

Vietnam Prosperity Joint Stock Commercial Bank

Separate financial statements

31 December 2016



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1. The financial statements of Vietnam Prosperity Joint Stock Commercial Bank for the period from January 1, 2017 to December 31, 2016, are presented in Vietnamese and English. In case of any discrepancy, the Vietnamese version shall prevail.

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Vietnam Prosperity Joint Stock Commercial Bank

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Vietnam Prosperity Joint Stock Commercial Bank

GENERAL INFORMATION

THE BANK

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

The Bank was established pursuant to Banking License No. 0042/NH-GP dated 12 August 1993 issued by the State Bank of Vietnam ("the SBV") and Business Registration Certificate No.0100233583 dated 8 September 1993 issued by Hanoi Department of Planning and Investment which was amended for the 36th time on 12 October 2016. The Bank started operation on 12 August 1993 with an operation period of 99 years.

The Bank was established to provide banking services including mobilizing and receiving short, medium and long-term deposits from organizations or individuals; making short, medium and long-term loans and advances to organizations and individuals based on the nature and ability of the Bank's capital resources; conducting foreign exchange transactions, international trade finance services, discounting of commercial papers, bonds and other valuable papers, and providing other banking services as allowed by the SBV.

Charter capital

As at 31 December 2016, the charter capital of the Bank is VND9,181,000 million (31 December 2015: VND8,056,466 million).

Location

The Bank's Head Office is located at No. 89 Lang Ha, Lang Ha Ward, Dong Da District, Hanoi, Vietnam. As at 31 December 2016, the Bank has one (1) Head Office, fifty one (51) branches, one hundred and sixty three (163) transaction offices nationwide.

THE BOARD OF DIRECTORS

The members of the Board of Directors of the Bank during year and as at the date of the 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. Luong Phan Son	Member
Mr. Nguyen Duc Vinh	Member

THE BOARD OF SUPERVISION

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

<i>Name</i>	<i>Position</i>
Ms. Nguyen Quynh Anh	Head of Board of Supervision
Ms. Nguyen Thi Bich Thuy	Member in charge
Ms. Nguyen Thi Mai Trinh	Member

Vietnam Prosperity Joint Stock Commercial Bank

GENERAL INFORMATION (continued)

THE BOARD OF MANAGEMENT

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

<i>Name</i>	<i>Position</i>
Mr. Nguyen Duc Vinh	Chief Executive Officer
Mr. Nguyen Thanh Binh	Deputy Chief Executive Officer
Mr. Phan Ngoc Hoa	Deputy Chief Executive Officer
Ms. Duong Thi Thu Thuy	Deputy Chief Executive Officer
Ms. Luu Thi Thao	Deputy Chief Executive Officer
Mr. Nguyen Thanh Long	Deputy Chief Executive Officer
Mr. Fung Kai Jin	Deputy Chief Executive Officer
Mr. Pham Phu Khoi	Deputy Chief Executive Officer

LEGAL REPRESENTATIVE

The legal representative of the Bank during the year and as at the date of the separate financial statements is Mr. Ngo Chi Dzong – the Chairman.

Mr. Nguyen Duc Vinh – Chief Executive Officer was authorized by Mr. Ngo Chi Dzong to sign off the accompanying separate financial statements for the year ended 31 December 2016 according to Authorization Document No. 09/2012/UQ-CT dated 5 July 2012.

AUDITORS

The auditors of the Bank are Ernst & Young Vietnam Limited.

Vietnam Prosperity Joint Stock Commercial Bank

REPORT OF THE BOARD OF MANAGEMENT

The Board of Management of Vietnam Prosperity Joint Stock Commercial Bank ("the Bank") is pleased to present its report and the separate financial statements of the Bank as at 31 December 2016 and for the year then ended.

MANAGEMENT'S RESPONSIBILITY FOR THE SEPARATE FINANCIAL STATEMENTS

The Board of Management of the Bank is responsible for the separate financial statements which give a true and fair view of the separate financial position of the Bank and of the separate results of its operation and its separate cash flows for the year. In preparing these separate financial statements, the Board of Management is required to:

- ▶ select suitable accounting policies and then apply them consistently;
- ▶ make judgments and estimates that are reasonable and prudent;
- ▶ state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the separate financial statements; and
- ▶ prepare the separate financial statements on the going concern basis unless it is inappropriate to presume that the Bank will continue in business.

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

The Board of Management confirmed that it has complied with the above requirements in preparing the accompanying separate financial statements.

STATEMENT BY THE BOARD OF MANAGEMENT

The Board of Management does hereby states that, in its opinion, the accompanying separate financial statements give a true and fair view of the separate financial position of the Bank as at 31 December 2016, the separate results of its operations and its separate cash flows for the year then ended in accordance with Vietnamese Accounting Standards, Vietnamese Accounting System for Credit Institutions and comply with relevant regulations stipulated by the State Bank of Vietnam and other statutory requirements relevant to preparation and presentation of the separate financial statements.

For and on behalf of the Board of Management



Mr. Nguyễn Đức Vinh
Chief Executive

Hanoi, Vietnam

20 February 2017

Reference: 60755038/18665508

INDEPENDENT AUDITORS' REPORT

**To: The Shareholders of
Vietnam Prosperity Joint Stock Commercial Bank**

We have audited the accompanying separate financial statements of Vietnam Prosperity Joint Stock Commercial Bank ("the Bank") as prepared on 20 February 2017 and set out on pages 6 to 63 which comprise the separate balance sheet as at 31 December 2016, the separate income statement and the separate cash flow statement for the year then ended and the notes thereto.

Management's Responsibility

Management of the Bank is responsible for the preparation and fair presentation of these separate financial statements in accordance with Vietnamese Accounting Standards, Vietnamese Accounting System for Credit Institutions, relevant regulations stipulated by the State Bank of Vietnam and other statutory requirements relevant to preparation and presentation of the separate financial statements, and for such internal control as the Management of the Bank determines is necessary to enable the preparation and presentation of separate financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these separate financial statements based on our audit. We conducted our audit in accordance with Vietnamese Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the separate financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the separate financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the separate financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the Bank's preparation and fair presentation of the separate financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the separate financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the separate financial statements give a true and fair view, in all material respects, of the separate financial position of the Bank as at 31 December 2016, and of the separate results of its operations and its separate cash flows for the year then ended in accordance with Vietnamese Accounting Standards, Vietnamese Accounting System for Credit Institutions and comply with regulations stipulated by the State Bank of Vietnam and other statutory requirements relevant to preparation and presentation of separate financial statements.



Ernst & Young Vietnam Limited

Nguyễn Xuân Dai
Deputy General Director
Audit Practising Registration
Certificate No. 0452-2013-004-1

Tran Mai Thao
Auditor
Audit Practising Registration
Certificate No. 2466-2013-004-1

Hanoi, Vietnam

20 February 2017

Vietnam Prosperity Joint Stock Commercial Bank

SEPARATE BALANCE SHEET
as at 31 December 2016

B02/TCTD

	Notes	31 December 2016 VND million	31 December 2015 VND million
ASSETS			
Cash, gold and gemstones	5	1,727,361	1,632,425
Balances with the State Bank of Vietnam	6	2,573,221	2,094,220
Placements with and loans to other credit institutions	7	11,268,348	15,152,432
Placements with other credit institutions		5,968,619	9,282,502
Loans to other credit institutions		5,300,460	5,870,661
Provision for credit losses of loans to other credit institutions		(731)	(731)
Securities held for trading	8	2,952,206	2,043,647
Securities held for trading		2,953,769	2,046,735
Provision for securities held for trading		(1,563)	(3,088)
Loans to customers		111,251,690	95,429,155
Loans to customers	10	112,568,314	96,596,303
Provision for credit losses of loans to customers	11	(1,316,624)	(1,167,148)
Investment securities	12	55,339,988	47,744,838
Available-for-sale securities	12.1	51,948,658	43,965,978
Held-to-maturity securities	12.2	4,136,200	4,520,639
Provision for investment securities	12.3	(744,870)	(741,779)
Long-term investments	13	3,351,965	2,137,934
Investments in subsidiaries	13.1	3,129,035	1,839,035
Other long-term investments	13.2	299,372	299,372
Provision for long-term investments		(76,442)	(473)
Fixed assets	14	423,791	388,506
<i>Tangible fixed assets</i>	<i>14.1</i>	<i>255,724</i>	<i>213,975</i>
Cost		676,218	572,676
Accumulated depreciation		(420,494)	(358,701)
<i>Intangible fixed assets</i>	<i>14.2</i>	<i>168,067</i>	<i>174,531</i>
Cost		308,928	320,430
Accumulated amortization		(140,861)	(145,899)
Other assets	15	11,879,212	12,895,116
Receivables	15.1	6,032,628	6,300,658
Accrued interest and fees receivable	15.2	3,419,871	3,684,739
Other assets	15.3	2,653,257	3,140,943
Provision for other assets	15.4	(226,544)	(231,224)
TOTAL ASSETS		200,767,782	179,518,273

