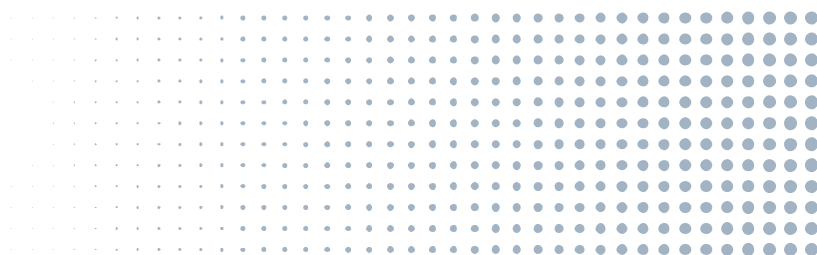


2019

CAPITAL ADEQUACY RATIO DISCLOSURES

30 SEPTEMBER 2019



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SEP



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Introduction

Regulatory Framework

The State Bank of Vietnam (SBV) requests all banks to adopt Basel standards on minimum capital requirements - Standardized Approach (Pillar 1 of Basel II) and Risk Governance (Pillar 2 of Basel II) starting from 1 January 2020.

Regulatory framework for Basel II implementation in Vietnam consists of:

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

Scope of Disclosures

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

Capital Adequacy Ratio (CAR) Disclosures at 30 September 2019 comprise information on (1) Available capital and (2) Risk Weighted Assets of three main risk types and their movements. Qualitative information can be referred to [Capital adequacy ratio disclosures at 30 June 2019](#)

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

(*) Average credit risk weight is equal to Credit RWA (Separate: VND 256,529bln and Consolidated: 309,519bln) divided by Total Outstanding Balance (Separate VND 312,161bln and Consolidated VND 379,442bln). The Total Outstanding Balance includes (1) Credit exposures: customers and other FIs and (2) non-credit exposures: Vietnamese Government, fixed assets, cash and other assets. If excluding the non-credit exposures, average credit risk weight on separate and consolidated basis is 92.5% and 90.0% respectively.

Highlights

Capital Adequacy Ratio



Tier 1 Ratio



Average Credit Risk Weight (*)



Available capital

Unit: VND billion



Tier 1 Capital (after deduction) (**)



Total RWA



■ 30 Sep 2019 ■ 30 Jun 2019

(**) Investment in and purchase of share of other credit institutions will be deducted from Total Capital other than Tier 1 Capital when calculating Available capital. Hence, for separate basis, Tier 1 Capital is higher than Total Available Capital.

Scope of CAR Calculation

Separate and consolidated basis

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

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

Since VPBank has two subsidiaries, including VPBank Asset Management Company and VPBank Finance Company with holding ratio of 100% and has no insurance subsidiary, the regulatory consolidated balance sheet for CAR calculation is

the same with accounting consolidated one.

Mapping of Accounting Asset Categories with Regulatory Risk Categories

Regulatory risk exposure classes are based on different criteria from accounting asset types and are therefore not comparable on line by line basis.

Each balance sheet item on the Balance Sheet asset side is subjected to a regulatory asset category which shall be mapped into RWA calculation framework for three different types of risk i.e. credit risk, counterparty credit risk and market risk.

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

Unit: VND billion
Carrying Value

Table 1: Mapping of Financial Statement Categories with Regulatory Risk Categories - Separate

		As reported in published financial statements	Under scope of regulatory consolidation	Subject to the credit risk framework	Subject to the counterparty credit risk framework (*)	Subject to the market risk framework	Subject to deduction from capital or not subject to Regulatory Capital Requirements
ASSETS							
Cash, gold and gemstones	a	2,426	2,426	2,426	-	-	-
Balances with the SBV	b	1,200	1,200	1,200	-	-	-
Balances with and loans to other credit institutions	c-1, c-2	13,449	13,449	13,449	-	-	-
Securities held for trading	d	2,864	2,864	-	-	2,864	-
Derivatives and other financial assets(**)	e	(1)	(1)	-	(1)	94(***)	-
Loans and advances to customers	f	189,534	189,534	189,534	-	-	-
Debt purchased	g	4,427	4,427	4,427	-	-	-
Investment securities	h-1, h-2	63,220	63,220	63,220	-	-	-
Long-term investments	i	7,853	7,853	264	-	-	7,589
Other assets (including Fix Assets, Investment Properties, Other Assets)	j, l	17,358	17,358	17,358	-	-	-
Total		302,330	302,330	291,878	(1)	2,958	7,589

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

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

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

Unit: VND billion

Carrying Value

Table 2: Mapping of Financial Statement Categories with Regulatory Risk Categories - Consolidated

