

# **Vietnam Prosperity Joint Stock Commercial Bank**

Interim separate financial statements

Quarter III of 2019 and for the nine-month period ended 30 September 2019

# Vietnam Prosperity Joint Stock Commercial Bank

## GENERAL INFORMATION

### THE BANK

Vietnam Prosperity Joint Stock Commercial Bank (the "Bank" or "VPBank") is a joint stock commercial bank incorporated and registered in the Socialist Republic of Vietnam.

The Bank was established pursuant to Banking License No. 0042/NH-GP dated 12 August 1993 issued by the State Bank of Vietnam (the "SBV") and Business Registration Certificate No. 0100233583 dated 8 September 1993 issued by Hanoi Department of Planning and Investment which was amended for the 41<sup>st</sup> time on 27 November 2018. The Bank started operation on 12 August 1993 with an operation period of 99 years.

The Bank's principal activities are to provide banking services including mobilizing and receiving short, medium and long-term deposits from organizations and individuals; making short, medium and long-term loans and advances to organizations and individuals; conducting foreign exchange transactions; providing international trade finance services; discounting of commercial papers, bonds and other valuable papers; investing in shares and bonds; providing settlement services; digital wallet; investing in future contract of Government bonds; providing asset management services; granting credit in form of rediscounting negotiable instruments and other valuable papers and other banking services as allowed by the SBV.

### *Charter capital*

As at 30 September 2019, the charter capital of the Bank is VND25,299,680 million (as at 31 December 2018: VND25,299,680 million).

### *Operational network*

The Bank's Head Office is located at No. 89 Lang Ha, Lang Ha Ward, Dong Da District, Hanoi, Vietnam. As at 30 September 2019, the Bank has one (1) Head Office, sixty-one (61) branches, one hundred and sixty-six (166) transaction offices nationwide and two (2) subsidiaries.

## THE BOARD OF DIRECTORS

The members of the Board of Directors of the Bank during the period and as at the date of the interim separate financial statements are as follows:

<i>Name</i>	<i>Position</i>
Mr. Ngo Chi Dzung	Chairman
Mr. Bui Hai Quan	Vice Chairman
Mr. Lo Bang Giang	Vice Chairman
Mr. Nguyen Van Hao	Independent member
Mr. Nguyen Duc Vinh	Member

## THE BOARD OF SUPERVISION

The members of the Board of Supervision of the Bank during the period and as at the date of the interim separate financial statements are as follows:

<i>Name</i>	<i>Position</i>
Mr. Ngo Phuong Chi	Head of Board of Supervision
Ms. Nguyen Thi Bich Thuy	Full-time member
Ms. Trinh Thi Thanh Hang	Full-time member
Ms. Kim Ly Huyen	Full-time member
	Appointed on 26 April 2019
Mr. Vu Hong Cao	Member
	Appointed on 26 April 2019

# Vietnam Prosperity Joint Stock Commercial Bank

## GENERAL INFORMATION (continued)

### THE BOARD OF MANAGEMENT

The members of the Board of Management of the Bank during the period and as at the date of the interim separate financial statements are as follows:

<i>Name</i>	<i>Position</i>
Mr. Nguyen Duc Vinh	Chief Executive Officer
Ms. Luu Thi Thao	Standing Deputy Chief Executive Officer
Mr. Sanjeev Nanavati	Standing Deputy Chief Executive Officer
Mr. Nguyen Thanh Binh	Deputy Chief Executive Officer
Mr. Phan Ngoc Hoa	Deputy Chief Executive Officer
Ms. Duong Thi Thu Thuy	Deputy Chief Executive Officer
Mr. Nguyen Thanh Long	Deputy Chief Executive Officer
Mr. Fung Kai Jin	Deputy Chief Executive Officer
Mr. Pham Phu Khoi	Deputy Chief Executive Officer
Mr. Kosaraju Kiran Babu	Deputy Chief Executive Officer
Mr. Dinh Van Nho	Deputy Chief Executive Officer
Mr. Phung Duy Khuong	Deputy Chief Executive Officer Appointed on 3 January 2019

### LEGAL REPRESENTATIVE

The legal representative of the Bank during the nine-month period ended 30 September 2019 and as at the date of the interim separate financial statements is Mr. Ngo Chi Dzung – the Chairman.

Mr. Nguyen Duc Vinh – Chief Executive Officer was authorized by Mr. Ngo Chi Dzung to sign off the accompanying interim separate financial statements for the nine-month period ended 30 September 2019 according to Authorization Document No. 09/2012/UQ-CT dated 5 July 2012.

INTERIM SEPARATE BALANCE SHEET  
as at 30 September 2019

	Notes	30 September 2019 VND million	31 December 2018 VND million
<b>ASSETS</b>			
Cash, gold and gemstones	5	2,425,876	1,855,473
Balances with the State Bank of Vietnam	6	1,199,907	10,332,440
<b>Placements with and credit granting to other credit institutions</b>		<b>13,448,494</b>	<b>16,702,538</b>
Placements with other credit institutions	7.1	11,967,552	15,933,075
Credit granting to other credit institutions	7.2	1,480,942	769,463
<b>Securities held for trading</b>	8	<b>2,856,573</b>	<b>4,202,413</b>
Securities held for trading		2,864,216	4,240,742
Provision for securities held for trading		(7,643)	(38,329)
<b>Loans to customers</b>		<b>186,504,211</b>	<b>165,774,069</b>
Loans to customers	10	189,534,336	168,189,797
Provision for loans to customers	11	(3,030,125)	(2,415,728)
<b>Debts purchased</b>	12	<b>4,397,340</b>	<b>501,973</b>
Debts purchased		4,426,870	501,973
Provision for debts purchased		(29,530)	-
<b>Investment securities</b>		<b>62,642,449</b>	<b>51,522,616</b>
Available-for-sale securities	13.1	62,311,445	49,417,157
Held-to-maturity securities	13.2	908,624	3,161,133
Provision for investment securities	13.3	(577,620)	(1,055,674)
<b>Long-term investments</b>		<b>7,853,345</b>	<b>7,857,689</b>
Investments in subsidiaries	14.1	7,667,035	7,667,035
Other long-term investments	14.2	227,602	227,602
Provision for long-term investments	14.3	(41,292)	(36,948)
<b>Fixed assets</b>		<b>1,463,767</b>	<b>1,532,808</b>
<i>Tangible fixed assets</i>	15.1	1,227,897	1,259,145
Cost		1,955,179	1,860,123
Accumulated depreciation		(727,282)	(600,978)
<i>Intangible fixed assets</i>	15.2	235,870	273,663
Cost		572,637	542,613
Accumulated amortization		(336,767)	(268,950)
<b>Other assets</b>		<b>15,893,565</b>	<b>13,876,181</b>
Receivables	16.1	10,524,316	9,275,306
Interest and fees receivable	16.2	3,996,430	3,268,854
Other assets	16.3	1,411,084	1,352,847
Provision for other assets	16.4	(38,265)	(20,826)
<b>TOTAL ASSETS</b>		<b>298,685,527</b>	<b>274,158,200</b>

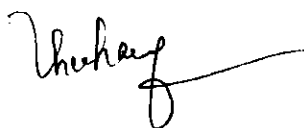

INTERIM SEPARATE BALANCE SHEET (continued)  
as at 30 September 2019

	<i>Notes</i>	<i>30 September 2019 VND million</i>	<i>31 December 2018 VND million</i>
<b>LIABILITIES</b>			
<b>Amounts due to the Government and the State Bank of Vietnam</b>	<b>17</b>	<b>2,019,968</b>	<b>3,781,343</b>
<b>Deposits and borrowings from financial institutions and other credit institutions</b>		<b>22,197,969</b>	<b>40,440,618</b>
Deposits from other credit institutions	18.1	5,017,447	21,755,026
Borrowings from financial institutions and other credit institutions	18.2	17,180,522	18,685,592
<b>Customer deposits</b>	<b>19</b>	<b>202,536,141</b>	<b>167,561,668</b>
<b>Derivatives and other financial liabilities</b>	<b>9</b>	<b>1,026</b>	<b>68,444</b>
<b>Other borrowed and entrusted funds</b>	<b>20</b>	<b>304,897</b>	<b>329,649</b>
<b>Valuable papers issued</b>	<b>21</b>	<b>28,966,899</b>	<b>24,839,922</b>
<b>Other liabilities</b>		<b>7,775,564</b>	<b>6,610,818</b>
Interest and fees payable	22.1	5,788,062	4,261,760
Other liabilities	22.2	1,987,502	2,349,058
<b>TOTAL LIABILITIES</b>		<b>263,802,464</b>	<b>243,632,462</b>
<b>OWNERS' EQUITY</b>			
Charter capital		25,299,680	25,299,680
Share premium		1,289,001	1,289,001
Treasury shares		(2,491,721)	(2,491,721)
Reserves		2,923,077	2,902,077
Foreign exchange differences		(12,125)	-
Retained earnings		7,875,151	3,526,701
<b>TOTAL OWNERS' EQUITY</b>	<b>24</b>	<b>34,883,063</b>	<b>30,525,738</b>
<b>TOTAL LIABILITIES AND OWNERS' EQUITY</b>		<b>298,685,527</b>	<b>274,158,200</b>

INTERIM SEPARATE BALANCE SHEET (continued)  
as at 30 September 2019

## OFF-BALANCE SHEET ITEMS

	Notes	30 September 2019	31 December 2018
		VND million	VND million
Credit guarantees		25,795	20,626
Foreign exchange commitments		58,688,972	58,158,877
- Foreign exchange commitments - buy		2,366,470	1,466,973
- Foreign exchange commitments - sell		533,635	1,466,751
- Swap contracts		55,788,867	55,225,153
Irrevocable loan commitments		-	1,860
Letters of credit		17,227,874	14,799,169
Other guarantees		16,848,559	13,860,017
Other commitments		111,622,490	91,315,542
	<b>38</b>	<b>204,413,690</b>	<b>178,156,091</b>

Prepared by: 

Ms. Nguyen Thi Thu Hang  
Chief Accountant

Reviewed by:



Ms. Le Hoang Khanh An  
Acting Financial Officer



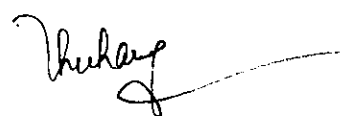

Mr. Nguyen Duc Vinh  
Chief Executive Officer

Hanoi, Vietnam

18 October 2019

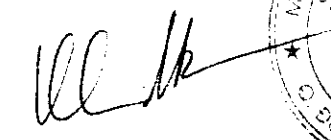
INTERIM SEPARATE CASH FLOW STATEMENT  
for the Quarter III and nine-month period ended 30 September 2019

	Notes	Quarter III		For the nine-month period ended 30 September	
		2019 VND million	2018 VND million	2019 VND million	2018 VND million
Interest and similar income	25	7,174,305	5,517,676	20,007,768	16,355,531
Interest and similar expenses	26	(3,900,720)	(2,999,150)	(10,899,945)	(8,628,823)
<b>Net interest and similar income</b>		<b>3,273,585</b>	<b>2,518,526</b>	<b>9,107,823</b>	<b>7,726,708</b>
Fee and commission income		784,651	579,840	2,065,603	1,523,159
Fee and commission expenses		(167,013)	(164,764)	(433,467)	(446,634)
<b>Net fee and commission income</b>	27	<b>617,638</b>	<b>415,076</b>	<b>1,632,136</b>	<b>1,076,525</b>
<b>Net gain/(loss) from trading of foreign currencies</b>	28	<b>(49,646)</b>	<b>215,956</b>	<b>(38,232)</b>	<b>261,022</b>
<b>Net gain/(loss) from securities held for trading</b>	29	<b>145,458</b>	<b>41,825</b>	<b>201,668</b>	<b>(40,744)</b>
<b>Net gain from investment securities</b>	30	<b>200,255</b>	<b>73,715</b>	<b>476,082</b>	<b>267,033</b>
Other operating income		378,455	329,394	1,269,608	1,653,673
Other operating expenses		(15,513)	(96,033)	(250,661)	(234,387)
<b>Net gain from other operating activities</b>	31	<b>362,942</b>	<b>233,361</b>	<b>1,018,947</b>	<b>1,419,286</b>
<b>Income from investments in other entities</b>	32	<b>2,635</b>	<b>-</b>	<b>1,403,870</b>	<b>2,855,784</b>
<b>TOTAL OPERATING INCOME</b>		<b>4,552,867</b>	<b>3,498,459</b>	<b>13,802,294</b>	<b>13,565,614</b>
<b>TOTAL OPERATING EXPENSES</b>	33	<b>(1,574,411)</b>	<b>(1,735,009)</b>	<b>(4,812,562)</b>	<b>(4,310,785)</b>
<b>Net profit before provision for credit losses</b>		<b>2,978,456</b>	<b>1,763,450</b>	<b>8,989,732</b>	<b>9,254,829</b>
Provision expenses for credit losses	34	(1,493,788)	(724,864)	(3,878,887)	(2,552,967)
<b>PROFIT BEFORE TAX</b>		<b>1,484,668</b>	<b>1,038,586</b>	<b>5,110,845</b>	<b>6,701,862</b>
Current corporate income tax expense		(296,407)	(206,647)	(741,395)	(768,355)
<b>Corporate income tax expense</b>	23	<b>(296,407)</b>	<b>(206,647)</b>	<b>(741,395)</b>	<b>(768,355)</b>
<b>PROFIT AFTER TAX</b>		<b>1,188,261</b>	<b>831,939</b>	<b>4,369,450</b>	<b>5,933,507</b>

Prepared by: 

Ms. Nguyen Thi Thu Hang  
Chief Accountant

Reviewed by:

  
Ms. Le Hoang Khanh An  
Acting Chief Financial Officer

Approved by:  
  
VIỆT NAM THỊNH VƯỢNG  
CỘNG HÒA XÃ HỘI CHỦ NGHĨA VIỆT NAM  
Độc lập - Tự do - Hạnh phúc

Mr. Nguyen Duc Vinh  
Chief Executive Officer

Hanoi, Vietnam  
18 October 2019

INTERIM SEPARATE CASH FLOW STATEMENT (continued)  
for the Quarter III and nine-month period ended 30 September 2019

	<i>Notes</i>	<i>For the nine-month period ended 30 September 2019 VND million</i>	<i>For the nine-month period ended 30 September 2018 VND million</i>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Interest and similar receipts		19,322,526	15,785,011
Interest and similar payments		(9,379,954)	(8,059,254)
Net fee and commission receipts		1,620,803	1,012,898
Net receipts from dealing in foreign currencies, gold and securities		494,082	580,043
Other income		286,653	1,082,148
Recoveries from bad debts previously written-off		732,365	337,138
Payments for employees and other operating activities		(4,500,597)	(4,344,491)
Corporate income tax paid in the period	23	(821,278)	(764,756)
<b>Net cash flows from operating activities before changes in operating assets and liabilities</b>		<b>7,754,600</b>	<b>5,628,737</b>
<b>Changes in operating assets</b>		<b>(37,705,701)</b>	<b>(27,139,293)</b>
Placements with and credit granting to other credit institutions		(711,479)	2,018,065
Investment securities		(8,929,862)	(10,938,193)
Loans to customers and debts purchased		(22,638,313)	(15,288,530)
Utilization of provision to write off loans to customers, securities and long-term investments		(4,001,563)	(1,586,737)
Other changes in other operating assets		(1,424,484)	(1,343,898)
<b>Changes in operating liabilities</b>		<b>19,629,570</b>	<b>15,304,094</b>
Amounts due to the Government and the State Bank of Vietnam		(1,761,375)	1,998,499
Deposits and borrowings from financial institutions and other credit institutions		(18,242,649)	(3,411,491)
Customer deposits		34,974,473	23,497,746
Valuable papers issued (except for valuable papers issued for financing activities)		5,126,977	(7,791,291)
Borrowed and entrusted funds		(24,752)	(5,162)
Derivatives and other financial liabilities		(67,418)	5,087
Other changes in other operating liabilities		(375,686)	1,010,706
<b>Net cash flows from operating activities</b>		<b>(10,321,531)</b>	<b>(6,206,462)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of fixed assets		(22,098)	(5,612)
Proceeds from disposal of fixed assets		6	2,334
Investment expenditure, capital contribution to other units		-	(2,854,000)
Dividends received and profit distributed from long-term investments		1,403,870	2,855,784
<b>Net cash flows from investing activities</b>		<b>1,381,778</b>	<b>(1,494)</b>

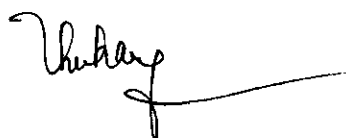


NOTE TO THE INTERIM SEPARATE CASH FLOW STATEMENT (continued)  
For the Quarter III and nine-month period ended 30 September 2019

<i>Notes</i>	<i>For the nine-month period ended 30 September 2019 VND million</i>	<i>For the nine-month period ended 30 September 2018 VND million</i>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Increase in charter capital from capital contribution and/or share issuance	-	336,951
Proceeds from issuance of long term valuable papers eligible to be included in capital and other long term borrowings	(1,000,000)	(2,500,000)
Dividend distributed to shareholders	-	(146,439)
Payments from purchasing Treasury shares	-	(2,491,721)
<b>Cash flows (used in)/from financing activities</b>	<b>(1,000,000)</b>	<b>(4,801,209)</b>
<b>Net cash flows in the period</b>	<b>(9,939,753)</b>	<b>(11,009,165)</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>28,120,988</b>	<b>22,970,369</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>18,181,235</b>	<b>11,961,204</b>

**SIGNIFICANT NON-CASH TRANSACTIONS DURING THE PERIOD**

Bonus shares issued using the capital supplementary reserve and investment and development fund and Share premium	-	4,731,795
Increase in charter capital from retained earnings	-	4,524,704

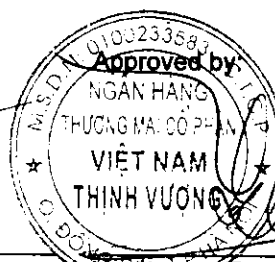
Prepared by: 

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Chief Accountant

Reviewed by:



Ms. Le Hoang Khanh An  
Acting Chief Financial Officer



Mr. Nguyen Duc Vinh  
Chief Executive Officer

Hanoi, Vietnam

18 October 2019

NOTE TO THE INTERIM SEPARATE FINANCIAL STATEMENTS  
as at 30 September 2019 and for the nine-month period then ended

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***Subsidiaries***

As at 30 September 2019, the Bank has two (2) directly owned subsidiaries as follows:

<i>Subsidiaries</i>	<i>Operating license</i>	<i>Nature of business</i>	<i>Share capital</i>	<i>Ownership</i>
VPBank Asset Management Company Limited (VPB AMC)	Business Registration Certificate No. 0105837483 issued by Hanoi Department of Planning and Investment which was last amended on 28 December 2016	Asset and liabilities management	VND115 billion	100%
VPBank Finance Company Limited ("VPB FC")	Business Registration Certificate No. 0102180545 issued by Ho Chi Minh City Department of Planning and Investment which was last amended on 17 October 2018	Other finance activities	VND7,328 billion	100%

***Employees***

As at 30 September 2019, total number of permanent employees of the Bank is 9,144 persons (31 December 2018: 11,466 persons).

