{c} \text{Invested amount of} \\ \text{each party} \end{array}}{\begin{array}{c} \text{Total invested amount} \\ \text{of all parties in the} \\ \text{entity} \end{array}}$$

Provision is reversed when the recoverable amount of the investment increases after the provision is made. Provision is reversed up to the gross value of the investment before the provision is made.

4.12 Fixed assets

Fixed assets are stated at cost less accumulated depreciation or amortization.

The cost of a fixed asset comprises its purchase price plus any directly attributable costs of bringing the asset to working condition for its intended use.

Cost related to additions, improvements and renewals are capitalized while expenditures for maintenance and repairs are charged to the consolidated income statement.

When assets are sold or liquidated, their cost and accumulated depreciation are deducted from the consolidated balance sheet item and any gains or losses resulting from their disposal are recorded to the consolidated income statement.

4.13 Depreciation and amortization

Depreciation of tangible fixed assets and amortization of intangible fixed assets is calculated on a straight-line basis over the estimated useful lives of these assets as follows:

Buildings and architectonic models	5 – 40 years
Motor vehicles	6 years
Machines and equipment	3 – 7 years
Computer software	3 – 7 years
Other fixed assets	3 – 5 years

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4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.14 Investment properties

Investment properties are stated at cost less accumulated amortization.

Expenses related to investment properties incurred after initial recognition are accounted from the remaining value of the investment properties when the Bank have the ability to obtain the economic benefits in future more than the initial assessment of the investment properties.

Investment properties are no longer recognized and presented in the consolidated balance sheet after selling or after the investment properties are no longer used and considered no economic benefit in future from the disposal of the investment properties. The difference between the net proceeds from disposal of the investment properties with its remaining value is recognized in operating results in the year.

The transfer of properties from the owner used to investment properties only if there is a change in the purpose of using as the owners stop using the properties and begin operating lease to another party or at the end of the construction phase. The transfer from investment property to owners used only when there is a change in use, such as the case of the owners start to use this asset or initiated for the purpose of sale.

4.15 Operating lease

Rentals under operating lease are charged in the "Operating expenses" of the consolidated income statement on a straight-line basis over the term of the lease.

4.16 Receivables

4.16.1 Receivables classified as credit-risk assets

Receivables classified as credit-risk assets are recognized at cost. Doubtful receivables are classified and provided for allowance by the Bank in accordance with the regulations on recognition and use of provision to resolve the credit risk as presented in Note 4.6.

4.16.2 Other receivables

Receivables other than receivables from credit activities in the Bank's operations are recognized at cost.

Provision for receivables is determined based on the overdue status of debts or expected loss of current debts in case the debts are not due for payment yet but the corporate debtors have fallen into bankruptcy or are in the process of dissolution, or of individual debtors are missing, escaped, prosecuted, on trial or deceased. Provision expense incurred is recorded in "Other operating expenses" of the consolidated income statement in the year.

Provision for overdue debts is made in accordance with Circular No. 228/2009/TT-BTC as follows:

<i>Overdue status</i>	<i>Allowance rate</i>
From over six (6) months up to one (1) year	30%
From one (1) to under two (2) years	50%
From two (2) to under three (3) years	70%
From three (3) years and above	100%

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4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.17 Prepaid expenses

Prepaid expenses are reported as short-term or long-term prepaid expenses on the consolidated balance sheet and amortized over the period for which the amount is paid or the period in which economic benefit is generated in relation to these expenses.

4.18 Share capital

4.18.1 Ordinary shares

Ordinary shares are classified as equity.

4.18.2 Share premium

On receipt of capital from shareholders, the difference between the issuance price and the par value of the shares is recorded as share premium in equity.

4.18.3 Statutory reserves

Reserves of the Bank

The Bank creates the following statutory reserves in compliance with Law on Credit Institutions No. 47/2010/QH12, Decree No. 93/2017/ND-CP and its Charter as follow:

	<i>Basic for calculation</i>	<i>Maximum balance</i>
Capital supplementary reserve	5% from profit after tax	100% of charter capital
Financial reserve	10% from profit after tax	Not regulated

Other funds are appropriated from profit after tax. Appropriation from profit after tax and use of other funds must be approved by the General Meeting of Shareholders. These funds are not regulated by law and are allowed to be fully distributed.

These reserves are created annually based on the annual separate operating results.

Reserves of VPBank Asset Management Company Limited

According to Circular No. 27/2002/TT-BTC issued by the Ministry of Finance dated 22 March 2002, VPBank Asset Management Company Limited ("VPB AMC") is required to make appropriation of profit to reserves in a similar way to the Bank.

According to Circular No. 200/2014/TT-BTC, for the financial year starting on or after 1 January 2015, VPB AMC has stopped making provision for financial reserve.

Reserves of VPBank Finance Company Limited ("VPB FC")

According to Decree No. 93/2017/ND-CP dated 7 August 2017 issued by the Government of Vietnam which replaces Decree No. 57/2012/ND-CP dated 20 July 2012, VPB FC is required to make appropriation of profit to reserves in a similar way to the Bank.

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4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.19 *Recognition of income and expense*

Interest income and expenses are recognized in the consolidated income statement on an accrual basis using the nominal interest rates. The recognition of accrued interest income of a loan is suspended when such debt is classified in groups 2 to 5 in compliance with Circular 02. Suspended interest income is reversed and monitored off-balance sheet and recognized in the consolidated income statement upon actual receipt.

Fees and commissions are recognized on an accrual basis.

4.20 *Foreign currency transactions*

All transactions are recorded in original currencies. Monetary assets and liabilities denominated in foreign currencies are translated into VND using exchange rates ruling at the consolidated balance sheet date (Note 48). Income and expenses arising in foreign currencies in the year are converted into VND at rates ruling at the transaction dates. Foreign exchange differences arising from the translation of monetary assets and liabilities are recognized and followed in the "Foreign exchange differences" under "Owners' equity" in the consolidated balance sheet and will be transferred to the consolidated income statement at the end of the financial year.

4.21 *Payables and accruals*

Payables and accruals are recognized for amounts to be paid in the future for goods and services received, whether or not billed to the Bank.

4.22 *Deposits from banks, customer deposits and valuable papers issued*

Deposits from banks, customer deposits and valuable papers issued are disclosed at the principal amounts outstanding at the date of consolidated financial statements.

4.23 *Corporate income taxes*

Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be paid to (or recovered from) the taxation authorities. The tax rates and tax laws are applied and enacted at the consolidated balance sheet date.

Current income tax is charged or credited to the consolidated income statement except when it relates to items recognized directly to equity the current income tax is also dealt with in equity.

Current income tax assets and liabilities are offset when there is a legally enforceable right for the Bank to offset current tax assets against current tax liabilities and when the Bank intends to settle its current tax assets and liabilities on a net basis.

The Bank's tax reports are subject to examination by the tax authorities. Because the application of tax laws and regulations to many types of transactions that is susceptible to various interpretations, amounts reported in the consolidated financial statements could be changed at a later date upon final determination by the tax authorities.

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4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.23 Corporate income taxes (continued)

Deferred tax

Deferred tax is provided on temporary differences at the consolidated balance sheet date between the tax base of assets and liabilities and their carrying amount for the financial reporting purposes.

Deferred tax payable is recognized for temporary taxable differences.

Deferred corporate income tax assets are recognized for deductible temporary differences, deductible amounts carried over to subsequent periods of taxable losses, and unused tax credits when it is probable that there will be sufficient future taxable profit to use deductible temporary differences, taxable losses and tax credits. Deferred tax assets and deferred tax payable are determined on the basis of expected tax rates applied for the year when the assets are recovered or liabilities are settled and on basis of effective and applicable tax rates and tax laws at the end of accounting period.

4.24 Fiduciary assets

Assets held in a fiduciary capacity, unless recognition criteria are met, are not recognized in the Bank's financial statements, as they are not assets of the Bank.

4.25 Classification for off-balance-sheet commitments

According to Circular 02, credit institutions should classify guarantees, payment acceptances and non-cancelable loan commitments with specific effective date (generally called "off-balance sheet commitments") in compliance with Article 10, Circular 02 for management and monitoring of credit quality. Off-balance sheet commitments are classified into groups such as *Current*, *Special Mention*, *Substandard*, *Doubtful* and *Loss* based on the overdue status and other qualitative factors.

4.26 Offsetting

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated balance sheet if, and only if, there is a currently enforceable legal right to offset financial assets against financial liabilities or vice-versa, and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.

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4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.27 Foreign exchange contracts

The Bank involves in currency forward contracts and currency swap contracts to facilitate customers to transfer, modify or minimize foreign exchange risk or other market risks, and also for the business purpose of the Bank.

Currency forward contracts

The currency forward contracts are commitments to settle in cash on a pre-determined future date based on the difference between pre-determined exchange rates, calculated on the notional amount. The currency forward contracts are recognized at nominal value at the transaction date and are revalued for the reporting purpose at the exchange rate at the reporting date. Gains or losses realized or unrealized are recognized in the "Foreign exchange differences" under "Owners' equity" in the consolidated balance sheet and will be transferred to the consolidated income statement at the end of the financial year.

Swap contracts

The swap contracts are commitments to settle in cash on a pre-determined future date based on the difference between pre-determined exchange rates calculated on the notional principal amount or commitments to settle interest based on a floating rate or a fixed rate calculated on the notional amount and in a given period.

The currency swap contracts are revalued periodically. Gains or losses realized or unrealized are recognized in the "Foreign exchange differences" under "Owners' equity" in the consolidated balance sheet and will be transferred to the consolidated income statement at the end of the financial year.

Differences in interest rate swaps are recognized in the consolidated income statement on an accrual basis.

4.28 Employee benefits

4.28.1 Post - employment benefits

Post-employment benefits are paid to retired employees of the Bank by the Social Insurance Agency which belongs to the Ministry of Labor, Invalids and Social Affairs. The Bank is required to contribute to these post-employment benefits by paying social insurance premium to the Social Insurance Agency at the rate of 18% of an employee's basic salary on a monthly basis. From 1 June 2017, the Bank is required to pay a social insurance premium at the rate of 17.5% of an employee's basic monthly salary, salary-related allowances and other supplements. Other than that, the Bank has no further obligation relating to post-employment benefits.

4.28.2 Voluntary resignation benefits

The Bank has the obligation, under Section 48 of the Vietnam Labor Code 10/2012/QH13 effective from 1 May 2013, to pay allowance arising from voluntary resignation of employees, equal to one-half month's salary for each year of employment up to 31 December 2008 plus salary allowances (if any). From 1 January 2009, the average monthly salary used in this calculation is the average monthly salary of the latest six-month period up to the resignation date.

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4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.28 Employee benefits (continued)

4.28.3 Unemployment insurance

According to Circular No. 32/2010/TT-BLĐTBXH providing guidance for Decree No. 127/2008/ND-CP on unemployment insurance, from 1 January 2009, the Bank is required to contribute to the unemployment insurance at the rate of 1% of salary and wage fund of unemployment insurance joiners and deduct 1% of monthly salary and wage of each employee to contribute to the unemployment insurance.

4.29 Business combinations and goodwill

Business combinations are accounted for using the purchase method. The cost of a business combination is measured as the fair value of assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange plus any costs directly attributable to the business combination. Identifiable assets and liabilities and contingent liabilities assumed in a business combination are measured initially at fair values at the date of business combination.

Goodwill acquired in a business combination is initially measured at cost being the excess of the cost the business combination over the Bank's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities. If the cost of a business combination is less than the fair value of the net assets of the subsidiary acquired, the difference is recognized directly in the consolidated income statement. After initial recognition, goodwill is measured at cost less any accumulated amortization. Goodwill is amortized over three (3) years on a straight-line basis.

5. CASH, GOLD AND GEMSTONES

	31 December 2017 VND million	31 December 2016 VND million
Cash on hand in VND	1,164,862	1,036,240
Cash on hand in foreign currencies	1,256,907	667,059
Gold on hand	152,515	24,062
	2,574,284	1,727,361

6. BALANCES WITH THE STATE BANK OF VIETNAM

	31 December 2017 VND million	31 December 2016 VND million
Demand deposits at the SBV	6,460,795	2,982,589

Balances with the SBV include current account and compulsory reserves. As at 31 December 2017, compulsory reserve in VND and current account in foreign currencies bear interest at rate of 1.20% p.a. and 0.05% p.a., respectively (31 December 2016: 1.20% p.a. and 0.05% p.a., respectively).

Under the SBV regulations, the Bank is required to maintain certain cash reserves with the SBV in the form of compulsory reserves. In December 2017, the required cash reserves of customer deposits in VND and foreign currencies having maturity of less than 12 months are computed at 3.00% and 8.00%, respectively (2016: 3.00% and 8.00%, respectively) and having maturity of over 12 months are computed at 1.00% and 6.00% (2016: 1.00% and 6.00% respectively).

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7. PLACEMENTS WITH AND LOANS TO OTHER CREDIT INSTITUTIONS

7.1 Placements with other credit institutions

	31 December 2017 VND million	31 December 2016 VND million
Demand deposits	6,186,517	2,025,318
- In VND	5,222,342	1,430,569
- In foreign currencies	964,175	594,749
Term deposits	9,032,203	2,063,858
- In VND	8,778,800	690,000
- In foreign currencies	253,403	1,373,858
	15,218,720	4,089,176
Provision for placements with other credit institutions	-	-
	15,218,720	4,089,176

7.2 Loans to other credit institutions

	31 December 2017 VND million	31 December 2016 VND million
In VND	1,864,748	5,300,460
In foreign currencies	437,288	-
	2,302,036	5,300,460
Provision for loans to other credit institutions	(731)	(731)
	2,301,305	5,299,729

Interest rates of placements with and loans to other credit institutions as at the end of the year are as follows:

	31 December 2017 % per annum	31 December 2016 % per annum
Term deposits in VND	1.50 - 6.60	3.10 - 7.30
Term deposits in foreign currencies	1.65 - 2.00	1.30 - 1.50
Loans in VND	3.25 - 5.30	3.50 - 6.10
Loans in foreign currencies	1.70	Not applicable

Analysis of outstanding term deposits with and loans to other credit institutions by quality as at the end of the year are as follows:

	31 December 2017 VND million	31 December 2016 VND million
Current	11,333,508	7,363,587
Special mention	-	-
Substandard	-	-
Doubtful	-	-
Loss	731	731
	11,334,239	7,364,318

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
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8. SECURITIES HELD FOR TRADING

8.1 Debt securities

	31 December 2017 VND million	31 December 2016 VND million
Government and municipal bonds	1,424,854	1,499,929
Bonds issued by other credit institutions	-	1,453,840
<i>In which: Bonds guaranteed by the Government</i>	-	1,245,445
	1,424,854	2,953,769
Provision for securities held for trading	-	(1,563)
General provision	-	(1,563)
	1,424,854	2,952,206

Changes in provision for securities in the year are as follows:

	2017 VND million	2016 VND million
Opening balance	1,563	3,088
Reversal of provision in the year (Note 31)	(1,563)	(1,525)
Closing balance	-	1,563

8.2 Securities held for trading by listing status

	31 December 2017 VND million	31 December 2016 VND million
Listed	1,424,854	2,745,374
Unlisted	-	208,395
	1,424,854	2,953,769

Analysis by quality of securities held for trading classified as credit risk bearing assets at the end of the year is as below:

	31 December 2017 VND million	31 December 2016 VND million
Current	-	208,395
Special mention	-	-
Substandard	-	-
Doubtful	-	-
Loss	-	-
	-	208,395

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9. DERIVATIVES AND OTHER FINANCIAL LIABILITIES

	<i>Total contract nominal value (at contractual exchange rate) VND million</i>	<i>Total carrying value (at exchange rate as at reporting date)</i>		<i>Net value VND million</i>
		<i>Assets VND million</i>	<i>Liabilities VND million</i>	
As at 31 December 2017				
<i>Derivative financial instruments</i>	42,188,757	41,777,187	(41,909,789)	(132,602)
Currency forward contracts	7,553,187	7,512,691	(7,411,395)	101,296
Currency swap contracts	34,635,570	34,264,496	(34,498,394)	(233,898)
<i>Other derivative financial instruments</i>	3,915,001	2,093,000	(2,120,867)	(27,867)
	46,103,758	43,870,187	(44,030,656)	(160,469)
As at 31 December 2016				
<i>Derivative financial instruments</i>	25,869,954	25,471,176	(25,666,246)	(195,070)
Currency forward contracts	12,754,991	12,524,584	(12,662,735)	(138,151)
Currency swap contracts	13,114,963	12,946,592	(13,003,511)	(56,919)
<i>Other derivative financial instruments</i>	107,050	110,795	(107,050)	3,745
	25,977,004	25,581,971	(25,773,296)	(191,325)

10. LOANS TO CUSTOMERS

	<i>31 December 2017</i>		<i>31 December 2016</i>	
	<i>VND million</i>	<i>%</i>	<i>VND million</i>	<i>%</i>
Loans to domestic economic entities and individuals	182,038,631	99.66	144,082,942	99.60
Discounted bills and valuable papers	118,161	0.06	46,621	0.03
Payments on behalf of customers	1,506	0.00	1,382	0.00
Loans financed by borrowed and entrusted funds	505,797	0.28	537,664	0.37
Loans to foreign economic entities and individuals	2,118	0.00	4,604	0.00
	182,666,213	100	144,673,213	100

Interest rates of loans to customers at the end of the year are as follows:

	<i>31 December 2017 % per annum</i>	<i>31 December 2016 % per annum</i>
Range of interest rate of commercial loans in VND	3.00 - 13.50	3.00 - 13.50
Range of interest rate commercial loans in foreign currencies	2.30 - 4.50	1.40 - 4.50
Average interest rate of consumer loans in VND	43.90	43.78

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10. LOANS TO CUSTOMERS (continued)

10.1 Analysis of loan portfolio by quality

Analysis of loan portfolio by quality as at year end is as follows:

	31 December 2017 VND million	31 December 2016 VND million
Current	163,809,825	132,510,660
Special mention	12,656,366	7,955,500
Substandard	3,166,441	2,335,222
Doubtful	1,966,441	975,528
Loss	1,067,140	896,303
	182,666,213	144,673,213

10.2 Analysis of loan portfolio by original maturity

	31 December 2017 VND million	31 December 2016 VND million
Short term	58,092,547	35,892,482
Medium term	80,231,829	59,596,064
Long term	44,341,837	49,184,667
	182,666,213	144,673,213

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10. LOANS TO CUSTOMERS (continued)

10.3 Analysis of loan portfolio by ownership and type of customers

	31 December 2017		31 December 2016	
	VND million	%	VND million	%
State-owned companies	2,138,441	1.17	2,169,805	1.50
One-member limited liability companies with 100% State ownership	1,564,284	0.86	970,215	0.67
Two or more member limited liability companies with over 50% State ownership or being controlled by the State	171,242	0.09	26,001	0.02
Other limited liability companies	29,041,774	15.90	27,408,987	18.95
Joint stock companies with over 50% State ownership or being controlled by the State	644,236	0.35	663,314	0.46
Other joint-stock companies	30,304,222	16.59	21,800,544	15.13
Private enterprises	561,338	0.31	784,738	0.54
Foreign invested enterprises	721,886	0.40	598,944	0.41
Co-operatives and unions of co-operative	56,476	0.03	67,446	0.05
Household business and individuals	117,375,994	64.25	89,972,801	62.19
Operation administration entity, the Party, unions and associations	84,708	0.05	110,007	0.08
Others	1,612	0.00	411	0.00
	182,666,213	100	144,673,213	100

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10. LOANS TO CUSTOMERS (continued)

10.4 Analysis of loan portfolio by sector

	31 December 2017		31 December 2016	
	VND million	%	VND million (Represented)	%
Agricultural, forestry and aquaculture	3,538,605	1.94	1,045,660	0.72
Mining	268,934	0.15	168,178	0.12
Processing, manufacturing	12,141,713	6.65	8,412,917	5.82
Electricity, petroleum and steam	2,171,806	1.19	2,273,026	1.57
Water supply and waste treatment	227,500	0.12	395,533	0.27
Construction	8,333,164	4.56	5,012,167	3.46
Wholesale and retail trade, repair of motor vehicles, motor cycles and personal goods	22,300,670	12.21	7,813,290	5.40
Transportation and logistics	9,381,099	5.14	10,046,085	6.94
Hospitality and restaurants	4,235,161	2.32	3,272,257	2.26
Information and media	460,972	0.25	435,139	0.30
Finance, banking and insurance services	1,911,085	1.05	2,793,831	1.93
Real estates	15,553,631	8.51	16,946,370	11.71
Scientific research	255,577	0.14	268,448	0.19
Administrative activities and support services	1,225,731	0.67	432,055	0.30
Activities of the Communist Party, political - social organizations, state management, security and defense	40,051	0.02	-	-
Education and vocational training	338,584	0.19	212,721	0.15
Healthcare and community development	389,020	0.21	26,663	0.02
Recreational, cultural, sporting activities	275,179	0.15	434,654	0.30
Other services	1,541,832	0.84	288,375	0.20
Households services, production of material products and services used by households	97,976,774	53.64	84,395,844	58.34
Activities of other foreign organizations and offices	99,125	0.05	-	-
	182,666,213	100	144,673,213	100

On 31 December 2015, the SBV issued Circular No. 35/2015/TT-NHNN regulating statistical reporting applicable to credit institutions and branches of foreign banks' ("Circular 35"), which requires the analysis report of loan portfolio by sector to be based on the sector of loan purpose. Circular 35 has taken effect since 1 January 2017. The Bank has reclassified the relevant comparative figures as at 31 December 2016.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
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11. PROVISION FOR CREDIT LOSSES OF LOANS TO CUSTOMERS

Provision for credit losses of loans to customers at year end is as follows:

	31 December 2017 VND million	31 December 2016 VND million
General provision	1,290,695	1,031,565
Specific provision	1,856,709	1,058,397
	3,147,404	2,089,962

Changes in provision for credit losses in the year 2017 are as follows:

	General provision VND million	Specific provision VND million	Total VND million
Opening balance	1,031,565	1,058,397	2,089,962
Provision charged in the year	259,130	7,422,746	7,681,876
Provision decreased due to sale of debts to VAMC	-	(64,482)	(64,482)
Provision used to write off bad debts	-	(6,559,952)	(6,559,952)
Closing balance	1,290,695	1,856,709	3,147,404

Changes in provision for credit losses in the year 2016 are as follows:

	General provision VND million	Specific provision VND million	Total VND million
Opening balance	813,948	927,826	1,741,774
Provision charged in the year	217,617	5,165,072	5,382,689
Provision decreased due to sale of debts to VAMC	-	(157,292)	(157,292)
Provision used to write off bad debts	-	(4,877,209)	(4,877,209)
Closing balance	1,031,565	1,058,397	2,089,962

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12. INVESTMENT SECURITIES

12.1 Available-for-sale securities

	31 December 2017 VND million	31 December 2016 VND million
Debt securities	50,369,431	51,933,301
Government bonds	17,201,861	21,721,281
Debt securities issued by other domestic credit institutions	19,161,043	16,189,376
<i>In which: Bonds guaranteed by the Government</i>	<i>12,751,017</i>	<i>11,691,300</i>
Bonds issued by domestic economic entities	14,006,527	14,022,644
Equity securities	15,357	15,357
Equity securities issued by domestic economic entities	15,357	15,357
	50,384,788	51,948,658
Provision for available-for-sale securities	(161,117)	(248,559)
Diminution provision	(17,818)	(19,829)
General provision	(143,299)	(122,609)
Specific provision	-	(106,121)
	50,223,671	51,700,099

Government bonds have terms from 3 years to 15 years and bear interest at rates ranging from 4.90% per annum to 10.80% per annum (31 December 2016: terms of 3 years to 15 years, interest rates ranging from 5.00% per annum to 11.00% per annum).

Debt securities issued by domestic credit institutions have terms from 11 months to 15 years and bear interest at rates ranging from 5.00% per annum to 12.20% per annum (31 December 2016: terms of 2 years to 10 years, interest rates ranging from 5.70% per annum to 12.20% per annum).

Debt securities issued by other domestic economic entities have terms from 1 year to 11 years and bear interest at rates ranging from 8.73% per annum to 11.50% per annum (31 December 2016: terms from 1 year to 6 years, interest rates ranging from 8.50% per annum to 11.00% per annum).

Face value of bonds pledged for capital mobilization contracts as at 31 December 2017 amounted to VND6,176,038 million (31 December 2016: VND8,545,572 million).

Face value of bonds sold under agreement to repurchase as at 31 December 2017 amounted to VND8,400,000 million (31 December 2016: VND8,109,000 million).

Analysis available-for-sale securities by listing status:

	31 December 2017 VND million	31 December 2016 VND million
Listed bonds	29,952,878	33,412,580
Unlisted bonds (Note 12.4)	19,276,527	17,420,718
Other unlisted debt securities	1,140,026	1,100,003
Listed equity securities	15,357	15,357
	50,384,788	51,948,658

Vietnam Prosperity Joint Stock Commercial Bank

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12. INVESTMENT SECURITIES (continued)

12.2 Held-to-maturity securities

	31 December 2017 VND million	31 December 2016 VND million
Government bonds	102,689	-
Special bonds	4,048,438	4,136,200
	4,151,127	4,136,200
Provision for held-to-maturity securities	(816,749)	(496,311)
Provision for special bonds	(816,749)	(496,311)
	3,334,378	3,639,889

Government bonds have terms from 3 years to 5 years and bear interest at rates ranging from 5.70% per annum to 8.20% per annum. Special bonds are bonds issued by VAMC with term of 5 years and bear no interest.