		As reported in published financial statements	Under scope of regulatory consolidation	Subject to the credit risk framework	Subject to the counterparty credit risk framework (*)	Subject to the market risk framework	Subject to deduction from capital or not subject to Regulatory Capital Requirements
ASSETS							
Cash, gold and gemstones	<i>a</i>	2,426	2,426	2,426	-	-	-
Balances with the SBV	<i>b</i>	1,611	1,611	1,611	-	-	-
Balances with and loans to other credit institutions	<i>c-1, c-2</i>	16,301	16,301	16,301	-	-	-
Securities held for trading	<i>d</i>	2,864	2,864	-	-	2864	-
Derivatives and other financial assets (**)	<i>e</i>	(12)	(12)	-	(12)	94 (***)	-
Loans and advances to customers	<i>f</i>	254,187	254,187	254,187	-	-	-
Debt purchased	<i>g</i>	-	-	-	-	-	-
Investment securities	<i>h-1, h-2</i>	63,571	63,571	63,571	-	-	-
Long-term investments	<i>i</i>	186	186	186	-	-	-
Other assets (including Fix Assets, Investment Properties, Other Assets)	<i>j, l</i>	22,092	22,092	22,092	-	-	-
Total		363,226	363,226	360,374	(12)	2,958	-

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

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

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

Capital Adequacy Ratio (CAR)

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

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

operational goals and shareholders' and investors' expectations.

At 30 September 2019, both CAR ratios on separate and consolidated basis are much higher than the regulatory minimum requirement 8% and targeting minimum level 9%. CAR increased by 0.13% to 11.37% on consolidated basis while remained relatively unchanged on separate basis compared with last quarter. The movement is mainly driven by the increase of VND 2,283 billion in consolidated Tier 1 capital; to be more specific, growth of undistributed profit.

Detailed movement of available capital and credit RWA are demonstrated in part *Regulatory Capital Base* (pages 5 - 7) and *Credit Risk* (pages 8 - 13).

Unit: VND billion

Table 3: Capital Adequacy Ratio & RWA

		30 Sep 2019		30 Jun 2019	
		Separate	Consolidated	Separate	Consolidated
A	Total Risk Weighted Assets	288,712	375,380	279,617	362,271
	Credit risk weighted assets	256,529	309,519	248,134	297,940
	Counterparty risk weighted assets	1,046	989	526	552
	Operational risk weighted assets	28,045	61,780	27,372	60,194
	Market risk weighted assets	3,092	3,092	3,585	3,585
B	Total Capital Requirement	23,097	30,030	22,369	28,982
	Capital requirement for Credit risk	20,522	24,762	19,851	23,835
	Capital requirement for Counterparty risk	84	79	42	44
	Capital requirement for Operational risk	2,244	4,942	2,190	4,816
	Capital requirement for Market risk	247	247	287	287
C	Available Capital	29,127	42,682	28,284	40,730
	Tier 1 capital (after deduction)	34,820	40,429	33,632	38,146
	Tier 2 capital (after deduction)	1,896	2,253	2,241	2,584
	Deductions from capital	7,589	-	7,589	-
D	Capital Adequacy Ratios				
	Tier 1 ratio	12.06%	10.77%	12.03%	10.53%
	Capital Adequacy Ratio (CAR)	10.09%	11.37%	10.12%	11.24%

Regulatory Capital Base

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

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

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

Available capital movement

Compared with 30 June 2019, total available capital increased by VND 843 billion and VND 1,952 billion on separate and consolidated basis respectively. This is primary due to tier 1 capital growth during the period, partly offset by the decrease of Tier 2 capital.

In the 3rd quarter of 2019, **Tier 1 capital** on separate and consolidated basis went up by VND 1,188 billion and VND 2,283 billion as a result of capital generation through undistributed profits. While, **Tier 2 Capital** decreased by VND 345 billion (separate) and VND 331 billion (consolidated) because VPBank repurchased 1,000 subordinated bonds with an aim to optimize the regulatory capital and CAR.

Unit: VND billion

Table 4: Separate Available Capital Composition

	Ref	30 Sep 2019	30 Jun 2019
SEPARATE TIER 1 CAPITAL (A) = A1 – A2		34,820	33,632
Separate Tier 1 capital components (A1) = $\sum 1\div 7$		37,387	36,199
1 Charter capital (financed and contributed capital)	<i>m</i>	25,300	25,300
2 Reserves supplementing charter capital	<i>s-1</i>	203	203
3 Reserves for operations development	<i>s-3</i>	1,223	1,223
4 Financial reserve	<i>s-2</i>	1,497	1,497
5 Capital for investment in fundamental construction and fixed asset purchase		-	-
6 Undistributed profits	<i>t</i>	7,875	6,687
7 Share premium	<i>o</i>	1,289	1,289
Deductions from Separate Tier 1 capital (A2) = $\sum 8\div 10$		2,567	2,567
8 Goodwill		75	75
9 Accumulated loss		-	-
10 Treasury stock	<i>p</i>	2,492	2,492
SEPARATE TIER 2 CAPITAL (B) = B1 - B2 -19		1,896	2,241
Separate Tier 2 capital components (B1) = $\sum 11\div 16$		1,896	2,241
11 Other reserves allocated from after-tax income as regulated by laws (not including commendation fund, welfare fund and fund for steering committee rewards)		-	-
12 50% of the increase due to re-valuation of fixed assets as regulated by laws		-	-
13 45% of the increase due to re-valuation of long-term investment as regulated by laws		-	-
14 80% of general provisions under the State Bank's regulations on classification of owned assets, levels and methods for making provision for credit losses and use of such provision applied for credit institutions and foreign branch banks (FBBs)		1,145	1,090