NOTE TO THE INTERIM SEPARATE FINANCIAL STATEMENTS (continued)  
as at 30 September 2019 and for the nine-month period then ended

## **2. ACCOUNTING PERIOD AND ACCOUNTING CURRENCY**

### **2.1 Fiscal year**

The Bank's fiscal year starts on 1 January and ends on 31 December.

The Bank's interim separate period starts on 1 January and ends on 30 September.

### **2.2 Accounting currency**

Currency used in preparing financial statements of the Bank is Vietnam dong ("VND") and rounded to the nearest million VND ("VND million").

## **3. APPLIED ACCOUNTING STANDARDS AND SYSTEM**

### **3.1 Statement of compliance**

The Board of Management of the Bank confirms that the accompanying interim separate financial statements have been prepared in accordance with Vietnamese Accounting Standards, Vietnamese Accounting System for Credit Institutions and other statutory requirements related to the preparation and presentation of interim separate financial statements.

### **3.2 Accounting standards and system**

The interim separate financial statements of the Bank are prepared in accordance with the Accounting System applicable to Credit Institutions required under Decision No. 479/2004/QD-NHNN issued on 29 April 2004, Circular No. 10/2014/TT-NHNN dated 20 March 2014 and Circular No. 22/2017/TT-NHNN dated 29 December 2017 amending and supplementing Decision No. 479/2004/QD-NHNN; the financial reporting regime applicable to credit institutions required under Decision No. 16/2007/QD-NHNN dated 18 April 2007 and Circular No. 49/2014/TT-NHNN amending and supplementing a number of articles of Decision No. 16/2007/QD-NHNN and the chart of account system for Credit Institutions issued in connection with Decision No. 479/2004/QD-NHNN by the State Bank of Vietnam and Vietnamese Accounting Standards issued by the Ministry of Finance as per:

- ▶ Decision No. 149/2001/QD-BTC dated 31 December 2001 on the Issuance and Promulgation of Four Vietnamese Accounting Standards (Series No. 1);
- ▶ Decision No. 165/2002/QD-BTC dated 31 December 2002 on the Issuance and Promulgation of Six Vietnamese Accounting Standards (Series No. 2);
- ▶ Decision No. 234/2003/QD-BTC dated 30 December 2003 on the Issuance and Promulgation of Six Vietnamese Accounting Standards (Series No. 3);
- ▶ Decision No. 12/2005/QD-BTC dated 15 February 2005 on the Issuance and Promulgation of Six Vietnamese Accounting Standards (Series No. 4); and
- ▶ Decision No. 100/2005/QD-BTC dated 28 December 2005 on the Issuance and Promulgation of Four Vietnamese Accounting Standards (Series No. 5).

NOTE TO THE INTERIM SEPARATE FINANCIAL STATEMENTS (continued)  
as at 30 September 2019 and for the nine-month period then ended

**3. APPLIED ACCOUNTING STANDARDS AND SYSTEM (continued)**

**3.2 Accounting standards and system (continued)**

The accompanying interim separate financial statements have been prepared using accounting principles, procedures and reporting practices generally accepted in Vietnam. Accordingly, the accompanying interim separate balance sheet, the interim separate income statement, the interim separate cash flow statement and the notes to the interim separate financial statements and their utilization are not designed for those who are not informed about Vietnam's accounting principles, procedures and reporting practices and furthermore are not intended to present the interim separate financial position, results of interim separate operations and interim separate cash flows of the Bank in accordance with accounting principles and practices generally accepted in countries other than Vietnam.

The Bank has prepared the interim separate financial statements to reflect operations of the Bank only. It has also prepared the interim consolidated financial statements to reflect operations of the Bank and its subsidiaries in accordance with Vietnamese Accounting Standard No. 25 - *Consolidated financial statements and accounting for investments in subsidiaries*. The users of interim separate financial statements should read these interim separate financial statements together with the interim consolidated financial statements for the nine-month period ended 30 September 2019 in order to have adequate information about the interim consolidated financial position, interim consolidated results of operations and interim consolidated cash flows of the Bank and its subsidiaries.

Items or balances required by Decision No. 16/2007/QĐ-NHNN dated 18 April 2007 and Circular No. 49/2014/TT-NHNN dated 31 December 2014 issued by the SBV stipulating the financial statements reporting mechanism for credit institutions that are not shown in these interim separate financial statements indicate nil balance.

**3.3 Basis of assumptions and uses of estimates**

The presentation of the interim separate financial statements requires the Board of Management of the Bank to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent liabilities. These estimates and assumptions also affect the income, expenses and the resultant provision. The actual results may differ from such estimates and assumptions.

NOTE TO THE INTERIM SEPARATE FINANCIAL STATEMENTS (continued)  
as at 30 September 2019 and for the nine-month period then ended

#### **4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

##### **4.1 *Changes in accounting policies and disclosures***

The accounting policies adopted by the Bank in preparation of the interim separate financial statements are consistent with those followed in the preparation of the Bank's separate financial statements for the year ended 31 December 2018 and interim separate financial statements for the accounting period ended 30 September 2018

##### **4.2 *Cash and cash equivalents***

Cash and cash equivalents comprise current accounts at the SBV, demand deposits and placements with other credit institutions with an original maturity of three months or less from the transaction date, securities with recovery period or maturity of three months or less from the date of purchase which are convertible into a known amount of cash and do not bear liquidity risk as at the reporting date.

##### **4.3 *Placements with and credit granting to other credit institutions***

Placements with and credit granting to other credit institutions are presented at the principal amounts outstanding at the end of the accounting period.

The credit risk classification of placements with and credit granting to other credit institutions and provision for credit risks thereof are provided in accordance with Circular No. 02/2013/TT-NHNN dated 21 January 2013 of the SBV on classification of assets, levels and method of making risk provision, and use of provision against credit risks in operation of credit institutions, foreign bank's branches ("Circular 02") and Circular No. 09/2014/TT-NHNN dated 18 March 2014 on amending and supplementing a number of article of Circular 02 ("Circular 09").

Accordingly, the Bank makes a specific provision for placements with (except for current accounts) and credit granting to other credit institutions according to the method as described in *Note 4.5*.

According to Circular 02, the Bank is not required to make a general provision for placements with and credit granting to other credit institutions.

##### **4.4 *Loans to customers***

Loans to customers are presented at the principal amounts outstanding as at the end of the accounting period.

Short-term loans have maturity of less or equal to one year from disbursement date. Medium-term loans have maturity of more than one to five years from disbursement date. Long-term loans have maturity of more than five years from disbursement date.

Loan classification and provision for credit losses are made according to Circular 02 and Circular 09 as presented in *Note 4.5*.

NOTE TO THE INTERIM SEPARATE FINANCIAL STATEMENTS (continued)  
as at 30 September 2019 and for the nine-month period then ended

**4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**4.5 *Loan classification and provision for credit losses applied to placements with and credit granting to other credit institutions, unlisted corporate bonds purchased and trusted for purchase by the Bank, loans to customers, entrusted for credit granting by the Bank and other credit risk bearing assets***

The classification of placements with and credit granting to other credit institutions, direct and entrusted investments in unlisted corporate bonds, loans to customers and entrustments for credit granting (collectively called "debts") is made in compliance with the quantitative method as prescribed in Article 10 of Circular 02.

The specific provision for debts as at 30 September is made based on the principal balance less discounted value of collateral, then multiplied by provision rates which are determined based on the debt classifications as at 31 August. The specific provision rates for each group are presented as follows:

Group	Description	Provision rate
1	Current (a) Current debts are assessed as fully and timely recoverable for both principals and interests; or (b) Debts are overdue for a period of less than 10 days and assessed as fully recoverable for both overdue principals and interests, and fully and timely recoverable for both remaining principals and interests.	0%
2	Special Mention (a) Debts are overdue for a period of between 10 days and 90 days; or (b) Debts which the repayment terms are restructured for the first time.	5%
3	Sub standard (a) Debts are overdue for a period of between 91 days and 180 days; or (b) Debts which the repayment terms are extended for the first time; or (c) Debts which interests are exempted or reduced because customers do not have sufficient capability to repay all interests under credit contracts; or (d) Debts under one of the following cases which have not been recovered in less than 30 days from the date of the recovery decision: ▪ Debts made in compliance with Clause 1, 3, 4, 5, 6 under Article 126 of Law on Credit Institutions ; or ▪ Debts made in compliance with Clause 1, 2, 3, 4 under Article 127 of Law on Credit Institutions ; or ▪ Debts made in compliance with Clauses 1, 2 and 5 under Article 128 of Law on Credit Institutions. (e) Debts are required to be recovered according to regulatory inspection conclusions.	20%
4	Doubtful (a) Debts are overdue for a period of between 181 days and 360 days; or (b) Debts which the repayment terms are restructured for the first time but still overdue for a period of less than 90 days under that restructured repayment term; or (c) Debts which the repayment terms are restructured for the second time; or (d) Debts are specified in point (d) of Loan group 3 and overdue for a period of between 30 days and 60 days after decisions of recovery have been issued; or (e) Debts are required to be recovered according to regulatory inspection conclusions but still outstanding with an overdue period up to 60 days since the recovery date as required by regulatory inspection conclusions.	50%

NOTE TO THE INTERIM SEPARATE FINANCIAL STATEMENTS (continued)  
as at 30 September 2019 and for the nine-month period then ended

**4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**4.5 *Loan classification and provision for credit losses applied to placements with and credit granting to other credit institutions, unlisted corporate bonds purchased and trusted for purchase by the Bank, loans to customers, entrusted for credit granting by the Bank and other credit risk bearing assets (continued)***

Group	Description	Provision rate
5 Loss	(a) Debts are overdue for a period of more than 360 days; or (b) Debts which the repayment terms are restructured for the first time but still overdue for a period of 90 days or more under that first restructured repayment term; or (c) Debts which the repayment terms are restructured for the second time but still overdue under that second restructured repayment term; or (d) Debts which the repayment terms are restructured for the third time or more, regardless of being overdue or not; or (e) Debts are specified in point (d) of Loan group 3 and overdue for a period of more than 60 days after decisions on recovery have been issued; or (f) Debts are required to be recovered under regulatory inspection conclusions but still outstanding with an overdue period of more than 60 days since the recovery date as required by regulatory inspection conclusions; or (g) Debts of credit institutions under special control as announced by the SBV, or debts of foreign bank branches which capital and assets are blocked.	100%

If a customer has more than one debt with the Bank and any of the outstanding debts is classified into a higher risk group, the entire remaining debts of such customer should be classified into the corresponding higher risk group.

When the Bank participates in a syndicated loan as a participant, it should classify loans (including syndicated loans) of the customer into the group of higher risk between the assessment of the leading bank and the Bank.

For loans to customers in agricultural and rural sector, the Bank is allowed to restructure these loans and keep their debt groups as before restructuring for only one time in accordance with Circular No. 10/2015/TT-NHNN dated 22 July 2015 providing guidance on certain contents of Decree No. 55/2015/ND-CP dated 9 June 2015 by the Government on credit policies for agriculture and rural development.

The basis for determination of value and discounted value for each type of collateral is specified in Circular 02 and Circular 09.

General provision as at 30 September is made at 0.75% of total outstanding debt balances excluding placements with and credit granting to other credit institutions and debts classified as loss (group 5) as at 31 August.

NOTE TO THE INTERIM SEPARATE FINANCIAL STATEMENTS (continued)  
as at 30 September 2019 and for the nine-month period then ended

**4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**4.6 Securities held for trading**

**4.6.1 Classification and recognition**

Securities held for trading include debt securities acquired and held for resale. Securities held for trading are initially recognized at cost.

**4.6.2 Measurement**

Listed debt securities held for trading are recognized at cost less provision for diminution in value of securities, which is based on the yield quoted on the Hanoi Securities Exchange as at the balance sheet date.

Provision for credit losses on corporate bonds which are not listed on the stock exchanges or not registered on the unlisted public companies market is made in accordance with Circular 02 and Circular 09 as described in *Note 4.5*.

Provision for securities held for trading which is mentioned above is reversed when the recoverable amount of securities held for trading increases after making provision as a result of an objective event. Provision is reversed up to the gross value of these securities before provision.

Interest derived from holding securities held for trading are recognized on a cash basis in the interim separate income statement.

**4.6.3 De-recognition**

Trading securities are derecognized when the rights to receive cash flows from these securities have been terminated or the Bank has transferred substantially all the risks and rewards of ownership of these securities.

**4.7 Available-for-sale securities**

Available-for-sale securities include debt and equity securities acquired by the Bank for the investment and available-for-sale purposes, not regularly traded but can be sold when there is a benefit. For equity securities, the Bank is neither the founding shareholder nor the strategic partner, nor has the ability to make certain influence in planning and making decision in the financial and operating policies of the investees under a written agreement to appoint personnel to the Board of Directors/Management.

Available-for-sale equity securities are initially recognized at cost at the purchase date and continuously presented at cost in subsequent periods.

Available-for-sale debt securities are recognized at par value at the purchase date. Accrued interest incurred before purchase (for debt securities with interest payment in arrears) and deferred interest (for debt securities with interest payment in advance) are recognized in a separate account. Discount/premium, which is the difference between the cost and the amount being the par value plus (+) accrued interest incurred before purchase (if any) or minus (-) deferred interest (if any), is also recognized in a separate account.



NOTE TO THE INTERIM SEPARATE FINANCIAL STATEMENTS (continued)  
as at 30 September 2019 and for the nine-month period then ended

**4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**4.7 Available-for-sale securities (continued)**

In subsequent periods, these securities are continuously recorded at par value, and the discount/premium (if any) is amortized to the interim separate income statement on a straight-line basis over the remaining term of securities. Interest received in arrears is recorded as follows: Cumulative interest incurred before the purchasing date is recorded as a decrease in the accrued interest; cumulative interest incurred after the purchasing date is recognized as income based on the accumulated method. Interest received in advance is amortized into the securities investment interest income on a straight-line basis over the term of securities investment.

Periodically, available-for-sale securities are subject to diminution review.

Provision for diminution in value of securities is made when the carrying value is higher than the market value in compliance with Circular No. 228/2009/TT-BTC issued by the Ministry of Finance on 7 December 2009. In case market prices of securities are not available or cannot be determined reliably, no provision is made. Diminution provision is recognized in the "Net gain from investment securities" in the interim separate income statement.

Provision for credit losses on corporate bonds which are not listed on the stock market or not registered on the unlisted public companies market is made in accordance with Circular 02 and Circular 09 as described in Note 4.5.

**4.8 Held-to-maturity investments securities**

Held-to-maturity investment securities are special bonds issued by Vietnam Asset Management Company ("VAMC").

Special bonds issued by VAMC are fixed-term valuable papers used to purchase bad debts of the Bank. These special bonds are initially recognized at face value at the date of transaction and subsequently carried at face value during the holding period. Face value of the bonds equals the outstanding balance of the debts sold less their unused specific provision.

During the holding period, the Bank annually calculates and makes provision in accordance with Circular No. 14/2015/TT-NHNN dated 28 August 2015 amending and supplementing some articles of Circular No. 19/2013/TT-NHNN on the purchase, sale and resolution of bad debts of VAMC.

