



**ANNUAL REPORT**  
**2012**

# TABLE OF CONTENTS

<b>05</b>	<b>Financial Highlights</b>
<b>06</b>	<b>Message from the Chairman</b>
<b>08</b>	<b>Message from the CEO</b>
<b>10</b>	<b>Introduction to VPBank</b>
<b>11</b>	<b>10 Highlighted Events in 2012</b>
<b>12</b>	<b>2012 Business Performance Report</b>
<b>23</b>	<b>Highlighted Activities in 2012</b>
<b>35</b>	<b>Organization Structure &amp; Management Profiles</b>
<b>44</b>	<b>2012 Audited Financial Statements</b>
<b>102</b>	<b>Corporate Governance Report</b>
<b>118</b>	<b>Corporate Social Responsibility</b>
<b>119</b>	<b>Outline of Business Plan for 2013</b>
<b>122</b>	<b>VPBank's Network</b>





In 2012, Vietnam's economy continued facing many challenges which significantly exerted impacts on the financial and banking markets in general and VPBank in particular. For VPBank, the year 2012 also signified its most remarkable transformation progress in laying important foundations which gather momentum for a period of ambitious growth. In addition to executing business strategies, VPBank has focused on the comprehensive improvement of its foundation systems, including human resources management, risk management and technology investment, etc. This is one of the strategic prongs which ensure VPBank's robust and sustainable development in the future and realize its ambition to be in Top 5 joint-stock commercial banks and Top 3 retail joint-stock commercial banks in Vietnam by 2017. Therefore, we have decided to choose the following theme for VPBank's 2012 annual report:

#### **STRONG FOUNDATION FOR BREAKTHROUGH SUCCESS**

The symbolic images selectively used throughout this year's annual report are deep-rooted and high-reaching trees which express VPBank's resolve to achieve sustainable development and ambitious success.



## Vision

By 2017, VPBank will become

# 1

of the 5 leading joint-stock commercial banks in Vietnam  
of the 3 leading retail joint-stock commercial banks in Vietnam

---

## Mission

To maximize customers' benefits, attach special importance to the interests of employees and shareholders, build a strong corporate culture, and contribute effectively to community development

---

## Core Values

Customer Focus  
Productivity  
Ambition  
People Development  
Trust  
Make the Difference

## Financial Highlights

Unit: VND million

INDICATOR	2010	2011	2012
Total assets	59,807,023	82,817,947	<b>102,576,275</b>
Shareholders' equity	5,204,731	5,996,245	<b>6,637,017</b>
Profit before tax	663,144	1,064,255	<b>852,732</b>
Loans to customers	25,323,735	29,183,643	<b>36,903,305</b>
Deposits	48,719,428	71,061,691	<b>91,372,070</b>
<i>Deposits from customers</i>	23,969,645	29,412,135	<b>59,514,141</b>
<i>Deposits and borrowings from other credit institutions</i>	13,781,961	25,587,591	<b>25,655,717</b>
<i>Issued valuable papers</i>	9,631,647	15,042,115	<b>4,766,100</b>
<i>Other deposits</i>	1,336,175	1,019,850	<b>1,436,112</b>
CAR	14.29%	11.94%	<b>12.51%</b>
Operating expense/total operating income	44.44%	52.36%	<b>62.31%</b>
ROAA	1.15%	1.12%	<b>0.69%</b>
ROAE	9.67%	14.28%	<b>10.19%</b>

### TOTAL ASSETS (VND million)

2010	59,807,023
2011	82,817,947
<b>2012</b>	<b>102,576,275</b>

### SHAREHOLDERS' EQUITY (VND million)

2010	5,204,731
2011	5,996,245
<b>2012</b>	<b>6,637,017</b>

### LOANS TO CUSTOMERS (VND million)

2010	25,323,735
2011	29,183,643
<b>2012</b>	<b>36,903,305</b>

### DEPOSITS FROM CUSTOMERS (VND million)

2010	23,969,645
2011	29,412,135
<b>2012</b>	<b>59,514,141</b>

## Message from the Chairman



**Dear valued customers, shareholders, investors and strategic partners,**

The year 2012 ended with remarkable events in the banking sector: numerous changes of senior executives, restructuring of the operating model, enhanced strategic cooperation, and an emerging M&A trend for better operational efficiency. While exerting some pressure and short-term fluctuations, such changes will strengthen the competitiveness and stability of the banking sector in the long term, thus generating new opportunities and challenges.

**For Vietnam Prosperity Joint-Stock Commercial Bank (VPBank), we also faced a number of difficulties, which are best illustrated by the two following indicators:**

- Profit before tax reached only 66% of the annual target;
- Credit growth (growth of loans to customers and corporate bonds) was 14%, compared to VPBank's expected growth of 30%.

The above figures also reflected difficulties commonly faced by the banking sector in 2012, yet it is encouraging that they are relatively better than the average level of the top 15 biggest commercial banks.

**Having overcome those challenges, VPBank has made some remarkable achievements:**

- Raising its charter capital to VND5,770 billion in December 2012, with CAR standing at 12.51%. Total assets maintained a good growth rate relative to 2011 (24%);
- Implementing the strategic transformation program diligently with support from one of the world's leading consulting companies, with an aim to become one of the top 3 retail banks by 2017. At the end of 2012, VPBank's units have finalized detailed strategic maps and got ready to implement their action plans;
- Appointing a number of senior executives, restructuring the operating model to strengthen governance, risk management, and sales, thus laying strong foundations for reaching strategic goals;
- Building up the Bank's foundation systems, with core components expected to be completed in 2012-2013, by initiating major projects with support from leading consulting partners in areas such as corporate governance, information technology, risk management, human resources management, and distribution network;
- Making VPBank's brand stronger and further trusted by customers. In 2012, VPBank was named one of the most outstanding national brands.

**In 2013, VPBank will focus on the following core duties:**

- Building and further strengthening foundation systems, with an overall goal of improving operating model, enhancing human resources management, reinforcing risk management, and investing in advanced technologies, thus securing rapid, solid, and sustainable growth in the coming years under VPBank's strategy for 2012-2017.
- Establishing a dynamic and flexible business development model by enhancing the performance and quality of sales staff, renewing the business model, developing new distribution channels in addition to the traditional network, tailoring customer policies and products for each customer segment, all aimed at growing the customer base and gaining a breakthrough market share with regard to VPBank's core customer segments, e.g., retail, SMEs and corporates.

On behalf of VPBank's Board of Directors, I would like to express my sincere thanks to valued customers, shareholders, investors and strategic partners for your support over the past years. We look forward to your continued support to VPBank on its journey to achieve strategic goals and become one of the leading commercial banks in Vietnam.



**Ngo Chi Dzung**

Chairman of the Board of Directors

## Message from the CEO



### **Dear valued customers, shareholders, investors and strategic partners,**

We have witnessed the year of 2012 with many changes in Vietnam's economy and the banking sector. Inflation control and macroeconomic stabilization policies have gained significant achievements, yet they also exerted impacts on the overall economic growth and business performance of the banking system.

In that context, VPBank has tried its best to strengthen systems and keep reasonable and solid growth pace, which was illustrated by remarkable results below:

1. Customer deposits continued to grow, **reaching close to VND60 trillion** and representing an increase of **102%** compared to 2011. Deposit growth created diversity of funding sources, improved financial ratios of the whole bank significantly, and helped VPBank proactively manage its liquidity.

2. Customer base continued to grow and strengthen. As of 31 December 2012, the number of customers doing transactions with VPBank increased by **42%** compared to the end of 2011.

3. Extensive investment has been spent on foundation systems such as **human resources management, risk management, information technology, and operation systems**, laying the foundation for a solid and secure expansion period in the years to come.

**Firstly**, the organisational structure has been restructured towards centralisation and specialization, spreading from key functions such as credit processing, debt collection, risk management, to supporting functions such as security, management of specialized vehicles, etc; high-quality employees have been recruited to quickly fill up positions in the new organizational structure. In 2012, VPBank also succeeded in standardizing its employee titles and human resources planning systems, establishing standard sets of KPIs, and building a corporate culture based on 6 core values with encouraging results.

**Secondly**, risk management has been considered a core task, with the establishment of an independent Risk Management Division. As the end of 2012, the organization structure and staffing for this Division were largely completed, and this Division played an important role in supporting the Board of Management to cope with macroeconomic fluctuations, liquidity risk, interest rate risk and effectiveness of money market activities, debt collection, and risks arising from the Bank's daily operations given their increasing scale and complexity.



**Thirdly**, information technology has been considered an essential link in the chain to meet the Bank's growth expectations in the next 5 years. In 2012, VPBank successfully upgraded its T24 system and thoroughly reviewed the information technology strategic roadmap (IT Master Plan), which is the foundation for intensive and extensive investments from 2013 onwards. The Bank's investment in technology will be directed to meet retail banking requirements with customer focus.

For 2013, VPBank set out very challenging targets which should be achieved to confidently join the top 3 retail banks. Two important strategies will be executed, including Retail Banking Strategy and SME Banking Strategy, with the following targets:

- Total deposits from customers at VND81,000 billion;
- Lending to customers at nearly VND48,000 billion;
- Profit before tax at VND1,110 billion, an increase of 30% from 2012;
- Number of new customers at 250,000, including both individuals and enterprises;
- Non-performing loans at below 3%;
- Customers, products and markets development: in 2013, VPBank will continue to enhance the performance and quality of sales staff, improve the business model, expand customer base and distribution channels, promote cross-selling, and tailor customer and product policies to each customer sub-segment;
- Building up a comprehensive risk management system and risk control system, with focus on credit risk and operational risk. International advisory services will be used to set out a specific roadmap for developing professional risk management systems, which meet international standards and are in line with requirements of Basel II;
- Debt collection in 2013 will focus on establishing processes and regulations on debt handling flows and responsibility of related parties; establishing monitoring and reporting systems to promptly provide full visibility of bad debt and debt collection;
- Completing the implementation of IT projects and initiatives. The Bank will further make use of features of the core banking system in accordance with the IT Master Plan, and deploy additional modules and other utilities to better serve business and management requirements;
- Enhancing the efficiency of network development strategy with an aim to establish new branches and ATM system in parallel.

The year 2013 is considered highly important in VPBank's breakthrough growth strategy. We look forward to the continued support of our valued customers, shareholders, investors and strategic partners and commit to bringing in values commensurate with your trust.

Best regards,

**VND102,576** billion  
total assets  
grow by 24% against 2011



**Nguyen Duc Vinh**  
CEO

## Introduction to VPBank



Vietnam Prosperity Joint-Stock Commercial Bank (formerly known as Vietnam Joint-Stock Commercial Bank for Private Enterprises) was established on 12 August 1993. After nearly 20 years of operation, VPBank has increased its charter capital to VND5,770 billion, raised the number of transaction points to over 200, and had a workforce of more than 4,000 employees.

As a member of the group of 12 leading banks in Vietnam (G12), VPBank is taking steps to reaffirm its reputation as a dynamic bank with stable financial capacity and responsibility to the community. To achieve this ambitious vision, VPBank has implemented an aggressive growth strategy for the period 2012 - 2017 with the support of McKinsey, one of the world's leading consulting companies. Accordingly, VPBank will focus on organic growth in targeted customer segments, build up foundation systems expeditiously to serve its growth needs, and monitor opportunities in the market actively.

The remarkable growth of VPBank is vividly illustrated by the expansion of its branch and transaction office network

and the diversity of sales and distribution channels. With the motto of "all for customers", the layout, service model and amenities of transaction points have been completely changed. The products and services of VPBank have always been improved and combined with many utilities to increase customers' benefits, etc. These factors have contributed to satisfying existing customers, attracting new customers, thus expanding VPBank's customer base at a fast pace.

To prepare for a stable and sustainable growth, VPBank has conducted comprehensive measures to build foundation systems. The Bank has always been the market leader in applying advanced information technology to its products, services and operation system. Along with building a strong and effective corporate culture, core human resources management systems have been developed and successfully implemented at VPBank. In addition, the Bank has taken steps to develop an independent, centralized, and specialized risk management system which meets international standards and aligns with the Bank's business strategy. While complying with international best practices in corporate governance, VPBank also refines its organizational structure according to a clear and transparent corporate governance policy.

With constant efforts, VPBank's brand has become increasingly stronger and reaffirmed by many prestigious awards such as: The Best Payment Bank awarded by Citibank and Bank of New York, Bank with the most satisfactory service quality for customers, National Brand in 2012, Top 500 biggest enterprises in Vietnam and many other awards.

**G12** as a member of the group of 12 leading banks in Vietnam, VPBank is taking steps to reaffirm its reputation as a dynamic bank with stable financial capacity and responsibility to the community



# 10 HIGHLIGHTED events in 2012



**1. Announcement of VPBank's development strategies for 2012-2017.** On 11 August 2012, VPBank announced its three-pronged strategy to realize its vision to be in Top 5 Joint-stock Commercial Banks in Vietnam and Top 3 Retail Joint-stock Commercial Banks in Vietnam by 2017.

**2. Charter capital increased to VND5,770 billion.** On 2 November 2012, the State Bank of Vietnam approved the increase of VPBank's charter capital from VND5,050 billion to VND5,770 billion. This is a step in the roadmap for strengthening VPBank's financial capacity to implement its development strategy.

**3. VPBank received many prestigious awards** such as three awards for outbound growth, growth in number of transaction points and highest transaction activation points by Western Union; "Excellent International Payment Bank in 2012" award by the Bank of New York Mellon (U.S.); Bank with the highest level of customers' satisfaction; National Brand Award in 2012; and Strong Brand Award in 2012, etc. These awards have reaffirmed the quality of VPBank's financial and banking operations, its superiority in product and service quality, and its firm position in consumers' mind.

**4. Developing and implementing Debt Collection Strategy.** With consulting services of McKinsey, VPBank has developed an overall debt collection strategy, including analysis of the Bank's current situation of debt collection, design of an overall debt collection model, establishment of debt collection processes, and staff recruitment for this model. This strategy will be further implemented in 2013 with new initiatives to standardize and improve the efficiency of the Bank's debt collection system.

**5. Launching new branch layout.** In an effort to strengthen its modern retail banking model, enhance brand identity, and improve service quality, VPBank has launched a new branch layout at VPBank My Dinh, Hanoi on 15 October 2012. This branch layout has been designed with a dynamic and customer-focused style, which is in line with one of VPBank's core values - "Customer Focus".

**6. Developing and implementing Alternative Channels Strategy,** which includes the Integrated Direct Conversation (Alpha), Worksite Banking (Beta) and Distributor Tie-ups (Gamma) channels – shortly referred to as A/B/G. These channels are closely integrated with each other and with VPBank's branch network in sales and customer care stages. Being operational for the last 6 months of 2012 though, A/B/G channels have played their roles effectively, contributing to VPBank's growth of new customers by 42% from 2011.

**7. Scaling up Credit Processing Centralization Model.** After the successful pilot phase, VPBank continued to scale up its credit processing centralization model through Credit Processing Centers (CPC) with two main objectives, i.e., improving the effectiveness of risk management and freeing up sales time for branches. By 31 December 2012, CPCs have been connected to all branches of VPBank in Hanoi, Hai Phong and Ho Chi Minh City.

**8. Launching Corporate Culture Project.** To lay foundation for a breakthrough growth period in the future, on 8 May 2012, VPBank kicked off its Corporate Culture Project. VPBank's Cultural House has been established on a solid foundation of 6 core values and 18 behavioral orientations.

**9. Formulating Information Technology Strategy (IT Master Plan):** In 2012, VPBank expeditiously formulated the Information Technology Strategy for 2013 – 2017 with the support of the global consulting firm PricewaterhouseCoopers (PwC). This is one of VPBank's important steps to lay a robust and reliable information technology foundation to support the Bank's ambitious growth strategy.

**10. Establishing the Risk Management Division and strengthening risk management framework** in order to put in place an independent, centralized, and specialized risk management system in accordance with international standards and aligned with the Bank's business strategy. Concomitantly, VPBank initiated the Pre Basel II Project, which is one of the key risk management projects in 2012 and a prerequisite for implementing Basel II Capital Accord in the future.





**2012 BUSINESS  
PERFORMANCE  
REPORT**



## Financial Indicators

### I. OVERVIEW OF THE ECONOMY, BANKING SYSTEM AND POLICY CHANGES IN 2012

#### 1. Overview of the economy and banking system in 2012

The year 2012 ended with many macroeconomic uncertainties and fluctuations in the banking system. The economy grew slowly, with full-year GDP growth rate reaching only 5.03% and falling short of the Government's target of 5.5%-6%. Enterprises encountered lots of difficulties, widespread bankruptcy, and increasing inventory, which caused credit growth to stall. Banks' bad debts became one of the most pressing issues in 2012. Credit growth of the entire banking system in 2012 merely reached 8.91%, much lower than previous years and less than the State Bank of Vietnam (SBV)'s credit growth controlling target of 10-12%.

In addition, operations of the banking system revealed many uncertainties. The restructuring of the banking system was initiated in the last months of 2011, with the merger of three banks, i.e., Sai Gon Commercial Bank (SCB), Vietnam Tin Nghia Bank (TinNghiaBank) and First Commercial Bank (Ficombank). Subsequently, Hanoi Building Commercial Joint Stock Bank (Habubank) was officially merged into Sai Gon – Hanoi Commercial Bank (SHB) in August 2012. However, this process took place at slow pace and not yet showed its impact clearly in 2012.

#### 2. Monetary policy volatilities and their impact on VPBank's operations in 2012

##### **Interest rate policy**

The interest rate policy in 2012 embraced a lot of major and constant changes. The ceiling interest rate for short-term VND deposits was repeatedly lowered from 14% per annum in the early months of 2012 to 8% per annum at the end of the year. Also, the SBV in July provided guidance to commercial banks to keep lending interest rate under 15% per annum. The interest rate of short-term VND lending for agriculture, rural development, export, supporting industry, small and medium-sized enterprises fell from 13% to 12% per annum in December 2012.

The lowering of interest rates was urgently required to enhance trust of people in the local currency, reduce borrowing interest burden for enterprises, and created foundation to help business and manufacturing activities to pick up. In recognition of this, VPBank has always followed the SBV's regulations on deposit interest rate, introduced various preferential credit packages to enterprises, and still managed to meet the Bank's business goals.

##### **Directive 01 of the SBV and classification of banks**

In February 2012, the SBV's promulgated Directive 01/CT-NHNN and Letter No. 674/NHNN-CSTT on the implementation and organization of monetary policy in 2012. Accordingly, the SBV's classified banks into four groups with four corresponding credit growth limits in 2012: Group 1 with a limit of 17%, Group 2 with a limit of 15%, Group 3 with a limit of 8%, and Group 4 with no credit growth. This regulation aims at classifying banks according to their respective financial soundness, controlling credit growth rate, and avoiding excessive credit growth by commercial banks without proper deposit base – a phenomenon that caused the banking system's liquidity to fall into chaos in 2011.

##### **Tightening the interbank markets**

Circular No. 21/2012/TT-NHNN issuing regulations on the interbank activities took effect on 1 September 2012. This Circular stipulated a number of tight provisions to control interbank deposit and lending activities. Accordingly, credit institutions will be restricted in borrowing if they incur overdue loans of more than 10 days with other credit institutions or branches of foreign banks, and provision should be set aside for interbank transactions.

##### **Tightening the foreign currency positions of commercial banks**

Circular No. 7/2012/TT-NHNN of the SBV stipulating foreign currency positions of credit institutions, branches of foreign banks came into effect on 2 May 2012. Accordingly, foreign currency positions of credit institutions were narrowed down from +/-30% of equity to +/-20% of equity, which restricted speculation and investment opportunities of credit institutions in this area.

##### **Tightening regulations on gold market management**

The date of 25 November 2012 was considered a significant milestone for the gold market when the SBV required credit institutions to cease new gold deposit and gold lending activities. Only liquidity-strapped credit institutions were granted exception to get new gold deposits, the term of which however is limited to 30 June 2013.

The gold trading management policy of the SBV began to take shape, e.g., (i) SJC gold bar became the national brand and the SBV had exclusive right to mint SJC gold, (ii) the gold deposit - lending activities shall be converted into safe-keeping or buying - selling activities.

Amid such volatilities of the economy and the banking system, VPBank's management decided 2012 would be a year for the Bank to further strengthen its foundation systems, enhance the efficiency and safety of operations, and lay foundations for breakthrough growth in the years to come.

**2012 marks a breakthrough for VPBank in terms of asset size. For the first time, VPBank joined the top banks with total assets of over VND100,000 billion. The growth in size was accompanied by stronger asset quality, better liquidity, and safety of banking operations.**

## II. ANALYSIS OF THE PERFORMANCE AND FINANCIAL INDICATORS OF VPBANK IN 2012

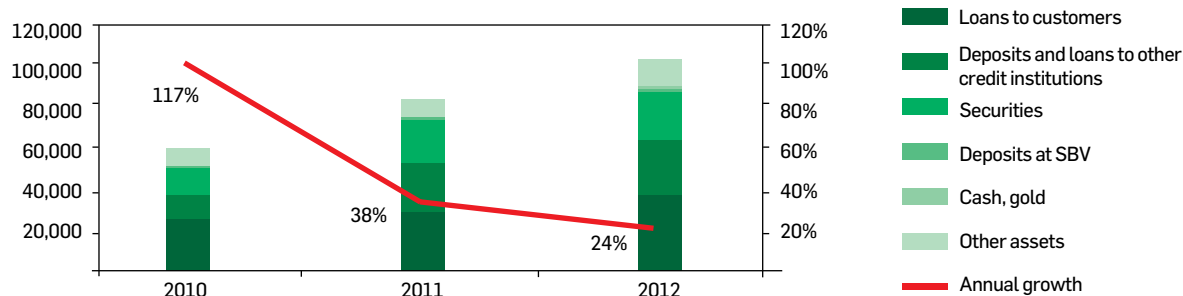
### 1. Asset structure

With robust growth in size as a goal in 2012, VPBank's total consolidated assets reached VND102,576 billion, up by nearly VND20,000 billion, or 24%, compared to the end of 2011. The growth of total assets was mainly attributed to the

growth of loans to customers, investment securities, deposit and lending to other credit institutions. Specifically:

- **Deposit and lending to other credit institutions** at the end of 2012 reached VND26,761 billion, up by VND3,800 billion, or 17%, compared to the end of 2011. Of which, deposits at credit institutions declined by VND5,243 billion (a decrease of 23%) and lending to credit institutions grew by VND9,097 billion compared to the end of 2011.

Unit: VND billion



Source: Audited consolidated financial statements

- **Investment securities** increased by VND3,236 billion (an increase of 17%) compared to the end of 2011. The increase of investment securities was primarily attributed to those in Government securities, including Government bonds (an increase of VND4,766 billion), SBV bills (an increase of VND1,500 billion) and Treasury bills (an increase of VND1,240 billion). The portfolio of corporate bonds and bonds issued by credit institutions whereas shrank. This was in line with VPBank's policy on optimizing the asset portfolio and building a stronger and more liquid balance sheet.

- **Loans to customers** reached VND36,903 billion at the end of 2012, up by 26% compared to the end of 2011.

VPBank was one of the banks with the highest customer lending growth rate in the banking sector. This growth rate also exceeded 10% of the target set out by the General Shareholders' Meeting early in the year. In August 2012, VPBank's 2012 credit growth limit was adjusted up to 30% by the SBV. This is the highest adjusted credit growth rate granted by the SBV, which reflected its appreciation of VPBank's governing and risk management capacity.

Loans are concentrated on customers with sound financial conditions, adequate collaterals, and good repayment capability. Thanks to its credit quality control and prudent lending policy, VPBank's NPL ratio at the end of 2012 was kept at 2.72%.

Loans to customers

Unit: VND billion

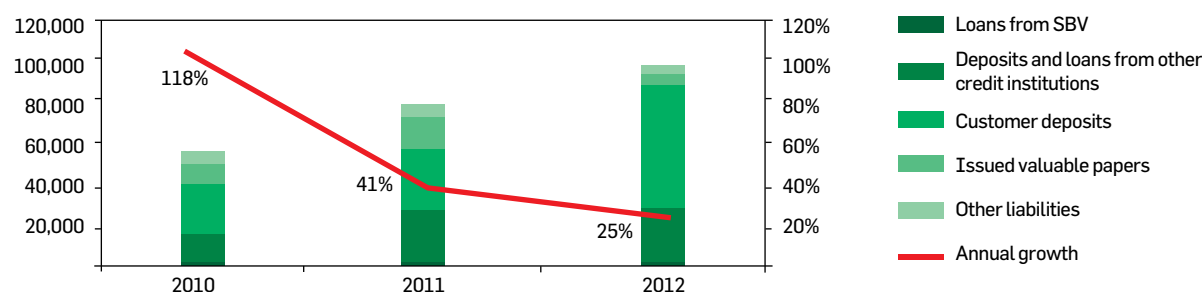
	2010	2011	2012
Loans to customers	25,324	29,184	36,903
<b>Annual growth</b>	<b>60%</b>	<b>15%</b>	<b>26%</b>

Source: Audited consolidated financial statements



## 2. Liabilities structure

Unit: VND billion



Source: Audited consolidated financial statements

Total liabilities as at 31 December 2012 were VND95,939 billion, up by VND19,118 billion, or 25%, compared to 31 December 2011. The increase was mainly attributed to customer deposit growth, whilst interbank deposits remained stable and issuance of valuable papers dropped significantly compared to 2011.

- Deposits and borrowings from other credit institutions reached VND25,656 billion at the end of 2012, virtually equivalent to those of 2011 (only up by VND68 billion against the amount of VND25,588 billion of 2011). The proportion of funds mobilized from interbank market out of total liabilities declined from 33% in 2011 to 27% in 2012, reflecting VPBank's reduced dependence on interbank market whilst its size still recorded significant growth.

- The value of issued valuable papers at the end of 2012 was VND4,766 billion, down by VND10,276 billion, or 68%, compared to the end of 2011. The issuance of valuable papers declined due to robust growth of deposit from customers, which improved VPBank's liquidity in 2012.

- Customer deposits reached VND59,514 billion, up by 102% compared to the end of 2011 and representing 129% of the target endorsed by the General Shareholders' Meeting. This marked the top deposit growth rate in the market in 2012 and also the historically highest deposit growth rate of VPBank. The proportion of customer deposits out of total liabilities grew from 38% in 2011 to 62% in 2012. The robust growth of deposits was rooted in the bank's strategy to enhance liquidity and safety of its operation, which lays foundation for breakthrough growth in the years to come.

### Customer deposit growth

	2010	2011	2012
Deposits from customers (VND billion)	23,970	29,412	59,514
<b>Annual growth (%)</b>	<b>45%</b>	<b>23%</b>	<b>102%</b>

Source: Audited consolidated financial statements

## 3. Analysis of customer lending and deposit

**Customer lending reached VND36,903 billion, an increase of 26% compared to the end of 2011. With this growth, VPBank is one of the banks with the highest customer lending growth rate in the system.**

Regarding customer lending structure, corporate loans reached VND19,162 billion, up by 57% compared to the end of 2011; the proportion of corporate loans out of total outstanding loan was 52%; this ratio however was only 42% at the end of 2011 and merely 27% at the end of 2010. Of total corporate lending, loans to small and medium sized enterprises (SMEs) made up over 80% and became the main driver of lending growth. This was also in line with VPBank's policy

on growing the SME segment and with the SBV's guidance on provision of capital support to enterprises and the economy. In 2012, VPBank repeatedly launched various lending programs and product packages to support enterprises, such as the preferential credit packages of VND5,000 billion for eligible enterprises, the preferential credit packages of USD100 million for import-export enterprises, and the product package "SME Success" for SMEs.

*Loan structure by customer*

	2010 VND billion	Weight	2011 VND billion	Weight	2012 VND billion	Weight
Personal loan	18,379	73%	16,947	58%	17,741	48%
Corporate loan	6,945	27%	12,237	42%	19,162	52%

Source: Audited consolidated financial statements

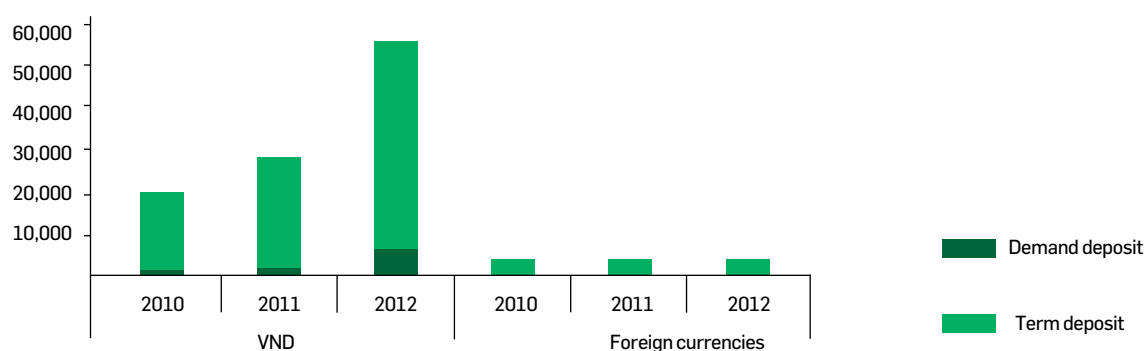
**Deposits witnessed an impressive growth in terms of size and proportion to total liabilities, helping build a safe and more robust balance sheet as well as laying the foundation for VPBank's breakthrough growth in the years to come.**

Customer deposits as at 31 December 2012 increased by 102% compared to 2011, mainly attributed to the growth of VND deposits. The proportion of VND deposits rose sharply over recent years and represented about 95% of total deposits in 2012 (88% in 2010 and 90% in 2011). Meanwhile, deposits in foreign currencies virtually remained unchanged over the years. Regarding maturity, term deposits represented

over 90% of total deposits over the last 3 years. Demand deposits made up only 9% of total deposits and are mainly denominated in VND. VPBank has adopted a lot of measures to raise the proportion of demand deposits and thus reduce the cost of funding. As such, while remaining modest, the balance of demand deposits grew sharply in 2012 (up by 130% or VND3,158 billion compared to 2011).

*Structure of deposits by term and currency*

Unit: VND billion



Source: Audited consolidated financial statements

Given its strategy to becoming one of the top retail commercial banks, VPBank has a large proportion of customer deposits coming from retail customers. In 2012, deposits from retail customers rose by 99% compared to 2011 (a growth rate higher than previous years) and made

up 64% of customer deposits at VPBank. In addition, VPBank has actively mobilized deposits from enterprises, economic entities and others, so as to enhance cross-selling and increase the proportion of demand deposits out of total deposits of the Bank.

*Customer deposit structure by economic segment*

	2010 VND billion	Weight	2011 VND billion	Weight	2012 VND billion	Weight
Corporate	5,411	23%	9,815	33%	17,300	29%
Individual	17,861	74%	19,048	65%	37,876	64%
Others	697	3%	549	2%	4,338	7%

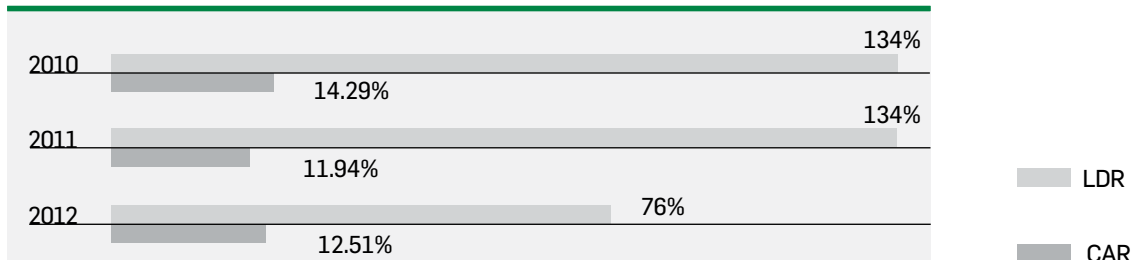
Source: Audited consolidated financial statements



#### 4. Liquidity and operation safety

The liquidity and operation safety made considerable improvements in 2012 thanks to VPBank's strategy of building a more robust balance sheet.

Loan to deposit ratio (LDR) and CAR



Source: Audited consolidated financial statements

In the context of economic difficulties and uncertainties of the banking system, the Board of Directors and the Board of Management of VPBank set out the primary goal for 2012 to enhance the efficiency and operation safety of the whole Bank. This was reflected by remarkable improvements of liquidity and prudential ratios compared to the previous years. Loan to deposit ratio (total loans to customers and corporate bonds divided by customer deposits - LDR) stood at 76% in 2012 versus 134% in 2011, showing better liquidity position. The consolidated CAR reached 12.51%, an increase of 3.51% compared to the minimum level of 9% stipulated by the SBV. The ratio of short term funds used for the medium and long term lending stood at 15.19%, satisfying the SBV's regulations. The daily liquidity ratio was always higher

than 15%, which fulfills requirements on a daily basis, complying with the SBV's provisions as well as internal limits on liquidity risk of VPBank.

In 2012, VPBank increased its charter capital from VND5,050 billion to VND5,770 billion via issuing stock from retained earnings to pay dividends to existing shareholders. The capital increase was accepted by VPBank's Annual General Shareholders' Meeting, helping raise VPBank's capital to be commensurate with its growth and meet prudential ratios. This also reflected the resolve and commitment of shareholders in supporting VPBank's long term strategies to become one of the Top 5 joint-stock commercial banks in Vietnam and one of the Top 3 retail joint-stock commercial banks in Vietnam.