Unit: VND billion

Table 4: Separate Available Capital Composition (Continued)

	Ref	30 Sep 2019	30 Jun 2019
15		-	-
16		751	1,151
Deductions from Stand-alone Tier 2 capital (B2) = (17) + (18)		-	-
17		-	-
18		-	-
19		-	-
Supplementing deductions		-	-
20		-	-
Subject to deduction from Capital		7,589	7,589
21		-	-
22		7,552	7,552
23		37	37
24		-	-
25		-	-
Equity (C) = (A) + (B) - (21) - (22) - (23) - (24) - (25)		29,127	28,284

Unit: VND billion

Table 5: Consolidated Available Capital Composition

	Ref	30 Sep 2019	30 Jun 2019
CONSOLIDATED TIER 1 CAPITAL (A) = A1 – A2		40,429	38,146
Consolidated Tier 1 capital components (A1) = $\sum 1-8$		42,996	40,713
1	Charter capital (financed and contributed capital)	<i>m</i>	25,300
2	Reserves supplementing charter capital	<i>s-1</i>	704
3	Reserves for operations development	<i>s-3</i>	2,652
4	Financial reserve fund	<i>s-2</i>	2,465
5	Capital investment for basic construction, purchase of fixed assets		-
6	Undistributed profits	<i>t</i>	10,586
7	Share premium	<i>o</i>	1,289
8	Difference due to foreign exchange arising from consolidation of financial statements		-

Unit: VND billion

Table 5: Consolidated Available Capital Composition (Continued)

	Ref	30 Sep 2019	30 Jun 2019
Deductions from Stand-alone Tier 1 capital (A2) = $\sum 9\div 11$		2,567	2,567
9		75	75
10		-	-
11	p	2,492	2,492
CONSOLIDATED TIER 2 CAPITAL (B) = B1 - B2 -19		2,253	2,584
Consolidated Tier 2 capital components (B1) = $\sum 12\div 18$		2,253	2,584
12		-	-
13		-	-
14		-	-
15		1,502	1,433
16		-	-
17		751	1,151
18		-	-
Deductions from Consolidated Tier 2 capital (B2) = (19) + (20) + (21)		-	-
19		-	-
20		-	-
21		-	-
Supplementing deductions		-	-
22		-	-
Subject to deduction from Available Capital		-	-
23		-	-
24		-	-
25		-	-
26		-	-
27		-	-
Consolidated Available Capital (C) = (A) + (B) - (23) - (24) - (25) - (26) - (27)		42,682	40,730

Credit Risk

Credit risk is the risk of financial loss if a customer or counterparty fails to meet an obligation under a contract. It arises principally from direct lending, trade finance and leasing business, from other products, such as guarantees and credit derivatives and from holding assets in the form of debt securities. According to Circular 41, credit risk weighted assets are calculated under standardized approach. Credit risk represents the largest

regulatory capital requirement, accounting for 88.8% (on separate basis) and 82.5% (on consolidated basis) of total risk weighted assets of the Bank.

At 30 September 2019, the increases of 3.4% and 3.9% in RWA on separate and consolidated basis respectively are largely driven by lending growth. In comparison with 30 June 2019, average credit RW increased slightly mainly driven by the growth of corporate exposures.

Unit: VND billion

Table 6: Credit RWA and Capital Requirement - Separate

	30 Sep 2019		30 Jun 2019	
	RWA	Capital required	RWA	Capital required
Sovereign	229	18	300	24
Financial Institutions	23,773	1,902	23,590	1,887
Corporate	146,551	11,724	136,563	10,925
Secured by real-estate	17,053	1,364	21,920	1,754
Residential mortgage	4,138	331	1,557	125
Regulatory retail	33,876	2,710	33,375	2,670
NPL	6,213	497	6,157	493
Other	24,696	1,976	24,673	1,974
Total	256,529	20,522	248,134	19,851

Unit: VND billion

Table 7: Credit RWA and Capital Requirement – Consolidated

	30 Sep 2019		30 Jun 2019	
	RWA	Capital required	RWA	Capital required
Sovereign	229	18	300	24
Financial Institutions	25,023	2,001	23,112	1,849
Corporate	146,551	11,724	136,563	10,925
Secured by real-estate	17,052	1,364	21,920	1,754
Residential mortgage	4,138	331	1,557	125
Regulatory retail	77,729	6,218	75,870	6,070
NPL	10,826	867	10,356	828
Other	27,971	2,239	28,262	2,261
Total	309,519	24,762	297,940	23,835

Disclosures on the Bank's Use of External Credit Ratings

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

As of 30 September 2019, VPBank does not have exposures to foreign governments and other central banks as well as public sector entities, regional governments and local authorities of other sovereigns. Only financial institutions' exposures in the Bank's portfolio are subjected to RW assignment based on ECAIs' credit assessment.