As required by Circular No. 14/2015/TT-NHNN, each year within five consecutive working days prior to the maturity date of special bonds, the Bank is obliged to fully make a minimum specific provision for each special bond using the below formula:

$$X_{(m)} = \frac{Y}{n} \times m - (Z_m + X_{m-1})$$

NOTE TO THE INTERIM SEPARATE FINANCIAL STATEMENTS (continued)  
as at 30 September 2019 and for the nine-month period then ended

**4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**4.8 Held-to-maturity investments securities (continued)**

In which:

- $X_{(m)}$ : minimum provision for special bonds in the  $m^{\text{th}}$  year
- $X_{m-1}$ : accumulated specific provision for special bonds in the  $m-1^{\text{th}}$  year
- Y: face value of special bonds
- n: term of special bonds (years)
- m: number of years from the bond issuance date to the provision date
- $Z_m$ : accumulated bad debt recoveries at the provision date ( $m^{\text{th}}$  year).

If  $(Z_m + X_{m-1}) \geq (Y/n \times m)$ , the specific provision ( $X_{(m)}$ ) will be zero (0).

Specific provision for special bonds is recognized in the interim separate income statement in "Provision expense for credit losses". General provision is not required for the special bonds.

On settlement date of special bonds, recovery from the debts is recognized into "Other operating income".

**4.9 Re-purchase and reverse re-purchase contracts**

Securities sold under agreements to repurchase at a specific date in the future (repos) are still recognized in the interim separate financial statements. The corresponding cash received from these agreements is recognized in the interim separate balance sheet as a borrowing and the difference between the sale price and repurchase price is amortized in the interim separate income statement over the term of the agreement using the straight-line method based on the interest rate stipulated in the contract.

Conversely, securities purchased under agreements to resell at a specific date in the future are not recognized in the interim separate financial statements. The corresponding cash paid under these agreements is recognized as a loan in the interim separate balance sheet and the difference between the purchase price and resale price is amortized in the interim separate income statement over the term of the agreement using the straight-line method based on the interest rate stipulated in the contract.

**4.10 Investments in subsidiaries**

Investments in subsidiaries controlled by the Bank are recognized at cost in the interim separate financial statements. Distributions of profit received from accumulated profit of subsidiaries subsequent to the control date are recorded in the interim separate income statement of the Bank.

Provision for impairment of investments in subsidiaries is made for each impaired investment subject to revision at the end of the financial year. Provision for investments in subsidiaries is made when the investments are impaired due to the losses incurred by subsidiaries. Increase or decrease of provision balance is recognized in "Income from investments in other entities".

NOTE TO THE INTERIM SEPARATE FINANCIAL STATEMENTS (continued)  
as at 30 September 2019 and for the nine-month period then ended

#### 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

##### 4.11 Other long-term investments

Other long-term investments represent investments in other entities in which the Bank holds less than or equal to 11% of voting rights. These investments are initially recorded at cost at the investment date.

For listed securities or unlisted but registered for trading securities on unlisted public company market (UPCoM), provision for diminution in value is made when their listed/registered price for trading is lower than the carrying value of the securities at the end of accounting period.

In other cases, provision for diminution in the value of other long-term investment is made when the investee suffers loss, except that such loss had been forecasted in the investee's business plan before the investment. Provision for diminution in the value of other long-term investment is made using the below formula:

$$\text{Provision for diminution in value of each investment} = \left( \text{Total invested amount of all parties in the entity} - \text{Owners' equity of the entity} \right) \times \frac{\text{Invested amount of each party}}{\text{Total invested amount of all parties in the entity}}$$

Provision is reversed when the recoverable amount of the investment increases after the provision is made. Provision is reversed up to the gross value of the investment before the provision is made.

##### 4.12 Fixed assets

Fixed assets are stated at cost less accumulated depreciation or amortization.

The cost of a fixed asset comprises its purchase price plus any directly attributable costs of bringing the asset to working condition for its intended use.

Cost related to additions, improvements and renewals are capitalized while expenditures for maintenance and repairs are charged to the interim separate income statement.

When assets are sold or liquidated, their cost and accumulated depreciation are deducted from the interim separate balance sheet item and any gains or losses resulting from their disposal are recorded to the interim separate income statement.

##### 4.13 Depreciation and amortization

Depreciation of tangible fixed assets and amortization of intangible fixed assets are calculated on a straight-line basis over the estimated useful life of these assets as follows:

Buildings and architectonic models	5 – 40 years
Transportation	6 years
Machines and equipment	3 – 7 years
Computer software	3 – 5 years
Other fixed assets	3 – 5 years

##### 4.14 Operating lease

Rentals under operating lease are charged in the "Total operating expenses" of the interim separate income statement on a straight-line basis over the term of the lease.

NOTE TO THE INTERIM SEPARATE FINANCIAL STATEMENTS (continued)  
as at 30 September 2019 and for the nine-month period then ended

#### 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

##### 4.15 *Receivables*

###### 4.15.1 *Receivables classified as credit risk bearing assets*

Receivables classified as credit risk bearing assets are recognized at cost. Doubtful receivables are classified and provided for provision by the Bank in accordance with the regulations on recognition and use of provision to resolve the credit risk as presented in Note 4.5.

###### 4.15.2 *Other receivables*

Receivables other than receivables classified as credit-risk assets are recognized at cost.

Provision for receivables is determined based on the overdue status of debts or expected loss of current debts in case the debts are not due for payment yet but the corporate debtors have fallen into bankruptcy or are in the process of dissolution, or of individual debtors who are missing, escaped, prosecuted, on trial or deceased. Provision expense incurred is recorded in "Other operating expenses" of the interim separate income statement.

Provision for overdue debts is made in accordance with Circular No. 228/2009/TT-BTC as follows:

<u>Overdue status</u>	<u>Allowance rate</u>
From over six (6) months to under one (1) year	30%
From one (1) to under two (2) years	50%
From two (2) to under three (3) years	70%
From three (3) years and above	100%

##### 4.16 *Prepaid expenses*

Prepaid expenses are reported as short-term and long-term prepaid expenses on the interim separate balance sheet and amortized over the period for which the amount is paid or the period in which economic benefit is generated in relation to these expenses.

##### 4.17 *Share capital*

###### 4.17.1 *Ordinary shares*

Ordinary shares are classified as owners' equity.

###### 4.17.2 *Share premium*

On receipt of capital from shareholders, the difference between the issuance price and the par value of the shares is recorded as share premium in "Owners' equity".

###### 4.17.3 *Treasury shares*

When VPBank repurchases its ordinary shares, the total paid amount including directly attributable costs, net off any tax effects, is recognised as a deduction from equity and referred to as treasury shares. Repurchased ordinary shares is reported as treasury shares and presented as a deduction from owners' equity.

NOTE TO THE INTERIM SEPARATE FINANCIAL STATEMENTS (continued)  
as at 30 September 2019 and for the nine-month period then ended

#### 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

##### 4.17 *Share capital* (continued)

##### 4.17.4 *Statutory reserves*

The Bank appropriates the following statutory reserves in compliance with Law on Credit Institutions No. 47/2010/QH12, Decree No. 93/2017/ND-CP and its Charter as follows:

	<i>Basis for calculation</i>	<i>Maximum balance</i>
Capital supplementary reserve	5% from profit after tax	100% of charter capital
Financial reserve	10% from profit after tax	Not regulated

Other funds are appropriated from profit after tax. Appropriation from profit after tax and utilization of other funds must be approved by the General Meeting of Shareholders. These funds are not regulated by law and are allowed to be fully distributed.

These reserves are created annually based on the separate operating results at year-end.

##### 4.18 *Recognition of income and expenses*

Interest income and expenses are recognized in the interim separate income statement on an accrual basis using the nominal interest rates. The accrued interest of debts which are classified in groups 2 to 5 is not recognized in the interim separate income statement in compliance with Circular 02. These accrued interest is reversed and monitored off-balance sheet and recognized in the interim separate income statement upon actual receipt.

Fees and commissions are recognized on an accrual basis.

##### 4.19 *Debts trading operation*

The accounting treatment for debts purchased are in accordance with Circular No. 09/2015/TT-NHNN issued by the SBV prescribing the purchase and sale of debts by credit institutions and foreign bank branches.

##### *Purchase debts*

Debts purchased are initially recorded at purchase price and subsequently presented at cost less provision for credit losses. Price of debts purchased is the settlement amount to be paid by the buyer under the debt purchase contract.

Debts purchased are initially classified in the risk group which is not lower than the risk group of the debts before the purchase. Subsequently, debts purchased are monitored, classified and provided for credit losses similar to normal loans to customers in accordance with Circular 02 and Circular 09.

##### *Sale of debts*

Income and expenses from the sale of debts are recognized in accordance with Circular No. 09/2015/TT-NHNN providing guidance on the sale of debts of credit institutions and foreign bank branches.

According to Circular No. 09/2015/TT-NHNN, the difference between the prices of debts purchased or sold and their book value are recorded as follows:

NOTE TO THE INTERIM SEPARATE FINANCIAL STATEMENTS (continued)  
as at 30 September 2019 and for the nine-month period then ended

**4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**4.19 Debts trading operation (continued)**

*Sale of debts (continued)*

- ▶ For debts recorded in the separate balance sheet:
  - If the sale price is higher than the book value of the debt, the difference shall be recorded as income of the Bank in the period.
  - If the sale price is lower than the book value of the debt, the difference shall be used to offset against the indemnity paid by an individual or guarantor (in case such individual or guarantor is determined to be responsible for the damage and obliged to make indemnity under prevailing regulations), or the compensation paid by the insurer, or use of outstanding provision recognized as expense previously. The remaining balance (if any) shall be recognized as an operating expense of the Bank in the period.
- ▶ For debts written-off and monitored off-balance sheet, the proceeds from sale of debts shall be recognized as other income of the Bank.

Book value of debts purchased sold is the book value of the principal, interest and related financial obligations (if any) of debts recorded in the balance sheet or off-balance sheet at the date of debts purchased or sold; or the book value at the date of writing-off of debts; or the book value of debts written-off previously at the date of debts purchased or sold.

The selling price is the sum of consideration which seller received under a debt sale contract.

**4.20 Foreign currency transactions**

All transactions are recorded in original currencies. At reporting date, monetary assets and liabilities denominated in foreign currencies are translated into VND using exchange rates ruling at the separate balance sheet date (*Note 46*). Income and expenses in foreign currencies are converted into VND at rates ruling at the transaction dates. Foreign exchange differences arising from the translation of monetary assets and liabilities are recognized and followed in the "*Foreign exchange differences*" under "*Owners' equity*" in the separate balance sheet and will be transferred to the separate income statement at the end of the financial year.

**4.21 Payables and accruals**

Payables and accruals are recognized for amounts to be paid in the future for goods and services received, whether or not billed to the Bank.

**4.22 Deposits from other credit institutions, customer deposits and valuable papers issued**

Deposits from other credit institutions, customer deposits and valuable papers issued are disclosed at the principal amounts outstanding at the date of separate financial statements.

NOTE TO THE INTERIM SEPARATE FINANCIAL STATEMENTS (continued)  
as at 30 September 2019 and for the nine-month period then ended

**4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**4.23 Corporate income tax**

*Current income tax*

Current income tax assets and liabilities for the current and prior years are measured at the amount expected to be recovered from or to be paid to the taxation authorities. The tax rates and tax laws are applied and enacted at the interim separate balance sheet date.

Current income tax is recognized to the interim separate income statement except when it relates to items recognized directly to equity, in this case the current income tax is also directly recognized in equity.

Current income tax assets and liabilities are offset when there is a legally enforceable right for the Bank to offset current tax assets against current tax liabilities and when the Bank intends to settle its current tax assets and liabilities on a net basis.

The Bank's tax reports are subject to examination by the tax authorities. Because the application of tax laws and regulations to many types of transactions is susceptible to various interpretations, amounts reported in the interim separate financial statements could be changed at a later date upon final determination of the tax authorities.

*Deferred tax*

Deferred tax is provided on temporary differences at the interim separate balance sheet date between the tax base of assets and liabilities and their carrying amount for the interim financial reporting purposes.

Deferred tax payable is recognized for all temporary taxable differences.

Deferred corporate income tax assets are recognized for deductible temporary differences, deductible amounts carried over to subsequent periods of taxable losses, and unused tax credits when it is probable that there will be sufficient future taxable profit to use deductible temporary differences, taxable losses and unused tax credits. Deferred tax asset and deferred tax payable are determined on the basis of expected tax rate applied for the accounting period when assets are recovered or liabilities are settled and on basis of effective and applicable tax rates and tax laws at the end of the accounting period.

**4.24 Fiduciary assets**

Assets held in a fiduciary capacity are not recognized in the Bank's interim financial statements, as they are not assets of the Bank.

**4.25 Classification for off-balance sheet commitments**

According to Circular 02, credit institutions classify guarantees, payment acceptances and irrevocable loan commitments with specific effective date (generally called "off-balance sheet commitments") in compliance with Article 10 of Circular 02 for management and monitoring of credit quality. Off-balance sheet commitments are classified into groups such as *Current*, *Special Mention*, *Substandard*, *Doubtful* and *Loss* based on the overdue status and other qualitative factors.

NOTE TO THE INTERIM SEPARATE FINANCIAL STATEMENTS (continued)  
as at 30 September 2019 and for the nine-month period then ended

**4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**4.26 Offsetting**

Financial assets and financial liabilities are offset and the net amount is reported in the interim separate balance sheet if, and only if, there is a currently enforceable legal right to offset financial assets against financial liabilities or vice-versa, and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.

**4.27 Derivatives**

The Bank involves in currency forward contracts, swap contracts, option contracts and futures contract to facilitate customers to transfer, modify or minimize foreign exchange risk or other market risks, and also for the business purpose of the Bank.

*Currency forward contracts*

The currency forward contracts are commitments to settle in cash in pre-determined currency on pre-determined future date based on pre-determined exchange rates. The currency forward contracts are recognized at nominal value at the transaction date and are revalued for reporting purpose at the exchange rate at the reporting date. Gains or losses are recognized in the "Foreign exchange differences" under "Owners' equity" in the interim separate balance sheet and will be transferred to the separate income statement at the end of the financial year.

*Swap contracts*

The swap contracts are commitments to settle in cash on a pre-determined future date based on pre-determined exchange rates calculated on the notional principal amount or commitments to settle interest based on a floating rate or a fixed rate calculated on the notional amount and in a given period.

The currency swap contracts are revalued periodically. Gains or losses are recognized in the "Foreign exchange differences" under "Owners' equity" in the interim separate balance sheet and will be transferred to the separate income statement at the end of the financial year.

Differences in interest rate swaps are recognized in the interim separate income statement on an accrual basis.

*Option contracts*

Option contracts are commitments between the buyer and the seller (VPBank), in which, the buyer has a right but not an obligation to purchase or sell a fixed amount of foreign currency at a predetermined exchange rate within a predetermined period. In case the buyer choose to execute their rights, the seller have the obligation to sell or buy a fixed amount of foreign currency at the predetermined exchange rate.

The price of option contracts (option contract fee), which the Bank has received, is allocated on a straight line basis into "Net gain/(loss) from trading of foreign currencies" during the outstanding period of the contract.

*Government bond futures contract*

Government bond futures contract (GBFC) are commitments to buy or sell a certain number of underlying assets, namely government bonds or hypothetical bonds, that have similar characteristics as a government bond issued by the State Treasury ( or otherwise prescribed by law) at a predetermined price on a predetermined future date.

During the holding period, on daily basis, based on the results of the evaluation of profit/loss position for each bond futures contract code, the Bank recognized in "Income from other activities" or "Expenses from other activities" under consolidated income statement.



NOTE TO THE INTERIM SEPARATE FINANCIAL STATEMENTS (continued)  
as at 30 September 2019 and for the nine-month period then ended

#### 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

##### 4.28 Employee benefits

###### 4.28.1 Post-employment benefits

Post-employment benefits are paid to retired employees of the Bank by the Social Insurance Agency which belongs to the Ministry of Labor, Invalids and Social Affairs. The Bank is required to contribute to these post-employment benefits by paying social insurance premium to the Social Insurance Agency at the rate of 17.5% of an employee's gross monthly salary under regulations. Other than that, the Bank has no further obligation relating to post-employment benefits.

###### 4.28.2 Voluntary resignation benefits

The Bank has the obligation, under Article 48 of the Vietnam Labor Code No. 10/2012/QH13 effective from 1 May 2013, to pay allowance arising from voluntary resignation of employees, equal to a half of monthly salary for each year of employment up to 31 December 2008 plus salary allowances (if any). From 1 January 2009, the average monthly salary used in this calculation is the average monthly salary of the latest six months up to the resignation date.

###### 4.28.3 Unemployment insurance

According to Circular No. 28/2015/TT-BLĐTBXH on guidelines for Article 52 of the Law on Employment and Decree No. 28/2015/ND-CP dated 12 March 2015 of the Government on guidelines for the Law on Employment in term of unemployment insurance, the Bank is required to contribute to the unemployment insurance at the rate of 1% of salary and wage fund of unemployment insurance joiners and deduct 1% of monthly salary and wage of each employee to contribute to the unemployment insurance.