## 5. Business performance in 2012

Business performance in 2012 has witnessed a reasonable growth in net operating income. Total net operating income reached VND3,019 billion, up by VND531 billion, or 21% compared to 2011. The increase was mainly attributed to the growth of net interest income.

	Indicator (VND billion)	2012	2011	Change	
				VND billion	%
<b>I</b>	<b>Total operating income</b>	<b>3,019</b>	<b>2,487</b>	<b>531</b>	<b>21%</b>
	Interest income	10,341	9,540	801	8%
	Interest expense	7,374	7,495	(121)	-2%
<b>1</b>	<b>Net interest income</b>	<b>2,967</b>	<b>2,045</b>	<b>922</b>	<b>45%</b>
	Fee and commission income	672	845	(173)	-20%
	Fee and commission expense	401	437	(36)	-8%
<b>2</b>	<b>Net fee and commission income</b>	<b>271</b>	<b>407</b>	<b>(137)</b>	<b>-34%</b>
<b>3</b>	<b>Net gain from trading of foreign currencies and gold</b>	<b>(117)</b>	<b>13</b>	<b>(130)</b>	<b>-1004%</b>
<b>4</b>	<b>Securities gains/losses</b>	<b>(102)</b>	<b>22</b>	<b>(124)</b>	<b>-563%</b>
	Extraordinary income	122	36	86	237%
	Extraordinary expense	24	12	12	93%
<b>II</b>	<b>Net extraordinary income</b>	<b>98</b>	<b>24</b>	<b>74</b>	<b>312%</b>
<b>III</b>	<b>Income from investments in other entities</b>	<b>17</b>	<b>4</b>	<b>13</b>	<b>313%</b>
<b>IV</b>	<b>Operating expenses</b>	<b>1,881</b>	<b>1,302</b>	<b>578</b>	<b>44%</b>
<b>V</b>	<b>Profit before provision expense</b>	<b>1,253</b>	<b>1,213</b>	<b>40</b>	<b>3%</b>
	Provision expense	400	149	251	169%
<b>VI</b>	<b>Profit before tax</b>	<b>853</b>	<b>1,064</b>	<b>(212)</b>	<b>-20%</b>
	Income tax expense – current	215	265	(50)	-19%
	Income tax expense - deferred	5.6	0.04	5.56	14800%
<b>VII</b>	<b>Total income tax expense</b>	<b>209</b>	<b>265</b>	<b>(56)</b>	<b>-21%</b>
<b>VIII</b>	<b>Profit after tax</b>	<b>643</b>	<b>800</b>	<b>(156)</b>	<b>-19%</b>

Source: Audited consolidated financial statements

### Net interest income

Net interest income increased at a higher rate than total operating income. In 2012, net interest income reached VND2,967 billion, increasing by VND922 billion or 45% compared to 2011, due to an increase of VND801 billion in interest income and a decrease of VND121 billion in interest expense compared to 2011. Net interest income accounted for 98% of total operating income.

In 2012, the yield on average earning assets (YEA) decreased by 2.83% from 15.82% to 12.99% while cost of funds decreased more (by 4.63% from 13.72% in 2011 to 9.09% in 2012). As a result, net interest margin (NIM) reached 3.73%, up by 0.34% compared to 2011. NIM has continuously increased in recent years. This figure was 3.73% in 2012, higher than the level of 3.39% in 2011 and

2.87% in 2010. Also, the ratio of net interest income over total risk weighted assets increased from 5.35% in 2011 to 6.46% in 2012. These figures demonstrated considerable

improvements in interest income collection and reaffirmed the Bank's right direction in diversifying credit products and action plans to improve service quality in 2012.

	2010	2011	2012
Net interest margin (NIM)	2.87%	3.39%	3.73%
Yield on earning assets	10.16%	15.82%	12.99%
Cost of fund (COF)	7.51%	13.72%	9.09%

Source: Audited consolidated financial statements

### Operating expenses

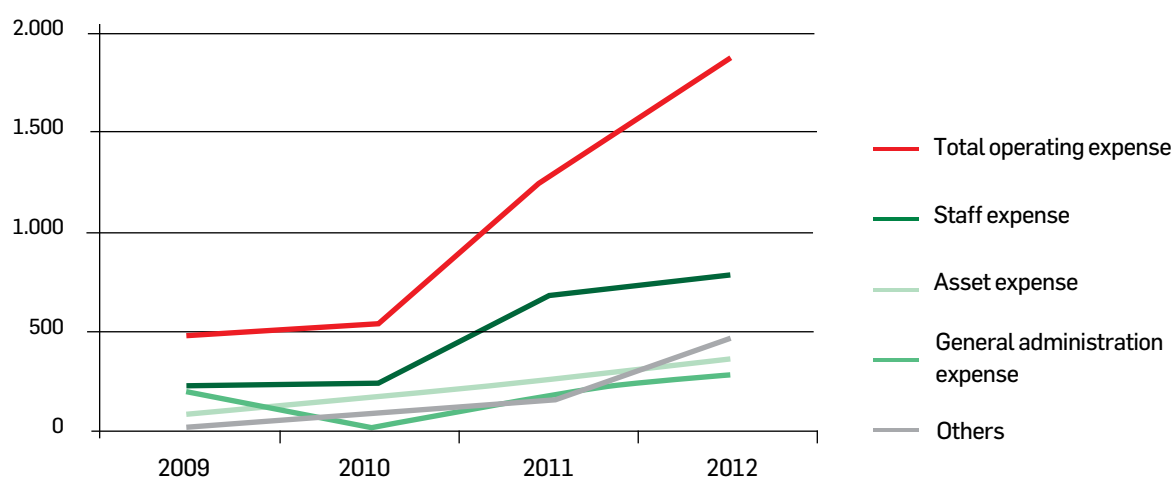
In 2012, VPBank invested heavily in foundation systems with focus on risk management, information technology, and human resources development. Therefore, operating expenses increased by VND578 billion, or 44% compared to 2011.

VPBank has identified human resources as one of the key success factors for the Bank's profound restructuring and transformation program. In order to attract and retain high-quality human resources for the comprehensive restructuring and transformation of the Bank for 2012-2017,

VPBank has constantly improved employees' welfare. Therefore, staff expense in 2012 increased by VND110 billion, or 16% compared to 2011. Staff expense also accounted for the largest share of total operating expense in 2012 (42%). In addition, asset expense increased by VND93 billion or 36% due to investment in network development, construction of business premises, technology and fixed assets; Marketing expense included in general administration expense increased by VND58 billion or 83% due to marketing and advertising activities to enhance the image of VPBank across the country.

### Annual growth of operating expenses

Unit: VND billion



Source: Audited consolidated financial statements

### Provision expense

Provision expense in 2012 was VND400 billion, up by VND149 billion or 169% compared to 2011. 2012 was the first year VPBank set aside general provisions for loans to other credit

institutions (VND55 billion). Specific provision expense also increased by VND200 billion compared to 2011 as VPBank set aside more provisions to ensure operations safety.



	2011 VND billion	2012 VND billion	Change from 2011 VND billion
<b>General provision</b>	<b>47.11</b>	<b>98.46</b>	<b>51.35</b>
General provision expense for customer loans and off-balance sheet commitments	47.11	43.80	(3.31)
General provision expense for loans to other credit institutions	-	54.66	54.66
<b>Specific provision</b>	<b>101.63</b>	<b>301.46</b>	<b>199.83</b>
<b>Total provision expense for the year</b>	<b>148.74</b>	<b>399.92</b>	<b>251.18</b>

Source: Audited consolidated financial statements

### **Profit before tax**

Consolidated profit before tax in 2012 reached VND853 billion, down by VND212 billion or 20% compared to 2011.

The year 2012 was marked with lots of difficulties in the economy and the banking sector. VPBank's business activities were inevitably undertaken in this context. Also, investments in the infrastructure systems are unavoidable in the first years of transformation, which resulted in soaring investment and operating expenses. These factors led to lower profit and profitability in 2012. Return on average equity (ROAE) decreased from 14% in 2011 to 10% in 2012. Operating expense to total operating income ratio increased to 62% from 52% in 2011. Whereas, earnings per share was VND1,115, decreasing by VND505 from the level of VND1,620 in 2011.

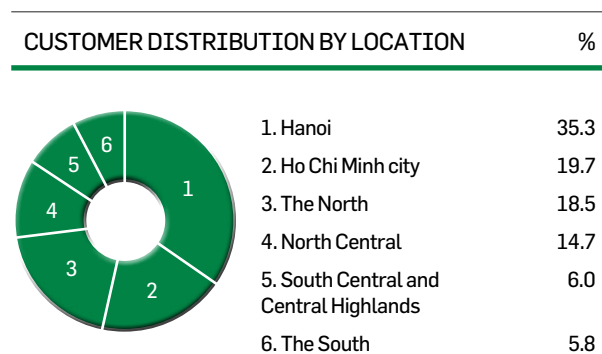
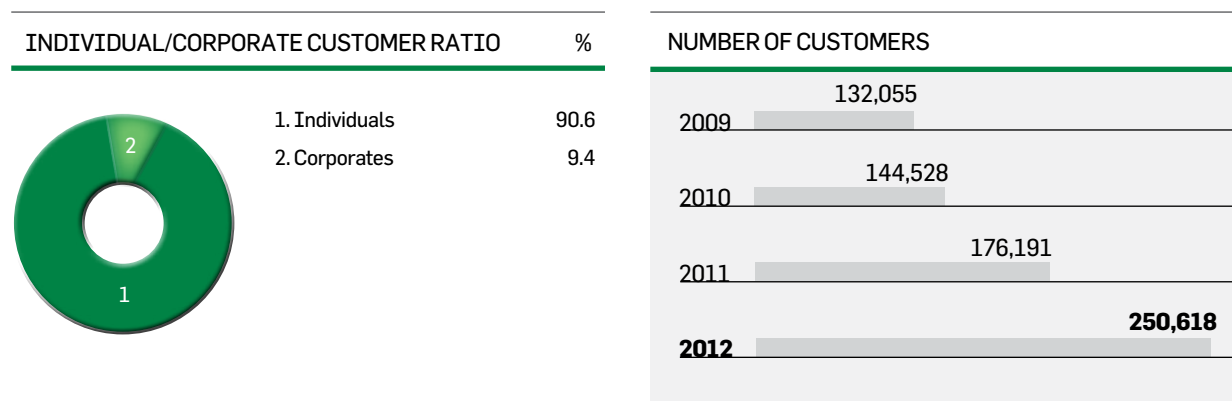
However, a short - term decline in profitability was offset by a stronger capital - asset structure and a more secure operating system, indicated by lower loan to deposit ratio, higher capital adequacy ratio and higher provisions as compared to 2011. This was consistent with the priority of VPBank's Board of Directors and Board of Management in 2012, which was to enhance banking operation safety and strengthen foundation systems, including internal governance system, thus laying foundation for VPBank to achieve breakthrough growth in the years to come and its vision under the long - term growth strategy for 2012-2017.



## Non-financial Indicators

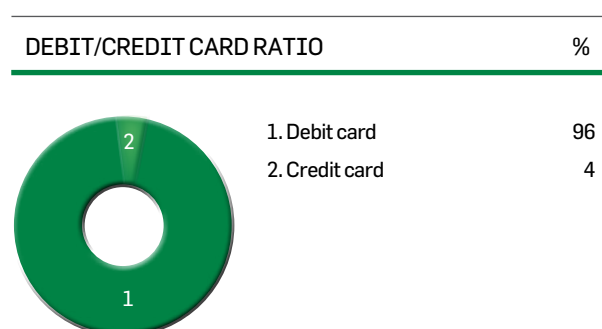
### 1. Customer base

As of 31 December 2012, VPBank had more than 250,000 customers, approximately 90% of which are individual customers and 10% are corporate customers. VPBank's customer base grew at a remarkable rate of 42.2% in 2012. The Bank's customers are concentrated mainly in Hanoi and Ho Chi Minh City, representing 55% of total customers.

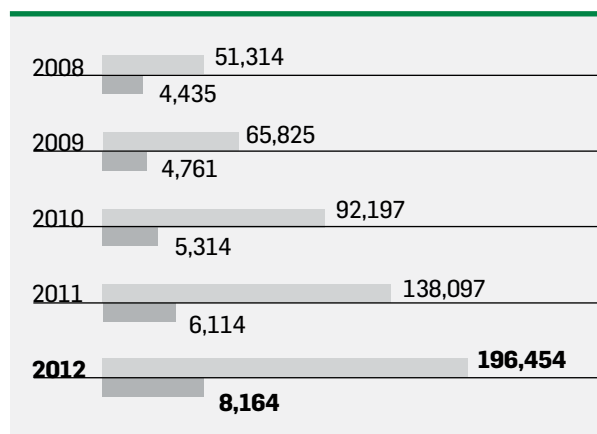


### 2. Card issuance

In 2012, VPBank's card issuance grew by 35.3% to nearly 200,000 cards of all types. Debit cards still accounted for a major proportion of the total number of issued cards and grew more rapidly than credit cards.

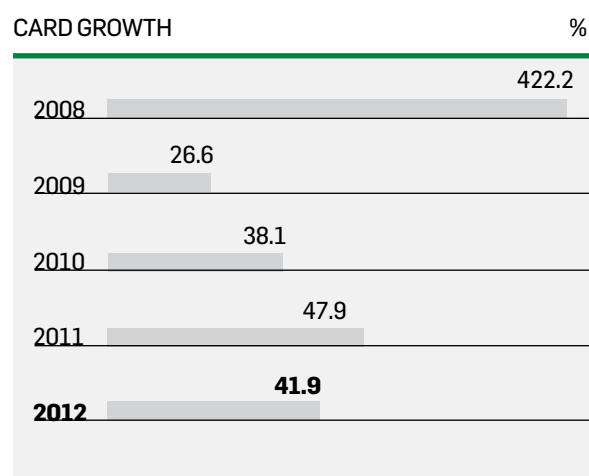


## DEBIT &amp; CREDIT CARD GROWTH



■ Debit card    ■ Credit card

## CARD GROWTH



Figures updated as at 31 December 2012

### 3. Distribution network

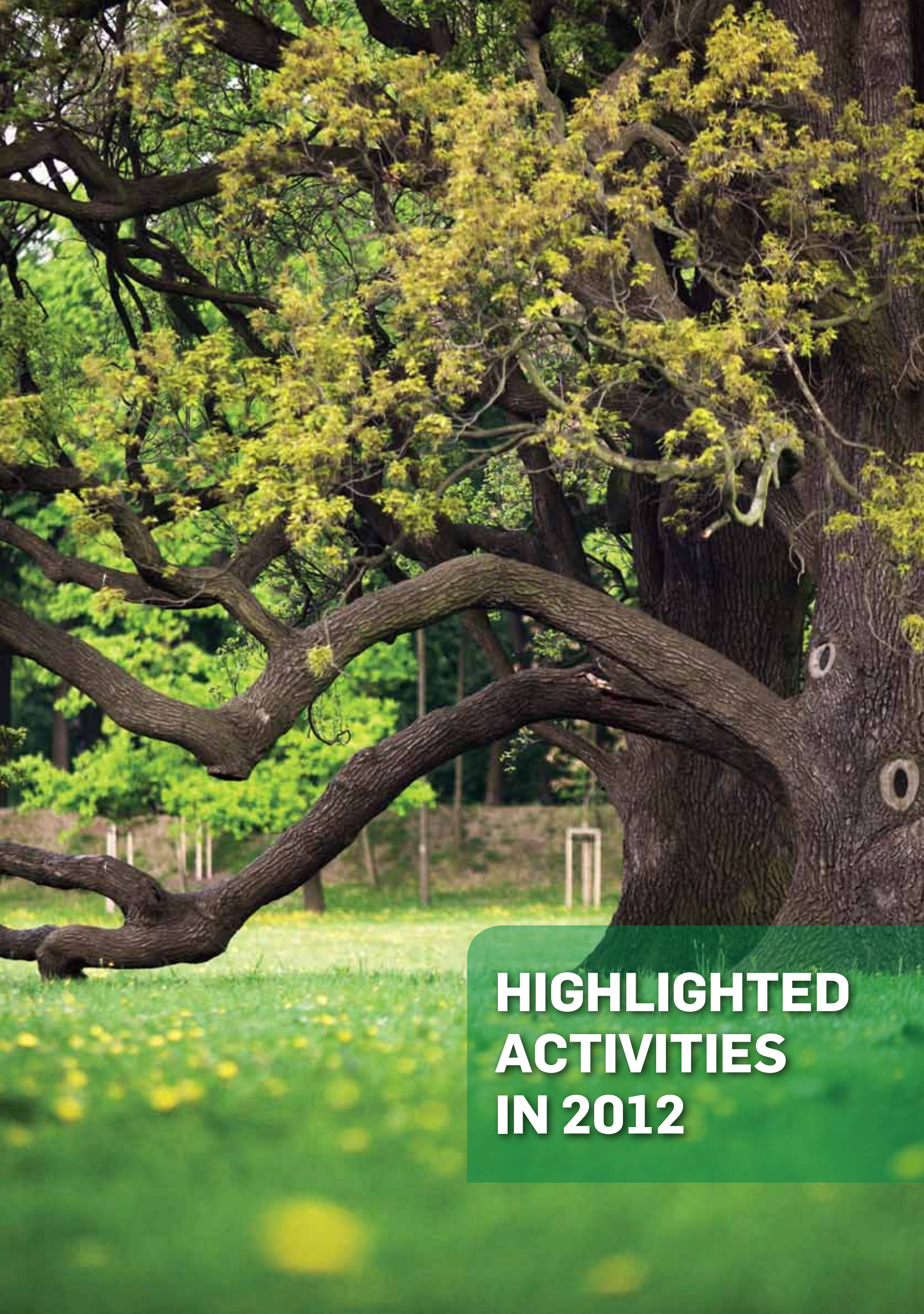
At the end of 2012, VPBank had 205 branches and transaction offices (TSOs) in 33 provinces and cities across the country. Branches and transaction offices are concentrated mainly in Hanoi and Ho Chi Minh City.

REGION	BRANCHES AND TRANSACTION CENTER	TSOs & SAVINGS OFFICES	ATM
Hanoi	6	56	120
Ho Chi Minh city	2	36	58
North	11	29	42
North Central	6	26	34
South Central and Central Highlands	5	12	16
South East	3	2	6
South West	6	5	15
<b>Total</b>	<b>39</b>	<b>166</b>	<b>291</b>

Note: there is one Transaction Center and 10 Saving Offices (8 in Hanoi, 1 in Nam Dinh, and 1 in Hai Phong).

In 2012, VPBank has also put into operation 58 new ATMs, an increase of nearly 25% compared to 2011. VPBank's ATMs were mainly located in major cities to meet customers' increasing needs for transactions.





**HIGHLIGHTED  
ACTIVITIES  
IN 2012**



## Sales and Distribution Network

**Sales and Distribution Division (S&D) was established on 20 June 2012 with the mandate of managing activities related to the sales and distribution system of VPBank with 205 transaction points and a number of business centers.**

Established in a period of economic uncertainties, S&D Division has made great efforts in overcoming difficulties to perform its duties, which played a part in helping VPBank realize its ambitious goal of being in the Top 3 Retail Joint-Stock Commercial Banks in Vietnam. In 2012, the Division has gained the following business achievements:

- Deposits from individual customers and SMEs reached 110% of the target.
- Outstanding loans to individual customers and SMEs grew by 17% as compared to 2011.
- In terms of debt handling and collection, targets for controlling and collecting bad debts have been surpassed in 2012, thus helping improve the Bank's business performance significantly as well as ensure operations safety.

- In terms of service quality, focus has been centered on enhancing and differentiating service quality across distribution channels of VPBank, with service quality being considered a competitive advantage.

- In terms of information updating, market movements have been closely tracked to promptly propose adjustments, solutions and products to ensure the bank's safety and high productivity.

- In terms of targets and tools for sales staff, sales targets and incentives have been designed and adopted smartly to motivate sales staff.

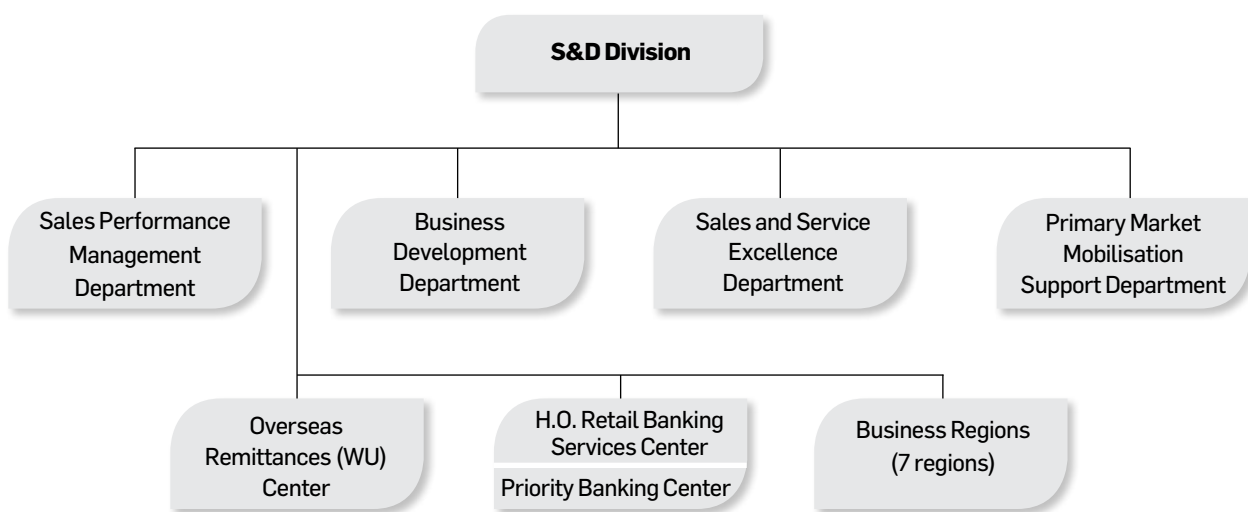
- A number of projects which are important to the execution of the Bank's growth strategy have been implemented with the Division taking the leading and coordinating role, such as the branch network transformation, SME business strategy, Sales Stimulation Program/Value Proposition in 2012, etc.

The year 2012 is considered a pivotal one for S&D Division to set up its development strategies and action plans. The most remarkable achievement of the Division over the year was the maintenance of safe and stable operations of VPBank's branch network despite the new S&D model.

To further support business activities, S&D Division has refined its organizational structure by the end of 2012.

hitting **110%** of target for deposits from individual and SME customers

Organization chart of S&D Division



With this structure, S&D Division has provided seamless guidance from Head Office to each sales staff member as well as received feedback and jointly solved sales problems

in order to optimize the efficiency of its direct distribution channels, which consist of hundreds of transaction points in many key cities and provinces of the country.

## Retail Banking Services



### **2012 was a year of transformation towards a new dawn in the history of retail banking in VPBank.**

After the rapid growth of the past years, as the economy started slowing down, Retail Banking Division took time to take stock and built a detailed 5 year strategic plan, which defined the Bank's ambition of becoming one of the top 3 banks in Vietnam. It clearly identified that the upper mass and the mass affluent segments were the areas they wanted to operate in. A more granular and deeper understanding of the segments was done to identify profitable sub-segments and tailor products to suit their needs. A pilot was launched for the women's segment in December 2012.

In 2012, VPBank's Retail Banking Division has achieved significant results, including the addition of 70,000 new customers in 2012, a growth of nearly 50%. Deposits grew at a phenomenal rate of 77% to VND41,000 billion.

The Household Business Loan, Home Equity Loan and the Unsecured Personal Loans were three new loan products added to the kitty, thus completing the loan product suite. Thanks to these efforts, even in this slowing economy, the loans grew to over VND15 trillion.

Diverse activities have been carried out by VPBank for convenience enhancement and improvement of customer services. Retail Banking Division worked with Vietnam Airlines to launch a co-brand credit card. This caters to the upper segment and allows customers to earn miles on Vietnam Airlines as they spend, either in Vietnam or outside. Besides, to support the ambitious growth plan, overall distribution was expanded by adding 6 new branches and 50 new ATMs. At the same time, an alternate channel for sourcing customers was established. These are direct sales agents - both on the street and telecalling - to acquire clients. By December 2012, the team had a total strength of 450 people across Hanoi and Ho Chi Minh City.

Overall, Retail Banking Division is very well positioned to help VPBank become one of the top 3 retail banks of Vietnam in 5 years time.



## SME Banking Services



**5** SME Banking Centers have been set up with state-of-the-art and professional design to enhance customer service

To further support small and medium enterprise segment (currently representing 90% of total enterprises in Vietnam), VPBank established SME Banking Division in October 2012 (by splitting the Retail & SME Banking Division). With a clear customer positioning strategy as well as products tailored to SME segment, this Division has achieved preliminary success regarding customer acquisition. Also, functional departments under the Division have performed their roles as contact points very well to provide support and advice to branches and business units in the entire system.

The organizational structure of SME Banking Division includes SME Product Development Department, Sales Campaign and Marketing Department, Business Development Department and SME Banking Centers in the North and the South with 150 employees in total.

By the end of 2012, VPBank completed the construction of 5 well-designed SME Banking Centers to improve customer service quality. Taking over more than 22,000 small and

medium enterprises from the Bank, SME Banking Division has launched various interest rate support programs for customers, contributing significantly to the Bank's accomplishment of its annual credit and loan targets. With international advisory services, VPBank has selected a number of key business sectors to focus its support, including Wholesale and Retail Trade; Transportation and Storage; Power and Energy; Accommodation and Food Services; Health and Social Services, etc. The Division also rapidly introduced SME enterprises with 10 core products in the following categories: deposits, loans, cash flow management and trade finance. This will be one of the key tools for SME Banking Division to launch business programs in the years to come.

In addition, the Division has expanded cooperation with its partners to increase customers' benefits by sponsoring major events such as the Annual Customer Conference of Vietnam Airlines in Hanoi, the Tam Dao Golf Club Open Championship 2012, etc.

## Wholesale Banking Services

VPBank's Wholesale Banking Division was established on 5 August 2011 and officially put into operation in early 2012. After more than one year of operation and bold transformation, the Division has achieved outstanding results, affirming VPBank's brand in the potential corporate banking segment.

The success of Wholesale Banking Division in 2012 was highlighted by impressive numbers such as a revenue of VND495 billion (an increase of 153% compared to 2011). Sales and active balances of the Division have seen remarkable growth, with respective deposit and credit balances growing at 205% and 72% per annum. In particular, FX sales to wholesale customers in 2012 increased by 68%, while those from international payment and guarantees grew at leapfrogging rate of 700% and 450%, respectively.

In 2012, Wholesale Banking Division focused on the improvement of marketing and acquiring customers in the context of aggressive competition by other credit institutions, especially foreign banks and state-owned banks. Thanks to its creative and flexible strategy, the total number of corporate customers has increased by 84% compared to 2011, which included large economic groups from both state-owned and private sectors.

With the support of McKinsey, a leading consulting firm, Wholesale Banking Division has formulated a business strategy for 2012-2017, which is in line with the Bank's overall development strategy. The strategy's key contents cover targeted customer segments, operating model, and organizational structure, all aimed at ensuring consistency and efficiency.

In terms of operation, the highlight in 2012 was that the Division successfully implemented the sales team model with relationship managers as the core, who work closely with experts in transaction banking and financial markets. In addition, the continued centralization of some wholesale banking operations through the establishment of Customer Services Centers (CS) helped reduce operational risks, improve operational efficiency, and save time and cost, all targeted towards a professional model.

In addition, Wholesale Banking Division has made important progress in the development of new products, programs, and product packages to meet diverse needs of customers. Most remarkable are Cash Management and Trade Finance solutions such as the Comprehensive Online Payments for Customers (I2b), Centralized Cash Management (Sweeping), Distributor Finance, etc.



# 153%

growth in wholesale customer revenue against 2011

## Consumer Finance Activities



VPBank Consumer Finance Division (VPBCF) was launched by VPBank in 2011 to provide solutions for financial needs and make financial products accessible to millions of ordinary Vietnamese who desire to improve their living and lifestyle. Since then, the consumer finance business has spread its wings across the length and breadth of the country and expanded the business to more than 2,000 points of sale and appointed more than 2,500 sales representatives to distribute its products to the customers who wish to avail them. Currently, VPBank offers its consumer finance products in 58 provinces across Vietnam and has become a true leader in the industry serving more than 200,000 customers with best-in-class products and services over the past 2 years.

The year 2012 was a year of significant growth and consolidation for the consumer finance business. The period saw a rapid expansion of the distribution network resulting in an unprecedented growth in sales by acquiring a large

number of customers. Strong focus in Risk Management has also ensured the credit performance of the portfolio being under control and better than the levels budgeted for in the annual plan. Solid sales performance resulting in formidable revenue momentum, appropriate and minute focus on managing the risk and adequate control on costs ensure a robust performance at the bottom line by delivering better than the plan.

The focus of the management was centered on building a strong and durable infrastructure to create a foundation for the business that will support the growth in the future. As part of that effort, a new core lending system was implemented and the effort was recognized a world-beating achievement in using technology for innovation in the banking field by a renowned IT and Banking industry observer. Among other things, a well-designed business intelligence and analytics division (BI) was also set up during the year to support Consumer Finance's business activities.

During the year, the Personal Loan product was introduced to expand the product line by the addition of the product to finance purchase of motorcycles and electronic appliances. The launch was met with great success as more than 15,000 customers availed the product in just less than 6 months during the later half of the year. Plans are ongoing for launching more products to help our potential customers with effective and affordable solutions to their financial needs and help them achieve their dreams of improving their living and lifestyle.

with its presence in

**58** provinces and cities nationwide and  
**200,000** customers  
VPBank is leading the consumer finance market in Vietnam



## Treasury and Investment Activities



**230%**  
growth of total operating  
income (TOI)  
against 2012 target

Treasury and Investment Division is a business unit of VPBank, which has the function of executing business strategies to maximize the Bank's profit, maintaining a sound balance sheet and managing the Bank's treasury, ensuring liquidity, optimizing funding, and minimizing interest rate and liquidity risks. Despite difficulties and challenges in the market, Treasury and Investment Division still achieved encouraging results in 2012.

As the result of tight monetary and interest rate policies of the State Bank of Vietnam (SBV) in 2012, the interbank market experienced changes in the opposite direction from previous years, putting great pressure on banks. However, VPBank managed to optimize its funding sources to finance activities with high profit margins.

In terms of liquidity management, VPBank constantly kept liquidity ratios in accordance with Circular No. 13 of the SBV and its internal liquidity ratio regulation in 2012. Therefore, the Bank promptly met customers' payment needs even during periods of market difficulties.

In terms of bond trading, recognizing the downward trend of interest rates, the Division has bought bonds when appropriate in order to meet liquidity ratios stipulated in Circulars No. 13 and No. 19 of the SBV and make profit. In 2012, VPBank's bond trading grew significantly compared to previous years. Its year-end portfolio of government bonds

and government-guaranteed bonds increased by three times from a level of VND4,000 billion. Its trading volume also increased remarkably, bringing VPBank to the group of top 10 organizations with highest bond trading volume on Hanoi Stock Exchange (HNX) for the first time. As an active member of Vietnam Bond Market Association, VPBank has been recognized by the Ministry of Finance as an official member for special bond bidding with an online dealing system with HNX.

Amid a market with lots of difficulties, VPBank took a prudent approach in its investment activities. In addition to new investments, the Bank focused on reviewing its previous investments, revaluating them, liquidating parts of its investments and requiring customers to put up additional collateral in order to minimize risks for the Bank.

In addition to remarkable business result with total operating income (TOI) 2.3 times as high as 2012 target, the Division has also focused on establishing and improving its processes to enhance productivity and business performance. Notably, seven business processes have been upgraded, including those for funds requesting and reporting, interbank lending/borrowing, valuable papers issuance, forward trading of valuable papers, etc. Besides, the Division has also finalized its investment regulations and policies and a set of liquidity ratios for internal management.

## Risk Management



In 2012, VPBank established its Risk Management Division and a risk management framework governing all risk management activities of the Bank. This reflected VPBank's resolve in developing a risk management system which is independent, centralized, specialized, in accordance with international standards and in line with the Bank's business strategy.

Shortly after its establishment, Risk Management Division has done a diagnostic and developed an appropriate risk appetite for the Bank's business strategy. Accordingly, material risks including credit, operational, liquidity and market risks have been regularly monitored and effectively controlled to ensure that the Bank always maintains its prudent capital adequacy.

Regarding credit risks, with the support of McKinsey, VPBank has accomplished credit scoring and credit rating systems for credit products and customer segments and courageously applied advanced risk measurement techniques such as credit stress test, measurement of concentration risk and loan transition measurement by customer segment, etc. Credit risk instruments for credit portfolios have also been developed. In addition, the risk assessment system used for financial institution counterparties has been implemented. All risk policies and procedures have been regularly reviewed and systemized to facilitate risk management for stages of credit life cycle.

Regarding operational risks, VPBank has taken long-term approaches such as issuing policies and applying common

tools including loss data collection system and key risk indicators (KRIs) to monitor risk exposures. Besides, the Bank has implemented many initiatives to prevent and reduce the risk of fraud internally as well as externally, improve the internal control system, re-engineer work flow processes and invest in upgrading the information technology system.