Analysis of held-to-maturity securities (excluding VAMC bonds) by listing status as at year end is as follows:

	31 December 2017 VND million	31 December 2016 VND million
Listed bonds	102,689	-

12.3 Provision for investment securities

Movement of provision for investment securities during 2017 is as follows:

	Available-for-sale securities VND million	Held-to-maturity securities VND million	Total VND million
Opening balance	248,559	496,311	744,870
Provision charged in the year	39,707	320,438	360,145
<i>In which:</i>			
VAMC bonds (Note 36)	-	320,438	320,438
Other securities (Note 32)	39,707	-	39,707
Provision decreased due to sale of debts to VAMC	(127,149)	-	(127,149)
Closing balance	161,117	816,749	977,866

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12. INVESTMENT SECURITIES (continued)

12.3 Provision for investment securities (continued)

Movement of provision for investment securities during 2016 is as follows:

	Available-for-sale securities VND million	Held-to-maturity securities VND million	Total VND million
Opening balance	174,833	566,946	741,779
Provision charged/(reversed) in the year	73,726	(70,635)	3,091
In which:			
VAMC bonds	-	(70,635)	(70,635)
Other securities	73,726	-	73,726
Closing balance	248,559	496,311	744,870

12.4 Analysis of investment securities by quality

Analysis by quality of investment securities classified as credit risk bearing assets at the end of the year is as follows:

	31 December 2017 VND million	31 December 2016 VND million
Current	19,276,527	13,248,250
Special mention	-	3,611,425
Substandard	-	-
Doubtful	-	561,043
Loss	-	-
	19,276,527	17,420,718

13. LONG-TERM INVESTMENTS

	31 December 2017		31 December 2016	
	Cost VND million	% owned	Cost VND million	% owned
Investments in economic entities				
ITRACO Transportation Joint Stock Company (INTRACO JSC)	21	0.64%	21	0.64%
Dong Xuan Joint Stock Company (Dong Xuan JSC)	5,000	10.00%	5,000	10.00%
Banking Training and Consultancy JSC (BTC)	371	5.29%	371	5.15%
Vietnam Credit Information JSC (PCB)	3,934	3.28%	3,934	3.28%
Sai Gon Port Joint-Stock Company	185,276	7.44%	185,276	7.44%
VPBank Securities JSC (VPBS)	-	-	104,770	11.00%
	194,602		299,372	
Provision for other long-term investments	(42,096)		(76,442)	
	152,506		222,930	

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13. LONG-TERM INVESTMENTS (continued)

Changes in provision for long-term investments in the year are as follows:

	<i>2017</i> <i>VND million</i>	<i>2016</i> <i>VND million</i>
Opening balance	76,442	473
Provision (reversed)/charged in the year (Note 35)	(34,346)	75,969
Closing balance	42,096	76,442

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14. FIXED ASSETS

14.1 Tangible fixed assets

Movements of tangible fixed assets in the year are as follows:

	Buildings and architectonic models VND million	Machines and equipment VND million	Motor vehicles VND million	Office equipment VND million	Other VND million	Total VND million
Cost						
Opening balance	109,299	569,397	128,770	77,378	54,567	939,411
Purchases in the year	-	101,287	24,208	1,779	146	127,420
Transferred from construction in progress and purchase of fixed assets	202	64,377	-	12,711	6,599	83,889
Reclassification	-	214	(38)	(176)	-	-
Disposal	(25,180)	(28,872)	(1,077)	(2,530)	(2,303)	(59,962)
Closing balance	84,321	705,403	151,863	89,162	59,009	1,090,758
Accumulated depreciation						
Opening balance	30,676	328,385	69,809	53,883	33,886	516,639
Charge for the year	5,622	118,620	15,863	13,641	9,752	163,688
Reclassification	-	90	(2)	(88)	-	-
Disposal	(12,606)	(28,772)	(1,077)	(2,528)	(2,268)	(47,251)
Closing balance	23,692	418,323	84,583	65,108	41,370	633,076
Net book value						
As at beginning date	78,623	241,012	58,961	23,495	20,681	422,772
As at closing date	60,629	288,080	67,280	24,054	17,639	457,682

Cost of fully-depreciated tangible fixed assets which are still in active use as at 31 December 2017 is VND271,954 million (31 December 2016: VND213,639 million).

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14. FIXED ASSETS (continued)

14.2 Intangible fixed assets

Movements of intangible fixed assets in the year are as follows:

	<i>Indefinite land use rights VND million</i>	<i>Computer software VND million</i>	<i>Total VND million</i>
Cost			
Opening balance	69,147	323,702	392,849
Purchases in the year	-	86,998	86,998
Transferred from purchase of fixed assets	-	143,381	143,381
Closing balance	69,147	554,079	623,226
Accumulated amortization			
Opening balance	868	190,556	191,424
Charge for the year	-	80,998	80,998
Closing balance	868	271,554	272,422
Net book value			
At the beginning date	68,279	133,146	201,425
At the closing date	68,279	282,525	350,804

Cost of fully-depreciated intangible fixed assets which are still in active use as at 31 December 2017 is VND137,275 million (31 December 2016: VND79,464 million).

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15. INVESTMENT PROPERTIES

Movements of investment properties in the year are as follows:

	<i>Land use right VND million</i>	<i>Building and architectonic models VND million</i>	<i>Total VND million</i>
Cost			
Opening balance	20,075	9,890	29,965
Disposals	(20,075)	(9,890)	(29,965)
Closing balance	-	-	-
Accumulated depreciation			
Opening balance	-	2,803	2,803
Charge for the year	-	146	146
Disposals	-	(2,949)	(2,949)
Closing balance	-	-	-
Net book value			
At the beginning date	20,075	7,087	27,162
At the closing date	-	-	-

16. OTHER ASSETS

16.1 Receivables

	<i>31 December 2017 VND million</i>	<i>31 December 2016 VND million</i>
Internal receivables	104,880	56,696
External receivables	8,186,347	5,311,782
- <i>Receivables related to usance letters of credit (Note 19.2)</i>	5,148,955	2,956,761
- <i>Deposits for economic contracts</i>	499,764	1,330,057
- <i>Overdue deposits classified into credit risk assets</i>	165	221,755
- <i>Other external receivables</i>	2,537,463	803,209
Purchase of fixed assets	237,824	204,767
Construction in progress	10,477	15,569
	8,539,528	5,588,814

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16. OTHER ASSETS (continued)

16.2 Accrued interest and fee receivables

	31 December 2017 VND million	31 December 2016 VND million
Interest receivables from deposits	19,534	3,225
Interest receivables from investment securities	1,728,995	2,052,693
Interest receivables from credit activities	1,993,928	2,044,017
Interest receivables from derivative instruments	69,434	63,107
Other fee receivables	124	2,535
	3,812,015	4,165,577

16.3 Other assets

	31 December 2017 VND million	31 December 2016 VND million
Materials	15,490	14,123
Prepaid expenses	1,490,230	1,123,391
Foreclosed assets (*)	1,898,646	2,245,321
- In which: Real estates	1,898,646	2,245,321
Goodwill	-	12,485
	3,404,366	3,395,320

(*) This represents the value of foreclosed assets which are under pending resolutions in compliance with the SBV's prevailing regulations.

16.4 Provision for other assets

Provision for other assets include provision for impairment of credit risk bearing assets and other receivables and general provision for entrusted investments. Change of provision for other assets in the year are as follows:

	2017 VND million	2016 VND million
Opening balance	227,382	232,062
Charge of provision in the year	18,331	1,040
In which:		
(Reversal)/charge of provision for other credit risk bearing assets (Note 36)	(1,256)	1,040
Charge of provision for doubtful debts (Note 35)	19,587	-
Provision used to write-off bad debts	(224,310)	(5,720)
Closing balance	21,403	227,382

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16. OTHER ASSETS (continued)

16.4 Provision for other assets (continued)

Details of provision for other assets are as follows:

	31 December 2017 VND million	31 December 2016 VND million
Provision for credit risks bearing assets	165	225,731
- General provision	-	3,976
- Specific provision	165	221,755
Provision for doubtful debts	21,238	1,651
	21,403	227,382

17. GOODWILL

	2017 VND million	2016 VND million
Total value of goodwill	74,905	74,905
Amortization period	3 years	3 years
Value of accumulated amortized goodwill at the beginning of the year	(62,420)	(37,452)
Value of unamortized goodwill at the beginning of the year	12,485	37,453
Increase in goodwill in the year	-	-
Goodwill arisen in the year	-	-
Adjustment due to changes in determinable value of assets and liabilities	-	-
Decrease in goodwill in the year	(12,485)	(24,968)
Decrease in goodwill due to disposal, sale of part or entire financial investment	-	-
Goodwill amortized in the year	(12,485)	(24,968)
Other decrease in goodwill	-	-
Total value of unamortized goodwill at the end of the year	-	12,485

18. AMOUNTS DUE TO THE STATE BANK OF VIETNAM

	31 December 2017 VND million	31 December 2016 VND million
Borrowings from the SBV		
Discount, rediscount of valuable papers	-	1,077,995
Other borrowings	26,015	25,691
	26,015	1,103,686

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19. DEPOSITS AND BORROWINGS FROM OTHER CREDIT INSTITUTIONS

19.1 Deposits from other credit institutions

	31 December 2017 VND million	31 December 2016 VND million
Demand deposits	108,363	1,006,828
In VND	108,341	1,006,806
In foreign currencies	22	22
Term deposits	7,726,018	12,430,277
In VND	5,870,000	10,580,000
In foreign currencies	1,856,018	1,850,277
	7,834,381	13,437,105

19.2 Borrowings from other credit institutions

	31 December 2017 VND million	31 December 2016 VND million
Payables arising from usance letters of credit (Note 16.1)	5,148,955	2,956,761
Borrowings from other credit institutions	20,217,082	12,442,032
In VND	7,646,667	6,974,121
<i>In which: Discounted valuable papers in VND</i>	5,725,231	5,085,556
In foreign currencies	12,570,415	5,467,911
	25,366,037	15,398,793

Analysis of borrowings from other credit institutions by original maturity:

	31 December 2017 VND million	31 December 2016 VND million
Up to 6 months	12,705,053	8,621,741
From over 6 months to 12 months	1,410,823	1,329,540
From over 12 months to 5 years	5,920,356	2,385,194
Over 5 years	181,050	105,557
	20,217,082	12,442,032

Interest rates of deposits and borrowings from other credit institutions at the end of the year are as follows:

	31 December 2017 % per annum	31 December 2016 % per annum
Term deposits from other credit institutions in VND	1.00 - 5.80	4.00 - 6.30
Term deposits from other credit institutions in foreign currencies	0.10 - 2.20	0.70 - 1.80
Borrowings from other credit institutions in VND	1.50 - 7.50	4.30 - 7.00
Borrowings from other credit institutions in foreign currencies	0.75 - 9.30	0.75 - 5.75

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20. CUSTOMER DEPOSITS

	31 December 2017 VND million	31 December 2016 VND million
Demand deposits	19,670,947	15,238,430
- Demand deposits in VND	17,711,736	12,322,190
- Demand deposits in foreign currencies	1,959,211	2,916,240
Term deposits	113,467,607	108,064,068
- Term deposits in VND	110,089,721	103,563,011
- Term deposits in foreign currencies	3,377,886	4,501,057
Deposits for specific purposes	58,484	69,569
- Deposits for specific purposes in VND	52,935	65,867
- Deposits for specific purposes in foreign currencies	5,549	3,702
Margin deposits	353,774	415,505
- Margin deposits in VND	348,924	410,085
- Margin deposits in foreign currencies	4,850	5,420
	133,550,812	123,787,572

Analysis of customer deposits by type of customers and by type of entities is as follows:

	31 December 2017 VND million	%	31 December 2016 VND million	%
State-owned companies	2,847,526	2.13	5,058,364	4.09
One-member limited liability companies with 100% State ownership	1,149,170	0.86	2,134,004	1.72
Two or more member limited liability companies with over 50% State ownership or controlled by the State	151,792	0.11	132,097	0.11
Other limited liability companies	18,720,792	14.02	11,292,431	9.12
Joint stock companies with over 50% State ownership or controlled by the State	1,438,706	1.08	139,696	0.11
Other joint-stock companies	28,238,527	21.15	22,118,212	17.86
Partnership companies	1,936	0.00	451	-
Private enterprises	80,168	0.06	130,572	0.11
Foreign invested enterprises	1,386,953	1.04	799,203	0.65
Co-operatives and unions of co-operative	16,962	0.01	12,682	0.01
Household business and individuals	77,464,297	58.00	74,115,293	59.87
Operation administration entity, the Party, unions and associations	1,852,220	1.39	1,494,686	1.21
Others	201,763	0.15	6,359,880	5.14
	133,550,812	100	123,787,572	100

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20. CUSTOMER DEPOSITS (continued)

Interest rates for customer deposits as at the end of the year are as follows:

	<i>31 December 2017</i> <i>% per annum</i>	<i>31 December 2016</i> <i>% per annum</i>
Demand deposits in VND	0.50	0.50
Demand deposits in foreign currencies	0.00	0.00
Term deposits in VND	1.00 - 11.60	1.00 - 11.60
Term deposits in foreign currencies	0.00 - 2.30	0.00 - 2.10

21. OTHER BORROWED AND ENTRUSTED FUNDS

	<i>31 December 2017</i> <i>VND million</i>	<i>31 December 2016</i> <i>VND million</i>
Borrowed and entrusted funds in VND from Official Development Assistance (ODA)	328,777	281,836
Borrowed and entrusted funds in foreign currencies from International Finance Company (IFC)	3,570,587	1,107,950
	3,899,364	1,389,786

Other borrowed and entrusted funds have terms from 21 months to 10 years and interest rates ranging from 4.66% per annum to 4.96% per annum.

22. VALUABLE PAPERS ISSUED

	<i>31 December 2017</i> <i>VND million</i>	<i>31 December 2016</i> <i>VND million</i>
Under 12 months	10,533,722	7,223,950
From 12 months up to 5 years	49,603,267	36,044,989
From 5 years and above	5,967,616	5,381,588
	66,104,605	48,650,527

Valuable papers of the Bank consist of certificates of deposits and bonds which bear interest at rates ranging from 4.80% per annum to 13.50% per annum (31 December 2016: from 3.60% per annum to 13.50% per annum).

Types of valuable papers issued are as follows:

	<i>31 December 2017</i> <i>VND million</i>	<i>31 December 2016</i> <i>VND million</i>
Certificates of deposit to retail customers	27,576,840	19,043,913
Certificates of deposit to corporate customers	23,550,348	19,828,214
Bonds (*)	14,977,417	9,778,400
	66,104,605	48,650,527

(*) Include some bonds amounting to VND5,376,960 million eligible to be the Bank's capital.

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23. OTHER LIABILITIES

23.1 Interest and fees payable

	31 December 2017 VND million	31 December 2016 VND million
Interest payables for customer deposits	949,740	789,589
Interest payables for customer saving deposits	1,114,044	923,845
Interest payables for valuable papers issued	2,821,959	1,334,871
Interest payables for borrowings from other credit institutions	71,568	35,465
Interest payables for other borrowed and entrusted funds	20,260	12,085
Interest payables for derivative instruments	55,881	51,521
Fee payables	29,714	14,568
	5,063,166	3,161,924

23.2 Other liabilities

	31 December 2017 VND million	31 December 2016 VND million
Internal payables	719,909	627,602
Payables to employees	719,909	627,602
External payables	5,331,846	3,845,070
Unearned income	1,342,199	965,527
Transfer payment awaiting settlement	243,341	123,887
Taxes and other obligations to the State Budget (Note 24)	759,545	533,037
Valuable papers sold with repurchase commitments	1,292,844	1,264,344
Other payables	1,693,917	958,275
	6,051,755	4,472,672

24. TAXES AND OTHER OBLIGATIONS TO THE STATE BUDGET

	Opening balance VND million	Movements in the year		Closing balance VND million
		Payables VND million	Paid VND million	
Corporate income tax	467,647	1,689,764	(1,501,672)	655,739
Value added tax	28,395	242,152	(241,423)	29,124
Other taxes	36,995	375,975	(338,288)	74,682
	533,037	2,307,891	(2,081,383)	759,545

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24. TAXES AND OTHER OBLIGATIONS TO THE STATE BUDGET (continued)

24.1 Current corporate income tax

The Bank has the obligation to pay corporate income tax ("CIT") at the rate of 20% of taxable profits according to Circular No. 78/2014/TT-BTC which became effective from 2 August 2014.

The Bank's tax reports are subject to examination by the tax authorities. Because the application of tax laws and regulations to many types of transactions is susceptible to varying interpretations, amount reported in the consolidated financial statements could be changed at a later date upon final determination by the tax authorities.

Current corporate income tax payables are determined based on taxable income of the year. Taxable income differs from the one reported in the consolidated income statement since taxable income excludes incomes which are taxable or expenses which are deducted in prior periods due to the differences between the Bank's accounting policies and the tax regulations. It also excludes tax exempted income and non-deductible expenses. The current corporate income tax payable of the Bank is calculated based on the statutory tax rates applicable at the end of the year.

Provision for current income tax expense is computed as follows:

	2017 VND million	2016 VND million
Profit before tax	8,130,063	4,929,311
<i>Plus/(Minus)</i>		
- Tax-exempt income	(598)	(872)
- Non-deductible expenses	61,535	15,105
- Other additions/(deductions)	239,667	(7,875)
- Expenses arising from consolidation	12,485	24,968
Estimated taxable income	8,443,152	4,960,837
Estimated income tax expense using prevailing tax rate	1,688,631	992,127
Adjustment of tax expenses in previous years	665	2,139
Income tax expense for the year	1,689,296	994,266
Income tax payable at the beginning of the year	467,647	268,556
Adjustment of tax payable in previous years	468	-
Income tax paid in the year	(1,501,672)	(795,175)
Current income tax payable at the end of the year	655,739	467,647

24.2 Deferred income tax

No deferred tax was recognized in the year since there was no material temporary difference between the carrying value and the tax base of assets and liabilities in the consolidated financial statements.

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25. OWNERS' EQUITY AND RESERVES

25.1 Statement of changes in equity

	Charter capital VND million	Share premium VND million	Capital supplementary reserve VND million	Financial reserve VND million	Investment and development fund VND million	Retained earnings VND million	Total VND million
Balance as at 1 January 2016	8,056,466	1,288,863	198,329	688,958	437,488	2,718,818	13,388,922
Net profit for the year	-	-	-	-	-	3,935,045	3,935,045
Issuance of bonus shares	57,537	-	(57,537)	-	-	-	-
Dividend paid for preference shares	-	-	-	-	-	(146,439)	(146,439)
Stock dividends	1,068,997	-	-	-	-	(1,068,997)	-
Appropriation to reserves	-	-	198,004	395,817	1,089,133	(1,682,954)	-
Balance as at 31 December 2016	9,181,000	1,288,863	338,796	1,084,775	1,526,621	3,757,473	17,177,528
Net profit for the year	-	-	-	-	-	6,440,767	6,440,767
Issuance of ordinary shares	1,647,144	4,776,717	-	-	-	-	6,423,861
Issuance of bonus shares	579,300	-	(170,597)	-	(408,703)	-	-
Dividend paid for preferred shares	-	-	-	-	-	(146,439)	(146,439)
Transfer from develop and investment fund to increase charter capital	-	-	-	-	(1,684,040)	1,684,040	-
Stock dividends	4,298,786	-	-	-	-	(4,298,786)	-
Appropriation to reserves	-	-	322,662	645,220	1,903,531	(2,871,413)	-
Consultancy fee for issuance of ordinary shares	-	(199,475)	-	-	-	-	(199,475)
Adjustment on tax expenses of previous years	-	-	-	-	-	(532)	(532)
Balance as at 31 December 2017	15,706,230	5,866,105	490,861	1,729,995	1,337,409	4,565,110	29,695,710

The Bank increased its charter capital from VND9,181,000 million to VND15,706,230 million through three times of capital increases as follows:

- The first increase from VND9,181,000 million to VND10,765,000 million was made by way of stock dividends and bonus shares using the outstanding retained earnings after the distribution of profit in 2015 pursuant to Decision No. 300/QĐ-NHNN dated 10 March 2017 granted by the State Bank of Vietnam, Official Letter No. 8341/UBCK-QLCB dated 16 December 2015 issued by the State Securities Commission and the Business Registration Certificate No. 0100233583, modified for the 37th time on 31 March 2017 by Hanoi Planning and Development Department.

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25. OWNERS' EQUITY AND RESERVES (continued)

25.1 Statement of changes in equity (continued)

- ▶ The second increase from VND10,765,000 million to VND14,059,086 million was made by way of stock dividends and bonus shares using the outstanding retained earnings after the distribution of profit in 2016 pursuant to Decision No. 1426/QĐ-NHNN dated 7 July 2017 granted by the State Bank of Vietnam, Official Letter No. 467/UBCK-QLCB dated 10 July 2017 issued by the State Securities Commission and Business Registration Certificate No. 0100233583, modified for the 38th time on 10 July 2017 by Hanoi Planning and Development Department.
- ▶ The third increase from VND14,059,086 million to VND15,706,230 million was made by way of issuance of ordinary shares to investors pursuant to Decision No. 2336/QĐ-NHNN dated 7 November 2017 granted by the State Bank of Vietnam, Official Letter No. 6289/UBCK-QLCB dated 19 September 2017 issued by the State Securities Commission and Business Registration Certificate No. 0100233583, modified for the 39th time on 17 November 2017 by Hanoi Planning and Development Department.

25.2 Equity

	31 December 2017		31 December 2016	
	Shares	VND million	Shares	VND million
Number of registered shares	1,570,623,015	15,706,230	918,100,000	9,181,000
Number of shares issued	1,570,623,015	15,706,230	918,100,000	9,181,000
- Ordinary shares	1,497,403,415	14,974,034	844,880,400	8,448,804
- Preference shares	73,219,600	732,196	73,219,600	732,196
Number of outstanding shares	1,570,623,015	15,706,230	918,100,000	9,181,000
- Ordinary shares	1,497,403,415	14,974,034	844,880,400	8,448,804
- Preference shares	73,219,600	732,196	73,219,600	732,196

The face value of each share of the Bank is VND10,000.

Preference shares issued by the Bank are preference dividend shares which earn stable annual dividend and have no voting rights. It is expected that after three (3) years since the issuance date, the Bank will repurchase these preference shares as treasury shares or appoint a third party to acquire these preference shares.

26. BASIC EARNINGS PER SHARE

	2017	2016
Profit attributable to the ordinary shareholders of the Bank (VND million)	6,294,328	3,788,606
Weighted average number of ordinary shares (share)	1,379,170,079	1,332,689,035
Basic earnings per share (VND)	4,564	2,843

Profit attributable to the ordinary shareholders is calculated by the consolidated profit minus (-) dividends paid to preference shareholders.

Basic earnings per share of the prior year was adjusted due to the effects from the issuance of bonus shares and stock dividends in 2017.

There was no event or condition which could lead to dilution of earnings per share at the year end.