#### 5. CASH, GOLD AND GEMSTONES

	30 September 2019 VND million	31 December 2018 VND million
Cash on hand in VND	1,635,954	1,227,415
Cash on hand in foreign currencies	500,102	548,625
Monetary gold	289,820	79,433
	<b>2,425,876</b>	<b>1,855,473</b>

#### 6. BALANCES WITH THE STATE BANK OF VIETNAM

	30 September 2019 VND million	31 December 2018 VND million
In VND	977,948	9,970,845
In foreign currencies	221,959	361,595
	<b>1,199,907</b>	<b>10,332,440</b>

Balances with the SBV include current account and compulsory reserves. As at 30 September 2019, compulsory reserve in VND and current account in foreign currencies bear interest at rate of 1.20% p.a. and 0.05% p.a., respectively (31 December 2018: 1.20% p.a. and 0.05% p.a., respectively).

Under the SBV regulations, the Bank is required to maintain certain cash reserve with the SBV in the form of compulsory reserve. In the accounting period ended 30 September 2019, the required cash reserves of customer deposits in VND and foreign currencies having maturity of less than 12 months are computed at 3.00% and 8.00%, respectively (2018: 3.00% and 8.00%, respectively) and having maturity of over 12 months are computed at 1.00% and 6.00% (2018: 1.00% and 6.00% respectively).

NOTE TO THE INTERIM SEPARATE FINANCIAL STATEMENTS (continued)  
as at 30 September 2019 and for the nine-month period then ended

**7. PLACEMENT WITH AND CREDIT GRANTING TO OTHER CREDIT INSTITUTIONS**

**7.1 Placement with other credit institutions**

	<i>30 September 2019</i>	<i>31 December 2018</i>
	<i>VND million</i>	<i>VND million</i>
<b>Demand deposits</b>	<b>1,457,552</b>	<b>11,096,325</b>
- In VND	562,553	9,020,275
- In foreign currencies	894,999	2,076,050
<b>Term deposits</b>	<b>10,510,000</b>	<b>4,836,750</b>
- In VND	10,220,000	4,163,370
- In foreign currencies	290,000	673,380
	<b>11,967,552</b>	<b>15,933,075</b>

**7.2 Credit granting to other credit institutions**

	<i>30 September 2019</i>	<i>31 December 2018</i>
	<i>VND million</i>	<i>VND million</i>
In VND	1,480,942	769,463

Analysis of outstanding term deposits and credit granting to other credit institutions by quality at the reporting date are as follows:

	<i>30 September 2019</i>	<i>31 December 2018</i>
	<i>VND million</i>	<i>VND million</i>
Current	11,990,942	5,606,213
Special mention	-	-
Substandard	-	-
Doubtful	-	-
Loss	-	-
	<b>11,990,942</b>	<b>5,606,213</b>

NOTE TO THE INTERIM SEPARATE FINANCIAL STATEMENTS (continued)  
as at 30 September 2019 and for the nine-month period then ended

## 8. SECURITIES HELD FOR TRADING

### 8.1 Debt securities

	<i>30 September 2019</i> <i>VND million</i>	<i>31 December 2018</i> <i>VND million</i>
Government and municipal securities	2,864,216	4,240,742
	<b>2,864,216</b>	<b>4,240,742</b>
<b>Provision for securities held for trading</b>	<b>(7,643)</b>	<b>(38,329)</b>
Provision for dilution of securities held for trading	(7,643)	(38,329)
	<b>2,856,573</b>	<b>4,202,413</b>

Changes in provision for securities held for trading in the period are as follows:

	<i>For the nine-month</i> <i>period ended 30</i> <i>September 2019</i> <i>VND million</i>	<i>For the nine-month</i> <i>period ended 30</i> <i>September 2018</i> <i>VND million</i>
Opening balance	38,329	-
Provision (reversed)/ charged in the period (Note 29)	(30,686)	18,521
<b>Closing balance</b>	<b>7,643</b>	<b>18,521</b>

### 8.2 Securities held for trading by listing status

	<i>30 September 2019</i> <i>VND million</i>	<i>31 December 2018</i> <i>VND million</i>
<b>Debt securities</b>		
Listed	2,864,216	4,240,742

NOTE TO THE INTERIM SEPARATE FINANCIAL STATEMENTS (continued)  
as at 30 September 2019 and for the nine-month period then ended

## 9. DERIVATIVES AND OTHER FINANCIAL LIABILITIES

	<i>Total contract nominal value (at contractual exchange rate)</i> VND million	<i>Total carrying value (at exchange rate as at reporting date)</i>		<i>Net value</i> VND million
		<i>Assets</i> VND million	<i>Liabilities</i> VND million	
<b>As at 30 September 2019</b>				
<b>Derivative financial instruments</b>				
Currency forward contracts	34,828,951	34,717,225	(34,693,054)	24,171
Currency swap contracts	7,132,830	7,130,651	(7,049,863)	80,788
	27,696,121	27,586,574	(27,643,191)	(56,617)
<b>Other derivative financial instruments</b>				
	4,824,876	3,858,167	(3,883,364)	(25,197)
	<b>39,653,827</b>	<b>38,575,392</b>	<b>(38,576,418)</b>	<b>(1,026)</b>
<b>As at 31 December 2018</b>				
<b>Derivative financial instruments</b>				
Currency forward contracts	33,328,424	33,198,097	(33,212,303)	(14,206)
Currency swap contracts	7,030,491	7,006,722	(6,995,804)	10,918
	26,297,933	26,191,375	(26,216,499)	(25,124)
<b>Other derivative financial instruments</b>				
	6,282,425	4,308,307	(4,362,545)	(54,238)
	<b>39,610,849</b>	<b>37,506,404</b>	<b>(37,574,848)</b>	<b>(68,444)</b>

## 10. LOANS TO CUSTOMERS

	30 September 2019		31 December 2018	
	VND million	%	VND million	%
Loans to domestic economic entities and individuals	178,959,093	94.42	160,714,894	95.56
Discounted bills and valuable papers	145,846	0.08	152,527	0.09
Payments on behalf of customers	131	0.00	1,381	0.00
Loans financed by borrowed and entrusted funds	397,529	0.21	488,959	0.29
Loans to foreign economic entities and individuals	119	0.00	220	0.00
Other credit granting to customers	10,031,618	5.29	6,831,816	4.06
	<b>189,534,336</b>	<b>100</b>	<b>168,189,797</b>	<b>100</b>

NOTE TO THE INTERIM SEPARATE FINANCIAL STATEMENTS (continued)  
as at 30 September 2019 and for the nine-month period then ended

## 10. LOANS TO CUSTOMERS (continued)

### 10.1 Analysis of loan portfolio by quality

Analysis of loan portfolio by quality at the end of the reporting date are as follows:

	30 September 2019 VND million	31 December 2018 VND million
Current	177,858,984	157,331,042
Special mention	6,158,865	6,277,727
Substandard	1,741,501	1,466,779
Doubtful	1,364,003	1,261,627
Loss	2,410,983	1,852,622
	<b>189,534,336</b>	<b>168,189,797</b>

### 10.2 Analysis of loan portfolio by original maturity

	30 September 2019 VND million	31 December 2018 VND million
Short term	75,201,369	62,283,673
Medium term	59,669,476	57,014,773
Long term	54,663,491	48,891,351
	<b>189,534,336</b>	<b>168,189,797</b>

### 10.3 Analysis of loan portfolio by ownership and type of customers

	30 September 2019		31 December 2018	
	VND million	%	VND million	%
State-owned companies	2,199,564	1.16	2,149,158	1.28
One-member limited liability companies with the State owning 100% of capital	790,546	0.42	830,083	0.49
Two or more members limited liability companies with the State owning over 50% of capital or being controlled by the State	36,651	0.02	17,358	0.01
Other limited liability companies	40,972,076	21.62	37,131,870	22.08
Joint stock companies with the State owning over 50% of capital or ordinary shares; or being controlled by the State	278,826	0.15	412,641	0.25
Other joint-stock companies	60,156,508	30.26	48,138,161	28.62
Private enterprises	398,324	0.21	476,169	0.28
Foreign invested enterprises	178,871	0.09	399,702	0.24
Co-operatives and unions of co- operative	48,434	0.03	68,449	0.04
Household business and individuals	84,465,397	44.56	78,559,420	46.71
Operation administration entity, the Party, unions and associations	8,225	0.00	5,826	0.00
Others	914	1.48	960	0.00
	<b>189,534,336</b>	<b>100</b>	<b>168,189,797</b>	<b>100</b>

NOTE TO THE INTERIM SEPARATE FINANCIAL STATEMENTS (continued)  
as at 30 September 2019 and for the nine-month period then ended

10. LOANS TO CUSTOMERS (continued)

10.4 Analysis of loan portfolio by sector

	30 September 2019		31 December 2018	
	VND million	%	VND million	%
Agricultural, forestry and aquaculture	882,377	0.47	1,149,359	0.68
Mining	878,246	0.46	391,618	0.23
Processing, manufacturing	12,686,175	6.69	11,938,173	7.10
Electricity, petroleum and steam	2,420,054	1.28	1,865,916	1.11
Water supply and waste treatment	196,810	0.10	216,406	0.13
Construction	20,323,487	10.72	19,234,916	11.44
Wholesale and retail trade, repair of motor vehicles, motor cycles and personal goods	28,398,010	14.98	24,644,053	14.65
Transportation and logistics	7,591,638	4.01	7,945,263	4.72
Hospitality and restaurants	12,807,986	6.76	9,902,603	5.89
Information and media	369,767	0.20	396,897	0.24
Finance, banking and insurance services	4,046,268	2.13	3,469,632	2.06
Real estates	24,330,444	12.84	19,674,243	11.70
Scientific research and technology	730,939	0.39	638,907	0.38
Administrative activities and support services	1,494,045	0.79	1,563,129	0.93
Activities of the Communist Party, political - social organizations, state management, security and defense	7,261	0.00	11,539	0.01
Education and vocational training	224,228	0.12	327,506	0.19
Healthcare and community development	49,914	0.03	34,359	0.02
Recreational, cultural, sporting activities	331,104	0.17	214,758	0.13
Other services	383,012	0.20	333,180	0.20
Households services, production of material products and services used by households	46,805,032	24.70	44,389,183	26.39
Individual borrowing for accommodation purpose and obtain land use rights	24,573,956	12.98	19,839,780	11.80
Activities of other foreign organizations and offices	3,583	0.00	8,377	0.00
	<b>189,534,336</b>	<b>100</b>	<b>168,189,797</b>	<b>100</b>

NOTE TO THE INTERIM SEPARATE FINANCIAL STATEMENTS (continued)  
as at 30 September 2019 and for the nine-month period then ended

#### 11. PROVISION FOR CREDIT LOSSES OF LOANS TO CUSTOMERS

Provision for credit losses of loans to customers at the reporting date are as follows:

	<i>30 September 2019</i> <i>VND million</i>	<i>31 December 2018</i> <i>VND million</i>
General provision	1,401,283	1,170,317
Specific provision	1,628,842	1,245,411
	<b>3,030,125</b>	<b>2,415,728</b>

Changes in provision for credit losses of loans to customers for the nine-month period ended 30 September 2019 are as follows:

	<i>General provision VND million</i>	<i>Specific provision VND million</i>	<i>Total VND million</i>
Opening balance	1,170,317	1,245,411	2,415,728
Provision charged in the period (Note 34)	230,966	2,636,066	2,867,032
Change in provision due to purchase of debts sold to VAMC	-	378,614	378,614
Provision used to write-off bad debts	-	(2,631,249)	(2,631,249)
<b>Closing balance</b>	<b>1,401,283</b>	<b>1,628,842</b>	<b>3,030,125</b>

Changes in provision for credit losses of loans to customers for the nine-month period 30 September 2018 ended are as follows:

	<i>General provision VND million</i>	<i>Specific provision VND million</i>	<i>Total VND million</i>
Opening balance	965,363	1,118,196	2,083,559
Provision charged in the period (Note 34)	161,295	2,069,657	2,230,952
Provision used to write-off bad debts	-	(1,586,737)	(1,586,737)
<b>Closing balance</b>	<b>1,126,658</b>	<b>1,601,116</b>	<b>2,727,774</b>

#### 12. DEBTS PURCHASED

	<i>30 September 2019</i> <i>VND million</i>	<i>31 December 2018</i> <i>VND million</i>
Debts purchased in VND	4,426,870	501,973
Provision for debts purchased	(29,530)	-
	<b>4,397,340</b>	<b>501,973</b>

Analysis by quality of debts purchased at reporting date is as below:

	<i>30 September 2019</i> <i>VND million</i>	<i>31 December 2018</i> <i>VND million</i>
Current	4,426,191	501,973
Special mention	531	-
Substandard	48	-
Doubtful	33	-
Loss	67	-
	<b>4,426,870</b>	<b>501,973</b>

NOTE TO THE INTERIM SEPARATE FINANCIAL STATEMENTS (continued)  
as at 30 September 2019 and for the nine-month period then ended

## 12. DEBTS PURCHASED (continued)

Changes in provision for debt purchased for the nine-month period are as follows:

	<i>For the nine-month period ended 30 September 2019 VND million</i>	<i>For the nine-month period ended 30 September 2018 VND million</i>
Opening balance	-	-
General provision charged in the period (Note 34)	29,530	-
<b>Closing balance</b>	<b>29,530</b>	-

## 13. INVESTMENT SECURITIES

### 13.1 Available-for-sale securities

	<i>30 September 2019 VND million</i>	<i>31 December 2018 VND million</i>
<b>Debt securities</b>	<b>62,296,088</b>	<b>49,401,800</b>
Government and municipal securities	28,714,795	23,476,465
Treasury bill	2,587,900	-
Debts securities issued by other domestic credit institutions	20,418,065	17,097,423
<i>In which: Bonds guaranteed by the Government</i>	<i>4,266,029</i>	<i>6,533,088</i>
Debt securities issued by local economic entities	10,575,328	8,827,912
<b>Equity securities</b>	<b>15,357</b>	<b>15,357</b>
Equity securities issued by domestic economic entities	15,357	15,357
	<b>62,311,445</b>	<b>49,417,157</b>
<b>Provision for available-for-sale securities</b>	<b>(175,254)</b>	<b>(265,319)</b>
Diminution provision	(17,130)	(83,901)
General provision	(158,124)	(181,418)
	<b>62,136,191</b>	<b>49,151,838</b>

Face value of bonds pledged for capital mobilization contracts as at 30 September 2019 amounted to VND10,210,000 million (31 December 2018: VND13,277,938 million).

Face value of bonds sold under agreement to repurchase as at 30 September 2019 amounted to VND4,800,000 million (31 December 2018: VND7,550,000 million).

Analysis of available for sales securities by listing status:

	<i>30 September 2019 VND million</i>	<i>31 December 2018 VND million</i>
Listed bills	2,587,900	-
Listed bonds	32,980,824	30,009,553
Unlisted bonds (Note 13.4)	19,297,499	15,392,019
Other unlisted debt securities	7,429,865	4,000,228
Listed equity securities	15,357	15,357
	<b>62,311,445</b>	<b>49,417,157</b>



NOTE TO THE INTERIM SEPARATE FINANCIAL STATEMENTS (continued)  
as at 30 September 2019 and for the nine-month period then ended

**13. INVESTMENT SECURITIES (continued)**

**13.4 Analysis of investment securities by quality**

Analysis by quality of investment securities classified as credit risk bearing assets at the end of the period is as below:

	<u>30 September 2019</u> <u>VND million</u>	<u>31 December 2018</u> <u>VND million</u>
Current	19,297,499	15,392,019
Special mention	-	-
Substandard	-	-
Doubtful	-	-
Loss	-	-
	<u>19,297,499</u>	<u>15,392,019</u>

**14. LONG-TERM INVESTMENTS**

**14.1 Investments in subsidiaries**

	<u>% owned</u>	<u>30 September 2019</u> <u>VND million</u>	<u>31 December 2018</u> <u>VND million</u>
VPBank Asset Management Company Limited	100%	115,000	115,000
VPBank Finance Company Limited	100%	7,552,035	7,552,035
		<u>7,667,035</u>	<u>7,667,035</u>

**14.2 Other long-term investments**

	<u>30 September 2019</u>		<u>31 December 2018</u>	
	<u>Cost</u> <u>VND million</u>	<u>% owned</u>	<u>Cost</u> <u>VND million</u>	<u>% owned</u>
<b>Investments in economic entities</b>				
ITRACO Transportation Joint Stock Company (ITRACO JSC)	21	0.64	21	0.64
Dong Xuan Joint Stock Company (Dong Xuan JSC)	5,000	10.00	5,000	10.00
Banking Training and Consultancy JSC (BTC)	371	5.29	371	5.29
Vietnam Credit Information JSC (PCB)	3,934	3.28	3,934	3.28
Sai Gon Port Joint-Stock Company	185,276	7.44	185,276	7.44
OPES Insurance Joint-Stock Company	33,000	11.00	33,000	11.00
	<u>227,602</u>		<u>227,602</u>	
<b>Provision for other long-term investments</b>	<u>(41,292)</u>		<u>(36,948)</u>	
	<u>186,310</u>		<u>190,654</u>	

NOTE TO THE INTERIM SEPARATE FINANCIAL STATEMENTS (continued)  
as at 30 September 2019 and for the nine-month period then ended

**13. INVESTMENT SECURITIES (continued)**

**13.2 Held-to-maturity securities**

	<u>30 September 2019</u> VND million	<u>31 December 2018</u> VND million
Special bonds	908,624	3,161,133
Provision for special bonds	(402,366)	(790,355)
	<u>506,258</u>	<u>2,370,778</u>

Special bonds as at 30 September 2019 and 31 December 2018 are bonds issued by VAMC with term of 5 years and bear no interest.