By Quarter 3/2019, 98.5% financial institutions' exposures are to **local banks** and are mainly dominated by those with external ratings from BB+ to BB- (42%) and B+ to B- (35%).

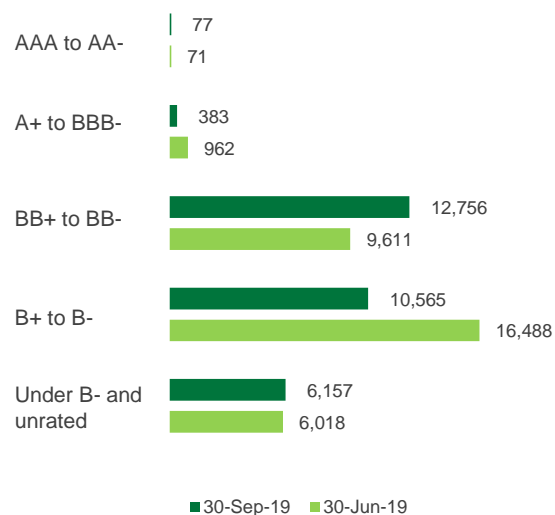
Compared with 30 June 2019, there is a shift in exposure distribution to counterparties with better rating. Particularly, exposures to financial institutions with rating B+ to B- decreased significantly by VND 6,000 billion while exposures to financial institutions with rating BB+ to BB- went up more than VND 3,000 billion.

Table 8: Rating Agency

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

Exposures by external rating

Unit: VND Bln



Unit: VND billion

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

	RW	30 Sep 2019		30 Jun 2019		
		RWA	Capital required	RWA	Capital required	
Original term under 3 months	AAA to AA-	10%	-	-	-	-
	A+ to BBB-	20%	1	-	139	11
	BB+ to BB-	40%	2,580	205	2,494	200
	B+ to B-	50%	233	19	3,412	273
	Under B- and unrated	70%	3,419	273	3,456	276
Total		6,233	497	9,501	760	
Original term above 3 months	AAA to AA-	20%	-	-	-	-
	A+ to BBB-	50%	-	-	-	-
	BB+ to BB-	80%	5,153	413	2,711	217
	B+ to B-	100%	10,188	816	9,575	766
	Under B- and unrated	150%	1,993	159	1,652	132
Total		17,334	1,388	13,938	1,115	

Unit: VND billion

Table 10: CR RWA by External Credit Rating for Foreign Financial Institutions – Separate	RW	30 Sep 2019		30 Jun 2019	
		RWA	Capital required	RWA	Capital required
AAA to AA-	20%	15	1	14	1
A+ to BBB-	50%	188	16	134	11
BB+ to BB-	100%	-	-	-	-
B+ to B-	100%	-	-	-	-
Under B- and unrated	150%	3	-	3	-
Total		206	17	151	12

Unit: VND billion

Table 11: CR RWA by External Credit Rating for Local Financial Institutions - Consolidated	RW	30 Sep 2019		30 Jun 2019	
		RWA	Capital required	RWA	Capital required
Original term under 3 months	AAA to AA-	10%	-	-	-
	A+ to BBB-	20%	21	2	159
	BB+ to BB-	40%	2,689	215	2,622
	B+ to B-	50%	1,925	154	3,412
	Under B- and unrated	70%	2,400	192	2,631
Total		7,035	563	8,824	706
Original term above 3 months	AAA to AA-	20%	-	-	-
	A+ to BBB-	50%	-	-	-
	BB+ to BB-	80%	5,153	412	2,901
	B+ to B-	100%	10,539	843	9,575
	Under B- and unrated	150%	1,993	159	1,652
Total		17,685	1,414	14,128	1,130

Unit: VND billion

Table 12: CR RWA by External Credit Rating for Foreign Financial Institutions – Consolidated	RW	30 Sep 2019		30 Jun 2019	
		RWA	Capital required	RWA	Capital required
AAA to AA-	20%	15	1	14	1
A+ to BBB-	50%	285	23	143	12
BB+ to BB-	100%	-	-	-	-
B+ to B-	100%	-	-	-	-
Under B- and unrated	150%	3	-	3	-
Total		303	24	160	13

Disclosures on Credit RWA by Industry

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

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

Household production/services contributes for the

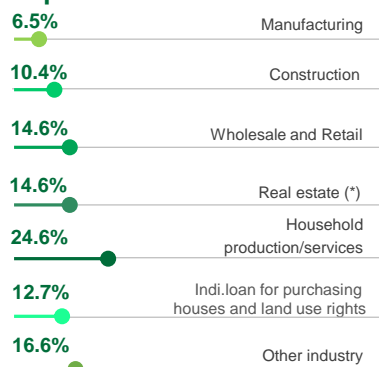
highest percentage of VPBank’s separate and consolidated lending to customer portfolio, i.e. 24.6% and 42.3% respectively. However, RWA of this industry only accounts for 20% and 36% on separate and consolidated basis. The reason is that risk weight of retail banking - the Bank’s strategic business line - is 75%, much lower than other segments.