Vietnam Prosperity Joint Stock Commercial Bank

SEPARATE BALANCE SHEET (continued)
as at 31 December 2016

B02/TCTD

	Notes	31 December 2016 VND million	31 December 2015 VND million
LIABILITIES			
Amounts due to the Government and the State Bank of Vietnam	16	1,103,686	4,821,063
Deposits and borrowings from other credit institutions	17	27,459,077	17,580,782
Deposits from other credit institutions	17.1	15,399,419	9,696,130
Borrowings from other credit institutions	17.2	12,059,658	7,884,652
Customer deposits	18	121,788,187	129,237,126
Derivatives and other financial liabilities	9	104,061	127,765
Other borrowed and entrusted funds	19	1,389,786	383,188
Valuable papers issued	20	28,844,917	11,364,259
Other liabilities	21	5,023,707	3,708,207
Interest and fees payable	21.1	2,562,635	2,556,376
Other liabilities	21.2	2,461,072	1,151,831
TOTAL LIABILITIES		185,713,421	167,222,390
OWNERS' EQUITY			
Charter capital	23	9,181,000	8,056,466
Share premium	23	1,288,863	1,288,863
Reserves	23	1,761,847	713,560
Retained earnings	23	2,822,651	2,236,994
TOTAL OWNERS' EQUITY		15,054,361	12,295,883
TOTAL LIABILITIES AND OWNERS' EQUITY		200,767,782	179,518,273

B02/TCTD

OFF-BALANCE SHEET ITEMS

	31 December 2016 VND million	31 December 2015 VND million
Credit guarantees	12,108	1,373,115
Foreign exchange commitments	34,140,441	36,295,411
- Foreign exchange commitments - buy	3,687,797	-
- Foreign exchange commitments - sell	3,669,240	-
- Cross currency swap contracts	26,783,404	36,295,411
Letters of credit	6,356,322	6,326,988
Other guarantees	11,585,463	8,550,326
Other commitments	2,334,851	1,171,006
	54,429,185	53,716,846

Prepared by:

Reviewed by:

Approved by:

Thucany



Ms. Nguyen Thi Thu Hang
Chief Accountant

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

Mr. Nguyen Duc Vinh
Chief Executive Officer

Hanoi, Vietnam


20 February 2017

Vietnam Prosperity Joint Stock Commercial Bank

SEPARATE INCOME STATEMENT
for the year ended 31 December 2016

B03/TCTD

	Notes	2016 VND million	2015 VND million
Interest and similar income	24	15,442,328	14,437,146
Interest and similar expenses	25	(8,349,369)	(7,761,337)
Net interest and similar income		7,092,959	6,675,809
Fee and commission income		1,020,501	588,461
Fee and commission expenses		(300,751)	(412,153)
Net fee and commission income	26	719,750	176,308
Net loss from trading of foreign currencies	27	(297,357)	(290,322)
Net (loss)/gain from securities held for trading	28	(149,384)	53,005
Net gain from investment securities	29	91,874	38,683
Other operating income		1,034,429	986,176
Other operating expenses		(192,337)	(57,243)
Net gain from other operating activities	30	842,092	928,933
Income from investments in other entities	31	928,388	381,226
TOTAL OPERATING INCOME		9,228,322	7,963,642
Personnel expenses		(1,548,857)	(1,886,253)
Depreciation and amortization charges		(132,458)	(124,723)
Other operating expenses		(1,979,237)	(1,838,337)
TOTAL OPERATING EXPENSES	32	(3,660,552)	(3,849,313)
Net profit before provision for credit losses		5,567,770	4,114,329
Provision expense for credit losses	33	(2,164,744)	(2,116,676)
PROFIT BEFORE TAX		3,403,026	1,997,653
Current corporate income tax expense	22.1	(498,109)	(408,323)
Corporate income tax expenses		(498,109)	(408,323)
PROFIT AFTER TAX		2,904,917	1,589,330

Prepared by: 

Reviewed by:

Approved by:




Ms. Nguyen Thi Thu Hang
Chief Accountant



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




Mr. Nguyen Duc Vinh
Chief Executive Officer

Hanoi, Vietnam

20 February 2017

Vietnam Prosperity Joint Stock Commercial Bank

SEPARATE CASH FLOW STATEMENT
for the year ended 31 December 2016

B04/TCTD

	Notes	2016 VND million	2015 VND million
CASH FLOWS FROM OPERATING ACTIVITIES			
Interest and similar receipts		15,598,267	14,543,551
Interest and similar payments		(8,301,790)	(7,077,162)
Net fee and commission receipts		721,298	189,092
Net payments from dealing in foreign currencies, gold and securities		(216,605)	(26,241)
Other income		447,745	721,987
Recoveries from bad debts previously written-off		367,702	204,733
Payments for operating and salary expenses		(3,756,831)	(3,457,205)
Corporate income tax paid during the year	22.1	(396,348)	(244,444)
Net cash flows from operating activities before changes in operating assets and liabilities		4,463,438	4,854,311
Changes in operating assets			
Decrease in placements with and loans to other credit institutions		570,201	5,759,742
(Increase)/decrease in investment securities		(8,889,714)	109,354
Increase in loans to customers		(15,744,864)	(25,360,734)
Utilization of provision to write off loans to customers, securities and long-term investments		(1,933,291)	(1,146,074)
Decrease in other assets		3,557,207	941,209
Changes in operating liabilities			
(Decrease)/increase in amounts due to the Government and the State Bank of Vietnam		(3,717,377)	3,988,508
Increase/(decrease) in deposits and borrowings from other credit institutions		6,921,534	(9,521,000)
(Decrease)/increase in customer deposits (including Vietnam State Treasury)		(7,448,939)	21,484,703
Increase in valuable papers issued (except for valuable papers issued for financing activities)		14,603,698	554,715
Increase in other borrowed and entrusted funds		1,006,598	257,942
Decrease in derivatives and other financial liabilities		(23,704)	(87,568)
Increase/(decrease) in other liabilities		1,512,186	(452,639)
Net cash flows (used in)/from operating activities		(5,123,027)	1,382,469
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of fixed assets		(66,283)	(129,010)
Proceeds from disposal of fixed assets		80,455	155,249
Payments for investments in other entities		(1,290,000)	(837,733)
Proceeds from disposals of investments in other entities		-	1,110,500
Dividends received from long-term investments		928,388	156,779
Net cash flows (used in)/from investing activities		(347,440)	455,785

Vietnam Prosperity Joint Stock Commercial Bank

SEPARATE CASH FLOW STATEMENT (continued)
for the year ended 31 December 2016

B04/TCTD

	Notes	2016 VND million	2015 VND million
CASH FLOWS FROM FINANCING ACTIVITIES			
Increase in charter capital from capital contribution and/or share issuance	23.1	-	2,019,690
Proceeds from issuance of long term valuable papers eligible to be included in capital and other long term borrowings		2,876,960	-
Dividends distributed to shareholders	23.1	(146,439)	-
Cash flows from financing activities		2,730,521	2,019,690
Net cash flows during the year		(2,739,946)	3,857,944
Cash and cash equivalents at the beginning of the year		13,009,147	9,151,203
Cash and cash equivalents at the end of the year	34	10,269,201	13,009,147
SIGNIFICANT NON-CASH TRANSACTIONS DURING THE YEAR			
Bonus shares issued using the capital supplementary reserve	23.1	57,537	44,350
Increase in charter capital from retained earnings	23.1	1,066,997	932,510

Prepared by:



Ms. Nguyen Thi Thu Hang
Chief Accountant

Reviewed by:



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

Approved by:



Mr. Nguyen Duc Vinh
Chief Executive Officer

Hanoi, Vietnam

20 February 2017

Vietnam Prosperity Joint Stock Commercial Bank

NOTES TO THE SEPARATE FINANCIAL STATEMENTS
as at 31 December 2016 and for the year then ended

B05/TCTD

1. GENERAL INFORMATION

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

The Bank was established pursuant to Banking Licence No.0042/NH-GP dated 12 August 1993 issued by the State Bank of Vietnam ("the SBV") and Business Registration Certificate No.0100233583 dated 8 September 1993 issued by Hanoi Department of Planning and Investment which was amended for the 36th time on 12 October 2016. The Bank started operation on 12 August 1993 with an operation period of 99 years.

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Charter capital

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Location

The Bank's Head Office is located at No. 89 Lang Ha, Lang Ha Ward, Dong Da District, Hanoi, Vietnam. As at 31 December 2016, the Bank has one (1) Head Office, fifty one (51) branches, one hundred and sixty three (163) transaction offices nationwide.

Subsidiaries

As at 31 December 2016, 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. 010583748 dated 15 April 2013 issued by Hanoi Department of Planning and Investment	Asset and liabilities management	VND115 billion	100%
VPBank Finance Company Limited (VPB FC)	Business Registration Certificate No. 0102180545 dated 1 June 2015 issued by Hanoi Department of Planning and Investment	Other finance activities	VND2,790 billion	100%

Employees

As at 31 December 2016, total number of permanent employees of the Bank is 8,709 persons (31 December 2015: 6,561 persons).

2. ACCOUNTING PERIOD AND ACCOUNTING CURRENCY

2.1 Fiscal year

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

2.2 Accounting currency

Currency used in preparing financial statements of the Bank is Vietnam dong ("VND").