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27. INTEREST AND SIMILAR INCOME

	2017 VND million	2016 VND million
Interest income from deposits	219,773	137,527
Interest income from loans to customers	28,748,896	20,898,218
Interest income from securities held for trading and investment securities	4,221,610	3,994,439
- Interest income from securities held for trading	158,421	161,557
- Interest income from investment securities	4,063,189	3,832,882
Income from guarantee activities	129,284	121,751
Other income from credit activities	813,808	479,181
	34,133,371	25,631,118

28. INTEREST AND SIMILAR EXPENSES

	2017 VND million	2016 VND million
Interest expenses for deposits	7,069,179	6,636,684
Interest expenses for borrowings	757,165	478,123
Interest expenses for valuable papers issued	5,325,631	3,200,385
Expense for other credit activities	366,970	148,065
	13,518,945	10,463,257

29. NET FEE AND COMMISSION INCOME

	2017 VND million	2016 VND million
Fee and commission income	3,210,071	2,114,834
Settlement and treasury services	288,572	242,661
Advisory activities	138,538	115,451
Trusted and agency activities	-	71,652
Income from business and insurance services	2,205,667	1,509,213
Other services	577,294	175,857
Fee and commission expenses	(1,748,527)	(1,261,908)
Settlement services and treasury services	(232,274)	(156,182)
Advisory activities	(6,673)	(18,591)
Brokerage fees	(611,799)	(424,528)
Other expenses	(897,781)	(662,607)
	1,461,544	852,926

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30. NET LOSS FROM TRADING OF FOREIGN CURRENCIES

	2017 <i>VND million</i>	2016 <i>VND million</i>
Income from trading of foreign currencies	1,223,643	1,946,880
Income from spot trading of foreign currencies	346,806	400,432
Income from gold trading	16,325	17,135
Income from trading of monetary derivatives	860,712	1,529,313
Expenses for trading of foreign currencies	(1,382,485)	(2,265,840)
Expenses for spot trading of foreign currencies	(629,451)	(1,432,620)
Expenses for gold trading	(18,134)	(18,072)
Expenses for trading of monetary derivatives	(734,900)	(815,148)
	(158,842)	(318,960)

31. NET GAIN/(LOSS) FROM SECURITIES HELD FOR TRADING

	2017 <i>VND million</i>	2016 <i>VND million</i>
Income from trading of securities held for trading	279,799	40,911
Expenses for trading of securities held for trading	(101,724)	(191,820)
Provision reversal for securities held for trading (Note 8.1)	1,563	1,525
	179,638	(149,384)

32. NET GAIN FROM INVESTMENT SECURITIES

	2017 <i>VND million</i>	2016 <i>VND million</i>
Income from trading of investment securities	481,849	321,263
Expenses for trading of investment securities	(102,665)	(155,663)
Provision expenses for investment securities (Note 12.3)	(39,707)	(73,726)
	339,477	91,874

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33. NET GAIN FROM OTHER OPERATING ACTIVITIES

	2017 <i>VND million</i>	2016 <i>VND million</i>
Other operating income	3,208,782	1,450,885
Income from other derivatives	47,669	11
Bad debt recoveries	1,098,054	715,606
Income from fixed assets disposal	224,364	26,645
Income from other assets disposal	582,948	163,244
Income from debt purchase activities	289,058	460,893
Income from contracts penalty receivables	42,378	735
Supports and other income	944,315	83,751
Other operating expenses	(672,502)	(232,315)
Expenses for other derivatives	(63,715)	(3,647)
Expenses from disposal of investment properties	(17,068)	-
Expenses for other assets disposal	(570,875)	(160,987)
Other expenses	(20,844)	(67,681)
	2,536,280	1,218,570

34. INCOME FROM INVESTMENTS IN OTHER ENTITIES

	2017 <i>VND million</i>	2016 <i>VND million</i>
Income from disposal or divestment in other entities	52,970	-
Dividend income	598	872
	53,568	872

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35. OPERATING EXPENSES

	2017 VND million	2016 VND million
Expenses on taxes	229,264	175,396
Personnel expenses	5,060,266	3,430,934
<i>In which:</i>		
Salary and allowances	4,339,711	2,948,388
Expenses related to salary	296,524	217,958
Subsidy	314,689	167,096
Other allowances	109,342	97,492
Fixed asset expenses	1,101,356	949,653
<i>In which: depreciation and amortization of fixed assets</i>	<i>244,832</i>	<i>177,433</i>
Administrative expenses	948,596	733,927
<i>In which:</i>		
Expenses on per diem	58,833	41,803
Other provision expenses	(14,759)	75,969
- (Reversal)/charge of provision for other long-term investments (Note 13)	(34,346)	75,969
- Charge of provision for doubtful debts (Note 16.4)	19,587	-
Insurance fee for customer deposits	141,741	111,853
Other administrative expenses	1,428,506	1,143,620
	8,894,970	6,621,352

36. PROVISION EXPENSE FOR CREDIT LOSSES

	2017 VND million	2016 VND million
Provision expense for loans to customers (Note 11)	7,681,876	5,382,689
Provision expense/(reversed) for VAMC bonds (Note 12.3)	320,438	(70,635)
Provision (reversed)/expense for other assets (Note 16.4)	(1,256)	1,040
	8,001,058	5,313,094

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37. CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the consolidated cash flow statement comprise the following amounts on the consolidated balance sheet:

	31 December 2017 VND million	31 December 2016 VND million
Cash and cash equivalents on hand	2,574,284	1,727,361
Balances with the SBV	6,460,795	2,982,589
Current accounts at other credit institutions	6,186,517	2,025,318
Placements with other credit institutions with original term of three months or less	9,032,203	2,063,858
	24,253,799	8,799,126

38. EMPLOYEES' REMUNERATIONS

	2017 VND million	2016 VND million
I. Total average number of employees (persons) (only official employees)	20,607	15,157
II. Employees' remuneration (VND million)		
1. Total salary fund	4,364,765	2,332,047
2. Other remuneration	423,717	293,582
3. Total remuneration (1+2)	4,788,482	2,625,629
4. Average monthly salary	17.65	12.82
5. Average monthly remuneration	19.36	14.44

39. COLLATERAL AND MORTGAGES

39.1 Assets, valuable papers taken for mortgage, pledge and discount, rediscount

Details of customers' collateral and mortgages at the Bank as at the end of the year are as follows:

	31 December 2017 VND million	31 December 2016 VND million
Real estates	173,456,281	148,665,359
Mobile assets	39,934,274	30,749,819
Valuable papers	79,901,398	66,248,237
Others	106,177,150	94,972,311
	399,469,112	340,635,726

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39. COLLATERAL AND MORTGAGES (continued)

39.1 Assets, valuable papers taken for mortgage, pledge and discount, rediscount (continued)

Assets, valuable papers pledged, pledged and discounted taken from other credit institutions.

	Face value	
	31 December 2017	31 December 2016
	VND million	VND million
Government bonds purchased under agreements to resell	2,050,000	2,702,000

39.2 Assets, valuable papers for mortgage, pledge and discount, rediscount

Details of assets, valuable papers for mortgage, pledge and discount, rediscount as at the end of the year are as below:

	31 December 2017	31 December 2016
	VND million	VND million
Valuable papers pledged or mortgaged	6,160,155	8,545,572
Valuable papers sold under agreements to repurchase	8,400,000	8,109,000
Other assets for mortgage, pledge and discount, rediscount	13,949,016	2,921,715
	28,509,171	19,576,287

40. CONTINGENT LIABILITIES AND COMMITMENTS

Detail of contingent liabilities and commitments as at 31 December 2017 are as follows:

	31 December 2017	31 December 2016
	VND million	VND million
Credit guarantees	3,792	12,108
Foreign exchange commitments	76,976,531	33,307,126
- Foreign exchange commitments - buy	369,768	3,687,797
- Foreign exchange commitments - sell	370,388	3,669,239
- Swap contracts	76,236,375	25,950,090
Letters of credit	8,801,290	6,356,322
Other guarantees	11,590,623	11,585,463
- Payment guarantees	1,802,861	2,096,425
- Contract performance guarantees	2,399,403	3,150,585
- Tender guarantees	575,831	511,987
- Other guarantees	6,812,528	5,826,466
Other commitments	7,034,321	2,334,851
	104,406,557	53,585,870
Minus: Margin deposits	(353,774)	(415,505)
Contingent liabilities and commitments	104,052,783	53,180,365

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41. RELATED PARTY TRANSACTIONS

Related party transactions include all transactions undertaken with other parties to which the Bank is related. A party is considered to be related if the party has ability to control or to influence other parties in making decision of financial policies and operational activities. A party is related to the Bank if:

- (a) Directly, or indirectly through one or more intermediaries, the party:
 - Controls, is controlled by, or is under common control with the Bank (including parents and subsidiaries);
 - Has an interest (owning 5% or more of the charter capital or voting share capital) in the Bank that gives it significant influence over the Bank;
 - Has joint control over the Bank.
- (b) The party is a joint venture in which the Bank is a venture or an associate (owning over 11% of the charter capital or voting share capital, but is not a subsidiary of the Bank);
- (c) The party is a member of the key management personnel of the Bank;
- (d) The party is a close member of the family of any individual referred to in (a) or (c); or
- (e) The party is a company that is controlled, jointly controlled or significantly influenced by, or for which significant voting power in such company resides with, directly or indirectly, any individual referred to in (c) or (d).

Significant transactions of the Bank with its related parties in the year are as follows:

Related parties	Transactions	Amount	
		2017 VND million	2016 VND million
Members of the Board of Management, Board of Supervision and Board of Directors	Remuneration expenses	48,919	33,412
	Interest expenses for deposits of management	1,483	640

Receivables and payables with related parties as at 31 December 2017 are as follows:

Related parties	Balances	Receivables/Payables	
		31 December 2017 VND million	31 December 2016 VND million
Members of the Board of Management, Board of Supervision and Board of Directors	Deposits at the Bank	40,962	20,246

Besides the transactions and balances presented above, the Bank does not have any other significant transactions, receivables and payables with its related parties as at 31 December 2017 and the year then ended.

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42. SEGMENT INFORMATION

A segment is a component determined separately by the Bank which is engaged in providing related products or services (business segment) or providing products or services in a particular economic environment (geographical segment), that is subject to risks and returns that are different from those of other segments.

42.1 *The primary segment information by business segment*

For management purpose, the Bank and its subsidiaries have established their operation in the following business segments:

Banking:	Provide the following products and services to customers:
	- Mobilizing deposits;
	- Providing credit;
	- Wire transfer; settlement services and
	- Other banking operations.
Asset management:	Managing collateral assets and restructured debts.

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42. SEGMENT INFORMATION (continued)

42.1 Primary segment information by business segment (continued)

Primary segment information by business segment as at 31 December 2017 and for the year then ended are as follows:

	Banking VND million	Asset management VND million	Inter-segment adjustments VND million	Total VND million
I. Income				
1. Interest and similar income	34,133,371	1,512	(1,512)	34,133,371
External interest and similar income	34,133,371	-	-	34,133,371
Inter-segment interest and similar income	-	1,512	(1,512)	-
2. Net fee and commission income	1,461,428	130,978	(130,862)	1,461,544
3. Other operating income	2,968,555	(16,434)	-	2,950,121
	38,561,354	116,056	(132,374)	38,545,036
II. Expenses				
1. Interest and similar expenses	(13,518,945)	-	-	(13,518,945)
External interest and similar expenses	(13,518,945)	-	-	(13,518,945)
Inter-segment interest and similar expenses	-	-	-	-
2. Depreciation and amortization charges	(244,394)	(468)	-	(244,832)
3. Other direct operating expenses	(8,536,019)	(114,119)	-	(8,650,138)
	(22,299,328)	(114,587)	-	(22,413,915)
Net profit before provision for credit losses	16,262,026	1,469	(132,374)	16,131,121
Provision expense for credit losses	(8,001,058)	-	-	(8,001,058)
Segmental profit before tax	8,260,968	1,469	(132,374)	8,130,063
III. Total assets				
1. Cash, gold and gemstones	2,574,284	-	-	2,574,284
2. Fixed assets	807,600	886	-	808,486
3. Other assets	274,283,013	185,144	(98,613)	274,369,544
	277,664,897	186,030	(98,613)	277,752,314
IV. Total liabilities				
1. External liabilities to customers	242,004,849	-	-	242,004,849
2. Other internal liabilities	719,909	-	-	719,909
3. Other liabilities	5,306,697	25,149	-	5,331,846
	248,031,455	25,149	-	248,056,604

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42. SEGMENT INFORMATION (continued)

42.1 Primary segment information by business segment (continued)

Primary segment information by business segment as at 31 December 2016 and for the year then ended are as follows:

	Banking VND million	Asset management VND million	Inter-segment adjustments VND million	Total VND million
I. Income				
1. Interest and similar income	25,631,116	3,763	(3,763)	25,631,116
External interest and similar income	25,631,116	-	-	25,631,116
Inter-segment interest and similar income	-	3,763	(3,763)	-
2. Net fee and commission income	852,303	81,824	(81,201)	852,926
3. Other operating income	841,361	1,611	-	842,972
	27,324,780	87,198	(84,964)	27,327,014
II. Expenses				
1. Interest and similar expenses	(10,463,257)	-	-	(10,463,257)
External interest and similar expenses	(10,463,257)	-	-	(10,463,257)
Inter-segment interest and similar expenses	-	-	-	-
2. Depreciation and amortization charges	(176,757)	(676)	-	(177,433)
3. Other direct operating expenses	(6,359,640)	(34,279)	-	(6,443,919)
	(16,999,654)	(84,955)	-	(17,084,609)
Net profit before provision for credit losses	10,325,126	2,243	(84,964)	10,242,405
Provision expense for credit losses	(5,313,094)	-	-	(5,313,094)
Segmental profit before tax	5,012,032	2,243	(84,964)	4,929,311
III. Total assets				
1. Cash, gold and gemstones	1,727,361	-	-	1,727,361
2. Fixed assets	623,771	426	-	624,197
3. Other assets	226,313,876	187,613	(82,129)	226,419,360
	228,665,008	188,039	(82,129)	228,770,918
IV. Total liabilities				
1. External liabilities to customers	207,120,718	-	-	207,120,718
2. Other internal liabilities	627,602	-	-	627,602
3. Other liabilities	3,819,309	25,761	-	3,845,070
	211,567,629	25,761	-	211,593,390
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42. SEGMENT INFORMATION (continued)

42.2 The supplementary segment information by geographical area

The Bank's principal activities are mainly taking place within Vietnam. Therefore, the Bank's risks and returns are not impacted by the Bank's operations that are taken place in different locations. Therefore, the Bank's management is of the view that the Bank has only one geographical segment. Accordingly, the presentation of geographical segment information is not required.

43. CONCENTRATION OF ASSETS, LIABILITIES AND OFF-BALANCE SHEET ITEMS BY GEOGRAPHICAL REGIONS

	<i>Domestic VND million</i>	<i>Foreign VND million</i>	<i>Total VND million</i>
Loans to customers and other credit institutions	184,968,131	2,118	184,968,249
Total fund mobilization	220,375,495	16,405,719	236,781,214
Credit commitments and other guarantees	20,395,705	-	20,395,705
Derivative instruments	160,469	-	160,469
Securities held for trading and investment securities	55,960,769	-	55,960,769

44. FINANCIAL RISK MANAGEMENT POLICIES

The Bank has exposure to the following risks from financial instruments:

- ▶ credit risk;
- ▶ liquidity risk; and
- ▶ market risk.

This note presents information about the Bank's exposure to each of the above risks, its objectives, policies and processes for measuring and managing risk, and management of capital.

Risk management framework

The Board of Directors ("BOD") has overall responsibility for the establishment and oversight of risk management framework and is ultimately responsible for the quality and effectiveness of the Bank's risk management. To facilitate this oversight function, the Bank's BOD has established an Assets and Liabilities Committee ("ALCO") and a Risk Committee ("RCO") which are responsible for developing and monitoring key risk management policies for specific areas authorized by the BOD and periodically reporting to the BOD on their activities. These committees include both voting and non-voting members.

The Bank's risk management framework is established to form key principles in managing and controlling significant risks arising from the Bank's activities. Based on this, specific policies and regulations for each type of risk are established to assist the Bank in analyzing and determining appropriate risk limits, controlling and monitoring measures and ensuring adherence to the limits.

Risk management policies and systems are reviewed regularly to reflect changes in market conditions, products and services offered. The Bank, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment, in which all employees understand their roles and obligations.

44. FINANCIAL RISK MANAGEMENT POLICIES (continued)

44.1 Credit risk

The Bank is subject to credit risk through its loans to customers, placements with and loans to other banks and investments in corporate bonds and in cases where it acts as an intermediary on behalf of customers or other third parties or issues guarantees. Credit risk arises when a customer, obligor or partner fails to perform or improperly performs or does not fulfill their obligations under the commitments and agreements entered into with the Bank. The Bank's primary exposure to credit risk arises through its loans and advances to corporates and retail customers and investments in corporate bonds. The amount of credit exposure in this regard is represented by the carrying amounts of the assets on the consolidated balance sheet. In addition, the Bank is exposed to off balance sheet credit risk through guarantees commitments, letters of credit and derivatives issued.

Credit risk management

Credit risk is the one that exerts the largest impact on the Bank's income and capital. The Bank has established a credit risk appetite on the basis of managing credit activities in a prudent manner and pre-determined credit limits including the credit concentration risk limits and adhering to the Bank's risk tolerance. In principle, the Bank identifies and manages credit risk in all activities and products with potential credit risk and ensures that the Bank provides new products only when sufficient regulations and procedures related to new products or operation in new markets in order to identify, measure, evaluate, monitor and control critical exposure risks are in place. To keep credit risks under control, the Bank's policy is to engage in transactions with reliable partners, and request its partners to take guarantee measures as and when required.

The credit risk management system is operating based on the principles of independence and centralization. Accordingly, the development of risk management policies, determination of risk limits and risk monitoring, risk reporting and risk control are implemented independently and centrally at the Risk Management Division. The reports from the Risk Management Division are a basis for RCO to issue key credit decisions.

The Bank measures credit risks, makes allowances and complies with safe ratios for loans and advances to customers and to other credit institutions in accordance with relevant regulations of the SBV.

The Bank's overall approach to credit risk is a risk based approach. Accordingly, credit approval or credit valuation decisions as well as the behavioral methods in monitoring and classifying credits and controlling credit risks are being designed following the risk levels of customers. To this end, key activities being implemented by the Bank include the followings:

- ▶ Focusing on completion of data infrastructure used for developing credit rating and risk classification systems in accordance with international standards;
- ▶ Developing and completing the credit rating system and the scorecard system;
- ▶ Gathering and reviewing credit policies/documents of the whole system to reassess the integrity and responsiveness to the requirements specified in the policies of Risk Management Framework;
- ▶ Completing the credit quality monitoring mechanism for the entire life cycle of a loan;
- ▶ Developing an early credit risk warning system; and
- ▶ Developing a debt recovery and restructuring system.

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44. FINANCIAL RISK MANAGEMENT POLICIES (continued)

44.1 Credit risk (continued)

The maximum exposure to credit risk before collateral held or other credit enhancements

The maximum exposures to credit risk relating to asset groups, which are equivalent to their carrying values in the consolidated balance sheet, are listed below:

	<i>Not past due VND million</i>	<i>Past due but not impaired VND million</i>	<i>Past due and individually impaired VND million</i>	<i>Total VND million</i>
Placements with and loans to other credit institutions	17,520,025	-	731	17,520,756
- <i>Placements with other credit institutions</i>	15,218,720	-	-	15,218,720
- <i>Loans to other credit institutions</i>	2,301,305	-	731	2,302,036
Securities held for trading	1,424,854	-	-	1,424,854
Loans to customers	174,841,497	1,071,994	6,752,722	182,666,213
Investment securities	54,535,915	-	-	54,535,915
- <i>Available-for-sale securities</i>	50,384,788	-	-	50,384,788
- <i>Held-to-maturity securities</i>	4,151,127	-	-	4,151,127
Other assets	15,689,475	-	66,434	15,755,909
Total	264,011,766	1,071,994	6,819,887	271,903,647

The above table presents the worst scenario in which the Bank will incur the maximum credit exposures as at 31 December 2017, without taking into account of any collateral held or their credit enhancement.

The Bank's financial assets which are not past due include loans to customers classified as group 1, except loans overdue less than 10 days, undue loans to customers classified as group 2 to group 5 due to restructuring, extending payment schedule or compulsory reclassification into max the worst group in accordance with CIC's results; and securities; receivables and other assets which are not past due. The Bank believes that it can recover fully and timely these financial assets in the near future.

The financial assets are past due but not impaired due to the Bank is currently holding the sufficient collateral assets to cover for credit losses in accordance with the current regulations of the State Bank of Vietnam.

The Bank is currently holding collateral in the forms of real estates, mobile assets, valuable papers and other types for the above collateral. However, it has not been able to determine the fair value of such assets due to the inadequacy of specific guidance from the SBV and other authorities nor necessary market information.

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44. FINANCIAL RISK MANAGEMENT POLICIES (continued)

44.2 Market risk

Market risk is risk of losses due to unexpected and adverse changes in market price factors (including interest rates, exchange rates, equity prices, commodity price, etc.) that will affect the Bank's income and capital.

Market risk management

Market risk management is implemented by the Market and FI Risk Department under the Risk Management Division. The Market and FI Risk Department is responsible for developing of market risk management policies and processes, designing measurement instruments, proposing independent market risks limits to high level of management for approval and monitoring market risks limit on daily/monthly basis according to the Bank's regulations.

In 2017, market risk management policies were revised to introduce a new risk management model. Market risk management functions have been segregated amongst different units and committees, using three lines of defense model. Market Risk Sub-committee (MACO) under Risk Committee (RCO) was established to propose and analyze in-depth market risk, liquidity risk and counterparty risk issues. Also, internal document which requires segregation between Trading Book and Banking Book has been issued in accordance with the SBV's regulation and Basel II standards, accordingly, business strategy, hedging strategy and analysis of potential risks have been clearly regulated for each portfolio. Valuation methodology is also established in accordance with IFRS, which enables the Bank to determine fair value of financial instruments appropriately.

All types of market risk of the Bank (include currency risk, interest rate risk, price risk, option risk, volatility risk, credit spread risk and market liquidity risk) are subject to in-depth analysis, identification and quantification with internal limits system. Risk monitoring and controlling that includes regular (normally daily) risk reporting process and escalations process in case of any violations.

The system of limits relating to market risks is established based on 2 methods: top-down method which is based on the Bank's risk appetite, the SBV's regulations and agreements with strategic partners and bottom-up method which is based on specific needs of operation units and risk-profit analysis.

The Bank conducts calculations of market risk capital charge in accordance to Basel II requirements monthly.

(a) Interest rate risk

The interest rates set by the Bank for loans to customers and customer are respectively presented in *Note 10* and *Note 20*.

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44. FINANCIAL RISK MANAGEMENT POLICIES (continued)

44.2 Market risks (continued)

(a) Interest rate risk (continued)

The below table shows an analysis of the interest re-pricing period of assets and liabilities of the Bank as at 31 December 2017.

	Overdue VND million	Non-interest bearing VND million	Interest re-pricing period							Total VND million
			Up to 1 month VND million	From 1 to 3 months VND million	From 3 to 6 months VND million	From 6 to 12 months VND million	From 1 to 5 years VND million	Over 5 years VND million		
Assets										
Cash, gold and gemstones	-	2,574,284	-	-	-	-	-	-	-	2,574,284
Balances with the SBV	-	-	6,480,795	-	-	-	-	-	-	6,480,795
Placements with and loans to other credit institutions – gross	731	-	13,284,623	4,235,402	-	-	-	-	-	17,520,756
Securities held for trading – gross	-	-	1,424,854	-	-	-	-	-	-	1,424,854
Loans to customers – gross	7,824,716	-	83,215,711	27,646,572	21,619,017	19,328,027	22,962,512	69,558	182,666,213	
Investment securities – gross	-	4,063,794	4,905,000	7,247,976	2,521,964	11,889,997	17,384,025	6,723,169	54,535,915	
Long-term investments – gross	-	194,602	-	-	-	-	-	-	-	194,602
Fixed assets and investment properties	-	808,486	-	-	-	-	-	-	-	808,486
Other assets	66,433	10,540,521	921,516	1,240,944	2,072,809	913,686	-	-	-	15,755,909
Total assets	7,891,880	18,181,687	110,212,499	40,370,984	28,213,790	31,931,710	40,346,537	6,792,717	281,941,814	
Liabilities										
Amounts due to the SBV	-	-	676	6,901	16,416	2,022	-	-	-	26,015
Deposits and borrowings from other credit institutions	-	-	17,116,718	9,643,755	4,965,634	913,686	560,625	-	-	33,200,418
Customer deposits	-	-	55,790,287	24,752,110	28,284,842	16,241,959	8,500,722	1,092	-	133,550,812
Derivatives and other financial liabilities	-	-	145,212	(13,010)	(31,611)	44,625	15,253	-	-	160,469
Other borrowings and entrusted funds	-	-	164,389	1,161,068	1,295,692	1,278,225	-	-	-	3,899,364
Valuable papers issued	-	-	3,197,782	6,825,096	16,705,346	26,171,007	11,205,374	-	-	66,104,605
Other liabilities	-	9,822,078	-	-	1,292,843	-	-	-	-	11,114,921
Total liabilities	-	9,822,078	76,415,664	42,375,920	62,508,952	46,661,524	20,281,974	1,092	248,056,604	
Interest sensitivity gap (balance sheet)	7,891,880	8,359,609	33,797,435	(2,004,926)	(26,295,162)	(14,719,814)	20,064,593	6,791,625	33,885,210	
Interest sensitivity gap (off-balance sheet)	-	-	-	872,332	697,687	(224,115)	(1,345,904)	-	-	
Interest sensitivity gap (on, off-balance sheet)	7,891,880	8,359,609	33,797,435	(1,132,594)	(25,597,475)	(14,943,929)	18,718,659	6,791,625	33,885,210	

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44. FINANCIAL RISK MANAGEMENT POLICIES (continued)

44.2 Market risk (continued)

(a) Interest rate risk (continued)

Interest sensitivity

Assuming that all other variables remain constant, the effects of fluctuation in interest rates of interest-bearing assets and liabilities (including assets and liabilities with fixed interest rates) on profit before tax and shareholders' equity of the Bank are as follows:

		Impact on	
	Assumed increase in interest rate	Profit before tax VND million	Profit after tax and equity VND million
As at 31 December 2017			
USD	1.50%	(14,615)	(11,692)
VND	3.00%	588,962	471,169
As at 31 December 2016			
USD	1.50%	(157,764)	(126,211)
VND	3.00%	161,595	129,276

(b) Currency risk

Currency risk (commonly referred to as exchange-rate risk) is the risk of losses due to negative changes in the fair value of positions measured in local currency due to exchange rate fluctuations. Foreign currency positions as well as positions in gold and other precious metals bear exchange rate risk. Exchange rate risk arises in case the portfolio or specific position contains spot or future cash flows denominated or indexed to currency other than local currency. Exchange rate risk originates both in Trading Book and Banking Book. Exchange rate risk directly affects the balance sheet and income statement since assets, liabilities and earnings in foreign currency need to be converted into the reference currency.

Currency risk management

Exchange rate risk is managed by the means of limits on open FX position in every currency as well as total open FX position. The Bank's management has set limits on position for each currency in accordance with the Bank's business strategy and the SBV's regulations.

VND is the major currency of transactions within the Bank; USD is transacted by loans, deposits and derivatives; other currencies are very tiny proportion of the Bank's assets and liabilities. Open currency positions are monitored on a daily basis and hedging strategies used to ensure positions are maintained within established limits.

Exchange rates of major currencies as at the reporting date are presented in Note 48. The exchange rate of USD/VND in 2018 is forecasted by the Bank to be fluctuated around 22,730 VND per 1 USD.

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44. FINANCIAL RISK MANAGEMENT POLICIES (continued)

44.2 Market risk (continued)

(b) Currency risk (continued)

Exchange rate sensitivity

Assuming that all other variables are unchanged, the table below shows the impact on profit before tax and equity of the Bank due to the changes that may occur by exchange rate. Risks due to the changes of exchange rates to other currencies of the Bank are not significant.

	<i>Assumed level of increase</i>	<i>Impact on profit after tax and equity VND million</i>
As at 31 December 2017		
USD	2.00%	(11,742)
As at 31 December 2016		
USD	2.00%	(12,359)

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44. FINANCIAL RISK MANAGEMENT POLICIES (continued)

44.2 Market risks (continued)

(b) Currency risk (continued)

The following table presents assets and liabilities in foreign currencies translated into VND as at 31 December 2017.