VPBank is proud to be one of the pioneering banks in applying advanced liquidity risk management tools such as cash flow analysis tool MCO, liquidity stress test, liquidity contingency plan, customized liquidity monitoring indicators and thresholds for timely warning, etc. These tools have actively supported the Bank in forecasting and responding effectively in different scenarios and maintaining sound liquidity position.

To control market risks, in 2012, VPBank has issued the market risk management policy setting core principles of market risk management and applied various measurement techniques: PV01, Duration, Gap Analysis, EVE, etc. Centralization of market risk management activities to support Investment Council and ALCO has also been accomplished during the year.

In particular, two important strategic projects, Debt Collection and Pre Basel II have been launched in 2012 to prepare for the establishment of professionally centralized Debt Collection Center at VPBank and set up action plans to improve the quality of risk management in 2013. This will give the Bank a solid foundation to promote an overall risk strategy towards international standards, particularly those in Basel II Accord and commonly applied international standards.

## Human Resources Management



2012 marked VPBank's great efforts and success in the development and implementation of core human resources systems, which laid a strong foundation to support its business growth in order to achieve the Bank's ambitious goals for 2012 – 2017.

Performance Management System (PMS) and Rewards System are among key HR initiatives, which have been implemented and communicated across the Bank in 2012. This is the first important step for the development and application of advanced human resources management systems and models at VPBank, which helps raise the Bank's people competitive advantages.

The outstanding feature of the newly-implemented PMS is not only the commitment of all individuals to the organization through the development of standard objectives (KPI/ Balanced Scorecard) adherent to the strategic objectives of the unit and the Bank, but also the capability of fairly evaluating individual performance in operation cycles (mid-year and year-end), using relative assessment among peers and ensuring compliance with the bell-curved distribution of performance ratings.

The new Rewards System offers a total competitive approach to compensation and benefits: in cash (base pay by position, incentives schemes, allowances for different positions and regions, etc.) and in non-cash short-term or long-term benefit programs for staff and their families. The implementation of "Aon Care" Medical Insurance Program has been highly welcomed and praised by the Bank's employees.

2012 is also the year when VPBank gained remarkable achievements in talent attraction from various sources, leading to an increase of its workforce by 30% to more than 4,000 employees. The key to this success is the Bank's focus on recruitment process improvement as well as enhancement of recruitment channel quality and interviewing skills, which effectively helps screen and find the most suitable candidates for all levels, from supporting staff, officer to senior management. Such improvements helped the Bank promptly meet the increasing demands for human resources growth in support of its business strategy implementation.

In addition to laying foundation systems, VPBank's senior management has a clear strategy to make VPBank the second home for all employees. With the sponsorship of the Chairman of the Board of Directors, VPBank launched a set of 6 core values across the organization in 2012: **1) Customer Focus; 2) Productivity; 3) Ambition; 4) People Development; 5) Trust; and 6) Make the Difference.** Communication programs, including core values awareness contests and community activities, have been encouraged and promoted, which helped connect members of VPBank family to create an ideal and professional working environment with clear career paths, thus creating the attractiveness and differentiation of VPBank relative to its competitors.



## Information Technology System



Information Technology (IT) is an essential part of the three-pronged strategy to create foundations for VPBank's sustainable development. To keep pace with technology trends, VPBank has researched and flexibly applied technologies that tend to remain sustainable in the future. International best practices like ITIL and the middleware technology (the platform for SOA – Service Oriented Architecture) have been implemented at VPBank very early. Recently, independent assessments and studies have confirmed that the adoption of current technologies at VPBank is in line with advanced technology trends.

For years, VPBank has targeted an overall IT architecture which effectively supports business operations. In 2012, VPBank continued strengthening IT foundations as well as maintaining system security. The key highlights of IT at VPBank in 2012 are:

- In terms of strategy, VPBank has developed an IT strategy for 2013-2017 with advisory services provided by the global consulting firm PricewaterhouseCoopers (PwC), which illustrated VPBank's ambition and commitment to realizing its business strategy;
- In terms of operation, the delivery of IT products and services has been well performed across the Bank, meeting the needs of business development;
- In terms of security, VPBank has ensured the availability and security of IT systems.

### Typical IT projects implemented by VPBank in 2012 are:

- The Loan Origination System (LOS) to enable centralized credit processing across the country;
- The Payment Card Industry Data Security Standard (PCI DSS) to enable compliance with the card data protection requirements by international card alliances;
- The IT Master Plan to provide roadmap for IT in the years to come;
- Upgrade projects or new projects to better support business operations such as core banking upgrade, management reporting system, etc.;
- Projects with third parties to enable new business opportunities such as bank-to-bank payment systems, merchant payment systems for card and internet banking, etc.;
- Other projects to improve infrastructure and employees' performance such as network & storage upgrade, etc.

## VPBank Asset Management Company Limited



**Founded in 2006, VPBank Asset Management Company (VP AMC) has established and affirmed its position as a subsidiary company operating effectively in the field of debt and asset management as well as providing value-added services for the Bank.**

The year 2012 has witnessed VP AMC's comprehensive changes in the operating model and scale to be in line with VPBank's strategy for 2012 - 2017. By December 2012, the company's workforce increased from 30 employees at the end of 2011 to more than 120 working in the Head Office in Hanoi and the representative office in Ho Chi Minh City. The organizational structure of the company has been modified to be highly specialized in each area of operation. With only two functions in late 2011, VP AMC has extended the scope of operation to cover nearly 10 different areas. Decision making, power delegation, and reporting processes have been put in place in accordance with best practices currently available in the market.

**VP AMC's main areas of activities are:**

**Debt trading:** Trading bad debts of other credit institutions or of asset management companies of other commercial banks in accordance with applicable laws;

**Debt handling:** Taking over and handling overdue debts, dealing with collateral associated with overdue debts that VPBank authorized VP AMC to handle, in order to

recover capital for the bank as soon as possible;

**Asset management:** Managing and making use of VPBank-owned assets efficiently;

**Warehouses and collateral management:** Providing security services for warehouses which are used as collateral for credit granted by VPBank;

**Collateral evaluation:** Evaluating collateral within VPBank's system.

In 2012, the company also took over the design, management and supervision of branch renovation across VPBank's network. The company's construction team has made remarkable contribution to the success of the following projects: Branch Guideline Project – Phase 1, VPBank's new Head Office Renovation Project (at 72 Tran Hung Dao). The renovation of VPBank's premises has been undertaken by the company with a high level of quality and aesthetics.

The motto of the company is to constantly pay attention to **“Professionalism, Trust, Perfect Services”** and closely follow VPBank's development strategy and the 6 core values.

*Key financial highlights in 2012:*

- Net operating income: **VND138.24** billion;
- Profit before tax: **VND43.4** billion;
- Total assets: **VND2,997** billion;
- Number of employees: **127**.

## VPBank Securities Company Limited



Founded in 2006 with a charter capital of VND50 billion, VPBank Securities Company (VPBS) has become one of the securities companies with the largest shareholders' equity in the market after its capital increased to VND800 billion in 2012. The company's key areas of operations include Securities Brokerage, Securities Trading, Financial Services, Corporate Finance Advisory and Research. With the support of VPBank as its parent bank, VPBS aims to become one of the leading securities companies in 2015, providing products, services and utilities of excellence. With 168 employees, the company has its offices in Hanoi, Ho Chi Minh City and Da Nang with an ever-expanding transaction network and customer base.

### Highlights in VPBS's activities in 2012

- **Brokerage:** VPBS has always been in the TOP securities companies which have the largest market shares for bond brokerage on 2 stock exchanges (HNX and HSX) in 2012. Also in 2012, the company has officially put into operation an advanced trading system called Home-trading to serve customers.

- **Corporate Finance Advisory Service:** The company continued promoting government bond trading advisory service and fund arrangement for big corporates, a typical example of which was the successful issuance of 3-year bonds worth VND500 billion for Vietnam Steel Corporation.

- **Financial services:** these services have been further expanded with automated and strict risk management processes.

- As of 31 December 2012, VPBS' revenue reached VND529

billion while profit before tax stood at more than VND76.4 billion and total assets surpassed VND2,575 billion. Return on equity was 6.97%. The financial safety ratio of the company was 311.2%, exceeding the minimum requirements of the State Securities Commission.

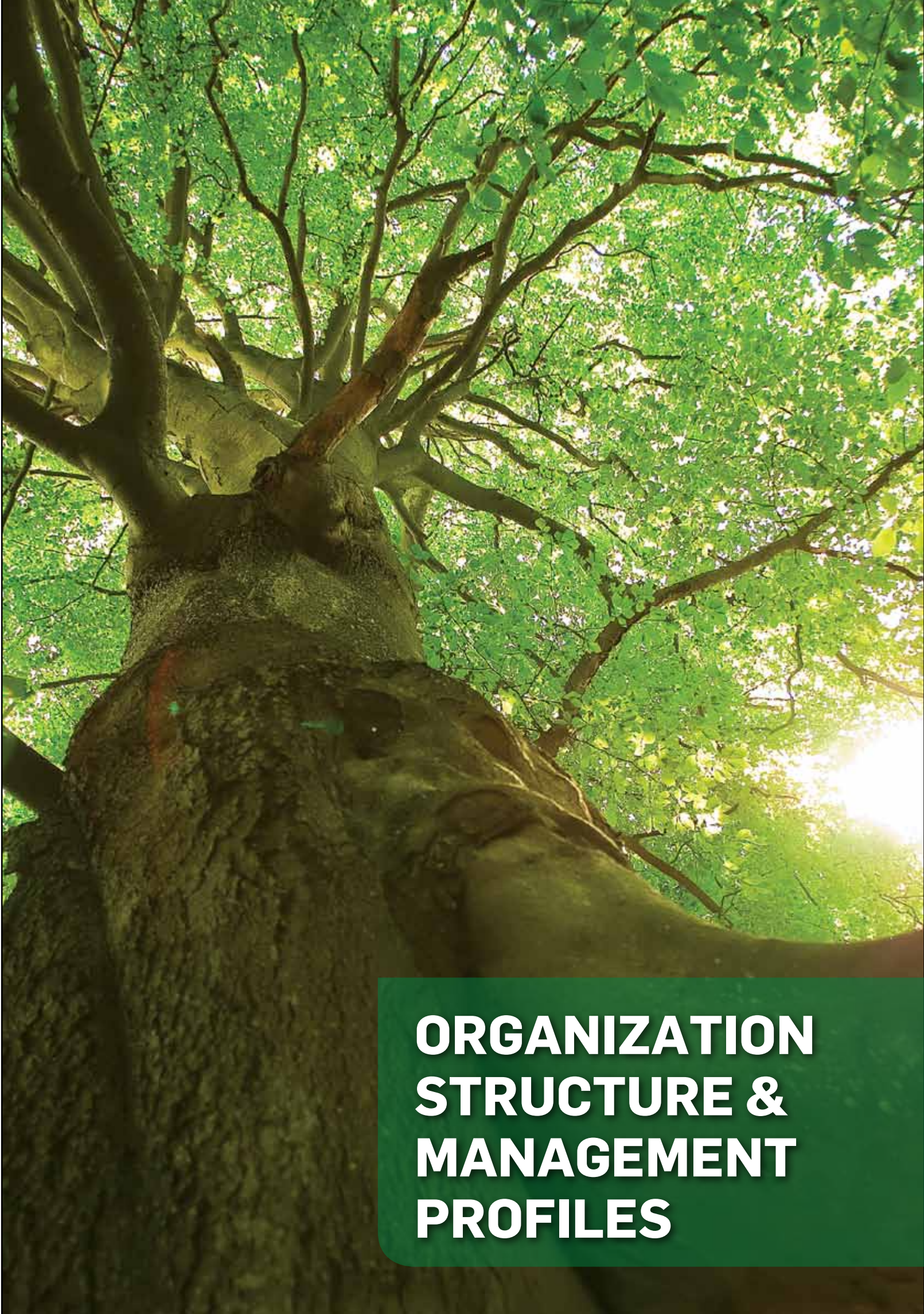
### Plan for 2013

- **Profit before tax:** VND175 billion.

- **Business principles:** Based on the principle of capital protection, risk mitigation, and business flexibility when market conditions become more favorable.

- **Competitive Strategy:** Focusing on the strategy named "Excellence and differentiation of products and services" in order to maintain and strengthen its competitive advantages; adopting concomitantly the cost-saving strategy to make use of the company's resources most efficiently.





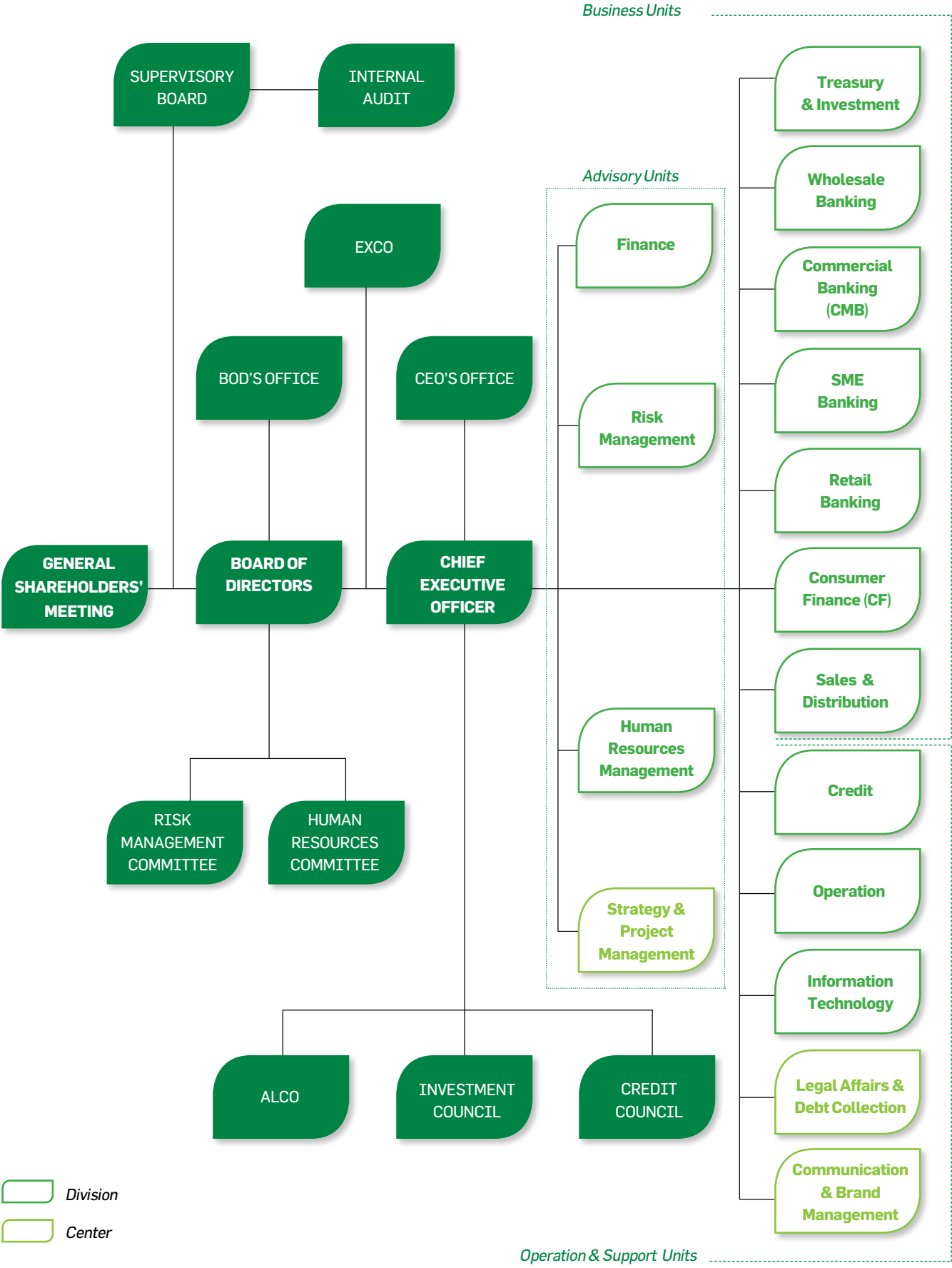
**ORGANIZATION  
STRUCTURE &  
MANAGEMENT  
PROFILES**







# VPBank's Organisation Structure



Division  
 Center

Operation & Support Units



## Members of the Board of Directors and the Supervisory Board



1



2



3



4



5

### 1. Mr. NGO CHI DZUNG

#### Chairman of the Board of Directors

Graduating from Moscow Geological Prospecting University since 1992, Mr. Dzung successfully completed his doctoral thesis at Institute of Social-Political Strategic Research under the Russian Academy of Sciences in 2002. From 1996 to 2004, he was a founding shareholder and appointed member of the Board of Directors of Vietnam International Bank (VIB). From 2005 to 2010, he was the Chairman of KBG Group (Russia) and Vice Chairman of Vietnam Technological and Commercial Joint Stock Bank (Techcombank). He joined the Board of Directors of VPBank in April 2010 and was elected Chairman of the Board of Directors until now. In addition, he was the Chairman of Human Resources Committee, Investment Council, high-level Credit Council, Vice Chairman of Risk Management Committee and a voting member of the Assets - Liabilities Management Council (ALCO) of VPBank.

### 2. Mr. BUI HAI QUAN

#### Vice Chairman of the Board of Directors

After graduating in economics from Kiev National Economics University of Ukraine, Mr. Quan was an intern and collaborator of this university from 1991 to 1993. He is currently Director of Viet Hai Trading and Technical Service Co., Ltd, member of the Board of Directors of Long Viet MDF Wooden Technology Joint-stock Company, and Chairman of the Board of Directors of Hong Hai Company Ltd. He joined the Board of Directors of VPBank in April 2006 and was elected Vice Chairman in December 2008. He is now a member of Human Resources Committee, Investment Council, Assets - Liabilities Management Council (ALCO) of VPBank, Vice Chairman of the high-level Credit Council, Chairman of Risk Management Committee, and Chairman of the Members' Council of VPBank Securities Company.

### 3. Mr. LO BANG GIANG

#### Vice Chairman of the Board of Directors

Mr. Giang obtained a Master Degree in Economics from Kiev National Aviation University, Ukraine in 2002. After that, he got his Bachelor Degree in Finance and Banking from Moscow Economics, Statistics and Information University, the Russian Federation in 2010. He held various management positions in Ukraine, such as General Director of Finman Company from 1995 to 2000, Chief Representative of INVESTLINK Company from 2000 to 2005, and Chairman of the Board of Directors cum General Director of KBG Food Ukraine Company within 3 years from 2005 to 2007. Since 2007, he has been the Chairman of Green Food Ukraine Company, Member of the Board of Directors of Hung Vuong Aqua-products Joint Stock Company, and Member of the Members' Council of Delta-Valley BT Company Limited. He has also served as Head of the Supervisory Board of Delta Bank, Ukraine since 2009. Mr. Giang has been the Vice Chairman of the Board of Directors of VPBank since March 2010. Additionally, he is also a member of the Human Resources Committee, Investment Council, ALCO, the Members' Council of VPBank Securities Company and Risk Management Committee as well as Vice Chairman of the high-level Credit Council of VPBank.

### 4. Mr. PHUNG KHAC KE

#### Independent Member of the Board of Directors

After graduating from Hanoi University of National Economics in 1969, Mr. Ke was retained as a lecturer at the university for 2 years and then moved to work for the State Bank of Vietnam from September 1971. From 1983 to 1987, he was a research student on currency circulation and credit at Leningrad Institute of Economics and Finance, the former Union of Soviet Socialist Republics (USSR). Since June 1979, Mr. Ke held many managerial positions at the



6



7



8

State Bank of Vietnam such as Deputy Manager of the Issue and Vault Department and the Economics and Planning Department, Deputy Chief of the Governor's Office, Manager of the Credit Department. From February 1998 to April 2002, he was appointed General Director of Vietnam Joint Stock Commercial Bank for Industry and Trade. From May 2002 to April 2008, Mr. Ke was Deputy Governor of the State Bank of Vietnam. From April 2011 to date, he has been an independent member of VPBank's Board of Directors. He has also been a member of Risk Management Committee of VPBank since its establishment.

#### 5. Mr. LUONG PHAN SON

##### Member of the Board of Directors

Mr. Son graduated from Lvov Polytechnic National University, USSR with an Engineering Bachelor. From 1988 to 1993, he worked for Bechka company in Lvov city. After that, he came back to Vietnam and took the position of Deputy General Director of Tan Hoang Minh Company from 1994 to 1997. From 1998 to date, he has been Deputy Director cum Chief Representative of INVESTLINK Company in Russian Federation. Mr. Son was a member of VPBank's Board of the Directors from April 2012 to October 2012. He no longer held this position due to not being the representative of an institutional shareholder making capital contribution to VPBank.

#### 6. Ms. NGUYEN QUYNH ANH

##### Head of the Supervisory Board

Ms. Anh graduated from Moscow State Pedagogical University in 1994 with a Bachelor Degree in Russian Linguistics and Literature. She also obtained Master degrees in Educational Sciences and Business Administration, specializing in corporate governance model from the State University of Management, the Russian Federation. Ms. Anh was Deputy Editor-in-chief of the "Nhan Hoa" Newspaper – a newspaper under the Russian Press Committee from 1995 to 2003. She then undertook positions of Accountant, Material Supplies Manager, Financial Director of BeePack Group, the Russian Federation from 2003 to 2008. From 2009 to February 2010, she was General Director of Lien Minh Investment Joint Stock Company. She was a member of the Supervisory Board of Vietnam Technological and Commercial Joint Stock

Bank (Techcombank) from 2008 to March 2010 and Euro Capital Securities Company from 2009 to June 2010. She was elected Head of the Supervisory Board of VPBank from March 2010 to date and served as a full-time member. Ms. Anh has also acted as the Chief Supervisor of VPBank Securities Company since September 2011.

#### 7. Ms. TRINH THI THANH HANG

##### Full-time Member of the Supervisory Board

Graduating from the University of Natural Sciences – Hanoi National University with a Bachelor Degree in Information Technology and the University of National Economics with a Bachelor Degree in Finance and Banking, Ms. Hang worked as a teacher at Hong Bang High School, Hanoi from 1998 to 1999. She then worked for Military Commercial Joint Stock Bank. She held the position of Information Technology Officer from 1999 to 2008 and Financial Officer from 2008 to March 2010. Ms. Hang has been appointed member of the Supervisory Board since March 2010. Also, she has been appointed the Supervisor of VPBank Asset Management Company Limited since November 2010.

#### 8. Ms. NGUYEN THI MAI TRINH

##### Member of the Supervisory Board

After graduating from Moscow Geological State University with a Bachelor Degree in Economics, Ms. Trinh received a bachelor degree on Law of Intellectual Property from University of Intellectual Property Law, the Russian Federation. She then obtained a Doctoral Degree in Economics Science from Moscow Geological Prospecting Institute, Russian Federation. She took various positions in Moscow, such as Accountant for Doninanta Service Company from 1995 to September 1998 and King Lion Company from October 1998 to December 2002. She held the position of Chief Finance Officer (CFO) for Beepack Company within 5 years from August 2004 to October 2008 and Accounting Officer for Interlogo Business Corp Company in Moscow – a company specialized in international financial investment - from August 2005 to December 2011. She was also the CFO of KBG Group from October 2008 to December 2011. Ms. Trinh has been a member of VPBank's Supervisory Board since March 2012.

## Members of the Board of Management



1



2



3



4

### 1. Mr. NGUYEN DUC VINH

#### Chief Executive Officer (CEO)

Mr. Nguyen Duc Vinh received his Master of Business Administration from HEC Business Administration University, France and other degrees in the United States. He worked as Deputy General Director for Vietnam Airlines Corporation (Vietnam Airlines) before taking his roles in the Board of Directors and the Board of Management for Vietnam Technological and Commercial Joint Stock Bank (Techcombank) with important positions such as: CEO, member of the Board of Directors cum CEO, Vice Chairman of the Board of Directors. From July 2012, Mr. Nguyen Duc Vinh has been the CEO of VPBank.

### 2. Mr. NGUYEN THANH BINH

#### Deputy CEO, Head of Credit Division

Mr. Nguyen Thanh Binh joined the Armed Forces of Vietnam from 1985 to 1988 before obtaining a Bachelor Degree in Finance and Banking from Hanoi University of National Economics and completing a post-graduate training course on Public Policies of the Fulbright Vietnam Program. Joining VPBank from 1994, he had held various managerial positions in the Credit Department, Research and Development Department, General Affairs and Branch Management Department, etc. before being appointed Deputy CEO in 2002. He is now Deputy CEO cum Head of Credit Division.

### 3. Ms. DUONG THI THU THUY

#### Deputy CEO, Head of Sales and Distribution Division

Ms. Duong Thi Thu Thuy obtained her Bachelor Degree from the Hanoi Banking College, Bachelor Degree in Finance and Banking from the University of National Economics and a Bachelor Degree in English language from the Hanoi Foreign Languages University under the Hanoi National University. Since 2002, she worked at VPBank and held various managerial positions, such as Head of Corporate Customer Relationship Department – Branch Manager of VPBank Hanoi, Deputy CEO cum Director of Transaction Center. She has been Deputy CEO cum Head of Sales and Distribution Division since June 2012.

### 4. Mr. PHAN NGOC HOA

#### Deputy CEO, Deputy Head of Sales and Distribution Division

After obtaining a Bachelor Degree in Finance from the University of Economics Ho Chi Minh City in 1994, Mr. Phan Ngoc Hoa joined VPBank. He had held various managerial positions at VPBank Ho Chi Minh and VPBank Sai Gon branches before being appointed Deputy CEO of VPBank in 2010. He is now Deputy CEO cum Deputy Head of Sales and Distribution Division of VPBank.





#### **5. Ms. DUONG THI THUY**

##### **Deputy CEO, Head of Information Technology Division**

Ms. Duong Thi Thuy obtained a Bachelor Degree in Physics from Vietnam National University in 1993, and a Bachelor Degree in Electronics and Telecommunications from the National University in 2002. Ms. Duong Thi Thuy also held an MBA from the Columbia Southern University, the United States. Working for VPBank since 1996, Ms. Thuy served as Head of IT Center before being appointed Deputy CEO of VPBank cum Head of Information Technology Division in February 2008.

#### **6. Ms. NGUYEN THI BICH THUY**

##### **Deputy CEO, Head of Treasury and Investment Division**

With a Bachelor Degree in Accounting from the University of National Economics in 1994, Ms. Nguyen Thi Bich Thuy continued her education with a Master Degree in Finance and Banking in Paris Dauphine & ESCP University, France. She then served as Deputy Manager of the General Treasury Department for the Asia Pacific Bank and Deputy CEO of Habubank. From June 2010 to date, Ms. Nguyen Thi Bich Thuy has been Deputy CEO of VPBank cum Head of Treasury and Investment Division.

#### **7. Mr. VU MINH TRUONG**

##### **Deputy CEO, Head of Wholesale Banking Division**

Obtaining a Bachelor Degree in Business Administration from West Berlin University in Germany, Mr. Vu Minh Truong had served as Manager of the Corporate Banking Department of HSBC Bank, Director of Currency Trading, Foreign Exchange and Global Markets of Standard Chartered Bank in Vietnam, Global Markets Director for Vietnam and Director of Financial Institution in the Greater Mekong Region of ANZ Bank Vietnam. From July 2011 to date, Mr. Vu Minh Truong has been Deputy CEO of VPBank cum Head of Wholesale Banking Division.

#### **8. Ms. LUU THI THAO**

##### **Deputy CEO, Head of Finance Division**

Ms. Luu Thi Thao graduated from the Banking Academy with a Bachelor Degree in accounting. She has been a member of the Association of Chartered Certified Accountants of UK (The ACCA UK) since 2002. She used to work for PricewaterhouseCoopers (Vietnam) Company Limited and KPMG Vietnam Company Limited before holding various management positions such as Head of Internal Audit, Compliance Department, ABN AMRO Vietnam Branch and Chief Financial Officer of ANZ Bank Vietnam. Ms. Luu Thi Thao has been Deputy CEO of VPBank cum Head of Finance Division since August 2011.

## Members of the Board of Management



9



10



11



12

### 9. Mr. KALIDAS GHOSE

#### Deputy CEO, Head of Consumer Finance Division, Head of Retail Banking Division

Mr. Kalidas Ghose graduated from Jadavpur University (India) and then obtained a post-graduate certificate on Business Administration, XLRI School of Management and Human Resources, Jamshedpur (India). He has held various important positions such as: General Director of CitiFinancial India, President cum CEO of CitiFinancial Corp (Philippines), CEO of Prudential Vietnam Finance Company Limited, General Director of Retail Banking and Individual Investment Management, Mekong Region of ANZ Vietnam. He joined VPBank in March 2011 and now served as Deputy CEO cum Head of 2 Divisions, i.e., Consumer Finance Division and Retail Banking Division of VPBank.

### 10. Ms. LUU THI ANH XUAN

#### Deputy CEO, Head of Commercial Banking Division (CMB)

Ms. Luu Thi Anh Xuan obtained a Master Degree in Henley Management College, UK. She has extensive working experience in finance and banking in senior positions such as Vice Chairman, Director of Trade Finance at Deutsche Bank - Ho Chi Minh Branch, Customer Relations Manager of ABN ARMO Bank - Hanoi Branch and Deputy Director of Smartlinks Company, Vice Chairman cum Director of Trade Finance of Citibank, and Deputy CEO of Techcombank. She joined VPBank in August 2012 and served as Deputy CEO cum Head of Commercial Banking Division (CMB).

### 11. Mr. MAREK HOVORKA

#### Deputy CEO

Mr. Marek Hovorka obtained a Bachelor Degree of Economics from University of Economics (Czech Republic), Master of Business Administration (MBA) from Clemson University (USA) and a Certificate of Diploma in Business Study from University of Bradford (UK). He had served as Senior Manager of Boston Consulting Group in Czech Republic, Poland and Germany; Vice President in charge of Retail Banking of Raiffeisen International Bank Holding AG (Austria); Deputy CEO cum Director of Business Development of Delta Bank (Ukraine). Since November 2010, he has served as Deputy CEO of VPBank.

### 12. Mr. PETERJAN VAN NIEUWENHUIZEN

#### Head of Operation Division

Mr. Peterjan Van Nieuwenhuizen obtained a Master Degree of Information Technology from Twente University (Holland), a Bachelor of Arts and Certificate of Advanced Study in Mathematics from the University of Cambridge (Pembroke College). He had extensive working experience at McKinsey & Company in senior positions such as Engagement Manager, Associate Partner, etc., in the UK and a variety of countries in continental Europe, Canada, the U.S., Singapore, Indonesia, other South East Asian countries and North Africa. He joined VPBank in October 2012 and served as Head of Operation Division.



### 13. Ms. NGUYEN THI BICH HUYEN

#### Head of Human Resources Division

Ms. Nguyen Thi Bich Huyen obtained a Bachelor Degree in Organic Chemistry from University of Technology (Czech Republic) and a Master Degree in Business Administration from Asian Institute of Technology (Thailand) in 1995. She had served as HR Director in large multinational companies. Before joining VPBank, she worked for HSBC Insurance Company (Vietnam) as an HR Consulting Expert. She has been Head of Human Resources Division of VPBank since January 2012.

### 14. Mr. DAO GIA HUNG

#### Acting Head of Risk Management Division

Mr. Dao Gia Hung obtained a Master Degree in Development Economics from Netherland Institute of Social Science in National Economics University. He has extensive working experience in the banking sector in senior positions at Techcombank, VIB such as Vice Director of Credit Division, Vice Director of Risk Management Division, Head of Individual Credit Management Center, Head of Risk Management and General Planning Department, etc. Joining VPBank in June 2012, he has been appointed Acting Head of Risk Management Division.

### 15. Mr. HOANG ANH TUAN

#### Head of Legal Affairs and Debt Collection Center

Mr. Hoang Anh Tuan obtained a Bachelor Degree from Hanoi University of Law and a Master Degree in Law from Vietnam National University, Hanoi in 2007. He is also a Lawyer of Hanoi Bar Association. He worked for AIC Law Company, Vietnam International Bank (VIB) before joining VPBank in April 2007 with the position of Vice Director of the Legal Department. Mr. Hoang Anh Tuan is now Head of Legal Affairs and Debt Collection Center.

### 16. Mr. LE HOANG LAN

#### Head of Strategy and Project Management Center

Mr. Le Hoang Lan graduated from the Banking Academy in 1994. He had nearly 10 years working for the State Bank of Vietnam, with extensive experience in ODA projects and program management and international cooperation. While working for the State Bank of Vietnam, he obtained a Master Degree in Public Policies from the National Graduate Institute for Policies Studies (GRIPS) in Japan. From 2004, he worked as a consultant for Asian Development Bank (ADB) in public policy training. Joining VPBank in November 2010, he is now Head of Strategy and Project Management Center.

### 17. Ms. NGUYEN THI HONG LAN

#### Head of Communication and Brand Management Center

Obtaining a Master Degree in Banking – Finance from ESCP-EAP University (France), a Master Degree in Market Research and Marketing Strategies from Nantes University (France), Ms. Nguyen Thi Hong Lan is now a postgraduate student at Vietnam University of Commerce. She has extensive working experience in banking and finance, brand management and communication. She has held various positions including: Assistant to General Secretary of Vietnam Banks Association, Senior Officer of Mizuho Bank (Japan) - Hanoi branch, Director of Communication and Brand Management for Vietnam International Bank (VIB), Manager of Marketing, Brand and Communication for Real Estate CEO Group. Since March 2012, she has been Head of Communication and Brand Management Center of VPBank.