3. APPLIED ACCOUNTING STANDARDS AND SYSTEM

3.1 Statement of compliance

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

3.2 Accounting standards and system

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

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

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

3. APPLIED ACCOUNTING STANDARDS AND SYSTEM (continued)

3.2 Accounting standards and system (continued)

The Bank has prepared the separate financial statements to reflect operations of the Bank only. It has also prepared the 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 separate financial statements should read these separate financial statements together with the consolidated financial statements for the year ended 31 December 2016 in order to have adequate information about the consolidated financial position, consolidated results of operations and 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 separate financial statements indicate nil balance.

3.3 Basis of assumptions and uses of estimates

The preparation of the separate financial statements requires the Board of Management of the Bank make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent liabilities. These estimates and assumptions also affect the income, expenses and the resultant provisions. Such estimates are necessarily based on assumptions involving varying degrees of subjectivity and uncertainty and actual results may differ resulting in future changes in such provision.

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 separate financial statements are consistent with those followed in the preparation of the Bank's separate financial statements for the year ended 31 December 2015.

4.2 Issued accounting policies and disclosures which have not come into effect

The National Assembly has approved Law on Accounting No. 88/2015/QH13 ("New Accounting Law") on 20 November 2015. The New Accounting Law supplements regulations on electronic vouchers and stipulates regulations on the implementation of fair value principles on certain types of assets and liabilities which their values change frequently in line with market values and can be determined reliably. The New Accounting Law comes into effect from 1 January 2017.

4.3 Cash and cash equivalents

Cash and cash equivalents comprise current accounts at the SBV, current deposits and placements with banks with an original maturity of three months or less from the transaction date, securities with recovery or maturity of three months or less from date of purchase which can be converted into a known amount of cash and do not bear the liquidity risk as at the date of these separate financial statements.

4.4 Loans to customers

Loans to customers are presented at the principal amounts outstanding at the end of the year.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**4.5 Provision for credit losses**

The classification of placements with and loans to other credit institutions, direct and entrusted investments in unlisted corporate 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 No. 02/2013/TT-NHNN ("Circular 02").

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

Group		Description	Provision rate
1	Current	(a) Current debts are assessed as fully and timely recoverable for both principals and interests; or (b) Debts are overdue for a period of less than 10 days and assessed as fully recoverable for both overdue principals and interests, and fully and timely recoverable for both remaining principals and interests.	0%
2	Special Mention	(a) Debts are overdue for a period of between 10 days and 90 days; or (b) Debts which the repayment terms are restructured for the first time.	5%
3	Sub standard	(a) Debts are overdue for a period of between 91 days and 180 days; or (b) Debts which the repayment terms are extended for the first time; or (c) Debts which interests are exempted or reduced because customers do not have sufficient capability to repay all interests under credit contracts; or (d) Debts under one of the following cases which have not been recovered in less than 30 days from the date of the recovery decision: ▪ 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%

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**4.5 Provision for credit losses (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 a higher of the risk group assessed by the leading bank and by the Bank.

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

The basis for determination of the value and discounted value for each type of collateral is specified in Circular 02 and Circular No. 09/2014/TT-NHNN which amends and supplements some articles of Circular 02 ("Circular 09").

In accordance with the requirements of Circular 02, as at 31 December 2016 the Bank is also required to make a general provision at 0.75% of total outstanding loans excluding loans classified as loss (group 5) and loans to other credit institutions at 30 November 2016.

4.6 Securities held for trading

Securities held for trading include debt securities, equity securities and other securities acquired and held for resale within one year in order to gain profit on price variances.

Securities held for trading are initially recognized at the cost of acquisition and subsequently measured at the lower of the book value and the market value. Gains or losses from sales of trading securities are recognized in the separate income statement.

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.6 Securities held for trading (continued)

Provision for diminution in value of securities is made when the carrying value is higher than the market value in compliance with Circular No. 228/2009/TT-BTC issued by the Ministry of Finance on 7 December 2009. In case market prices of securities are not available or cannot be determined reliably, no provision is calculated. Provision is recognized in the "*Net gain/(loss) from securities held for trading*" account of the 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*.

4.7 Available-for-sale securities

Available-for-sale securities include debt and equity securities that are acquired by the Bank for the investment and available-for-sale purposes, not regularly traded but can be sold when there is a benefit. For equity securities, the Bank is also neither the founding shareholder nor the strategic partner and does not have the ability to make certain influence on establishing and making the financial and operating policies of the investees through a written agreement on assignment of its personnel to the Board of Directors/Management.

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

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

In subsequent periods, these securities are continuously recorded at par value, and the discount/premium (if any) is amortized to the 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.

Available-for-sale securities are subject to impairment review on a periodical basis.

Provision for diminution in value of securities is made when the carrying value is higher than the market value in compliance with Circular No. 228/2009/TT-BTC issued by the Ministry of Finance on 7 December 2009. In case market prices of securities are not available or cannot be determined reliably, no provision is calculated. Provision is recognized in the "*Net gain/(loss) from investment securities*" account of the 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.8 Held-to-maturity investments securities

Held-to-maturity investment securities only include special bonds issued by VAMC.

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

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

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

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

In which:

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

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

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

On settlement date of special bonds, gains from the debts will be recognized into "Other operating income".

4.9 Investments in subsidiaries

Investments in subsidiaries controlled by the Bank are recognized at cost in the separate financial statements. Distributions of profit received from accumulated profit of subsidiaries subsequent to the control date are recorded in the 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 accounting period. 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/(Expenses) from investments in other entities".

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**4.10 Other long-term investments**

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

For securities which are not listed but are registered for trading on unlisted public company market (UpCom), provision for diminution in value is made when their registered price for trading is lower than the carrying value of the securities at the end of accounting period.

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

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

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

4.11 Receivables**4.11.1 Receivables classified as credit-risk assets**

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

4.11.2 Other receivables

Receivables other than receivables from credit activities in the Bank's operations are recognized at cost.

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

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 (06) months up to one (01) year	30%
From one (01) to under two (02) years	50%
From two (02) to under three (03) years	70%
From three (03) years and above	100%

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.12 *Prepaid expenses*

Prepaid expenses are reported as short-term or long-term prepaid expenses on the 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.

4.13 *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 separate income statement.

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

4.14 *Depreciation and amortization*

Depreciation and amortization of fixed assets is calculated on a straight-line basis over the estimated useful lives of these assets as follows:

Buildings and architectonic models	5 – 40 years
Transportation	8 years
Machines and equipment	3 – 10 years
Computer software	3 – 7 years

4.15 *Operating lease*

Rentals under operating lease are charged in the “*Operating expenses*” of the separate income statement on a straight line basis over the term of the lease.

4.16 *Recognition of income and expense*

Interest income and expenses are recognized in the separate income statement on an accrual basis using the nominal interest rates. The recognition of accrued interest income of a loan is suspended when such debt is classified in groups 2 to 5 in compliance with Circular 02. Suspended interest income is reversed and monitored off-balance sheet and recognized in the separate income statement upon actual receipt.

Fees and commissions are recognized on an accrual basis.

4.17 *Foreign currency transactions*

All transactions are recorded in original currencies. Monetary assets and liabilities denominated in foreign currencies are translated into VND using exchange rates ruling at the separate balance sheet date (*Note 42*). Income and expenses arising in foreign currencies during the year are converted into VND at rates ruling at the transaction dates. Foreign exchange differences arising from the translation of monetary assets and liabilities are recognized and followed in the “*Foreign exchange differences*” under “*Owners’ equity*” in the separate balance sheet and will be transferred to the separate income statement at the end of the financial year.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.18 Payables and accruals

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

4.19 Deposits from banks, customer deposits and valuable paper issued

Deposits from banks, customer deposits and valuable paper issued are disclosed at the principal amounts outstanding at the date of separate financial statements.

4.20 Corporate income tax

Current income tax

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

Current income tax is charged or credited to the separate income statement except when it relates to items recognized directly to equity, in this case the current income tax is also 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 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 separate balance sheet date between the tax base of assets and liabilities and their carrying amount for the financial reporting purposes.

Deferred tax payable is recognized for temporary taxable differences.

Deferred corporate income tax assets are recognized for deductible temporary differences, deductible amounts carried over to subsequent periods of taxable losses, and unused tax credits when it is probable that there will be sufficient future taxable profit to use deductible temporary differences, taxable losses and tax credits. Deferred tax 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 accounting period.

4.21 Classification for off-balance-sheet commitments

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.22 *Offsetting*

Financial assets and financial liabilities are offset and the net amount is reported in the 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.

4.23 *Foreign exchange contracts*

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

Currency forward contracts

The currency forward contracts are commitments to settle in cash on a pre-determined future date based on the difference between pre-determined exchange rates, calculated on the notional amount. The currency forward contracts are recognized at nominal value at the transaction date and are revalued for the reporting purpose at the exchange rate at the reporting date. Gains or losses realized or unrealized are recognized in the "Foreign exchange differences" under "Owners' equity" in the 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 the difference between pre-determined exchange rates calculated on the notional principal amount or commitments to settle interest based on a floating rate or a fixed rate calculated on the notional amount and in a given period.

The currency swap contracts are revalued periodically. Gains or losses realized or unrealized are recognized in the "Foreign exchange differences" under "Owners' equity" in the 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 separate income statement on an accrual basis.

4.24 *Employee benefits*

4.24.1 *Post-employment benefits*

Post-employment benefits are paid to retired employees of the Bank by the Social Insurance Agency which belongs to the Ministry of Labor and Social Affairs. The Bank is required to contribute to these post-employment benefits by paying social insurance premium to the Social Insurance Agency at the rate of 18% of an employee's basic salary on a monthly basis. Other than that, the Bank has no further obligation relating to post-employment benefits.