**13.3 Provision for investment securities**

Movement of provision for investment securities during the nine-month period ended 30 September 2019 is as follows:

	<i>Available-for-sale securities</i> VND million	<i>Held-to-maturity securities</i> VND million	<i>Total</i> VND million
Opening balance	265,319	790,355	1,055,674
Provision (reversed)/charged in the period	(90,065)	982,325	892,260
<i>In which:</i>			
Special bonds (Note 34)	-	982,325	982,325
Other securities (Note 30)	(90,065)	-	(90,065)
Provision used to write-off bad debts	-	(1,370,314)	(1,370,314)
<b>Closing balance</b>	<u>175,254</u>	<u>402,366</u>	<u>577,620</u>

Movement of provision for investment securities during the nine-month period ended 30 September 2018 is as follows:

	<i>Available-for-sale securities</i> VND million	<i>Held-to-maturity securities</i> VND million	<i>Total</i> VND million
Opening balance	161,117	816,749	977,866
Provision charged in the period	56,529	322,015	378,544
<i>In which:</i>			
Special bonds (Note 34)	-	322,015	322,015
Other securities (Note 30)	56,529	-	56,529
<b>Closing balance</b>	<u>217,646</u>	<u>1,138,764</u>	<u>1,356,410</u>

NOTE TO THE INTERIM SEPARATE FINANCIAL STATEMENTS (continued)  
as at 30 September 2019 and for the nine-month period then ended**14. LONG-TERM INVESTMENTS (continued)****14.3 Provision for other long-term investments**

Changes in provision for other long-term investments in the period are as follows:

	<i>For the nine-month period ended 30 September 2019 VND million</i>	<i>For the nine-month period ended 30 September 2018 VND million</i>
Opening balance	36,948	42,096
Provision charged/(reversed) in the period (Note 33)	4,344	(3,700)
<b>Closing balance</b>	<b>41,292</b>	<b>38,396</b>

NOTE TO THE INTERIM SEPARATE FINANCIAL STATEMENTS (continued)  
as at 30 September 2019 and for the nine-month period then ended

## 15. FIXED ASSETS

### 15.1 Tangible fixed assets

Movements of tangible fixed assets in the nine-month period are as follows:

	<i>Building and architectonic models VND million</i>	<i>Machines and equipment VND million</i>	<i>Motor vehicles VND million</i>	<i>Office equipment VND million</i>	<i>Other VND million</i>	<i>Total VND million</i>
<b>Cost</b>						
Opening balance	987,005	590,618	109,725	103,757	69,018	1,860,123
Purchases in the period	-	2,644	2,428	2,782	-	7,854
Other increase/(decrease)	(15,147)	70,930	5,666	25,033	2,858	89,340
Disposal	-	(434)	-	(936)	(768)	(2,138)
<b>Closing balance</b>	<b>971,858</b>	<b>663,758</b>	<b>117,819</b>	<b>130,636</b>	<b>71,108</b>	<b>1,955,179</b>
<b>Accumulated depreciation</b>						
Opening balance	25,454	379,546	72,645	77,119	46,214	600,978
Charge for the period	19,350	74,916	10,073	15,087	8,929	128,355
Other increase	-	-	-	10	-	10
Disposal	-	(434)	-	(937)	(690)	(2,061)
<b>Closing balance</b>	<b>44,804</b>	<b>454,028</b>	<b>82,718</b>	<b>91,279</b>	<b>54,453</b>	<b>727,282</b>
<b>Net book value</b>						
As at beginning date	961,551	211,072	37,080	26,638	22,804	1,259,145
<b>As at closing date</b>	<b>927,054</b>	<b>209,730</b>	<b>35,101</b>	<b>39,357</b>	<b>16,655</b>	<b>1,227,897</b>

Cost of fully-depreciated tangible fixed assets which are still in active use as at 30 September 2019 is VND392,940 million (31 December 2018: VND321,819 million).

NOTE TO THE INTERIM SEPARATE FINANCIAL STATEMENTS (continued)  
as at 30 September 2019 and for the nine-month period then ended

**15. FIXED ASSETS (continued)**

**15.2 Intangible fixed assets**

Movements of intangible fixed assets in the nine-month period are as follows:

	<i>Land use rights</i> VND million	<i>Computer software</i> VND million	<i>Total</i> VND million
<b>Cost</b>			
Opening balance	69,147	473,466	542,613
Purchases in the period	-	14,244	14,244
Other increase	-	15,780	15,780
<b>Closing balance</b>	<b>69,147</b>	<b>503,490</b>	<b>572,637</b>
<b>Accumulated amortization</b>			
Opening balance	868	268,082	268,950
Charge for the period	-	67,817	67,817
<b>Closing balance</b>	<b>868</b>	<b>335,899</b>	<b>336,767</b>
<b>Net book value</b>			
At the beginning date	68,279	205,384	273,663
<b>At the closing date</b>	<b>68,279</b>	<b>167,591</b>	<b>235,870</b>

Cost of fully-depreciated intangible fixed assets which are still in active use as at 30 September 2019 is VND159,584 million (31 December 2018: VND148,273 million).

**16. OTHER ASSETS**

**16.1 Receivables**

	<i>30 September 2019</i> VND million	<i>31 December 2018</i> VND million
Internal receivables	154,082	72,524
External receivables	10,294,772	9,104,173
- <i>Receivables related to usance letters of credit</i>	8,833,204	7,730,707
- <i>Deposits and receivable for government bond future contract</i>	6,312	-
- <i>Deposits for economic contracts</i>	669,186	677,310
- <i>Credit risk bearing assets</i>	165	36,165
- <i>Receivable in settlement operation</i>	257,344	243,669
- <i>Advances to suppliers</i>	175,249	132,092
- <i>Other external receivables</i>	353,312	284,230
Purchase of fixed assets	72,642	58,575
Construction in progress	2,820	40,034
	<b>10,524,316</b>	<b>9,275,306</b>

NOTE TO THE INTERIM SEPARATE FINANCIAL STATEMENTS (continued)  
as at 30 September 2019 and for the nine-month period then ended

**16. OTHER ASSETS (continued)**

**16.1 Receivables (continued)**

Analysis by quality of receivables classified as credit risk bearing assets at the end of the nine-month period is as below:

	<i>30 September 2019</i> <i>VND million</i>	<i>31 December 2018</i> <i>VND million</i>
Current	-	36,000
Special mention	-	-
Substandard	-	-
Doubtful	-	-
Loss	165	165
	<b>165</b>	<b>36,165</b>

**16.2 Accrued interest and fee receivables**

	<i>30 September 2019</i> <i>VND million</i>	<i>31 December 2018</i> <i>VND million</i>
Interest receivable from deposits	29,246	20,608
Interest receivable from investment securities	1,650,702	1,683,803
Interest receivable from credit activities	1,872,895	1,403,210
Interest receivable from derivative instruments	128,697	97,868
Interest receivable from debt purchase	240,513	493
Other fee receivables	74,377	62,872
	<b>3,996,430</b>	<b>3,268,854</b>

**16.3 Other assets**

	<i>30 September 2019</i> <i>VND million</i>	<i>31 December 2018</i> <i>VND million</i>
Materials	8,453	13,155
Prepaid expenses	844,342	677,681
Assets in substitution for the obligation performance of securers who have transferred the ownership to the Bank in compliance with the SBV's regulations	558,289	662,011
<i>Including: Real estates</i>	558,289	662,011
	<b>1,411,084</b>	<b>1,352,847</b>

NOTE TO THE INTERIM SEPARATE FINANCIAL STATEMENTS (continued)  
as at 30 September 2019 and for the nine-month period then ended

**16. OTHER ASSETS (continued)**

**16.4 Provision for other assets**

Provision for other assets include provision for impairment of credit risk bearing assets and other receivables. Change of provision for other assets in the period are as follows:

	<i>For the nine-month period ended 30 September 2019 VND million</i>	<i>For the nine-month period ended 30 September 2018 VND million</i>
Opening balance	20,826	16,861
Provision charged in the period	17,439	20,707
<i>In which:</i>		
<i>Charge of provision for doubtful debts     (Note 33)</i>	<u>17,439</u>	<u>20,707</u>
<b>Closing balance</b>	<b><u>38,265</u></b>	<b><u>37,568</u></b>

Details of provision for other assets are as follows:

	<i>30 September 2019 VND million</i>	<i>31 December 2018 VND million</i>
Provision for credit risks	165	165
- <i>General provision</i>	-	-
- <i>Specific provision</i>	165	165
Provision for doubtful debts	<u>38,100</u>	<u>20,661</u>
	<b><u>38,265</u></b>	<b><u>20,826</u></b>

**17. AMOUNTS DUE TO THE GOVERNMENT AND THE STATE BANK OF VIETNAM**

	<i>30 September 2019 VND million</i>	<i>31 December 2018 VND million</i>
<b>Borrowings from the State Bank of Vietnam</b>	<b>19,968</b>	<b>1,781,343</b>
Discount, rediscount of valuable papers	-	1,759,184
Other borrowings	19,968	22,159
<b>Deposits of the State Treasury</b>	<b>2,000,000</b>	<b>2,000,000</b>
Deposits of the State Treasury	2,000,000	2,000,000
	<b><u>2,019,968</u></b>	<b><u>3,781,343</u></b>

NOTE TO THE INTERIM SEPARATE FINANCIAL STATEMENTS (continued)  
as at 30 September 2019 and for the nine-month period then ended

**18. DEPOSITS AND BORROWINGS FROM FINANCIAL INSTITUTIONS AND OTHER CREDIT INSTITUTIONS**

**18.1 Deposits from other credit institutions**

	<u>30 September 2019</u> VND million	<u>31 December 2018</u> VND million
<b>Demand deposits</b>	<b>601,447</b>	<b>4,624,941</b>
In VND	592,458	4,622,996
In foreign currencies	8,989	1,945
<b>Term deposits</b>	<b>4,416,000</b>	<b>17,130,085</b>
In VND	4,416,000	14,262,415
In foreign currencies	-	2,867,670
	<u><b>5,017,447</b></u>	<u><b>21,755,026</b></u>

**18.2 Borrowings from financial institutions and other credit institutions**

	<u>30 September 2019</u> VND million	<u>31 December 2018</u> VND million
<b>Payables arising from usance letters of credit</b>	<b>8,865,181</b>	<b>7,730,682</b>
<b>Borrowings from financial institutions and other credit institutions</b>	<b>8,315,341</b>	<b>10,954,910</b>
In VND	5,504,300	6,853,907
In foreign currencies (*)	2,811,041	4,101,003
	<u><b>17,180,522</b></u>	<u><b>18,685,592</b></u>

(\*) Including VND1,353,465 million borrowed from International Finance Company as at 30 September 2019 (31 December 2018: VND3,103,829 million).



NOTE TO THE INTERIM SEPARATE FINANCIAL STATEMENTS (continued)  
as at 30 September 2019 and for the nine-month period then ended

**18. DEPOSITS AND BORROWINGS FROM FINANCIAL INSTITUTIONS AND OTHER CREDIT INSTITUTIONS (continued)**

**18.2 Borrowings from financial institutions and other credit institutions (continued)**

Analysis of borrowings from financial institutions and other credit institutions by original maturity:

	<i>30 September 2019</i>	<i>31 December 2018</i>
	<i>VND million</i>	<i>VND million</i>
Up to 6 months	5,266,966	6,647,360
From over 12 months to 5 years	2,922,479	4,115,268
Over 5 years	125,896	192,282
	<b>8,315,341</b>	<b>10,954,910</b>

**19. CUSTOMER DEPOSITS**

	<i>30 September 2019</i>	<i>31 December 2018</i>
	<i>VND million</i>	<i>VND million</i>
Demand deposits	20,379,656	22,634,202
- <i>In VND</i>	19,240,289	20,028,604
- <i>In foreign currencies</i>	1,139,367	2,605,598
Term deposits	181,302,463	144,184,871
- <i>In VND</i>	178,786,809	141,080,833
- <i>In foreign currencies</i>	2,515,654	3,104,038
Deposits for specific purposes	84,002	109,518
- <i>In VND</i>	20,100	63,262
- <i>In foreign currencies</i>	63,902	46,256
Margin deposits	770,020	633,077
- <i>In VND</i>	679,092	548,204
- <i>In foreign currencies</i>	90,928	84,873
	<b>202,536,141</b>	<b>167,561,668</b>

NOTE TO THE INTERIM SEPARATE FINANCIAL STATEMENTS (continued)  
as at 30 September 2019 and for the nine-month period then ended

**19. CUSTOMER DEPOSITS (continued)**

Analysis of customer deposits by type of customers and by type of entities is as follows:

	30 September 2019		31 December 2018	
	VND million	%	VND million	%
State-owned companies	2,230,436	1.10	2,413,160	1.44
One-member limited liability companies with the State owning 100% of capital	1,676,971	0.83	649,260	0.39
Two or more member limited liability companies with the State owning over 50% of capital or controlled by the State	866,646	0.28	209,850	0.13
Other limited liability companies	20,730,045	10.24	18,304,885	10.92
Joint stock companies with the State owning over 50% of capital or ordinary shares; or controlled by the State	3,030,447	1.50	1,907,339	1.14
Other joint-stock companies	38,379,191	18.95	35,438,982	21.15
Partnership companies	4,532	0.00	2,370	0.00
Private enterprises	49,527	0.02	76,874	0.05
Foreign invested enterprises	346,220	0.17	641,600	0.38
Co-operatives and unions of co-operative	18,242	0.01	28,047	0.02
Household business and individuals	132,122,901	65.23	105,126,089	62.73
Operation administration entity, the Party, unions and associations	2,997,227	1.48	2,708,927	1.62
Others	83,756	0.19	54,285	0.03
	<b>202,536,141</b>	<b>100</b>	<b>167,561,668</b>	<b>100</b>

**20. OTHER BORROWED AND ENTRUSTED FUNDS**

	30 September 2019	31 December 2018
	VND million	VND million
Borrowed and entrusted funds in VND from Official Development Assistance (ODA)	304,897	329,649

Other borrowed and entrusted funds have terms from 3 years to 10 years and bear interest at rate of 5.16% per annum (31 December 2018: terms from 3 years to 10 years and bear interest at rate of 4.97% per annum)

**21. VALUABLE PAPERS ISSUED**

Valuable papers issued by original term are as follows:

	30 September 2019	31 December 2018
	VND million	VND million
Under 12 months	125,168	959,203
From 12 months up to 5 years	24,741,276	20,354,357
From 5 years and above	4,100,455	3,526,362
	<b>28,966,899</b>	<b>24,839,922</b>

NOTE TO THE INTERIM SEPARATE FINANCIAL STATEMENTS (continued)  
as at 30 September 2019 and for the nine-month period then ended

## 21. VALUABLE PAPERS ISSUED (continued)

Types of valuable papers issued are as follows:

	<u>30 September 2019</u> VND million	<u>31 December 2018</u> VND million
Certificates of deposit to retail customers	1,834,259	10,005,918
Certificates of deposit to institutions	1,416,800	906,800
Bonds (*)	25,715,840	13,927,204
	<u>28,966,899</u>	<u>24,839,922</u>

(\*) Including bonds with the amount of VND1,876,960 million eligible to be the Bank's own capital (31 December 2018: VND2,876,960 million).

(\*) Including USD300 million, equivalent to VND6,960,000 million, international issued bonds with term of 36 months, issued on 17 July 2019

## 22. OTHER LIABILITIES

### 22.1 Interest and fees payable

	<u>30 September 2019</u> VND million	<u>31 December 2018</u> VND million
Interest payables for customer term deposits	1,435,862	1,033,308
Interest payables for customer saving deposits	2,875,926	1,755,201
Interest payables for valuable papers issued	1,198,113	1,232,307
Interest payables for borrowings from financial institutions and other credit institutions	168,827	119,073
Interest payables for other borrowed and entrusted funds	262	19,113
Interest payables for derivative financial instruments	108,111	101,967
Fee payables	961	791
	<u>5,788,062</u>	<u>4,261,760</u>

### 22.2 Other liabilities

	<u>30 September 2019</u> VND million	<u>31 December 2018</u> VND million
<b>Internal payables</b>	<b>484,249</b>	<b>390,235</b>
Payables to employees	484,249	390,235
<b>External payables</b>	<b>1,503,253</b>	<b>1,958,823</b>
Unearned income	64,265	83,056
Transfer payments awaiting settlement	432,851	553,217
Taxes payable to the State Budget (Note 23)	387,753	489,654
Payables in settlement operation	286,610	471,014
Payables to suppliers	12,276	14,168
Other payables	319,498	347,714
	<u>1,987,502</u>	<u>2,349,058</u>

NOTE TO THE INTERIM SEPARATE FINANCIAL STATEMENTS (continued)  
as at 30 September 2019 and for the nine-month period then ended

### 23. TAXES AND OTHER OBLIGATIONS TO THE STATE BUDGET

	Opening balance VND million	Movements in the Period		Closing balance VND million
		Payables VND million	Paid VND million	
Value added tax	10,073	70,608	(71,134)	9,547
Corporate income tax	440,527	741,395	(821,278)	360,644
Other tax	39,054	226,907	(248,399)	17,562
	<b>489,654</b>	<b>1,038,910</b>	<b>(1,140,811)</b>	<b>387,753</b>

#### 23.1 Current corporate income tax

The Bank has the obligation to pay corporate income tax ("CIT") at the rate of 20% of taxable profits according to Circular No. 78/2014/TT-BTC which became effective from 2 August 2014.