	EUR equivalent VND million	USD equivalent VND million	Gold equivalent VND million	Other currencies equivalent VND million	Total VND million
Assets					
Cash, gold and gemstones	378,732	288,990	152,515	589,185	1,409,422
Balances with the SBV	-	1,775	-	-	1,775
Placements with and loans to other credit institutions	250,186	1,327,535	-	77,145	1,654,866
Loans to customers	-	5,136,810	-	-	5,136,810
Other assets	55,905	6,215,032	-	1,687	6,272,624
Total assets	684,823	11,970,142	152,515	668,017	13,475,497
Liabilities					
Deposits and borrowings from other credit institutions	355,627	19,218,098	-	1,687	19,575,410
Customer deposits	380,127	4,540,160	-	427,209	5,347,496
Derivatives and other financial liabilities	19,185	(14,808,265)	-	225,083	(14,563,997)
Other borrowed and entrusted funds	-	3,570,587	-	-	3,570,587
Other liabilities	3,734	168,727	-	4,075	176,536
Total liabilities and equity	758,673	12,689,305	-	658,054	14,106,032
FX position on balance sheet	(73,850)	(719,163)	152,515	9,963	(630,535)
FX position off-balance sheet	(15,804)	38,255	-	(23,071)	(620)
Net on, off-balance sheet FX position	(89,654)	(880,908)	152,515	(13,108)	(631,155)

44. FINANCIAL RISK MANAGEMENT POLICIES (continued)

44.2 Market risk (continued)

(c) Liquidity risk

Liquidity risk is the risk that the Bank will not be able to meet its financial obligations as they fall due, or, the risk that the Bank might have to face unacceptable material losses in order to meet those obligations. Liquidity risk may lead to negative effect on the Bank's profit, reputation, equity, even causes the Bank's bankruptcy.

Liquidity risk management

The Bank maintains a specific portfolio and volume of high-liquidation assets, which may include but not limited to cash, gold, interbank deposits, Government bonds and other high-liquidation assets in order to meet its liabilities when due under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Bank's reputation. The Bank will establish specific liquidity gap and follow strictly on each period based on Assets and Liabilities structure.

The Bank understands the interrelation of credit risk and market risk and how they may have impacts on the Bank's liquidity. The Bank also realizes that liquidity risks come from two sides of its balance sheet. Therefore, the Bank's approach to managing liquidity is to constantly focus on diversification of investment and credit activities and increases of accessibility to capital markets by various fund raising tools and products.

The Balance sheet Management Department under the Finance Division is responsible for daily oversight of the Bank's liquidity and submission of the Bank's separate liquidity reports to the ALCO for review and making decisions that are compatible with the development strategy of the Bank and the business status and market developments in different periods. The Bank adopts both of the common approaches to managing liquidity, namely Stock Approach and Flow Approach. Accordingly, the Bank monitors on a daily basis the compliance with adequate liquidity ratios and forecasts movements of cash flows which may have impact on the Bank's liquidity position in the future to ensure compliance at any time with all regulations of the SBV as well as its internal regulations.

Liquidity risk limits are established based on results of the Bank's liquidity forecast in normal and stressed market conditions. Regular liquidity stress testing is conducted under a variety of scenarios covering adverse conditions. At the same time, the Bank also issues specific regulations on a Liquidity Contingency Plan ("LCP") which clearly specifies the roles and responsibilities of each unit and individual and a coordination process for implementation when there appear signs of a possible stressed liquidity event.

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44. FINANCIAL RISK MANAGEMENT POLICIES (continued)

44.2 Market risk (continued)

(c) Liquidity risk (continued)

Below table presents the analysis of remaining maturity of assets and liabilities of the Bank as at 31 December 2017.

	Overdue			Current					Total VND million
	Above 3 months VND million	Within 3 months VND million	Up to 1 months VND million	From 1 to 3 months VND million	From 3 to 12 months VND million	From 1 to 5 years VND million	Over 5 years VND million		
Assets									
Cash, gold and gemstones	-	-	2,574,284	-	-	-	-	2,574,284	
Balances with the SBV	-	-	6,460,795	-	-	-	-	6,460,795	
Balances with and loans to other credit institutions – gross	731	-	13,284,623	4,235,402	-	-	-	17,520,756	
Securities held for trading – gross	-	-	1,424,854	-	-	-	-	1,424,854	
Loans to customers – gross	3,424,826	4,399,890	18,179,639	20,794,944	52,672,331	61,211,791	21,982,792	182,666,213	
Investment securities – gross	-	-	-	207,634	11,838,761	32,426,004	10,063,516	54,536,915	
Long-term investments – gross	-	-	-	-	-	-	194,602	194,602	
Fixed assets and investment property	-	-	-	-	-	-	808,486	808,486	
Other assets	66,433	-	11,402,180	1,241,573	2,995,627	23	50,073	15,755,909	
Total assets	3,491,990	4,399,890	53,326,375	26,479,553	67,507,719	93,636,818	33,099,469	281,941,814	
Liabilities									
Amounts due to the SBV	-	-	678	6,901	18,438	-	-	26,015	
Deposits and borrowings from other credit institutions	-	-	17,860,244	5,694,891	4,475,634	5,047,426	122,223	33,200,418	
Customer deposits	-	-	55,790,287	24,752,110	44,506,601	8,500,722	1,092	133,560,812	
Derivatives and other financial liabilities	-	-	145,212	(13,009)	13,013	15,253	-	160,469	
Other borrowed and entrusted funds	-	-	667	421	9,810	3,884,634	3,832	3,895,364	
Valuable papers issued	-	-	3,163,598	6,859,281	35,055,353	18,526,373	2,500,000	66,104,605	
Other liabilities	-	-	9,058,291	191,497	1,857,539	7,594	-	11,114,921	
Total liabilities	-	-	86,018,975	37,492,082	85,936,388	35,982,002	2,627,147	248,056,604	
Net liquidity gap	3,491,990	4,399,890	(32,692,600)	(11,012,529)	(18,428,669)	57,654,816	30,472,322	33,885,210	

(d) Other market price risk

Other than the assets and liabilities presented above, the Bank is not exposed to other market price risks with risk levels accounting for 5% of the Bank's net income or with value of relating assets/liabilities accounting for 5% of the Bank's total assets.

45. FINANCIAL ASSETS AND FINANCIAL LIABILITIES

On 6 November 2009, the Ministry of Finance issued Circular No. 210/2009/TT-BTC providing guidance for the adoption in Vietnam of the International Financial Reporting Standards on presentation and disclosures of financial instruments ("Circular 210") with effectiveness from financial years beginning on or after 1 January 2011.

The Circular 210 only regulates the presentation of financial statements and disclosures financial instruments, therefore, the below definitions of financial assets, financial liabilities and other relating definitions are applied solely for the preparation of this Note. The Bank's assets and liabilities are still recognized and recorded in accordance with Vietnamese Accounting Standards, Accounting System for Credit Institutions, regulations of the State Bank of Vietnam and statutory requirements relevant to preparation and presentation of the consolidated financial statements.

Financial assets

Under Circular 210, financial assets of the Bank include balance with the SBV and placement with other credit institutions, loans to customers and other institutions, investment security, other receivables and currency derivative contracts.

Financial assets within the scope of Circular 210, for disclosures in the notes to the consolidated financial statements, are classified into either of the followings:

• *Financial asset at fair value through profit or loss*

Financial asset at fair value through profit and loss is a financial asset that meets either of the following conditions:

- a) A financial asset is classified as held for trading if:
 - ✓ It is acquired or incurred principally for the purpose of reselling or repurchasing it in the near term;
 - ✓ There is evidence of a recent actual pattern of short-term profit-taking; or
 - ✓ It is a derivative (except derivative that is a financial guarantee contract or effective hedging instrument).
- b) Upon initial recognition, it is designated by the entity as at fair value through profit or loss.

► *Held to maturity investments*

Held to maturity investments are non-derivative financial assets with determinable payments and fixed maturity that an entity has the positive intention and ability to hold to maturity other than:

- a) Those that the entity upon initial recognition designates as at fair value through profit or loss;
- b) Those that the entity designates as available for sale;
- c) Those meet the definition of loans and receivables.

45. FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)

Financial assets (continued)

► *Loans and receivables:*

Loans and receivables are non-derivative with fixed payments or can be recognized and are not quoted on the market, unless:

- a) Those that the Bank intends to sell immediately or in the near future are classified as assets held for trading purposes, and others that at the same time of initial recognition that the entity classified at fair value according to result of income statement;
- b) Those that the Bank classifies as available-for-sale at the time of initial recognition; or
- c) Those that the holders may not recover most of the initial investment cost, not due to the impairment of the credit quality and are classified as available-for-sale.

► *Available-for-sale financial assets*

Available for sale financial assets are those non-derivative financial assets that are designated as available for sale or are not classified as:

- a) Loans and receivables;
- b) Held-to-maturity investments;
- c) Financial assets at fair value through profit or loss.

Financial liabilities

According to Circular 210 financial liabilities of the Bank includes deposits and loans from other institutions, valuable papers issued and other financial liabilities.

Financial liabilities within the scope of Circular 210, for disclosures in the notes to the consolidated financial statements, are classified into either of the followings:

► *Financial liability at fair value through profit or loss:*

Financial liability at fair value through profit and loss is a financial liability that meets either of the following conditions:

- a) It is classified as held for trading. A financial liability is classified as held for trading if:
 - ✓ It is acquired or incurred principally for the purpose of reselling or repurchasing it in the near term;
 - ✓ There is evidence of a recent actual pattern of short-term profit-taking; or
 - ✓ It is a derivative (except derivative that is a financial guarantee contract or effective hedging instrument).
- b) Upon initial recognition, it is designated by the entity as at fair value through profit or loss.

► *Financial liabilities at amortized cost:*

Financial liabilities that are not classified as at fair value through profit or loss are classified as at amortized cost.

Vietnam Prosperity Joint Stock Commercial Bank

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 31 December 2017 and for the year then ended

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45. FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)

Offsetting of financial assets and financial liabilities

Financial assets and financial liabilities are offset and the net amount reported in the consolidated balance sheet if and only if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis or to realize the assets and settle the liabilities simultaneously.

The carrying value and fair value of the Bank's financial assets and liabilities as at 31 December 2017 are presented as follows:

	Carrying value					Fair value VND million
	Financial assets at fair value through profit and loss VND million	Held-to- maturity VND million	Loans and receivables VND million	Available-for- sale VND million	Other assets and liabilities recorded at amortized cost VND million	Total VND million
Cash, gold and gemstones	-	-	2,574,284	-	-	2,574,284
Balances with the SBV	-	-	6,460,795	-	-	6,460,795
Balances with and loans to other credit institutions - gross	-	-	17,520,756	-	-	17,520,756
Securities held for trading - gross	1,424,854	-	-	-	-	1,424,854
Loans to customers - gross	-	-	182,666,213	-	-	182,666,213
Available-for-sale securities - gross	-	-	-	50,384,788	-	50,384,788
Held-to-maturity securities - gross	-	4,151,127	-	-	-	4,151,127
Other financial assets	-	-	11,964,741	194,602	-	12,159,343
	1,424,854	4,151,127	221,186,789	50,579,390	-	277,342,160
Amounts due to the SBV	-	-	-	-	26,015	26,015
Deposits and borrowings from other credit institutions	-	-	-	-	33,200,418	33,200,418
Customer deposits	-	-	-	-	133,550,812	133,550,812
Derivatives and other financial liabilities	160,469	-	-	-	-	160,469
Other borrowed and entrusted funds	-	-	-	-	3,898,364	3,898,364
Valuable papers issued	-	-	-	-	66,104,605	66,104,605
Other financial liabilities	-	-	-	-	8,268,311	8,268,311
	160,469	-	-	-	245,049,525	245,209,994

(*) The fair value of these financial assets and liabilities cannot be determined because there is no specific guidance in determination of fair value under Vietnamese Accounting Standards and Accounting System.

Vietnam Prosperity Joint Stock Commercial Bank

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 31 December 2017 and for the year then ended

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46. COMPARATIVE FIGURES

On 31 December 2015, the SBV issued Circular No. 35/2015/TT-NHNN regulating statistical reporting regime applicable to credit institutions and foreign banks' branches ("Circular 35"), which requires the analysis report of loan portfolio by sector to be based on the sector of borrowing purpose. The Bank has reclassified the comparative figures as at 31 December 2015:

Extracted from Note 10.4 Analysis of loan portfolio by sectors:

	31 December 2016		31 December 2015		31 December 2016		31 December 2015	
	Presented	%	Reclassified	%	Represented	%	Represented	%
	VND million		VND million		VND million		VND million	
Agriculture, forestry and aquaculture	2,498,851	1.73	(1,453,181)	(1.01)	1,045,660	0.72	1,045,660	0.72
Mining	290,298	0.20	(122,120)	(0.08)	168,178	0.12	168,178	0.12
Processing, manufacturing	16,637,628	11.50	(8,224,711)	(5.68)	8,412,917	5.82	8,412,917	5.82
Electricity, petroleum and steam	2,479,019	1.72	(205,993)	(0.15)	2,273,026	1.57	2,273,026	1.57
Water supply and waste treatment	562,659	0.39	(167,126)	(0.12)	395,533	0.27	395,533	0.27
Construction	6,035,306	4.17	(1,023,139)	(0.71)	5,012,167	3.46	5,012,167	3.46
Wholesale and retail trade, repair of motor vehicles, motor cycles and personal goods	11,228,534	7.76	(3,415,244)	(2.36)	7,813,290	5.40	7,813,290	5.40
Transportation and logistics	3,427,557	2.37	6,618,528	4.57	10,046,085	6.94	10,046,085	6.94
Hospitality and restaurants	3,268,575	2.25	13,682	0.01	3,272,257	2.26	3,272,257	2.26
Information and media	562,148	0.39	(127,009)	(0.09)	435,139	0.30	435,139	0.30
Finance, banking and insurance services	5,540,253	3.83	(2,746,422)	(1.90)	2,793,831	1.93	2,793,831	1.93
Real estates	17,794,732	12.30	(848,362)	(0.59)	16,946,370	11.71	16,946,370	11.71
Scientific research and technology	962,987	0.67	(694,539)	(0.48)	268,448	0.19	268,448	0.19
Administrative activities and support services	1,838,986	1.27	(1,406,931)	(0.97)	432,055	0.30	432,055	0.30
Activities of the Communist Party, political - social organizations, state management, security and defense	206,364	0.14	(206,364)	(0.14)	-	-	-	-
Education and vocational training	700,782	0.48	(488,061)	(0.33)	212,721	0.15	212,721	0.15
Healthcare and community development	228,241	0.16	(201,578)	(0.14)	26,663	0.02	26,663	0.02
Recreational, cultural, sporting activities	633,031	0.44	(198,377)	(0.14)	434,654	0.30	434,654	0.30
Other services	8,585,281	5.92	(8,276,906)	(5.72)	288,375	0.20	288,375	0.20
Households services, production of material products and services used by households	61,186,300	42.29	23,208,544	16.05	84,395,844	58.34	84,395,844	58.34
Activities of other foreign organizations and offices	35,681	0.02	(35,681)	(0.02)	-	-	-	-
	144,673,213	100	-	-	144,673,213	100	144,673,213	100

Vietnam Prosperity Joint Stock Commercial Bank

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 31 December 2017 and for the year then ended


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47. EVENTS AFTER THE CONSOLIDATED BALANCE SHEET DATE

There have been no significant events occurring after the consolidated balance sheet date which require adjustment and disclosures to be made in the consolidated financial statements.

48. EXCHANGE RATES OF APPLICABLE FOREIGN CURRENCIES AGAINST VIETNAMESE DONG AT THE END OF THE YEAR

	31 December 2017 VND	31 December 2016 VND
AUD	17,718	16,274
CAD	18,054	16,718
CHF	23,308	22,121
CNY	3,486	3,192
DKK	3,160	3,159
EUR	27,248	23,770
GBP	30,692	27,656
JPY	202	194
NZD	17,249	17,122
SEK	3,078	3,027
SGD	16,980	15,609
THB	640	620
TWD	30	30
USD	22,425	22,159
XAU	364,500	359,000

Prepared by: 



Ms. Nguyen Thi Thu Hang
Chief Accountant

Reviewed by:



Ms. Luu Thi Thao
Deputy Chief Executive Officer
cum. Chief Financial Officer

Approved by:



Mr. Nguyen Duc Vinh
Chief Executive Officer

Hanoi, Vietnam

5 February 2018

Vietnam Prosperity Joint Stock Commercial Bank

Consolidated financial statements

31 December 2016



Building a better
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Vietnam Prosperity Joint Stock Commercial Bank

Consolidated financial statements

31 December 2016

Vietnam Prosperity Joint Stock Commercial Bank

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Vietnam Prosperity Joint Stock Commercial Bank

GENERAL INFORMATION

THE BANK

Vietnam Prosperity Joint Stock Commercial Bank ("the Bank" or "VPBank") is a joint stock commercial bank incorporated and registered in the Socialist Republic of Vietnam.

The Bank was established pursuant to Banking Licence No. 0042/NH-GP dated 12 August 1993 issued by the State Bank of Vietnam ("the SBV") and Business Registration Certificate No.0100233583 dated 8 September 1993 issued by Hanoi Department of Planning and Investment which was amended for the 36th time on 12 October 2016. The Bank started operation on 12 August 1993 with an operation period of 99 years.

The Bank was established to provide banking services including mobilizing and receiving short, medium and long-term deposits from organizations or individuals; making short, medium and long-term loans and advances to organizations and individuals based on the nature and ability of the Bank's capital resources; conducting foreign exchange transactions, international trade finance services, discounting of commercial papers, bonds and other valuable papers, and providing other banking services as allowed by the SBV.

Charter capital

As at 31 December 2016, the charter capital of the Bank is VND9,181,000 million (31 December 2015: VND8,056,466 million).

Location

The Bank's Head Office is located at No. 89 Lang Ha, Lang Ha Ward, Dong Da District, Hanoi, Vietnam. As at 31 December 2016, the Bank has one (1) Head Office, fifty one (51) branches, one hundred and sixty three (163) transaction offices nationwide and two (2) subsidiaries.

BOARD OF DIRECTORS

The members of the Board of Directors of the Bank during the year and as at the date of the consolidated financial statements are as follows:

<i>Name</i>	<i>Position</i>
Mr. Ngo Chi Dung	Chairman
Mr. Bui Hai Quan	Vice Chairman
Mr. Lo Bang Giang	Vice Chairman
Mr. Nguyen Van Hao	Independent member
Mr. Luong Phan Son	Member
Mr. Nguyen Duc Vinh	Member

THE BOARD OF SUPERVISION

The members of the Board of Supervision of the Bank during the year and as at the date of the consolidated financial statements are as follows:

<i>Name</i>	<i>Position</i>
Ms. Nguyen Quynh Anh	Head of Board of Supervision
Ms. Nguyen Thi Bich Thuy	Member in charge
Ms. Nguyen Thi Mai Trinh	Member

Vietnam Prosperity Joint Stock Commercial Bank

GENERAL INFORMATION (continued)

THE BOARD OF MANAGEMENT

The members of the Board of Management of the Bank during the year and as at the date of the consolidated financial statements are as follows:

<i>Name</i>	<i>Position</i>
Mr. Nguyen Duc Vinh	Chief Executive Officer
Mr. Nguyen Thanh Binh	Deputy Chief Executive Officer
Mr. Phan Ngoc Hoa	Deputy Chief Executive Officer
Ms. Duong Thi Thu Thuy	Deputy Chief Executive Officer
Ms. Luu Thi Thao	Deputy Chief Executive Officer
Mr. Nguyen Thanh Long	Deputy Chief Executive Officer
Mr. Fung Kai Jin	Deputy Chief Executive Officer
Mr. Pham Phu Khoi	Deputy Chief Executive Officer

LEGAL REPRESENTATIVE

The legal representative of the Bank during the year and as at the date of the consolidated financial statements is Mr. Ngo Chi Dzong – Chairman.

Mr. Nguyen Duc Vinh - Chief Executive Officer was authorized by Mr. Ngo Chi Dzong to sign off the accompanying consolidated financial statements for the year ended 31 December 2016 according to Authorization Document No. 09/2012/UQ-CT dated 5 July 2012.

AUDITORS

The auditors of the Bank are Ernst & Young Vietnam Limited.

Vietnam Prosperity Joint Stock Commercial Bank

REPORT OF THE BOARD OF MANAGEMENT

The Board of Management of Vietnam Prosperity Joint Stock Commercial Bank ("the Bank") is pleased to present its report and the consolidated financial statements of the Bank and its subsidiaries as at 31 December 2016 and for the year then ended.

MANAGEMENT'S RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The Board of Management of the Bank is responsible for the consolidated financial statements which give a true and fair view of the consolidated financial position of the Bank and its subsidiaries and of the consolidated results of its operations and its consolidated cash flows for the year. In preparing these consolidated financial statements, the Board of Management is required to:

- ▶ select suitable accounting policies and then apply them consistently;
- ▶ make judgments and estimates that are reasonable and prudent;
- ▶ state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the consolidated financial statements; and
- ▶ prepare the consolidated financial statements on the going concern basis unless it is inappropriate to presume that the Bank will continue in business.

The Board of Management is responsible for ensuring that proper accounting records are kept which disclose, with reasonable accuracy at any time, the consolidated financial position of the Bank and its subsidiaries and ensuring that the accounting records comply with the applied accounting system. It is also responsible for safeguarding the assets of the Bank and its subsidiaries and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Board of Management confirmed that it has complied with the above requirements in preparing the accompanying consolidated financial statements.

STATEMENT BY THE BOARD OF MANAGEMENT

The Board of Management of the Bank does hereby state that, in its opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Bank and its subsidiaries as at 31 December 2016, the consolidated results of their operations and their consolidated cash flows for the year then ended in accordance with Vietnamese Accounting Standards, Vietnamese Accounting System for Credit Institutions and comply with relevant regulations stipulated by the State Bank of Vietnam and other statutory requirements relevant to preparation and presentation of the consolidated financial statements.



For and on behalf of the Board of Management

Mr. Nguyen Duc Vinh
Chief Executive Officer

Hanoi, Vietnam

20 February 2017

Reference: 50755038/16665508-HN

INDEPENDENT AUDITORS' REPORT

**To: The Shareholders of
Vietnam Prosperity Joint Stock Commercial Bank**

We have audited the accompanying consolidated financial statements of Vietnam Prosperity Joint Stock Commercial Bank and its subsidiaries ("the Bank") as prepared on 20 February 2017 and set out on pages 6 to 64 which comprise the consolidated balance sheet as at 31 December 2016, the consolidated income statement and the consolidated cash flow statement for the year then ended and the notes thereto.

Management's Responsibility

Management of the Bank is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Vietnamese Accounting Standards, Vietnamese Accounting System for Credit Institutions, relevant regulations stipulated by the State Bank of Vietnam and other statutory requirements relevant to preparation and presentation of the consolidated financial statements, and for such internal control as the Management of the Bank determines is necessary to enable the preparation and presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Vietnamese Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the Bank's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view, in all material respects, of the consolidated financial position of the Bank and its subsidiaries as at 31 December 2016, and of the consolidated results of their operations and their consolidated cash flows for the year then ended in accordance with Vietnamese Accounting Standards, Vietnamese Accounting System for Credit Institutions and comply with relevant regulations stipulated by the State Bank of Vietnam and other statutory requirements relevant to preparation and presentation of consolidated financial statements.