4.24.2 *Voluntary resignation benefits*

The Bank has the obligation, under Section 48 of the Vietnam Labor Code 10/2012/QH13 effective from 1 May 2013, to pay allowance arising from voluntary resignation of employees, equal to one-half month's salary for each year of employment up to 31 December 2008 plus salary allowances (if any). From 1 January 2009, the average monthly salary used in this calculation is the average monthly salary of the latest six-month period up to the resignation date.

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4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.24 Employee benefits (continued)

4.24.3 Unemployment insurance

According to Circular No. 32/2010/TT-BLĐTBXH providing guidance for Decree No. 127/2008/ND-CP on unemployment insurance, from 1 January 2009, the Bank is required to contribute to the unemployment insurance at the rate of 1% of salary and wage fund of unemployment insurance joiners and deduct 1% of monthly salary and wage of each employee to contribute to the unemployment insurance.

4.25 Statutory reserves

The Bank creates the following statutory reserves in compliance with Law on Credit Institutions No. 47/2010/QH12, Decree No. 57/2012/ND-CP and its Charter as 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	25% of charter capital

Other funds are created at discretion of the Board of Directors of the Bank in accordance with stipulated rights and obligations in the Bank's Charter.

These reserves are created annually based on the annual separate financial statements.

5. CASH, GOLD AND GEMSTONE

	<i>31 December 2016 VND million</i>	<i>31 December 2015 VND million</i>
Cash on hand in VND	1,036,240	850,227
Cash on hand in foreign currencies	667,059	756,702
Gold on hand	24,062	25,496
	1,727,361	1,632,425

6. BALANCES WITH THE STATE BANK OF VIETNAM

	<i>31 December 2016 VND million</i>	<i>31 December 2015 VND million</i>
Demand deposits at the SBV	2,573,221	2,094,220

Balances with the SBV include current account and compulsory reserves. As at 31 December 2016, compulsory reserve in VND and current account in foreign currencies bear interest at rate of 1.20% p.a. and 0.05% p.a., respectively (31 December 2015: 1.20% p.a. and 0.05% p.a., respectively).

Under the SBV regulations, the Bank is required to maintain certain cash reserve with the SBV in the form of compulsory reserve. In December 2016, the required cash reserve of customer deposits in VND and foreign currencies having maturity less than 12 months is computed at 3.00% and 8.00%, respectively (2015: 3.00% and 8.00%, respectively) and having maturity over 12 months is computed at 1% and 6% (2015: 1.00% and 6.00% respectively).

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7. PLACEMENTS WITH AND LOANS TO OTHER CREDIT INSTITUTIONS

7.1. Placements with other credit institutions

	31 December 2016 VND million	31 December 2015 VND million
Demand deposits	1,904,761	816,336
- In VND	1,312,601	101,735
- In foreign currencies	592,160	714,601
Term deposits	4,063,858	8,466,166
- In VND	2,690,000	5,395,000
- In foreign currencies	1,373,858	3,071,166
	5,968,619	9,282,502
Provisions for placements with other credit institutions	-	-
	5,968,619	9,282,502

7.2 Loans to other credit institutions

	31 December 2016 VND million	31 December 2015 VND million
In VND	5,300,460	5,060,731
In foreign currencies	-	809,930
	5,300,460	5,870,661
Provisions for loans to other credit institutions	(731)	(731)
	5,299,729	5,869,930

Interest rates of deposits at other credit institutions as at the end of the year are as follows:

	31 December 2016 % per annum	31 December 2015 % per annum
Term deposits in VND	4.10% - 7.30%	4.30% - 7.13%
Term deposits in foreign currencies	1.30% - 1.50%	0.10% - 2.50%
Loans in VND	3.50% - 6.10%	4.50% - 6.20%
Loans in foreign currencies	Not applicable	0.50% - 1.50%

Analysis of outstanding deposits at and loans to other credit institutions by quality as at the end of the year are as follows:

	31 December 2016 VND million	31 December 2015 VND million
Current	11,268,348	15,152,432
Special mention	-	-
Substandard	-	-
Doubtful	-	-
Loss	731	731
	11,269,079	15,153,163

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8. SECURITIES HELD FOR TRADING

8.1 Debt securities

	31 December 2016 VND million	31 December 2015 VND million
Government securities	1,499,929	1,324,317
Securities issued by others credit institutions	1,453,840	722,418
<i>In which: Bonds guaranteed by the Government</i>	1,245,445	529,214
	2,953,769	2,046,735
Provision for securities held for trading	(1,563)	(3,088)
	2,952,206	2,043,647

Changes in provision for diminution in value of securities during the period are as follows:

	2016 VND million	2015 VND million
Opening balance	3,088	14,979
Reversal of provision in the year	(1,525)	(11,891)
Closing balance	1,563	3,088

8.2 Securities held for trading by listing status

	31 December 2016 VND million	31 December 2015 VND million
Listed	2,745,374	2,046,735
Unlisted	208,395	-
	2,953,769	2,046,735

Analysis by quality for securities held for trading classified as credit risk bearing assets at the end of the year is as below:

	31 December 2016 VND million	31 December 2015 VND million
Current	208,395	-
Special mention	-	-
Substandard	-	-
Doubtful	-	-
Loss	-	-
	208,395	-

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9. DERIVATIVES AND OTHER FINANCIAL LIABILITIES

	Total contract nominal value (at contractual exchange rate) VND million	Total carrying value (at exchange rate as at reporting date)		Net value VND million
		Assets VND million	Liabilities VND million	
As at 31 December 2016				
Derivative financial instruments	26,301,082	25,931,465	(26,039,271)	(107,806)
Foreign exchange forward contracts	12,754,991	12,524,584	(12,662,735)	(138,151)
Foreign exchange swap contracts	13,546,091	13,406,881	(13,376,536)	30,345
Other derivatives financial instruments	107,050	110,795	(107,050)	3,745
	26,408,132	26,042,260	(26,146,321)	(104,061)
As at 31 December 2015				
Derivative financial instruments	30,585,044	29,953,106	(30,083,271)	(130,165)
Foreign exchange forward contracts	12,191,830	11,919,271	(12,040,579)	(121,308)
Foreign exchange swap contracts	18,393,214	18,033,835	(18,042,692)	(8,857)
Other derivatives financial instruments	107,050	109,450	(107,050)	2,400
	30,692,094	30,062,556	(30,190,321)	(127,765)

10. LOANS TO CUSTOMERS

	31 December 2016		31 December 2015	
	VND million	%	VND million	%
Loans to local economic entities and individuals	111,978,043	99.48	95,958,975	99.35
Discounted bills and valuable papers	46,621	0.04	22,893	0.02
Payments on behalf of customers	1,382	0.00	3,522	0.00
Loans financed by entrusted funds	537,664	0.48	564,143	0.58
Loans to foreign economic entities and individuals	4,604	0.00	46,770	0.05
	112,568,314	100	96,596,303	100

Interest rates of loans to customers at the end of the year are as follows:

	31 December 2016 % per annum	31 December 2015 % per annum
In VND	3.00% - 13.50%	3.00% - 14.00%
In foreign currencies	1.40% - 4.50%	1.60% - 5.00%

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10. LOANS TO CUSTOMERS (continued)

10.1 Analysis of loan portfolio by quality

	31 December 2016 VND million	31 December 2015 VND million
Current	106,033,580	90,806,251
Special mention	4,253,062	3,444,597
Substandard	793,284	560,560
Doubtful	622,665	444,032
Loss	865,723	1,340,863
	112,568,314	96,596,303

10.2 Analysis of loan portfolio by original maturity

	31 December 2016 VND million	31 December 2015 VND million
Short term loans	29,875,230	29,130,352
Medium term loans	33,508,417	39,705,470
Long term loans	49,184,667	27,760,481
	112,568,314	96,596,303

10.3 Analysis of loan portfolio by ownership and types of customers

	31 December 2016 VND million	%	31 December 2015 VND million	%
State-owned companies	2,169,805	1.93	1,547,766	1.60
One-member limited liability companies with the State owning 100% of capital	970,215	0.86	630,928	0.65
Two or more members limited liability companies with the State owning over 50% of capital or being controlled by the State	26,001	0.02	414,632	0.43
Other limited liability companies	27,408,987	24.35	28,712,712	29.73
Joint stock companies with the State owning over 50% of capital or ordinary shares; or being controlled by the State	663,314	0.59	860,868	0.89
Other joint-stock companies	21,200,544	18.83	20,976,352	21.72
Private enterprises	784,738	0.70	624,926	0.65
Foreign invested enterprises	598,944	0.53	573,459	0.59
Co-operatives and unions of co-operative	67,446	0.06	100,609	0.10
Household business and individuals	57,867,902	51.41	42,026,878	43.51
Operation administration entity, the Party, unions and associations	110,007	0.10	125,469	0.13
Others	700,411	0.62	1,704	0.00
	112,568,314	100	96,596,303	100

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10. LOANS TO CUSTOMERS (continued)