The Bank's tax reports are subject to examination by the tax authorities. Because the application of tax laws and regulations to many types of transactions is susceptible to varying interpretations, amount reported in the interim separate financial statements could be changed at a later date upon final determination by the tax authorities.

Current corporate income tax payables are determined based on taxable income of the year. Taxable income differs from the one reported in the interim separate income statement since taxable income excludes incomes which are taxable or expenses which are deducted in prior years due to the differences between the Bank's accounting policies and the tax regulations, and also excludes non-taxable income and non-deductible expenses. The current corporate income tax payable of the Bank is calculated based on the statutory tax rates applicable at the period-end.

Provision for current income tax expense is estimated as follows:

	For the nine- month period ended 30 September 2019 VND million	For the nine- month period ended 30 September 2018 VND million
<b>Profit before tax</b>	<b>5,110,845</b>	<b>6,701,862</b>
Add/(Minus)		
- Non-taxable income	(1,403,870)	(2,855,784)
- Other adjustment	-	(4,303)
<b>Estimated taxable income</b>	<b>3,706,975</b>	<b>3,841,775</b>
Estimated income tax expense using prevailing tax rate	741,395	768,355
Adjustment of tax expenses in previous years	-	34
<b>Income tax expense for the period</b>	<b>741,395</b>	<b>768,389</b>
<b>Income tax payable at the beginning of the period</b>	<b>440,527</b>	<b>404,401</b>
Income tax paid in the period	(821,278)	(764,756)
<b>Current income tax payable at the end of the period</b>	<b>360,644</b>	<b>408,034</b>

#### 23.2 Deferred income tax

No deferred tax was recognized in the year since there was no material temporary difference between the carrying value and the tax base of assets and liabilities in the interim separate financial statements.

# Vietnam Prosperity Joint Stock Commercial Bank

NOTE TO THE INTERIM SEPARATE FINANCIAL STATEMENTS (continued)  
as at 30 September 2019 and for the nine-month period then ended

B05/TCTD

## 24. OWNERS' EQUITY AND RESERVES

### 24.1 Statement of changes in equity

	Charter capital VND million	Share premium VND million	Capital supplementary reserve VND million	Financial reserve VND million	Investment and Development fund VND million	Retained earnings VND million	Foreign exchange differences VND million	Treasury shares VND million	Total VND million
<b>Balance at 1 January 2018</b>	<b>15,706,230</b>	<b>5,866,105</b>	<b>154,694</b>	<b>1,091,310</b>	<b>400,615</b>	<b>2,693,120</b>	-	-	<b>25,912,074</b>
Net profit for the year	-	-	-	-	-	6,914,873	-	-	6,914,873
Issuance of shares from capital supplementary reserve and share premium	4,731,795	(4,577,104)	(154,691)	-	-	-	-	-	-
Dividends paid for preferred shares	-	-	-	-	-	(146,439)	-	-	(146,439)
Capital increase from retained earnings	4,524,704	-	-	-	-	(4,524,704)	-	-	-
Appropriations to reserves	-	-	202,997	405,993	801,159	(1,410,149)	-	-	-
Transfer fee for preferred shares	-	-	-	-	-	-	-	(2,489)	(2,489)
Preferred shares repurchase as treasury shares	-	-	-	-	-	-	-	(2,489,232)	(2,489,232)
Capital increase from share issuance in ESOP	336,951	-	-	-	-	-	-	-	336,951
<b>Balance at 31 December 2018</b>	<b>25,299,680</b>	<b>1,289,001</b>	<b>203,000</b>	<b>1,497,303</b>	<b>1,201,774</b>	<b>3,526,701</b>	-	<b>(2,491,721)</b>	<b>30,525,738</b>
Net profit for the period	-	-	-	-	-	4,369,450	-	-	4,369,450
Appropriations to reserves	-	-	-	-	21,000	(21,000)	-	-	-
Foreign exchange differences	-	-	-	-	-	-	(12,125)	-	(12,125)
<b>Balance at 30 September 2019</b>	<b>25,299,680</b>	<b>1,289,001</b>	<b>203,000</b>	<b>1,497,303</b>	<b>1,222,774</b>	<b>7,875,151</b>	<b>(12,125)</b>	<b>(2,491,721)</b>	<b>34,883,063</b>

24. OWNERS' EQUITY AND RESERVES (continued)

24.2 Equity

	30 September 2019		31 December 2018	
	Shares	VND million	Shares	VND million
Number of registered share:	2,529,967,966	25,299,680	2,529,967,966	25,299,680
Number of shares issued	2,529,967,966	25,299,680	2,529,967,966	25,299,680
- Ordinary shares	2,456,748,366	24,567,484	2,456,748,366	24,567,484
- Preference shares (*)	73,219,600	732,196	73,219,600	732,196
Number of repurchased shares as treasury shares	(73,219,600)	(732,196)	(73,219,600)	(732,196)
- Ordinary shares (*)	(73,219,600)	(732,196)	(73,219,600)	(732,196)
Number of shares in circulation	2,456,748,366	24,567,484	2,456,748,366	24,567,484
- Ordinary shares	2,456,748,366	24,567,484	2,456,748,366	24,567,484

The face value of each share of the Bank is VND10,000.

(\*) Preference shares issued by the Bank are preference dividend shares which earn stable annual dividend and have no voting rights. On 9 July 2018, the Bank repurchased these preference shares as treasury shares in accordance with Decision No. 379/2018/QD-HDQT dated 4 June 2018 by the Board of Directors. After the repurchase, these treasury shares do not have characteristics of preference shares.

25. INTEREST AND SIMILAR INCOME

	For the nine-month period ended	For the nine-month period ended
	30 September 2019 VND million	30 September 2018 VND million
Interest income from deposits	277,220	216,667
Interest income from loans	16,171,262	12,853,812
Interest income from debt securities held for trading and investment securities	2,744,548	2,928,953
- Interest income from securities held for trading	156,087	163,409
- Interest income from investment securities	2,588,461	2,765,544
Income from guarantee activities	153,840	114,975
Interest income from debts purchased	240,026	19,763
Other income from credit activities	420,872	221,361
	<b>20,007,768</b>	<b>16,355,531</b>

NOTE TO THE INTERIM SEPARATE FINANCIAL STATEMENTS (continued)  
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**26. INTEREST AND SIMILAR EXPENSES**

	<i>For the nine- month period ended 30 September 2019 VND million</i>	<i>For the nine- month period ended 30 September 2018 VND million</i>
Interest expenses for deposits	8,804,346	5,865,197
Interest expenses for borrowings	579,296	387,525
Interest expenses for valuable papers issued	1,432,149	2,300,138
Other expenses for credit activities	84,154	75,963
	<b>10,899,945</b>	<b>8,628,823</b>

**27. NET FEE AND COMMISSION INCOME**

	<i>For the nine- month period ended 30 September 2019 VND million</i>	<i>For the nine- month period ended 30 September 2018 VND million</i>
<b>Fee and commission income from</b>	<b>2,065,603</b>	<b>1,523,159</b>
Settlement and treasury services	517,691	355,135
Advisory activities	199,385	217,828
Insurance agency activities	476,132	360,086
Others	872,395	590,110
<b>Fee and commission expenses for</b>	<b>(433,467)</b>	<b>(446,634)</b>
Settlement and treasury services	(180,071)	(223,352)
Advisory activities	(14,721)	(6,364)
Brokerage fee	(1,372)	(2,784)
Others	(237,303)	(214,134)
	<b>1,632,136</b>	<b>1,076,525</b>

**28. NET (LOSS)/GAIN FROM TRADING OF FOREIGN CURRENCIES**

	<i>For the nine- month period ended 30 September 2019 VND million</i>	<i>For the nine- month period ended 30 September 2018 VND million</i>
<b>Income from trading of foreign currencies</b>	<b>493,521</b>	<b>1,354,158</b>
Income from spot trading of foreign currencies	188,934	305,924
Income from gold trading	7,770	3,889
Income from trading of derivatives	296,817	1,044,345
<b>Expenses for trading of foreign currencies</b>	<b>(531,753)</b>	<b>(1,093,136)</b>
Expenses for spot trading of foreign currencies	(99,437)	(689,135)
Expenses for gold trading	(38,223)	(8,448)
Expenses for trading of derivatives	(394,093)	(395,553)
	<b>(38,232)</b>	<b>261,022</b>

NOTE TO THE INTERIM SEPARATE FINANCIAL STATEMENTS (continued)  
as at 30 September 2019 and for the nine-month period then ended

**29. NET GAIN/(LOSS) FROM SECURITIES HELD FOR TRADING**

	<i>For the nine- month period ended 30 September 2019 VND million</i>	<i>For the nine- month period ended 30 September 2018 VND million</i>
Income from trading of securities held for trading	307,996	138,842
Expenses for trading of securities held for trading	(137,014)	(161,065)
Provision reversal/(expense) for securities held for trading (Note 8.1)	30,686	(18,521)
	<b>201,668</b>	<b>(40,744)</b>

**30. NET GAIN FROM INVESTMENT SECURITIES**

	<i>For the nine- month period ended 30 September 2019 VND million</i>	<i>For the nine- month period ended 30 September 2018 VND million</i>
Income from trading of investment securities	444,220	387,762
Expenses for trading of investment securities	(58,203)	(64,200)
Provision reversed/(charged) for investment securities available-for-sale (Note 13.3)	90,065	(56,529)
	<b>476,082</b>	<b>267,033</b>

**31. NET GAIN FROM OTHER OPERATING ACTIVITIES**

	<i>For the nine- month period ended 30 September 2019 VND million</i>	<i>For the nine- month period ended 30 September 2018 VND million</i>
<b>Other operating income</b>	<b>1,269,608</b>	<b>1,653,673</b>
Income from other derivatives	288,608	260,739
Bad debt recoveries	732,365	337,138
Income from disposal of other assets	12,676	21,716
Income from debt purchase activities	192,392	112,845
Support received and other income	43,567	921,235
<b>Other operating expenses</b>	<b>(250,661)</b>	<b>(234,387)</b>
Expenses for other derivatives	(229,651)	(208,602)
Expenses for disposal of tangible assets	(72)	(1,248)
Expenses for disposal of other assets	(8,978)	(19,430)
Other expenses	(11,960)	(5,107)
	<b>1,018,947</b>	<b>1,419,286</b>



NOTE TO THE INTERIM SEPARATE FINANCIAL STATEMENTS (continued)  
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### 32. INCOME FROM INVESTMENTS IN OTHER ENTITIES

	<i>For the nine- month period ended 30 September 2019 VND million</i>	<i>For the nine- month period ended 30 September 2018 VND million</i>
Dividend income	2,635	845
Profit transferred from subsidiaries	1,401,235	2,854,939
- Profit and fund transferred from VPB FC	1,400,000	2,854,632
- Profit transferred from VPB AMC	1,235	307
	<b>1,403,870</b>	<b>2,855,784</b>

### 33. OPERATING EXPENSES

	<i>For the nine- month period ended 30 September 2019 VND million</i>	<i>For the nine- month period ended 30 September 2018 VND million</i>
<b>Tax, duties and fees</b>	<b>1,705</b>	<b>239</b>
<b>Personnel expenses</b>	<b>2,468,350</b>	<b>2,200,349</b>
<i>In which:</i>		
Salary and allowances	2,245,127	1,964,779
Expenses related to salary	154,549	150,325
Subsidy	35,034	41,987
Other allowances	33,640	43,258
<b>Fixed asset expenses</b>	<b>819,972</b>	<b>728,544</b>
<i>In which:</i>		
Depreciation and amortization of fixed assets	196,172	136,824
Operating leases	452,432	418,715
<b>Administrative expenses</b>	<b>538,928</b>	<b>486,112</b>
<i>In which:</i>		
Expenses on per diem	12,044	17,393
<b>Other provision expenses/(reversal)</b>	<b>21,783</b>	<b>17,007</b>
- Provision expense/(reversal) for other long-term investments (Note 14.3)	4,344	(3,700)
- Provision expense for doubtful debts (Note 16.4)	17,439	20,707
<b>Insurance for customer deposits</b>	<b>134,198</b>	<b>120,869</b>
<b>Other operating expenses</b>	<b>827,626</b>	<b>757,665</b>
	<b>4,812,562</b>	<b>4,310,785</b>

NOTE TO THE INTERIM SEPARATE FINANCIAL STATEMENTS (continued)  
as at 30 September 2019 and for the nine-month period then ended

#### 34. PROVISION EXPENSE FOR CREDIT LOSSES

	<i>For the nine-month period ended</i> 30 September 2019 VND million	<i>For the nine-month period ended</i> 30 September 2018 VND million
Provision expense for loans to customers (Note 11)	2,867,032	2,230,952
Provision expense for debt purchased (Note 12)	29,530	-
Provision (reversed)/expense for VAMC bonds (Note 13.3)	982,325	322,015
	<b>3,878,887</b>	<b>2,552,967</b>

#### 35. CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the interim separate cash flow statement comprise the following amounts on the interim separate balance sheet:

	<i>30 September 2019</i> VND million	<i>30 September 2018</i> VND million
Cash and cash equivalents on hand	2,425,876	2,520,653
Balances with the SBV	1,199,907	3,980,242
Demand accounts at other credit institutions	1,457,552	3,354,059
Placements with other credit institutions with original terms of three months or less	10,510,000	2,106,250
Treasury bills with original term of three months or less	2,587,900	-
	<b>18,181,235</b>	<b>11,961,204</b>

#### 36. EMPLOYEES' REMUNERATIONS

	<i>For the nine-month period ended</i> 30 September 2019 VND million	<i>For the nine-month period ended</i> 30 September 2018 VND million
<b>I. Total average number of employees (persons) (only official employees)</b>	<b>10,305</b>	<b>11,260</b>
<b>II. Employees' remuneration (VND million)</b>		
1. Total salary fund	2,168,478	1,882,263
2. Other remuneration	111,683	124,503
3. Total remuneration (1+2)	2,280,161	2,006,766
4. Average monthly salary	23.38	18.57
5. Average monthly remuneration	24.59	19.80

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### 37. COLLATERAL AND MORTGAGES

#### 37.1 *Assets, valuable papers taken for mortgage, pledge and discount, rediscount*

Details of customers' collateral and mortgages at the Bank as at the end of the period are as follows:

	<i>Book value</i>	
	<u>30 September 2019</u> VND million	<u>31 December 2018</u> VND million
Real estates	243,395,560	223,266,429
Mobile assets	44,332,495	43,147,192
Valuable papers	143,385,664	120,682,627
Others	190,587,460	130,316,061
	<u>621,701,179</u>	<u>517,412,309</u>

Assets, valuable papers pledged, pledged and discounted received from other credit institutions, at period ended are as follows:

	<i>Face value</i>	
	<u>30 September 2019</u> VND million	<u>31 December 2018</u> VND million
Government bonds purchased under agreements to resell	<u>1,006,473</u>	<u>-</u>

#### 37.2 *Assets, valuable papers for mortgage, pledge and discount, rediscount*

Details of assets, valuable papers for mortgage, pledge and discount, rediscount as at the end of the period are as below:

	<u>30 September 2019</u> VND million	<u>31 December 2018</u> VND million
Valuable papers pledged or mortgaged (Note 13.1)	10,210,000	13,277,938
Valuable papers sold under agreements to repurchase (Note 13.1)	4,800,000	7,550,000
	<u>15,010,000</u>	<u>20,827,938</u>

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as at 30 September 2019 and for the nine-month period then ended

### 38. CONTINGENT LIABILITIES AND COMMITMENTS

Detail of contingent liabilities and commitments as at 30 September 2019 are as follows:

	30 September 2019 VND million	31 December 2018 VND million
Credit guarantees	25,795	20,626
Foreign exchange commitments	58,688,972	58,158,877
- Foreign exchange commitments - buy	2,366,470	1,466,973
- Foreign exchange commitments - sell	533,635	1,466,751
- Swap contracts	55,788,867	55,225,153
Irrevocable loan commitments	-	1,860
Letters of credit	17,227,874	14,799,169
Other guarantees	16,848,559	13,860,017
- Payment guarantees	4,477,727	2,285,892
- Contract performance guarantees	4,326,450	3,415,185
- Tender guarantees	577,942	360,921
- Other guarantees	7,466,440	7,798,019
Other commitments	111,622,490	91,315,542
- Buying position of government bond futures contract	-	-
- Selling position of government bond futures contract	10,600	-
	<b>204,413,690</b>	<b>178,156,091</b>
Minus: Margin deposits (Note 19)	(770,020)	(633,077)
<b>Contingent liabilities and commitments</b>	<b>203,643,670</b>	<b>177,523,014</b>

### 39. RELATED PARTY TRANSACTIONS

Related party transactions include all transactions undertaken with other parties to which the Bank is related. A party is considered to be related if the party has ability to control or to influence other parties in making decision of financial policies and operational activities. A party is related to the Bank if:

- (a) Directly, or indirectly through one or more intermediaries, the party:
  - ▶ Controls, or is controlled by, or is under common control with, the Bank (including parents and subsidiaries);
  - ▶ Has an interest (owning 5% or more of the charter capital or voting share capital) in the Bank that gives it significant influence over the Bank;
  - ▶ Has joint control over the Bank.
- (b) The party is a joint venture in which the Bank is a venture or an associate (owning over 11% of the charter capital or voting share capital, but is not a subsidiary of the Bank);
- (c) The party is a member of the key management personnel of the Bank;
- (d) The party is a close member of the family of any individual referred to in (a) or (c); or
- (e) The party is a company that is controlled, jointly controlled or significantly influenced by, or for which significant voting power in such company resides with, directly or indirectly, any individual referred to in (c) or (d).