## 2012 Audited Financial Statements

### CORPORATE INFORMATION

<b>Banking Licence No.</b>	0042/NH - GP	12 August 1993
	The banking licence was issued by the State Bank of Vietnam and was valid for 99 years from the date of the banking licence.	
<b>Business Registration Certificate No.</b>	0100233583	8 September 1993
	The initial Business Registration Certificate and updates were issued by Hanoi Department of Planning and Investment, of which the most updated was issued on 14 January 2013.	
<b>Board of Directors</b>	Mr. Ngo Chi Dzung	Chairman
	Mr. Bui Hai Quan	Vice Chairman
	Mr. Lo Bang Giang	Vice Chairman
	Mr. Tran Trong Kien	Independent Member <i>(resigned on 24/04/2012)</i>
	Mr. Phung Khac Ke	Independent Member
	Mr. Luong Phan Son	Member <i>(appointed on 24/04/2012 and resigned on 22/10/2012)</i>
<b>Board of Management</b>	Mr. Nguyen Duc Vinh	Chief Executive Officer <i>(appointed on 04/07/2012)</i>
	Mr. Nguyen Hung	Chief Executive Officer <i>(resigned on 04/07/2012)</i>
	Mr. Nguyen Thanh Binh	Deputy Chief Executive Officer
	Mr. Phan Ngoc Hoa	Deputy Chief Executive Officer
	Ms. Duong Thi Thuy	Deputy Chief Executive Officer
	Ms. Duong Thi Thu Thuy	Deputy Chief Executive Officer
	Ms. Nguyen Thi Bich Thuy	Deputy Chief Executive Officer
	Ms. Luu Thi Thao	Deputy Chief Executive Officer
	Mr. Vu Minh Truong	Deputy Chief Executive Officer
	Mr. Marek Hovorka	Deputy Chief Executive Officer
	Mr. Kalidas Ghose	Deputy Chief Executive Officer <i>(appointed on 25/06/2012)</i>
	Ms. Luu Thi Anh Xuan	Deputy Chief Executive Officer <i>(appointed on 01/08/2012)</i>
<b>Chief Accountant</b>	Ms. Nguyen Thi Thu Hang	Chief Accountant <i>(appointed on 28/12/2012)</i>
<b>Legal Representative</b>	Mr. Ngo Chi Dzung	Chairman
<b>Registered Office</b>	1st - 7th Floor, Capital Tower, 72 Tran Hung Dao, Hoan Kiem District, Hanoi, Vietnam	
<b>Auditors</b>	KPMG Limited Vietnam	

## STATEMENT OF THE BOARD OF MANAGEMENT

*The Board of Management of Vietnam Prosperity Joint Stock Commercial Bank is pleased to present this report and its consolidated financial statements of VPBank for the year ended 31 December 2012.*

### Management's responsibility in respect of the consolidated financial statements

The Bank's Management is responsible for the consolidated financial statements which give a true and fair view of VPBank's consolidated status of financial affairs and its consolidated operating results and cash flows for fiscal years. In preparing the consolidated financial statements, the Bank's Management is required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgments and estimates that are reasonable and prudent;
- Confirm that applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- Prepare the consolidated financial statements on the going concern basis unless it is inappropriate to presume that VPBank will continue in business.

The Bank's Management is also responsible for ensuring that proper accounting records are kept which disclose, with reasonable accuracy at any time, the financial position of VPBank and to ensure that the accounting records comply with the applicable accounting system. The Bank's Management is also responsible for safeguarding the assets of VPBank and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Bank's Management confirms that VPBank has complied with the above requirements in preparing the financial statements for the year ended 31 December 2012.

### Statement by Management

Management does hereby state that, in its opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of VPBank as of 31 December 2012 and of its consolidated results of operations and its consolidated cash flows for the year then ended in accordance with Vietnamese Accounting Standards, the Vietnamese Accounting System applicable to credit institutions issued by the State Bank of Vietnam and the relevant statutory requirements.

For and on behalf of the Board of Management:



**Mr. Nguyen Duc Vinh**  
Chief Executive Officer

*Hanoi, 28 March 2013*



**KPMG Limited**  
46<sup>th</sup> Floor, Keangnam Hanoi Landmark Tower  
72 Building, Plot E6, Pham Hung Street,  
Me Tri, Tu Liem, Hanoi city  
The Socialist Republic of Vietnam

Telephone + 84 (4) 3946 1600  
Fax + 84 (4) 3946 1601  
Internet www.kpmg.com.vn

## INDEPENDENT AUDITORS' REPORT

*To the Shareholders*

### VIETNAM PROSPERITY JOINT STOCK COMMERCIAL BANK

#### Scope

We have audited the accompanying consolidated balance sheet of Vietnam Prosperity Joint Stock Commercial Bank ("the Bank") and its subsidiaries (collectively referred to as "VPBank") as of 31 December 2012, the related consolidated statements of income and cash flows for the year then ended and the explanatory notes thereto which were authorised for issue by the Bank's Board of Management on 28 March 2013 ("the consolidated financial statements"). The consolidated financial statements are the responsibility of the Bank's Board of Management. Our responsibility is to express an opinion on the consolidated financial statements based on our audit.

We conducted our audit in accordance with Vietnamese Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance that the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Bank's Board of Management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

#### Audit opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of VPBank as of 31 December 2012 and of its consolidated results of operations and its consolidated cash flows for the year then ended, in accordance with Vietnamese Accounting Standards, the Vietnamese Accounting System for credit institutions stipulated by the State Bank of Vietnam and the relevant statutory requirements.

#### KPMG Limited Vietnam

Investment Certificate No: 011043000345

Audit Report No.: 12-02-108/2



**Tran Dinh Vinh**

CPA No. 0339/KTV

Deputy General Director

*Hanoi, 28 March 2013*

**Nguyen Minh Hieu**

CPA No. N.1572/KTV



**Consolidated balance sheet**  
as at 31 December 2012  
Form B02/TCTD-HN

	Note	31/12/2012 VND million	31/12/2011 VND million
<b>A ASSETS</b>			
<b>I Cash and gold on hand</b>	<b>4</b>	<b>799,402</b>	<b>1,020,923</b>
<b>II Balances with the State Bank of Vietnam</b>	<b>5</b>	<b>1,372,667</b>	<b>522,364</b>
<b>III Balances with and loans to other credit institutions</b>	<b>6</b>	<b>26,760,927</b>	<b>22,961,234</b>
1 Deposits with other credit institutions		17,317,365	22,560,512
2 Loans to other credit institutions		9,498,221	400,722
3 Allowance for loans to other credit institutions		(54,659)	-
<b>IV Securities held for trading</b>	<b>7</b>	<b>1,345,840</b>	<b>1,908,205</b>
1 Securities held for trading		1,366,615	1,925,630
2 Allowance for diminution in the value of securities held for trading		(20,775)	(17,425)
<b>V Derivatives and other financial assets</b>	<b>8</b>	<b>57,471</b>	<b>-</b>
<b>VI Loans and advances to customers</b>		<b>36,523,123</b>	<b>28,869,470</b>
1 Loans and advances to customers	9	36,903,305	29,183,643
2 Allowance for loans and advances to customers	10	(380,182)	(314,173)
<b>VII Investment securities</b>	<b>11</b>	<b>22,254,016</b>	<b>19,018,216</b>
1 Available for sale securities		22,263,016	19,018,216
3 Allowance for diminution in the value of investment securities		(9,000)	-
<b>VIII Long-term investments</b>	<b>12</b>	<b>67,338</b>	<b>122,812</b>
4 Other long-term investments		67,811	123,285
5 Provision for long-term investment		(473)	(473)
<b>IX Fixed assets</b>		<b>458,197</b>	<b>370,704</b>
1 Tangible fixed assets	13	251,800	214,769
a <i>Cost</i>		529,352	436,934
b <i>Accumulated depreciation</i>		(277,552)	(222,165)
2 Intangible fixed assets	14	176,840	155,935
a <i>Cost</i>		249,222	208,589
b <i>Accumulated amortisation</i>		(72,382)	(52,654)
3 Investment property	15	29,557	-
a <i>Cost</i>		29,916	-
b <i>Accumulated depreciation</i>		(359)	-
<b>XI Other assets</b>		<b>12,937,294</b>	<b>8,024,019</b>
1 Receivables	16(a)	10,130,725	5,844,602
2 Accrued interest and fee receivable	16(b)	2,454,983	1,839,688
3 Deferred tax assets		5,634	39
4 Other assets	16(c)	438,350	351,938
5 Allowance for other on-balance sheet assets	16(d)	(92,398)	(12,248)
<b>Total assets</b>		<b>102,576,275</b>	<b>82,817,947</b>

**Consolidated balance sheet**  
as at 31 December 2012 (continued)  
Form B02/TCTD-HN

	Note	31/12/2012 VND million	31/12/2011 VND million
<b>B</b>			
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
<b>Liabilities</b>			
<b>I</b>			
<b>Amounts due to the Government and the State Bank of Vietnam</b>	<b>17</b>	<b>1,371,572</b>	<b>917,127</b>
<b>II</b>			
<b>Deposits and borrowings from other credit institutions</b>	<b>18</b>	<b>25,655,717</b>	<b>25,587,591</b>
1		15,542,886	25,587,591
2		10,112,831	-
<b>III</b>			
<b>Deposits from customers</b>	<b>19</b>	<b>59,514,141</b>	<b>29,412,135</b>
<b>IV</b>			
<b>Derivatives and other financial liabilities</b>	<b>8</b>	<b>-</b>	<b>2,541</b>
<b>V</b>			
<b>Other borrowed and entrusted funds</b>	<b>20</b>	<b>64,540</b>	<b>100,182</b>
<b>VI</b>			
<b>Valuable papers issued</b>	<b>21</b>	<b>4,766,100</b>	<b>15,042,115</b>
<b>VII</b>			
<b>Other liabilities</b>		<b>4,567,188</b>	<b>5,760,011</b>
1	22(a)	1,186,701	1,125,997
3	22(b)	3,366,249	4,617,916
4	22(c)	14,238	16,098
		<b>95,939,258</b>	<b>76,821,702</b>
<b>Shareholders' equity</b>			
<b>VIII</b>			
<b>Capital and reserves</b>	<b>23</b>	<b>6,637,017</b>	<b>5,996,245</b>
1		5,771,369	5,051,369
a		5,770,000	5,050,000
c		1,369	1,369
2		233,031	151,380
5		632,617	793,496
		<b>6,637,017</b>	<b>5,996,245</b>
		<b>102,576,275</b>	<b>82,817,947</b>

**Consolidated balance sheet**  
as at 31 December 2012 (continued)  
Form B02/TCTD-HN

	Note	31/12/2012 VND million	31/12/2011 VND million
<b>Off-balance sheet items</b>			
<b>I Contingent liabilities</b>			
1	Borrowing guarantees	-	546
2	Letters of credit	799,286	133,159
3	Other guarantees	2,036,303	1,822,743
<b>II Other commitments</b>			
1	Conditional undrawn loan commitments	9,990,054	5,761,985

Prepared by:



**Nguyen Thi Thu Hang**  
Chief Accountant

Approved by:



**Luu Thi Thao**  
Deputy Chief Executive Officer  
cum. Chief Financial Officer



**Nguyen Duc Vinh**  
Chief Executive Officer

Hanoi, 28 March 2013



**Consolidated statement of income**  
for the year ended 31 December 2012  
Form B03/TCTD-HN

	Note	2012 VND million	2011 VND million (restated)	
1	Interest and similar income	24	10,340,939	9,539,693
2	Interest and similar expenses	24	(7,373,778)	(7,494,584)
<b>I</b>	<b>Net interest income</b>	<b>24</b>	<b>2,967,161</b>	<b>2,045,109</b>
3	Fee and commission income	25	671,852	844,608
4	Fee and commission expenses	25	(401,035)	(437,276)
<b>II</b>	<b>Net fee and commission income</b>	<b>25</b>	<b>270,817</b>	<b>407,332</b>
<b>III</b>	<b>Net (loss)/gain from trading of foreign currencies and gold</b>		<b>(117,164)</b>	<b>12,964</b>
<b>IV</b>	<b>Net gain from trading of securities held for trading</b>	<b>26</b>	<b>73,913</b>	<b>48,385</b>
<b>V</b>	<b>Net loss from investment securities</b>	<b>27</b>	<b>(176,112)</b>	<b>(26,316)</b>
5	Other income	28	121,668	36,143
6	Other expenses		(23,953)	(12,437)
<b>VI</b>	<b>Net other income</b>		<b>97,715</b>	<b>23,706</b>
<b>VII</b>	<b>Income from investments in other entities</b>		<b>17,092</b>	<b>4,144</b>
<b>VIII</b>	<b>Operating expenses</b>	<b>29</b>	<b>(1,880,776)</b>	<b>(1,302,340)</b>
<b>IX</b>	<b>Operating profit before allowance and provision expenses</b>		<b>1,252,646</b>	<b>1,212,984</b>
<b>X</b>	<b>Allowance and provision expenses</b>	<b>30</b>	<b>(399,914)</b>	<b>(148,729)</b>
<b>XI</b>	<b>Profit before tax</b>		<b>852,732</b>	<b>1,064,255</b>
7	Income tax expense - current	31	(214,933)	(264,606)
8	Income tax expense - deferred	31	5,595	39
<b>XII</b>	<b>Total income tax expense</b>	<b>31</b>	<b>(209,338)</b>	<b>(264,567)</b>
<b>XIII</b>	<b>Net profit after tax</b>		<b>643,394</b>	<b>799,688</b>
<b>XV</b>	<b>Basic earnings per share (VND/share)</b>	<b>32</b>	<b>1,115</b>	<b>1,386</b>

Prepared by:



**Nguyen Thi Thu Hang**  
Chief Accountant

Approved by:



**Luu Thi Thao**  
Deputy Chief Executive Officer  
cum. Chief Financial Officer




**Nguyen Duc Vinh**  
Chief Executive Officer

Hanoi, 28 March 2013

**Consolidated statement of cash flows**  
for the year ended 31 December 2012  
Form B04/TCTD-HN

		<b>2012</b>	<b>2011</b>
		VND million	VND million
<b>Cash flows from operating activities</b>			
01	Interest and similar income received	9,725,669	8,481,452
02	Interest and similar expenses paid	(7,312,366)	(7,004,602)
03	Fee and commission income received	270,084	407,332
04	Net (paid)/ receipts from foreign currencies and gold trading activities	(117,164)	12,964
05	Net (loss)/gain from securities trading activities	(89,849)	6,180
06	Other income received	97,298	23,706
07	Operating and salary expenses payments	(1,793,885)	(1,027,282)
08	Income tax paid	(256,026)	(221,301)
	<b>Net cash inflows from operating activities before changes in operating assets and liabilities</b>	<b>523,761</b>	<b>678,449</b>
<b>Changes in operating assets</b>			
09	Balance with and loans to other credit institutions	(2,634,633)	(3,540,538)
10	Securities held for trading and investment securities	(2,685,785)	(7,361,331)
11	Derivatives and other financial instruments	(57,471)	156
12	Loans and advances to customers	(7,719,662)	(3,859,908)
13	Utilisation of provision for loans and advances, securities, long term investments	(281,106)	(53,893)
14	Other assets	(4,342,126)	1,182,961
<b>Changes in operating liabilities</b>			
15	Amounts due to the Government and SBV	454,445	(299,254)
16	Deposits and borrowings from other credit institutions	68,126	11,805,630
17	Deposits from customers	30,102,006	5,442,490
18	Valuable papers issued	(10,276,015)	5,410,468
19	Other borrowed and entrusted funds	(35,642)	(19,612)
20	Derivatives and other financial liabilities	(2,541)	2,541
21	Other liabilities	(1,170,365)	(880,450)
22	Utilisation of reserves	(6)	(32)
<b>I</b>	<b>Net cash inflows from operating activities</b>	<b>1,942,986</b>	<b>8,507,677</b>

**Consolidated statement of cash flows**  
for the year ended 31 December 2012 (continued)  
Form B04/TCTD-HN

		2012 VND million	2011 VND million
	<b>Cash flows from investing activities</b>		
01	Payments for purchases of fixed assets	(167,468)	(139,608)
02	Proceeds from disposal of fixed assets	417	50,694
07	Proceeds from investments in other entities	55,474	25,295
09	Dividends received from long-term investments	17,092	4,144
<b>II</b>	<b>Net cash outflows from investing activities</b>	<b>(94,485)</b>	<b>(59,475)</b>
<b>IV</b>	<b>Net increase in cash flows for the year</b>	<b>1,848,501</b>	<b>8,448,202</b>
<b>V</b>	<b>Cash and cash equivalents at the beginning of the year</b>	<b>16,139,484</b>	<b>7,691,282</b>
<b>VI</b>	<b>Cash and cash equivalents at the end of the year (note 33)</b>	<b>17,987,985</b>	<b>16,139,484</b>

**NON-CASH INVESTING AND FINANCING ACTIVITIES**

	2012 VND million	2011 VND million
Bonus shares	40,000	630,000
Dividend shares	680,000	420,000

Prepared by:



**Nguyen Thi Thu Hang**  
Chief Accountant

Approved by:



**Luu Thi Thao**  
Deputy Chief Executive Officer  
cum. Chief Financial Officer



**Nguyen Duc Vinh**  
Chief Executive Officer

Hanoi, 28 March 2013



These notes form an integral part of, and should be read in conjunction with, the accompanying consolidated financial statements.

## 1. Reporting entity

Vietnam Prosperity Joint Stock Commercial Bank (herein referred to as “the Bank”) is a joint stock bank incorporated and registered in the Socialist Republic of Vietnam.

The Bank was established pursuant to the Banking License No. 0042/NH-GP dated 12 August 1993 issued by the State Bank of Vietnam (“the SBV”) and the Business Registration Certificate No. 0100233583 dated 8 September 1993 issued by Hanoi Department of Planning and Investment. The Bank entered into operation on 12 August 1993 with an operation period of 99 years.

The Bank has been established to provide banking services including mobilizing and receiving short, medium and long-term deposits from organizations and individuals; mak-

ing short, medium and long-term loans and advances to organizations and individuals based on the nature and capability of the Bank’s sources of capital; also including foreign exchange transactions, international trade finance services, discount of commercial papers, bonds and other valuable papers, and providing other banking services allowed by the State Bank of Vietnam.

As at 31 December 2012, the Bank’s share capital is VND5,770 billion. Face value per share is VND10,000.

As at 31 December 2012, the Bank has one (1) Head Office, one (1) operation centre, thirty eight (38) branches, one hundred and sixty-six (166) transaction offices and savings funds nationwide. As at 31 December 2012, the Bank had two (2) subsidiaries as follows:

Subsidiaries	Operating licence	Nature of Business	% owned by the Bank
VPBank Securities Company Limited (VPBS)	0104000621 Dated 28 November 2006 issued by Hanoi Department of Planning and Investment.	Securities activities	100%
VPBank Asset Management Company Limited (VP AMC)	0100233583-012 Dated 7 May 2012 granted by Hanoi Department of Planning and Investment.	Asset and Liabilities management	100%

The Bank and its subsidiaries are hereinafter collectively called “VPBank”. As at 31 December 2012, VPBank had 4,326 employees (31 December 2011: 3,548 employees).

## 2. Basis of financial statement preparation

### (a) Statement of compliance

The consolidated financial statements have been prepared in accordance with Vietnamese Accounting Standards, the Vietnamese Accounting System for Credit Institutions issued by the State Bank of Vietnam, and relevant statutory requirements.

### (b) Basis of measurement

The consolidated financial statements, except for the consolidated statement of cash flows, are prepared on the accruals basis using the historical cost concept. The consolidated statement of cash flows is prepared using the direct method. The Bank has consistently applied the accounting policies in the year and consistently applied the accounting policies in previous years, except for the

issue disclosed in Note 3(f).

### (c) Annual accounting period

The fiscal year of the Bank is from 1 January to 31 December.

### (d) Accounting currency

The consolidated financial statements have been prepared and presented in Vietnamese Dong rounded to the nearest million (“VND million”).

## 3. Summary of significant accounting policies

The following significant accounting policies have been adopted by the Bank in the preparation of these consolidated financial statements.

### (a) Basis of consolidation

**Notes to the consolidated financial statements**

for the year ended 31 December 2012 (continued)

Form B05/TCTD-HN

*(i) Subsidiaries*

Subsidiaries are entities controlled by the Bank. Control exists when the Bank has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account. The financial statements of the subsidiaries are included in the consolidated financial statements from the effective date of control until the date the control ceases.

*(ii) Transactions eliminated on consolidation*

Inter-company balances, transactions and unrealised gains on transactions between those subsidiaries and the Bank are eliminated in preparing the consolidated financial statements. Unrealised losses also eliminated unless transactions provide evidence of an impairment of the asset transferred. The accounting policies of subsidiaries have been changed when necessary to ensure the consistency with the policies adopted by the Bank.

**(b) Foreign currency transactions**

The Bank maintains an accounting system that records all transactions in original currencies. Monetary assets and liabilities denominated in currencies other than VND are translated into VND at the Bank's exchange rates prevailing on the balance sheet date. Non-monetary foreign currency assets and liabilities are translated into VND using the exchange rate effective at the date of the transaction. Income and expenses transactions incurred in foreign currencies are translated into VND using exchange rates on the dates of the transactions in the consolidated statement of income.

Translation adjustment arising from dealing activities as at the balance sheet date are recorded in the consolidated statement of income.

**(c) Cash and cash equivalents**

Cash and cash equivalents include cash on hand, gold on hand, balances with the SBV, other valuable papers which are eligible for discount and balances with other credit institutions with original terms to maturity not exceeding three months.

Gold is revaluated at the balance sheet date and the differences arising on revaluation are recorded in the consolidated statement of income.

**(d) Trading securities***(i) Classification and recognition*

Trading securities include debt or equity securities and other securities that VPBank purchases and intends to sell in the short term for earnings from capital appreciation.

*(ii) Measurement*

Securities held for trading are initially recognised at cost at date of the transaction. They are subsequently measured at the lower of cost and market value. Gains or losses from the disposal of securities held for trading are recognised in the consolidated statement of income.

**(e) Financial investments***(i) Investment securities*

Investment securities are classified into two categories: available for sale investment securities and held to maturity investment securities. VPBank classifies investment securities at the purchase date. In accordance with Official Letter 2601/NHNN-TCKT dated 14 April 2009 issued by the State Bank of Vietnam, VPBank is allowed to reclassify its investment securities once after their purchase date.

Available-for-sale investment securities are debt securities, equity securities or other securities, which are held for an indefinite period and may be sold at any time.

Held-to-maturity investment securities are debt securities with fixed or determinable payment and fixed maturities where VPBank's management has the positive intention and ability to hold until maturity.

Investment securities being debt securities are stated at cost including trading fee and other directly attributable costs. Then they are recognized at amortised cost (affected by premium/discount amortisation) less allowance for diminution in the value of investment. Premium and discount arising from purchases of debt securities are amortised to the consolidated statement of income on a straight-line basis over the period from acquisition date to maturity date.

Available-for-sale investments securities being equity securities are stated at cost; and are subsequently recognized at the lower of the cost and market value with the difference recognized in the consolidated statement of income.

*(ii) Capital contribution and long-term investments***Other long-term investments**

Other long term investments include equity securities, other long term capital contributions whose holding, withdrawing or paying term is for more than 1 year (in addition to investment securities).

These investments are initially stated at cost of acquisition, then less allowance for diminution in value of investments. Cost is determined on a weighted average basis.

*(iii) Allowance for diminution in the value of financial investments*

In accordance with Official Letter 7459/NHNN-TCKT issued by the State Bank of Vietnam on 30 June 2006, when the financial statements are prepared, if the market value of held-for-trading and available for sale securities is lower than their book value or there is indication of long-term diminution in the value of investments for held-to-maturity securities, VPBank makes allowance for each investment in securities in accordance with current requirements of allowance for diminution in the value of securities as requirement in accordance with Circular No. 228/2009/TT-BTC dated 7 December 2009 issued by Ministry of Finance ("Circular 228"). In case of lacking or unidentified the trading price data, unlisted securities are stated at cost.

In accordance with Circular 228, allowance for diminution in the value of investments in economic entities (such as limited liability companies, joint stock companies, partnerships, joint ventures and other long-term investments), are required if the economic entities suffer losses (except when the loss was anticipated in their business plan before the date of investment).

In accordance with Circular 34/2011/TT-BTC issued by the Ministry of Finance ("MoF") on 14 March 2011, VPBank calculates

risk allowance for financial investments in accordance with the requirements of Circular 228.

**(f) Loans and advances to customers and other credit institutions**

Loans and advances to customers and other credit institutions are stated at the amount of the outstanding principal less any allowance for credit risk.

Short-term loans are those with a repayment date within one year of the loan disbursement date. Medium-term loans are those with a repayment date between one to five years of the loan disbursement date. Long-term loans are those with a repayment date of more than five years from the loan disbursement date.

Allowance for credit risk comprises a general allowance and a specific allowance, which are made at least once a quarter.

Decision No. 493/2005/QD-NHNN dated 22 April 2005 issued by State Bank of Vietnam ("Decision No.493"), which was amended and supplemented by Decision No. 18/2007/ QD-NHNN dated 25 April 2007 issued by State Bank of Vietnam ("Decision 18"), requires specific allowance at the balance sheet date (31 December) to be calculated on the basis of outstanding principal less discounted value of collateral assets multiplied by the allowance rate specified for each loan group, all as at 30 November, which is provided below:

<b>Loan group</b>	<b>Rate of allowance</b>
Group 1 – Current	0%
Group 2 – Special mention	5%
Group 3 – Substandard	20%
Group 4 – Doubtful	50%
Group 5 – Loss	100%

The classification of loan groups as well as the basis for determination of the value and the discounted value for each type of collateral is specified in Decision 493 and Decision 18.

Effective from 23 April 2012, the Bank adopted Decision No.780/QD-NHNN dated 23 April 2012 issued by State Bank of Vietnam ("Decision 780") regarding the classification of loans being rescheduled or having the repayment terms extended under which such loans are classified in the same loan groups as before rescheduling or having the repayment terms extended if the borrower are assessed as having positive business potential and ability to repay well these

loans. The Bank applied this change in accounting policy prospectively. The effect of this change is provided in Note 9.

General allowance at the balance sheet date (31 December) is calculated at 0.75% of outstanding loans and advances to customers and other credit institutions that are classified into Group 1 to Group 4 as at 30 November.

In accordance with Decision 493, loans and advances to customers and credit institutions are written off against the allowance when they have been classified to Group 5 or when the borrowers have declared bankruptcy or dissolved



**Notes to the consolidated financial statements**

for the year ended 31 December 2012 (continued)

Form B05/TCTD-HN

(for borrowers being organisations or enterprises), or when the borrowers have been dead or missing (for borrowers being individuals).

**(g) Provision for off-balance sheet items**

Allowance for off-balance sheet items comprises a general allowance and a specific allowance and is made at least once a quarter.

In accordance with Decision 18, VPBank is required to classify guarantees, acceptances, loan commitments which are irrevocable and unconditional and have a specific performance date (herein referred to as "off-balance sheet commitments") for these customers into 5 groups and make specific allowances accordingly using the method provided in Note 3(f).

Besides, in accordance with Decision 493, general provision as at 31 December is calculated at 0.75% of total outstanding off-balance sheet commitments as at 30 November.

**(h) Tangible fixed assets***(i) Cost*

Tangible fixed assets are stated at cost less accumulated depreciation. The initial cost of a tangible fixed asset comprises its purchase price, including import duties and non-refundable purchase taxes and any directly attributable costs of bringing the asset to its working condition and location for its intended use, and the cost of dismantling and removing the asset and restoring the site on which they are located. Expenditure incurred after the tangible fixed assets have been put into operation, such as repairs and maintenance and overhaul costs, is normally charged to the consolidated statement of income in the year in which the costs are incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of an item of tangible fixed assets beyond its originally assessed standard of performance, the expenditure is capitalised as an additional cost of tangible fixed assets.

*(ii) Depreciation*

Depreciation is computed on a straight-line basis over the estimated useful lives of items of tangible fixed assets. The estimated useful lives are as follows:

• Buildings and structures	40 years
• Machineries and equipment	4 - 10 years
• Motor vehicles	8 years
• Office equipment	5 years
• Others	4 - 7 years

**(i) Intangible fixed assets***(i) Land use rights***Indefinite term land use rights**

Indefinite term land use rights are stated at cost and are not amortised. The initial cost of a land use right comprises its purchase price and any directly attributable costs incurred in conjunction with securing the land use right.

*(ii) Software*

The cost of acquiring new software, which is not an integral part of the related hardware, is capitalised and accounted for as an intangible asset. Software costs are amortised on a straight-line basis from 3 - 8 years.

**(j) Investment property***(i) Cost*

Investment property is stated at cost less accumulated depreciation. The initial cost of an investment property comprises its purchase price, cost of land use rights and any directly attributable expenditures of bringing the property to the condition necessary for it to be capable of operating in the manner intended by management. Expenditure incurred after investment property has been put into operation, such as repairs and maintenance, is charged to the consolidated statement of income in the year in which the expenditure is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in future economic benefits in excess of the originally assessed standard of performance of the existing investment property, the expenditure is capitalised as an additional cost of investment property.

*(ii) Depreciation*

Depreciation is computed on a straight-line basis over the estimated useful lives of investment property. The estimated useful lives are as follows:

• Buildings and structures	3 - 21 years
• Land use right	indefinite

**(k) Other receivables**

Receivables, other than loans to customers, are initially recorded at cost and less allowance for doubtful receivables.

Other receivables are subject to review for allowance for doubtful receivables based on overdue periods of receivables or estimated loss arising from undue debts of which the

indebted economic organisations are bankrupt or undergoing dissolution procedures; debtors are missing, have fled, are prosecuted, detained or tried by law enforcement bodies, are serving sentences or have died. Increases or decreases to the provision balance are recorded in operating expenses in

the consolidated income statement.

VPBank makes allowance for doubtful receivables in accordance with Circular 228 at the following, allowance rates over overdue receivables:

Overdue period	Rate of allowance
From six (06) months to less than one (01) year	30%
From one (01) year to less than two (02) years	50%
From two (02) years to less than three (03) years	70%
Over three (03) years	100%

#### (l) Provision

A provision other than those described in Notes 3(e), 3(f), 3(g) and 3(l) is recognised if, as a result of a past event, VPBank has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

#### (m) Provision for severance allowance

Under the Vietnamese Labour Code, when employees who have worked for 12 months or more ("eligible employees") voluntarily terminates their labour contract, the employer is required to pay the eligible employees severance allowance calculated based on years of service and employees' compensation at termination.

Pursuant to Law on Social Insurance, effective from 1 January 2009, VPBank and its employees are required to contribute to an unemployment insurance fund managed by the Vietnam Social Insurance Agency. The contribution to be paid by each party is calculated at 1% of the lower of the employees' basic salary and 20 times of the general minimum salary level as specified by the Government from time to time. With the implementation of the unemployment insurance scheme, VPBank is no longer required to provide severance

allowance for the service period after 1 January 2009. However, severance allowance to be paid to existing eligible employees as of 31 December 2008 will be determined based on the eligible employees' years of service as of 31 December 2008 and their average salary for the six-month period prior to the termination date.

#### (n) Other payables

Other payables are stated at their cost.

#### (o) Share capital

##### (i) Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity.

##### (ii) Share premium

On receipt of capital from shareholders, the difference between the issue price and the par value of the shares is credited to share premium account in equity.

#### (p) Reserves and funds

##### The Bank

The Bank is required to make the following allocations before distribution of profits:

	Annual allocation	Maximum balance
Reserve to supplement share capital	5% of profit after tax	Share capital
Financial reserve	10% of profit after tax	25% of share capital

**Notes to the consolidated financial statements**

for the year ended 31 December 2012 (continued)

Form B05/TCTD-HN

Bonus and welfare funds are allocated from profit after tax at resolution by the shareholders in the Annual General Meeting and are used primarily to make payments to the Bank's employees. These funds are not required by law and are fully distributable.

Other equity funds are allocated from profit after tax. The allocation from profit after tax and the utilisation of the other equity funds are approved by the shareholders in the Annual General Meeting. These funds are not required by law and are fully distributable.

**The subsidiaries****- VPBank Asset Management Company Limited**

According to Circular 27/2002/TT-BTC dated 22 March 2002 issued by the Ministry of Finance, asset management companies are required to make reserves and other funds from profit after tax based on the rates that the Bank currently applies.

**- VPBank Securities Company Limited**

According to Circular 11/2000/TT-BTC dated 1 February 2000, issued by the Ministry of Finance, securities companies are required to make reserves and other funds from profit after tax based on the following rates:

	<b>Annual allocation</b>	<b>Maximum balance</b>
Reserve to supplement chartered capital	5% of profit after tax	10% of chartered capital
Financial reserve	5% of profit after tax	10% of chartered capital

The allocation from profit after tax will be made upon approval of Annual General Meeting.