10.4 Analysis of loan portfolio by sectors

	31 December 2016		31 December 2015	
	VND million	%	VND million	%
Agricultural, forestry and aquaculture	2,498,851	2.22	4,584,262	4.75
Mining	290,298	0.26	214,216	0.22
Processing, manufacturing	16,637,628	14.79	9,643,927	9.98
Electricity, petroleum and steam	2,479,019	2.20	2,569,617	2.66
Water supply and waste treatment	562,659	0.50	620,461	0.64
Construction	6,035,306	5.36	6,368,949	6.60
Wholesale and retail trade, repair of motor vehicles, motor cycles and personal goods	11,228,534	9.98	7,755,952	8.03
Transportation and logistics	3,427,557	3.04	2,687,377	2.78
Hospitality and restaurants	3,258,575	2.89	1,170,540	1.21
Information and media	562,148	0.50	1,558,204	1.61
Finance, banking and insurance services	5,540,253	4.92	2,851,196	2.95
Real estates	17,794,732	15.81	19,078,633	19.76
Scientific research and technology	962,987	0.86	1,115,272	1.15
Administrative activities and support services	1,838,986	1.63	1,738,015	1.80
Activities of the Communist Party, political - social organizations, state management, security and defense	206,364	0.18	141,667	0.15
Education and vocational training	700,782	0.62	532,416	0.55
Healthcare and community development	228,241	0.20	211,920	0.22
Recreational, cultural, sporting activities	633,031	0.56	989,411	1.02
Other services	8,565,281	7.61	7,888,924	8.17
Households services, production of material products and services used by households	29,081,401	25.84	24,862,277	25.74
Activities of other foreign organizations and offices	35,681	0.03	13,067	0.01
	112,568,314	100	96,596,303	100

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NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)
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11. PROVISION FOR CREDIT LOSSES OF LOANS TO CUSTOMERS

Provision for credit losses on the separate balance sheet as at the end of the year comprises of the following:

	31 December 2016 VND million	31 December 2015 VND million
General provision	799,745	672,274
Specific provision	516,879	494,874
	1,316,624	1,167,148

Changes in provision for loans to customers in during the year 2016 are as follows:

	General provision VND million	Specific provision VND million	Total VND million
Opening balance	672,274	494,874	1,167,148
Provision charged	127,471	2,106,868	2,234,339
Provision decrease for sale of debts to VAMC	-	(157,292)	(157,292)
Provision used to write off bad debts	-	(1,927,571)	(1,927,571)
Closing balance	799,745	516,879	1,316,624

Changes in provision for loans to customers during the year 2015 are as follows:

	General provision VND million	Specific provision VND million	Total VND million
Opening balance	574,697	549,605	1,124,302
Provision charged	97,577	1,460,374	1,557,951
Provision increase from repurchase of debts from VAMC	-	9,522	9,522
Provision decrease for sale of debts to VAMC	-	(263,984)	(263,984)
Provision decrease for sale of debts to other credit institutions	-	(114,569)	(114,569)
Provision used to write off bad debts	-	(1,146,074)	(1,146,074)
Closing balance	672,274	494,874	1,167,148

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12. INVESTMENT SECURITIES

12.1 Available-for-sale securities

	31 December 2016 VND million	31 December 2015 VND million
Debt securities	51,933,301	43,950,621
Government bonds	21,721,281	21,024,986
Bonds issued by other domestic credit institutions	15,089,376	12,787,075
<i>In which: Bonds guaranteed by the Government</i>	<i>11,555,600</i>	<i>9,736,500</i>
Certificates of deposit issued by other domestic credit institutions	1,100,000	-
Bonds issued by local economic entities	14,022,644	10,138,560
Equity securities	15,357	15,357
Equity securities issued by local economic entities	15,357	15,357
	51,948,658	43,965,978
Provision for available-for-sale securities	(248,559)	(174,833)
Diminution provision	(19,829)	-
General provision	(122,609)	(107,133)
Specific provision	(106,121)	(67,700)
	51,700,099	43,791,145

Government bonds have terms from 3 years to 15 years and bear interest at rates ranging from 5% to 11% per annum (31 December 2015: terms of 8 months to 15 years, interest rates ranging from 5% to 13.2% per annum).

Debt securities issued by other domestic credit institutions have terms from 2 years to 10 years and bear interest at rates ranging from 5.7% to 12.2% per annum (31 December 2015: terms from 7 months to 10 years, interest rates ranging from 5.9% to 12.7% per annum).

Debt securities issued by local economic entities have terms from 1 year to 6 years and bear interest at rates ranging from 8.5% to 11% per annum (31 December 2015: terms from 1 year to 5 years, interest rates ranging from 6% to 15% per annum).

Book value of bonds pledged for capital mobilization contracts as at 31 December 2016 amounted to VND8,545,572 million (31 December 2015: VND9,166,032 million).

12.2 Held-to-maturity securities

Held-to-maturity securities include special bonds issued by VAMC.

	31 December 2016 VND million	31 December 2015 VND million
Special bonds	4,136,200	4,520,639
Specific allowance for special bonds	(496,311)	(566,946)
	3,639,889	3,953,693

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NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)
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12. INVESTMENT SECURITIES (continued)

12.3 Provision for investment securities

Movement of provision for impairment of investment securities during the year is as follows:

	<i>Available-for-sale securities VND million</i>	<i>Held-to-maturity securities VND million</i>	<i>Total VND million</i>
Opening balance	174,833	566,945	741,779
Provision charged/(reversed) during the year	73,726	(70,635)	3,091
Closing balance	248,559	496,311	744,870

Analysis by quality for securities available-for-sale classified as credit risk bearing assets at the end of the year is as below:

	<i>31 December 2016 VND million</i>	<i>31 December 2015 VND million</i>
Current	14,348,253	12,500,396
Special mention	3,611,425	561,577
Substandard	-	-
Doubtful	561,043	-
Loss	-	-
	18,520,721	13,061,973

13. LONG-TERM INVESTMENTS

13.1 Investments in subsidiaries

Subsidiaries	<i>% owned</i>	<i>31 December 2016 VND million</i>	<i>31 December 2015 VND million</i>
VPBank Asset Management Company Limited	100	115,000	115,000
VPBank Finance Company Limited	100	3,014,035	1,724,035
		3,129,035	1,839,035

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13. LONG-TERM INVESTMENTS (continued)

13.2 Other long-term investments

	31 December 2016		31 December 2015	
	Cost VND million	% owned	Cost VND million	% owned
Investments in economic entities				
ITRACO Transportation Joint Stock Company (ITRACO JSC)	21	0.64%	21	0.64%
Dong Xuan Join Stock Company (Dong Xuan JSC)	5,000	10.00%	5,000	10.00%
Banking Training and Consultancy JSC (BTC)	371	4.30%	371	4.30%
Vietnam Credit Information JSC (PCB)	3,934	3.28%	3,934	3.28%
Sai Gon Port Joint-Stock Company	185,276	7.44%	185,276	7.44%
VPBank Securities JSC (VPBS)	104,770	11.00%	104,770	11.00%
	299,372		299,372	
Provision for other long-term investments	(76,442)		(473)	
	222,930		298,899	

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14. FIXED ASSETS

14.1 Tangible fixed assets

Movements of tangible fixed assets during the year are as follows:

	Building and architectonic models VND million	Machines and equipment VND million	Motor vehicles VND million	Office equipment VND million	Other VND million	Total VND million
Cost						
Opening balance	49,051	330,098	85,190	60,063	48,274	572,676
Purchases in the year	14,793	99,463	19,606	18,574	7,778	160,214
Reclassification	-	3,643	(2,720)	-	(324)	599
Disposal	-	(42,934)	(5,784)	(1,259)	(7,294)	(57,271)
Closing balance	63,844	390,270	96,292	77,378	48,434	676,218
Accumulated depreciation						
Opening balance	14,886	221,315	54,759	42,714	25,027	358,701
Charge for the year	5,030	65,524	9,967	12,449	9,709	102,679
Reclassification	-	2,971	(2,882)	-	-	89
Other decreases	-	-	-	(20)	-	(20)
Disposal	-	(27,421)	(5,359)	(1,260)	(6,915)	(40,955)
Closing balance	19,916	262,389	56,485	53,883	27,821	420,494
Net book value						
As at beginning date	34,165	108,783	30,431	17,349	23,247	213,975
As at closing date	43,928	127,881	39,807	23,495	20,613	255,724

Cost of fully-depreciated tangible fixed assets which are still in use as at 31 December 2016 is VND209,079 million.

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14. FIXED ASSETS (continued)

14.2 Intangible fixed assets

Movements of intangible fixed assets during the year are as follows:

	<i>Indefinite land use rights VND million</i>	<i>Computer software VND million</i>	<i>Total VND million</i>
Cost			
Opening balance	90,132	230,298	320,430
Purchases in the year	-	58,385	58,385
Reclassification	-	(599)	(599)
Other increases	-	3,576	3,576
Disposal	(20,985)	(51,879)	(72,864)
Closing balance	69,147	239,781	308,928
Accumulated amortization			
Opening balance	868	145,031	145,899
Charge for the year	-	29,779	29,779
Reclassification	-	553	553
Disposal	-	(35,370)	(35,370)
Closing balance	868	139,993	140,861
Net book value			
At the beginning date	89,264	85,267	174,531
At the closing date	68,279	99,788	168,067

Cost of fully-depreciated intangible fixed assets which are still in use as at 31 December 2016 is VND78,947 million.