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### 39. RELATED PARTY TRANSACTIONS (continued)

Significant transactions with related parties in the nine-month period ended 30 September 2019 include:

<i>Related parties</i>	<i>Transactions</i>	<i>Amount</i>		
		<i>For the nine-month period ended 30 September 2019</i>	<i>For the nine-month period ended 30 September 2018</i>	
		<i>VND million</i>	<i>VND million</i>	
VPB FC – A subsidiary	Increase term deposits at the Parent Bank	90,235,000	55,990,211	
	Withdraw term deposits from the Parent Bank	(90,105,000)	(56,024,211)	
	Receive term deposits from the Parent Bank	7,000,000	3,500,000	
	Pay term deposits to the Parent Bank	(6,800,000)	(4,000,000)	
	Sell debts to the Parent Bank	3,924,897	-	
	Interest income from deposits	97,870	40,816	
	Income from advisory services of the Parent Bank	56,179	141,117	
	Interest expenses for deposits received	(14,471)	(8,362)	
	Income from derivatives contracts	216,804	180,027	
	Expenses for derivative contracts	(160,939)	(129,216)	
	Fee Income from payment and receipt on behalf of VPB FC	5,800	24,095	
	Profit and fund transferred to the Parent Bank	1,400,000	2,854,632	
	VPB AMC – A subsidiary	Increase term deposits at the Parent Bank	115,000	153,000
		Withdraw term deposit from the Parent Bank	(125,000)	(158,000)
Profit transferred to the Parent Bank		1,235	307	
Expenses for entrusted services		(252,865)	(142,641)	
	Expenses for deposits received	(1,273)	(1,515)	
Members of the Board of Management, Board of Supervision and Board of Directors	Remuneration expenses	(84,429)	(64,003)	
	Interest expenses for deposits of management	(1,423)	(2,610)	

NOTE TO THE INTERIM SEPARATE FINANCIAL STATEMENTS (continued)  
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## 39. RELATED PARTY TRANSACTIONS (continued)

Receivables and payables with related parties as at 30 September 2019 and 31 December 2018 are as follows:

<i>Related parties</i>	<i>Balances</i>	<i>Receivable/ Payable</i>	
		<i>30 September 2019 VND million</i>	<i>31 December 2018 VND million</i>
VPB FC – A subsidiary	Demand deposits at the Parent Bank	570,391	1,101,832
	Debts sold to the Parent Bank	4,426,870	501,973
	Term deposits at the Bank	310,000	180,000
	Term deposits of the Bank at VPB FC	2,200,000	2,000,000
	Receivables from advisory activities	12,236	47,706
	Receivables from derivatives contracts	40,987	49,092
	Payables for derivatives contracts	29,502	35,899
	Accrued interest receivables from deposits	12,967	7,860
	Accrued interest payables for deposits	575	688
	VPB AMC – A subsidiary	Demand deposits at the Bank	6,321
Term deposits at the Bank		40,000	65,000
Accrued interest payables for deposits		53	107
Receivables for advances contracts		31,869	-
Payables for fiduciary contracts		24,790	17,322
Members of the Board of Management, Board of Supervision and Board of Directors	Deposits at the Bank	62,122	53,314

Besides the transactions and balances presented above, the Bank and its subsidiaries do not have any other significant transactions, receivables and payables with its related parties as at 30 September 2019 and the period then ended.

NOTE TO THE INTERIM SEPARATE FINANCIAL STATEMENTS (continued)  
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#### 40. CONCENTRATION OF ASSETS, LIABILITIES AND OFF-BALANCE SHEET ITEMS BY GEOGRAPHICAL REGIONS

Concentration of assets, liabilities and off-balance sheet items by geographical region as at 30 September 2019 are as follows:

	<i>Domestic VND million</i>	<i>Foreign VND million</i>	<i>Total VND million</i>
Loans to customers; debt purchase and credit granting to other credit institutions	195,442,029	119	195,442,148
Total fund mobilization	251,376,360	4,649,514	256,025,874
Credit commitments and other guarantees	34,102,228	-	34,102,228
Derivative instruments	782	244	1,026
Securities held for trading and investment securities	66,084,285	-	66,084,285

#### 41. FINANCIAL RISK MANAGEMENT POLICIES

The Bank has exposure to the following risks from financial instruments:

- ▶ credit risk;
- ▶ liquidity risk; and
- ▶ market risks.

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

##### ***Risk management framework***

The Board of Directors ("BOD") has overall responsibility for the establishment and oversight of risk management framework and is ultimately responsible for the quality and effectiveness of the Bank's risk management. To facilitate this oversight function, the Bank's BOD has established an Assets and Liabilities Committee ("ALCO") and a Risk Committee ("RCO") which are responsible for developing and monitoring key risk management policies for specific areas authorized by the BOD and periodically reporting to the BOD on their activities. These committees include both voting and non-voting members.

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

Risk management policies and systems are reviewed regularly to reflect changes in market conditions, products and services offered. The Bank, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment, in which all employees understand their roles and obligations.

NOTE TO THE INTERIM SEPARATE FINANCIAL STATEMENTS (continued)  
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#### 41. FINANCIAL RISK MANAGEMENT POLICIES (continued)

##### 41.1 Credit risks

The Bank is subject to credit risk through its loans to customers, placements with and loans to other banks and investments in corporate bonds and in cases where it acts as an intermediary on behalf of customers or other third parties or issues guarantees. Credit risk arises when a customer, obligor or partner fails to perform or improperly performs or does not fulfill their obligations under the commitments and agreements entered into with the Bank. The Bank's primary exposure to credit risk arises through its loans and advances to corporates and retail customers and investments in corporate bonds. The amount of credit exposure in this regard is represented by the carrying amounts of the assets on the interim separate balance sheet. In addition, the Bank is exposed to off balance sheet credit risk through guarantees commitments, letters of credit and derivatives issued.

##### *Credit risk management*

Credit risk is the one that exerts the largest impact on the Bank's income and capital. The Bank has established a credit risk appetite on the basis of managing credit activities in a prudent manner and pre-determined credit limits including the credit concentration risk limits and adhering to the Bank's risk tolerance. In principle, the Bank identifies and manages credit risk in all activities and products with potential credit risk and ensures that the Bank provides new products only when sufficient regulations and procedures related to new products or operation in new markets in order to identify, measure, evaluate, monitor and control critical exposure risks are in place. To keep credit risks under control, the Bank's policy is to engage in transactions with reliable partners, and request its partners to take guarantee measures as and when required.

The credit risk management system is operating based on the principles of independence and centralization. Accordingly, the development of risk management policies, determination of risk limits and risk monitoring, risk reporting and risk control are implemented independently and centrally at the Risk Management Division. The reports from the Risk Management Division are a basis for RCO to issue key credit decisions.

The Bank measures credit risks, makes allowances and complies with safe ratios for loan and advances to customers and to other credit institutions in accordance with relevant regulations of the SBV.

The Bank's overall approach to credit risk is a risk-based approach. Accordingly, credit approval or credit valuation decisions as well as the behavioral methods in monitoring and classifying credits and controlling credit risks are being designed following the risk levels of customers. To this end, key activities being implemented by the Bank include the followings:

- ▶ Focusing on completion of data infrastructure used for developing credit rating and risk classification systems in accordance with international standards;
- ▶ Developing and completing the credit rating system and the scorecard system;
- ▶ Gathering and reviewing credit policies/documents of the whole system to reassess the integrity and responsiveness to the requirements specified in the policies of Risk Management Framework;
- ▶ Completing the credit quality monitoring mechanism for the entire life cycle of a loan;
- ▶ Developing an early credit risk warning system; and
- ▶ Developing a debt recovery and restructuring system.



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**41. FINANCIAL RISK MANAGEMENT POLICIES (continued)**

**41.1 Credit risks (continued)**

***The maximum exposure to credit risk before collateral held or other credit enhancements***

The maximum exposures to credit risk relating to asset groups, which are equivalent to their carrying values in the interim separate balance sheet, are listed below:

	<i>Not past due</i> <i>VND million</i>	<i>Past due but</i> <i>not impaired</i> <i>VND million</i>	<i>Past due and</i> <i>individually</i> <i>impaired</i> <i>VND million</i>	<i>Total</i> <i>VND million</i>
Placements with and credit granting to other credit institutions	13,448,494	-	-	13,448,494
- <i>Placements with other credit institutions</i>	11,967,552	-	-	11,967,552
- <i>Credit granting to other credit institutions</i>	1,480,942	-	-	1,480,942
Securities held for trading	2,864,216	-	-	2,864,216
Loans to customers and debts purchased	182,285,175	2,891,009	8,785,022	193,961,206
Investment securities	63,220,069	-	-	63,220,069
- <i>Available-for-sale securities</i>	62,311,445	-	-	62,311,445
- <i>Held-to-maturity securities</i>	908,624	-	-	908,624
Other assets	15,851,235	2,323	78,272	15,931,830
<b>Total</b>	<b>277,669,189</b>	<b>2,893,332</b>	<b>8,863,294</b>	<b>289,425,815</b>

The above table presents the worst scenario in which the Bank will incur the maximum credit exposures as at 30 September 2019, without taking into account of any collateral held or their credit enhancement.

The Bank's financial assets which are past due are classified in compliance with the quantitative method as prescribed in Circular No. 02/2013/TT-NHNN and Circular No. 228/2009/TT-BTC.

The financial assets are past due but not impaired because the Bank is currently holding the sufficient collateral assets to cover for credit losses in accordance with the current regulations of the SBV.

The Bank is currently holding collateral in the form of real estates, mobile assets, valuable papers and other types for the above assets. However, it has not been able to determine the fair value of such assets due to the inadequacy of neither specific guidance from the SBV and other authorities nor necessary market information.

NOTE TO THE INTERIM SEPARATE FINANCIAL STATEMENTS (continued)  
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**41. FINANCIAL RISK MANAGEMENT POLICIES (continued)**

**41.2 Market risk**

Market risk is risk of losses due to unexpected and adverse changes in market price factors (including interest rates, exchange rates, equity prices, commodity price, etc.) that will affect the Bank's income and capital.

***Market risk management***

Market risk management is implemented by the Market and FI Risk Department under the Risk Management Division. The Market and FI Risk Department is responsible for developing market risk management policies and processes, designing measurement instruments, proposing independent market risks limits to high level of management for approval and monitoring market risks limit on daily/monthly basis according to the Bank's regulations.

In 2017, market risk management policies were revised to introduce a new risk management model. Market risk management functions have been segregated amongst different units and committees, using three lines of defense model. Market Risk Subcommittee (MACO) under Risk Committee (RCO) was established to provide in-depth analysis of market risk, liquidity risk and counterparty risk. Also, internal document which requires segregation between Trading Book and Banking Book has been issued in accordance with the SBV's regulation and Basel II standards, ensuring to manage the model by risk appetite. Strategy of each Unit of Financial Markets Division is also issued in the year. Accordingly, business strategy, hedging strategy and analysis of potential risks have been clearly regulated for each portfolio. Valuation methodology is also established in accordance with IFRS, which enables the Bank to determine fair value of financial instruments appropriately.

In 2018, a regulation that specifies and approves VPBank's transaction limits with financial institution was amended and issued by the Risk Committee (RCO). The regulation provides specific limits for market risk and counterparty risk involved in transactions and ensures that all risk factors are taken into account in the granting limits process.

All types of market risk of the Bank (include currency risk, interest rate risk, price risk, option risk, volatility risk, credit spread risk and market liquidity risk) are subject to in-depth analysis, identification and quantification with internal limits system. Risk monitoring and controlling procedure includes regular (daily) risk reporting process and escalations process in case of any violations.

The system of limits relating to market risks is established based on 2 methods: top-down method – which is based on the Bank's risk appetite, the SBV's regulations and agreements with strategic partners – and bottom-up method – which is based on specific needs of operation units and risk-profit analysis.

The Bank conducts monthly calculations of market risk capital charge in accordance to Basel II requirements.

**(a) Interest rate risk**

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41. FINANCIAL RISK MANAGEMENT POLICIES (continued)

41.2 Market risk (continued)

(a) Interest rate risk (continued)

The below table shows an analysis of the interest re-pricing period of assets and liabilities of the Bank as at 30 September 2019.

	Overdue VND million	Non-interest bearing VND million	Interest re-pricing period					Over 5 years VND million	Total VND million
			Up to 1 month VND million	From 1 to 3 months VND million	From 3 to 6 months VND million	From 6 to 12 months VND million	From 1 to 5 years VND million		
<b>Assets</b>									
Cash, gold and gemstones	-	2,425,876	-	-	-	-	-	-	2,425,876
Balances with the State Bank of Vietnam	-	-	1,199,907	-	-	-	-	-	1,199,907
Placement with and credit granting to other credit institutions - gross	-	-	11,099,830	2,093,238	247,814	7,612	-	-	13,448,494
Securities held for trading - gross	-	-	2,864,216	-	-	-	-	-	2,864,216
Loans to customers and debts purchased - gross	2,767,539	-	137,680,710	37,298,458	8,101,045	3,127,940	3,896,815	1,088,699	193,961,206
Investment securities - gross	-	15,356	5,884,974	7,382,603	2,225,873	7,529,151	25,473,709	14,708,403	63,220,069
Long-term investments - gross	-	7,894,637	-	-	-	-	-	-	7,894,637
Fixed assets	-	1,463,767	-	-	-	-	-	-	1,463,767
Other assets – gross	80,595	15,851,235	-	-	-	-	-	-	15,931,830
<b>Total assets</b>	<b>2,848,134</b>	<b>27,650,871</b>	<b>158,729,637</b>	<b>46,774,299</b>	<b>10,574,732</b>	<b>10,664,703</b>	<b>29,370,524</b>	<b>15,797,102</b>	<b>302,410,002</b>
<b>Liabilities</b>									
Borrowings from the Government and the SBV	-	-	2,000,030	-	2,223	17,715	-	-	2,019,968
Deposits and borrowings from financial institutions and other credit institutions	-	-	8,015,092	7,299,183	3,513,909	3,205,598	153,139	11,048	22,197,969
Customer deposits	-	-	57,296,911	37,259,707	64,602,644	32,662,673	10,712,742	1,464	202,536,141
Derivatives and other financial liabilities	-	-	2,094,563	(7,595)	(284,849)	(993,388)	(807,705)	-	1,026
Other borrowed and entrusted funds	-	-	152,448	152,449	-	-	-	-	304,897
Valuable papers issued	-	-	485,986	3,160,934	673,661	4,021,145	20,625,173	-	28,966,899
Other liabilities	-	7,775,564	-	-	-	-	-	-	7,775,564
<b>Total liabilities</b>	<b>-</b>	<b>7,775,564</b>	<b>70,045,030</b>	<b>47,864,678</b>	<b>68,507,588</b>	<b>38,913,743</b>	<b>30,683,349</b>	<b>12,512</b>	<b>263,802,464</b>
<b>Interest sensitivity gap (balance sheet)</b>	<b>2,848,134</b>	<b>19,875,307</b>	<b>88,684,607</b>	<b>(1,090,379)</b>	<b>(57,932,856)</b>	<b>(28,249,040)</b>	<b>(1,312,825)</b>	<b>15,784,590</b>	<b>38,607,538</b>
<b>Interest sensitivity gap (off-balance sheet)</b>	<b>-</b>	<b>-</b>	<b>(128,760)</b>	<b>541,858</b>	<b>386,838</b>	<b>(231,861)</b>	<b>(568,075)</b>	<b>-</b>	<b>-</b>
<b>Interest sensitivity gap (on, off- balance sheet)</b>	<b>2,848,134</b>	<b>19,875,307</b>	<b>88,555,847</b>	<b>(548,521)</b>	<b>(57,546,018)</b>	<b>(28,480,901)</b>	<b>(1,880,900)</b>	<b>15,784,590</b>	<b>38,607,538</b>

**41. FINANCIAL RISK MANAGEMENT POLICIES (continued)**

**41.2 Market risk (continued)**

**(b) Currency risk**

Currency risk (commonly referred to as exchange-rate risk) is the risk of losses due to negative changes in the fair value of positions measured in local currency due to exchange rate fluctuations. Foreign currency positions as well as positions in gold and other precious metals bear exchange rate risk. Exchange rate risk arises in case the portfolio or specific position contains spot or future cash flows denominated or indexed to currency other than local currency. Exchange rate risk originates both in Trading Book and Banking Book. Exchange rate risk directly affects the balance sheet and income statement since assets, liabilities and earnings in foreign currency need to be converted into the reference currency.