Ernst & Young Vietnam Limited



Nguyễn Xuân Dại
Deputy General Director
Audit Practising Registration
Certificate No. 0452-2013-004-1



Tran Mai Thao
Auditor
Audit Practising Registration
Certificate No. 2466-2013-004-1

Hanoi, Vietnam

20 February 2017

Vietnam Prosperity Joint Stock Commercial Bank

CONSOLIDATED BALANCE SHEET
as at 31 December 2016

B02/TCTD-HN

	Notes	31 December 2016 VND million	31 December 2015 VND million
ASSETS			
Cash, gold and gemstones	5	1,727,361	1,632,428
Balances with the State Bank of Vietnam	6	2,982,589	2,261,499
Placements with and loans to other credit institutions	7	9,388,905	14,599,675
Placements with other credit institutions		4,089,176	8,729,745
Loans to other credit institutions		5,300,460	5,870,661
Provision for credit losses of loans to other credit institutions		(731)	(731)
Securities held for trading	8	2,952,206	2,043,647
Securities held for trading		2,953,769	2,046,735
Provision for securities held for trading		(1,563)	(3,088)
Loans to customers		142,583,251	115,082,473
Loans to customers	10	144,673,213	116,804,247
Provision for credit losses of loans to customers	11	(2,089,962)	(1,741,774)
Investment securities	12	55,339,988	47,744,838
Available-for-sale securities	12.1	51,948,656	43,965,976
Held-to-maturity securities	12.2	4,136,200	4,520,639
Provision for investment securities	12.3	(744,870)	(741,779)
Long-term investments	13	222,930	307,154
Other long-term investments		299,372	307,627
Provision for long-term investments		(76,442)	(473)
Fixed assets	14	624,197	509,574
Tangible fixed assets	14.1	422,772	325,013
Cost		939,411	704,679
Accumulated depreciation		(516,639)	(379,666)
Intangible fixed assets	14.2	201,425	184,561
Cost		392,849	339,057
Accumulated amortization		(191,424)	(154,496)
Investment properties	15	27,162	27,600
Cost		29,985	29,965
Accumulated amortization		(2,803)	(2,365)
Other assets	16	12,922,328	9,687,543
Receivables	16.1	5,588,814	1,985,973
Accrued interest and fees receivable	16.2	4,165,577	4,133,763
Other assets	16.3	3,395,320	3,799,869
In which: Goodwill	17	12,485	37,453
Provision for other assets	16.4	(227,382)	(232,062)
TOTAL ASSETS		228,770,918	193,876,428

Vietnam Prosperity Joint Stock Commercial Bank

CONSOLIDATED BALANCE SHEET (continued)
as at 31 December 2016

B02/TCTD-HN

	Notes	31 December 2016 VND million	31 December 2015 VND million
LIABILITIES			
Amounts due to the Government and the State Bank of Vietnam	18	1,103,686	4,821,063
Deposits and borrowings from other credit institutions	19	28,835,898	17,764,430
Deposits from other credit institutions	19.1	13,437,105	9,603,163
Borrowings from other credit institutions	19.2	15,398,793	8,161,267
Customer deposits	20	123,787,572	130,270,670
Derivatives and other financial liabilities	9	191,325	131,760
Other borrowed and entrusted funds	21	1,389,786	383,188
Vatuable papers issued	22	48,650,527	21,859,941
Other liabilities	23	7,634,596	5,256,454
Interest and fees payable	23.1	3,161,924	2,804,740
Other payables	23.2	4,472,672	2,451,714
TOTAL LIABILITIES		211,593,390	180,487,508
OWNERS' EQUITY	26		
Charter capital		9,181,000	8,056,466
Share premium		1,288,863	1,288,863
Reserves		2,950,192	1,324,775
Retained profits		3,757,473	2,718,818
TOTAL OWNERS' EQUITY		17,177,528	13,388,922
TOTAL LIABILITIES AND OWNERS' EQUITY		228,770,918	193,876,428

Vietnam Prosperity Joint Stock Commercial Bank

CONSOLIDATED BALANCE SHEET (continued)
as at 31 December 2016

B02/TCTD-HN

OFF-BALANCE SHEET ITEMS

	31 December 2016 VND million	31 December 2015 VND million
Credit guarantees	12,108	1,373,115
Foreign exchange commitments	33,307,126	36,139,958
- Spot foreign exchange commitments - buy	3,687,797	-
- Spot foreign exchange commitments - sell	3,669,239	-
- Cross currency swap contracts	25,950,090	36,139,958
Letters of credit	6,356,322	6,326,988
Other guarantees	11,585,463	9,650,490
Other commitments	2,334,851	1,171,006
	53,596,870	53,561,557

Prepared by: 

Ms. Nguyen Thi Thu Hang
Chief Accountant

Reviewed by: 

Ms. Luu Thi Thao
Deputy Chief Executive Officer
cum. Chief Financial Officer

Approved by: 

Mr. Nguyen Duc Vinh
Chief Executive Officer



Hanoi, Vietnam

20 February 2017

Vietnam Prosperity Joint Stock Commercial Bank

CONSOLIDATED INCOME STATEMENT
for the year ended 31 December 2016

B03/TCTD-HN

	Notes	2016 VND million	2015 VND million
Interest and similar income	27	25,631,116	18,758,801
Interest and similar expenses	28	(10,463,257)	(8,405,364)
Net interest and similar income		15,167,859	10,353,437
Fee and commission income		2,114,834	1,597,313
Fee and commission expenses		(1,261,908)	(712,646)
Net fee and commission income	29	852,926	884,667
Net loss from trading of foreign currencies	30	(318,960)	(290,472)
Net (loss)/gain from securities held for trading	31	(149,384)	44,587
Net gain from investment securities	32	91,874	27,966
Other operating income		1,450,885	957,363
Other operating expenses		(232,315)	(82,291)
Net gain from other operating activities	33	1,218,570	875,072
Income from investments in other entities	34	872	171,054
TOTAL OPERATING INCOME		16,863,757	12,066,311
Personnel expenses		(3,430,934)	(3,183,691)
Depreciation and amortization charges		(177,433)	(144,532)
Other operating expenses		(3,012,985)	(2,364,246)
TOTAL OPERATING EXPENSES	35	(6,621,352)	(5,692,469)
Net profit before provision for credit losses		10,242,405	6,373,842
Provision expenses for credit losses	36	(5,313,094)	(3,277,640)
PROFIT BEFORE TAX		4,929,311	3,096,202
Current corporate income tax expense	24.1	(994,266)	(700,598)
Deferred corporate income tax income	24.2	-	264
Corporate income tax expense		(994,266)	(700,334)
PROFIT AFTER TAX		3,935,045	2,395,868
Basic earnings per share (VND)	26	4,485	2,662

Prepared by 

Reviewed by 



Ms. Nguyen Thi Thu Hang
Chief Accountant



Ms. Luu Thi Thao
Deputy Chief Executive Officer
cum. Chief Financial Officer



Mr. Nguyen Duc Vinh
Chief Executive Officer

Hanoi, Vietnam

20 February 2017

Vietnam Prosperity Joint Stock Commercial Bank

CONSOLIDATED CASH FLOW STATEMENT for the year ended 31 December 2016

B04/TC/DT-HN


	Notes	2016 VND million	2015 VND million
CASH FLOWS FROM OPERATING ACTIVITIES			
Interest and similar receipts		25,501,896	18,535,899
Interest and similar payments		(10,039,057)	(7,535,405)
Net fee and commission receipts		850,669	891,088
Net payments from dealing in foreign currencies, gold and securities trading activities		(271,622)	(34,896)
Other income		476,319	620,946
Recoveries from bad debts previously written-off		715,606	251,519
Payments for operating and salary expenses		(6,479,434)	(5,065,782)
Corporate income tax paid during the year	24.1	(795,175)	(505,521)
Net cash flows from operating profit before changes in operating assets and liabilities		9,959,202	7,156,848
<i>Changes in operating assets</i>			
Decrease in deposits at and loans to other credit institutions		570,201	5,792,760
Increase in investment securities		(8,889,714)	(22,989)
Increase in loans to customers		(27,641,819)	(39,866,419)
Utilization of provision to write off loans to customers, securities and long-term investments		(4,882,929)	(2,024,786)
(Increase)/decrease in other assets		(390,722)	2,616,599
<i>Changes in operating liabilities:</i>			
(Decrease)/increase in amounts due to the Government and the SBV		(3,717,377)	3,988,508
Increase/(decrease) in deposits and borrowings from other credit institutions		8,114,707	(8,463,820)
(Decrease)/increase in customer deposits (including deposits from State Treasury)		(6,483,098)	21,837,894
Increase in valuable papers issued (except for valuable paper issued for financing activities)		23,913,626	11,530,397
Increase in other borrowed and entrusted funds		1,006,598	257,942
Increase/(decrease) in derivatives and other financial liabilities		59,565	(83,573)
Increase/(decrease) in other liabilities		1,958,319	(1,540,974)
Net cash flows (used in)/from operating activities		(8,423,441)	1,178,387
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of fixed assets		(188,473)	(222,114)
Proceeds from disposal of fixed assets		47,723	155,911
Payments for investments in other entities		-	(185,276)
Proceeds from disposals of investments in other entities		8,255	382,702
Dividends received from long-term investments		872	2,344
Net cash flows (used in)/from investing activities		(131,623)	133,567

Vietnam Prosperity Joint Stock Commercial Bank

CONSOLIDATED CASH FLOW STATEMENT (continued)
for the year ended 31 December 2016

B04/TCTD-HN

	Notes	2016 VND million	2015 VND million
CASH FLOWS FROM FINANCING ACTIVITIES			
Increase in charter capital from capital contribution and/or share issuance	25.1	-	2,019,690
Proceeds from issuance of long term valuable papers eligible to be included in capital and other long term borrowings		2,876,960	-
Dividend distributed to shareholders	25.1	(146,439)	-
Cash flows from financing activities		2,730,521	2,019,690
Net cash flows for the year		(3,824,543)	3,331,644
Cash and cash equivalents at the beginning of the year		12,623,669	9,292,025
Cash and cash equivalents at the end of the year	37	8,799,126	12,623,669
SIGNIFICANT NON-CASH TRANSACTIONS DURING THE YEAR			
Bonus shares issued using the capital supplementary reserve	25.1	57,537	44,350
Increase in charter capital from retained earnings	25.1	1,066,997	932,510

Prepared by: 

Ms. Nguyen Thi Thu Hang
Chief Accountant

Reviewed by: 

Ms. Luu Thi Thao
Deputy Chief Executive Officer
cum: Chief Financial Officer

Approved by: 

Mr. Nguyen Duc Vinh
Chief Executive Officer



Hanoi, Vietnam

20 February 2017

Vietnam Prosperity Joint Stock Commercial Bank

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
as at 31 December 2016 and for the year then ended

B05/TCTD-HN

1. GENERAL INFORMATION

Vietnam Prosperity Joint Stock Commercial Bank ("the Bank" or "VPBank") is a joint stock commercial bank incorporated and registered in the Socialist Republic of Vietnam.

The Bank was established pursuant to Banking Licence No. 0042/NH-GP dated 12 August 1993 issued by the State Bank of Vietnam ("the SBV") and Business Registration Certificate No. 0100233583 dated 8 September 1993 issued by Hanoi Department of Planning and Investment which was amended for the 36th time on 12 October 2016. The Bank started operation on 12 August 1993 with an operation period of 99 years.

The Bank was established to provide banking services including mobilizing and receiving short, medium and long-term deposits from organizations or individuals; making short, medium and long-term loans and advances to organizations and individuals based on the nature and ability of the Bank's capital resources; conducting foreign exchange transactions, international trade finance services, discounting of commercial papers, bonds and other valuable papers, and providing other banking services allowed by the SBV.

Charter capital

As at 31 December 2016, the charter capital of the Bank is VND9,181,000 million (31 December 2015: VND8,056,466 million).

Location

The Bank's Head Office is located at No. 89 Lang Ha, Lang Ha Ward, Dong Da District, Hanoi, Vietnam. As at 31 December 2016, the Bank has one (1) Head Office, fifty one (51) branches, one hundred and sixty three (163) transaction offices nationwide and two (2) subsidiaries..

Subsidiaries

As at 31 December 2016, the Bank has two (2) directly owned subsidiaries as follow

<i>Subsidiaries</i>	<i>Operating Licence</i>	<i>Nature of Business</i>	<i>Share capital</i>	<i>Ownership</i>
VPBank Asset Management Company Limited (VPB AMC)	Business Registration Certificate No. 0105837483 dated 15 April 2013 issued by Hanoi Department of Planning and Investment	Asset and liabilities management	VND115 billion	100%
VPBank Finance Company Limited (VPB FC)	Business Registration Certificate No. 0102180545 dated 1 June 2015 issued by Hanoi Department of Planning and Investment	Other finance activities	VND2,790 billion	100%

Employees

As at 31 December 2016, total number of permanent employees of the Bank and its subsidiaries is 17,387 persons (31 December 2015: 12,927 persons).

Vietnam Prosperity Joint Stock Commercial Bank

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 31 December 2016 and for the year then ended

B05/TCTD-HN

2. ACCOUNTING PERIOD AND ACCOUNTING CURRENCY

2.1 Fiscal year

The Bank's fiscal year starts on 1 January and ends on 31 December.

2.2 Accounting currency

Currency used in preparing financial statements of the Bank is Vietnam dong ("VND").

3. APPLIED ACCOUNTING STANDARDS AND SYSTEM

3.1 Statement of compliance

The Board of Management of the Bank confirms that the accompanying consolidated financial statements have been prepared in accordance with Vietnamese Accounting Standards, Vietnamese Accounting System for Credit Institutions and comply with relevant regulations stipulated by the State Bank of Vietnam and other relevant statutory requirements.

3.2 Accounting standards and system

The consolidated financial statements of the Bank are prepared in accordance with the Accounting System applicable to Credit Institutions required under Decision No. 479/2004/QĐ-NHNN issued on 29 April 2004 and Circular No. 10/2014/TT-NHNN dated 20 March 2014 amending and supplementing Decision No. 479/2004/QĐ-NHNN, Decision No. 16/2007/QĐ-NHNN dated 18 April 2007, Circular No. 49/2014/TT-NHNN amending and supplementing a number of articles of Decision No. 16/2007/QĐ-NHNN and the chart of account system for Credit Institutions issued in connection with Decision No. 479/2004/QĐ-NHNN issued by the State Bank of Vietnam and Vietnamese Accounting Standards issued by the Ministry of Finance as per:

- ▶ Decision No. 149/2001/QĐ-BTC dated 31 December 2001 on the Issuance and Promulgation of Four Vietnamese Accounting Standards (Series No. 1);
- ▶ Decision No. 165/2002/QĐ-BTC dated 31 December 2002 on the Issuance and Promulgation of Six Vietnamese Accounting Standards (Series No. 2);
- ▶ Decision No. 234/2003/QĐ-BTC dated 30 December 2003 on the Issuance and Promulgation of Six Vietnamese Accounting Standards (Series No. 3);
- ▶ Decision No. 12/2005/QĐ-BTC dated 15 February 2005 on the Issuance and Promulgation of Six Vietnamese Accounting Standards (Series No. 4); and
- ▶ Decision No. 100/2005/QĐ-BTC dated 28 December 2005 on the Issuance and Promulgation of Four Vietnamese Accounting Standards (Series No. 5).

The accompanying consolidated financial statements have been prepared using accounting principles, procedures and reporting practices generally accepted in Vietnam. Accordingly, the accompanying consolidated balance sheet, the consolidated income statement, the consolidated cash flow statement and the notes to the consolidated financial statements and their utilization are not designed for those who are not informed about Vietnam's accounting principles, procedures and practices and furthermore are not intended to present the consolidated financial position, results of consolidated operations and consolidated cash flows in accordance with accounting principles and practices generally accepted in countries other than Vietnam.

Items or balances required by Decision No. 16/2007/QĐ-NHNN dated 18 April 2007 and Circular No. 49/2014/TT-NHNN dated 31 December 2014 issued by the SBV stipulating the financial statements reporting mechanism for credit institutions that are not shown in these consolidated financial statements indicate nil balance.

Vietnam Prosperity Joint Stock Commercial Bank

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 31 December 2016 and for the year then ended

B05/TCTD-HN

3. APPLIED ACCOUNTING STANDARDS AND SYSTEM (continued)

3.3 *Assumptions and uses of estimates*

The preparation of the consolidated financial statements requires the Board of Management of the Bank make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent liabilities. These estimates and assumptions also affect the income, expenses and the resultant provisions. Such estimates are necessarily based on assumptions involving varying degrees of subjectivity and uncertainty and actual results may differ resulting in future changes in such provision.

3.4 *Basis of consolidation*

The consolidated financial statements comprise the financial statements of the Bank and its subsidiaries for the year ended 31 December 2016.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Bank obtains control.

The financial statements of the subsidiaries are prepared for the same reporting period as the parent bank, using consistent accounting policies.

All intra-company balances, income and expenses and unrealized gains or losses resulting from intra-company transactions are eliminated in full.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

4.1 *Changes in accounting policies and disclosures*

The accounting policies adopted by the Bank in preparation of the consolidated financial statements are consistent with those followed in the preparation of the Bank's annual consolidated financial statements for the year ended 31 December 2016.

4.2 *Issued accounting policies and disclosures which have not come into effect*

The National Assembly has approved Law on Accounting No. 88/2015/QH13 ('New Accounting Law') on 23 November 2015. The New Accounting Law supplements regulations on electronic vouchers and stipulates regulations on the implementation of fair value principles on certain types of assets and liabilities which their values change frequently in line with market values and can be determined reliably. The New Accounting Law comes into effect from 1 January 2017.

4.3 *Cash and cash equivalents*

Cash and cash equivalents comprise current accounts at the SBV, current deposits and placements with banks with an original maturity of three months or less from the transaction date, securities with recovery or maturity of three months or less from date of purchase which can be converted into a known amount of cash and do not bear the liquidity risk as at the date of these consolidated financial statements.

4.4 *Loans to customers*

Loans to customers are presented at the principal amounts outstanding at the end of the year.

Vietnam Prosperity Joint Stock Commercial Bank

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 31 December 2016 and for the year then ended

B05/TCTD-HN

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.5 Provision for credit losses

The classification of placements with and loans to other credit institutions, direct and entrusted investments in unlisted corporate bond, loans to customers and entrustments for credit granting (collectively called "debts") is made in compliance with the quantitative method as prescribed in Article 10 of Circular 02/2013/TT-NHNN ("Circular 02").

The specific provision for debts as at 31 December is made based on the principal balance less discounted value of collaterals multiplied by provision rates which are determined based on the debt classification results as at 30 November. The specific provision rates for each group are presented as follows:

Group		Description	Provision rate
1	Current	(a) Current debts are assessed as fully and timely recoverable for both principals and interests; or (b) Debts are overdue for a period of less than 10 days and assessed as fully recoverable for both overdue principals and interests, and fully and timely recoverable for both remaining principals and interests.	0%
2	Special mention	(a) Debts are overdue for a period of between 10 days and 90 days; or (b) Debts which the repayment terms are restructured for the first time	5%
3	Sub Standard	(a) Debts are overdue for a period of between 91 days and 180 days; or (b) Debts which the repayment terms are extended for the first time; or (c) Debts which interests are exempted or reduced because customers do not have sufficient capability to pay all interests under credit contracts or (d) Debts under one of the following cases which have not been recovered in less than 30 days from the date of the recovery decision: <ul style="list-style-type: none"> ▪ Debts made in compliance with Clauses 1, 3, 4, 5, 6, Article 126 of the Law on Credit Institutions; or ▪ Debts made in compliance with Clauses 1, 2, 3, 4, Article 127 of the Law on Credit Institutions; or ▪ Debts made in compliance with Clauses 1, 2 and 5 of Article 128 of the Law on Credit Institutions. (e) Debts are required to be recovered according to regulatory inspection conclusions.	20%

Vietnam Prosperity Joint Stock Commercial Bank

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 31 December 2016 and for the year then ended

B05/TCTD-HN

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.5 Provision for credit losses (continued)

Group		Description	Provision rate
4	Doubtful	<ul style="list-style-type: none"> (a) Debts are overdue for a period of between 181 days and 360 days; or (b) Debts which the repayment terms are restructured for the first time but still overdue for a period of less than 90 days under that restructured repayment term; or (c) Debts which the repayment terms are restructured for the second time; or (d) Debts are specified in point (d) of Loan group 3 and overdue for a period of between 30 days and 60 days after decisions of recovery have been issued; or (e) Debts are required to be recovered according to regulatory inspection conclusions but still outstanding with an overdue period up to 60 days since the recovery date as required by regulatory inspection conclusions. 	50%
5	Loss	<ul style="list-style-type: none"> (a) Debts are overdue for a period of more than 360 days; or (b) Debts which the repayment terms are restructured for the first time but still overdue for a period of 90 days or more under that first restructured repayment term; or (c) Debts which the repayment terms are restructured for the second time but still overdue under that second restructured repayment term; or (d) Debts which the repayment terms are restructured for the third time or more, regardless of being overdue or not; or (e) Debts are specified in point (d) of Loan group 3 and overdue for a period of more than 60 days after decisions on recovery have been issued; or (f) Debts are required to be recovered under regulatory inspection conclusions but still outstanding with an overdue period of more than 60 days since the recovery date as required by regulatory inspection conclusions; or (g) Debts of credit institutions under special control as announced by the SBV, or debts of foreign bank branches which capital and assets are blocked. 	100%

If a customer has more than one debt with the Bank and any of the outstanding debts is classified into a higher risk group, the entire remaining debts of such customer should be classified into the corresponding higher risk group.

When the Bank participates in a syndicated loan as a participant, it should classify loans (including syndicated loans) of the customer into a higher of the risk group assessed by the leading bank and by the Bank.

For loans to customers in agricultural and rural sector, the Bank is allowed to restructure these loans and keep their classification groups as before the restructuring for only one time in accordance with Circular No. 10/2015/TT-NHNN dated 22 July 2015 providing guidance on certain contents of Decree No. 55/2015/ND-CP dated 9 June 2015 by the Government on credit policies for agriculture and rural development.

The basis for determination of the value and discounted value for each type of collateral is specified in Circular 02 and Circular No. 09/2014/TT-NHNN which amends and supplements some articles of Circular 02 ("Circular 09").

In accordance with the requirements of Circular 02, as at 31 December 2016 the Bank is also required to make a general provision at 0.75% of total outstanding loans excluding loans to other credit institutions and loans classified as loss (group 5) at 30 November 2016.

Vietnam Prosperity Joint Stock Commercial Bank

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 31 December 2016 and for the year then ended

B05/TCTD-HN

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.6 *Securities held for trading*

Securities held for trading include debt securities, equity securities and other securities acquired and held for resale within one year in order to gain profit on price variances.

Securities held for trading are initially recognized at the cost of acquisition and subsequently measured at the lower of the book value and the market value. Gains or losses from sales of trading securities are recognized in the consolidated income statement.

Interest and dividends derived from securities held for trading are recognized on a cash basis in the consolidated income statement.

Provision for diminution in value of securities is made when the carrying value is higher than the market value in compliance with Circular No. 228/2009/TT-BTC issued by the Ministry of Finance on 7 December 2009. In case market prices of securities are not available or cannot be determined reliably, no provision is calculated. Provision is recognized in the "Net gain/ (loss) from securities held for trading" account of the consolidated income statement.

Provision for credit losses on corporate bonds which are not listed on the stock market or not registered on the unlisted public companies market is made in accordance with Circular 02 and Circular 09 as described in Note 4.5.

4.7 *Available-for-sale securities*

Available-for-sale securities include debt and equity securities that are acquired by the Bank for the investment and available-for-sale purposes, not regularly traded but can be sold when there is a benefit. For equity securities, the Bank is also neither the founding shareholder nor the strategic partner and does not have the ability to make certain influence in establishing and making the financial and operating policies of the investees through a written agreement on assignment of its personnel to the Board of Directors/Management.

Available-for-sale equity securities are initially recognized at cost at the purchase date and continuously presented at cost in subsequent periods.

Available-for-sale debt securities are recognized at par value at the purchase date. Accrued interest (for debt securities with interest payment in arrears) and deferred interest (for debt securities with interest payment in advance) is recognized in a separate account. Discount/premium, which is the difference between the cost and the amount being the par value plus (+) accrued interest (if any) or minus (-) deferred interest (if any) is also recognized in a separate account.

In subsequent periods, these securities are continuously recorded at par value, and the discount/premium (if any) is amortized to the consolidated income statement on a straight-line basis over the remaining term of securities. Interest received in arrears is recorded as follows: Cumulative interest incurred before the purchasing date is recorded as a decrease in the accrued interest; cumulative interest incurred after the purchasing date is recognized as income based on the accumulated method. Interest received in advance is amortized into the securities investment interest income on a straight-line basis over the term of securities investment.

Available-for-sale securities are subject to impairment review on a periodical basis.

Vietnam Prosperity Joint Stock Commercial Bank

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 31 December 2016 and for the year then ended

B05/TCTD-HN

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.7 Available-for-sale securities (continued)

Provision for diminution in value of securities is made when the carrying value is higher than the market value in compliance with Circular No. 228/2009/TT-BTC issued by the Ministry of Finance on 7 December 2009. In case market prices of securities are not available or cannot be determined reliably, no provision is calculated. Provision is recognized in the "Net gain/ (loss) from investment securities" account of the consolidated income statement.

Provision for credit losses on corporate bonds which are not listed on the stock market or not registered on the unlisted public companies market is made in accordance with Circular 02 and Circular 09 as described in Note 4.5.

4.8 Held-to-maturity investment securities

Held-to-maturity investment securities only include special bonds issued by VAMC.

Special bonds issued by VAMC are fixed-term valuable papers used to purchase bad debts of the Bank. These special bonds are initially recognized at face value at the date of transaction and subsequently carried at the face value during the holding period. Face value of the bonds equals to the outstanding balance of the debts sold less their unused specific allowance

During the holding period, the Bank annually calculates and makes allowance in accordance with SBV Circular No. 14/2015/TT-NHNN dated 28 August 2015 amending and supplementing some articles of Circular No. 19/2013/TT-NHNN which stimulates the purchase, sale and write-off bad debts of VAMC.

As required by Circular No. 14/2015/TT-NHNN, each year within five consecutive working days prior to the maturity date of special bonds, the Bank is obliged to fully make specific provision for each special bond using the below formula:

$$X_{(m)} = \frac{Y}{n} \times m - (Z_m + X_{(m-1)})$$

In which:

- $X_{(m)}$: minimum provision for special bonds in the m^{th} year;
- $X_{(m-1)}$: accumulated specific provision for special bonds in the $m-1^{\text{th}}$ year;
- Y : face value of special bonds;
- n : term of special bonds (years);
- m : number of years from the bond issuance date to the provision date;
- Z_m : accumulated bad debt recoveries at the provision date (m^{th} year). Credit institutions should co-operate with VAMC to determine the recovery of the bad debts.

If $(Z_m + X_{(m-1)}) \geq (Y/n \times m)$, the specific provision $(X_{(m)})$ will be zero (0).

Vietnam Prosperity Joint Stock Commercial Bank

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 31 December 2016 and for the year then ended

B05/TCTD-HN

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.8 Held-to-maturity investment securities (continued)

Specific provision for each special bond is recognized in the consolidated income statement in "Provision expense for credit loss". General provision is not required for the special bonds.

On settlement date of special bonds, gains from the debts shall be recognized into "Other operating income".

4.9 Other long-term investments

Other long-term investments represent investments in other entities in which the Bank holds less than or equal to 11% of voting rights. These investments are initially recorded at cost at the investment date.

For securities which are not listed but are registered for trading on unlisted public company market (UpCom), provision for diminution in value is made when their registered price for trading is lower than the carrying value of the securities at the end of accounting period.

In other cases, provision for diminution in the value of investment is made when the investee suffers loss, except that such loss had been forecasted in the investee's business plan before the investment was made. Provision for diminution in the value of investment is made using the below formula:

$$\text{Provision for diminution in value of each investment} = \left(\text{Total invested amount of all parties in the entity} - \text{Owners' equity of the entity} \right) \times \frac{\text{Invested amount of each party}}{\text{Total invested amount of all parties in the entity}}$$

Provision is reversed when the recoverable amount of the investment increases after the provision is made. Provision is reversed up to the gross value of the investment before the provision is made.

4.10 Receivables

4.10.1 Receivables classified as credit-risk assets

Receivables classified as credit-risk assets are recognized at cost. Doubtful receivables are classified and provided for allowance by the Bank in accordance with the regulations on recognition and use of provision to resolve the credit risk as presented in Note 4.5.

4.10.2 Other receivables

Receivables other than receivables from credit activities in the Bank's operations are recognized at cost.

Provision for receivables is determined based on the overdue status of debts or expected loss of current debts in case the debts are not due for payment yet but the corporate debtors have fallen into bankruptcy or are in the process of dissolution, or of individual debtors are missing, escaped, prosecuted, on trial or deceased. Provision expense incurred is recorded in "Other operating expenses" of the consolidated income statement during the year.