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NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)
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15. OTHER ASSETS

15.1 Receivables

	31 December 2016 VND million	31 December 2015 VND million
Internal receivables	24,323	40,464
External receivables	5,992,736	6,239,049
Construction in progress	15,569	21,145
	6,032,628	6,300,658

External receivables mainly include receivables related to LC UPAS (VND2,956,761 million) (Note 17.2); deposits for economic contracts (VND1,313,221 million); receivables from sale of debts to its subsidiary according to the Debt Trading Proposal approved by the SBV under Official Letter No. 9641/NHNN-TTGSNN dated 25 December 2014 (VND1,047,944 million); overdue deposits classified into credit risk assets; and other external receivables.

15.2 Accrued interest and fee receivables

	31 December 2016 VND million	31 December 2015 VND million
Interest receivable from deposits	15,364	22,886
Interest receivable from investment securities	2,052,693	1,675,724
Interest receivable from credit activities	1,299,287	1,824,673
Interest receivable from derivative instruments	52,507	161,456
Other fee receivables	20	-
	3,419,871	3,684,739

15.3 Other assets

	31 December 2016 VND million	31 December 2015 VND million
Materials	13,896	10,123
Prepaid expenses	426,835	490,685
Foreclosed assets (*)	2,211,320	1,888,260
Including: Real estates	2,211,320	1,888,260
Receivable from entrusted investment contracts	-	750,150
Other assets	1,156	1,725
	2,653,257	3,140,943

(*) This represents the value of foreclosed assets which are under pending resolutions in compliance with the SBV's prevailing regulations.

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NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)
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15. OTHER ASSETS (continued)

15.4 Provision for other assets

Provision for other assets include general provision for entrusted investment and provision for bad debts. Movements of provision for other assets are as follows:

	2016 VND million	2015 VND million
Opening balance	231,224	106,386
Charge of provision during the year	1,040	124,838
In which:		
Charge of provision for other credit risk bearing assets (Note 33)	1,040	124,838
Provision used to write off bad debts	(5,720)	-
Closing balance	226,544	231,224

Details of provision for other assets are as follows:

	31 December 2016 VND million	31 December 2015 VND million
Provision for credit risks	225,731	230,411
- General provision (i)	3,976	5,626
- Specific provision (ii)	221,755	224,785
Provision for other risks	813	813
	226,544	231,224

- (i) General provision is made for entrusted investment contracts to purchase unlisted securities.
- (ii) Specific provision is made for the overdue deposits reclassified into credit risk bearing assets.

16. AMOUNTS DUE TO THE GOVERNMENT AND THE STATE BANK OF VIETNAM

	31 December 2016 VND million	31 December 2015 VND million
Borrowings from the SBV		
Discount, rediscount of valuable papers	1,077,995	4,819,153
Other borrowings	25,691	1,910
	1,103,686	4,821,063

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NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)
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17. DEPOSITS AND BORROWINGS FROM OTHER CREDIT INSTITUTIONS

17.1 Deposits from other credit institutions

	31 December 2016 VND million	31 December 2015 VND million
Demand deposits	1,422,062	1,337,468
In VND	1,375,824	1,335,205
In foreign currencies	46,238	2,263
Term deposits	13,977,357	8,358,662
In VND	11,683,900	7,575,000
In foreign currencies	2,293,457	783,662
	15,399,419	9,696,130

17.2 Borrowings from other credit institutions

	31 December 2016 VND million	31 December 2015 VND million
In VND	6,859,121	7,576,807
<i>In which: Discounted valuable papers in VND</i>	<i>5,085,556</i>	<i>3,375,026</i>
In foreign currencies (*)	5,200,537	307,845
	12,059,658	7,884,652

(*) This balance includes the payables arising from usance letter of credits with amount of VND 2,956,761 million, which is recorded in line with Official Letter No.3333/NHNN-TCKT providing guidance on accounting treatment for letter of credit reimbursing transactions (Note 15.1).

Interest rates of deposits and borrowings from other credit institutions at the end of the year are as follows:

	31 December 2016 % per annum	31 December 2015 % per annum
Deposits from other credit institutions in VND	4.00% - 5.30%	3.70% - 5.50%
Deposits from other credit institutions in foreign currencies	0.70% - 1.80%	0.10% - 1.00%
Borrowings from other credit institutions in VND	4.30% - 5.88%	4.30% - 5.95%
Borrowings from other credit institutions in foreign currencies	0.75% - 2.30%	0.75% - 2.09%

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18. CUSTOMER DEPOSITS

	31 December 2016 VND million	31 December 2015 VND million
Demand deposits	15,310,424	12,574,069
- Demand deposits in VND	12,394,182	11,830,301
- Demand deposits in foreign currencies	2,916,242	743,768
Term deposits	105,992,689	116,122,907
- Term deposits in VND	101,491,632	105,474,859
- Term deposits in foreign currencies	4,501,057	10,648,048
Deposits for specific purpose	69,569	122,541
- Deposits for specific purpose in VND	65,867	110,247
- Deposits for specific purpose in foreign currencies	3,702	12,294
Margin deposits	415,505	417,609
- Margin deposits in VND	410,085	378,453
- Margin deposits in foreign currencies	5,420	39,156
	121,788,187	129,237,126

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

	31 December 2016 VND million	%	31 December 2015 VND million	%
State-owned companies	5,058,365	4.15	6,087,819	4.71
One-member limited liability companies with the State owning 100% of capital	2,134,004	1.75	2,569,185	1.99
Two or more member limited liability companies with the State owning over 50% of capital or controlled by the State	132,097	0.11	245,475	0.19
Other limited liability companies	10,232,452	8.40	13,447,826	10.41
Joint stock companies with the State owning over 50% of capital or ordinary shares; or controlled by the State	139,695	0.11	1,519,106	1.18
Other joint-stock companies	21,249,058	17.45	20,153,051	15.59
Partnership companies	451	0.00	804	0.00
Private enterprises	130,572	0.11	83,890	0.06
Foreign invested enterprises	799,203	0.66	225,972	0.17
Co-operatives and unions of co-operative	12,682	0.01	4,990	0.00
Household business and individuals	74,115,293	60.86	77,290,266	59.81
Operation administration entity, the Party, unions and associations	1,494,688	1.23	1,741,099	1.35
Others	6,289,627	5.16	5,867,643	4.54
	121,788,187	100	129,237,126	100

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18. CUSTOMER DEPOSITS (continued)

Interest rates for customer deposits as at the end of the year are as follows:

	<i>31 December 2016</i> <i>% per annum</i>	<i>31 December 2015</i> <i>% per annum</i>
Demand deposits in VND	0.05%	0.50%
Demand deposits in foreign currencies	0.00%	0.00%
Term deposits in VND	1.00% - 8.50%	1.00% - 9.00%
Term deposits in foreign currencies	0.00% - 2.10%	0.00% - 2.00%

19. OTHER BORROWED AND ENTRUSTED FUNDS

	<i>31 December 2016</i> <i>VND million</i>	<i>31 December 2015</i> <i>VND million</i>
Other borrowed and entrusted funds in VND	281,836	383,188
Other borrowed and entrusted funds in foreign currencies	1,107,950	-
	1,389,786	383,188

Other borrowed and entrusted funds in foreign currencies as at 31 December 2016 represents the disbursed amount of USD50,000,000, which is a part of the finance package provided by International Finance Company (IFC) under the loan contract dated 18 August 2016 between IFC and the Bank with the duration of five years for financing small and medium enterprises owned by women.

20. VALUABLE PAPERS ISSUED

	<i>31 December 2016</i> <i>VND million</i>	<i>31 December 2015</i> <i>VND million</i>
Under 12 months	270,902	-
From 12 months up to 5 years	23,192,427	7,384,259
From 5 years and above	5,381,588	3,980,000
	28,844,917	11,364,259

Valuable papers of the Bank consist of certificates of deposits and bonds which bear interest at rates ranging from 5.20% to 10.60% per annum (31 December 2015: from 6.60% to 10.60% per annum).

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20. VALUABLE PAPERS ISSUED (continued)

Types of valuable papers issued are as follows:

	31 December 2016 VND million	31 December 2015 VND million
Certificates of deposit to retail customers	19,043,913	4,056,179
Certificates of deposit to corporate customers	222,604	107,630
Bonds (*)	9,578,400	7,200,450
	28,844,917	11,364,259

(*) These include some bonds amounting to VND5,376,960 million eligible to be the Bank's capital.