***Currency risk management***

Exchange rate risk is managed by the means of limits on open FX position in every currency as well as total open FX position. The Bank's management has set limits on position for each currency in accordance with the Bank's business strategy and the SBV's regulations. VND is the major currency of transactions within the Bank; USD is transacted by loans, deposits and derivatives; other currencies are very tiny proportion of the Bank's assets and liabilities. Open currency positions are monitored on a daily basis and hedging strategies used to ensure positions are maintained within established limits.

Exchange rates of major currencies as at the reporting date are presented in *Note 46*.

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41. FINANCIAL RISK MANAGEMENT POLICIES (continued)

41.2 Market risk (continued)

(b) Currency risk (continued)

The following table presents assets and liabilities in foreign currencies translated into VND as at 30 September 2019

	<i>EUR equivalent VND million</i>	<i>USD equivalent VND million</i>	<i>Gold equivalent VND million</i>	<i>Other currencies equivalent VND million</i>	<i>Total VND million</i>
<b>Assets</b>					
Cash, gold and gemstones	75,726	143,631	289,820	280,745	789,922
Balances with the State Bank of Vietnam	-	221,959	-	-	221,959
Placements with and credit granting to other credit institutions - gross	177,115	927,041	-	80,843	1,184,999
Loans to customers and debts purchased - gross	4,033	4,750,016	-	-	4,754,049
Other assets - gross	45,270	5,995,638	-	19,770	6,060,678
<b>Total assets</b>	<b>302,144</b>	<b>12,038,285</b>	<b>289,820</b>	<b>381,358</b>	<b>13,011,607</b>
<b>Liabilities</b>					
Deposits and borrowings from the Government and the SBV, financial institutions and other credit institutions	45,347	8,564,476	-	19,751	8,629,574
Customer deposits	236,210	3,193,597	-	380,044	3,809,851
Derivatives and other financial liabilities	-	(6,123,416)	-	(72,098)	(6,195,514)
Other borrowed and entrusted funds	-	6,916,433	-	-	6,916,433
Other liabilities	7,620	443,422	-	10,106	461,148
<b>Total liabilities</b>	<b>289,177</b>	<b>12,994,512</b>	<b>-</b>	<b>337,803</b>	<b>13,621,492</b>
<b>FX position on-balance sheet</b>	<b>12,967</b>	<b>(956,227)</b>	<b>289,820</b>	<b>43,555</b>	<b>(609,885)</b>
<b>FX position off-balance sheet</b>	<b>3,819</b>	<b>1,820,276</b>	<b>-</b>	<b>8,740</b>	<b>1,832,835</b>
<b>Net on, off-balance sheet FX position</b>	<b>16,786</b>	<b>864,049</b>	<b>289,820</b>	<b>52,295</b>	<b>1,222,950</b>

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**41. FINANCIAL RISK MANAGEMENT POLICIES (continued)**

**41.2 Market risk (continued)**

**(c) Liquidity risk**

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

***Liquidity risk management***

The Bank manages the liquidity of the entire Bank on each of the main types of currency (VND, USD) on the mechanism, process of regulating, monitoring and managing liquidity as specified in the policies and regulations, process of liquidity management. Accordingly, liquidity risk management of the Bank is implemented through the strengthened cooperation between three divisions: Finance, Risk Management and Financial Market. In particular, the Finance Market Division plays the leading role in management of short-term liquidity and the Finance Division plays the leading role in management of long-term liquidity in accordance with the Bank's risk appetite, risk criteria, risk strategy and liquidity management strategy which are established by the Risk Management Division.

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

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

The Bank adopts both of the common approaches to managing liquidity, namely Stock Approach and Flow Approach. Accordingly, the Bank monitors on a daily basis the compliance with adequate liquidity ratios and forecasts movements of cash flows which may have impact on the Bank's liquidity position in the future to ensure compliance at any time with all regulations of the SBV as well as its internal regulations.

Liquidity risk limits are established based on results of the Bank's liquidity forecast in normal and stressed market conditions. Regular liquidity stress testing is conducted under a variety of scenarios covering adverse conditions. At the same time, the Bank also issues specific regulations on a Liquidity Contingency Plan ("LCP") which clearly specifies the roles and responsibilities of each unit and individual and a coordination process for implementation when there appear signs of a possible stressed liquidity event.

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

NOTE TO THE INTERIM SEPARATE FINANCIAL STATEMENTS (continued)  
as at 30 September 2019 and for the nine-month period then ended

**41. FINANCIAL RISK MANAGEMENT POLICIES (continued)**

**41.2 Market risk (continued)**

**(c) Liquidity risk (continued)**

The below table presents the analysis of the remaining maturity of assets and liabilities of the Bank as at 30 September 2019.

	Overdue		Current					Total VND million
	Above 3 months VND million	Within 3 months VND million	Up to 1 month VND million	From 1 to 3 months VND million	From 3 to 12 months VND million	From 1 to 5 years VND million	Over 5 years VND million	
<b>Assets</b>								
Cash, gold and gemstones	-	-	2,425,876	-	-	-	-	2,425,876
Balances with the State Bank of Vietnam	-	-	1,199,907	-	-	-	-	1,199,907
Placements with and credit granting to other credit institutions - gross	-	-	11,099,830	2,093,238	255,426	-	-	13,448,494
Securities held for trading - gross	-	-	2,864,216	-	-	-	-	2,864,216
Loans to customers and debts purchased - gross	1,845,200	922,339	21,659,390	26,658,331	50,229,476	65,227,564	27,418,906	193,961,206
Investment securities - gross	-	-	2,829,418	1,292,648	9,024,370	34,709,430	15,364,203	63,220,069
Long-term investments - gross	-	-	-	-	-	-	7,894,637	7,894,637
Fixed assets	-	-	-	-	-	-	1,463,767	1,463,767
Other assets - gross	78,272	2,323	7,660,559	2,337,137	5,853,539	-	-	15,931,830
<b>Total assets</b>	<b>1,923,472</b>	<b>924,662</b>	<b>49,739,196</b>	<b>32,381,354</b>	<b>65,362,811</b>	<b>99,936,994</b>	<b>52,141,513</b>	<b>302,410,002</b>
<b>Liabilities</b>								
Borrowings from the Government and the SBV	-	-	2,000,030	-	19,938	-	-	2,019,968
Deposits and borrowings from financial institutions and other credit institutions	-	-	8,015,092	5,468,877	6,451,198	2,251,754	11,048	22,197,969
Customer deposits	-	-	57,296,912	37,259,707	97,265,317	10,712,741	1,464	202,536,141
Derivatives and other financial liabilities	-	-	6,563	(7,595)	(2,237)	4,295	-	1,026
Other borrowed and entrusted funds	-	-	110	30,514	56,698	204,568	13,007	304,897
Valuable papers issued	-	-	485,987	2,910,934	1,494,806	24,075,172	-	28,966,899
Other liabilities	-	-	7,775,564	-	-	-	-	7,775,564
<b>Total liabilities</b>	<b>-</b>	<b>-</b>	<b>75,580,258</b>	<b>45,662,437</b>	<b>105,285,720</b>	<b>37,248,530</b>	<b>25,519</b>	<b>263,802,464</b>
<b>Net liquidity gap</b>	<b>1,923,472</b>	<b>924,662</b>	<b>(25,841,062)</b>	<b>(13,281,083)</b>	<b>(39,922,909)</b>	<b>62,688,464</b>	<b>52,115,994</b>	<b>38,607,538</b>

**41. FINANCIAL RISK MANAGEMENT POLICIES (continued)**

**41.2 Market risk (continued)**

**(d) Other market price risk**

Other than the assets and liabilities presented above, the Bank is not exposed to other market price risks with risk levels accounting for 5% of the Bank's net income or with value of relating assets/liabilities accounting for 5% of the Bank's total assets.

**42. FINANCIAL ASSETS AND FINANCIAL LIABILITIES**

On 6 November 2009, the Ministry of Finance issued Circular No. 210/2009/TT-BTC providing guidance for the adoption in Vietnam of the International Financial Reporting Standards on presentation and disclosures of financial instruments ("Circular 210") with effectiveness from financial years beginning on or after 1 January 2011.

The Circular 210 only regulates the presentation of financial statements and disclosures financial instruments, therefore, the below definitions of financial assets, financial liabilities and other relating definitions are applied solely for the preparation of this note. The Bank's assets and liabilities are still recognized and recorded in accordance with Vietnamese Accounting Standards, Accounting System for Credit Institutions, regulations of the SBV and statutory requirements relevant to preparation and presentation of the interim separate financial statements.

Financial assets

Under Circular 210, financial assets of the Bank include balances with the SBV and placements with other credit institutions, loans to customers and other institutions, investment securities, other receivables and currency derivative contracts.

Financial assets within the scope of Circular 210, for disclosures in the notes to the interim separate financial statements, are classified into either of the followings:

► *Financial asset at fair value through profit or loss*

Financial asset at fair value through profit and loss is a financial asset that meets either of the following conditions:

- a) It is classified as held for trading. A financial asset is classified as held for trading if:
  - ✓ It is acquired or incurred principally for the purpose of reselling or repurchasing it in the near term;
  - ✓ There is evidence of a recent actual pattern of short-term profit-taking; or
  - ✓ It is a derivative (except derivative that is a financial guarantee contract or effective hedging instrument).
- b) Upon initial recognition, it is designated by the entity as at fair value through profit or loss.



NOTE TO THE INTERIM SEPARATE FINANCIAL STATEMENTS (continued)  
as at 30 September 2019 and for the nine-month period then ended

**42. FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)**

Financial assets (continued)

▶ *Held-to-maturity investments*

Held-to-maturity investments are non-derivative financial assets with determinable payments and fixed maturity that an entity has the positive intention and ability to hold to maturity other than:

- a) Those that the entity upon initial recognition designates as at fair value through profit or loss;
- b) Those that the entity designates as available for sale;
- c) Those meet the definition of loans and receivables.

▶ *Loans and receivables:*

*Loans and receivables* are non-derivative financial assets with fixed or measurable liquidity and are not listed in the market, except:

- a) Financial assets which the Bank intends to sell immediately or in the near future are assets held for trading purpose, and are recognized at fair value through profit or loss at the beginning;
- b) Financial assets which are classified as available-for-sale by the Bank at the beginning; or
- c) Financial assets which holders may not recover most of original investments, not due to impairment of credit quality and are classified as available-for-sale.

▶ *Available-for-sale financial assets*

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

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

NOTE TO THE INTERIM SEPARATE FINANCIAL STATEMENTS (continued)  
as at 30 September 2019 and for the nine-month period then ended

#### 42. FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)

##### Financial liabilities

According to Circular 210 financial liabilities of the Bank includes deposits and borrowings from financial institutions, other institutions, valuable papers issued and other financial liabilities and other liabilities under derivative contracts.

Financial liabilities within the scope of Circular 210, for disclosures in the notes to the interim separate financial statements, are classified into either of the followings:

▶ *Financial liability at fair value through profit or loss:*

Financial liability at fair value through profit and loss is a financial liability that meets either of the following conditions:

- a) It is classified as held for trading. A financial liability is classified as held for trading if:
  - ✓ It is acquired or incurred principally for the purpose of reselling or repurchasing it in the near term;
  - ✓ There is evidence of a recent actual pattern of short-term profit-taking; or
  - ✓ It is a derivative (except derivative that is a financial guarantee contract or effective hedging instrument).
- b) Upon initial recognition, it is designated by the entity as at fair value through profit or loss.

▶ *Financial liabilities at amortized cost*

Financial liabilities that are not classified as at fair value through profit or loss are classified as at amortized cost.

##### Offsetting of financial assets and financial liabilities

Financial assets and financial liabilities are offset and the net amount reported in the interim separate balance sheet if and only if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis or to realize the assets and settle the liabilities simultaneously.

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NOTE TO THE INTERIM SEPARATE FINANCIAL STATEMENTS (continued)  
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B05/TCTD

B05/TCTD

42. FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)

The carrying value and fair value of the Bank's financial assets and liabilities the Bank as at 30 September 2019 are presented as follows:

	<i>Carrying value</i>					<i>Total VND million</i>	<i>Fair value VND million</i>
	<i>Financial assets at fair value through profit and loss VND million</i>	<i>Held-to- maturity VND million</i>	<i>Loans and receivables VND million</i>	<i>Available- for-sale VND million</i>	<i>Other assets and liabilities recorded at amortized cost VND million</i>		
Cash, gold and gemstones	-	-	2,425,876	-	-	2,425,876	2,425,876
Balances with the State Bank of Vietnam	-	-	1,199,907	-	-	1,199,907	(*)
Placements with and credit granting to other credit institutions - gross	-	-	13,448,494	-	-	13,448,494	(*)
Securities held for trading - gross	2,864,216	-	-	-	-	2,864,216	(*)
Loans to customers and debts purchased - gross	-	-	193,961,206	-	-	193,961,206	(*)
Available-for-sale securities - gross	-	-	-	62,311,445	-	62,311,445	(*)
Held-to-maturity securities - gross	-	908,624	-	-	-	908,624	(*)
Long-term investments - gross	-	-	-	227,602	-	227,602	(*)
Other financial assets - gross	129,443	-	12,459,796	1,650,702	-	14,239,941	(*)
	<b>2,993,659</b>	<b>908,624</b>	<b>223,495,279</b>	<b>64,189,749</b>	<b>-</b>	<b>291,587,311</b>	
Amounts due to the Government and the SBV	-	-	-	-	2,019,968	2,019,968	(*)
Deposits and borrowings from financial institutions and other credit institutions	-	-	-	-	22,197,969	22,197,969	(*)
Customer deposits	-	-	-	-	202,536,141	202,536,141	(*)
Derivatives and other financial liabilities	1,026	-	-	-	-	1,026	(*)
Other borrowed and entrusted funds	-	-	-	-	304,897	304,897	(*)
Valuable papers issued	-	-	-	-	28,966,899	28,966,899	(*)
Other financial liabilities	108,111	-	-	-	6,722,955	6,831,066	(*)
	<b>109,137</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>262,748,829</b>	<b>262,857,966</b>	

(\*) The fair value of these financial assets and liabilities cannot be determined because there is no specific guidance on determination of fair value under Vietnamese Accounting Standards and Accounting System.

NOTE TO THE INTERIM SEPARATE FINANCIAL STATEMENTS (continued)  
as at 30 September 2019 and for the nine-month period then ended

#### 43. SEGMENT INFORMATION

A segment is a component determined separately by the Bank which is engaged in providing related products or services (business segment) or providing products or services in a particular economic environment (geographical segment), that is subject to risks and returns that are different from those of other segments.

##### 43.1 The primary segment information by business segment

The Bank has one business segment – the banking operation, which principal activities, products and services are as follows:

- ▶ Mobilizing deposits;
- ▶ Providing credit;
- ▶ Wire transfer, settlement services; and
- ▶ Other banking operations.

The Bank's management identifies that there is only one business segment and hence, risks and returns are only in this one business segment. Therefore, the presentation of business segment information is not required.

##### 43.2 The supplementary segment information by geographical area

The Bank's principal activities are mainly taking place within Vietnam. Therefore, the Bank's risks and returns are not impacted by the Bank's operations that are taken place in different locations. Therefore, the Bank's management identifies that the Bank has only one geographical segment. Accordingly, the presentation of geographical segment information is not required.

#### 44. CHANGE IN NET PROFIT BEFORE TAX FOR THE PERIOD

The interim separate profit before tax for the Quarter III of 2019 of the Bank increases by VND446,082 million compared to profit before tax for the Quarter III of 2018, equivalent to 42.95% increase due to the following reasons:

	<i>Profit before tax</i> <i>VND million</i>
Profit increase due to increase in interest income	755,059
Profit increase due to increase in fee and commission income	202,562
Profit decrease due to decrease in net gain from foreign exchange transaction	(265,602)
Profit increase due to increase in net income from securities held for trading	103,633
Profit increase due to increase in net income from investment securities available for sale	126,540
Profit increase due to increase in net income from other activities	129,581
Profit increase due to increase in income from investments in other entities	2,635
Profit increase due to decrease in operating expenses	160,598
Profit decrease due to increase in provision for credit losses.	(768,924)
	<b>446,082</b>

NOTE TO THE INTERIM SEPARATE FINANCIAL STATEMENTS (continued)  
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**45. EVENTS AFTER THE INTERIM SEPARATE BALANCE SHEET DATE**

There have been no significant events occurring after the interim separate balance sheet date which require adjustments and disclosures to be made in the interim separate financial statements.

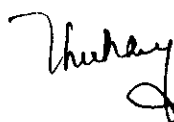
**46. EXCHANGE RATES OF APPLICABLE FOREIGN CURRENCIES AGAINST VND AT REPORTING DATE**

	<u>30 September 2019</u>	<u>31 December 2018</u>
	VND	VND
AUD	15,672	16,338
CAD	17,515	17,015
CHF	23,399	23,565
CNY	3,253	3,368
DKK	3,160	3,160
EUR	25,464	26,566
GBP	28,529	29,476
JPY	215	210
NZD	17,249	17,249
SEK	3,078	3,078
SGD	16,796	16,975
THB	640	640
USD	23,200	23,220
XAU (*)	418,500	365,000

(\*) This is the exchange rate for 0,01 tael of gold.

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18 October 2019