Real estate and Construction are the two highest risk weighted industries (133% and 125% respectively). The main driver is Corporate segment, which RW assignment is based on financial information.

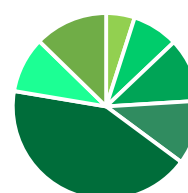
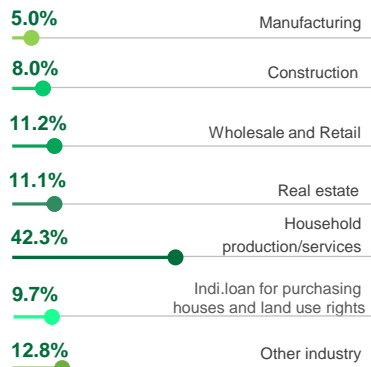
Manufacturing industry has an average RW of **104%**, lower than corporate segment since more than 50% are occupied by Retail and SME exposures.

Exposure distribution

Separate



Consolidated



Credit RWA and Average RW by Industry

Industry	RWA		Risk weight				RWA		Risk weight			
	Separate		Retail	SME	Corporate	Total	Consolidated		Retail	SME	Corporate	Total
Indi.loan for purchasing houses and land use rights	15,834		64%	NA	NA	65%	15,834		64%	NA	NA	65%
Household production/services	37,993		79%	99%	NA	80%	86,458		80%	99%	NA	80%
Real estates	37,607		101%	121%	136%	133%	37,607		101%	121%	136%	133%
Manufacturing	12,995		79%	101%	118%	104%	12,995		79%	101%	118%	104%
Construction	25,366		77%	106%	130%	125%	25,366		77%	106%	130%	125%
Wholesale and Retail (**)	26,902		78%	97%	108%	96%	26,902		78%	97%	108%	96%
Other Industry	33,476		79%	102%	111%	105%	33,476		79%	102%	111%	105%

(*) Separate figure includes debt purchase

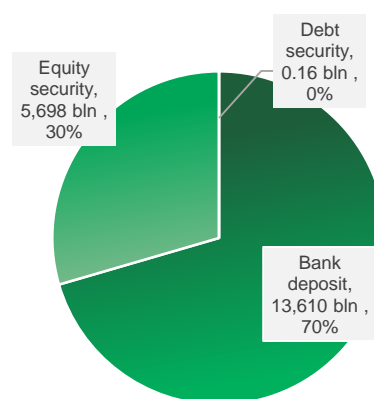
(**) Wholesale and Retail; Auto, Motorbike and Other motor vehicles industry.

Risk Mitigation under Standardized Approach

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

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

Currently, most CRM of VPBank is financial collateral, comprising three main sub-types: bank deposit, eligible equity security and eligible debt security in which term deposit accounts for 70% total CRM of VPBank.



Unit: VND billion

Table 13: Credit Mitigation in form of Eligible Collateral - Separate

On balance sheet	30 Sep 2019			30 Jun 2019		
	CRM	RWA Pre - CRM	RWA Post-CRM	CRM	RWA Pre - CRM	RWA Post - CRM
Sovereign	-	155	155	-	223	223
Financial Institutions	-	23,606	23,606	-	23,291	23,291
Corporate	9,239	136,674	127,864	9,191	127,941	118,856
Secured by real-estate	-	17,038	17,038	-	21,910	21,910
Residential mortgage	12	4,159	4,138	81	1,716	1,557
Regulatory retail	3,509	35,723	33,811	3,813	35,431	33,321
NPL	18	6,045	6,032	61	6,088	6,000
Other	5,126	29,310	24,527	3,889	28,019	24,673
Total	17,904	252,710	237,171	17,035	244,619	229,831

Off balance sheet	CRM	RWA Pre - CRM	RWA Post - CRM	CRM	RWA Pre - CRM	RWA Post - CRM
Sovereign	-	74	74	1	78	77
Financial Institutions	-	167	167	-	299	299
Corporate	1,395	19,890	18,687	6,728	20,301	17,707
Secured by real-estate	-	15	15	-	10	10
Residential mortgage	-	-	-	-	-	-
Regulatory retail	-	65	65	7	58	53
NPL	9	193	181	35	174	157
Other	-	169	169	443	169	-
Total	1,404	20,573	19,358	7,214	21,089	18,303