**(q) Revenue recognition***(i) Interest income*

Interest income is recognised in the consolidated statement of income on an accruals basis, except for uncollected interest on loans classified in Group 2 to Group 5 as defined in Note 3(f) which is recognised upon receipt.

*(ii) Fee and commission income*

Fees and commissions are recognized in the consolidated statement of income on an accrual basis.

*(iii) Dividend income*

Dividends receivable in cash are recognized in the consolidated statement of income when VPBank's right to receive payment is established.

In accordance with Circular No. 244/2009/TT-BTC dated 31 December 2009, effective from 1 January 2010, issued by the Ministry of Finance, dividend received in the form of shares and shares distributed from retained earnings are recognized as an increase in the number of shares, not recognized in the consolidated statement of income.

**(r) Interest expenses**

Interest expenses are recognised in the consolidated statement of income on an accrual basis.

**(s) Operating lease payments**

Payments made under operating leases are recognised in the consolidated statement of income on a straight-line basis over the term of the lease. Lease incentives received are recognised in the consolidated statement of income as an integral part of the total lease expense.

**(t) Taxation**

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the consolidated statement of income.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of previous year.

Deferred tax is provided using the balance sheet method, for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of

realisation or settlement of the carrying amount of assets and liabilities using tax rates enacted or substantially enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

#### **(u) Basic earnings per share**

VPBank presents basic earnings per share (EPS) for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to the ordinary shareholders of VPBank by the weighted average number of ordinary shares outstanding during the year.

#### **(v) Segment reporting**

A segment is a distinguishable component of VPBank that is engaged either in providing related products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments. VPBank's primary format for segment reporting is based on geographical segments. VPBank's secondary format for segment reporting is based on business segments.

#### **(w) Off-balance sheet items**

##### *(i) Foreign exchange contracts*

VPBank enters into foreign exchange forwards and swaps which enable customers to transfer, modify or reduce their foreign exchange or other market risks and also trades these products for its own account.

Forward contracts are commitments to either purchase or sell a designated currency at a specific future date for a specific exchange rate and are settled in cash. Forward contracts are recorded at nominal value on the balance sheet at the transaction date and are subsequently revaluated at exchange rate at the year end. Realised or unrealised gain or loss is recognised in the consolidated statement of income.

Swap contracts are commitments to settle in cash at a future date based on differentials between specified exchange rates, as applied to a notional principal amount.

Swap contracts are subsequently revaluated on the balance sheet date; the difference on revaluation is recognised in the consolidated statement of income.

##### *(ii) Commitments and contingent liabilities*

VPBank has outstanding credit commitments. These commitments are approved and unutilised loans and overdraft facilities. VPBank also provides financial guarantees and letters of credit to guarantee the performance of customers to third parties. Many of the contingent liabilities and commitments will expire without any advanced payment, in whole or in part. Therefore these commitments and contingent liabilities do not represent expected future cash flows.

#### **(x) Classification of financial assets and liabilities for disclosure purpose**

##### *(i) Classification of financial assets and financial liabilities*

In accordance with Circular 210/2009/TT-BTC ("Circular 210"), financial assets are classified into the following categories for disclosure purpose in the consolidated financial statements:

##### *Financial assets at fair value through profit or loss:*

Financial assets at fair value through profit or loss include financial asset held for trading and derivatives. A financial asset is classified as held for trading if:

- It is purchased mainly for the purpose of resale in a short term; or
- There is evidence that such instrument is traded for the purpose of gaining short-term profits.

##### *Held-to-maturity investments:*

Held-to-maturity investments are non-derivative financial assets with fixed or identifiable payments and fixed maturity periods which VPBank has the intent and ability to hold until maturity, with the exceptions of:

- Financial assets that, upon initial recognition, were categorized as such recognized at fair value through profit or loss statements;
- Financial assets already categorized as available for sale;
- Financial assets that meet the definitions of loans and receivables.



**Notes to the consolidated financial statements**  
for the year ended 31 December 2012 (continued)  
Form B05/TCTD-HN

*Loans and receivables:*

Loans and receivables are non-derivative financial assets with fixed or identifiable payments and not listed on the market, with the exceptions of:

- Financial assets that, upon initial recognition, were categorized as such recognized at fair value through profit or loss statements;
- The amounts categorised by VPBank as available for sale upon initial recognition; or
- The amounts whose holders cannot recover most of the initial investment value not due to credit quality impairment and which are categorised as available for sale.

*Available-for-sale investments:*

Available-for-sale assets are non-derivative financial assets that are designated as available for sale or are not classified as:

- Loans and receivables;
- Held-to-maturity investments;
- Financial assets at fair value through profit or loss.

In accordance with Circular 210, financial liabilities are classified into the following categories for disclosure purpose in the consolidated financial statements:

*Financial liabilities at fair value through profit or loss:*

Financial liabilities recognised at fair value through profit or loss include derivative financial liabilities.

*Financial liabilities carried at amortised cost:*

Financial liabilities which are not recognised at fair value through profit or loss are classified into financial liabilities at amortised cost.

The classification of financial assets and financial liabilities as mentioned above is only for the disclosure purpose in the consolidated financial statements. This classification does not impact the recognition, measurement or classification in VPBank's consolidated balance sheet.

*(ii) Measurement and disclosures of fair value*

In accordance with Circular 210, VPBank discloses fair value of its financial assets and financial liabilities to compare with the carrying value.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction on the measurement date.

When available, VPBank measures the fair value of an instrument using quoted prices in an active market for that instrument. A market is regarded as active if quoted prices are readily and regularly available and represent actual and regularly occurring market transactions on an arm's length basis.



#### 4. Cash and gold on hand

	<b>31/12/2012</b> VND million	<b>31/12/2011</b> VND million
Cash on hand in VND	357,276	446,171
Cash on hand in foreign currencies	281,150	195,575
Valuable papers in foreign currencies	107	167
Gold on hand	160,869	379,010
	<b>799,402</b>	<b>1,020,923</b>

#### 5. Balances with the State Bank of Vietnam

These consist of a compulsory reserve requirement ("CRR") for liquidity and a current account.

	<b>31/12/2012</b> VND million	<b>31/12/2011</b> VND million
Current account and compulsory reserve	1,372,667	522,364

Under the State Bank of Vietnam's regulations on the compulsory reserve, banks are permitted to maintain a floating balance for CRR.

reserves. The amount of monthly compulsory reserve is calculated by the preceding month average balances of deposits multiplied with respective CRR rates.

The monthly average balance of the current account must not be less than the monthly balance of compulsory

The effective CRR rates applied at the year end were as follows:

<b>Deposits in scope</b>	<b>CRR rates</b>	
	<b>31/12/2012</b>	<b>31/12/2011</b>
<i>Preceding month's average balances of:</i>		
Deposits in foreign currencies with term of less than 12 months	8%	8%
Deposits in foreign currencies with term of and more than 12 months	6%	6%
Deposits in VND with term of less than 12 months	3%	3%
Deposits in VND with term of and more than 12 months	1%	1%

Effective year-end annual interest rates were as follows:

	<b>31/12/2012</b>	<b>31/12/2011</b>
<b>Deposits in VND</b>		
Within the compulsory reserve requirement	1.2%	1.2%
Exceeding the compulsory reserve requirement	0%	0%
<b>Deposits in USD</b>		
Within the compulsory reserve requirement	0%	0%
Exceeding the compulsory reserve requirement	0.05%	0.05%

**Notes to the consolidated financial statements**  
for the year ended 31 December 2012 (continued)  
Form B05/TCTD-HN

## 6. Balances with and loans to other credit institutions

	<b>31/12/2012</b> VND million	<b>31/12/2011</b> VND million
<b>Current accounts</b>	<b>11,060,515</b>	<b>11,736,094</b>
Current accounts in VND	8,043,991	10,155,341
Current accounts in foreign currencies	3,016,524	1,580,753
<b>Term deposits</b>	<b>6,256,850</b>	<b>10,824,418</b>
Term deposits in VND	4,941,640	9,422,662
Term deposits in foreign currencies	1,315,210	1,401,756
<b>Loans</b>	<b>9,443,562</b>	<b>400,722</b>
Loans in VND	9,124,478	400,722
Loans in foreign currencies	373,743	-
General allowance for loans to other credit institutions (i)	(54,659)	-
	<b>26,760,927</b>	<b>22,961,234</b>

(i) Movements in general allowance for loans to other credit institutions were as follows:

	<b>2012</b> VND million	<b>2011</b> VND million
Opening balance	-	-
Allowance made during the year (Note 30)	54,659	-
Closing balance	<b>54,659</b>	-

Effective year-end annual interest rates were as follows:

	<b>31/12/2012</b>	<b>31/12/2011</b>
Term deposits in VND	9% - 13.5%	8% - 27%
Term deposits in foreign currencies	2.5% - 3.5%	0.01% - 10%
Loans in VND	6.5% - 15%	13.1% - 25.6%
Loans in foreign currencies	0.1% - 2.5%	-



## 7. Securities held for trading

	<b>31/12/2012</b> VND million	<b>31/12/2011</b> VND million
<b>Debt securities</b>	<b>1,268,805</b>	<b>1,831,627</b>
Government bonds	350,512	408,421
Bonds issued by local credit institutions	126,556	10,974
Bonds issued by local economic entities	791,737	1,412,232
<b>Equity securities</b>	<b>97,810</b>	<b>94,003</b>
Shares issued by local economic entities	97,810	94,003
	<b>1,366,615</b>	<b>1,925,630</b>
Allowance for diminution in the value of securities held for trading (i)	(20,775)	(17,425)
	<b>1.345.840</b>	<b>1.908.205</b>

Listing status of securities held for trading were as follows:

	<b>31/12/2012</b> VND million	<b>31/12/2011</b> VND million
<b>Debt securities</b>	<b>1,268,805</b>	<b>1,831,627</b>
Unlisted	1,268,805	1,831,627
<b>Equity securities</b>	<b>97,810</b>	<b>94,003</b>
Listed	37,333	33,533
Unlisted	60,477	60,470
	<b>1,366,615</b>	<b>1,925,630</b>

(i) Allowance for diminution in the value of securities held for trading were as follows:

	<b>2012</b> VND million	<b>2011</b> VND million
Opening balance	17,425	26,049
Allowance made during the year (Note 26)	19,942	-
Reversal of allowance during the year (Note 26)	(16,592)	(8,624)
<b>Closing balance</b>	<b>20,775</b>	<b>17,425</b>

**Notes to the consolidated financial statements**  
for the year ended 31 December 2012 (continued)  
Form B05/TCTD-HN

## 8. Derivatives and other financial assets/(liabilities)

	Total contract nominal value (at foreign exchange rate at balance sheet date)	Total carrying value (at foreign exchange rate at balance sheet date)		
		Assets	Liabilities	Net value
	VND million	VND million	VND million	VND million
<i>As at 31 December 2012</i>				
<b>Derivatives financial instrument</b>	<b>10,812,268</b>	<b>4,245,393</b>	<b>(4,187,922)</b>	<b>57,471</b>
Foreign exchange forward contracts	5,716,778	2,848,259	(2,829,820)	18,439
Foreign exchange swap contracts	5,095,490	1,397,134	(1,358,102)	39,032
<i>As at 31 December 2011</i>				
<b>Derivatives financial instrument</b>	<b>225,486</b>	<b>485,105</b>	<b>(487,646)</b>	<b>(2,541)</b>
Foreign exchange forward contracts	12,623	222,238	(223,479)	(1,241)
Foreign exchange swap contracts	212,863	262,867	(264,167)	(1,300)

## 9. Loans and advances to customers

	31/12/2012 VND million	31/12/2011 VND million
Loans to local economic entities and individuals	36,820,307	29,091,542
Treasury bills discounts	7,083	-
Payment on behalf of customers	2,337	1,412
Loans financed by sponsored, trusted funds (*)	65,334	85,835
Loans to foreign economic entities and individuals	8,244	4,854
	<b>36,903,305</b>	<b>29,183,643</b>

(\*) Loans under sponsored funds and trusted funds include loans supported by trusted funds from national development assistance programs of Ministry of Finance. VPBank directly received the loans from leading bank which is Joint Stock Commercial Bank for Investment and Development of Vietnam ("BIDV"). VPBank receives the funds, manages and makes use of these loans and bears all risks relating to the loans. In case of the loan become insolvent, VPBank is responsible to repay BIDV as committed in the signed contract (Note 20).

**Notes to the consolidated financial statements**  
for the year ended 31 December 2012 (continued)  
Form B05/TCTD-HN

Loan portfolio by loan group was as follows:

	<b>31/12/2012</b> VND million	%	<b>31/12/2011</b> VND million	%
Current	32,969,671	89.34%	26,305,198	90.14%
Special mention	2,930,347	7.94%	2,346,075	8.04%
Substandard	257,505	0.70%	274,557	0.94%
Doubtful	554,257	1.50%	68,113	0.23%
Loss	191,525	0.52%	189,700	0.65%
	<b>36,903,305</b>	<b>100%</b>	<b>29,183,643</b>	<b>100%</b>

The above classification of loan portfolio is made in accordance with Decision 493 and Decision 18 except for those loans are applied Decision 780 (Note 3(f)). Outstanding loan balances of customers whom Decision 780 was applied as at 31 December 2012 were as follows:

	<b>31/12/2012</b> VND million
Loan balance retained in loan group 1	319,242
Loan balance retained in loan group 2	1,197,867
	<b>1,517,109</b>

Loan portfolio by term was as follows:

	<b>31/12/2012</b> VND million	%	<b>31/12/2011</b> VND million	%
Short term	22,745,669	61.64%	20,279,497	69.49%
Medium term	10,211,494	27.67%	5,707,593	19.56%
Long term	3,946,142	10.69%	3,196,553	10.95%
	<b>36,903,305</b>	<b>100%</b>	<b>29,183,643</b>	<b>100%</b>

**Notes to the consolidated financial statements**  
for the year ended 31 December 2012 (continued)  
Form B05/TCTD-HN

Loan portfolio by type of borrowers was as follows:

	<b>31/12/2012</b> VND million	%	<b>31/12/2011</b> VND million	%
State-owned enterprises	1,273,255	3.46%	459,736	1.58%
Limited liability companies	9,129,350	24.74%	6,326,375	21.68%
Joint stock companies	8,038,951	21.78%	4,860,509	16.65%
Foreign invested companies	130,446	0.35%	16,192	0.05%
Private businesses	590,401	1.60%	574,215	1.97%
Individuals and others	17,740,902	48.07%	16,946,616	58.07%
	<b>36,903,305</b>	<b>100%</b>	<b>29,183,643</b>	<b>100%</b>

Loan portfolio by industry sectors was as follows:

	<b>31/12/2012</b> VND million	%	<b>31/12/2011</b> VND million	%
Agriculture and forestry	1,006,350	2.73%	223,593	0.77%
Trading, manufacturing and processing	21,539,001	58.37%	24,486,359	83.90%
Construction	5,999,742	16.26%	2,118,103	7.26%
Warehousing, transportation, and communications	1,145,692	3.10%	562,316	1.93%
Personal service activities and others	7,212,520	19.54%	1,793,272	6.14%
	<b>36,903,305</b>	<b>100%</b>	<b>29,183,643</b>	<b>100%</b>

Effective year-end annual interest rates were as follows:

	<b>31/12/2012</b>	<b>31/12/2011</b>
Loans and advances in VND	8% - 18%	9% - 20.4%
Loans and advances in foreign currencies	2.3% - 7%	4% - 10%



## 10. Allowance for loans and advances to customers

	<b>31/12/2012</b> VND million	<b>31/12/2011</b> VND million
General allowance	256,536	212,704
Specific allowance	123,646	101,469
	<b>380,182</b>	<b>314,173</b>

Movements in general allowance for loans and advances to customers were as follows:

	<b>2012</b> VND million	<b>2011</b> VND million
Opening balance	212,704	175,469
Allowance made during the year (Note 30)	78,738	43,267
Reversal of allowance during the year (Note 30)	(33,082)	(6,032)
Utilization of provision	(1,824)	-
<b>Closing balance</b>	<b>256,536</b>	<b>212,704</b>

Movements in specific allowance for loans and advances to customers were as follows:

	<b>2012</b> VND million	<b>2011</b> VND million
Opening balance	101,469	53,732
Allowance made during the year (Note 30)	335,146	125,801
Reversal of allowance during the year (Note 30)	(33,687)	(24,171)
Utilization of provision	(279,282)	(53,893)
<b>Closing balance</b>	<b>123,646</b>	<b>101,469</b>

**Notes to the consolidated financial statements**  
for the year ended 31 December 2012 (continued)  
Form B05/TCTD-HN

## 11. Investment securities

	31/12/2012	31/12/2011
	VND million	VND million
<b>Available for sale securities</b>		
<b>Debt securities (i)</b>		
Government bonds	6,127,692	1,362,028
Treasury bills	1,500,196	-
Treasury notes	1,240,000	-
Bonds issued by local economic entities	7,269,606	8,780,000
Bonds issued by local credit institutions	6,035,522	8,786,188
<b>Equity securities</b>		
Unlisted shares	90,000	90,000
	<b>22,263,016</b>	<b>19,018,216</b>
Allowance for diminution in value of available for sale securities (ii)	(9,000)	-
	<b>22,254,016</b>	<b>19,018,216</b>

(i) The year-end term and interest of debt securities at the balance sheet date are as follows:

	31/12/2012		31/12/2011	
	Term	Interest rate	Term	Interest rate
Government bonds	2 years - 5 years	8.8% - 13.2%	2 years - 5 years	7.9% - 13.3%
Treasury bills	3 months	6.75% - 6.8%	-	-
Treasury notes	6 months - 1 year	8.15% - 8.5%	-	-
Bonds issued by local economic entities				
Bonds issued in VND	2 years - 5 years	10% - 18%	2 years - 5 years	12.5% - 24%
Bonds issued by local credit institutions				
Bonds issued in VND	2 years - 10 years	10% - 13%	6 months - 10 years	8.1% - 15.3%
Bonds issued in USD	3 months	4%	1 year	3.2% - 4.9%

As at 31 December 2012, VPBank has pledged VND5,825,889 million of Government bonds (31 December 2011: VND884,888 million) at the State Bank of Vietnam as collaterals for borrowings from the State Bank of Vietnam (Note 17).

**Notes to the consolidated financial statements**  
for the year ended 31 December 2012 (continued)  
Form B05/TCTD-HN

(ii) Movements in allowance for diminution in the value of available-for-sale securities were as follows:

	<b>2012</b> VND million	<b>2011</b> VND million
Opening balance	-	6,896
Allowance made during the year (Note 27)	9,000	-
Reversal of allowance during the year (Note 27)	-	(6,896)
<b>Closing balance</b>	<b>9,000</b>	<b>-</b>

## 12. Long-term investments

	<b>31/12/2012</b> VND million	<b>31/12/2011</b> VND million
Other long-term investments - cost (i)	67,811	123,285
Allowance for diminution in the value of long-term investment (ii)	(473)	(473)
	<b>67,338</b>	<b>122,812</b>

(i) Other long-term investments - cost comprise:

	<b>31/12/2012</b> VND million	<b>31/12/2011</b> VND million
Investment in unlisted financial institutions	35,036	38,000
Investment in unlisted economic entities	32,775	85,285
	<b>67,811</b>	<b>123,285</b>

(ii) Movements in allowance for diminution in the value of long term investment were as follows:

	<b>2012</b> VND million	<b>2011</b> VND million
Opening balance	473	842
Reversal of allowance during the year (Note 27)	-	(369)
<b>Closing balance</b>	<b>473</b>	<b>473</b>

**Notes to the consolidated financial statements**  
for the year ended 31 December 2012 (continued)  
Form B05/TCTD-HN

### 13. Tangible fixed assets

For the year ended 31/12/2012	Buildings and structures VND million	Machinery and equipment VND million	Motor vehicles VND million	Office equipment VND million	Others VND million	Total VND million
<b>Cost</b>						
Opening balance	66,058	51,855	81,350	143,594	94,077	436,934
Additions						
<i>Purchases during the year</i>	785	12,921	30,619	34,814	18,359	97,498
<i>Other additions</i>	-	1,039	737	365	9,618	11,759
Decreases						
<i>Disposals</i>	-	(67)	(499)	(955)	(872)	(2,393)
<i>Other decreases</i>	(39)	(1,602)	(4,759)	(2,311)	(5,735)	(14,446)
Closing balance	66,804	64,146	107,448	175,507	115,447	529,352
<b>Accumulated depreciation</b>						
Opening balance	14,603	18,526	43,324	96,197	49,515	222,165
Charge for the year	2,213	7,844	14,661	13,563	22,231	60,512
Other additions	692	203	56	6,954	1,802	9,707
Decreases						
<i>Disposals</i>	-	(60)	(316)	(37)	(796)	(1,209)
<i>Other decreases</i>	(241)	(477)	(3,005)	(869)	(9,031)	(13,623)
Closing balance	17,267	26,036	54,720	115,808	63,721	277,552
<b>Net book value</b>						
Opening balance	51,455	33,329	38,026	47,397	44,562	214,769
Closing balance	49,537	38,110	52,728	59,699	51,726	251,800



**Notes to the consolidated financial statements**  
for the year ended 31 December 2012 (continued)  
Form B05/TCTD-HN

<b>For the year ended 31/12/2011</b>	<b>Buildings and structures</b> VND million	<b>Machinery and equipment</b> VND million	<b>Motor vehicles</b> VND million	<b>Office equipment</b> VND million	<b>Others</b> VND million	<b>Total</b> VND million
<b>Cost</b>						
Opening balance	61,718	47,750	59,102	129,058	76,001	373,629
Additions						
<i>Purchases during the year</i>	4,127	11,879	28,021	12,236	18,434	74,697
<i>Other additions</i>	446	3,648	2,338	3,775	6,647	16,854
Decreases						
<i>Disposals</i>	-	(722)	(681)	(598)	(1,136)	(3,137)
<i>Other decreases</i>	(233)	(10,700)	(7,430)	(877)	(5,869)	(25,109)
Closing balance	66,058	51,855	81,350	143,594	94,077	436,934
<b>Accumulated depreciation</b>						
Opening balance	10,485	13,977	29,291	85,877	34,938	174,568
Charge for the year	2,430	4,570	15,700	9,882	12,528	45,110
Other additions	2,190	1,655	2,250	2,934	4,653	13,682
Decreases						
<i>Disposals</i>	(290)	(655)	(472)	(748)	(712)	(2,877)
<i>Other decreases</i>	(212)	(1,021)	(3,445)	(1,748)	(1,892)	(8,318)
Closing balance	14,603	18,526	43,324	96,197	49,515	222,165
<b>Net book value</b>						
Opening balance	51,233	33,773	29,811	43,181	41,063	199,061
Closing balance	51,455	33,329	38,026	47,397	44,562	214,769

**Notes to the consolidated financial statements**  
for the year ended 31 December 2012 (continued)  
Form B05/TCTD-HN

#### 14. Intangible fixed assets

<b>For the year ended 31/12/2012</b>	<b>Land use rights</b> VND million	<b>Software</b> VND million	<b>Total</b> VND million
<b>Cost</b>			
Opening balance	68,277	140,312	208,589
Additions	21,855	18,199	40,054
Other increases	579	-	579
Closing balance	90,711	158,511	249,222
<b>Accumulated amortisation</b>			
Opening balance	868	51,786	52,654
Charge for the year	-	19,706	19,706
Other increases	9	13	22
Closing balance	877	71,505	72,382
<b>Net book value</b>			
Opening balance	67,409	88,526	155,935
Closing balance	89,834	87,006	176,840

<b>For the year ended 31/12/2011</b>	<b>Land use rights</b> VND million	<b>Software</b> VND million	<b>Total</b> VND million
<b>Cost</b>			
Opening balance	55,906	130,181	186,087
Additions	12,371	52,540	64,911
Other decreases	-	(41,933)	(41,933)
Written off	-	(476)	(476)
Closing balance	68,277	140,312	208,589
<b>Accumulated amortisation</b>			
Opening balance	868	34,391	35,259
Charge for the year	-	17,563	17,563
Other decreases	-	(2)	(2)
Written off	-	(166)	(166)
Closing balance	868	51,786	52,654
<b>Net book value</b>			
Opening balance	55,038	95,790	150,828
Closing balance	67,409	88,526	155,935

## 15. Investment property

For the year ended 31/12/2012	Land use rights VND million	Buildings, structures VND million	Total VND million
<b>Cost</b>			
Opening balance	-	-	-
New acquisitions	20,075	9,841	29,916
Closing balance	20,075	9,841	29,916
<b>Accumulated depreciation</b>			
Opening balance	-	-	-
Charge for the year	-	359	359
Closing balance	-	359	359
<b>Net book value</b>			
Opening balance	-	-	-
Closing balance	20,075	9,482	29,557

## 16. Other assets

### (a) Receivables

	31/12/2012 VND million	31/12/2011 VND million
<b>Internal receivables</b>		
Advanced for operations	65,844	36,775
Advanced for salaries, per diem	2,926	718
Others	69,325	41,477
<b>External receivables</b>		
Receivable from investor for securities trading	1,155,812	1,028,819
Receivable from securities trading activities	289,920	75,710
Receivable from securities co-investment contracts	34,690	168,109
Entrusted funds on fixed-income securities (i)	2,194,150	2,562,550
Advanced to State Budget	11,088	15,421
Security, pledge, mortgage	219,390	83,773
Receivables from the entrusted loan contract (Note 22 (b))	197,400	-
Deposits for office rental	995,907	320,609
Deposits for office purchase	896,668	1,128,443
Other receivables	3,997,605	382,198
	<b>10,130,725</b>	<b>5,844,602</b>

**Notes to the consolidated financial statements**  
for the year ended 31 December 2012 (continued)  
Form B05/TCTD-HN

(i) These are entrusted funds provided to fund managers to purchase securities with the contractual term ranging from 12 to 33 months and the fixed interest rate ranging from 10% to 12.9% p.a. without any collateral (31/12/2011: term ranging from 7 days to 12 months and fixed interest of 6% to 24%/year or floating interest).

**(b) Interest and fee receivable**

	<b>31/12/2012</b> VND million	<b>31/12/2011</b> VND million
Interest receivable from the deposits	749,760	417,705
Interest receivable from the securities investment	1,182,197	939,572
Interest receivable from credit activities	510,932	481,161
Interest receivable from the derivative instruments	12,069	1,250
Fee receivables	25	-
	<b>2,454,983</b>	<b>1,839,688</b>

**(c) Other assets**

	<b>31/12/2012</b> VND million	<b>31/12/2011</b> VND million
Materials	7,188	2,262
Prepaid expenses	313,546	230,495
Foreclosed assets awaiting resolution	117,614	117,614
Others	2	1,567
	<b>438,350</b>	<b>351,938</b>

**(d) Allowance for other on-balance sheet assets**

	<b>31/12/2012</b> VND million	<b>31/12/2011</b> VND million
Opening balance	12,248	11,592
Allowance made during the year (Note 29)	80,150	656
Closing balance	<b>92,398</b>	<b>12,248</b>

**17. Amounts due to the Government and the State Bank of Vietnam**

	<b>31/12/2012</b> VND million	<b>31/12/2011</b> VND million
<b>Borrowings from SBV</b>		
Borrowings secured by valuable papers	1,371,572	917,127

This represents borrowings from SBV which were secured by Government bonds amounting to VND5,825,889 million (31/12/2011: VND884,888 million). These borrowings have the original term of 7 days and bear an annual interest rate of 7%/year (31/12/2011: original term of 14 days and annual interest rate of 14%/year) (Note 11).



## 18. Deposits and borrowings from other credit institutions

	<b>31/12/2012</b> VND million	<b>31/12/2011</b> VND million
<b>Demand deposits</b>	<b>10,324,557</b>	<b>11,223,198</b>
Demand deposits in VND	8,443,016	9,949,393
Demand deposits in foreign currencies	1,881,541	1,273,805
<b>Term deposits</b>	<b>5,218,329</b>	<b>14,364,393</b>
Term deposits in VND	3,903,119	12,913,116
Term deposits in foreign currencies	1,315,210	1,451,277
<b>Borrowings</b>	<b>10,112,831</b>	-
Borrowings in VND	8,403,925	-
Borrowings in foreign currencies	1,708,906	-
	<b>25,655,717</b>	<b>25,587,591</b>

Effective year-end annual interest rates were as follows:

	<b>31/12/2012</b>	<b>31/12/2011</b>
Term deposits in VND	9% - 14%	8.8% - 19%
Term deposits in foreign currencies	2.5% - 3.5%	1.2% - 5.6%
Borrowings in VND	8% - 11%	-
Borrowings in foreign currencies	2% - 3.8%	-

## 19. Deposits from customers

	<b>31/12/2012</b> VND million	<b>31/12/2011</b> VND million
<b>Current accounts</b>	<b>5,586,859</b>	<b>2,428,826</b>
Current accounts in VND	5,357,391	2,297,132
Current accounts in foreign currencies	229,468	131,694
<b>Term deposits</b>	<b>53,691,334</b>	<b>26,805,182</b>
Term deposits in VND	50,725,261	23,931,957
Term deposits in foreign currencies	2,966,073	2,873,225
<b>Deposits for special purposes</b>	<b>9,133</b>	<b>1,047</b>
Deposits for special purposes in VND	9,052	965
Deposits for special purposes in foreign currencies	81	82
<b>Marginal deposits</b>	<b>226,815</b>	<b>177,080</b>
Marginal deposits in VND	174,267	156,198
Marginal deposits in foreign currencies	52,548	20,882
	<b>59,514,141</b>	<b>29,412,135</b>

**Notes to the consolidated financial statements**  
for the year ended 31 December 2012 (continued)  
Form B05/TCTD-HN

Deposits from customers by type of customers were as follows:

	<b>31/12/2012</b> VND million	<b>31/12/2011</b> VND million
Economic entities	17,300,260	9,815,457
Individuals	37,876,118	19,047,655
Others	4,337,763	549,023
	<b>59,514,141</b>	<b>29,412,135</b>

Effective year-end annual interest rates were as follows:

	<b>31/12/2012</b>	<b>31/12/2011</b>
Term deposits in VND	2% - 11%	3.37% - 14%
Term deposits in foreign currencies	0.05% - 2%	0.5% - 6.2%

## 20. Other borrowed and entrusted funds

	<b>31/12/2012</b> VND million	<b>31/12/2011</b> VND million
Fund received in VND	62,893	98,408
Fund received in gold, foreign currencies	1,647	1,774
	<b>64,540</b>	<b>100,182</b>

Fund received from Bank for Investment and Development of Vietnam ("BIDV") represents the funds financed by World Bank (via International Development Association) to facilitate Rural Development Finance Project Phase II according to Loan Agreement dated 9 September 2002 between the Socialist Republic of Vietnam and International Development Association. The Bank signed off a sub-contract with BIDV whose total credit limit granted by BIDV will be revised and based on disbursement capability of BIDV and the ability to use fund of the Bank; specific repayment schedules depend on maturities of specific or

connected loans under particular contracts.

The interest rate on funds received in VND is floating and will be revised on monthly basis. This interest rate equals the basic rate minus a margin but not less than 5% per annum. The interest rate for the year 2012 varies from 9.48% - 13.92% per year (2011: 11.64% - 13.68% per year).

For loans in USD, the Bank applies LIBOR 6 months plus a margin; current applying interest rate for the year 2012 is 0.75% per year (2011: 0.75% per year).

## 21. Valuable papers issued

Valuable papers issued are categorised by term as follows:

	<b>31/12/2012</b> VND million	<b>31/12/2011</b> VND million
Up to 12 months	2,166,100	9,372,085
From 12 months up to 5 years	2,600,000	5,670,030
	<b>4,766,100</b>	<b>15,042,115</b>

Valuable papers of VPBank consist of bills and bonds dominated in VND and bore annual interest rates from 9% to 14% (31/12/2011: 12% - 14% per annum); interest is paid at maturity.

## 22. Other liabilities

### (a) Accrued interest and fee payables

	<b>31/12/2012</b> VND million	<b>31/12/2011</b> VND million
Interest payable for deposits	937,089	646,088
Interest payable for the issuance of valuable papers	188,276	443,086
Interest payable for borrowings	6,074	-
Interest payable for other borrowed and entrusted funds	33,199	33,631
Interest payable for derivative instruments	21,815	2,236
Fee payables	248	956
	<b>1,186,701</b>	<b>1,125,997</b>

**Notes to the consolidated financial statements**  
for the year ended 31 December 2012 (continued)  
Form B05/TCTD-HN

**(b) Other payables and liabilities**

	<b>31/12/2012</b> VND million	<b>31/12/2011</b> VND million
<b>Internal payables</b>		
Payable to employees	105,890	180,769
Reserves for severance allowance	-	3,161
Bonus and welfare funds	1,496	4,619
<b>External payables</b>		
Provision for taxation (Note 36)	78,878	103,900
Dividend payables	2,530	2,530
Remittance payables	41,842	57,566
Payables to OCBC Bank – Singapore (Note 34)	64,658	65,319
Entrusted funds (i)	800,000	3,199,854
Gold held on behalf	371,752	378,273
Payables for loans to customers purchased from other credit institution	1,206,241	-
Payables for entrusted fund contracts (Note 16)	197,400	-
Deferred interest expenses on bonds	66,326	-
Payables for securities investors	77,129	480,431
Other payables	352,107	141,494
	<b>3,366,249</b>	<b>4,617,916</b>

(i) Represent the entrusted funds with the contractual terms ranging from 12 to 25 months, and the fixed interest rates ranging from 12.5% to 24.5% (31/12/2011: contractual terms ranging from 9 to 36 months, and the fixed interest rates ranging from 12.5% to 24.5%).