21. OTHER LIABILITIES

21.1 Interest and fees payable

	31 December 2016 VND million	31 December 2015 VND million
Interest payables for term deposits from customers	735,961	726,139
Interest payables for savings from customers	923,845	1,217,873
Interest payables for valuable papers issued	772,593	409,463
Interest payables for borrowings from other credit institutions	27,656	71,010
Interest payables for other borrowed and entrusted funds	12,085	76
Interest payables for derivative instruments	75,927	118,815
Fee payables	14,568	13,000
	2,562,635	2,556,376

21.2 Other liabilities

	31 December 2016 VND million	31 December 2015 VND million
Internal payables	265,175	569,881
Payables to employees	265,175	569,881
External payables	2,195,897	581,950
Unearned income	21,850	16,435
Transfer payments awaiting settlement	123,887	36,567
Taxes payable to the State Budget (Note 22)	354,453	239,124
Payables related to valuable paper repo contracts	1,264,344	-
Other payables	431,360	289,824
	2,461,072	1,151,831

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22. TAXES AND OTHER OBLIGATIONS TO THE STATE BUDGET

	<i>Beginning balance VND million</i>	<i>Movements during the year</i>		<i>Ending balance VND million</i>
		<i>Payables VND million</i>	<i>Paid VND million</i>	
Value added tax	7,347	64,676	(58,206)	13,817
Corporate income tax	223,419	498,109	(396,348)	325,180
Other tax	8,358	136,294	(129,193)	15,459
	239,124	699,079	(583,747)	354,456

22.1 Current corporate income tax

The Bank has the obligation to pay corporate income tax ("CIT") at the rate of 20% of taxable profits according to Circular No. 78/2014/TT-BTC effective from 2 August 2014 (2015: corporate income tax is 22%).

The Bank's tax reports are subject to examination by the tax authorities. Because the application of tax laws and regulations to many types of transactions is susceptible to varying interpretations, amount reported in the 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 separate income statement since taxable income excludes incomes which are taxable or expenses which are deducted in prior periods due to the differences between the Bank's accounting policies and the tax regulations. It also excludes tax exempted income and non-deductible expenses. The current corporate income tax payable of the Bank is calculated based on the statutory tax rates applicable at the year-end.

Provision for current income tax expense is computed as follows:

	<i>2016 VND million</i>	<i>2015 VND million</i>
Profit before tax	3,403,026	1,997,653
<i>Add/(Minus)</i>		
- Tax-exempt income	(928,388)	(156,779)
- Other deductions	(7,875)	(372)
- Non-deductible expenses	13,973	15,106
Estimated taxable income	2,480,736	1,855,608
Estimated income tax expense using prevailing tax rate	496,148	408,234
Adjustment of tax payable for previous years	1,961	89
Income tax expense for the year	498,109	408,323
Income tax payable at the beginning of the year	223,419	59,540
Income tax paid during the year	(396,348)	(244,444)
Current income tax payable at the end of the year	325,180	223,419

22.2 Deferred income tax

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

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23. OWNERS' EQUITY AND RESERVES

23.1 Statement of changes in equity

	Charter capital VND million	Share premium VND million	Capital supplementary reserve VND million	Financial reserve VND million	Investment & Development fund VND million	Retained earnings VND million	Total VND million
Balance at 1 January 2015	6,347,410	1,369	71,737	380,428	35	1,885,884	8,686,863
Net profit for the year	-	-	-	-	-	1,589,330	1,589,330
Issuance of bonus shares	44,350	-	(44,350)	-	-	-	-
Stock dividends	932,510	-	-	-	-	(932,510)	-
Issuance of preference shares	732,196	1,287,494	-	-	-	-	2,019,690
Appropriations to other reserves	-	-	101,903	203,807	-	(305,710)	-
Balance at 31 December 2015	8,056,466	1,288,863	129,290	584,235	35	2,236,994	12,295,883
Net profit for the year	-	-	-	-	-	2,904,917	2,904,917
Issuance of bonus shares	57,537	-	(57,537)	-	-	-	-
Stock dividends	1,066,997	-	-	-	-	(1,066,997)	-
Appropriations to reserves	-	-	98,847	197,694	809,318	(1,105,824)	-
Dividends paid for preferred shares	-	-	-	-	-	(146,439)	(146,439)
Balance at 31 December 2016	9,181,000	1,288,863	170,600	781,929	809,318	2,822,651	15,054,361

The Bank increased its charter capital from VND8,056,466 million to VND9,181,000 million by way of stock dividends and bonus shares using the outstanding capital supplementary reserve pursuant to Decision No. 261/QĐ-NHNN dated 3 March 2016 granted by the SBV, Official Letter No. 321/UBCK-QLPH dated 19 January 2016 issued by the State Securities Commission and Business Registration Certificate with business code No. 0100233583 modified for the 35th time on 9 March 2016 by Hanoi Planning and Development Department.

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23. OWNERS' EQUITY AND RESERVES (continued)

23.2 Equity

	31 December 2016		31 December 2015	
	Shares	VND million	Shares	VND million
Number of registered shares	918,100,000	9,181,000	805,646,600	8,056,466
Number of shares issued	918,100,000	9,181,000	805,646,600	8,056,466
- Ordinary shares	844,880,400	8,448,804	732,427,000	7,324,270
- Preference shares	73,219,600	732,196	73,219,600	732,196
Number of outstanding shares	918,100,000	9,181,000	805,646,600	8,056,466
- Ordinary shares	844,880,400	8,448,804	732,427,000	7,324,270
- Preference shares	73,219,600	732,196	73,219,600	732,196

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

Preference shares issued by the Bank are preference dividend shares which earn stable annual dividend and have no voting rights. It is expected that after three (3) years since the issuance date, the Bank will repurchase these preference shares as treasury shares or appoint a third party to acquire these preference shares.

24. INTEREST AND SIMILAR INCOME

	2016 VND million	2015 VND million
Interest income from deposits	144,536	201,187
Interest income from loans to customers	10,707,657	10,218,969
Interest income from trading and investment securities	3,994,439	3,283,313
- Interest income from trading securities	161,557	63,075
- Interest income from investment securities	3,832,882	3,220,238
Interest income from guarantee activities	121,751	104,032
Other income from credit activities	473,945	629,645
	15,442,328	14,437,146

25. INTEREST AND SIMILAR EXPENSES

	2016 VND million	2015 VND million
Interest expenses for deposits	6,498,172	6,353,886
Interest expenses for borrowings	412,203	405,637
Interest expenses for valuable papers issued	1,430,283	950,031
Expenses for other credit activities	8,711	51,783
	8,349,369	7,761,337

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26. NET FEE AND COMMISSION INCOME

	2016 VND million	2015 VND million
Fee and commission income from	1,020,501	588,461
Settlement and treasury services	287,346	213,754
Advisory activities	274,549	27,187
Trusted and agency activities	71,652	75,604
Insurance agency activities	218,236	191,061
Other income	168,718	80,855
Fee and commission expenses for	(300,751)	(412,153)
Settlement and treasury services	(156,142)	(111,815)
Post and telecommunication	(119)	(663)
Trusted and agency activities	(50)	(695)
Advisory activities	(18,591)	(20,124)
Brokerage fee	(50,797)	(110,130)
Other expenses	(75,052)	(168,726)
Net fee and commission income	719,750	176,308

27. NET LOSS FROM TRADING OF FOREIGN CURRENCIES

	2016 VND million	2015 VND million
Income from trading of foreign currencies	1,958,051	6,241,000
Income from spot trading of foreign currencies	404,141	327,457
Income from trading of derivatives	1,553,910	5,913,543
Expenses for trading of foreign currencies	(2,255,408)	(6,531,322)
Expenses for spot trading of foreign currencies	(1,444,929)	(5,840,689)
Expenses for trading of derivatives	(810,479)	(690,633)
	(297,357)	(290,322)

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

	2016 VND million	2015 VND million
Income from trading of securities held for trading	40,911	56,664
Expenses for trading of securities held for trading	(191,820)	(15,550)
Provision reversal for securities held for trading	1,525	11,891
Net (loss)/gain from securities held for trading	(149,384)	53,005

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29. NET GAIN FROM INVESTMENT SECURITIES

	2016 VND million	2015 VND million
Income from trading of investment securities	321,263	251,560
Expenses for trading of investment securities	(155,663)	(140,926)
Provision expenses for available-for-sale investment securities (Note 12.3)	(73,726)	(71,951)
Net gain from investment securities	91,874	38,683

30. NET GAIN FROM OTHER OPERATING ACTIVITIES

	2016 VND million	2015 VND million
Income from other operations	1,034,429	986,176
Income from other derivatives	11	6,833
Bad debt recoveries	367,702	204,733
Income from fixed assets disposal	26,645	2,212
Income from other assets disposal	143,430	-
Income from debt purchase activities	460,893	737,521
Other income	35,748	34,877
Expenses for other operations	(192,337)	(57,243)
Expenses for other derivatives	(3,647)	(21,737)
Expenses for purchasing debt activities	-	(23,156)
Expenses for other assets disposal	(142,187)	-
Other expenses	(46,503)	(12,350)
Net gain from other operations	842,092	928,933

31. INCOME FROM INVESTMENTS IN OTHER ENTITIES

	2016 VND million	2015 VND million
Income from disposal of divestment in other entities	-	224,447
Dividend income	410	1,871
Profit transferred from subsidiaries	927,978	154,908
- Profit and fund transferred from VPB FC	890,154	-
- Profit transferred from VPB AMC	37,824	1,871
- Profit transferred from VPBank Securities Joint stock Company	-	153,037
	928,388	381,226

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32. OPERATING EXPENSES

	2016 VND million	2015 VND million
Expenses on taxes	1,450	3,042
Personnel expenses	1,548,857	1,886,253
<i>In which:</i>		
Salary and allowances	1,250,446	1,656,385
Expenses related to salary	131,438	107,678
Subsidy	108,410	74,270
Other allowances	58,563	47,920
Fixed asset expenses	729,147	639,341
<i>In which:</i>		
Depreciation and amortization of fixed assets	132,458	124,723
Office rental expenses	406,605	337,790
Administrative expenses	426,292	498,956
<i>In which: Expenses on per diem</i>	27,174	26,895
Other provision expenses	75,970	-
Insurance for customer deposits	111,853	95,507
Other operating expenses	766,983	726,214
	3,660,552	3,849,313