Unit: VND billion

Table 14: Credit Mitigation in form of Eligible Collateral - Consolidated				30 Sep 2019			30 Jun 2019		
				CRM	RWA Pre - CRM	RWA Post - CRM	CRM	RWA Pre - CRM	RWA Post - CRM
On balance sheet									
Sovereign	-	155	155	-	223	223			
Financial Institutions	-	24,856	24,856	-	22,813	22,813			
Corporate	9,239	136,674	127,864	9,191	127,941	118,856			
Secured by real-estate	-	17,038	17,038	-	21,910	21,910			
Residential mortgage	12	4,159	4,138	81	1,716	1,557			
Regulatory retail	3,509	79,576	77,664	3,813	77,926	75,817			
NPL	18	10,658	10,645	61	10,287	10,199			
Other	5,126	32,585	27,802	3,889	31,597	28,262			
Total	17,904	305,701	290,161	17,035	294,413	279,637			
Off balance sheet									
Sovereign	-	74	74	1	78	77			
Financial Institutions	-	167	167	-	299	299			
Corporate	1,395	19,890	18,687	6,728	20,301	17,707			
Secured by real-estate	-	15	15	-	10	10			
Residential mortgage	-	-	-	-	-	-			
Regulatory retail	-	65	65	7	58	53			
NPL	9	193	181	35	174	157			
Other	-	169	169	443	169	-			
Total	1,404	20,573	19,358	7,214	21,089	18,303			

Disclosures on Credit Counterparty Risk

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

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

At 30 September 2019, counterparty risk accounts for only 0.36% and 0.26 % total RWA on separate and consolidated basis. RWA for CCR increased by VND 520 billion and VND 437 billion on separate and consolidated basis respectively, driven mostly by the growth in repo transactions.

Unit: VND billion

Table 15: CCR RWA and Capital Requirement		30 Sep 2019		30 Jun 2019	
		RWA	Capital required	RWA	Capital required
Separate					
Financial Institutions	816	66	456	36	
Corporate	230	18	70	6	
Total	1,046	84	526	42	
Consolidated					
Financial Institutions	758	61	482	38	
Corporate	231	18	70	6	
Total	989	79	552	44	

Market Risk

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

Capital Charge for Market Risk

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

- Capital charge for interest rate risk, except options;

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

Market risk makes up an insignificant proportion of total RWA, accounting for only 1.1% and 0.8% on separate and consolidated basis.

As of Quarter 3/2019, VPBank does not have capital charge for equity risk, commodities risk and options risk because these activities are not included in the Bank's portfolio.

Compared to previous quarter, there was a small movement in capital charge for market risk due to the decrease in net open FX position.

Table 16: Market risk – RWA and Capital Requirement

Unit: VND billion

	30 Sep 2019		30 Jun 2019	
	RWA	Capital required	RWA	Capital required
Separate				
Interest rate risk	2,114	169	2,293	183
Equity position risk	-	-	-	-
Foreign exchange rate risk	978	78	1,292	103
Commodities risk	-	-	-	-
Options risk	-	-	-	-
Total	3,092	247	3,585	287
Consolidated				
Interest rate risk	2,114	169	2,293	183
Equity position risk	-	-	-	-
Foreign exchange rate risk	978	78	1,292	103
Commodities risk	-	-	-	-
Options risk	-	-	-	-
Total	3,092	247	3,585	287

Operational Risk

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

Capital Charge for Operational Risk

Capital charge for operational risk under Circular 41 is calculated using standardized approach, equal to a fixed percentage (15%) of the average of business indicators over the previous three years. The business indicator (BI) comprises three macro-components of the Bank's income statement,

including interest, services and financial component. RWA for operational risk is equal to Capital charge multiplied by 12.5.

As of September 2019, operational risk RWA accounts for 9.7% and 16.5% total RWA on separate and consolidated basis respectively.

Compared with 30 June 2019, capital charge for operational risk increased slightly, driven by the growth of total operating income.

Unit: VND billion

Table 17: Operational Risk - RWA and Capital Requirement

	30 Sep 2019		30 Jun 2019	
	RWA	Capital Required	RWA	Capital Required
Separate				
BI – Latest quarter	10,959	877	10,611	849
BI – Quarter last year	9,775	782	9,551	764
BI – Quarter two years ago	7,311	585	7,210	577
Total	28,045	2,244	27,372	2,190
Consolidated				
BI – Latest quarter	24,903	1,992	24,308	1,945
BI – Quarter last year	20,653	1,652	20,568	1,645
BI – Quarter two years ago	16,224	1,298	15,318	1,225
Total	61,780	4,942	60,194	4,816

Abbreviations

The following abbreviations are used across this document.