Vietnam Prosperity Joint Stock Commercial Bank

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 31 December 2016 and for the year then ended

B05/TCTD-HN

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.10 Receivables (continued)

4.10.2 Other receivables (continued)

Provision for overdue debts is made in accordance with Circular No. 228/2009/TT-BTC as follows:

<i>Overdue status</i>	<i>Allowance rate</i>
From over six (6) months up to one (1) year	30%
From one (1) to under two (2) years	50%
From two (2) to under three (3) years	70%
From three (3) years and above	100%

4.11 Prepaid expenses

Prepaid expenses are reported as short-term or long-term prepaid expenses on the consolidated balance sheet and amortized over the period for which the amount is paid or the period in which economic benefit is generated in relation to these expenses.

4.12 Fixed assets

Fixed assets are stated at cost less accumulated depreciation or amortization.

The cost of a fixed asset comprises its purchase price plus any directly attributable costs of bringing the asset to working condition for its intended use.

Cost related to additions, improvements and renewals are capitalized while expenditures for maintenance and repairs are charged to the consolidated income statement.

When assets are sold or liquidated, their cost and accumulated depreciation are deducted from the consolidated balance sheet item and any gains or losses resulting from their disposal are recorded to the consolidated income statement.

4.13 Depreciation and amortization

Depreciation and amortization of fixed assets is calculated on a straight-line basis over the estimated useful lives of these assets as follows.

Buildings and architectonic models	5 – 40 years
Motor vehicles	8 years
Machines and equipment	3 – 10 years
Computer software	3 – 7 years

4.14 Investment properties

Investment properties are stated at cost less accumulated amortization.

Expenses related to investment properties incurred after initial recognition are accounted from the remaining value of the investment properties when the Bank have the ability to obtain the economic benefits in future more than the initial assessment of the investment properties.

Vietnam Prosperity Joint Stock Commercial Bank

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 31 December 2016 and for the year then ended

B05/TCTD-HN

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.14 *Investment properties* (continued)

Investment properties are no longer recognized and presented in the consolidated balance sheet after selling or after the investment properties are no longer used and considered no economic benefit in future from the disposal of the investment properties. The difference between the net proceeds from disposal of the investment properties with its remaining value is recognized in operating results in the year.

The transfer of properties from the owner used to investment properties only if there is a change in the purpose of using as the owners stop using the properties and begin operating lease to another party or at the end of the construction phase. The transfer from investment property to owners used only when there is a change in use, such as the case of the owners start to use this asset or initiated for the purpose of sale.

4.15 *Operating lease*

Rentals under operating lease are charged in the "Operating expenses" of the consolidated income statement on a straight-line basis over the term of the lease.

4.16 *Recognition of income and expense*

Interest income and expenses are recognized in the consolidated income statement on an accrual basis using the nominal interest rates. The recognition of accrued interest income of a loan is suspended when such debt is classified in groups 2 to 5 in compliance with Circular 02. Suspended interest income is reversed and monitored off-balance sheet and recognized in the consolidated income statement upon actual receipt.

Fees and commissions are recognized on an accrual basis.

4.17 *Foreign currency transactions*

All transactions are recorded in original currencies. Monetary assets and liabilities denominated in foreign currencies are translated into VND using exchange rates ruling at the consolidated balance sheet date (Note 45). Income and expenses arising in foreign currencies during the year are converted into VND at rates ruling at the transaction dates. Foreign exchange differences arising from the translation of monetary assets and liabilities are recognized and followed in the "Foreign exchange differences" under "Owners' equity" in the consolidated balance sheet and will be transferred to the consolidated income statement at the end of the financial year.

4.18 *Payables and accruals*

Payables and accruals are recognized for amounts to be paid in the future for goods and services received, whether or not billed to the Bank.

4.19 *Deposits from banks, customer deposits and valuable papers issued*

Deposits from banks, customer deposits and valuable papers issued are disclosed at the principal amounts outstanding at the date of consolidated financial statements.

Vietnam Prosperity Joint Stock Commercial Bank

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 31 December 2016 and for the year then ended

B05/TCGD-HN

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.20 Corporate income taxes

Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be paid to (or recovered from) the taxation authorities. The tax rates and tax laws are applied and enacted at the consolidated balance sheet date.

Current income tax is charged or credited to the consolidated income statement except when it relates to items recognized directly to equity the current income tax is also dealt with in equity.

Current income tax assets and liabilities are offset when there is a legally enforceable right for the Bank to offset current tax assets against current tax liabilities and when the Bank intends to settle its current tax assets and liabilities on a net basis.

The Bank's tax reports are subject to examination by the tax authorities. Because the application of tax laws and regulations to many types of transactions that is susceptible to various interpretations, amounts reported in the consolidated financial statements could be changed at a later date upon final determination by the tax authorities.

Deferred tax

Deferred tax is provided on temporary differences at the consolidated balance sheet date between the tax base of assets and liabilities and their carrying amount for the financial reporting purposes.

Deferred tax payable is recognized for temporary taxable differences.

Deferred corporate income tax assets are recognized for deductible temporary differences, deductible amounts carried over to subsequent periods of taxable losses, and unused tax credits when it is probable that there will be sufficient future taxable profit to use deductible temporary differences, taxable losses and tax credits. Deferred tax assets and deferred tax payable are determined on the basis of expected tax rates applied for the year when the assets are recovered or liabilities are settled and on basis of effective and applicable tax rates and tax laws at the end of accounting period.

4.21 Classification for off-balance-sheet commitments

According to Circular 02, credit institutions should classify guarantees, payment acceptances and non-cancelable loan commitments with specific effective date (generally called "off-balance sheet commitments") in compliance with Article 10, Circular 02 for management and monitoring of credit quality. Off-balance sheet commitments are classified into groups such as *Current*, *Special Mention*, *Substandard*, *Doubtful* and *Loss* based on the overdue status and other qualitative factors.

4.22 Offsetting

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated balance sheet if, and only if, there is a currently enforceable legal right to offset financial assets against financial liabilities or vice-versa, and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.

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4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.23 *Foreign exchange contracts*

The Bank involves in currency forward contracts and currency swap contracts to facilitate customers to transfer, modify or minimize foreign exchange risk or other market risks, and also for the business purpose of the Bank.

Currency forward contracts

The currency forward contracts are commitments to settle in cash on a pre-determined future date based on the difference between pre-determined exchange rates, calculated on the notional amount. The currency forward contracts are recognized at nominal value at the transaction date and are revalued for the reporting purpose at the exchange rate at the reporting date. Gains or losses realized or unrealized are recognized in the "Foreign exchange differences" under "Owners' equity" in the consolidated balance sheet and will be transferred to the consolidated income statement at the end of the financial year.

Swap contracts

The swap contracts are commitments to settle in cash on a pre-determined future date based on the difference between pre-determined exchange rates calculated on the notional principal amount or commitments to settle interest based on a floating rate or a fixed rate calculated on the notional amount and in a given period.

The currency swap contracts are revalued periodically. Gains or losses realized or unrealized are recognized in the "Foreign exchange differences" under "Owners' equity" in the consolidated balance sheet and will be transferred to the consolidated income statement at the end of the financial year.

Differences in interest rate swaps are recognized in the consolidated income statement on an accrual basis.

4.24 *Employee benefits*

4.24.1 *Post - employment benefits*

Post-employment benefits are paid to retired employees of the Bank by the Social Insurance Agency which belongs to the Ministry of Labor and Social Affairs. The Bank is required to contribute to these post-employment benefits by paying social insurance premium to the Social Insurance Agency at the rate of 16% of an employee's basic salary on a monthly basis. Other than that, the Bank has no further obligation relating to post-employment benefits.

4.24.2 *Voluntary resignation benefits*

The Bank has the obligation, under Section 48 of the Vietnam Labor Code 10/2012/QH13 effective from 1 May 2013, to pay allowance arising from voluntary resignation of employees, equal to one-half month's salary for each year of employment up to 31 December 2008 plus salary allowances (if any). From 1 January 2009, the average monthly salary used in this calculation is the average monthly salary of the latest six-month period up to the resignation date.

4.24.3 *Unemployment insurance*

According to Circular No. 32/2010/TT-BLĐTBXH providing guidance for Decree No. 127/2008/ND-CP on unemployment insurance, from 1 January 2009, the Bank is required to contribute to the unemployment insurance at the rate of 1% of salary and wage fund of unemployment insurance joiners and deduct 1% of monthly salary and wage of each employee to contribute to the unemployment insurance.

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4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.25 Statutory reserves

Reserves of the Bank

The Bank creates the following statutory reserves in compliance with Law on Credit Institutions No. 47/2010/QH12, Decree No. 57/2012/ND-CP and its Charter as follow:

	<i>Basic for calculation</i>	<i>Maximum balance</i>
Capital supplementary reserve	5% from profit after tax	100% of charter capital
Financial reserve	10% from profit after tax	25% of charter capital

Other funds are created at discretion of the Board of Directors of the Bank in accordance with stipulated rights and obligations in the Bank's Charter.

These reserves are created annually based on the annual consolidated financial statements.

Reserves of VPBank Asset Management Company Limited

According to Circular No. 27/2002/TT-BTC issued by the Ministry of Finance dated 22 March 2002, VPBank Asset Management Company Limited ("VPB AMC") is required to make appropriation of profit to reserves in a similar way to the Bank.

According to Circular No. 200/2014/TT-BTC, for the financial year starting on or after 1 January 2015, VPB AMC has stopped making provision for financial reserve

Reserves of VPBank Finance Company Limited ("VPB FC")

According to Decree No. 57/2012/ND-CP dated 20 July 2012 issued by the Government of Vietnam which replaces Decree No. 146/2005/ND-CP dated 23 November 2005, VPB FC is required to make appropriation of profit to reserves in a similar way to the Bank.

4.26 Business combinations and goodwill

Business combinations are accounted for using the purchase method. The cost of a business combination is measured as the fair value of assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange plus any costs directly attributable to the business combination. Identifiable assets and liabilities and contingent liabilities assumed in a business combination are measured initially at fair values at the date of business combination.

Goodwill acquired in a business combination is initially measured at cost being the excess of the cost the business combination over the Bank's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities. If the cost of a business combination is less than the fair value of the net assets of the subsidiary acquired, the difference is recognized directly in the consolidated income statement. After initial recognition, goodwill is measured at cost less any accumulated amortization. Goodwill is amortized over three (3) years on a straight-line basis.

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5. CASH, GOLD AND GEMSTONES

	31 December 2016 VND million	31 December 2015 VND million
Cash on hand in VND	1,036,240	850,227
Cash on hand in foreign currencies	667,059	758,702
Gold on hand	24,062	25,498
	1,727,361	1,632,426

6. BALANCES WITH THE STATE BANK OF VIETNAM

	31 December 2016 VND million	31 December 2015 VND million
Demand deposits at the SBV	2,962,589	2,261,499

Balances with the SBV include current account and compulsory reserves. As at 31 December 2016, compulsory reserve in VND and current account in foreign currencies bear interest at rate of 1.20% p.a. and 0.05% p.a., respectively (31 December 2015: 1.20% p.a. and 0.05% p.a., respectively).

Under the SBV regulations, the Bank is required to maintain certain cash reserve with the SBV in the form of compulsory reserve computed at 3.00% and 6.00% (2015: 3.00% and 6.00%) of customer deposits denominated in VND and foreign currencies which are demand deposits or have maturity less than 12 months; 1.00% and 6.00% (2015: 1.00% and 6.00%) of customer deposits denominated in VND and foreign currencies which have maturity over 12 months.

7. PLACEMENTS WITH AND LOANS TO OTHER CREDIT INSTITUTIONS

7.1 Placements with other credit institutions

	31 December 2016 VND million	31 December 2015 VND million
Demand deposits	2,025,316	843,579
- In VND	1,430,569	128,905
- In foreign currencies	594,749	714,674
Term deposits	2,063,868	7,886,166
- In VND	690,000	4,815,000
- In foreign currencies	1,373,868	3,071,166
	4,089,176	8,729,745
Provisions for placements with other credit institutions	-	-
	4,089,176	8,729,745

Vietnam Prosperity Joint Stock Commercial Bank

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
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7. PLACEMENTS AT AND LOANS TO OTHER CREDIT INSTITUTIONS (continued)

7.2 Loans to other credit institutions

	31 December 2016 VND million	31 December 2015 VND million
In VND	5,300,460	5,060,731
In foreign currencies	-	809,930
	5,300,460	5,870,661
Provisions for loans to other credit institutions	(731)	(731)
	5,299,729	5,868,930

Interest rates of deposits at other credit institutions as at the end of the year are as follows:

	31 December 2016 % per annum	31 December 2015 % per annum
Term deposits in VND	3.10% - 7.30%	4.30% - 7.13%
Term deposits in foreign currencies	1.30% - 1.50%	0.10% - 2.50%
Loans in VND	3.50% - 6.10%	4.50% - 8.20%
Loans in foreign currencies	Not applicable	0.50% - 1.50%

Analysis of outstanding deposits at and loans to other credit institutions by quality as at the end of the year are as follows:

	31 December 2016 VND million	31 December 2015 VND million
Current	9,388,906	14,599,676
Special mention	-	-
Substandard	-	-
Doubtful	-	-
Loss	731	731
	9,389,636	14,600,406

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
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8. SECURITIES HELD FOR TRADING

8.1 Debt securities

	31 December 2016 VND million	31 December 2015 VND million
Government securities	1,499,929	1,324,317
Securities issued by other credit institutions in which: Bonds guaranteed by the Government	1,453,840	722,418
	<u>1,245,445</u>	<u>529,214</u>
	2,953,769	2,046,735
Provision for securities held for trading	(1,563)	(3,088)
	<u>2,952,206</u>	<u>2,043,647</u>

Changes in diminution provision for securities during the period are as follows:

	2016 VND million	2015 VND million
Opening balance	3,088	16,298
Reversal of provision during the year	(1,525)	(10,390)
Decrease due to divestment of subsidiaries	-	(2,620)
Closing balance	<u>1,563</u>	<u>3,088</u>

8.2 Securities held for trading by listing status

	31 December 2016 VND million	31 December 2015 VND million
Listed	2,745,374	2,046,735
Unlisted	208,395	-
	<u>2,953,769</u>	<u>2,046,735</u>

Analysis by quality for securities held for trading classified as credit risk bearing assets at the end of the year is as below:

	31 December 2016 VND	31 December 2015 VND
Current	208,395	-
Special mention	-	-
Substandard	-	-
Doubtful	-	-
Loss	-	-
	<u>208,395</u>	<u>-</u>

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
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9. DERIVATIVES AND OTHER FINANCIAL LIABILITIES

	<i>Total contract nominal value (at contractual exchange rate) VND million</i>	<i>Total carrying value (at exchange rate as at reporting date) Assets VND million</i>	<i>Liabilities VND million</i>	<i>Net value VND million</i>
As at 31 December 2016				
Derivative financial instruments	25,869,954	25,471,176	(25,666,246)	(195,070)
Foreign exchange forward contracts	12,754,991	12,524,584	(12,662,735)	(138,151)
Foreign exchange swap contracts	13,114,963	12,946,592	(13,003,511)	(56,919)
Other derivative financial instruments	107,050	110,795	(107,050)	3,745
	25,977,004	25,581,971	(25,773,296)	(191,325)
As at 31 December 2015				
Derivative financial instruments	30,504,434	29,872,498	(30,008,656)	(134,160)
Foreign exchange forward contracts	12,191,830	11,919,271	(12,040,579)	(121,308)
Foreign exchange swap contracts	18,312,604	17,953,225	(17,966,077)	(12,852)
Other derivative financial instruments	107,050	109,450	(107,050)	2,400
	30,611,484	29,981,946	(30,113,706)	(131,760)

10. LOANS TO CUSTOMERS

	<i>31 December 2016 VND million</i>	<i>%</i>	<i>31 December 2015 VND million</i>	<i>%</i>
Loans to local economic entities and individuals	144,082,942	99.60	116,166,919	99.46
Discounted bills and valuable papers	46,621	0.03	22,893	0.02
Payments on behalf of customers	1,382	-	3,522	-
Loans financed by borrowed and entrusted funds	537,664	0.37	564,143	0.48
Loans to foreign economic entities and individuals	4,604	-	46,770	0.04
	144,673,213	100	116,804,247	100

Interest rates of loans to customers at the end of the year are as follows:

	<i>31 December 2016 % per annum</i>	<i>31 December 2015 % per annum</i>
In VND	3.00% - 13.50%	3.00% - 14.00%
In foreign currencies	1.40% - 4.50%	1.60% - 5.00%

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
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10. LOANS TO CUSTOMERS (continued)

10.1 Analysis of loan portfolio by quality

	31 December 2016 VND million	31 December 2015 VND million
Current	132,510,660	106,713,646
Special mention	7,855,500	6,945,556
Substandard	2,335,222	1,268,015
Doubtful	975,528	523,016
Loss	896,303	1,354,014
	144,673,213	116,804,247

10.2 Analysis of loan portfolio by original maturity

	31 December 2016 VND million	31 December 2015 VND million
Short term loans	35,892,482	32,497,945
Medium term loans	59,596,064	56,545,821
Long term loans	49,184,667	27,760,481
	144,673,213	116,804,247

10.3 Analysis of loan portfolio by ownership and types of customers

	31 December 2016 VND million	%	31 December 2015 VND million	%
State-owned companies	2,169,805	1.50	1,547,766	1.32
One-member limited liability companies with 100% State ownership	970,215	0.67	630,928	0.54
Two or more member limited liability companies with over 50% State ownership or being controlled by the State	26,001	0.02	414,632	0.35
Other limited liability companies	27,408,987	18.95	28,712,712	24.56
Joint stock companies with over 50% State ownership or being controlled by the State	663,314	0.46	860,868	0.74
Other joint-stock companies	21,200,544	14.65	20,976,352	17.96
Private enterprises	784,738	0.54	624,926	0.54
Foreign invested enterprises	598,944	0.41	573,459	0.49
Co-operatives and unions of co- operative	67,446	0.05	100,609	0.09
Household business and individuals	89,972,801	62.19	62,234,822	53.28
Operation administration entity, the Party, unions and associations	110,007	0.08	125,469	0.11
Others	700,411	0.48	1,704	-
	144,673,213	100	116,804,247	100

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
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10. LOANS TO CUSTOMERS (continued)

10.4 Analysis of loan portfolio by sectors

	31 December 2016		31 December 2015	
	VND million	%	VND million	%
Agricultural, forestry and aquaculture	2,498,851	1.73	4,584,262	3.94
Mining	290,298	0.20	214,216	0.18
Processing, manufacturing	16,637,628	11.50	9,643,927	8.26
Electricity, petroleum and steam	2,479,019	1.72	2,569,617	2.20
Water supply and waste treatment	582,659	0.39	620,461	0.53
Construction	6,035,306	4.17	6,368,949	5.45
Wholesale and retail trade, repair of motor vehicles, motor cycles and personal goods	11,228,534	7.76	7,755,952	6.64
Transportation and logistics	3,427,557	2.37	2,687,377	2.30
Hospitality and restaurants	3,258,575	2.25	1,170,540	1.00
Information and media	562,148	0.39	1,558,204	1.33
Finance, banking and insurance services	5,540,253	3.83	2,851,196	2.44
Real estates	17,794,732	12.30	19,078,633	16.33
Scientific research	962,987	0.67	1,115,272	0.95
Administrative activities and support services	1,838,986	1.27	1,738,015	1.48
Activities of the Communist Party, political - social organizations, state management security and defense	206,364	0.14	141,667	0.12
Education and vocational training	700,782	0.48	532,416	0.46
Healthcare and community development	228,241	0.16	211,920	0.18
Recreational, cultural, sporting activities	633,031	0.44	989,411	0.85
Other services	8,565,281	5.92	7,888,924	6.75
Households services, production of material products and services used by households	61,186,300	42.29	45,070,221	38.59
Activities of other foreign organizations and offices	35,681	0.02	13,067	0.01
	144,673,213	100	116,804,247	100

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11. PROVISION FOR CREDIT LOSSES OF LOANS TO CUSTOMERS

Provision for credit losses on the consolidated balance sheet at the end of the year comprises of the following:

	31 December 2016 VND million	31 December 2015 VND million
General provision	1,031,565	813,948
Specific provision	1,058,397	927,826
	2,089,962	1,741,774

Changes in provision for credit losses during the year 2016 are as follows:

	General provision VND million	Specific provision VND million	Total VND million
Opening balance	813,948	927,826	1,741,774
Provision charged	217,617	5,165,072	5,382,689
Provision decreased for sale of debts to VAMC	-	(157,292)	(157,292)
Provision used to write-off bad debts	-	(4,877,209)	(4,877,209)
Closing balance	1,031,565	1,058,397	2,089,962

Changes in provision for credit losses during 2015 are as follows:

	General provision VND million	Specific provision VND million	Total VND million
Opening balance	573,535	549,605	1,123,140
Provision charged	240,413	2,592,866	2,833,279
Provision increased from repurchase of debts from VAMC	-	9,522	9,522
Provision decreased for sale of debts to VAMC	-	(263,984)	(263,984)
Provision used to write-off bad debts	-	(1,960,183)	(1,960,183)
Closing balance	813,948	927,826	1,741,774

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
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12. INVESTMENT SECURITIES

12.1 Available-for-sale securities

	31 December 2016 VND million	31 December 2015 VND million
Debt securities	51,933,301	43,950,621
Government bonds	21,721,281	21,024,986
Bonds issued by other domestic credit institutions	15,089,376	12,787,075
<i>In which: Bonds guaranteed by the Government</i>	<i>11,555,600</i>	<i>9,736,500</i>
Certificates of deposit issued by other domestic credit institutions	1,100,000	-
Bonds issued by local economic entities	14,022,644	10,138,560
Equity securities	15,357	15,357
Equity securities issued by local economic entities	15,357	15,357
	51,948,658	43,965,978
Provision for available-for-sale securities	(248,658)	(174,833)
Diminution provision	(19,828)	-
General provision	(122,609)	(107,133)
Specific provision	(106,121)	(67,700)
	51,700,000	43,791,145

Government bonds have terms from 3 years to 15 years and bear interest at rates ranging from 5% to 11% per annum (31 December 2015: terms of 8 month to 15 years, interest rates ranging from 5% to 13.2% per annum).

Debt securities issued by domestic credit institutions have terms from 2 years to 10 years and bear interest at rates ranging from 5.7% to 12.2% per annum (31 December 2015: terms from 7 months to 10 years, interest rates ranging from 5.9% to 12.7% per annum).

Debt securities issued by local economic entities have terms from 1 year to 6 years and bear interest at rates ranging from 8.5% to 11% per annum (31 December 2015: terms from 1 year to 5 years, interest rates ranging from 6% to 15% per annum).

Face value of bonds pledged for capital mobilization contracts as at 31 December 2016 amounted to VND8,545,572 million (31 December 2015: VND6,166,032 million).

12.2 Held-to-maturity securities

Held-to-maturity securities include special bonds issued by VAMC.

	31 December 2015 VND million	31 December 2015 VND million
Special bonds	4,136,200	4,520,639
Specific allowance for special bonds	(496,311)	(566,945)
	3,639,889	3,953,693

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12. INVESTMENT SECURITIES (continued)

12.3 Provision for investment securities

Movement of provision for investment securities during the year is as follows:

	<i>Available-for-sale securities</i> <i>VND million</i>	<i>Held-to-maturity securities</i> <i>VND million</i>	<i>Total</i> <i>VND million</i>
Opening balance	174,833	566,846	741,779
Provision charged/(reversed) during the year	73,726	(70,635)	3,091
Closing balance	248,559	496,311	744,870

Analysis by quality for available-for-sale securities classified as credit risk bearing assets at the end of the year are as follows:

	<i>31 December 2016</i> <i>VND million</i>	<i>31 December 2015</i> <i>VND million</i>
Current	14,348,253	12,500,396
Special mention	3,611,425	561,577
Substandard	-	-
Doubtful	561,043	-
Loss	-	-
	18,520,721	13,061,973

13. LONG-TERM INVESTMENTS

	<i>31 December 2016</i>		<i>31 December 2015</i>	
	<i>Cost</i> <i>VND million</i>	<i>% owned</i>	<i>Cost</i> <i>VND million</i>	<i>% owned</i>
Investments in economic entities				
TRACO Transportation Joint Stock Company	21	0.64%	21	0.64%
Dong Xuan Joint Stock Company	5,000	10.00%	5,000	10.00%
Banking Training and Consultancy JSC (BTC)	371	4.30%	371	4.78%
Vietnam Credit Information JSC (PCB)	3,934	3.28%	3,934	3.28%
Sai Gon Port Joint-Stock Company	185,278	7.44%	185,278	7.44%
VPBank Securities JSC (VPBS)	104,770	11.00%	104,770	11.00%
Petro Vietnam Oil Central Joint Stock Company	-	-	7,705	5.50%
Thinh An Security Guard Service JSC	-	-	550	11.00%
	289,372		307,627	
Provision for other long-term investments	(76,442)		(473)	
	222,930		307,154	

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14. FIXED ASSETS

14.1 Tangible fixed assets

Movements of tangible fixed assets during the year are as follows:

	Buildings and architectonic models VND million	Machines and equipment VND million	Motor vehicles VND million	Office equipment VND million	Other VND million	Total VND million
Cost						
Opening balance	94,506	394,989	105,847	60,063	48,274	704,679
Purchases in the year	14,793	172,225	24,828	18,574	7,565	237,985
Reclassification	-	3,643	(2,720)	-	(324)	599
Disposal	-	(1,410)	(185)	(1,259)	(948)	(3,802)
Other decreases	-	(50)	-	-	-	(50)
Closing balance	109,299	569,397	128,770	77,378	54,567	939,411
Accumulated depreciation						
Opening balance	23,557	229,627	58,742	42,714	25,026	379,666
Charge for the year	7,119	97,204	14,134	12,449	9,714	140,620
Reclassification	-	2,971	(2,882)	-	-	89
Disposal	-	(1,410)	(185)	(1,260)	(854)	(3,709)
Other decreases	-	(7)	-	(20)	-	(27)
Closing balance	30,676	328,385	69,809	53,893	33,886	516,639
Net book value						
As at beginning date	70,949	165,362	48,105	17,349	23,248	325,013
As at closing date	78,623	241,012	58,961	23,495	20,681	422,772

Cost of fully-depreciated tangible fixed assets which are still in use as at 31 December 2016 is VND213,639 million.