**(c) Provision for off-balance sheet commitments**

Movements in general provision for off-balance sheet commitments were as follows:

	<b>2012</b> VND million	<b>2011</b> VND million
Opening balance	16,098	6,234
Provision made during the year (Note 30)	7,883	14,648
Reversal of provision during the year (Note 30)	(9,743)	(4,784)
<b>Closing balance</b>	<b>14,238</b>	<b>16,098</b>



## 23. Capital and reserves

### a. Consolidated statements of changes in equity

	Share capital	Share premium	Reserve to supplement capital	Financial reserve	Investment and development fund	Retained profits	Total
	VND million	VND million	VND million	VND million	VND million	VND million	VND million
<b>Balance at 1 January 2011</b>	<b>4,000,000</b>	<b>617,389</b>	<b>6,348</b>	<b>81,688</b>	<b>35</b>	<b>499,271</b>	<b>5,204,731</b>
Net profit for the year	-	-	-	-	-	799,688	799,688
Appropriations to equity funds	-	-	27,365	51,519	-	(78,884)	-
Appropriations to bonus and welfare funds	-	-	-	-	-	(8,142)	(8,142)
Utilisations of reserves	-	-	-	(32)	-	-	(32)
Bonus shares	630,000	(616,020)	(13,980)	-	-	-	-
Dividend shares	420,000	-	(1,563)	-	-	(418,437)	-
<b>Balance at 1 January 2012</b>	<b>5,050,000</b>	<b>1,369</b>	<b>18,170</b>	<b>133,175</b>	<b>35</b>	<b>793,496</b>	<b>5,996,245</b>
Net profit for the year	-	-	-	-	-	643,394	643,394
Appropriations to equity funds	-	-	41,866	79,791	-	(121,657)	-
Appropriations to bonus and welfare funds	-	-	-	-	-	(2,422)	(2,422)
Utilisations of reserves	-	-	-	(6)	-	-	(6)
Bonus shares	40,000	-	(40,000)	-	-	-	-
Dividend shares	680,000	-	-	-	-	(680,000)	-
Others	-	-	-	-	-	(194)	(194)
<b>Balance at 31 December 2012</b>	<b>5,770,000</b>	<b>1,369</b>	<b>20,036</b>	<b>212,960</b>	<b>35</b>	<b>632,617</b>	<b>6,637,017</b>

**Notes to the consolidated financial statements**  
for the year ended 31 December 2012 (continued)  
Form B05/TCTD-HN

**b. Share capital**

	31/12/2012		31/12/2011	
	Number of shares	VND million	Number of shares	VND million
<b>Authorised share capital</b>	577,000,000	5,770,000	505,000,000	5,050,000
<b>Issued share capital</b>				
Ordinary shares	577,000,000	5,770,000	505,000,000	5,050,000
<b>Shares in circulation</b>				
Ordinary shares	577,000,000	5,770,000	505,000,000	5,050,000

Nominal value of VPBank's ordinary share is VND10,000. Each share is entitled to one vote at meetings of VPBank. Shareholders are entitled to receive dividend as declared from time to time. All ordinary shares are ranked equally with regard to VPBank's residual assets.

**24. Net interest income**

	2012 VND million	2011 VND million
<b>Interest and similar income from</b>		
Balances with and loans to SBV and other credit institutions	1,618,639	1,982,286
Loans and advances to customers	5,723,016	5,648,461
Investments in debt securities	2,766,615	1,880,590
Other interest income	232,669	28,356
	<b>10,340,939</b>	<b>9,539,693</b>
<b>Interest and similar expenses for</b>		
Deposits from customers	(4,112,588)	(4,111,781)
Deposits and borrowings from the SBV and other credit institutions	(1,637,765)	(1,933,748)
Valuable papers issued	(1,312,050)	(1,422,274)
Other interest expenses	(311,375)	(26,781)
	<b>(7,373,778)</b>	<b>(7,494,584)</b>
<b>Net interest income</b>	<b>2,967,161</b>	<b>2,045,109</b>

## 25. Net fee and commission income

	<b>2012</b> VND million	<b>2011</b> VND million
<i>Fee and commission income from</i>		
Guarantee services	23,224	89,412
Settlement and cash services	71,247	290,548
Trustee and agency services	338,224	400,687
Consulting services	64,313	18,634
Insurance agency services	17,006	-
Securities trading activities	21,916	15,420
Other agency	135,922	29,907
	<b>671,852</b>	<b>844,608</b>
<i>Fee and commission expenses for</i>		
Settlement and cash services	(43,598)	(29,100)
Communication charges	(14,485)	(11,736)
Trustee and agency services	(116,927)	(319,482)
Consulting services	(3,154)	(21,222)
Other services	(222,871)	(55,736)
	<b>(401,035)</b>	<b>(437,276)</b>
<b>Net fee and commission income</b>	<b>270,817</b>	<b>407,332</b>

## 26. Net gain from trading of securities held for trading

	<b>2012</b> VND million	<b>2011</b> VND million
Gain from trading of securities held for trading	118,944	128,262
Loss from trading of securities held for trading	(41,681)	(88,501)
Allowance for diminution in the value of securities held for trading (Note 7)	(19,942)	-
Reversal of allowance for diminution in the value of securities held for trading (Note 7)	16,592	8,624
<b>Net gain from trading of securities held for trading</b>	<b>73,913</b>	<b>48,385</b>

**Notes to the consolidated financial statements**  
for the year ended 31 December 2012 (continued)  
Form B05/TCTD-HN

## 27. Net loss from investment securities

	<b>2012</b> VND million	<b>2011</b> VND million
Gain from trading of investment securities	88,567	23,488
Loss from trading of investment securities	(255,679)	(57,069)
Allowance for diminution in the value of investment securities (Note 11)	(9,000)	-
Reversal of allowance for diminution in the value of investment securities (Note 11)	-	6,896
Reversal of allowance for diminution in the value of long-term investment (Note 12)	-	369
<b>Net loss from investment securities</b>	<b>(176,112)</b>	<b>(26,316)</b>

## 28. Other income

	<b>2012</b> VND million	<b>2011</b> VND million
Income from penalty for breaking contracts	81,674	13,381
Income from office and warehouse leasing	8,490	13,994
Other incomes	31,504	8,768
	<b>121,668</b>	<b>36,143</b>



## 29. Operating expenses

	<b>2012</b> VND million	<b>2011</b> VND million
Other taxes and fees	7,863	6,966
Salary and related expenses	797,556	687,647
<i>In which:</i>		
(a) <i>Salary, wages and allowances</i>	674,084	581,549
(b) <i>Salary based expenses</i>	72,630	42,661
(c) <i>Allowances</i>	1,968	30,514
(d) <i>Social activities expenses</i>	375	773
(e) <i>Meal allowances</i>	48,499	32,150
Expenses on assets	352,322	259,410
<i>In which: Depreciation and amortisation</i>	80,577	68,099
Management expenses	293,653	182,341
<i>In which:</i>		
(a) <i>Per diem</i>	18,227	11,529
(b) <i>Marketing expenses</i>	127,980	69,897
(c) <i>Expert hiring expenses</i>	2,349	250
(d) <i>Expenses for activities of Trade Union</i>	1,888	1,695
(e) <i>Others</i>	143,209	98,970
Provision expenses (Note 16)	80,150	656
Insurance expenses	34,086	28,524
Other expenses	315,146	136,796
	<b>1,880,776</b>	<b>1,302,340</b>

## 30. Allowance and provision expenses

	<b>Note</b>	<b>2012</b> VND million	<b>2011</b> VND million
General allowance for loans and advances to other credit institutions	6	54,659	-
General allowance for loans and advances to customers	10	78,738	43,267
Specific allowance for loans and advances to customers	10	335,146	125,801
Reversal of general allowance for loans and advances to customers	10	(33,082)	(6,032)
Reversal of specific allowance for loans and advances to customers	10	(33,687)	(24,171)
General provision for off-balance-sheet commitments	22(c)	7,883	14,648
Reversal of general provision for off-balance-sheet commitments	22(c)	(9,743)	(4,784)
		<b>399,914</b>	<b>148,729</b>

**Notes to the consolidated financial statements**  
for the year ended 31 December 2012 (continued)  
Form B05/TCTD-HN

### 31. Income tax

#### (a) Recognised in the statement of income

	<b>2012</b> VND million	<b>2011</b> VND million
<b>Current tax expense</b>		
Current year	214,933	264,606
<b>Deferred tax income</b>		
Origination of temporary difference	(5,595)	(39)
<b>Income tax expense</b>	<b>209,338</b>	<b>264,567</b>

#### (b) Reconciliation of effective tax rate

	<b>2012</b> VND million	<b>2011</b> VND million
Profit before tax	<b>852,732</b>	<b>1,064,255</b>
<i>Adjustments for</i>		
Tax exempt income	(15,946)	(8,166)
Non deductible expenses	22,538	2,325
Impact to current year taxable income of the tax authorities' finalisation of previous years	(3,373)	-
<b>Taxable income</b>	<b>855,951</b>	<b>1,058,414</b>
Tax at VPBank's tax rate (25%)	213,988	264,606
Deferred tax assets recognised	(5,595)	(39)
Under provision of previous year's tax payables	945	-
<b>Total income tax expense</b>	<b>209,338</b>	<b>264,567</b>

#### (c) Applicable tax rate

VPBank has an obligation to pay the government CIT at the rate of 25% of taxable profit. The CIT computation is subject of the review and approval of the tax authorities.

### 32. Earnings per share

The calculation of basic earnings per share for the year ended 31 December 2012 was based on the profit after tax of VND643,394 million (31/12/2011: VND799,688 million) and a weighted average number of ordinary shares outstanding of 577,000,000 shares (2011: 505,000,000 shares), as follows:

(i) *Net profit after tax*

	<b>2012</b> VND million	<b>2011</b> VND million
Net profit after tax	643,394	799,688

(ii) *Weighted average number of ordinary shares*

	<b>2012</b>	<b>2011</b>	
		Restated	Previously stated
Issued ordinary shares at the beginning of the year	505,000,000	400,000,000	400,000,000
Effect of bonus shares issued in 2012	72,000,000	72,000,000	-
Effect of bonus shares issued in 2011	-	105,000,000	105,000,000
Weighted average number of ordinary shares for the year	577,000,000	577,000,000	505,000,000

(iii) *Basic earnings per share*

	<b>2012</b> VND	<b>2011</b> VND	
		Restated	Previously stated
Basic earnings per share	1,115	1,386	1,584

### 33. Cash and cash equivalents

	<b>31/12/2012</b> VND million	<b>31/12/2011</b> VND million
Cash and gold on hand	799,402	1,020,923
Balance with SBV	1,372,667	522,364
Demand deposit with other credit institutions	11,060,515	11,736,094
Balances with other credit institutions with original terms of not exceeding three months	4,755,401	2,860,103
	<b>17,987,985</b>	<b>16,139,484</b>

**Notes to the consolidated financial statements**  
for the year ended 31 December 2012 (continued)  
Form B05/TCTD-HN

### 34. Significant transactions with related parties

As at the year-end, there was the following significant balance with related parties:

	<b>Balances</b>	
	<b>31/12/2012</b> VND million	<b>31/12/2011</b> VND million
<b>Other payables</b>		
OCBC Bank - Singapore, shareholder (Note 22 (b))	64,658	65,319

### 35. Employee benefits

	<b>2012</b>	<b>2011</b>
Number of employees as at 31 December (employees)	4,326	3,548
Employees' income		
1. Basic salaries (VND million)	674,084	581,549
2. Allowances (VND million)	50,467	62,664
	<b>724,551</b>	<b>644,213</b>
Average annual salary (VND million)	156	164
Average annual income (VND million)	167	182

### 36. Obligations to the State Budget

<b>For the year ended 31 December 2012</b>	<b>31/12/2011</b> VND million	<b>Incurred</b> VND million	<b>Paid</b> VND million	<b>31/12/2012</b> VND million
Value added tax	1,137	57,286	51,877	6,546
Corporate income tax	93,680	214,933	256,026	52,587
Other taxes	9,083	62,806	52,144	19,745
	<b>103,900</b>	<b>335,025</b>	<b>360,047</b>	<b>78,878</b>

<b>For the year ended 31 December 2011</b>	<b>31/12/2010</b> VND million	<b>Incurred</b> VND million	<b>Paid</b> VND million	<b>31/12/2011</b> VND million
Value added tax	2,598	22,776	24,237	1,137
Corporate income tax	50,375	264,606	221,301	93,680
Other taxes	7,037	35,199	33,153	9,083
	<b>60,010</b>	<b>322,581</b>	<b>278,691</b>	<b>103,900</b>



### 37. Segment reporting

#### Geographical segments

VPBank has monitored segment information by main regions in Vietnam as follows:

VND million	The North 31/12/2012	The Central 31/12/2012	The South 31/12/2012	Elimination 31/12/2012	Total 31/12/2012
Assets	86,732,448	4,493,146	13,043,185	(1,692,504)	102,576,275
Liabilities	79,809,241	4,404,425	12,503,096	(777,504)	95,939,258
Fixed assets	298,299	98,897	61,001	-	458,197

VND million	The North 2012	The Central 2012	The South 2012	Elimination 2012	Total 2012
Revenue	9,419,011	810,421	1,904,748	(130,830)	12,003,350
Expenses	8,899,388	578,733	1,741,450	(68,953)	11,150,618
Profit before tax	519,623	231,688	163,298	(61,877)	852,732

#### Business segments

VPBank operates in the retail banking, asset management, and securities trading segments.

VND million	Retail Banking 31/12/2012	Asset management 31/12/2012	Securities trading 31/12/2012	Elimination 31/12/2012	Total 31/12/2012
Assets	98,696,210	2,996,909	2,575,660	(1,692,504)	102,576,275
Liabilities	92,192,041	2,821,907	1,702,814	(777,504)	95,939,258
Fixed assets	403,331	35,686	19,180	-	458,197

VND million	Retail Banking 2012	Asset management 2012	Securities trading 2012	Elimination 2012	Total 2012
Revenue	11,215,897	389,212	529,071	(130,830)	12,003,350
Expenses	10,421,158	345,813	452,600	(68,953)	11,150,618
Profit before tax	794,739	43,399	76,471	(61,877)	852,732

### 38. Financial instrument disclosure

#### (a) Fair value disclosure

Circular 210 requires disclosing on fair value determination method and fair value of financial assets and financial liabilities to have a comparison between fair value and carrying value.

The following table sets out the carrying value and fair value of VPBank's financial assets and financial liabilities as at 31 December 2012:

**Notes to the consolidated financial statements**  
for the year ended 31 December 2012 (continued)  
Form B05/TCTD-HN

		CARRYING VALUE						
		VND million						
		Fair value through profit and loss	Held to maturity	Loan and receivables	Available for sale	Other amortised cost	Total carrying value	Fair value
<b>Financial assets</b>								
I	Cash and gold on hand	-	-	799,402	-	-	799,402	799,402
II	Balances with the SBV	-	-	1,372,667	-	-	1,372,667	*
III	Balances with and loans to other credit institutions	-	-	26,760,927	-	-	26,760,927	*
IV	Derivatives	57,471	-	-	-	-	57,471	*
V	Trading securities	1,345,840	-	-	-	-	1,345,840	*
VI	Loans and advances to customers	-	-	36,523,123	-	-	36,523,123	*
VII	Investment securities	-	-	-	22,254,016	-	22,254,016	*
VIII	Long term investments	-	-	-	67,338	-	67,338	*
IX	Other financial assets	-	-	12,327,602	-	-	12,327,602	*
		<b>1,403,311</b>	-	<b>77,783,721</b>	<b>22,321,354</b>	-	<b>101,508,386</b>	
<b>Financial liabilities</b>								
I	Deposits and borrowings from the SBV and other credit institutions	-	-	-	-	27,027,289	27,027,289	*
II	Deposits from customers	-	-	-	-	59,514,141	59,514,141	*
III	Other borrowed and entrusted funds	-	-	-	-	64,540	64,540	*
IV	Valuable paper issued	-	-	-	-	4,766,100	4,766,100	*
V	Other financial liabilities	-	-	-	-	4,297,830	4,297,830	*
		-	-	-	-	<b>95,669,900</b>	<b>95,669,900</b>	

\* VPBank has not determined fair value of these balances because there is no sufficient guidance on measurement of fair value under Vietnamese Accounting Standards. Fair value of these instruments may be materially different from their carrying value.

## **(b) Financial risk management**

VPBank has exposure to the following risks from financial instruments:

- Credit risk
- Liquidity risk
- Market risks

This note presents information about VPBank's exposure to each of the above risks, VPBank's objectives, policies and processes for measuring and managing risk, and VPBank's management of capital.

### *Risk management framework*

The Board of Directors ("BOD") has overall responsibility for the establishment and oversight of VPBank's risk management framework. To facilitate this oversight function, VPBank'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 authorised by the BOD and periodically report to the BOD on their activities. These committees include both executive and non-executive members.

VPBank's risk management framework is established to form key principles in managing and controlling significant risks arising from VPBank's activities. Based on this, specific policies and regulations for each type of risk are established to assist VPBank in analysing and determining appropriate risk limits and control and monitoring measures and ensuring adherence to the limits.

VPBank's risk management policies are established to identify and analyse the risks faced by VPBank, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions, products and services offered. VPBank, 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.

### **(i) Credit risk**

VPBank 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. To manage the level of credit risk, VPBank attempts to deal with counterparties of good credit standing, and, when appropriate, obtains collateral.

VPBank'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 balance sheet. In addition, VPBank is exposed to off balance sheet credit risk through commitments to extend credit and guarantees issued.

### *Credit risk management*

Credit risk is the one that exerts the largest impact on VPBank's income and capital. VPBank 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 VPBank's risk tolerance. In principle, VPBank 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, VPBank'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 operated based on the 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 RCO to issue key credit decisions.

VPBank measures credit risks, make provisions and comply with safe ratios for loan and advances to customers and to other credit institutions in accordance with relevant regulations of the State Bank of Vietnam provided in Decision No. 493 and Decision No. 18.

VPBank'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 VPBank include the followings:

- Implementing a centralised credit approval mechanism for the system as a whole. The concept of centralised approval at VPBank is advised by an international advisory firm and will consistently be implemented according to a full centralisation roadmap from now to 2013;
- Focusing on completion of data infrastructure used for developing credit rating and risk classification systems in accordance with international standards;

**Notes to the consolidated financial statements**

for the year ended 31 December 2012 (continued)

Form B05/TCTD-HN

- 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.

Set out below is the credit exposure of VPBank's balance sheet, excluding collateral or credit support:

<b>At 31 December 2012</b>	<b>Neither past due nor impaired</b> VND million	<b>Past due but not impaired</b> VND million	<b>Past due and with allowance made</b> VND million	<b>Total</b> VND million
<b>Balances with and loans to other credit institutions - gross</b>	<b>26,815,586</b>	-	-	<b>26,815,586</b>
Balances with other credit institutions	17,317,365	-	-	17,317,365
Loans to other credit institutions	9,498,221	-	-	9,498,221
<b>Securities held for trading - gross</b>	<b>1,366,615</b>	-	-	<b>1,366,615</b>
<b>Loans and advances to customers - gross</b>	<b>32,969,671</b>	<b>817,629</b>	<b>3,116,005</b>	<b>36,903,305</b>
<b>Investment securities - gross</b>	<b>22,263,016</b>	-	-	<b>22,263,016</b>
Available for sale securities	22,263,016	-	-	22,263,016
<b>Other assets</b>	<b>12,393,646</b>	-	<b>26,354</b>	<b>12,420,000</b>
	<b>95,808,534</b>	<b>817,629</b>	<b>3,142,359</b>	<b>99,768,522</b>

**Notes to the consolidated financial statements**  
for the year ended 31 December 2012 (continued)  
Form B05/TCTD-HN

<b>At 31 December 2011</b>	<b>Neither past due nor impaired</b> VND million	<b>Past due but not impaired</b> VND million	<b>Past due and with allowance made</b> VND million	<b>Total</b> VND million
<b>Balances with and loans to other credit institutions - gross</b>	<b>22,930,542</b>	-	<b>30.692</b>	<b>22,961,234</b>
Balances with other credit institutions	22,529,820	-	30.692	22,560,512
Loans to other credit institutions	400,722	-	-	400,722
<b>Securities held for trading - gross</b>	<b>1,925,630</b>	-	-	<b>1,925,630</b>
<b>Loans and advances to customers - gross</b>	<b>26,305,198</b>	<b>755,571</b>	<b>2,122,874</b>	<b>29,183,643</b>
<b>Investment securities - gross</b>	<b>19,018,216</b>	-	-	<b>19,018,216</b>
Available for sale securities	19,018,216	-	-	19,018,216
<b>Other assets</b>	<b>7,562,726</b>	<b>26,554</b>	-	<b>7,589,280</b>
	<b>77,742,312</b>	<b>782,125</b>	<b>2,153,566</b>	<b>80,678,003</b>

Carrying value of collaterals held by VPBank was as follows:

	<b>31/12/2012</b> VND million	<b>31/12/2011</b> VND million
Real estate	68,257,551	209,184,520
Movable assets	8,573,758	10,284,344
Valuable papers	10,299,386	4,988,568
Other secured assets	392,207	13,762,316
	<b>87,522,902</b>	<b>238,219,748</b>

VPBank does not hold collateral that can be sold or pledged to third parties when the owners still be able to repay debt.



**Notes to the consolidated financial statements**  
for the year ended 31 December 2012 (continued)  
Form B05/TCTD-HN

**(ii) Liquidity risk**

Liquidity risk is the risk that VPBank will not be able to meet its financial obligations as they fall due, or, the risk that VPBank might have to face unacceptable material losses in order to meet those obligations. Liquidity risk may lead to negative effect on VPBank's profit, reputation, equity, even causes VPBank's bankruptcy.

*Liquidity risk management*

VPBank maintains a specific portfolio and volume of high-liquid assets, which may includes but not limited of cash, gold, interbank deposits, Government bonds and other high-liquid assets in order to meet its liabilities when due under both normal and stressed conditions, without incurring unacceptable losses or risking damage to VPBank's reputation. VPBank will establish specific liquidity gap and follow strictly on each period based on Assets and Liabilities structure.

VPBank understands the interrelation of credit risk and market risk and how they may have impacts on the Bank's liquidity. VPBank also realizes that liquidity risks come from two sides of its balance sheet. Therefore, VPBank's approach to managing liquidity is to constantly focus on diversification of investment and credit activities and increases of accessibility to capital markets by raising fund through various tools and products.

ALCO Support Department under the Finance Division is responsible for oversight of VPBank's compliance with liquidation limits and ratios and submission of the Bank's

consolidated liquidity reports to ALCO for review and making decisions that are compatible with the development strategy of VPBank and the business status and market developments in different periods. VPBank adopts both of the common approaches to managing liquidity, namely Stock Approach and Flow Approach. Accordingly, VPBank monitors on a daily basis the compliance with adequate liquidity ratios and forecast movements of cash flows which may have impact on VPBank's liquidity position in the future to ensure compliance at any time with all the regulations of SBV as well as its internal regulations.

Liquidity risk limits are established based on results of VPBank'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, VPBank also issues specific regulations on a Liquidity Contingency Plan ("LCP") which clearly specify 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 liquidity ratios according to the regulations of the State Bank of Vietnam were as follows:

- The minimum liquidity ratio between highly liquid assets such as cash and cash equivalent, government bonds, listed bonds over total liabilities is 15%.
- The minimum ratio between assets receivable and liabilities payable within the next 7 business days is one.

	<b>31/12/2012</b>	<b>31/12/2011</b>
Liquidity ratio within the next 7 days (%)		
<i>At 31 December</i>	125.34%	115%
Liquidity ratio within the next 1 month (%)		
<i>At 31 December</i>	75.23%	20.83%

The following table provides an analysis of the monetary assets and liabilities of VPBank into relevant maturity groupings based on the remaining period from the balance sheet date to repayment date.

**Notes to the consolidated financial statements**  
for the year ended 31 December 2012 (continued)  
Form B05/TCTD-HN

<b>As at 31 December 2012 (VND million)</b>	<b>Overdue more than 3 months</b>	<b>Overdue less than 3 months</b>	<b>Up to 1 month</b>	<b>From 1 to 3 months</b>	<b>From 3 to 12 months</b>	<b>From 1 year to 5 years</b>	<b>Over 5 years</b>	<b>Total</b>
<b>Assets</b>								
Cash and gold on hand	-	-	799,402	-	-	-	-	799,402
Balances with the SBV	-	-	1,372,667	-	-	-	-	1,372,667
Balances with and loans to other credit institutions - gross	-	-	16,618,946	2,485,000	5,124,000	2,587,640	-	26,815,586
Securities held for trading - gross	-	-	102,264	175,300	18,790	997,408	72,853	1,366,615
Derivatives and other financial liabilities	-	-	-	-	57,471	-	-	57,471
Loans and advances to customers - gross	1,003,287	2,930,347	2,470,591	5,786,207	16,586,310	6,873,298	1,253,265	36,903,305
Investment securities - gross	-	-	911,784	1,600,196	2,740,000	17,011,036	-	22,263,016
Long term investments - gross	-	-	-	-	-	-	67,811	67,811
Other financial assets - gross	-	26,354	4,235,697	1,928,465	5,153,754	1,075,730	-	12,420,000
	<b>1,003,287</b>	<b>2,956,701</b>	<b>26,511,351</b>	<b>11,975,168</b>	<b>29,680,325</b>	<b>28,545,112</b>	<b>1,393,929</b>	<b>102,065,873</b>
<b>Liabilities</b>								
Amounts due to the Government and the SBV	-	-	1,371,572	-	-	-	-	1,371,572
Deposits and borrowings from other credit institutions	-	-	17,178,924	3,559,659	4,917,134	-	-	25,655,717
Deposits from customers	-	-	30,819,243	12,212,616	15,873,722	603,441	5,119	59,514,141
Other borrowed and entrusted funds	-	-	-	-	64,540	-	-	64,540
Valuable papers issued	-	-	-	166,100	2,000,000	2,600,000	-	4,766,100
Other financial liabilities	-	-	2,067,747	1,140,864	262,483	826,736	-	4,297,830
	-	-	<b>51,437,486</b>	<b>17,079,239</b>	<b>23,117,879</b>	<b>4,030,177</b>	<b>5,119</b>	<b>95,669,900</b>
<b>Net liquidity gap</b>	<b>1,003,287</b>	<b>2,956,701</b>	<b>(24,926,135)</b>	<b>(5,104,071)</b>	<b>6,562,446</b>	<b>24,514,935</b>	<b>1,388,810</b>	<b>6,395,973</b>

**Notes to the consolidated financial statements**  
for the year ended 31 December 2012 (continued)  
Form B05/TCTD-HN

<b>As at 31 December 2011</b> (VND million)	<b>Overdue more than 3 months</b>	<b>Overdue less than 3 months</b>	<b>Up to 1 month</b>	<b>From 1 to 3 months</b>	<b>From 3 to 12 months</b>	<b>From 1 year to 5 years</b>	<b>Over 5 years</b>	<b>Total</b>
<b>Assets</b>								
Cash and gold on hand	-	-	1,020,923	-	-	-	-	1,020,923
Balances with the SBV	-	-	522,364	-	-	-	-	522,364
Balances with and loans to other credit institutions - gross	-	-	11,949,147	1,554,625	2,593,602	6,858,140	5,720	22,961,234
Securities held for trading - gross	-	-	390,061	-	-	912,981	622,588	1,925,630
Loans and advances to customers - gross	532,371	2,346,075	1,457,727	502,371	16,198,939	5,683,650	2,462,510	29,183,643
Investment securities - gross	-	-	-	-	6,861,980	9,971,570	2,184,666	19,018,216
Long term investments - gross	-	-	-	-	-	-	123,285	123,285
Other financial assets - gross	26,554	-	1,320,716	1,755,995	3,546,076	934,078	5,861	7,589,280
	<b>558,925</b>	<b>2,346,075</b>	<b>16,660,938</b>	<b>3,812,991</b>	<b>29,200,597</b>	<b>24,360,419</b>	<b>5,404,630</b>	<b>82,344,575</b>
<b>Liabilities</b>								
Amounts due to the Government and the SBV	-	-	917,127	-	-	-	-	917,127
Deposits and borrowings from other credit institutions	-	-	13,988,516	1,981,745	6,966,330	2,571,000	80,000	25,587,591
Deposits from customers	-	-	1,645,259	19,550,384	6,146,110	2,070,045	337	29,412,135
Derivatives and other financial liabilities	-	-	2,541	-	-	-	-	2,541
Other borrowed and entrusted funds	-	-	-	-	-	99,382	800	100,182
Valuable papers issued	-	-	-	9,566	9,362,519	5,670,030	-	15,042,115
Other financial liabilities	-	-	1,589,744	121,725	2,546,009	1,191,456	-	5,448,934
	-	-	<b>18,143,187</b>	<b>21,663,420</b>	<b>25,020,968</b>	<b>11,601,913</b>	<b>81,137</b>	<b>76,510,625</b>
<b>Net liquidity gap</b>	<b>558,925</b>	<b>2,346,075</b>	<b>(1,482,249)</b>	<b>(17,850,429)</b>	<b>4,179,629</b>	<b>12,758,506</b>	<b>5,323,493</b>	<b>5,833,950</b>

### (iii) Market risks

Market risk is the risk that negative changes in prices and market-related values will adversely affect VPBank'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, 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 VPBank's regulations.

During the year 2012, the issued market risk management policy provides 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 in the Trading Book such as the Net FX Exposure, PV01, Cash Flow Exposure, Duration gap, etc. and in the Banking Book such as maturity gap measurement (using the Repricing Model – Revaluation Gap). When required condition of infrastructure and data are available, VPBank will adopt more advanced methods such as 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, VPBank is provided with a sufficient basis for making decisions on effective risk prevention measures.

In the upcoming time, VPBank plans to actively research risk measuring models for financial derivatives in order to ensure preparedness for controlling associated risks when VPBank decides to provide the products in Vietnam market.

#### *Interest rate risk*

Interest rate risks are the risks that cause negative effects on VPBank's income and capital due to adverse fluctuations of the interest rate. 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 VPBank to create interest rate risk, including: lending, deposit, investment.

#### *Management of interest rate risks*

Interest rate risks are measured based on the 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.
- Economic value effect analysis (EVE): this value represents the effects of interest rate fluctuations on the economic value of assets and liabilities in the balance sheet and off-balance sheet assets. The method of analysing the effects of economic value of equity is reviewed as to long-term effects on VPBank in respect of interest rate fluctuations.

The following tables show VPBank's assets and liabilities categorised by the contractual re-pricing or maturity date from the balance sheet date.