BI: Business Indicator

NPL: Non-performing loan

CAR: Capital Adequacy Ratio

CRM: Credit Risk Mitigation

CCR: Credit Counterparty Risk

ECAIs: External Credit Assessment Institutions

RW: Risk Weight

RWA: Risk Weighted Assets

SBV: State Bank of Vietnam

SME: Small and Medium Enterprises

Unit: VND billion

		Ref	30 Sep 2019	30 Jun 2019
			Regulatory Balance Sheet	Regulatory Balance Sheet
Reconciliation of Balance Sheets Separate - Financial Accounting to Regulations				
ASSETS				
A1	I. Cash, gold and gemstones	a	2,426	2,444
A2	II. Balances with the State Bank of Vietnam	b	1,200	6,321
A3	III. Placements with and credit granting to other credit institutions		13,449	20,481
A3-1	1. Placements with other credit institutions	c-1	11,968	18,090
A3-2	2. Credit granting to other credit institutions	c-2	1,481	2,392
A4	IV. Securities held for trading		2,856	4,891
A4-1	1. Securities held for trading	d	2,864	4,909
A4-2	2. Provision for securities held for trading		(8)	(18)
A5	V. Derivatives and other financial assets	e	-	34
A6	VI. Loans and advances to customers		186,504	182,738
A6-1	1. Loans and advances to customers	f	189,534	185,507
A6-2	2. Provision for loans and advances to customers		(3,030)	(2,769)
A7	VII. Debt purchase		4,397	3,919
A7-1	1. Debt purchase	g	4,427	3,937
A7-2	2. Provision for debt purchasing		(30)	(18)
A8	VIII. Investment securities		62,643	49,907
A8-1	1. Available-for-sale securities	h-1	62,312	48,993
A8-2	2. Held-to-maturity securities	h-2	909	1,483
A8-3	3. Provision for investment securities		(578)	(569)
A9	IX. Long-term investments	i	7,853	7,828
A9-1	1. Investments in subsidiaries		7,667	7,667
A9-2	2. Other long-term investments		227	228
A9-3	3. Provision for long-term investments		(41)	(67)
A10	X. Fixed assets	j	1,464	1,502
A10-1	1. Tangible fixed assets		1,228	1,241
A10-1-1	a. Cost		1,955	1,925
A10-1-2	b. Accumulated depreciation		(727)	(683)
A10-3	3. Intangible fixed assets		236	260
A10-3-1	a. Cost		573	570
A10-3-2	b. Accumulated amortization		(337)	(310)

Unit: VND billion

		30 Sep 2019		30 Jun 2019
		<i>Ref</i>	Regulatory Balance Sheet	Regulatory Balance Sheet
Reconciliation of Balance Sheets Separate - Financial Accounting to Regulations				
ASSETS				
A12	XI. Other assets	I	15,894	14,131
A12-1	1. Receivables		10,524	9,646
A12-2	2. Accrued interest and fee receivables		3,997	2,969
A12-3	3. Deferred tax assets		-	-
A12-4	4. Other assets		1,411	1,556
A12-4-1	Other assets		1,411	1,556
A12-4-2	- In which: Good will		-	-
A12-5	5. Allowance for other assets		(38)	(39)
Total Assets			298,686	294,195
LIABILITIES AND OWNERS' EQUITY				
B1	TOTAL LIABILITIES		263,803	260,499
B11	I. Amounts due to the Government and the State Bank of Vietnam		2,020	2,021
B12	II. Deposits and borrowings from other credit institutions		22,198	31,492
B2-1	1. Deposits from other credit institutions		5,017	16,579
B2-2	2. Borrowings from other credit institutions		17,181	14,913
B13	III. Deposits from customers		202,536	194,351
B14	IV. Derivatives and other financial liabilities	e	1	-
B15	V. Other borrowed and entrusted funds		305	320
B16	VI. Valuable papers issued		28,967	25,012
B17	VII. Other liabilities		7,776	7,305
B7-1	1. Accrued interest and fee payables		5,788	5,143
B7-2	2. Deferred tax liabilities		-	-
B7-3	3. Other liabilities		1,988	2,162
B7-4	4. Provision for contingent liabilities and off-balance sheet commitments		-	-

Unit: VND billion

		30 Sep 2019		30 Jun 2019
		<i>Ref</i>	Regulatory Balance Sheet	Regulatory Balance Sheet
Reconciliation of Balance Sheets Separate - Financial Accounting to Regulations				
	OWNERS' EQUITY		34,883	33,695
B21	VIII. Owners' Equity and Reserves		34,883	33,695
B8-1	1. Owners' Equity		24,097	24,097
B8-1-1	a. Charter capital	<i>m</i>	25,300	25,300
B8-1-2	b. Construction investment fund	<i>n</i>	-	-
B8-1-3	c. Share premium	<i>o</i>	1,289	1,289
B8-1-4	d. Treasury shares	<i>p</i>	(2,492)	(2,492)
B8-1-5	e. Preferred share	<i>q</i>	-	-
B8-1-6	g. Others	<i>r</i>	-	-
B8-2	2. Reserves		2,923	2,923
B8-2-1	h. Capital supplementary reserve	<i>s-1</i>	203	203
B8-2-2	i. Financial reserves	<i>s-2</i>	1,497	1,497
B8-2-3	j. Investment and development fund	<i>s-3</i>	1,223	1,223
B8-3	3. Foreign exchange differences		(12)	(12)
B8-4	4. Difference on revaluation of assets		-	-
B8-5	5. Retained earnings	<i>t</i>	7,875	6,687
Total Liabilities And Owners' Equity			298,686	294,195