33. PROVISION EXPENSE FOR CREDIT LOSSES

	2016 VND million	2015 VND million
(Reversal) of provision for deposits at and loans to other credit institutions	-	(5,720)
Provision expense for loans to customers (Note 11)	2,234,339	1,557,951
Provision (reversal)/expenses for VAMC bonds (Note 12.3)	(70,635)	439,607
Provision expense for other assets (Note 15.4)	1,040	124,838
	2,164,744	2,116,676

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34. CASH AND CASH EQUIVALENTS

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

	31 December 2016 VND million	31 December 2015 VND million
Cash and cash equivalents	1,727,361	1,632,425
Balances with the SBV	2,573,221	2,094,220
Current accounts at other credit institutions	1,904,761	816,336
Placements with other credit institutions with original terms of three months or less	4,063,858	8,466,166
	10,269,201	13,009,147

35. EMPLOYEES' REMUNERATIONS

	2016 VND million	2015 VND million
I. Total average number of employees (persons) (only official employees)	7,635	7,798
II. Employees' remuneration (VND million)		
1. Total salary fund	1,250,446	1,656,385
2. Bonus	-	-
3. Other remuneration	108,410	74,270
4. Total remuneration (1+2+3)	1,358,856	1,730,655
5. Average monthly salary	13.65	17.70
6. Average monthly remuneration	14.83	18.49

36. COLLATERALS AND MORTGAGES

Details of customers' collaterals and mortgages at the Bank as at the end of the year are as follows:

	Book value	
	31 December 2016 VND million	31 December 2015 VND million
Real estates	148,659,056	136,753,079
Estates	30,721,080	21,017,505
Valuable papers	66,248,237	77,312,889
Others	94,972,311	89,346,542
	340,600,684	324,430,015

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37. RELATED PARTY TRANSACTIONS

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

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

Significant transactions with related parties during the year ended 31 December 2016 include:

Related parties	Transactions	Amount	
		2016 VND million	2015 VND million
VPB FC – A subsidiary	Revenue from deposits	43,196	34,328
	Revenue from advisory services	159,269	22,695
	Expense for deposits received	30,920	17,411
	Interest revenue from receivables arising from sale of debts	298,695	579,193
	Revenue from SWAP contracts	24,598	181
	Revenue from settlement service on behalf of VPB FC	43,905	24,033
	Additional capital contributions to VPB FC	1,290,000	500,000
	Profit and fund transferred to VPBank	890,154	-
	Fixed assets sold to VPB FC	32,731	-
VPB AMC – A subsidiary	Profit transferred to VPBank	37,824	1,871
	Expense for debt collection entrusted services	76,239	19,819
	Interest income from lending	-	6,155
	Expense for deposits received	3,763	1,659
Members of the Board of Management, Board of Supervision and Board of Directors	Remunerations	33,412	30,369

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37. RELATED PARTY TRANSACTIONS (continued)

Receivables and payables with related parties as at 31 December 2016 are as follows:

<i>Related parties</i>	<i>Balances</i>	<i>Receivable/ Payable</i>	
		<i>31 December 2016 VND million</i>	<i>31 December 2015 VND million</i>
VPB FC – A subsidiary	Demand deposits at VPBank	415,234	1,293,444
	Term deposits at VPBank	1,797,080	-
	Term deposits of VPBank at VPB FC	2,200,000	1,000,000
	Receivables from debt trading	1,037,893	4,622,958
	Receivables from advisory activities	10,767	24,964
	Interest receivables from debt trading	10,051	60,252
	Payables for SWAP contracts	24,406	1,592
	Accrued interest receivables from deposits	12,203	11,095
	Accrued interest payables from deposits	351	-
VPB AMC – A subsidiary	Demand deposits at VPBank	71,995	5,136
	Term deposits at VPBank	10,000	120,000
	Accrued interest payables from deposits	134	1,153

38. CONCENTRATION OF ASSETS, LIABILITIES AND OFF-BALANCE SHEET ITEMS BY GEOGRAPHICAL REGIONS

	<i>Domestic VND million</i>	<i>Foreign VND million</i>	<i>Total VND million</i>
Loans to customers and other institutions	117,864,170	4,604	117,868,774
Deposits	175,475,237	5,110,416	180,585,653
Credit commitments	17,953,893	-	17,953,893
Derivative instruments	104,061	-	104,061
Trading and investment in securities	59,038,627	-	59,038,627

39. 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 the Bank's risk management framework. To facilitate this oversight function, the Bank's BOD has established an Assets and Liabilities Committee ("ALCO") and a Risk Committee ("RCO") which are responsible for developing and monitoring key risk management policies for specific areas authorized by the BOD and periodically report to the BOD on their activities. These committees include both permanent and non-permanent members.

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

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

39. FINANCIAL RISK MANAGEMENT POLICIES (continued)

39.1 Credit risks

The Bank is subject to credit risk through its lending and investing activities and in cases where it acts as an intermediary on behalf of customers or other third parties or issues guarantees. The risk that counterparties might default their obligations is monitored on an ongoing basis. The Bank's primary exposure to credit risk arises through its loans and advances. The amount of credit exposure in this regard is represented by the carrying amounts of the assets on the separate balance sheet. In addition, the Bank is exposed to off balance sheet credit risk through commitments to extend credit and guarantees issued.

Credit risk management

Credit risk is the one that exerts the largest impact on the Bank's income and capital. The Bank has established a credit risk appetite on the basis of managing credit activities in a prudent manner and in compliance with pre-determined limits including the credit concentration risk limits and adhering to the Bank's risk tolerance. In principle, the Bank refuses to get involved in credit activities or credit products until sufficient understanding of such and appropriate control measures are obtained. To keep credit risks under control, the Bank's policy is to engage in transactions with reliable partners, and request its partners to take guarantee measures as and when required.

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

The Bank measures credit risks, 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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39. FINANCIAL RISK MANAGEMENT POLICIES (continued)

39.1 Credit risks (continued)

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

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

	Not past due VND million	Past due but not impaired VND million	Past due and impaired individually VND million	Total VND million
Placements with and loans to other credit institutions	11,268,348	-	731	11,269,079
- Placements with other credit institutions	5,968,619	-	-	5,968,619
- Loans to other credit institutions	5,299,729	-	731	5,300,460
Securities held for trading	2,953,769	-	-	2,953,769
Loans to customers	105,120,408	4,523,159	2,924,747	112,568,314
Investment securities	51,912,390	226,907	3,945,561	56,084,858
- Available-for-sale securities	47,776,190	226,907	3,945,561	51,948,658
- Held-to-maturity securities	4,136,200	-	-	4,136,200
Other assets	11,883,188	-	222,568	12,105,756
Total	183,138,103	4,750,066	7,093,607	194,981,776

The above table presents the worst scenario in which the Bank will incur the maximum credit exposures as at 31 December 2016, without taking into account of any collateral held or their credit enhancement.

The Bank's financial assets which are not past due include loans to customers classified as group 1, except loans overdue less than 10 days, undue loans to customers classified as group 2 to group 5 due to restructuring, extending payment schedule or compulsory reclassification into the worst group in accordance with CIC's results; and securities; receivables and other assets which are not past due. The Bank believes that it can recover fully and timely these financial assets in the near future.

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

The Bank is currently holding the collaterals which include real estate, movable properties, valuable papers and other types of collaterals for these financial assets. The Bank has not determined the fair value due to insufficient information and there is no detail guidance of the SBV and other authorities.

39. FINANCIAL RISK MANAGEMENT POLICIES (continued)

39.2 Market risk

Market risk is the risk that negative changes in prices and market-related values will adversely affect the Bank's income and capital. Some market risks include interest rate risk, currency risk and price risk. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return on risk.

Market risk management

Management of market risks is vested in the Market Risk Department under the Risk Management Division. The Department is responsible for the development of detailed market risk management policies and processes, instruments, guidance on market risks management measures, propose independent market risks limits for review and approval by the Management and control market risks limit on daily/monthly basis according to the Bank's regulations.

Since the year 2012, the issued market risk management policy has provided fundamental principles and a system of tools, market risk limits on trading activities (Trading book) and other interest rate risk positions in the Banking Book, with controls such as the Net FX Exposure, Present value of a basis point - PV01, Cash Flow Exposure, Duration gap and maturity gap measurement (using the Repricing Model – Revaluation Gap).

In the future, when required conditions of infrastructure and data are available, the Bank will adopt more advanced methods such as Value at Risk (VaR), Monte Carlo model, etc. to accurately measure risks and compute capital to be necessarily allocated for market risk under the Basel II standards.

Market forecasts also play an important role in market risk management. The Market Risk Management Department in combination with other specialized units gathers and analyzes information and data to generate forecasts regarding potential market movements. Accordingly, the Bank is provided with a sufficient basis for making decisions on effective risk prevention measures.

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

(a) Interest rate risk

The interest rates set by the Bank for loans to customers and customer deposits by maturity and currency are respectively presented in Note 10 and Note 18.