**Notes to the consolidated financial statements**  
for the year ended 31 December 2012 (continued)  
Form B05/TCTD-HN

<b>As at 31 December 2012</b> (VND million)	<b>Overdue</b>	<b>Free of interest</b>	<b>Up to 1 month</b>	<b>From 1 to 3 months</b>	<b>From 3 to 6 months</b>	<b>From 6 to 12 months</b>	<b>Over 1 year</b>	<b>Total</b>
<b>Assets</b>								
Cash and gold on hand	-	799,402	-	-	-	-	-	799,402
Balances with the SBV	-	-	1,372,667	-	-	-	-	1,372,667
Balances with and loans to other credit institutions - gross	-	132,450	16,432,496	2,485,000	1,760,000	3,364,000	2,641,640	26,815,586
Securities held for trading - gross	-	97,810	4,454	175,300	-	18,790	1,070,261	1,366,615
Derivatives and other financial assets	-	57,471	-	-	-	-	-	57,471
Loans and advances to customers - gross	3,933,634	-	7,390,301	12,066,171	5,225,450	3,239,240	5,048,509	36,903,305
Investment securities - gross	-	90,000	821,784	1,600,196	1,540,000	1,200,000	17,011,036	22,263,016
Long term investments - gross	-	58,966	-	-	-	-	8,845	67,811
Other financial assets - gross	26,354	3,689,399	546,266	1,928,465	2,056,786	3,097,000	1,075,730	12,420,000
	<b>3,959,988</b>	<b>4,925,498</b>	<b>26,567,968</b>	<b>18,255,132</b>	<b>10,582,236</b>	<b>10,919,030</b>	<b>26,856,021</b>	<b>102,065,873</b>
<b>Liabilities</b>								
Amounts due to the Government and the SBV	-	-	1,371,572	-	-	-	-	1,371,572
Deposits and borrowings from other credit institutions	-	-	17,178,924	3,559,659	2,971,246	1,945,888	-	25,655,717
Deposits from customers	-	-	25,716,294	10,565,323	6,318,035	10,586,389	6,328,100	59,514,141
Other borrowed and entrusted funds	-	-	-	-	64,540	-	-	64,540
Valuable papers issued	-	-	-	166,100	-	2,000,000	2,600,000	4,766,100
Other financial liabilities	-	3,223,236	(14,625)	-	197,400	65,083	826,736	4,297,830
	-	<b>3,223,236</b>	<b>44,252,165</b>	<b>14,291,082</b>	<b>9,551,221</b>	<b>14,597,360</b>	<b>9,754,836</b>	<b>95,669,900</b>
<b>Total interest sensitivity gap</b>	<b>3,959,988</b>	<b>1,702,262</b>	<b>(17,684,197)</b>	<b>3,964,050</b>	<b>1,031,015</b>	<b>(3,678,330)</b>	<b>17,101,185</b>	<b>6,395,973</b>



**Notes to the consolidated financial statements**  
for the year ended 31 December 2012 (continued)  
Form B05/TCTD-HN

<b>As at 31 December 2011</b> (VND million)	<b>Overdue</b>	<b>Free of interest</b>	<b>Up to 1 month</b>	<b>From 1 to 3 months</b>	<b>From 3 to 6 months</b>	<b>From 6 to 12 months</b>	<b>Over 1 year</b>	<b>Total</b>
<b>Assets</b>								
Cash and gold on hand	-	1,020,923	-	-	-	-	-	1,020,923
Balances with the SBV	-	-	522,364	-	-	-	-	522,364
Balances with and loans to other credit institutions - gross	-	-	11,880,747	1,723,025	1,720,200	773,402	6,863,860	22,961,234
Securities held for trading - gross	-	94,003	296,058	-	-	-	1,535,569	1,925,630
Loans and advances to customers - gross	2,878,445	-	186,002	17,485,537	2,778,298	5,284,684	570,677	29,183,643
Investment securities - gross	-	-	-	-	2,200,000	4,661,980	12,156,236	19,018,216
Long term investments - gross	-	123,285	-	-	-	-	-	123,285
Other financial assets - gross	26,554	3,096,958	380,932	1,091,176	938,895	1,234,689	820,076	7,589,280
	<b>2,904,999</b>	<b>4,335,169</b>	<b>13,266,103</b>	<b>20,299,738</b>	<b>7,637,393</b>	<b>11,954,755</b>	<b>21,946,418</b>	<b>82,344,575</b>
<b>Liabilities</b>								
Amounts due to the Government and the SBV	-	-	917,127	-	-	-	-	917,127
Deposits and borrowings from other credit institutions	-	-	14,738,516	1,981,745	4,412,000	2,554,330	1,901,000	25,587,591
Deposits from customers	-	-	1,645,259	19,550,384	4,686,525	1,459,585	2,070,382	29,412,135
Derivatives and other financial liabilities	-	2,541	-	-	-	-	-	2,541
Other borrowed and entrusted funds	-	-	-	-	-	-	100,182	100,182
Valuable papers issued	-	-	-	9,566	4,697,696	4,664,823	5,670,030	15,042,115
Other financial liabilities	-	344,858	1,799,252	119,251	919,626	1,626,383	649,564	5,448,934
	-	<b>337,399</b>	<b>19,100,154</b>	<b>21,660,946</b>	<b>14,715,847</b>	<b>10,305,121</b>	<b>10,391,158</b>	<b>76,510,625</b>
<b>Total interest sensitivity gap</b>	<b>2,904,999</b>	<b>3,997,770</b>	<b>(5,834,051)</b>	<b>(1,361,208)</b>	<b>(7,078,454)</b>	<b>1,649,634</b>	<b>11,555,260</b>	<b>5,833,950</b>

**Notes to the consolidated financial statements**  
for the year ended 31 December 2012 (continued)  
Form B05/TCTD-HN

The table below represents the sensitivity of profit or loss within one year from the assumed increases in lending and funding interest rates in customer market as at 31 December 2012. The opposite result is for the assumed decreases in lending and funding interest rates:

<b>For the year ended 31/12/2012</b>	<b>Increase in interest rate</b>	<b>Impact on profit and loss before tax</b> VND million	<b>Impact on equity</b> VND million
VND	3%	160,612	120,459
USD	1.5%	13,072	9,804

<b>For the year ended 31/12/2011</b>	<b>Increase in interest rate</b>	<b>Impact on profit and loss before tax</b> VND million	<b>Impact on equity</b> VND million
VND	3%	92,553	69,415
USD	1.5%	(853)	(640)

*Currency risk*

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. VPBank was incorporated and operates in Vietnam, with VND as its reporting currency. Meanwhile, the Assets – Resources Structure of VPBank includes other currencies (e.g. USD, EUR, AUD, etc.) and thus VPBank has currency risks.

*Currency risk management*

VPBank's management has set limits on positions by currency in accordance with VPBank's internal risk assessment system and the SBV's regulations. The major currency in which VPBank transacts is VND. VPBank's loans and advances were mainly denominated in VND with the remainder mainly in USD. However, some of VPBank's other assets are in currencies other than the reporting currency and USD. Positions are monitored on a daily basis and hedging strategies used to ensure positions are maintained within established limits.

**Notes to the consolidated financial statements**  
for the year ended 31 December 2012 (continued)  
Form B05/TCTD-HN

<b>As at 31 December 2012</b> (VND million)	<b>VND</b>	<b>USD</b>	<b>EUR</b>	<b>Gold</b>	<b>Other currencies</b>	<b>Total</b>
<b>Assets</b>						
Cash and gold on hand	357,288	110,692	158,049	160,869	12,504	799,402
Balances with the SBV	1,219,665	153,002	-	-	-	1,372,667
Balances with and loans to other credit institutions - gross	22,110,109	4,115,921	570,868	-	18,688	26,815,586
Securities held for trading - gross	1,366,615	-	-	-	-	1,366,615
Derivatives and other financial assets	100,797	(1,241,243)	902,395	-	295,522	57,471
Loans and advances to customers - gross	35,091,419	1,807,114	4,772	-	-	36,903,305
Investment securities - gross	22,054,816	208,200	-	-	-	22,263,016
Long term investment - gross	67,811	-	-	-	-	67,811
Other financial assets - gross	11,307,773	895,490	3,624	212,962	151	12,420,000
	<b>93,676,293</b>	<b>6,049,176</b>	<b>1,639,708</b>	<b>373,831</b>	<b>326,865</b>	<b>102,065,873</b>
<b>Liabilities</b>						
Amounts due to the Government and the SBV	1,371,572	-	-	-	-	1,371,572
Deposits and borrowings from other credit institutions	20,750,060	4,631,447	274,210	-	-	25,655,717
Deposits from customers	56,266,945	1,565,341	1,362,786	-	319,069	59,514,141
Other borrowed and entrusted funds	62,893	1,647	-	-	-	64,540
Valuable papers issued	4,766,100	-	-	-	-	4,766,100
Other financial liabilities	3,801,501	109,814	11,910	373,138	1,467	4,297,830
	<b>87,019,071</b>	<b>6,308,249</b>	<b>1,648,906</b>	<b>373,138</b>	<b>320,536</b>	<b>95,669,900</b>
<b>FX position</b>	<b>6,657,222</b>	<b>(259,073)</b>	<b>(9,198)</b>	<b>693</b>	<b>6,329</b>	<b>6,395,973</b>

**Notes to the consolidated financial statements**  
for the year ended 31 December 2012 (continued)  
Form B05/TCTD-HN

<b>As at 31 December 2011</b> (VND million)	<b>VND</b>	<b>USD</b>	<b>EUR</b>	<b>Gold</b>	<b>Other currencies</b>	<b>Total</b>
<b>Assets</b>						
Cash and gold on hand	446,172	127,132	63,730	379,978	3,911	1,020,923
Balances with the SBV	331,824	190,540	-	-	-	522,364
Balances with and loans to other credit institutions - gross	19,978,725	2,957,476	18,860	-	6,173	22,961,234
Securities held for trading - gross	1,925,630	-	-	-	-	1,925,630
Loans and advances to customers - gross	27,187,362	1,972,078	24,203	-	-	29,183,643
Investment securities - gross	17,756,236	1,261,980	-	-	-	19,018,216
Long term investment - gross	123,285	-	-	-	-	123,285
Other financial assets - gross	7,495,912	93,128	53	-	187	7,589,280
	<b>75,245,146</b>	<b>6,602,334</b>	<b>106,846</b>	<b>379,978</b>	<b>10,271</b>	<b>82,344,575</b>
<b>Liabilities</b>						
Amounts due to the Government and the SBV	917,127	-	-	-	-	917,127
Deposits and borrowings from other credit institutions	22,862,509	2,725,082	-	-	-	25,587,591
Deposits from customers	26,382,392	2,542,550	467,177	3	20,013	29,412,135
Derivatives and other financial liabilities	184,267	180,944	(376,195)	-	13,525	2,541
Other borrowed and entrusted funds	98,408	1,774	-	-	-	100,182
Valuable papers issued	13,780,135	1,261,980	-	-	-	15,042,115
Other financial liabilities	4,693,904	695	373,257	378,273	2,805	5,448,934
	<b>68,918,742</b>	<b>6,713,025</b>	<b>464,239</b>	<b>378,276</b>	<b>36,343</b>	<b>76,510,625</b>
<b>FX position</b>	<b>6,326,404</b>	<b>(110,691)</b>	<b>(357,393)</b>	<b>1,702</b>	<b>(26,072)</b>	<b>5,833,950</b>

**Notes to the consolidated financial statements**  
for the year ended 31 December 2012 (continued)  
Form B05/TCTD-HN

With assumptions that all other variables, in particular interest rates, remain constant, the table below represents the sensitivity of profit or loss for the year ended 31 December 2012 when:

VND appreciates 5% against USD:

<b>Sensitivity of profit/(loss) before tax</b>		
	<b>31/12/2012</b>	<b>31/12/2011</b>
	VND million	VND million
USD	12,954	5,535

VND depreciates 5% against USD:

<b>Sensitivity of profit/(loss) before tax</b>		
	<b>31/12/2012</b>	<b>31/12/2011</b>
	VND million	VND million
USD	(12,954)	(5,535)

### 39. Commitments

#### Leases

The minimum lease payments under operating leases commitments are as follows:

	<b>31/12/2012</b>	<b>31/12/2011</b>
	VND million	VND million
Within one year	20,600	56,127
Within two to five years	61,799	190,803
More than five years	169,946	219,216
	<b>252,345</b>	<b>466,146</b>

Prepared by:



**Nguyen Thi Thu Hang**  
Chief Accountant

Approved by:



**Luu Thi Thao**  
Deputy Chief Executive Officer  
cum. Chief Financial Officer



**Nguyen Duc Vinh**  
Chief Executive Officer

Hanoi, 28 March 2013





**CORPORATE  
GOVERNANCE  
REPORT**



**In 2012, VPBank has taken a number of essential steps in strengthening the Bank's governance framework, which reflects important mechanisms for the functioning of key governing bodies, the rights of shareholders, and the implementation of activities to prevent conflicts of interests and enhance information transparency of the Bank, specifically as follows:**

## **I. REFINEMENT OF THE BANK'S CHARTER**

The best practices of corporate governance require an organization to establish a corporate governance framework, firstly through the Charter and other internal documents such as Regulations on the Board of Directors and Regulations on Corporate Governance, etc.

VPBank's Charter has been developed with great details and clear contents, reflecting objectives, fields and scopes of activities of the Bank. The Charter provides adequate information related to governance structure, rights of shareholders, information publicity, accounting regime, conflict settlement and corporate reorganization. All contents of the Charter have been developed in full compliance with applicable laws.

From 2009 till now, the Bank has organized annual reviews and made amendments to the Charter's contents so as to make it suitable with applicable laws and submitted to the Annual General Shareholders' Meeting for approval. On 24 April 2012, the Annual General Shareholders' Meeting decided to either amend or add 12 significant issues to the Bank's Charter in compliance with new legal regulations. VPBank's Charter of all versions has been registered with the State Bank of Vietnam (SBV) as required and widely published to shareholders and partners on VPBank's website. VPBank will keep making amendment of the Charter to meet the Bank's current needs as well as comply with the best practices and applicable laws.

## **II. INFORMATION OF SHAREHOLDERS AND GENERAL SHAREHOLDERS' MEETING**

Shareholder is the owner of share in VPBank. As at 31 December 2012, the Bank has 3,769 shareholders with the majority of which being individual shareholders. The rights and obligations of shareholders are specified in the Bank's Charter and all shareholders have the right to access the Bank's Charter at any time, which is uploaded in a section reserved for shareholders on the Bank's website.

In addition to the right of setting up a shareholder group owning more than 10% of common shares in 6 consecutive months to nominate and self-nominate members in the Board of Directors, the Bank's Charter also specifies the cumulative voting, which entitles minority shareholders to vote for their representatives in the Board of Directors.

The Bank only has common shares and no preferential ones. The Bank always respects rights and benefits of sharehold-

ers and exerts significant efforts in providing shareholders with important information on the Bank's development process. The relationship with shareholders and information publishing to shareholders are performed by the Board of Directors' Office. All contributing ideas and feedbacks from shareholders are received and processed by the Board of Directors' Office or transferred to authorized persons for processing in accordance with regulations.

VPBank is now revamping the Bank's website to restructure this communication channel, ensure its compliance with the international standards, as well as facilitate shareholders and potential investors to get access to the Bank's information.

The General Shareholders' Meeting, consisting of all shareholders with voting rights, acts as the highest decision-making agency of VPBank. The General Shareholders' Meeting raises opinions and makes decisions in its annual and extraordinary General Meetings of the Shareholders by written votes. The General Shareholders' Meeting is the opportunity for shareholders, at least once a year, to discuss important issues with members of the Board of Directors, Board of Management and make decisions on operating guidelines for the Bank in the upcoming fiscal year.

VPBank's Annual General Shareholders' Meeting in 2012 was organized on 24 April 2012 after the Financial Report of the previous year had been audited by an independent auditor.

The meeting invitation letter, enclosed with instructions on authorizing representatives to attend the meeting and other documents, were sent to all shareholders and fully published on the Bank's website.

The agenda and procedures for convening and voting in the General Shareholders' Meeting have fully complied with the relevant provisions in the Bank's Charter. Besides, in this Annual General Shareholders' Meeting, the Bank had submitted Regulations on organizing the General Meeting, Regulations on voting of resolutions in the General Meeting and Regulations on electing members of the Board of Directors, Supervisory Board (if any) to shareholders for endorsement and adoption. These Regulations were attached with the meeting materials and published on the Bank's website at least 7 days prior to the meeting opening so that all shareholders have adequate time to review and provide feedback.

In the Annual General Shareholders' Meeting 2012, such important reports as Performance Report of the Board of Directors, Performance Report of Supervisory Board and

the Bank's Business Performance Report were all presented and discussed by shareholders prior to approval.

The Bank has also applied state-of-the-art information technology for shareholders to best supervise the results of delegate eligibility checking and voting results of issues discussed in the meeting as well as shorten the time of completing these tasks.

The Bank's Charter allows the General Shareholders' Meeting to vote by obtaining written opinions for issues within its scope of authority, except for some issues which must be voted right in the Meeting at any time if the Board of Directors finds it necessary for the Bank's interest. Documents requiring written opinions from shareholders are published on the Bank's website. Accordingly, any shareholder not receiving the request for opinions can still access and print out these documents for voting from the website. The deadline for getting shareholder's opinions in writing is usually set at a minimum of 30 days, which is adequate for shareholders to review and send back their opinions. The counting of votes must be done in witness of the members of Supervisory Board and the Minutes of vote checking is made public on the Bank's website within 42 hours upon completion. In 2012, VPBank has asked shareholders twice for their written opinions on the Bank's Head Office relocation and the expected number of additional members of the Board of Directors.

### III. BOARD OF DIRECTORS

#### 1. Roles and responsibilities of the Board of Directors

VPBank's Board of Directors is established based on the Charter and Regulations on Organization and Operation of the Board of Directors adopted by VPBank. VPBank's Board of Directors plays key roles in mapping out strategies for the Bank and providing guidance for Board of Management's operation. Additionally, VPBank's Board of Directors strictly exercises its supervising responsibility over the Chief Executive Officer (CEO) by attending the monthly business review meetings held by the Board of Management; reviewing daily, weekly reports; thematic reports on risk management; as well as requesting for reports if necessary. Furthermore, the Board of Directors frequently conducts its monitoring by checking and processing information from the reports of Supervisory Board and Internal Audit Division over the Bank's units and through activities of committees under the Board of Directors.

#### 2. Organization structure of the Board of Directors

VPBank's Board of Directors has 5 members, including one independent member. Such number of members complies with applicable laws and suits the Bank's current scope and growth, making full use of the advantage of quick and

efficient decision-making process.

The term of office of VPBank's Board of Directors is 5 years and the members of the Board of Directors can be re-elected for unlimited times. The term of 5 years is a reasonable period for the members to have a long-term vision and witness achievements earned from their efforts. The current term of office of VPBank's Board of Directors started in 2010 and will end in 2015.

The members of VPBank's Board of Directors fully satisfy criteria, conditions of competency and experience as prescribed by the State Bank of Vietnam and VPBank. The current members of VPBank's Board of Directors are those who have strengths in managerial experience in business and banking, with profound knowledge and in-depth understanding of their functions, tasks, rights and obligations. No member of VPBank's Board of Directors concurrently takes the managerial titles in the executive structure of the Bank.

The members of VPBank's Board of Directors also strictly follow regulations on not concurrently taking roles as per applicable law:

- Chairman of VPBank's Board of Directors is not concurrently the manager of the Bank and other credit institutions.

- Members of VPBank's Board of Directors are not concurrently members of VPBank's Supervisory Board and managers of other credit institutions.

#### **Members of VPBank's Board of Directors consist of:**

- Mr. Ngo Chi Dzung: Chairman of the Board of Directors
- Mr. Bui Hai Quan: Vice Chairman of the Board of Directors
- Mr. Lo Bang Giang: Vice Chairman of the Board of Directors
- Mr. Phung Khac Ke: Independent Member of the Board of Directors
- Mr. Tran Trong Kien: Independent Member of the Board of Directors. Mr. Kien has resigned from this post, which officially took effective on 24 April 2012.
- Mr. Luong Phan Son: Member of the Board of Directors. Mr. Son was elected by VPBank's General Shareholders' Meeting on 24 April 2012 yet ceased to be the member of the Board of Directors from 22 October 2012 as he was no longer the legal representative of an institutional shareholder of VPBank.

At present, VPBank is conducting procedures to ask for approval of one additional member of the Board of Directors.

#### 3. Nomination, self-nomination and election

The election of members of the Board of Directors shall be conducted when the former Board of Directors' term of

office is due, and the additional election or replacement of members shall take place as soon as any member loses his/her membership capacity in accordance with the laws, gets dismissal or removal, or for a reason could not continue being a member of the Board of Directors.

The 2012 Annual General Shareholders' Meeting has elected one additional member of the Board of Directors. Accordingly, prior to the Annual General Shareholders' Meeting, the Board of Directors obtained written opinions from shareholders on the expected number of members to be additionally elected to the Board of Directors. The Supervisory Board then also notified the shareholders of the required conditions and criteria on the elected titles so that they could nominate, self-nominate persons to hold such positions as prescribed by laws and the Bank's Charter. The deadline for receiving opinions from shareholders on nomination and self-nomination was specified in the request for opinion and set at a minimum of 30 days from the date of sending such request. The list of persons expected to be elected to the Board of Directors and their profiles had been sent to the State Bank of Vietnam for evaluation with regard to eligibility criteria and conditions and approval had been obtained prior to election at the General Shareholders' Meeting.

The election of members of the Board of Directors or Supervisory Board follows the principles of cumulative voting. Accordingly, each shareholder has the total number of votes corresponding to the total owned shares multiplied with number of candidates to be elected to the Board of Directors or the Supervisory Board. A shareholder has the right to cumulate his/her total votes for a candidate or divide votes for several candidates. A person elected to the Board of Directors or the Supervisory Board should receive the number of votes representing more than 51% of total shares presented in the meeting at the time prior to the election. In case the number of candidates receiving the number of votes of more than 51% is higher than the number of members to be elected to the Board of Directors or the Supervisory Board as per the General Shareholders' Meeting's regulations, the candidates shall be selected in the order of highest votes until there are enough members of the Board of Directors or Supervisory Board per regulation of the General Shareholders' Meeting. Exceptional cases shall follow the decision made by the General Shareholders' Meeting.

#### **4. Independent Members of the Board of Directors**

***As stipulated in VPBank's Charter, the criteria for independent members of the Board of Directors are defined as follows:***

- Satisfy the required criteria and conditions for a member of the Board of Directors in terms of civil act capacity, professional ethics, competence, working experience and not concurrently hold posts as per relevant provisions of applicable laws.

- The independent member of the Board of Directors should also meet the following additional criteria and conditions:

- a) Neither currently working for VPBank or VPBank's subsidiary companies nor having ever worked for VPBank or VPBank's subsidiary companies within 3 preceding years;
- b) Not receiving salary or regular remunerations from VPBank other than allowances for members of the Board of Directors under regulations;
- c) Not having a spouse, father, foster father, mother, foster mother, child, foster child, sibling or spouses of these persons who are major shareholders of VPBank, managerial officers or members of the Supervisory Board of VPBank or VPBank's subsidiary company;
- d) Not being a manager or a member of the Supervisory Board of VPBank at any time within 5 preceding years;
- e) Neither directly nor indirectly owning or representing ownership of 1% or more of the chartered capital or the voting share capital of VPBank;
- f) Not in conjunction with a related person as stipulated in Point p, Item 1, Article 1 of this Charter holding 5% or more of the chartered capital or the voting share capital of VPBank.

The independent member of the Board of Directors resigned from his post in VPBank in 2012 due to personal reason.

The current independent member of the Board of Directors has extensive experience in executive management at the State Bank of Vietnam and fully meets requirements on the independence, competence and experience as per applicable laws and VPBank's regulations.

#### **5. Activities of the Board of Directors in 2012**

The Board of Directors convened quarterly meetings according to a meeting schedule specified and sent to members of the Board of Directors in early 2012. The Secretary of the Board of Directors sent the Chairman's letter of invitation as well as materials related to a meeting of the Board of Directors 5 days prior to the meeting. All members of the Board of Directors had the right to ask for additional materials or suggest issues to be included in the agenda of the meeting. The members of Supervisory Board and CEO were all invited to attend the regular meetings of the Board of Directors and, in some cases, so were the Chief Financial Officer, Head of Human Resources Division or other senior executives, subject



to each meeting's agenda. The Bank also made ready technical and interpretation support, if needed, for such meetings. All meetings were recorded with minutes and all resolutions are documented, with meeting participants reviewing and signing on such minutes and resolutions. The meeting minutes and materials were properly filed for retrieval by the Board of Directors or other stakeholders.

In 2012, with the support of a world-leading strategic consulting firm, which has been working closely with VPBank since 2010, VPBank's Board of Directors refined and adopted the Bank's 5-Year Development Strategy for 2012-2017. This strategy has been widely communicated to employees of the Bank several times and under various forms. In 2012, the Board of Directors of VPBank also played a vital role in developing the Bank's core values through its Corporate Culture Project. The Board of Directors convened in total four quarterly meetings in 2012, endorsing the Bank's overall development strategy as well as those of all business units for 2012-2017, action plan and budget for the Bank in 2013, business plans and budgets for subsidiary companies of VPBank, e.g., VPBank Securities Company (VPBS) and VPBank Asset Management Company Ltd. (VP AMC). In these meetings, the Board of Directors also reviewed the amendment of organization structures, functions and duties of departments within the Bank, and changes of senior executives. On a quarterly basis, the Board of Directors also reviewed and evaluated the performance of the Board of Management and made decisions to adjust action plans as appropriate. Additionally, the Board of Directors has

endorsed, in the form of obtaining written opinions, issues within its authority such as the approval of credits exceeding limit granted to the Credit Council, approval of regulations on organization and operation of subordinated Councils and Committees as well as regulations and policies for business activities of the Bank.

#### IV. ACTIVITIES OF COUNCILS AND COMMITTEES UNDER THE BOARD OF DIRECTORS

##### 1. Committees under the Board of Directors

###### 1.1. Human Resources Committee

The Human Resources Committee's tasks are to advise the Board of Directors on the scope and structure of VPBank's Boards of Directors, Supervisory Board; counsel the Board of Directors in tackling personnel issues arising in the course of voting, appointment, dismissal, removal of members of the Board of Directors, Supervisory Board, executive managers of VPBank; advise and propose the remuneration, bonus and other benefits for members of the Board of Directors, Supervisory Board, Chief Executive Officer; review and submit the annual budget for employees to the Board of Directors for approval; advise the Board of Directors and make decision within its authority on senior executives of the Bank; make decisions on policies, compensation and benefits for employees, training projects and human resources strategies, regulations on personnel recruitment and assessment; make decision on issues related to stock distribution plan to the Bank's employees. The Human Resources Committee meets on a monthly basis.

*Members of VPBank's Human Resources Committee include:*

<b>Ngo Chi Dzung</b>	Chairman of the Board of Directors	Chairman of the Committee
<b>Bui Hai Quan</b>	Vice Chairman of the Board of Directors	Member
<b>Lo Bang Giang</b>	Vice Chairman of the Board of Directors	Member



## 1.2. Risk Management Committee

The Committee is tasked with advising the Board of Directors in the adoption of risk management strategies, processes, policies for all activities of the Bank. The Risk Management Committee also analyzes and provides warnings on the safety of VPBank against hidden and potential risks and recommends prevention measures; analyzes and decides the general risk level of the Bank; sets risk appetite and risk acceptance level for functional areas and the entire bank as well as supervises the execution of

this policy within the Bank. The Risk Management Committee also takes responsibility for reviewing and deciding changes in the Bank's risk management structure to meet risk management requirements of regulatory agencies; diffusing knowledge and a culture of risk management in the entire bank, etc. The Risk Management Committee organizes regular meetings once or twice a quarter or when arising issues fall under the jurisdiction of the Committee.

Members of VPBank's Risk Management Committee include:

<b>Bui Hai Quan</b>	Vice Chairman of the Board of Directors	Chairman of the Committee
<b>Ngo Chi Dzung</b>	Chairman of the Board of Directors	Vice Chairman
<b>Lo Bang Giang</b>	Vice Chairman of the Board of Directors	Vice Chairman
<b>Phung Khac Ke</b>	Independent member of the Board of Directors	Member
<b>Nguyen Duc Vinh</b>	Chief Executive Officer	Member
<b>Nguyen Thanh Binh</b>	Deputy Chief Executive Officer	Non-voting member
<b>Dao Gia Hung</b>	Acting Head of Risk Management Division	Non-voting member
<b>Luu Thi Thao</b>	Deputy Chief Executive Officer	Non-voting member
<b>Vu Minh Quynh</b>	Deputy Head of Operation Division	Non-voting member
<b>Peterjan Van Nieuwenhuizen</b>	Head of Operation Division	Non-voting member

## 2. Councils & Committees under the Board of Management, with the participation of members of the Board of Directors

### 2.1. Credit Council

The Council performs the function of rating and approving credit applications or credit limits which exceed the decision authority of the Credit Boards at branches; reviewing loan

restructurings as proposed by functional departments; considering the exemption of fees and interest rates related to credit in accordance with the Regulation on fees and interest rates exemption of VPBank; recommending the Board of Directors to adjust credit policies in accordance with the reality; and handling tasks related to credit activities of the Bank. So far, Credit Councils of all levels of VPBank have increased meeting frequency, setting up daily meetings to promptly process credits under their respective authority.



List of members of VPBank's Credit Council:

<b>Ngo Chi Dzung</b>	Chairman of the Board of Directors	Chairman of the Council
<b>Bui Hai Quan</b>	Vice Chairman	Vice Chairman
<b>Lo Bang Giang</b>	Vice Chairman	Vice Chairman
<b>Nguyen Duc Vinh</b>	Chief Executive Officer	Vice Chairman
<b>Nguyen Thanh Binh</b>	Deputy Chief Executive Officer	Member
<b>Dao Gia Hung</b>	Acting Head of Risk Management Division	Member
<b>Luu Thi Anh Xuan</b>	Deputy Chief Executive Officer	Member
<b>Ho Thuy Nga</b>	Director of Credit Monitoring Department (Risk Management Division)	Member

## 2.2. Investment Council

The Investment Council has the function of reviewing and approving investment projects of the Bank and its subsidiaries, whose value exceeds limits granted to the Chief Executive Officer or the Members' Council of two subsidiary companies, e.g., VPBank Securities Company (VPBS) and VPBank Asset Management Company Ltd. (VP AMC), and other specific limits specified in the

Bank's Financial Regulations. The Investment Council of VPBank also makes decision on trading limits with credit institutions and investment proposals into promissory notes, bonds and other valuable papers. The Investment Committee meets on a quarterly basis and endorses proposals by obtaining written opinions.

List of members of VPBank's Investment Council:

<b>Ngo Chi Dzung</b>	Chairman of the Board of Directors	Chairman of the Council
<b>Bui Hai Quan</b>	Vice Chairman of the Board of Directors	Member
<b>Lo Bang Giang</b>	Vice Chairman of the Board of Directors	Member
<b>Nguyen Duc Vinh</b>	Chief Executive Officer	Member

## 2.3. Assets/Liabilities Management Council (ALCO)

The ALCO's functions are to research and propose strategies for balance sheet structure, manage the balance sheet structure of the Bank to maximize profits and minimize risks; develop and monitor financial and credit indicators in compliance with the Bank's business strategy; control liquidity and liquidity risks, interest rate risk due to mismatches between interest-sensitive assets and liabilities; manage market risks against fluctuations in exchange rates and interest rates; guide the development, approval and execution of

policies, processes, and systems for funds transfer pricing to ensure profitability for business units; manage owners' equity to ensure the sustainable growth of the Bank. ALCO has organized monthly meetings to regularly assess macro-economic environment, activities of the banking sector and those of VPBank, make suitable decisions to ensure the Bank's liquidity, interest rates and corresponding volumes for funds mobilization or utilization programs; and ensure prudential ratios in accordance with the laws.

List of members of VPBank's ALCO

<b>Nguyen Duc Vinh</b>	Chief Executive Officer	Chairman of the Council
<b>Ngo Chi Dzung</b>	Chairman of the Board of Directors	Voting member
<b>Bui Hai Quan</b>	Vice Chairman of the Board of Directors	Voting member
<b>Lo Bang Giang</b>	Vice Chairman of the Board of Directors	Voting member
<b>Nguyen Thanh Binh</b>	Deputy Chief Executive Officer	Voting member
<b>Vu Minh Truong</b>	Deputy Chief Executive Officer	Voting member
<b>Nguyen Thi Bich Thuy</b>	Deputy Chief Executive Officer	Voting member
<b>Duong Thi Thu Thuy</b>	Deputy Chief Executive Officer	Voting member
<b>Luu Thi Thao</b>	Deputy Chief Executive Officer	Voting member
<b>Kalidas Ghose</b>	Deputy Chief Executive Officer	Voting member
<b>Dao Gia Hung</b>	Acting Head of Risk Management Division	Voting member
<b>Hoang Anh Tuan</b>	Director of Legal Affairs Center	Non-voting member

#### 2.4. Executive Committee (EXCO)

The EXCO 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 organization structure, budgeting plan, business plan in line with realities and submitting them to the Board of Directors for approval; reviewing important project proposals of the Bank. The EXCO holds meetings

twice a month, with discretionary participation of members of the Board of Directors and Supervisory Board.

Members of the EXCO consist of the Chairman of the Board of Directors and possibly other members of the Board of Directors as decided by the Chairman of the Board of Directors; members of the Board of Management, Heads of Divisions, and Directors of Independent Centers. The Chief Executive Officer is the Chairman of the EXCO.

Resolutions/Decisions adopted by the above Councils/Committees

<b>COUNCIL / COMMITTEE</b>	<b>NUMBER OF RESOLUTIONS / DECISIONS ADOPTED DURING THE YEAR</b>	<b>CONTENTS</b>
<b>Risk Management Committee</b>	2 meeting minutes, with approximately 10 decisions made	This Committee has been operational for about 4 months. In its meetings, this Committee has adopted decisions directly related to risk management of the Bank, such as reviewing credit risk reports, operation risk reports, initiating some projects on risk management, considering recommendations regarding key risk management policies and regulations and submitting them to the Board of Directors for approval.

<b>COUNCIL / COMMITTEE</b>	<b>NUMBER OF RESOLUTIONS / DECISIONS ADOPTED DURING THE YEAR</b>	<b>CONTENTS</b>
<b>Human Resources Committee</b>	12 meeting minutes, with 80 decisions made	Through monthly meetings, the Human Resources Committee has made decisions related to human resource policies, large projects on human resource system development, and approved proposals on appointments and compensation policies for the managerial staff of the Bank.
<b>Executive Committee (EXCO)</b>	18 meeting minutes, with approximately 200 decisions made	From 3rd quarter of 2012, the EXCO has convened regular meetings every two weeks. In its 18 meetings' minutes, the EXCO has made decision on many issues arising in the operation of the Bank, evaluated and updated the implementation progress of short-term action plans.
<b>Credit Council</b>	Approving more than 1000 credit applications and over 700 applications for credit conditions adjustment	The Credit Council of all levels approve applications for credit whose value exceeds the authorized limit of credit approvers and credit processing centers of VPBank.
<b>Assets/Liabilities Management Council (ALCO)</b>	12 monthly meeting minutes, with approximately 50 decisions made	These are the monthly resolutions of ALCO meetings, approving issues related to interest rates, currency trading limits, liquidity ratios, etc., and other issues within ALCO's authority.
<b>Investment Council</b>	About 80 decisions have been already made	The approval has been made for the financial investment proposals and for expenses which are beyond the authority of the Bank's management and proposed by the Bank's departments.