Unit: VND billion

		Ref	30 Sep 2019	30 Jun 2019
			Regulatory Balance Sheet	Regulatory Balance Sheet
Reconciliation of Balance Sheets Consolidated - Financial Accounting to Regulations				
ASSETS				
A1	I. Cash, gold and gemstones	a	2,426	2,444
A2	II. Balances with the State Bank of Vietnam	b	1,611	6,761
A3	III. Placements with and credit granting to other credit institutions		16,301	19,982
A3-1	1. Placements with other credit institutions	c-1	14,472	17,357
A3-2	2. Credit granting to other credit institutions	c-2	1,829	2,625
A4	IV. Securities held for trading		2,856	4,891
A4-1	1. Securities held for trading	d	2,864	4,909
A4-2	2. Provision for securities held for trading		(8)	(18)
A5	V. Derivatives and other financial assets	e	-	101
A6	VI. Loans and advances to customers		249,771	243,518
A6-1	1. Loans and advances to customers	f	254,187	247,633
A6-2	2. Provision for loans and advances to customers		(4,416)	(4,115)
A7	VII. Debt purchase		-	-
A7-1	1. Debt purchase	g	-	-
A7-2	2. Provision for debt purchasing		-	-
A8	VIII. Investment securities		62,993	50,259
A8-1	1. Available-for-sale securities	h-1	62,311	48,993
A8-2	2. Held-to-maturity securities	h-2	1,260	1,835
A8-3	3. Provision for investment securities		(578)	(569)
A9	IX. Long-term investments	i	186	161
A9-1	1. Investments in subsidiaries		-	-
A9-2	2. Other long-term investments		227	228
A9-3	3. Provision for long-term investments		(41)	(67)
A10	X. Fixed assets	j	1,845	1,896
A10-1	1. Tangible fixed assets		1,318	1,343
A10-1-1	a. Cost		2,315	2,282
A10-1-2	b. Accumulated depreciation		(997)	(940)
A10-3	3. Intangible fixed assets		527	554
A10-3-1	a. Cost		1,013	1,001
A10-3-2	b. Accumulated amortization		(486)	(447)

Unit: VND billion

		30 Sep 2019		30 Jun 2019
		Ref	Regulatory Balance Sheet	Regulatory Balance Sheet
Reconciliation of Balance Sheets Consolidated - Financial Accounting to Regulations				
ASSETS				
A12	XI. Other assets	I	20,247	18,720
A12-1	1. Receivables		11,793	11,316
A12-2	2. Accrued interest and fee receivables		5,512	4,410
A12-3	3. Deferred tax assets		-	-
A12-4	4. Other assets		2,986	3,040
A12-4-1	Other assets		2,986	3,040
A12-4-2	- In which: Good will		-	-
A12-5	5. Allowance for other assets		(44)	(45)
Total Assets			358,236	348,732
LIABILITIES AND OWNERS' EQUITY				
B1	TOTAL LIABILITIES		317,745	310,524
B11	I. Amounts due to the Government and the State Bank of Vietnam		2,020	2,021
B12	II. Deposits and borrowings from other credit institutions		40,102	45,436
B2-1	1. Deposits from other credit institutions		6,358	16,589
B2-2	2. Borrowings from other credit institutions		33,744	28,848
B13	III. Deposits from customers		205,585	197,363
B14	IV. Derivatives and other financial liabilities	e	12	-
B15	V. Other borrowed and entrusted funds		305	320
B16	VI. Valuable papers issued		57,534	53,755
B17	VII. Other liabilities		12,187	11,629
B7-1	1. Accrued interest and fee payables		7,002	6,300
B7-2	2. Deferred tax liabilities		-	-
B7-3	3. Other liabilities		5,185	5,329
B7-4	4. Provision for contingent liabilities and off-balance sheet commitments		-	-

Unit: VND billion

		30 Sep 2019		30 Jun 2019
		<i>Ref</i>	Regulatory Balance Sheet	Regulatory Balance Sheet
Reconciliation of Balance Sheets Consolidated - Financial Accounting to Regulations				
	OWNERS' EQUITY		40,491	38,208
B21	VIII. Owners' Equity and Reserves		40,491	38,208
B8-1	1. Owners' Equity		24,097	24,097
B8-1-1	a. Charter capital	<i>m</i>	25,300	25,300
B8-1-2	b. Construction investment fund	<i>n</i>	-	-
B8-1-3	c. Share premium	<i>o</i>	1,289	1,289
B8-1-4	d. Treasury shares	<i>p</i>	(2,492)	(2,492)
B8-1-5	e. Preferred share	<i>q</i>	-	-
B8-1-6	g. Others	<i>r</i>	-	-
B8-2	2. Reserves		5,821	5,821
B8-2-1	h. Capital supplementary reserve	<i>s-1</i>	704	704
B8-2-2	i. Financial reserves	<i>s-2</i>	2,465	2,465
B8-2-3	j. Investment and development fund	<i>s-3</i>	2,652	2,652
B8-3	3. Foreign exchange differences		(13)	(13)
B8-4	4. Difference on revaluation of assets		-	-
B8-5	5. Retained earnings	<i>t</i>	10,586	8,303
Total Liabilities And Owners' Equity			358,236	348,732

Vietnam Prosperity Joint Stock Commercial Bank

Add: 89 Lang Ha Street, Dong Da District, Hanoi

Tel: 024 392 888 69 Fax: 024 392 888 67

Website: www.vpbank.com.vn