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14. FIXED ASSETS (continued)

14.2 Intangible fixed assets

Movements of intangible fixed assets during the year are as follows:

	<i>Indefinite land use rights VND million</i>	<i>Computer software VND million</i>	<i>Total VND million</i>
Cost			
Opening balance	90,132	248,925	339,057
Purchases in the year	-	71,801	71,801
Reclassification	-	(599)	(599)
Other increases	-	3,575	3,575
Disposal	(20,985)	-	(20,985)
Closing balance	69,147	323,702	392,849
Accumulated amortization			
Opening balance	868	153,628	154,496
Charge for the year	-	36,375	36,375
Reclassification	-	553	553
Closing balance	868	190,556	191,424
Net book value			
At the beginning date	89,264	95,297	184,561
At the closing date	68,279	133,146	201,425

Cost of fully-depreciated intangible fixed assets which are still in use as at 31 December 2016 is VN79,464 million.

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15. INVESTMENT PROPERTIES

Movements of investment properties during the year are as follows.

	<i>Land use right VND million</i>	<i>Building and architectonic models VND million</i>	<i>Total VND million</i>
Cost			
Opening balance	20,075	9,890	29,965
Closing balance	20,075	9,890	29,965
Accumulated depreciation			
Opening balance	-	2,365	2,365
Charge for the year	-	438	438
Closing balance	-	2,803	2,803
Net book value			
At the beginning date	20,075	7,525	27,600
At the closing date	20,075	7,087	27,162

16. OTHER ASSETS

16.1 Receivables

	<i>31 December 2016 VND million</i>	<i>31 December 2015 VND million</i>
Internal receivables	56,696	46,104
External receivables	5,518,549	1,918,724
Construction in progress	15,569	21,145
	5,588,814	1,985,973

External receivables mainly include receivables related to LC UPAS (VND2,956,761 million) (Note 19.2); deposits for economic contracts (VND1,328,633 million); overdue deposits classified into credit risk assets; and other external receivables.

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16. OTHER ASSETS (continued)

16.2 Accrued interest and fee receivables

	31 December 2016 VND million	31 December 2015 VND million
Interest receivables from deposits	3,225	11,904
Interest receivables from investment securities	2,052,593	1,675,724
Interest receivables from credit activities	2,044,017	2,276,522
Interest receivables from derivative instruments	63,107	153,048
Interest receivables from entrusted investments	-	6,555
Other fee receivables	2,535	-
	4,165,577	4,133,763

16.3 Other assets

	31 December 2016 VND million	31 December 2015 VND million
Materials	14,123	10,332
Prepaid expenses	1,123,391	928,885
Foreclosed assets (*)	2,245,321	1,834,353
- Real estates	2,245,321	1,934,353
Receivables from entrusted investment contracts	-	887,150
Goodwill	12,485	37,453
Other assets	-	1,596
	3,395,320	3,799,869

(*) This represents the value of foreclosed assets which are under pending resolutions in compliance with SBV's prevailing regulations

16.4 Provision for other assets

Provision for other assets include provision for bad debts and general provision for entrusted investments. Changes in provision for other assets during the year are as follow

	2016 VND million	2015 VND million
Opening balance	232,062	255,397
Charge of provision during the year	1,040	10,474
In which:		
Provision reverse for doubtful receivables	-	(30)
Charge of provision for other credit risk bearing assets (Note 36)	1,040	10,504
Provision used to write-off bad debts	(5,720)	-
Decrease due to divestment of subsidiaries	-	(33,609)
Closing balance	227,382	232,062

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16. OTHER ASSETS (continued)

16.4 Provision for other assets (continued)

Details of provision for other assets are as follows

	31 December 2016 VND million	31 December 2015 VND million
Provision for credit risks bearing assets	225,731	230,411
- General provision (i)	3,976	5,828
- Specific provision (ii)	221,755	224,785
Provision for doubtful debts	838	838
Provision for other risks	813	813
	<u>227,382</u>	<u>232,062</u>

(i) General provision is made for entrusted investment contracts to purchase unlisted securities

(ii) Specific provision is made for the overdue deposits reclassified into credit risk bearing assets.

17. GOODWILL

	2016 VND million	2015 VND million
Total value of goodwill	74,905	74,905
Amortization period	3 years	3 years
Value of accumulated amortized goodwill at the beginning of the year	(37,452)	(12,484)
Value of unamortized goodwill at the beginning of the year	37,453	62,421
Increase in goodwill during the year	-	-
Goodwill arisen during the year	-	-
Adjustment due to changes in determinable value of assets and liabilities	-	-
Decrease in goodwill during the year	(24,958)	(24,968)
Decrease in goodwill due to disposal, sale of part or entire financial investment	-	-
Goodwill amortized during the year	(24,968)	(24,968)
Other decrease in goodwill	-	-
Total value of unamortized goodwill at the end of the year	<u>12,486</u>	<u>37,453</u>

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18. AMOUNTS DUE TO THE GOVERNMENT AND THE STATE BANK OF VIETNAM

	31 December 2016 VND million	31 December 2015 VND million
Borrowings from the SBV		
Discount, rediscount of valuable papers	1,077,895	4,819,153
Other borrowings	25,691	1,910
	1,103,686	4,821,063

19. DEPOSITS AND BORROWINGS FROM OTHER CREDIT INSTITUTIONS

19.1 Deposits from other credit institutions

	31 December 2016 VND million	31 December 2015 VND million
Demand deposits	1,006,828	44,501
In VND	1,006,806	43,400
In foreign currencies	22	1,101
Term deposits	12,430,277	9,558,582
In VND	10,580,000	8,775,000
In foreign currencies	1,850,277	783,582
	13,437,105	9,603,163

19.2 Borrowings from other credit institutions

	31 December 2016 VND million	31 December 2015 VND million
In VND	6,974,121	7,776,807
<i>In which, Discounted valuable papers in VND</i>	<i>5,085,556</i>	<i>3,375,026</i>
In foreign currencies (*)	8,424,672	384,460
	15,398,793	8,161,267

(*) This balance includes the payables arising from usance letter of credits with amount of VND 2,956,761 million, which is recorded in line with Official Letter No. 3333/NHNN-TCKT providing guidance on accounting treatment for letter of credit reimbursing transactions (Note 16.1).

Interest rates of deposits and borrowings from other credit institutions at the end of the year are as follows:

	31 December 2016 % per annum	31 December 2015 % per annum
Term deposits from other credit institutions in VND	4.00% - 6.30%	3.70% - 8.70%
Term deposits from other credit institutions in foreign currencies	0.70% - 1.80%	0.10% - 1.00%
Borrowings from other credit institutions in VND	4.30% - 7.00%	4.30% - 5.95%
Borrowings from other credit institutions in foreign currencies	0.75% - 5.75%	0.75% - 2.09%

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20. CUSTOMER DEPOSITS

	31 December 2016 VND million	31 December 2015 VND million
Demand deposits	15,238,430	12,588,456
- Demand deposits in VND	12,322,180	11,824,753
- Demand deposits in foreign currencies	2,916,240	743,703
Term deposits	108,064,068	117,162,064
- Term deposits in VND	103,563,011	106,514,016
- Term deposits in foreign currencies	4,501,057	10,648,048
Deposits for specific purpose	69,569	122,541
- Deposits for specific purpose in VND	65,867	110,247
- Deposits for specific purpose in foreign currencies	3,702	12,294
Margin deposits	415,505	417,609
- Margin deposits in VND	410,085	378,453
- Margin deposits in foreign currencies	5,420	39,156
	123,787,572	130,270,670

Analysis of customer deposits by type of customers and by type of entities is as follows:

	31 December 2016 VND million	%	31 December 2015 VND million	%
State-owned companies	5,058,364	4.09	6,087,819	4.69
One-member limited liability companies with 100% State ownership	2,134,004	1.72	2,569,185	1.97
Two or more member limited liability companies with over 50% State ownership or controlled by the State	132,097	0.11	245,475	0.19
Other limited liability companies	11,292,431	9.12	13,722,842	10.53
Joint stock companies with over 50% State ownership or controlled by the State	139,695	0.11	1,519,106	1.17
Other joint-stock companies	22,118,212	17.87	20,911,579	16.05
Partnership companies	451	-	804	-
Private enterprises	130,572	0.11	83,890	0.06
Foreign invested enterprises	799,203	0.65	225,972	0.17
Co-operatives and unions of co-operative	12,682	0.01	4,990	-
Household business and individuals	74,115,293	59.87	77,290,266	59.33
Operation administration entity, the Party, unions and associations	1,494,688	1.21	1,741,099	1.34
Others	6,359,880	5.14	5,867,643	4.50
	123,787,572	100	130,270,670	100

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20. CUSTOMER DEPOSITS (continued)

Interest rates for customer deposits as at the end of the year are as follows:

	31 December 2016 % per annum	31 December 2015 % per annum
Demand deposits in VND	0.50%	0.50%
Demand deposits in foreign currencies	0.00%	0.00%
Term deposits in VND	1.00%-11.60%	1.00% - 10.25%
Term deposits in foreign currencies	0.00%-2.10%	0.00% - 2.00%

21. OTHER BORROWED AND ENTRUSTED FUNDS

	31 December 2016 VND million	31 December 2015 VND million
Other borrowed and entrusted funds in VND	281,836	383,188
Other borrowed and entrusted funds in foreign currencies	1,107,950	-
	1,389,786	383,188

Other borrowed and entrusted funds in foreign currencies as at 31 December 2016 represent the disbursed amount of USD50,000,000, which is a part of the finance package provided by International Finance Company (IFC) under the loan contract dated 18 August 2016 between IFC and the Bank with the duration of five years for financing small and medium enterprises owned by women.

22. VALUABLE PAPERS ISSUED

	31 December 2016 VND million	31 December 2015 VND million
Under 12 months	7,223,950	3,010,175
From 12 months up to 5 years	36,044,989	14,869,766
From 5 years and above	5,381,588	3,980,000
	48,650,527	21,859,941

Valuable papers of the Bank consist of certificates of deposits and bonds which bear interest at rates ranging from 3.8% to 13.5% per annum (31 December 2015: from 5.0% to 12.75% per annum).

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22. VALUABLE PAPERS ISSUED (continued)

Types of valuable papers issued are as follows:

	31 December 2016 VND million	31 December 2015 VND million
Certificates of deposit to retail customers	19,043,913	4,056,179
Certificates of deposit to corporate customers	19,826,214	10,603,312
Bonds (*)	9,778,400	7,200,450
	48,680,527	21,859,941

(*) These include some bonds amounting to VND5,376,960 million eligible to be included as the Bank's capital.

23. OTHER LIABILITIES

23.1 Interest and fees payable

	31 December 2016 VND million	31 December 2015 VND million
Interest payables for deposits from customers	789,569	748,249
Interest payables for savings from customers	923,845	1,217,873
Interest payables for valuable papers issued	1,334,871	630,356
Interest payables for borrowings from other credit institutions	35,465	75,081
Interest payables for other borrowed and entrusted fund	12,085	78
Interest payables for derivative instruments	51,521	118,815
Fee payables	14,568	14,290
	3,161,924	2,804,740

23.2 Other liabilities

	31 December 2016 VND million	31 December 2015 VND million
Internal payables	627,602	764,054
Payables to employees	627,602	764,054
External payables	3,845,070	1,687,860
Unearned income	68,709	28,779
Transfer payment awaiting settlement	123,867	36,567
Taxes and other obligations to the State Budget (Notes 24)	533,037	301,576
Valuable papers sold with repurchase commitments	1,264,344	-
Other payables	1,855,093	1,320,738
	4,472,672	2,451,714

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24. TAXES AND OTHER OBLIGATIONS TO THE STATE BUDGET

	<i>Opening balance VND million</i>	<i>Movements during the year</i>		<i>Closing balance VND million</i>
		<i>Payables VND million</i>	<i>Paid VND million</i>	
Corporate income tax	268,556	994,266	(795,175)	467,647
Value added tax	13,573	157,557	(142,735)	28,395
Other taxes	19,447	237,130	(219,582)	36,995
	301,576	1,388,953	(1,157,492)	533,037

24.1 Current corporate income tax

The Bank has the obligation to pay corporate income tax ("CIT") at the rate of 20% of taxable profits according to Circular No. 78/2014/TT-BTC effective from 2 August 2014 (2015: corporate income tax is 22%).

The Bank's tax reports are subject to examination by the tax authorities. Because the application of tax laws and regulations to many types of transactions is susceptible to varying interpretations, amount reported in the consolidated financial statements could be changed at a later date upon final determination by the tax authorities.

Current corporate income tax payables are determined based on taxable income of the year. Taxable income differs from the one reported in the consolidated income statement since taxable income excludes incomes which are taxable or expenses which are deducted in prior periods due to the differences between the Bank's accounting policies and the tax regulations. It also excludes tax exempted income and non-deductible expenses. The current corporate income tax payable of the Bank is calculated based on the statutory tax rates applicable at the end of the year.

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24. TAX AND OTHER OBLIGATIONS TO THE STATE BUDGET (continued)

24.1 Current corporate income tax (continued)

Provision for current income tax expense is computed as follows:

	2016 VND million	2015 VND million
Profit before tax	4,929,311	3,096,202
<i>Plus/(Minus)</i>		
- Tax-exempt income	(872)	(9,982)
- Non-deductible expenses	15,105	41,229
- Other deductions	(7,875)	(372)
- Expenses arising from consolidation	24,968	57,235
- Other adjustments	-	(304)
Estimated taxable income	4,960,637	3,184,008
Tax expense	992,127	700,482
Adjustment for previous years	2,139	116
Total income tax expenses in the year	994,266	700,598
Income tax payable at the beginning of the year	268,556	73,479
Income tax paid during the year	(795,175)	(505,521)
Current income tax payable at the end of the year	467,647	268,586

24.2 Deferred income tax

Movements of deferred income tax during the year are as follows:

	2016 VND million	2015 VND million
Deferred tax liabilities at the beginning of the year	-	(264)
Realized expenses during year	-	264
Deferred tax liabilities at the end of the year	-	-

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26. OWNERS' EQUITY AND RESERVES

26.1 Statement of changes in equity

	Charter capital VND million	Share premium VND million	Other capital VND million	Capital supplementary reserve VND million	Financial reserve VND million	Investment and development fund VND million	Retained earnings VND million	Non- controlling interest VND million	Total VND million
Balance as at 1 January 2015	8,347,410	1,369	-	107,471	433,875	35	2,090,130	5	8,980,295
Net profit for the year	-	-	-	-	-	-	2,395,868	-	2,395,868
Issuance of bonus shares	44,350	-	17,543	(61,893)	-	-	-	-	-
Stock dividends	932,510	-	-	-	-	-	(932,510)	-	-
Issuance of preference shares	732,196	1,287,494	-	152,751	301,376	408,703	(862,830)	-	2,019,690
Appropriations to other reserves	-	-	-	-	-	-	-	-	-
Transfer of the financial reserve to investment and development fund	-	-	-	-	(28,750)	28,750	-	-	-
Adjustment due to divestment of subsidiaries	-	-	(17,543)	-	(17,543)	-	28,160	(5)	(6,931)
Balance as at 31 December 2016	8,056,466	1,288,863	-	198,329	688,958	437,488	2,718,818	-	13,388,922
Net profit for the year	-	-	-	-	-	-	3,935,045	-	3,935,045
Issuance of bonus shares	57,537	-	-	(57,537)	-	-	-	-	-
Stock dividends	1,066,997	-	-	-	-	-	(1,066,997)	-	-
Dividend paid for preference shares	-	-	-	-	-	-	(146,439)	-	(146,439)
Appropriations to reserves	-	-	-	198,904	395,817	1,058,133	(1,682,854)	-	-
Balance as at 31 December 2016	9,181,000	1,288,863	-	338,796	1,084,775	1,526,621	3,767,473	-	17,177,628

During the year, the Bank increased its charter capital from VND8,056,466 to VND9,181,000,000 by way of stock dividends and bonus shares using the outstanding capital supplementary reserve pursuant to Decision No. 261/QĐ-NHNN dated 3 March 2016 granted by the SBV Official Letter No. 321/UBCK-QLPH dated 19 January 2016 issued by the State Securities Commission and Business Registration Certificate with business code No. 01002333683 modified for the 35th time on 9 March 2016 by Hanoi Planning and Development Department.

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25. OWNERS' EQUITY AND RESERVES (continued)

25.2 Equity

	31 December 2016		31 December 2015	
	Shares	VND million	Shares	VND million
Number of registered shares	918,100,000	9,181,000	805,646,600	8,056,466
Number of shares issued	918,100,000	9,181,000	805,646,600	8,056,466
- Ordinary shares	844,880,400	8,448,804	732,427,000	7,324,270
- Preference shares	73,219,600	732,196	73,219,600	732,196
Number of outstanding shares	918,100,000	9,181,000	805,646,600	8,056,466
- Ordinary shares	844,880,400	8,448,804	732,427,000	7,324,270
- Preference shares	73,219,600	732,196	73,219,600	732,196

The face value of each share of the Bank is VND10,000.

Preference shares issued by the Bank are preference dividend shares which earn stable annual dividend and have no voting rights. It is expected that after three (3) years since the issuance date, the Bank will repurchase these preference shares as treasury shares or appoint a third party to acquire these preference shares.

26. BASIC EARNINGS PER SHARE

	2016	2015
Profit attributable to the ordinary shareholders of the Bank (VND million)	3,788,606	2,249,429
Weighted average number of ordinary shares (share)	844,880,400	844,880,400
Basic earnings per share (VND)	4.485	2.662

Profit attributable to the ordinary shareholders is calculated by the consolidated profit minus (-) dividends paid to preference shareholders.

Basic earnings per share of the prior year was adjusted due to the effects from the issuance of bonus shares and stock dividends in March 2016.

There was no event or condition which could lead to dilution of earnings per share at the year end.

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27. INTEREST AND SIMILAR INCOME

	2016 VND million	2015 VND million
Interest income from deposits	137,527	230,783
Interest income from loans to customers	20,898,218	14,872,500
Interest income from trading and investment securities	3,994,439	3,308,140
- Interest income from trading securities	161,557	87,902
- Interest income from investment securities	3,832,882	3,220,238
Interest income from guarantee activities	121,751	104,033
Other income from credit activities	479,181	243,345
	25,631,116	18,758,801

28. INTEREST AND SIMILAR EXPENSES

	2016 VND million	2015 VND million
Interest expenses for deposits	6,636,684	6,420,360
Interest expenses for borrowings	478,123	418,793
Interest expenses for valuable papers issued	3,200,385	1,523,461
Expense for other credit activities	148,065	42,750
	10,463,257	8,405,364

29. NET FEE AND COMMISSION INCOME

	2016 VND million	2015 VND million
Fee and commission income	2,114,834	1,597,313
Settlement and treasury services	242,661	188,163
Advisory activities	115,451	72,910
Trusted and agency activities	71,652	75,604
Income from business and insurance services	1,509,213	993,805
Other services	175,857	265,831
Fee and commission expenses	(1,261,908)	(712,646)
Settlement services and treasury services	(156,182)	(112,224)
Post and telecommunication	(119)	(663)
Trusted and agency activities	(1,279)	(2,557)
Advisory activities	(18,591)	(6,877)
Brokerage fees	(424,528)	(257,933)
Other expenses	(661,209)	(332,392)
	852,926	884,667

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30. NET LOSS FROM TRADING OF FOREIGN CURRENCIES

	2016 VND million	2015 VND million
Income from trading of foreign currencies	1,946,880	6,244,005
Income from spot trading of foreign currencies	417,567	330,463
Income from trading of monetary derivatives	1,529,313	5,913,542
Expenses for trading of foreign currencies	(2,265,840)	(6,534,477)
Expenses for spot trading of foreign currencies	(1,450,692)	(5,843,662)
Expenses for trading of monetary derivatives	(815,148)	(690,815)
	<u>(318,960)</u>	<u>(290,472)</u>

31. NET (LOSS)/GAIN FROM SECURITIES HELD FOR TRADING

	2016 VND million	2015 VND million
Income from trading of securities held for trading	40,911	100,758
Expenses for trading of securities held for trading	(191,820)	(66,561)
Provision reversal for securities held for trading	1,525	10,390
	<u>(149,384)</u>	<u>44,587</u>

32. NET GAIN FROM INVESTMENT SECURITIES

	2016 VND million	2015 VND million
Income from trading of investment securities	321,263	251,560
Expenses for trading of investment securities	(155,663)	(140,926)
Provision expenses for investment securities (Note 12.3)	(73,726)	(82,668)
	<u>91,874</u>	<u>27,966</u>

33. NET GAIN FROM OTHER OPERATING ACTIVITIES

	2016 VND million	2015 VND million
Income from other operations	1,450,885	957,363
Income from other derivatives	11	6,833
Bad debt recoveries	715,606	251,519
Income from fixed assets disposal	26,645	2,608
Income from other assets disposal	163,244	-
Income from debt purchase activities	460,893	622,222
Income from contracts penalty receivables	735	39,025
Other income	83,751	35,158
Expenses for other operations	(232,315)	(82,291)
Expenses for other derivatives	(3,647)	(21,737)
Expenses for purchasing debt activities	-	(46,093)
Loss from disposal of assets purchases contracts	(150,987)	-
Other expenses	(67,681)	(14,461)
	<u>1,218,570</u>	<u>875,072</u>

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34. INCOME FROM INVESTMENTS IN OTHER ENTITIES

	2016 VND million	2015 VND million
Income from disposal or divestment of other entities' shares	-	168,710
Dividend income	872	2,344
	872	171,054

35. OPERATING EXPENSES

	2016 VND million	2015 VND million
Expenses on taxes	175,386	70,654
Personnel expenses	3,430,934	3,183,691
<i>In which:</i>		
Salary and allowances	2,948,386	2,843,791
Expenses related to salary	217,958	165,835
Subsidy	167,096	115,564
Other allowances	97,492	58,501
Fixed asset expenses	949,653	740,327
<i>In which: depreciation and amortization of fixed assets</i>	<i>177,433</i>	<i>144,532</i>
Administrative expenses	733,927	670,510
<i>In which:</i>		
Expenses on per diem	41,803	39,942
Other provision expenses	75,970	-
Insurance fee for customer deposits	111,853	95,507
Other administrative expenses	1,143,619	931,780
	6,621,352	5,692,469

36. PROVISION EXPENSE FOR CREDIT LOSSES

	2016 VND million	2015 VND million
Reversal of provision for placements with and loans to other credit institutions	-	(5,720)
Provision expense for loans to customers (Note 11)	5,382,669	2,833,279
Provision (reversal)/expense for VAMC bonds (Note 12.3)	(70,635)	439,607
Provision expense for other assets (Note 16.4)	1,040	10,474
	5,313,094	3,277,640

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37. CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the consolidated cash flow statement comprise the following amounts on the consolidated balance sheet:

	31 December 2016 VND million	31 December 2015 VND million
Cash and cash equivalents on hand	1,727,361	1,632,425
Balances with the SBV	2,982,589	2,261,499
Current accounts at other credit institutions	2,025,318	843,579
Placements with other credit institutions with original term of three months or less	2,063,858	7,886,166
	8,799,126	12,623,669

38. EMPLOYEES' REMUNERATIONS

	2016 VND million	2015 VND million
I. Total average number of employees (persons) (only official employees)	15,157	11,066
II. Employees' remuneration (VND million)		
1. Total salary fund	2,332,047	2,352,722
2. Other remuneration	293,582	152,793
3. Total remuneration (1+2)	2,625,629	2,505,515
4. Average monthly salary	12.82	17.72
5. Average monthly remuneration	14.44	18.87

39. COLLATERALS AND MORTGAGES

Customers' collaterals and mortgages at the Bank as at the end of the year are broken down as follows:

	Book value	
	31 December 2016 VND million	31 December 2015 VND million
Real estates	148,665,359	136,759,382
Estates	30,749,819	21,046,244
Valuable papers	68,248,237	77,312,889
Others	94,972,311	89,346,542
	340,635,726	324,465,057

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40. RELATED PARTY TRANSACTIONS

Related party transactions include all transactions undertaken with other parties to which the Bank is related. A party is considered to be related if the party has ability to control or to influence other parties in making decision of financial policies and operational activities. A party is related to the Bank if:

- (a) Directly, or indirectly through one or more intermediaries, the party:
 - Controls, is controlled by, or is under common control with the Bank (including parents and subsidiaries);
 - Has an interest (owning 5% or more of the charter capital or voting share capital) in the Bank that gives it significant influence over the Bank;
 - Has joint control over the Bank.
- (b) The party is a joint venture in which the Bank is a venture or an associate (owning over 11% of the charter capital or voting share capital, but is not a subsidiary of the Bank);
- (c) The party is a member of the key management personnel of the Bank;
- (d) The party is a close member of the family of any individual referred to in (a) or (c); or
- (e) The party is a company that is controlled, jointly controlled or significantly influenced by, or for which significant voting power in such company resides with, directly or indirectly, any individual referred to in (c) or (d).

The Bank does not have any significant transactions, receivables and payables with related parties as at 31 December 2016 and for the year then ended, except for remunerations of members of the Board of Management, Board of Supervision and Board of Directors amounting to VND33,412 million during the year (31 December 2015: VND30,369 million).