## V. SUPERVISORY BOARD

### 1. General Introduction

The Supervisory Board of VPBank has 3 members, two of which are full-time members (FTEs), including the Head of Supervisory Board. All members of the Supervisory Board have full knowledge of accounting and finance to satisfy the required criteria and conditions set out by the laws and VPBank. On behalf of VPBank's General Meeting of Shareholders, the Supervisory Board of VPBank shall monitor the performance and activities of the Board of Directors, and concomitantly play the role of the Auditing Committee in accordance with international practices, to control the Bank's financial and

business activities; check annual financial reports and other financial activities; supervise the compliance with applicable laws and internal regulations of the Bank; supervise the internal auditing function by directly managing the Bank's Internal Audit Division. VPBank's Supervisory Board takes responsibility for reporting and making explanations to the General Meeting of Shareholders in accordance with the laws. Nevertheless, the Supervisory Board works regularly with the Board of Directors to exchange views or advise on risks or key findings in the course of its operation.

*List of members of VPBank's Supervisory Board:*

<b>Nguyen Quynh Anh</b>	Head of Supervisory Board, full-time member
<b>Trinh Thi Thanh Hang</b>	Full-time member
<b>Nguyen Thi Mai Trinh</b>	Member (Additionally elected on 24 April 2012)
<b>Le Anh Tuan</b>	Member (Released from duty on 24 April 2012)

## 2. Activities of VPBank's Supervisory Board in 2012

The year 2012 marks a strong transformation in the organization chart and human resources structure of VPBank. The restructuring of business units by customer segments, the initial deployment of credit processing centralization, etc., have unfolded many risks hidden in operational activities. To best control risks in the Bank's activities, the Supervisory Board has made adjustments of the Bank's auditing function to assess, identify and timely remedy such risks.

The Supervisory Board has advocated the ongoing improvement of the operating model of the Internal Audit Department, which has been upgraded from a Department to a Division with the following structure: Division Head, Auditing Center for Retail & SME Banking Divisions and for Consumer Finance Banking Division; Auditing Department for Wholesale Banking Division and Treasury & Investment Division; Auditing Department of Functional Units and Subsidiaries; Department of Remote Supervision; Process and Regulation Development Department and General Support Unit. All units have been divided based on clear principles; i.e. the auditing of business units is separated from the auditing of functional units, which ensures in-depth auditing expertise and satisfaction of particular needs of each unit.

In addition to strengthening the existing operating platform of the Internal Audit Division in terms of remote supervision (bank-wide daily monitoring through the core banking software), on-site audits (provision of more personnel and time for each audit, close coordination with Remote Supervision Department to timely evaluate the performance of each unit subject to audit), the Internal Audit Division, under the guidance of the Supervisory Board, has recruited many qualified personnel and initially deployed the risk-driven auditing project, thus shifting from the compliance model to proactive identification of risks at an early stage to recommend timely correction. The Supervisory Board has initially established and developed an IT Auditing Department; put into operation the Process and Regulation Department which is tasked with assessing the adequacy and effectiveness of VPBank's internal regulations for each operational area to timely suggest the enactment of regulations on risk check points and mitigation.

The Supervisory Board, with two full-time members working directly at the Bank, has closely guided the Internal Audit Division to exercise its functions and duties. Meetings between the Supervisory Board and the Internal Audit Division have been organized monthly to summarize the findings in the month, figure out action plans for the next month, and make plan adjustments where necessary.

The monitoring of correctional measures for risks identified through on-site audits has been paid attention to and strictly implemented. Meetings among the Supervisory Board, Internal Audit Division and the Board of Management have been convened monthly to discuss findings contained in the month's audit reports and in daily remote supervision reports, and track progress of remedying systematic risks and compliance issues.

The Supervisory Board has frequently discussed important findings from audit and supervision activities with the Board of Directors so the latter has adequate information and capture material risks in the Bank's operations.

Twice a month, the Supervisory Board will join a meeting with the Board of Directors and the Board of Management. The Supervisory Board convenes regular meetings quarterly and participates in all regular meetings of the Board of Directors.

## VI. REMUNERATION OF THE BOARD OF DIRECTORS, THE SUPERVISORY BOARD

Total remuneration budget for the Board of Directors and the Supervisory Board in 2012, as approved by the General Shareholders' Meeting, was equal to 1% of the consolidated profit before tax. With the business results in 2012, total remuneration budget for the Board of Directors and the Supervisory Board in 2012 was approximately VND8.5 billion.

The principle of setting remuneration for members of the Board of Directors and the Supervisory Board has been reviewed and jointly adopted by the Board of Directors for each member on a monthly basis, which includes fixed remuneration for each title and task-based remuneration as members participate in Councils or Committees under the Board of Directors and the Supervisory Board.

In 2012, total remuneration paid to members of the Board of Directors and the Supervisory Board was VND6.01 billion, including VND4.46 billion paid to the Board of Directors and VND1.55 billion to the Supervisory Board.



## VII. CORPORATE GOVERNANCE PROGRAMS IN 2012

The year 2012 is marked with profound transformation of VPBank's corporate governance. Recognizing the importance of corporate governance to the Bank's sustainable development, The Board of Directors has collaborated with the International Finance Corporation (IFC – this international organization is implementing large corporate governance projects in Vietnam) to perform an evaluation project on the implementation of corporate governance and come up with a plan for corporate governance improvement for VPBank. This evaluation was conducted by experts from the Corporate Governance Program in the East Asia and Pacific Region of IFC in the form of interviews with major shareholders, senior management, and key staff of VPBank as well as based on analysis of materials provided by VPBank and information of VPBank on the mass media and external sources of information. The objective of this project is to advise VPBank's Board of Directors on the current status of corporate governance at VPBank and develop necessary measures and specific plans for corporate governance improvement, moving towards an advanced corporate governance system in accordance with international best practices.

Through this project, members of the Board of Directors also participated in seminars, training programs and presentations on corporate governance by leading international experts, which were exclusively organized for members of the Board of Directors, the Supervisory Board, and the Board of Management of VPBank in June and December of 2012. In addition, with the support of Corporate Secretary, members of the Board of Directors were fully updated of new regulations on corporate governance such as Circular 121/2012/TT-BTC on corporate governance applicable for public companies, Circular 52/2012/TT-BTC on information disclosure on the stock market, materials of a workshop titled "Corporate Governance Forum" held on 1 November in Hanoi, which was organized by the Hanoi Stock Exchange in collaboration with IFC, as well as materials of seminars introducing relevant regulations conducted by the State Securities Commission.

## VIII. PREVENTION OF CONFLICTS OF INTEREST

The disclosure of related interests of members of the Board of Directors, members of the Supervisory Board, and members of the Board of Management (CEO and Deputy CEOs) and the declaration of related persons shall be made at the beginning of each year and during the year upon changes happening relative to disclosed information. The Corporate Secretary

under the Board of Directors' Office shall gather information from members and send them the synthesized report as the basis for defining related persons of the Bank and following procedures in case the Bank have transactions with these persons.

Regulations of the Bank stipulate that permitted transactions between the Bank, on one hand, and members of the Board of Directors, members of the Supervisory Board, members of the Board of Management, related persons of these members, on the other hand, shall be subject to endorsement by the Board of Directors or Councils/Committees under the Board of Directors based on the majority rule, with related members not having voting right. All such transactions shall be reflected in signed contracts or clear documentation as stipulated by the Bank on the principle of equality and voluntarism.

During the year, under the provisions of the Law on Credit Institutions, the Bank did not grant credit to any member of the Board of Directors, the Supervisory Board, or the Board of Management.

Although the Bank has already had several regulations on transactions with related persons, such regulations are not yet comprehensive. Accordingly, an important plan is to develop internal regulations and policies on transactions with related persons in order to enhance the clarity and transparency, with additional provisions on insider transactions.

## IX. REPORTS AND INFORMATION DISCLOSURE

### • Reports

**VPBank has a reporting regime which is in compliance with the law on accounting and statistics, and submit regular operation reports as required by the State Bank of Vietnam (SBV). The reports already prepared by the Bank include:**

- Financial reports on monthly, quarterly, semi-annual, and annual basis to the SBV.
- Within 120 days from the end of the fiscal year, VPBank shall prepare and submit the audited consolidated financial reports to the SBV as stipulated by accounting laws.
- Within 90 days from the end of the fiscal year, VPBank shall prepare and submit consolidated report on selling, buying, and other transactions between VPBank and its subsidiaries or affiliate companies.

VPBank's subsidiaries and affiliated companies shall also submit their financial reports or operation reports to the SBV if required.

In addition to the above reports, VPBank shall timely submit reports in writing to the SBV in the following circumstances:

- Changes in organization, governance, or financial situation of major shareholders within the year.
- Reports required by the SBV for monitoring and evaluation purposes (regular or ad-hoc upon request).

The Bank is undertaking information technology investment projects to strengthen reporting capacity and quality, which enhances the reporting to the SBV, regulatory agencies, as well as internal reporting in support of its governance.

#### • **Information disclosure**

VPBank follows the information disclosure regime applicable for credit institutions as stipulated by the SBV and the information disclosure regime applicable for large-scale public companies as stipulated in Circular No. 52/2012/TT-BTC dated 5 April 2012, which provides guidance on information disclosure on the stock market.

The Bank-related information, which is made available on its website, to the State Securities Commission, or on other mass media as required, includes:

##### - *Financial reports*

- + Annual financial reports, consisting of consolidated and bank-only financial statements, which are audited by an authorized auditing firm and made available within 90 days from the end of the fiscal year.
- + Semi-annual financial reports, consisting of consolidated and bank-only financial statements, which are reviewed and checked by an authorized auditing firm and made available within 60 days from the end of the first 6 months of the fiscal year.
- + Quarterly financial reports, consisting of consolidated and bank-only financial statements, made available within 45 days from the end of the quarter.

- *Annual report* is released in both soft copy and hard copy for the Bank's own purposes.

- *Corporate governance report* was made available every six months within 30 days from the end of the reporting period.

- *Other information* of the Bank is made available regularly or on an ad-hoc basis upon request.

- Information related to major shareholders is also released in accordance with the laws.

In addition to information required to be made available by laws, the Bank also proactively makes available information on its strategies, new products, promotion programs, and major events which have impact on the Bank's operation and social welfare, on the mass media and its own website.

Information disclosure is undertaken in accordance with the Bank's internal regulation on public speaking and information disclosure, with the focal point being the Communication and Brand Management Center and the Board of Directors' Office, after the disclosure of such information has been endorsed by relevant bodies of the Bank.

## **X. SHARE TRANSACTIONS OF INTERNAL SHAREHOLDERS**

As stipulated by laws, shareholders who are members of the Board of Directors, the Supervisory Board, or CEO are not allowed to transfer share during their respective term of office. As such, there has been no share transfer transaction of internal shareholders who are members of the Board of Directors, the Supervisory Board, or CEO in 2012.

Deputy Chief Executive Officers are regarded senior managers of VPBank in accordance with provisions of the Bank's Charter. The Corporate Secretary includes staff members of the Board of Directors' Office.



## Share transactions of internal shareholders and related persons in 2012

TRANSACTOR	INTERNAL SHAREHOLDER/ RELATIONSHIP WITH INTERNAL SHAREHOLDER	NUMBER OF SHARES OWNED AT THE BEGINNING OF 2012		NUMBER OF SHARES OWNED AT THE END OF 2012		REASON FOR INCREASE/ DECREASE
		Number of shares	Percentage (1)	Number of shares	Percentage (2)	
Nguyen Thanh Binh	Deputy CEO	538,973	0.11%	215,915	0.04%	Share dividends, bonus shares, and share transferring
Ngo Thi Khanh Hoa	Sister of Mr. Ngo Chi Dzung	25,220,570	4.99%	-	0.00%	Share transferring
Ngo Thanh Hang	Sister of Mr. Ngo Chi Dzung	393,242	0.08%	-	0.00%	Share transferring
Hoang Anh Minh	Spouse of Mr. Ngo Chi Dzung	17,522,832	3.47%	5,768,857	0.99%	Share dividends, bonus shares, and share transferring
Kim Ngoc Cam Ly	Spouse of Mr. Bui Hai Quan	1,180,175	0.23%	1,389,080	0.24%	Share dividends, bonus shares, and receipt of transferred shares
Lo Hai Yen Ngoc	Sister of Mr. Lo Bang Giang	-	0.00%	5,769,680	0.99%	Receipt of transferred shares
Nguyen Thi Ngoc Anh	Spouse of Mr. Nguyen Thanh Binh	89,993	0.02%	232,951	0.04%	Share dividends, bonus shares, and receipt of transferred shares
Nguyen Thi Thanh Nhan	Sister of Mr. Nguyen Thanh Binh	-	0.00%	399,900	0.07%	Receipt of shares transferred from Mr. Nguyen Thanh Binh and of share dividends and bonus shares
Chau Tho Investment Joint-stock Company	Major shareholder	75,725,524	15.00%	-	0.00%	Transferring shares to individuals

(1) The percentage is calculated by the amount of owned shares out of total shares of the Bank at the beginning of the reporting period (1 January 2012), which stood at 505,000,000 shares.

(2) The percentage is calculated by the amount of owned shares out of total shares of the Bank at the end of the reporting period (31 December 2012), which stood at 577,000,000 shares.

The transfer of shares by the major shareholder has been approved by the SBV in accordance with prevailing laws.

## XI. CONTRACTS OR TRANSACTIONS WITH INTERNAL SHAREHOLDERS

In the first month of each year, the Board of Directors' Office requires members of the Board of Directors, the Supervisory Board, CEO and Deputy CEOs (the senior management as prescribed in the Bank's Charter) to make a written declaration of related persons and a declaration of related interests as stipulated in the Law on Credit

Institutions, which will be made available to the entire Bank as the basis of defining transactions between the Bank and related persons.

According to the Law on Credit Institutions, the Bank is not allowed to grant credit to members of the Board of Directors, the Supervisory Board, CEO, Deputy CEOs and equivalent titles as well as parents, spouses and siblings of these members.

### Transactions between VPBank and its related persons in 2012

FULL NAME	IDENTITY CARD NUMBER	RELATIONSHIP WITH VPBANK	CREDIT TRANSACTION WITH VPBANK/LOAN ACCOUNT DETAILS
Lo Hai Yen Ngoc	012581049	Sister of Mr. Lo Bang Giang – Vice Chairman of the Board of Directors	LD1210400233

## XII. EVALUATION OF THE IMPLEMENTATION OF CORPORATE GOVERNANCE REGULATIONS AND PLANS FOR STRENGTHENING CORPORATE GOVERNANCE CAPACITY OF VPBANK'S BOARD OF DIRECTORS

Based on the above reporting results, the corporate governance system within VPBank has been developed relatively well and strictly followed in accordance with the laws. All internal policies and regulations on corporate governance have been adopted in full compliance with requirements of the State's regulatory agencies. With a desire to become one of top five commercial banks in Vietnam, however, VPBank's Board of Directors is fully aware of the important role of corporate governance in ensuring sustainable growth and tackling challenges faced by the Bank in the course of development. Major shareholders of the Bank and members of the Board of Directors all show their willingness to improve corporate governance in line with international best practices.

### In 2013, VPBank plans to enhance its corporate governance by:

- Revising the Bank's Charter and several existing policies which reflect the Bank's needs of improving corporate governance in line with best practices; listing the full rights of shareholders, including the right to be fairly treated among the Bank's shareholders; adding provisions on additional election of members of the Board of Directors or the Supervisory Board in case of premature resignation; issuing additional regulations on managers, reporting regime, the disclosure and provision of information and annual report.

VPBank's Charter will also be translated into English for ease of reference by shareholders, investors and foreign partners.

- Developing, adopting, and communicating the Corporate Governance Regulation and Code of Conduct and Ethics across the Bank.

- Regarding General Shareholders' Meeting: the Bank will consider some adjustments to enhance the quality of the General Shareholders' Meetings and encourage shareholders to proactively provide feedback to the Bank, such as the delivery of materials to shareholders 15 days prior to the opening of the General Shareholders' Meeting; adoption of alternative voting methods in case of shareholder's absence, e.g., the adoption of advanced information technology to allow remote voting or online voting by shareholders; minutes and materials of the General Shareholders' Meeting are prepared in both English and Vietnamese, etc.

- Regarding the Board of Directors: The Board will better exercise its functions such as overseeing the management; supervising internal control environment including auditing and risk management; strengthening the roles and functions of Risk Management Committee; developing performance evaluation mechanism for the Board of Directors and its councils and committees; developing and proposing remuneration policies for members of the Board of Directors to the General Shareholders' Meeting for review, ensuring that such policies will be linked to the Bank's annual performance in a clear and fair manner and in line with long-term benefits of the Bank and its shareholders; seeking and appointing more members for the Board of Directors.

- Regarding supporting unit of the Board of Directors and the Corporate Secretary: personnel with strong expertise in corporate law and corporate governance regulations will be added; the functions of Corporate Secretary and those of assistants to members of the Board of Directors or its councils

or committees will be separated to enhance the supporting role of this group of personnel for corporate governance activities as well as for investor relations.

- Regarding information transparency: The Bank is taking steps to provide adequate information to all stakeholders of interest, improving the quality and functions of its website;

providing disclosed information in English; revising internal regulations on information disclosure to strengthen roles and responsibilities of the department in charge of information disclosure; proactively providing more information on the Bank's overall strategies as well as information regarding members of the Board of Directors and its Committees.

### XIII. SHAREHOLDER STRUCTURE & OWNERS' INVESTMENT CAPITAL CHANGES

#### 1. Shares

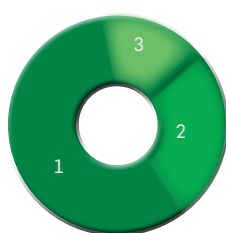
The total number of shares of the Bank as at 31 December 2012 is 577,000,000 shares (in words: Five hundred seventy seven million shares). All of these shares are common and

outstanding shares. The shareholders' book for all of these shares is kept by VPBank Securities Company as per the shareholder book management authorization contract since 2008.

#### VPBank's share structure as of 31 December 2012

TYPE OF SHARE	NUMBER OF SHARE	PERCENTAGE
Number of freely transferred shares	357,283,085	61.92%
Number of transfer-restricted shares as per applicable laws	86,696,034	15.03%
Number of transfer-restricted shares per commitment of owners	133,020,881	23.05%
<b>Total</b>	<b>577,000,000</b>	<b>100%</b>

#### SHARE STRUCTURE %



1. Freely transferred shares **62**
2. Transfer-restricted shares per commitment of owners **23**
3. Transfer-restricted shares as per applicable laws **15**

Note:

Number of transfer-restricted shares per applicable law:

According to clause 1, Article 56 of the Law on Credit Institutions No. 47/2010/QH11: "shareholders being individuals, organizations whose representatives are members of the Board of Directors, members of the Supervisory Board, CEO (Director) of credit institutions shall not be allowed to transfer their shares during their respective term of office."

As at 31 December 2012, the shares owned by members of the Board of Directors, the Supervisory Board and CEO of VPBank were as follows:

FULL NAME	POSITIONS CURRENTLY HELD AT VPBANK	NUMBER OF SHARES	PERCENTAGE OF COMMON SHARES OWNED
<b>Ngo Chi Dzung</b>	Chairman of the Board of Directors	25,872,404	4.48%
<b>Bui Hai Quan</b>	Vice Chairman of the Board of Directors	8,936,112	1.55%
<b>Lo Bang Giang</b>	Vice Chairman of the Board of Directors	817,490	0.14%
<b>Phung Khac Ke</b>	Independent member of the Board of Directors	-	none



FULL NAME	POSITIONS CURRENTLY HELD AT VPBANK	NUMBER OF SHARES	PERCENTAGE OF COMMON SHARES OWNED
<b>Nguyen Quynh Anh</b>	Head of the Supervisory Board	22,720,834	3.94%
<b>Nguyen Thi Mai Trinh</b>	Member of the Supervisory Board	28,349,194	4.91%
<b>Trinh Thi Thanh Hang</b>	Member of the Supervisory Board	-	none
<b>Nguyen Duc Vinh</b>	CEO	-	none
<b>Total</b>		<b>86,696,034</b>	

The management and blockade of transfer-restricted shares are performed at VPBank Securities Company upon request of shareholders and stakeholders.

## 2. Shareholder structure

Shareholder structure of VPBank as at 31 December 2012

TYPE OF SHAREHOLDERS	NUMBER OF SHAREHOLDERS	NUMBER OF SHARES	PERCENTAGE
<b>Individual shareholders</b>	<b>3,732</b>	<b>431,054,569</b>	<b>74.71%</b>
<i>VPBank staff</i>	441	62,532,357	10.84%
<i>Domestic individuals</i>	3,291	368,522,212	63.87%
<i>Foreign individuals</i>	0	-	0.00%
<b>Legal entities</b>	<b>37</b>	<b>145,945,431</b>	<b>25.29%</b>
<i>Domestic legal entities</i>	36	60,114,974	10.42%
<i>Foreign legal entities</i>	1	85,830,457	14.88%
<b>Total</b>	<b>3,769</b>	<b>577,000,000</b>	<b>100.00%</b>

## 3. Owners' investment capital changes

In 2012, VPBank distributed dividends in the form of shares and issued bonus shares from the reserve fund for charter capital supplementation to increase its charter capital from VND5,050 billion up to VND5,770 billion.

The Annual Shareholders' Meeting of VPBank had adopted a resolution on raising the charter capital by VND720 billion by distributing dividends in the form of shares from 2011 retained earnings of VND680 billion and distributing bonus shares from the reserve fund for charter capital supplementation worth VND40 billion.

This increase of charter capital has been approved by the State Bank of Vietnam per correspondence No. 7205/NHNN-TTGSNH dated 2 November 2012 on the charter capital increase of Vietnam Prosperity Joint-Stock Commercial Bank and the Bank has completed the submission of reports to the State Securities Commission before undertaking this activity.

The increased charter capital was distributed proportionately to all shareholders named in the shareholder list at the time of closing such list, in the principle of taking the integer part only and transferring the decimal part to the fund for talent acquisition managed by VPBank's Trade Union. The total number of shares from decimal parts was 1,858 shares.

The completion date for charter capital increase was 25 December 2012 on which Hanoi Department of Planning and Investment approved the updating of VPBank's new charter capital in its business registration certificate.

## 4. Transaction of treasury stocks

VPBank had no transaction of treasury stocks during the report year.

## 5. Other securities

Except the issuance of shares indicated at point 3 above, VPBank did not have any other issuance of shares in the year.

## Corporate Social Responsibility



Along with developing its business and improving the quality of products and services, VPBank has always focused on fulfilling its commitment to corporate social responsibility and pursuit of sustainable development values. By practical actions in many areas such as social security, charity, voluntary work, protection of environment and natural resources, etc., VPBank wishes to contribute to the development of a better community for a society of equality, civilization and prosperity.

In 2012, VPBank continued to carry out activities which have been maintained for many years: taking care of war invalids, families under preferential policies, revolution contributing families. In its effort to support the poor and the disadvantaged, VPBank has always joined a charity program named "Circle of Unity" organized by Vietnam Fatherland Front. The Bank has also actively supported many Funds for the poor such as those of Thai Binh and Thua Thien Hue, Hanoi Association for Supporting the Handicapped and Orphans, etc. In addition, by responding to events such as "Run for Children 2012", "The Sympathetic Hearts" Program, etc., VPBank has partly financed heart surgeries for children with innate heart disease, construction of house of compassion and presented savings books and gifts to children with fatal diseases, victims of Agent Orange, children with disabilities across the country. Also in 2012, the Charity Fund named "Pink Lotus" established by VPBank has bridged the staff's compassionate hearts to promptly assist disadvantaged people within and outside the Bank.

Having taken interest in the "national resources" and attached much importance to "developing people and nur-

ture talents", VPBank has established the Prosperity Scholarship Fund for talented students of Banking Academy, National Economics University, and Foreign Trade University, etc. The Bank has also granted scholarships to scholarship funds and sponsored local schools' construction for many times. Especially, VPBank in coordination with Saigon Economic Times and National Fund for Vietnamese Children held a program named "For Children's Dreams" for disadvantaged children in Ho Chi Minh City and the Drawing Day for children at Le Van Tam Park in Ho Chi Minh City.

Recognizing the significance of the environment, VPBank has responded proactively to environmental protection activities. In particular, VPBank has been the main sponsor of the global campaign on climate change "350.org" in Vietnam. The Bank has also launched practical internal activities to reduce pollution such as encouraging bicycle commuting, saying "No" to drinking straws, planting trees, saving electricity, saving paper and minimizing printing, etc.

Apart from charity and voluntary work for the community and society, VPBank has always paid attention to movements and programs for developing and defending the Fatherland, demonstrated its citizen's responsibility and Vietnamese people's traditional patriotism. In 2012, VPBank has sponsored the construction of Vietnam's largest ceramic national flag and four sculptural reliefs on Truong Sa Lon (Large Spratly) Island. Inaugurated in June 2012, these works have become the pride of VPBank in general and that of its employees in particular in contributing to the affirmation and protection of Vietnam's sovereignty over its sea and islands.





**OUTLINE OF  
BUSINESS PLAN  
FOR 2013**





According to the Resolution of Vietnam National Assembly dated 8 November 2012, the key economic targets of Vietnam in 2013 include a GDP growth rate of around 5.5%; total export volume growth rate of 10%, trade deficit of about 8%, consumer price index (CPI) growth rate of less than 8%; budget deficit of less than 4.8%; total investment capital equivalent to 30% of GDP. Therefore, the economic growth target for 2013 has been set higher than 2012 along with a reasonably controlled inflation rate, which demonstrates the Government's direction in addressing economic difficulties.

Based on the objectives set by Vietnam National Assembly and the Government, the State Bank of Vietnam has planned

to conduct its monetary policy prudently and effectively, using monetary policy tools flexibly, keeping monetary policy closely connected to fiscal policy to control inflation, strengthening macroeconomic stability and ensuring reasonable economic growth. The expected credit growth rate for 2013 is approximately 12%. The SBV has also demonstrated its determination in handling bad debts through specific tasks such as implementing bad debt resolution scheme approved by the Government, establishing and putting into operation the asset management company (VAMC), approving the support package worth approximately VND100,000 billion - VND150,000 billion mainly for addressing real estate bad debts.

The year 2013 is also expected to witness a robust restructuring of the economy, the focus of which would be state-owned enterprises and the banking system. Accordingly, Vietnam's banking system has been divided into 3 groups: Group 1 including banks with strong financial position and large scale will be further developed into pillar banks; Group 2 including banks with healthy financial position but small scale will be assured of a controllable scale and sound operations in

**VND120,000 billion**  
total assets target of VPBank in 2013

certain segments by the SBV, and Group 3 including banks with financial difficulties will be restructured by the SBV by changing the shareholding structures or merging with other institutions.

In spite of the uncertainties of the economy and the banking system, VPBank is persistent with its long-term strategy by focusing on the following two key objectives in 2013:

- To focus on building and strengthening foundation systems (with priorities being risk management, human resources development and advanced technology systems) to ensure rapid but stable and sustainable growth for the next years.
- To develop a dynamic and flexible business development structure in order to expand the customer base and make a breakthrough in market share of key selected customer segments: retail customers, SMEs and corporate customers.

### 1. Development of customers, products and markets

In 2013, VPBank will continue to enhance the performance and quality of sales staff, improve the business model, strongly expand the customer base, distribution channels, promote cross-selling of services, tailor customer and product policies for each customer segment, and focus on specific subsegments.

To expand customer base rapidly. To make a breakthrough in market shares of key segments: retail customers, SMEs, and corporate customers.

- To customize customer and product policies for each customer segment.
- To focus on deposits from the primary market.
- To target a controlled credit growth.
- To strengthen non-performing loan control and recovery.
- To focus on branch layout enhancement and relocation in order to improve the efficiency of the distribution network.

### 2. Strengthening foundation and internal management systems

The overall objective is to further enhance the organization structure and business model to optimize resources, ensure the seamless coordination among different processes and units, improve productivity and efficiency, minimize risks and best satisfy customers' needs.

- To improve the organisation structure: to strengthen functions, duties, structure, and personnel for each division in order to enhance its management and business supporting roles.

- To improve the efficiency of the distribution network through restructuring and relocation.

- To put in place risk management system and risk control system synchronously, with the focus being on credit and operational risk control system. To upgrade the system for monitoring and managing liquidity, market and operational risks across the Bank.

- To finalize the information technology master plan and implement IT initiatives and projects.

- To enhance business models through strengthening sales and marketing activities and improving customer services across the system.

- To improve management information system, strengthen accounting control, and implement fundamental projects such as IFRS, ERP, MIS automation, etc.

- To develop a competitive remuneration policy to help attract and maintain highly qualified human resources. To build up corporate culture with VPBank's identity.

- To centralize a number of supporting functions. To focus on strengthening and improving key operating processes of the Bank.

- To further strengthen communication and public relation activities to enhance VPBank's new brand name, image, as well as brand identity.

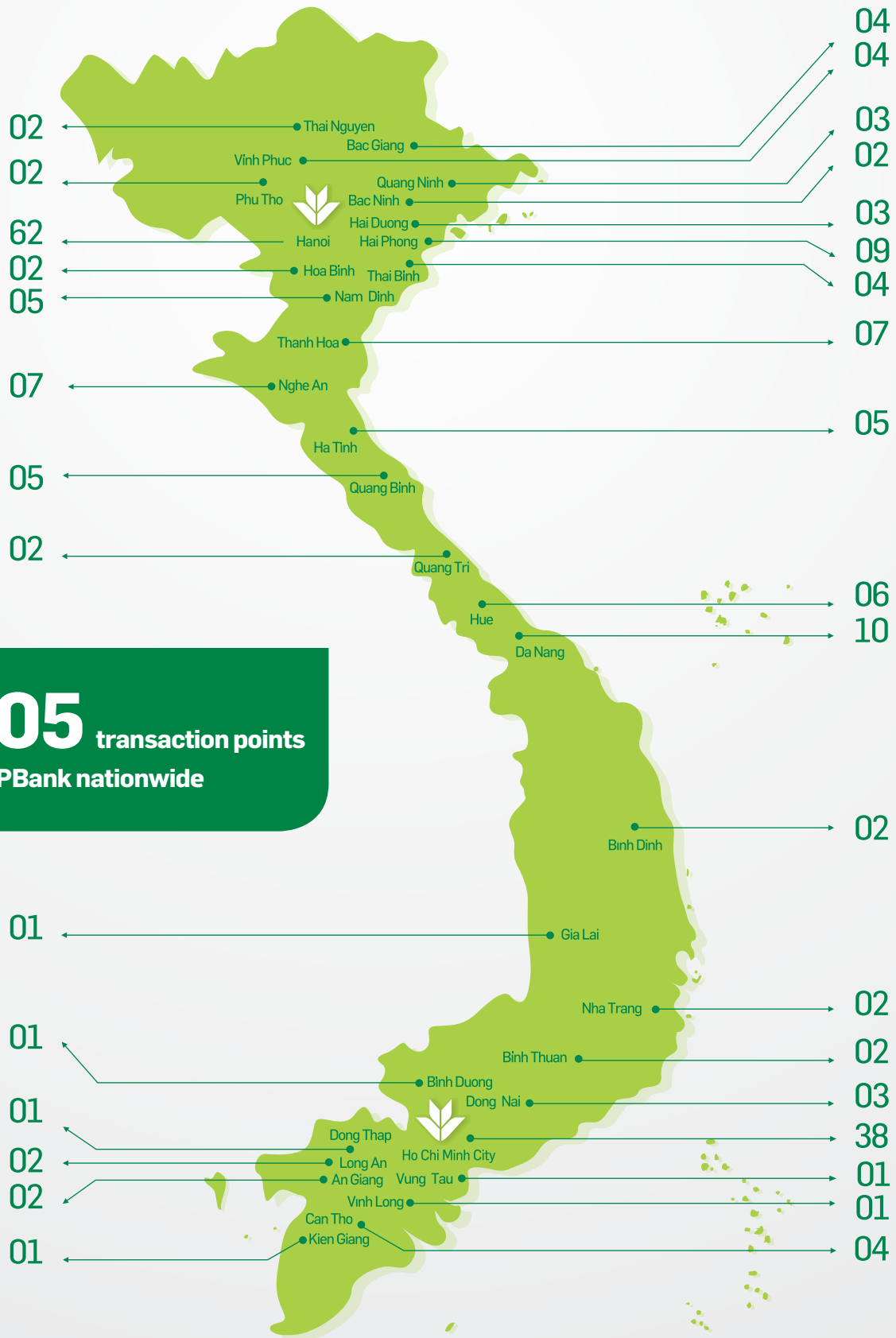
### VPBank's key financial targets for 2013

Unit: VND billion

No.	Metrics	Target for 2013
1	Total assets	120,000
2	Deposits from customers	81,230
3	Loans to customers	47,974
4	NPL ratio	< 3%
5	Consolidated profits before tax	1,110
6	ROE	12%



# VPBank's Network



**205** transaction points  
of VPBank nationwide



[www.vpb.com.vn](http://www.vpb.com.vn)

**Vietnam Prosperity Joint Stock Commercial Bank**

Head Office: 72 Tran Hung Dao, Hoan Kiem District, Hanoi  
Telephone: 043.9288869 / Fax: 043.9288867  
Customer Service: 043.9288880 / 1900545415