41. CONCENTRATION OF ASSETS, LIABILITIES AND OFF-BALANCE SHEET ITEMS BY GEOGRAPHICAL REGIONS

	<i>Domestic VND million</i>	<i>Foreign VND million</i>	<i>Total VND million</i>
Loans to customers and other credit institutions	149,969,069	4,604	149,973,673
Total fund mobilized	196,441,153	7,326,316	203,767,469
Credit commitments	17,953,893	-	17,953,893
Derivative instruments	191,325	-	191,325
Trading and investment securities	59,038,627	-	59,038,627

42. FINANCIAL RISK MANAGEMENT POLICIES

The Bank has exposure to the following risks from financial instruments:

- ▶ credit risk;
- ▶ liquidity risk; and
- ▶ market risk.

This note presents information about the Bank's exposure to each of the above risks, its objectives, policies and processes for measuring and managing risk, and management of capital.

Risk management framework

The Board of Directors ("BOD") has overall responsibility for the establishment and oversight of the Bank's risk management framework. To facilitate this oversight function, the Bank's BOD has established an Assets and Liabilities Committee ("ALCO") and a Risk Committee ("RCO") which are responsible for developing and monitoring key risk management policies for specific areas authorized by the BOD and periodically report to the BOD on their activities. These committees include both permanent and non-permanent members.

The Bank's risk management framework is established to form key principles in managing and controlling significant risks arising from the Bank's activities. Based on this, specific policies and regulations for each type of risk are established to assist the Bank in analyzing and determining appropriate risk limits, controlling and monitoring measures and ensuring adherence to the limits.

Risk management policies and systems are reviewed regularly to reflect changes in market conditions, products and services offered. The Bank, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment, in which all employees understand their roles and obligations.

42.1 Credit risk

The Bank is subject to credit risk through its lending and investing activities and in cases where it acts as an intermediary on behalf of customers or other third parties or issues guarantees. The risk that counterparties might default on their obligations is monitored on an ongoing basis. The Bank's primary exposure to credit risk arises through its loans and advances. The amount of credit exposure in this regard is represented by the carrying amounts of the assets on the consolidated balance sheet. In addition, the Bank is exposed to off balance sheet credit risk through commitments to extend credit and guarantees issued.

42. FINANCIAL RISK MANAGEMENT POLICIES (continued)

42.1 Credit risk (continued)

Credit risk management

Credit risk is the one that exerts the largest impact on the Bank's income and capital. The Bank has established a credit risk appetite on the basis of managing credit activities in a prudent manner and in compliance with pre-determined limits including the credit concentration risk limits and adhering to the Bank's risk tolerance. In principle, the Bank refuses to get involved in credit activities or credit products until sufficient understanding of such and appropriate control measures are obtained. To keep credit risks under control, the Bank's policy is to engage in transactions with reliable partners, and request its partners to take guarantee measures as and when required.

The credit risk management system is operating based on the principles of independence and centralization. Accordingly, the development of risk management policies, determination of risk limits and risk monitoring, risk reporting and risk control are implemented independently and centrally at the Risk Management Division. The reports from the Risk Management Division are a basis for RCO to issue key credit decisions.

The Bank measures credit risks, make allowances and comply with safe ratios for loan and advances to customers and to other credit institutions in accordance with relevant regulations of the SBV.

The Bank's overall approach to credit risk is a risk based approach. Accordingly, credit approval or credit valuation decisions as well as the behavioral methods in monitoring and classifying credits and controlling credit risks are being designed following the risk levels of customers. To this end, key activities being implemented by the Bank include the followings:

- ▶ Focusing on completion of data infrastructure used for developing credit rating and risk classification systems in accordance with international standards;
- ▶ Developing and completing the credit rating system and the scorecard system;
- ▶ Gathering and reviewing credit policies/documents of the whole system to reassess the integrity and responsiveness to the requirements specified in the policies of Risk Management Framework;
- ▶ Completing the credit quality monitoring mechanism for the entire life cycle of a loan;
- ▶ Developing an early credit risk warning system; and
- ▶ Developing a debt recovery and restructuring system.

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42. FINANCIAL RISK MANAGEMENT POLICIES (continued)

42.1 Credit risk (continued)

The maximum exposure to credit risk before collateral held or other credit enhancements

The maximum exposures to credit risk relating to financial asset groups, which are equivalent to their carrying values in the consolidated balance sheet, are listed below:

	Not past due VND million	Past due but not impaired VND million	Past due and impaired individually VND million	Total VND million
Placements with and loans to other credit institutions	9,388,905	-	731	9,389,636
- Placements with other credit institutions	4,089,176	-	-	4,089,176
- Loans to other credit institutions	5,299,729	-	731	5,300,460
Trading securities	2,953,769	-	-	2,953,769
Loans to customers	133,327,709	4,523,159	6,822,345	144,673,213
Investment securities	51,912,390	226,907	3,945,561	56,084,858
- Available-for-sale investment securities	47,776,190	226,907	3,945,561	51,948,658
- Held-to-maturity investment securities	4,136,200	-	-	4,136,200
Other assets	12,926,305	-	223,406	13,149,711
Total	210,509,078	4,750,066	10,992,043	226,251,187

The above table presents the worst scenario in which the Bank will incur the maximum credit exposures as at 31 December 2016, without taking into account of any collateral held or their credit enhancement.

The Bank's financial assets which are not past due include loans to customers classified as group 1, except loans overdue less than 10 days, undue loans to customers classified as group 2 to group 5 due to restructuring, extending payment schedule or compulsory reclassification into max the worst group in accordance with CIC's results; and securities, receivables and other assets which are not past due. The Bank believes that it can recover fully and timely these financial assets in the near future.

The financial assets are past due but not impaired due to the Bank is currently holding the sufficient collateral assets to cover for credit losses in accordance with the current regulations of the State Bank.

The Bank is currently holding collaterals in the forms of real estates, movable assets, valuable papers and other types for the above financial assets. However, it has not been able to determine the fair value of such assets due to the inadequacy of specific guidance from the SBV and other authorities nor necessary market information.

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42. FINANCIAL RISK MANAGEMENT POLICIES (continued)

42.2 *Market risk*

Market risk is the risk that negative changes in prices and market-related values will adversely affect the Bank's income and capital. Some market risks include interest rate risk, currency risk and price risk. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return on risk.

Market risk management

Management of market risks is vested in the Market Risk Department under the Risk Management Division. The Department is responsible for the development of detailed market risk management policies and process, instruments, guidance on market risks management measures, propose independent market risks limits for review and approval by the Management and control market risks limit on daily/monthly basis according to the Bank's regulations.

Since the year 2012, the issued market risk management policy has provided fundamental principles and a system of tools, market risk limits on trading activities (Trading book) and other interest rate risk positions in the Banking Book, with controls such as the Net FX Exposure, Present value of a basis point - PV01, Cash Flow Exposure, Duration gap and maturity gap measurement (using the Repricing Model – Revaluation Gap).

In the future, when required condition of infrastructure and data are available, the Bank will adopt more advanced methods such as Value at Risk (VaR), Monte Carlo model, etc. to accurately measure risks and compute capital to be necessarily allocated for market risk under the Basel II standards.

Market forecasts also play an important role in market risk management. The Market Risk Management Department in combination with other specialized units gathers and analyzes information and data to generate forecasts regarding potential market movements. Accordingly, the Bank is provided with a sufficient basis for making decisions on effective risk prevention measures.

In the upcoming time, the Bank plans to actively research risk measuring models for financial derivatives in order to ensure preparedness for controlling associated risks when the Bank decides to provide the products in the Vietnamese market.

(a) *Interest rate risk*

The interest rates set by the Bank for loans to customers and customer deposits by maturity and currency are respectively presented in Note 10 and Note 20.

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42 FINANCIAL RISK MANAGEMENT POLICIES (continued)

42.2 Market risks (continued)

(a) Interest rate risk (continued)

The below table shows an analysis of the interest re-pricing period of assets and liabilities of the Bank as at 31 December 2015.

	Overdue VND million	Non-interest bearing VND million	Interest re-pricing period							Total VND million
			Up to 1 month VND million	From 1 to 3 months VND million	From 3 to 6 months VND million	From 6 to 12 months VND million	From 1 to 5 years VND million	Over 5 years VND million		
Assets										
Cash, gold and gemstones	-	1,727,361	-	-	-	-	-	-	-	1,727,361
Balances with the SBV	-	-	2,982,589	-	-	-	-	-	-	2,982,589
Balances with and loans to other credit institutions - gross	731	-	5,579,175	3,609,730	51,677	208,395	1,989,930	594,460	-	9,385,636
Securities held for trading - gross	-	-	-	109,307	17,329,358	19,751,469	19,106,544	41,335	-	2,953,789
Loans to customers - gross	11,245,504	-	64,430,148	22,868,855	204,668	3,150,245	29,193,667	5,450,594	-	144,873,213
Investment securities - gross	4,172,468	4,136,200	3,755,355	8,021,563	-	-	-	-	-	56,084,658
Long-term investments - gross	-	299,372	-	-	-	-	-	-	-	299,372
Fixed assets and investment properties	-	651,359	-	-	-	-	-	-	-	651,359
Other assets	223,406	9,969,544	379,183	447,254	1,045,763	1,084,551	-	-	-	13,149,711
Total assets	15,742,109	16,763,836	67,126,450	33,060,809	18,631,464	24,194,870	50,290,141	5,086,389	-	231,811,868
Liabilities										
Amounts due to the SBV	-	-	1,078,968	4,720	19,998	-	-	-	-	1,103,686
Deposits and borrowings from other credit institutions	-	-	15,683,990	9,002,855	1,754,852	2,414,101	-	-	-	26,835,898
Customer deposits	-	-	44,234,667	29,214,211	19,660,000	16,336,020	15,351,908	1,186	-	123,787,572
Derivatives and other financial liabilities	-	187,580	3,745	-	-	-	-	-	-	191,325
Other borrowed and entrusted funds	-	-	140,918	140,918	1,107,950	-	-	-	-	1,389,786
Valuable papers issued	-	-	1,350,710	5,143,930	5,601,745	20,350,938	16,001,784	1,440	-	48,660,527
Other liabilities	-	6,370,252	-	-	1,264,344	-	-	-	-	7,634,598
Total liabilities	-	6,557,832	62,472,936	42,508,734	29,396,889	39,301,059	31,353,272	2,606	-	211,593,390
Interest sensitivity gap (balance sheet)	15,742,109	10,206,004	4,653,452	(9,445,925)	(10,767,426)	(15,106,189)	18,936,869	6,083,783	-	20,318,478
Interest sensitivity gap (off-balance sheet)	-	-	-	-	-	-	-	-	-	-
Interest sensitivity gap (on, off-balance sheet)	15,742,109	10,206,004	4,653,452	(9,445,925)	(10,767,425)	(15,106,189)	18,936,869	6,083,783	-	20,318,478

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42. FINANCIAL RISK MANAGEMENT POLICIES (continued)

42.2 Market risk (continued)

(a) Interest rate risk (continued)

Interest sensitivity

Assuming that all other variables are unchanged, the fluctuation of interest rates of the loans with floating interest rates will have impact on profit before tax and equity of the Bank as follows:

		Impact on	
	Assumed increase in interest rate	Profit before tax VND million	Profit after tax and equity VND million
As at 31 December 2016			
USD	1.50%	(157,764)	(126,211)
VND	3.00%	161,595	129,276
As at 31 December 2015			
USD	1.50%	(65,674)	(51,225)
VND	3.00%	39,859	31,090

(b) Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Bank was incorporated and operates in Vietnam, with VND as its reporting currency. Meanwhile, the Assets – Resources Structure of the Bank includes other currencies (e.g. USD, EUR, AUD, etc.) which expose the Bank to currency risk.

Currency risk management

The Bank's management has set limits on positions by currency in accordance with the Bank's internal risk assessment system and the SBV's regulations. The major currency in which the Bank transacts is VND. The Bank's loans and advances were mainly denominated in VND with the remainder mainly in USD. Some of the Bank's other assets are in currencies other than the reporting currency of VND and USD. Positions are monitored on a daily basis and hedging strategies used to ensure positions are maintained within established limits.

Exchange rates of major currencies as at the reporting date are presented in Note 45. The exchange rate of USD/VND in 2017 is forecasted by the Bank to increase by from 5% to 5.5% in comparison with the exchange rate as at 31 December 2016.

Exchange rate sensitivity

Assuming that all other variables are unchanged, the table below shows the impact on profit before tax and equity of the Bank due to the changes that may occur by exchange rate. Risks due to the changes of exchange rates to other currencies of the Bank are not significant.

	<i>Assumed level of increase</i>	<i>Impact on profit after tax VND million</i>
As at 31 December 2016		
USD	2.00%	(12,359)
As at 31 December 2015		
USD	2.00%	(665)

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42. FINANCIAL RISK MANAGEMENT POLICIES (continued)

42.2 Market risks (continued)

(b) Currency risk (continued)

The following table presents assets and liabilities in foreign currencies translated into VND as at 31 December 2016.

	EUR equivalent VND million	USD equivalent VND million	Gold equivalent VND million	Other currencies equivalent VND million	Total VND million
Assets					
Cash, gold and gemstones	174,522	302,870	24,082	189,567	691,121
Balances with the SBV	-	648,720	-	-	648,720
Placements with and loans to other credit institutions	201,973	1,585,659	-	180,975	1,968,607
Loans to customers	-	3,006,614	-	-	3,006,614
Other assets	15,819	3,218,314	-	19,476	3,253,609
Total assets	392,314	8,760,177	24,062	390,118	9,566,871
Liabilities					
Deposits and borrowings from the SBV and other credit institutions	15,819	10,259,153	-	-	10,274,972
Customer deposits	511,939	6,524,966	-	389,514	7,426,419
Derivatives and other financial liabilities	(254,589)	(8,492,101)	-	(122,312)	(8,869,002)
Other borrowed and entrusted funds	-	1,107,950	-	-	1,107,950
Other liabilities	1,976	117,170	-	2,059	121,205
Total liabilities and equity	275,145	9,517,138	-	289,261	10,081,544
FX position on balance sheet	117,169	(756,961)	24,062	120,857	(494,873)
FX position off-balance sheet	(149,419)	(608,100)	-	(24,557)	(782,076)
Net on, off-balance sheet FX position	(32,250)	(1,365,061)	24,062	96,300	(1,276,949)

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42. FINANCIAL RISK MANAGEMENT POLICIES (continued)

42.2 Market risk (continued)

(c) Liquidity risk

Liquidity risk is the risk that the Bank will not be able to meet its financial obligations as they fall due, or, the risk that the Bank might have to face unacceptable material losses in order to meet those obligations. Liquidity risk may lead to negative effect on the Bank's profit, reputation, equity, even causes the Bank's bankruptcy.

Liquidity risk management

The Bank maintains a specific portfolio and volume of high-liquidation assets, which may include but not limited to cash, gold, interbank deposits, Government bonds and other high-liquidation assets in order to meet its liabilities when due under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Bank's reputation. The Bank will establish specific liquidity gap and follow strictly on each period based on Assets and Liabilities structure.

The Bank understands the interrelation of credit risk and market risk and how they may have impacts on the Bank's liquidity. The Bank also realizes that liquidity risks come from two sides of its balance sheet. Therefore, the Bank's approach to managing liquidity is to constantly focus on diversification of investment and credit activities and increases of accessibility to capital markets by various fund raising tools and products.

The Balance sheet Management Department under the Finance Division is responsible for daily oversight of the Bank's liquidity and submission of the Bank's separate liquidity reports to the ALCO for review and making decisions that are compatible with the development strategy of the Bank and the business status and market developments in different periods. The Bank adopts both of the common approaches to managing liquidity, namely Stock Approach and Flow Approach. Accordingly, the Bank monitors on a daily basis the compliance with adequate liquidity ratios and forecasts movements of cash flows which may have impact on the Bank's liquidity position in the future to ensure compliance at any time with all regulations of the SBV as well as its internal regulations.

Liquidity risk limits are established based on results of the Bank's liquidity forecast in normal and stressed market conditions. Regular liquidity stress testing is conducted under a variety of scenarios covering adverse conditions. At the same time, the Bank also issues specific regulations on a Liquidity Contingency Plan ("LCP") which clearly specifies the roles and responsibilities of each unit and individual and a coordination process for implementation when there appear signs of a possible stressed liquidity event.

The following table provides an analysis of the assets and liabilities of the Bank into relevant maturity groupings based on the remaining period from the consolidated balance sheet date to repayment date

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued) as at 31 December 2016 and for the year then ended

42. FINANCIAL RISK MANAGEMENT POLICIES (continued)

42.2 Market risk (continued)

(c) Liquidity risk (continued)

Below table presents the analysis of remaining maturity of assets and liabilities of the Bank as at 31 December 2016.

	Overdue		Current				Total VND million
	Above 3 months VND million	Within 3 months VND million	Up to 1 month VND million	From 1 to 3 months VND million	From 3 to 12 months VND million	From 1 to 5 years VND million	
Assets							
Cash, gold and gemstones	-	-	1,727,361	-	-	-	1,727,361
Balances with the SBV	-	-	2,982,589	-	-	-	2,982,589
Balances with and loans to other credit institutions – gross	731	-	5,579,175	3,809,730	-	-	9,388,636
Securities held for trading – gross	-	-	2,953,769	-	-	-	2,953,769
Loans to customers – gross	3,744,895	7,800,609	10,669,086	14,587,409	37,370,047	52,273,302	144,673,213
Investment securities – gross	581,043	3,511,425	285,355	400,833	4,971,675	37,863,833	56,084,858
Long-term investments – gross	-	-	-	-	-	-	259,372
Fixed assets and investment property	-	-	-	-	-	-	651,359
Other assets	223,406	-	8,651,991	588,315	3,565,819	110,180	13,149,711
Total assets	4,530,076	11,212,034	32,859,328	19,386,387	45,907,541	90,247,315	231,911,868
Liabilities							
Amounts due to the Government and the SBV	-	-	1,078,968	4,720	19,898	-	1,103,686
Deposits and borrowings from other credit institutions	-	-	15,411,565	6,769,689	4,574,359	2,071,345	28,836,898
Customer deposits	-	-	44,234,867	28,214,211	35,734,034	15,603,494	123,787,572
Derivatives and other financial liabilities	-	-	132,170	83,251	(38,590)	14,494	181,325
Other borrowed and entrusted funds	-	-	57	394	14,344	1,371,898	1,389,786
Valuable papers issued	-	-	1,352,149	5,143,830	21,427,634	18,226,784	48,650,527
Other liabilities	-	-	5,943,233	221,821	1,454,581	14,761	7,634,596
Total liabilities	-	-	68,152,809	40,438,116	63,188,510	37,302,756	211,583,390
Net liquidity gap	4,530,076	11,212,034	(35,293,483)	(21,051,729)	(17,278,969)	52,944,559	20,318,478

(d) Other market price risk

Other than the assets and liabilities presented above, the Bank is not exposed to other market price risks with risk levels accounting for 5% of the Bank's net income or with value of relating assets/liabilities accounting for 5% of the Bank's total assets.

43. FINANCIAL ASSETS AND FINANCIAL LIABILITIES

On 6 November 2009, the Ministry of Finance issued Circular No. 210/2009/TT-BTC providing guidance for the adoption in Vietnam of the International Financial Reporting Standards on presentation and disclosures of financial instruments ("Circular 210") with effectiveness from financial years beginning on or after 1 January 2011.

The Circular 210 only regulates the presentation of financial statements and disclosures financial instruments, therefore, the below definitions of financial assets, financial liabilities and other relating definitions are applied solely for the preparation of this Note. The Bank's assets and liabilities are still recognized and recorded in accordance with Vietnamese Accounting Standards, Accounting System for Credit Institutions, regulations of the State Bank of Vietnam and statutory requirements relevant to preparation and presentation of the consolidated financial statements.

Financial assets

Under Circular 210, financial assets of the Bank include balance with the SBV and placement with other credit institutions, loans to customers and other institutions, investment security, other receivables and currency derivative contracts.

Financial assets within the scope of Circular 210, for disclosures in the notes to the consolidated financial statements, are classified into either of the followings:

► *Financial asset at fair value through profit or loss*

Financial asset at fair value through profit and loss is a financial asset that meets either of the following conditions:

- a) A financial asset is classified as held for trading if:
 - ✓ It is acquired or incurred principally for the purpose of reselling or repurchasing it in the near term;
 - ✓ There is evidence of a recent actual pattern of short-term profit-taking; or
 - ✓ It is a derivative (except derivative that is a financial guarantee contract or effective hedging instrument).
- b) Upon initial recognition, it is designated by the entity as at fair value through profit or loss.

► *Held to maturity investments*

Held to maturity investments are non-derivative financial assets with determinable payments and fixed maturity that an entity has the positive intention and ability to hold to maturity other than:

- a) Those that the entity upon initial recognition designates as at fair value through profit or loss;
- b) Those that the entity designates as available for sale;
- c) Those meet the definition of loans and receivables.

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43. FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)

Financial assets (continued)

► *Loans and receivables:*

Loans and receivables are non-derivative with fixed payments or can be recognized and are not quoted on the market, unless:

- a) Those that the Bank intends to sell immediately or in the near future are classified as assets held for trading purposes, and others that at the same time of initial recognition that the entity classified at fair value according to result of income statement;
- b) Those that the Bank classifies as available-for-sale at the time of initial recognition; or
- c) Those that the holders may not recover most of the initial investment cost, not due to the impairment of the credit quality and are classified as available-for-sale.

► *Available-for-sale financial assets*

Available for sale financial assets are those non-derivative financial assets that are designated as available for sale or are not classified as:

- a) Loans and receivables;
- b) Held-to-maturity investments;
- c) Financial assets at fair value through profit or loss.

Financial liabilities

According to Circular 210 financial liabilities of the Bank includes deposits and loans from other institutions, valuable papers issued and other financial liabilities.

Financial liabilities within the scope of Circular 210, for disclosures in the notes to the consolidated financial statements, are classified into either of the followings:

► *Financial liability at fair value through profit or loss:*

Financial liability at fair value through profit and loss is a financial liability that meets either of the following conditions:

- a) It is classified as held for trading. A financial liability is classified as held for trading if:
 - ✓ It is acquired or incurred principally for the purpose of reselling or repurchasing it in the near term;
 - ✓ There is evidence of a recent actual pattern of short-term profit-taking; or
 - ✓ It is a derivative (except derivative that is a financial guarantee contract or effective hedging instrument).
- b) Upon initial recognition, it is designated by the entity as at fair value through profit or loss.

► *Financial liabilities at amortized cost:*

Financial liabilities that are not classified as at fair value through profit or loss are classified as at amortized cost.

Vietnam Prosperity Joint Stock Commercial Bank

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43. FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)

Offsetting of financial assets and financial liabilities

Financial assets and financial liabilities are offset and the net amount reported in the consolidated balance sheet if and only if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis or to realize the assets and settle the liabilities simultaneously.

The carrying value and fair value of financial assets the Bank as at 31 December 2016 are presented as follows:

	Carrying value				Other assets and liabilities recorded at amortized cost		Fair value VND million
	Financial assets at fair value through profit and loss VND million	Held-to-maturity VND million	Loans and receivables VND million	Available-for-sale VND million	VND million	Total VND million	
Cash, gold and gemstones	-	-	1,727,361	-	-	1,727,361	1,727,361 (*)
Balances with the SBV	-	-	2,982,589	-	-	2,982,589	(*)
Balances with and loans to other credit institutions - gross	-	-	9,389,636	-	-	9,389,636	(*)
Securities held for trading - gross	2,953,769	-	-	-	-	2,953,769	(*)
Loans to customers- gross	-	-	144,673,213	-	-	144,673,213	(*)
Available-for-sale securities - gross	-	-	-	51,948,658	-	51,948,658	(*)
Held-to-maturity securities - gross	-	4,136,200	-	-	-	4,136,200	(*)
Other financial assets	-	-	9,228,496	299,372	-	9,527,868	(*)
	2,953,769	4,136,200	169,001,295	52,248,030	-	227,339,294	(*)
Deposits and loans from State Bank of Vietnam	-	-	-	-	1,103,686	1,103,686	(*)
Deposits and loans from other credit institutions	-	-	-	-	28,835,898	28,835,898	(*)
Customer deposits	-	-	-	-	123,787,572	123,787,572	(*)
Derivatives and other financial liabilities	191,325	-	-	-	-	191,325	(*)
Other borrowed and entrusted funds	-	-	-	-	1,389,786	1,389,786	(*)
Valuable papers issued	-	-	-	-	48,650,527	48,650,527	(*)
Other financial liabilities	-	-	-	-	8,383,843	8,383,843	(*)
	191,325	-	-	-	210,151,312	210,342,637	(*)

(*) The fair value of these financial assets and liabilities cannot be determined because there is no specific guidance in determination of fair value under Vietnamese Accounting Standards and Accounting System.

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44. EVENTS AFTER THE CONSOLIDATED BALANCE SHEET DATE

There have been no significant events occurring after the consolidated balance sheet date which require adjustment and disclosures to be made in the consolidated financial statements.

45. EXCHANGE RATES OF APPLICABLE FOREIGN CURRENCIES AGAINST VIETNAMESE DONG AT THE END OF THE YEAR

	31 December 2016 VND	31 December 2015 VND
AUD	16,274	16,290
CAD	16,718	16,041
CHF	22,121	22,471
CNY	3,192	3,389
DKK	3,159	3,160
EUR	23,770	24,340
GBP	27,656	33,193
JPY	194	186
NZD	17,122	17,122
SEK	3,027	3,078
SGD	15,609	15,758
THB	620	Not applicable
TWD	30	30
USD	22,159	21,890
XAU	359,000	324,500

Prepared by: 



Ms. Nguyen Thi Thu Hang
Chief Accountant

Reviewed by:



Ms. Luu Thi Thao
Deputy Chief Executive Officer
cum. Chief Financial Officer

Approved by:



Ms. Nguyen Duc Vinh
Chief Executive Officer

Hanoi, Vietnam

20 February 2017

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